
OFFICIAL STATEMENT

DAC Bond

NEW ISSUE
BOOK ENTRY ONLY

Intercept Program Rating: Moody's Investors Service: "A2" (stable outlook)
(See "BOND RATING" herein)

In the opinion of Co-Bond Counsel, the Bonds are "Qualified Zone Academy Bonds" as such term is defined in Section 54E of the Internal Revenue Code of 1986, as amended (the "Code"), the eligible holders of which are entitled to quarterly federal income tax credits. The amount of the tax credit will be treated as interest for federal tax purposes and will be included in gross income for all holders of the Bonds. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition or receipt of the tax credit on the Bonds. See "TAX MATTERS" herein, in connection with such assumptions and as to other Federal tax consequences arising with respect to the Bonds.

\$7,500,000

STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
Federally Taxable School Revenue Bonds
(Chester Upland School District Project)
Qualified Zone Academy Bonds – Tax Credit, Series of 2017

Dated: Date of Delivery
Interest Due: March 15 and September 15
Credit Allowance Dates: March 15, June 15, September 15 and December 15

Principal Due: September 15, as shown herein
First Interest Payment: September 15, 2017
Tax Credit Rate: 4.55%

The State Public School Building Authority (the "Authority") is issuing its \$7,500,000 Federally Taxable School Revenue Bonds (Chester Upland School District Project) Qualified Zone Academy Bonds – Tax Credit, Series of 2017 (the "Bonds") in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry form only in denominations of \$5,000 or integral multiples thereof, and Beneficial Owners will not receive certificates representing their interests in the Bonds. Interest on the Bonds will be paid on March 15 and September 15 of each year that the Bonds are outstanding, commencing on September 15, 2017. So long as Cede & Co. is the registered owner, references herein to registered owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners, and U.S. Bank National Association, as trustee for the Bonds (the "Trustee"), will pay principal of and interest on the Bonds to DTC, which will remit such principal and interest to its participants (as defined herein), which will in turn remit such principal and interest to the Beneficial Owners of the Bonds, as more fully described herein. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to extraordinary mandatory redemption by the Authority prior to their stated maturity date as more fully described herein. See "REDEMPTION OF BONDS" herein.

The Bonds will be issued pursuant to a Trust Indenture dated as of March 1, 2017 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") and will be equally and ratably secured under the Indenture by an assignment and pledge by the Authority to the Trustee of payments to be made to the Authority by Chester Upland School District, Delaware County, Pennsylvania (the "School District") pursuant to the provisions of a Loan Agreement dated as of March 1, 2017 (the "Loan Agreement"). Proceeds of the Bonds will be loaned by the Authority to the School District pursuant to the Loan Agreement to finance the costs of the 2017 Project, as described herein. The School District will deliver its General Obligation Note to the Authority evidencing its obligations under the Loan Agreement with respect to the Bonds.

The Bonds are being issued as "Qualified Zone Academy Bonds" as defined in Section 54E of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, the holders of the Bonds on March 15, June 15, September 15 and December 15 of any tax year (each a "Credit Allowance Date") until maturity or early redemption will be allowed a tax credit against the Bondholder's federal income tax liability. Under the Code, interest on the Bonds is includible in gross income of the holders thereof for federal income tax purposes. See "TAX MATTERS" herein.

The Bonds are payable from and secured by the assignment and pledge to the Trustee of the payments from the School District under the Loan Agreement and a General Obligation Note dated as of March 1, 2017 issued by the School District securing the payments under the Loan Agreement. The General Obligation Note is payable from tax and other general revenues of the School District, within the limits established by law. The School District has covenanted that it will include the provisions for payment of the debt service for the General Obligation Note for each fiscal year in which sums are payable in its budget for that year, appropriate such amounts from its general revenues for the payment of such debt service, and duly and punctually pay, or cause to be paid, from its sinking fund or any of its other revenues or funds the principal of, and the interest on, its School District General Obligation Note, and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power, within the limits established by law.

The Bonds are special limited obligations of the Authority. Neither the principal nor redemption price of the Bonds, nor the interest accruing or due thereon, shall constitute a general indebtedness of the Authority or an indebtedness of the United States of America, the Commonwealth of Pennsylvania (the "Commonwealth") or any political subdivision thereof (except the School District's obligations under the Loan Agreement and the General Obligation Note, both as defined herein) within the meaning of any constitutional or statutory provision whatsoever; constitute a charge against the general credit of the Authority or against the general credit or taxing power of the United States of America, the Commonwealth or any political subdivision thereof (except the School District's obligation under the Loan Agreement and the General Obligation Note, both as defined herein); or be deemed to be a general obligation of the Authority or of the Commonwealth or any political subdivision thereof (except the School District's obligation under the Loan Agreement and the General Obligation Note, both as defined herein) thereof. The Authority has no taxing power.

Payments of debt service on the General Obligation Note supporting debt service on the Bonds are not eligible for exception from the provisions of Act 1, as amended. For a discussion on recent legislation affecting the taxing powers of the School District and its applicability to the Bonds, see "The Taxpayer Relief Act (Act 1), as Amended – Status of the General Obligation Note Under Act 1" in Appendix A hereto.

The School District has operated at a deficit in certain recent years and has used borrowed funds to cover operating losses. Based on its past performance and the other risk factors discussed in this Official Statement, there can be no assurance that the School District will be able to meet its financial commitment with respect to the Bonds. (See "BONDHOLDERS' RISKS" and Appendix E herein.)

AN INVESTMENT IN THE BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT INCLUDING THE APPENDICES HERETO, BEFORE DECIDING TO PURCHASE ANY OF THE BONDS.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Authority and received by the Underwriter, and subject to approval of legality of the Bonds by Dinsmore & Shohl LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania and Powell Law, P.C., Harrisburg, Pennsylvania, each, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by Barley Snyder LLP, Lancaster, Pennsylvania, for the School District by The Law Firm of DiOrio & Sereni, LLP, Media, Pennsylvania, and for the Underwriter by its counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about March 23, 2017.



\$7,500,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
Federally Taxable School Revenue Bonds
(Chester Upland School District Project)
Qualified Zone Academy Bonds – Tax Credit, Series of 2017

Dated: Date of Delivery

Interest Due: March 15 and September 15

Credit Allowance Dates: March 15, June 15, September 15 and December 15

Principal Due: September 15, as shown below

First Interest Payment: September 15, 2017

Tax Credit Rate: 4.55%

Term Bond Maturity Date (September 15) Year	Principal Amount	Interest Rate	Initial Offering Yields	Initial Offering Prices	CUSIP ⁽¹⁾
2030	\$7,500,000	3.500%	3.500%	100.000%	85732TJS2

(1) CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of the Bondholders only at the time of issuance of the Bonds and the Authority and the Underwriter do not make any representation with respect to such CUSIP numbers or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Authority, 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, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof. 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 of, the Underwriter, or except as to information concerning the Authority, the Authority or, as to information from other sources, by the Authority or the School District.

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 ITS 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.

No quotations from or summaries or explanations of provisions of law and documents herein purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority, the School District and the purchasers or holders of any of the securities described herein. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly, so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page, the inside cover page, the list of officials, this page and the Appendices attached hereto are part of this Official Statement.

THE ORDER AND PLACEMENT OF 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 THE MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1965. "FORWARD-LOOKING STATEMENTS" ARE GENERALLY IDENTIFIABLE BY THE USE OF FORWARD-LOOKING TERMS SUCH AS "PLAN", "EXPECT", "ESTIMATE", "BUDGET", "WILL", "SHOULD", "BELIEVES" OR OTHER SIMILAR WORDS. SUCH FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, CERTAIN STATEMENTS CONTAINED IN APPENDIX D. THE SCHOOL DISTRICT BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS, AND THE ESTIMATES AND ASSUMPTIONS ON WHICH THEY ARE BASED, ARE REASONABLE. HOWEVER, ESTIMATES AND ASSUMPTIONS ARE INHERENTLY UNCERTAIN, AND NO ASSURANCE CAN BE GIVEN THAT THEY WILL PROVE TO BE CORRECT OR THAT EXPECTATIONS BASED UPON THEM WILL BE REALIZED. NEITHER THE SCHOOL DISTRICT, NOR THE UNDERWRITER, THEREFORE, CAN OR DOES WARRANT THAT THE RESULTS CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED, AND IT IS LIKELY THAT ACTUAL RESULTS WILL DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS. ACCORDINGLY, UNDUE RELIANCE SHOULD NOT BE PLACED UPON SUCH FORWARD-LOOKING STATEMENTS.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE 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 IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN THE 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. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, OR OTHER GOVERNMENTAL ENTITY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE BONDS FOR SALE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT 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 STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

STATE PUBLIC SCHOOL BUILDING AUTHORITY
1035 MUMMA ROAD
WORMLEYSBURG, PA 17043

MEMBERS OF THE AUTHORITY

Honorable Thomas W. Wolf Governor of the Commonwealth of Pennsylvania	President
Honorable John H. Eichelberger Jr. Designated by the President Pro Tempore of the Senate	Vice President
Honorable Andrew E. Dinniman Designated by the Minority Leader of the Senate	Vice President
Honorable Stanley E. Saylor Designated by the Speaker of the House of Representatives	Vice President
Honorable Joseph M. Torsella State Treasurer	Treasurer
Honorable Curtis M. Topper Secretary of General Services	Secretary
Honorable Anthony M. DeLuca Designated by the Minority Leader of the House of Representatives	Board Member
Honorable Eugene A. DePasquale Auditor General	Board Member
Honorable Pedro A. Rivera Secretary of Education	Board Member

EXECUTIVE DIRECTOR

Robert Baccon

COUNSEL TO THE AUTHORITY

(Appointed by the Office of General Counsel)

Barley Snyder LLP
Lancaster, Pennsylvania

CO- BOND COUNSEL

Dinsmore & Shohl LLP
Philadelphia, Pennsylvania

Turner Law, P.C.
Philadelphia, Pennsylvania

Powell Law, P.C.
Harrisburg, Pennsylvania

TRUSTEE

U.S. Bank National Association
Philadelphia, Pennsylvania

UNDERWRITER

PNC Capital Markets LLC
Pittsburgh, Pennsylvania

UNDERWRITER'S COUNSEL

Dilworth Paxson LLP
Harrisburg and Philadelphia, Pennsylvania

CHESTER UPLAND SCHOOL DISTRICT

BOARD OF SCHOOL DIRECTORS

Anthony Johnson	President
Joan Neal	Vice President
Cephus Richardson	Secretary
William Riley	Treasurer
Beverly Harris	Member
Raushanaha Carter	Member
Tyra Quail	Member
Maria Wilson	Member
Charlie L. Warren II	Member

CENTRAL ADMINISTRATION

Dr. Juan Baughn	Interim Superintendent
Karen DeShullo	Chief Business Administrator

RECEIVER FOR THE SCHOOL DISTRICT

Peter Barsz, CPA

SOLICITOR FOR THE SCHOOL DISTRICT

The Law Firm of DiOrio & Sereni, LLP
Media, Pennsylvania

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Appendix A - Certain Financial and Other Information Relating to the Chester Upland School District

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Appendix F – Form of Co-Bond Counsel Opinion

The Table of Contents does not list all of the subjects in the Official Statement and in all instances references should be made to the complete Official Statement to determine the subjects set forth herein.

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OFFICIAL STATEMENT

\$7,500,000

STATE PUBLIC SCHOOL BUILDING AUTHORITY

(Commonwealth of Pennsylvania)

Federally Taxable School Revenue Bonds

(Chester Upland School District Project)

Qualified Zone Academy Bonds – Tax Credit, Series of 2017

INTRODUCTION

General

This Official Statement, including the cover and inside cover pages hereof, is furnished in connection with the offering of the State Public School Building Authority (the “Authority”) \$7,500,000 Federally Taxable School Revenue Bonds (Chester Upland School District Project) Qualified Zone Academy Bonds – Tax Credit, Series of 2017 (the “Bonds”). The Bonds are dated as of their date of delivery, authorized and issued pursuant to the State Public School Building Authority Act of 1947, P.L. 1217, as supplemented and amended (the “Act”) and the resolution adopted by the Board of the Authority on January 26, 2017 (the “Authority Resolution”), under a Trust Indenture dated as of March 1, 2017 (the “Indenture”) by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) and will be equally and ratably secured under the Indenture by an assignment and pledge by the Authority to the Trustee of payments to be made to the Authority by Chester Upland School District, Delaware County, Pennsylvania (the “School District”) pursuant to the provisions of a Loan Agreement dated as of March 1, 2017 (the “Loan Agreement”) between the Authority and the School District authorized by the Authority Resolution and by a resolution duly adopted by the Board of School Directors of the School District and a resolution of the Receiver of the School District duly adopted on February 16, 2017 (together, the “School District Resolutions” and together with the Authority Resolution, the “Resolutions”).

Pursuant to the Resolutions and the Loan Agreement the Authority will lend the proceeds of the Bonds to the School District and the School District will execute and deliver to the Authority its General Obligation Note, Series of 2017 in the stated principal amount of \$7,500,000 (the “General Obligation Note”), pursuant to which the School District will make payments to the Authority in the amounts and at the times set forth therein, which amounts will be sufficient for the payment by the Authority of the principal of and interest on the Bonds.

The Authority will confirm its assignment of its rights in the Loan Agreement (except for certain retained rights) to the Trustee. Pursuant to the State Appropriation Intercept Agreement, dated as of March 23, 2017 (the “Intercept Agreement”), among the Authority, the Treasurer of the Commonwealth of Pennsylvania (the “State Treasurer”), the Pennsylvania Department of Education of the Commonwealth (the “Department”) and the School District, the School District will instruct the Department to withhold from the appropriations of the Commonwealth of Pennsylvania (the “Commonwealth”) due to the School District on the last Thursdays of the months of February and August of each fiscal year of the School District, commencing in August 2017 (the “Appropriation Payment Dates”), amounts to pay the debt service payments due from the School District under the Loan Agreement and the General Obligation Note on the next succeeding March 15 and September 15, commencing September 15, 2017, and to pay the same directly to the Trustee, as assignee of the Authority. If on any Appropriation Payment Date, the Trustee receives less than the amount due on that Appropriation Payment Date from the State Treasurer, the Trustee shall immediately give notice of the deficiency to the School District, the Authority, the Department and the State Treasurer. The School District will transfer the amount of the deficiency, in immediately available funds, to the Trustee within two Business Days of receipt of notice of the deficiency from the Trustee. In the event that the School District fails to satisfy timely the deficiency in full as provided in the immediately preceding sentence, the Trustee shall immediately give notice of such failure, including the amount of the deficiency, to the Department, the State Treasurer, the Authority and the School District. Upon receipt of such notice from the Trustee, the Department shall voucher the unpaid amount from the next appropriation due to the School District, as provided in the Intercept Agreement. Notwithstanding the foregoing, the School District remains primarily liable to make payments under the Loan Agreement and on the General Obligation Note.

The School District has covenanted in the General Obligation Note and in the School District Resolutions, authorizing, among other things, the School District to enter into the Loan Agreement and the issuance of a General Obligation Note, that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the loan payments due under the General Obligation Note for such year, and will duly and punctually pay or cause to be paid the loan payments on the dates and at the place and in the manner stated in the General Obligation Note, which correspond to the payments due on the Bonds, and for such budgeting, appropriation and payment, the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on all taxable property within the School District within the limits provided by law (see “**THE BONDS – Security**” herein and “**TAXING POWERS OF THE SCHOOL DISTRICT**” in **Appendix A** hereto).

PURPOSE OF THE BONDS

Proceeds of the Bonds will be loaned by the Authority to the School District pursuant to the Loan Agreement to fund the design, equipping, construction of, renovation of and improvements to facilities of the School District including, but not limited to, the renovation of the HVAC system of Chester High School (a "qualified zone academy" under the Code), and to pay the costs, fees and expenses incurred in connection with the issuance of the Bonds.

Estimated Sources and Uses of Bond Proceeds

The following is a summary of the estimated sources and uses of the proceeds from the issuance of the Bonds.

<u>Source of Funds:</u>	
Bond Proceeds	\$7,500,000.00
<i>Total Source of Funds</i>	<i>\$7,500,000.00</i>
 <u>Use of Funds:</u>	
Project Fund Deposit	\$7,350,000.00
Costs of Issuance ⁽¹⁾	150,000.00
<i>Total Use of Funds</i>	<i>\$7,500,000.00</i>

⁽¹⁾ Includes legal fees and expenses, financial advisory, underwriters' discount, Trustee's fees, rating fees, printing, disclosure dissemination agent fee, CUSIP and miscellaneous fees.

THE AUTHORITY

The Authority is a body corporate and politic created in 1947 by the Act. Under the Act, the Authority is constituted a public corporation and governmental instrumentality, having perpetual existence, for the purpose of acquiring, financing, refinancing, constructing, improving, maintaining and operating public school and educational broadcasting facilities, and furnishing and equipping the same for use as part of the public school system of the Commonwealth under the jurisdiction of the Department. Under the Act and Article XIX-A of the Public School Code, Act of July 1, 1985, P.L. 103, No. 31, Section 1, et seq., as amended, the Authority also has for its purpose the acquiring, financing, refinancing, construction, improvement, furnishing, equipping, maintenance and operation of community college buildings.

The Authority and the Pennsylvania Higher Educational Facilities Authority share an executive, fiscal and administrative staff, and operate under a joint administrative budget. Under the Act, the Authority consists of the Governor of the Commonwealth of Pennsylvania, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. The President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives may designate any member of his or her legislative body to act as a member of the Authority in his or her stead. The members of the Authority serve without compensation but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by a governing body consisting of the members of the Authority acting as a board.

The Authority has issued, and may continue to issue, other series of revenue bonds and notes for the purpose of financing other projects for other eligible institutions in the Commonwealth. Except for any Additional Bonds issued under the Indenture, none of the revenues of the Authority with respect to any of the other revenue bonds and notes referred to above are pledged as security for the Bonds and, conversely, the other revenue bonds and notes referred to above are not payable from or secured by the revenues of the Authority or other monies securing the Bonds. See "THE BONDS – Security and Source of Payment" herein.

The Bonds are special limited obligations of the Authority. Neither the principal or redemption price of the Bonds, nor the interest accruing or due thereon, shall constitute a general indebtedness of the Authority or an indebtedness of the United States of America, the Commonwealth of Pennsylvania (the "Commonwealth") or any political subdivision thereof (except the School District's obligations under the Loan Agreement and the General Obligation Note, both as defined herein) within the meaning of any constitutional or statutory provision whatsoever; constitute a charge against the general credit of the Authority or the general credit or taxing power of the United States of America, the Commonwealth or any political subdivision thereof (except the School District's obligation under the Loan Agreement and the General Obligation Note, both as defined herein); or be deemed to be a general obligation of the Authority or an obligation of the Commonwealth or any political subdivision thereof (except the School District's obligation under the Loan Agreement and the General Obligation Note, both as defined herein) thereof. The Authority has no taxing power.

The Authority has not prepared or assisted in the preparation of this Official Statement except for the statements under this section in respect of the Authority and "LITIGATION – The Authority," and, except as aforesaid, the Authority is not responsible for any statements made herein and will not participate in, or otherwise be responsible for, the sale of the Bonds. Accordingly, except as aforesaid, the Authority disclaims responsibility for the disclosure set forth herein made in connection with the sale of the Bonds.

The following are key staff members of the Authority who are involved in the administration of the financing and projects:

Robert Baccon, Executive Director

Mr. Baccon has served as an executive with the Authority and the Pennsylvania Higher Educational Facilities Authority (the "Authorities") since 1984. He is a graduate of St. John's University with a bachelor's degree in management, and holds a master's degree in international business from the Columbia University Graduate School of Business. Prior to joining the Authorities, Mr. Baccon held financial management positions with multinational U.S. corporations and was Vice President - Finance for a major highway construction contractor.

David Player, Comptroller & Director of Financial Management

Mr. Player serves as the Comptroller & Director of Financial Management of the Authorities. He has been with the Authorities since 1999. Prior to his present position, he served as Senior Accountant for the Authorities and as an auditor with the Pennsylvania Department of the Auditor General. Mr. Player is a graduate of the Pennsylvania State University and a Certified Public Accountant.

Beverly M. Nawa, Administrative Officer

Mrs. Nawa has served as the Administrative Officer of the Authorities since August 2004. She is a graduate of Alvernia University with a bachelor's degree in business administration. Prior to her present employment, Mrs. Nawa served as an Audit Senior Manager and an Accounting Systems Analyst with the Pennsylvania Department of the Auditor General.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$7,500,000, will be dated as of the date of delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable initially on September 15, 2017, and thereafter, semiannually on March 15 and September 15 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 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.

The Authority will designate the Bonds as Qualified Zone Academy Bonds pursuant to Section 54E of the Code ("Qualified Zone Academy Bonds").

A Qualified Zone Academy Bond generally includes a bond issued as part of an issue if 100% of the "available project proceeds" are to be used for a "qualified purpose". "Available project proceeds" means the proceeds from the sale of the Bonds less costs of issuance (to the extent such costs of issuance do not exceed two percent of such proceeds), plus any investment earnings on such amount. A "qualified purpose" with respect to any Qualified Zone Academy Bond means the rehabilitation or repair of a public school facility (including costs of acquiring equipment to be used in the portions of the public school facility that are being rehabilitated or repaired with proceeds of such bonds). For a description of additional requirements for Qualified Zone Academy Bonds, see **"TAX MATTERS – QZAB Program Requirements"** herein.

Compliance with Section 54A of the Code will be established at the time of issuance of the Bonds. However, if the School District is unable to actually spend 100% of the available projects proceeds of the Bonds for a "qualified purpose" within the three-year period beginning on the date of issuance of the Bonds, and if the School District does not receive an extension from the IRS, the School District must apply any unspent proceeds to redeem pursuant to Extraordinary Mandatory Redemption (as described in herein) a portion of the Bonds in order to preserve the qualification of the Bonds as Qualified Zone Academy Bonds.

Under the Code, the holders of the Bonds on March 15, June 15, September 15 and December 15 of any tax year until maturity or early redemption (each is defined as a "Credit Allowance Date") will be allowed a tax credit (the "Tax Credit") against the Bondholder's federal income tax liability.

The amount of the Tax Credit is equal to the product of the published credit rate for the date on which the Bonds were sold (established as 4.55% per annum for the Bonds), times the outstanding principal amount of the Bonds on the relevant Credit Allowance Date, divided by four. The Tax Credit allowed for the first Credit Allowance Date of June 15, 2017, is the ratable portion of the Tax Credit otherwise allowed on such date based on the initial issuance date. If a Bond is redeemed or matures on a date other than a Credit Allowance Date, the associated Tax Credit will be a ratable portion of the tax credit otherwise allowed based on the redemption date.

Generally, a taxpayer who owns a Bond will recognize the amount of the Tax Credit as a credit against its federal income tax liability on a given Credit Allowance Date, including estimated tax payments, if any. Tax Credits will be treated by the Internal Revenue Service in a similar manner to the way in which withheld taxes are treated for federal income tax purposes and will reduce the amount of either a taxpayer's subsequent estimated tax payments, if any, or its final tax liability, as reflected on its tax return for the related tax year.

The Tax Credits are not refundable tax credits. If a Bondholder has gross income tax liability for a given year less than the amount of the tax credit to which it is entitled for that year, the Bondholder will be required to carry forward the excess Tax Credit to subsequent tax years, if any, for which the Bondholder is able to take the credit. The Tax Credit to which a Bondholder is entitled on a particular Credit Allowance Date is not transferable after such Credit Allowance Date. Moreover, there can be no assurance that such an investor would be able to sell the Bond prior to the Credit Allowance Date.

The amount of the Tax Credit will be treated as interest for federal income tax purposes and will be included in the gross income of all Bondholders.

The discussion herein concerning certain tax consequences with respect to an investment in the Bonds is included for general information only. All persons are urged to consult with their own tax advisors to determine the specific tax consequences of making an investment in the Bonds, including any state, local or non-U.S. tax consequences.

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, 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 of 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 to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to U.S. Bank National Association (the "Paying Agent"), acting as Trustee for the Bonds, at its corporate trust office in Harrisburg or Philadelphia, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding September 15, 2017, in which event such Bond shall bear interest from the date of delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially September 15, 2017, and thereafter, semiannually on March 15 and September 15 of each year, until the principal sum is paid. 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 last day of February and August, respectively (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall cease to be payable to the registered owner on the Record Date and be payable to the person in whose name the Bond is registered at the close of business on a special Record Date to be fixed by the Trustee, such date to be not more than 15 days preceding such special Record Date (whether or not a Business Day) nor less than 10 days prior to such special Record Date.

If the date for payment of the principal or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in any jurisdiction in which the designated corporate trust office of any authorized paying agent is located, are authorized by law or executive order to close, then the date for such 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 below under "**BOOK-ENTRY ONLY SYSTEM**," Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and 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 Authority 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 Authority and the Paying Agent shall not be affected by any notice to the contrary.

Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its specified corporate trust office accompanied by a written instrument or instruments in form, with instructions, 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, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The Authority 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 Authority and the Paying Agent shall not be affected by any notice to the contrary.

Mandatory Sinking Fund Deposits

A Sinking Fund will be established under the Indenture and held by the Trustee. Although the Bonds are not subject to mandatory sinking fund redemption, the School District has covenanted in the Loan Agreement to make annual payments in the amounts and on the dates set forth below, commencing September 15, 2018 sufficient to make deposits into the Sinking Fund in the amounts shown below, to be applied to the payment of the principal amount of the Bonds at maturity. Amounts on deposit in the Sinking Fund will be invested by the Trustee in accordance with the provisions of the Indenture.

<u>Year</u> <u>(September 15)</u>	<u>Maximum Mandatory</u> <u>Sinking Fund Deposits</u>	<u>Mandatory Sinking</u> <u>Fund Balance</u>
2018	\$30,000	\$30,000
2019	25,000	55,000
2020	20,000	75,000
2021	20,000	95,000
2022	20,000	115,000
2023	20,000	135,000
2024	20,000	155,000
2025	40,000	195,000
2026	40,000	235,000
2027	10,000	245,000
2028	10,000	255,000
2029	50,000	305,000
2030 [†]	7,195,000	0

[†]Maturity; amount will be reduced to take into account interest earnings.

Security

The Bonds are limited obligations of the Authority and will be secured by the assignment and pledge to the Trustee of the payments to be made by the School District under the Loan Agreement and under the General Obligation Note to be issued to the Authority by the School District. The General Obligation Note will be in a stated principal amount equal to the aggregate principal amount of the proceeds of the Bonds loaned by the Authority to the School District and shall provide for payments of interest and principal in amounts and at time sufficient, in the aggregate, to provide for the timely payment of interest and principal due on the Bonds. The General Obligation Note is payable from tax and other general revenues of the School District, within the limits established by law. See **“TAXING POWERS OF THE SCHOOL DISTRICT - The Taxpayer Relief Act (Act 1), as Amended”** in **Appendix A** hereto. For the payment of the principal of and interest due and payable in accordance with the terms of the General Obligation Note, the School District has covenanted that it will include the amount of the debt service for the General Obligation Note for each fiscal year in which sums are payable in its budget for that year, appropriate such amounts from its general revenues for the payment of such debt service, and duly and punctually pay, or cause to be paid, from its sinking fund or any of its other revenues or funds, the principal of, and the interest on, its General Obligation Note and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power within the limits established by law as more fully described under the captions **“TAXING POWER OF THE SCHOOL DISTRICT”** in **Appendix A** hereto. Such pledge is specifically enforceable under the Debt Act (as defined herein) pursuant to the approval of proceedings filed by the School District with the Pennsylvania Department of Community and Economic Development for the incurrence of debt with respect to the General Obligation Note.

The Authority will confirm its assignment of its rights to such Loan Agreement and General Obligation Note payments to the Trustee. Pursuant to the Intercept Agreement, the School District will instruct the Department to withhold from appropriations of the Commonwealth due to the School District on the Appropriation Payment Dates, amounts to pay the School District's payments due under the Loan Agreement and to pay the same directly to the Trustee, as assignee of the Authority. If on any Appropriation Payment Date, the Trustee receives less than the amount due on that Appropriation Payment Date from the State Treasurer, the Trustee shall immediately give notice of the deficiency to the School District, the Authority, the Department and the State Treasurer. The School District will transfer the amount of the deficiency, in immediately available funds, to the Trustee within two Business Days of receipt of notice of the deficiency from the Trustee. In the event that the School District fails to satisfy timely the deficiency in full as provided in the immediately preceding sentence, the Trustee shall immediately give notice of such failure, including the amount of the deficiency, to the Department, the State Treasurer, the Authority and the School District. Upon receipt of such notice from the Trustee, the Department shall voucher the unpaid amount from the next appropriation due to the School District, as provided in the Intercept Agreement. Notwithstanding the foregoing, the School District remains primarily liable to make debt service payments under the Loan Agreement and the General Obligation Note.

In addition, the Debt Act prescribes certain other remedies, including, in the event of failure of the School District to pay the payments due under the General Obligation Note and Loan Agreement, the Trustee shall have the right to recover the amount due by bringing an action in the Court of Common Pleas in the county in which the School District is located. See **“Appendix A – DEBT AND DEBT LIMITS”** attached hereto for a description of the outstanding debt of the School District.

The Public School Code of 1949, as amended (the “Public School Code” or the “School Code”) provides that in the event the School District is in default with respect to any General Obligation Note payment due to the Authority, for any period in accordance with the terms of the Loan Agreement, there shall be a withholding from subsidy payments of amounts necessary to remedy such defaults, on an equal basis with default payments under the Bonds. As set forth above, pursuant to the provisions of Section 7-785(b) of the Public School Code, the Authority, the School District and the State Treasurer will enter into the Intercept Agreement, pursuant to which such subsidies from the Commonwealth due to the School District on the last Thursdays of the months of February and August of each fiscal year of the School District, commencing in August 2017 will be paid directly to the Trustee, as assignee of the Authority, to provide for the loan payments of the School District due under the General Obligation Note on March 15 and September 15 of each year commencing September 15, 2017. See “**DEBT AND DEBT LIMITS**” in **Appendix A** attached hereto for a description of the outstanding debt of the School District.

All public school subsidies in 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 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 interim borrowing by school districts pending the authorization 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 moneys will be payable to a school district if indebtedness of such school district is not paid when due. (See “**BONDHOLDERS’ RISKS**” herein.)

Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget. Most recently, in the state’s 2015-16 fiscal year, a final budget was not enacted until 270 days following the beginning of the fiscal year on March 27, 2016 when the Governor did not sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the current 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor did not sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and Governor signed into law an additional tax and revenue package, known as Act 85 of 2016 that was needed to balance the 2016-17 state budget.

During a state budget impasse, school districts in Pennsylvania cannot be certain that state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others.

Despite the budget impasse that ended March 17, 2016, the School District fully received its subsidies on time from the Commonwealth. There is no guaranty that this would be repeated if a future budget impasse occurs.

Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See “Act 85 of 2016” below.

Act 85 of 2016

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 Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of “intercept statutes” Sections 633 of the Public School Code. The School District’s general obligation bonds, school revenue bonds and other indebtedness, 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 total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that 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 general obligation bonds or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information to the Department within the prescribed timeframe following the issuance of the Bonds. 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.

Act 85 is recent legislation. It is not clear how the Department would apply Act 85 in the event of a budget impasse. In particular, in the absence of a fiscal agent agreement or other obligation to make a sinking fund deposit more than 10 days in advance of a debt service payment date, timely payment of the impasse intercept by the Department relies on the required advance notice by the Secretary of Education to legislative officials. As of the date of this Official Statement, no precedent or process for this advance notice has been established.

The Bonds are special limited obligations of the Authority payable solely under the provisions of the Loan Agreement. Neither the principal nor redemption price of the Bonds, nor the interest thereon, shall constitute a general indebtedness of the Authority or an indebtedness of the Commonwealth or any political subdivision thereof (except the School District's obligation under the General Obligation Note) within the meaning of any constitutional or statutory provision whatsoever; constitute a charge against the general credit of the Authority or the general credit or taxing power of the Commonwealth or any political subdivision thereof (except the School District's obligation under the General Obligation Note), or be deemed to be a general obligation of the Authority or an obligation of the Commonwealth or any political subdivision thereof (except the School District's obligation under the General Obligation Note). The Authority has no taxing power.

BOOK-ENTRY ONLY SYSTEM

The information set forth below concerning The Depository Trust Company ("DTC") and the book-entry only system has been extracted from materials provided by DTC for such purpose. No representation is made by the Authority, the School District or the Underwriter as to the accuracy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("**DTC**"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 Bond certificate will be issued for each maturity and interest rate of each series of the Bonds set forth on the inside front cover page of this Official Statement, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities 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 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 regulated 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 a Standard & Poor's rating of: AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about the 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 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 only 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 effect 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. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of the Bonds 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 such bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and payments of principal of 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 Trustee 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 nor its nominee, the Trustee, the Authority or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption proceeds and payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, the School District or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of the 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 Authority, the School District or the Trustee. Under such circumstances, in the event that a successor depository is either not required under the Resolution or not obtained, Bond certificates are required to be printed and delivered in accordance with the Resolution.

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

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

NONE OF THE AUTHORITY, THE SCHOOL DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BOOK-ENTRY BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN HOLDERS OR OWNERS OF BOOK-ENTRY BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BOOK-ENTRY BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BOOK-ENTRY BONDS.

Discontinuance of Book-Entry-Only System

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Authority determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the Beneficial Owners. In either such event (unless the Authority appoints a successor securities depository), Bonds will then be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority, the School District, or the Trustee for the accuracy of such designation. Whenever DTC requests the Authority, the School District or the Trustee to do so, the Authority, the School District or the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

REDEMPTION OF BONDS

Extraordinary Mandatory Redemption

The Bonds are subject to extraordinary mandatory redemption upon 30 days' notice to the holder thereof by lot to the extent of "available project proceeds" remaining unexpended three years from the date the Bonds are delivered (or, if an extension of the period for expenditure has been granted by the Internal Revenue Service, then by the close of the extended period), in accordance with Section 54A(c)(2)(B) of the Code; said redemption to be effected within ninety (90) days from the end of said three (3) year period or the end of said extended period upon payment of the Redemption Price of 100% of the principal amount thereof, with accrued interest accrued to the date fixed for redemption; provided, however, that the Authority may rescind such extraordinary mandatory redemption and the notice thereof on any date prior to the date of such redemption by the Authority curing the conditions that caused the Bonds to be subject to such redemption (as determined by an opinion of Bond Counsel addressed to the Authority and the Owners of the Bonds) and causing written notice of such cure and delivery of such opinion of Bond Counsel to be given to the Owners of the Bonds called for redemption in the same manner in which notice of such redemption was originally given.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not more than sixty (60) days and 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 and 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.

Manner of Redemption

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 that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bonds 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 authorized denominations in 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 any jurisdiction in which the designated corporate trust office of any authorized paying agent is located are authorized 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.

SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE, THE LOAN AGREEMENT, THE GENERAL OBLIGATION NOTE, THE INTERCEPT AGREEMENT AND THE LETTER AGREEMENT

Set forth below are brief descriptions of certain provisions of the Indenture, the Loan Agreement, the General Obligation Note, the Intercept Agreement and the Letter Agreement. The Bonds are payable from payments due under the General Obligation Note and Loan Agreement. These descriptions are brief summaries and do not purport to be and should not be regarded as complete statements of the terms of the Loan Agreement, the General Obligation Note, the Intercept Agreement, the Indenture, the Letter Agreement or as complete synopses thereof. Reference is made to the documents in their entirety, copies of which may be obtained from the Trustee, for a complete statement of the terms and conditions therein.

The Indenture

Limited Obligations of the Authority: The Bonds are special limited obligations of the Authority and are secured, on a parity basis with all other Additional Bonds issued under the Indenture by a pledge and assignment to the Trustee of the Base Loan Payments and other revenues or income derived by or for the Authority from or with respect to the Loan Agreement and all moneys to be paid over to the Trustee under the provisions of the Indenture. The Authority has no taxing power. Neither the general credit of the Authority nor the general credit or the taxing power of the Commonwealth or any political subdivision thereof (except the School District's obligation under the General Obligation Bond) has been pledged to secure the Bonds.

Pledge and Assignment of Certain Revenues: The Authority has pledged to the Trustee in the Indenture, a security interest in all Base Loan Payments, and other sums payable to the Authority by the School District under the Loan Agreement (except the rights of the Authority to receive notices, to indemnification and to payments of its fees and expenses thereunder) and all monies and income and receipts in respect thereof held by the Trustee under the Indenture, except the Rebate Fund, for the benefit and security of the registered owners of the Bonds and any Additional Bonds issued under such Indenture. The pledge made by the Authority in the Indenture and the covenants and agreements set forth therein to be performed by or on behalf of the Authority are for the equal and ratable benefit and security of all present and future owners of bonds (including the Bonds) issued under the Indenture, without preference, priority or distinction as to lien or otherwise, of any one bond over any other bond, except as otherwise expressly provided or permitted by the Indenture.

Revenue Fund: All Base Loan Payments under the Loan Agreement and the General Obligation Bond (including amounts paid pursuant to the Intercept Agreement) are required to be deposited in the Revenue Fund established with the Trustee at the times set forth in the Indenture. All moneys in the Revenue Fund are required to be transferred by the Trustee at the times set forth in the Indenture to the various other Funds established under the Indenture.

Sinking Fund: There is established under the Indenture a Sinking Fund, which shall constitute a sinking fund for the Bonds, into which the Trustee shall make annual Scheduled Sinking Fund Deposits as provided for in the Indenture. The monies on deposit in the Sinking Fund shall be invested in United States Treasury Obligations – State and Local Government Series, at a yield not in excess of the “permitted sinking fund yield” applicable to the Bonds as provided for in the Indenture; and applied to the payment, when due, of the maturing principal of the Bonds as provided for in the Indenture.

Debt Service Fund: There is established under the Indenture a Debt Service Fund which shall be held by the Trustee. The Trustee shall transfer moneys in the Revenue Fund to the Debt Service Fund, on or before the date of any required or permitted payment of principal of and interest on the Bonds, in an amount sufficient to make the interest payments due on the Bonds on each such date and to make principal payments due on the Bonds and any other bonds issued under the Indenture on September 15 of each year commencing September 15, 2017.

Investment of Funds: Moneys held in the Revenue Fund, the Debt Service Fund and the Project Fund will be invested in accordance with the Indenture.

Additional Bonds: The Indenture permits under certain circumstances and conditions, the issuance of additional bonds for the purposes of paying the Costs of undertaking or completing a School District Project or of paying the Costs of refunding all or any portion of any series of Outstanding Bonds of the Authority issued on behalf of the School District or any obligation of the School District issued for a purpose for which the Authority is authorized to issue bonds under the Act. The issuance of additional bonds under the Indenture requires, among other requirements, the prior written approval of the Owners of not less than a majority in the principal amount of Bonds then Outstanding thereunder.

Default and Remedies: The Act provides remedies to the Bondholders in the event of default or failure on the part of the Authority to fulfill its covenants under the Indenture. Under the Indenture, in the event of any default therein, the Trustee may enforce and upon written request of the holders of 25% in principal amount of all bonds issued under the Indenture then outstanding accompanied by indemnity as provided in the Indenture shall enforce, for the benefit of all Bondholders all their rights of entry, of bringing suit, action or proceeding at law or in equity and of having a receiver appointed. Neither the Trustee nor any receiver, however, may sell, assign, mortgage, or otherwise dispose of any assets of the Authority. For more complete statement of rights and remedies of the Bondholders and for limitations thereon, reference is made to the Indenture.

Modifications and Amendments: Amendments to the Indenture are permitted without consent of Bondholders for certain purposes, including the imposition of additional restrictions and conditions respecting the issuance of Additional Bonds, the addition of covenants and agreements by the Authority, the modification of the Indenture to conform the same with governmental regulations (so long as the rights of the Bondholders are not adversely affected thereby), the curing of any ambiguity, defect or inconsistency in the Indenture, and the making of provision for matters which are necessary or desirable and which do not adversely affect the interests of Bondholders. Certain other modifications may be made to the Indenture, but only with the consent of the Authority and the owners of not less than 66 2/3% in principal amount of Outstanding (as defined in the Indenture) Bonds issued under the Indenture.

Defeasance. When the principal or redemption price (as the case may be) of all Bonds issued under the Indenture, together with the interest thereon, have been paid, or there shall have been irrevocably deposited with the Trustee either moneys in an amount which shall be sufficient, or there shall be established a refunding trust or escrow agreement (the “Escrow Agreement”) and into which there shall be deposited Defeasance Obligations the principal of and the interest or other income on which when due will provide money which shall be sufficient to pay when due the principal or redemption price of all bonds issued under the Indenture and interest thereon due or to become due to the date or dates of maturity or redemption, as well as all other sums payable under the Indenture by the Authority with respect to all bonds issued under the Indenture (together with a verification report in the case of an advance refunding), the Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange; (ii) substitution of mutilated, destroyed, lost or stolen bonds; (iii) rights of Owners of all bonds issued under the Indenture to receive payments of principal or redemption price, as applicable, and interest when due

from amounts deposited pursuant to this provision; (iv) the obligations of the Authority with respect to rebate to the United States; and (v) rights, obligations and immunities of the Trustee under the Indenture), and the Trustee upon request of the Authority (and payment of all compensation and reimbursement of expenses then due and owing the Trustee) shall release the Indenture and the lien thereof and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same all property pledged under the Indenture and any and all balances remaining in any fund or account established under the Indenture (except amounts deposited or reserved in any fund or account to pay the principal or redemption price of or interest on all bonds issued under the Indenture, and amounts on deposit in the Rebate Fund). The Trustee shall not be required to take any such action unless it shall have received an opinion of bond counsel, addressed to the Trustee, the Authority and the School District, to the effect that (1) the Escrow Agreement is valid and enforceable, if applicable, and (2) that all conditions precedent provided therein for such release, cancellation and discharge have been satisfied and that no bonds issued under the Indenture are outstanding thereunder. Thereafter, all bonds issued under the Indenture shall be payable solely from the property deposited and pledged pursuant to this provision.

Deposit of Funds for Payment of Bonds: If there is deposited with the Trustee cash or Defeasance Obligations acceptable to the Trustee as provided in the paragraph immediately above, sufficient to pay the principal or redemption price of any particular Bond or thereafter becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such Bond shall cease to accrue and, except as provided herein, all liability of the Authority with respect to such Bond shall cease. Thereafter, upon receipt by the Trustee of an opinion of nationally recognized bond counsel addressed to the Trustee, the Authority and the School District that such Bond are no longer "Outstanding" under the Indenture, such Bond shall be deemed not to be Outstanding under the Indenture and the Owner or Owners of such Bond shall be restricted exclusively to the funds so deposited for any claim whatsoever with respect to such Bond and the Trustee shall hold such funds in trust for such Owner or Owners.

Deposit of Funds for Payment of all Bonds: If the Authority deposits with the Trustee cash or Defeasance Obligations acceptable to the Trustee as aforesaid sufficient to pay the principal and interest as above required on all of the bonds issued under the Indenture then remaining outstanding, then in addition the Trustee shall reassign to the Authority and the Authority shall cancel and return to the School District the Loan Agreement and the assignment of the Base Loan Payments which were a pledged to the bonds under the Indenture.

The Loan Agreement

Loan Payments: The School District agrees to pay to the Authority or its assignee the principal of, premium (if any) and interest on or related to the Bonds whether upon maturity, redemption, acceleration or otherwise and the Scheduled Sinking Fund Deposits (the "Base Loan Payments") in installments which, as to amounts, will be sufficient to pay the principal of the Bonds, premium (if any) on the Bonds, and interest on or related to the Bonds when due. Such payments are to be made on the last Thursday of each March and August preceding the date on which a mandatory sinking fund deposit or interest payment date has been established for the Bonds under the Indenture. The Loan Agreement provides that it is the intention of the Authority and the School District that, notwithstanding any other provision of the Loan Agreement, the Trustee, as assignee of the Authority, will receive funds from or on behalf of the School District at such times and in such amounts as will enable the Authority to meet all of the obligations under the Bonds and any related documents, agreements or instruments including any such obligations (exclusive of the Authority's right to payment of certain fees and expenses, to receive notices and to indemnification) surviving the payment of the Bonds or any other related document, instrument or agreement.

Obligations Unconditional: The obligations of the School District to promptly and timely make all loan payments and certain other payments required under the Loan Agreement are absolute and unconditional, and the School District will make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including without limitation any defense, set-off, recoupment or counterclaim which the School District may have or assert against the Authority, the Trustee or any other Person, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement, it being the intention of the parties that the payments required of the School District will be paid promptly and timely in full when due without any delay or diminution whatsoever. Base Loan Payments required to be paid by or on behalf of the School District under the Loan Agreement will be received by the Authority or the Trustee net of any other revenues available under the terms of the Indenture on the date when a Base Loan Payment is due and the School District agrees to pay or cause to be paid all charges against, or which will diminish, such net sums.

Assignment of Authority's Rights; General Obligation of the School District: The Bonds will be secured under the Indenture by the assignment to the Trustee of all right, title and interest of the Authority in and to the Loan Agreement (except for the Authority's right to payment of certain fees and expenses, to receive notices and to indemnification) including all Loan Payments and other amounts payable thereunder and the General Obligation Note. The Loan Agreement, including the obligation to make all loan payments thereunder, is a general obligation of the School District. Notwithstanding the foregoing, only the obligation to make the Base Loan Payments under the Loan Agreement is secured by the full faith, credit and taxing power of the School District, as evidenced by the General Obligation Note in accordance with the terms thereof, and such pledge is specifically enforceable under the Debt Act pursuant to the approval of proceedings filed by the School District with the Pennsylvania Department of Community and Economic Development for the incurrence of debt with respect to the General Obligation Note. To secure the payment of Base Loan Payments and the obligations to the Trustee with respect thereto, the Authority is pledging and assigning, without recourse, to the Trustee all the Authority's rights in, to and under the General Obligation Note. The School District covenants and agrees that it shall: (i) include all payments due under the Loan Agreement and under the General Obligation Note for each fiscal year in which such payments are payable in its budget for that year; (ii) appropriate such amounts from its general revenues for such payments; and (iii) duly and punctually pay or cause to be paid from its sinking fund or any other of its funds or revenues such payments.

Covenants: Under the Loan Agreement, the School District makes certain covenants, including without limitation, to comply with all laws, to maintain insurance in such customary amounts as set forth in the Loan Agreement and to prepare certain financial statements and reports.

The General Obligation Note

Pursuant to the Loan Agreement, the School District will execute and deliver to the Authority its General Obligation Note, pursuant to which the School District will make payments to the Authority in the amounts and at the times set forth therein, which amounts will be sufficient for the payment by the Authority of the principal of and interest on the Bonds.

The General Obligation Note is issued pursuant to the School District Resolution and the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified at 53 Pa.C.S. Section 8001 *et seq.*, as amended (the "Debt Act"). The issuance of the General Obligation Note by the School District and the incurrence of the indebtedness evidenced by the General Obligation Note have been approved, as required by the Debt Act, by the Department of Community and Economic Development of the Commonwealth. The School District has covenanted in the Loan Agreement and the General Obligation Note that it shall (i) include the amount of Base Loan Payments payable for each fiscal year in which such payments are payable in its budget for that year, (ii) appropriate such amounts from its general revenues for the payment of such Base Loan Payments, and (iii) duly and punctually pay or cause to be paid from its sinking fund or any other of its revenues or funds the principal of and the interest on the General Obligation Note at the dates and places and in the manner stated in the General Obligation Note. For such budgeting, appropriation and payment, the School District has pledged its full faith, credit and taxing power. This covenant is specifically enforceable; subject, however, as to the enforceability of remedies, to any applicable bankruptcy, insolvency, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally. Nothing in this paragraph should be construed to give the School District any taxing power not granted by another provision of law. The School District further promises to budget, appropriate and pay all amounts required to pay the Additional Payments, as defined and required under the Loan Agreement.

The Intercept Agreement

The Authority, the State Treasurer, the School District and the Department will enter into the Intercept Agreement, which agreement will be acknowledged and accepted by the Trustee pursuant to the authority of Section 7-785(b) of the Public School Code wherein:

(i) the School District instructs and directs 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 Thursdays of February and August of each year, commencing on the last Thursday in August 2017, the amounts set forth in an exhibit to the Intercept Agreement, which amounts will be used to pay the debt service due or sinking fund deposits and interest payment due on the Bonds on each March 15 and September 15, commencing September 15, 2017 (the "Scheduled Amounts"), and to make payment of the Scheduled Amounts directly to the Trustee, as assignee of the Authority under the Loan Agreement;

(ii) to the extent that the State Treasurer receives from the Department the appropriate voucher transmittal on or prior to the last Thursdays of February and August of each fiscal year, the State Treasurer agrees to pay the Scheduled Amounts from any Commonwealth appropriations directly to the Trustee, as assignee of the Authority under the Loan Agreement. If in any February and August the appropriations from the Commonwealth are insufficient to pay the Scheduled Amounts, and the School District fails to transfer to the Trustee the amount of the deficiency as provided in the Intercept Agreement, and as described in (iii) below, upon notice to the Department from the Trustee of such failure, the Department shall voucher the unpaid amount from the next appropriation due to the School District and deliver a voucher transmittal for such amount directly to the State Treasurer for payment to the Trustee until any deficiency is cured;

(iii) if on any Appropriation Payment Date, the Trustee receives less than the amount due on that Appropriation Payment Date from the State Treasurer, the Trustee shall immediately give notice of the deficiency to the School District, the Authority, the Department and the State Treasurer. The School District will transfer the amount of the deficiency, in immediately available funds, to the Trustee within two Business Days of receipt of notice of the deficiency from the Trustee. In the event that the School District fails to satisfy timely the deficiency in full as provided in the immediately preceding sentence, the Trustee shall immediately give notice of such failure, including the amount of the deficiency, to the Department, the State Treasurer, the Authority and the School District. Upon receipt of such notice from the Trustee, the Department shall voucher the unpaid amount from the next appropriation due to the School District, as provided in the Intercept Agreement; and

(iv) the Authority and the School District direct the Trustee to credit payments made by the State Treasurer pursuant to the terms of the Intercept Agreement to the Base Loan Payments required to be made by the School District under the Loan Agreement and to use the same to pay debt service on the Bonds in accordance with the terms and provisions of the Indenture. Amounts paid by the State Treasurer directly to the Trustee, as assignee of the Authority, will be made in satisfaction of a portion of the Base Loan Payments required to be paid by the School District under the Loan Agreement in any such fiscal year.

The Letter Agreement

In connection with the issuance of the Authority's School Revenue Bonds (Chester Upland School District Project) Series of 2014 (the "2014 Bonds") issued on behalf of the School District, the School District entered into a letter agreement (the "Agreement") with PNC Bank, National Association, as the sole bond purchaser of the 2014 Bonds (the "Sole Owner") under which the School District, *inter alia*, covenanted and agreed to (1) reimburse the Sole Owner for any expenses incurred as a result of a change in the basis of taxation on the 2014 Bonds or a reduction in the rate of return as a result of a Change in Law (as defined in the Agreement), (2) to timely pay any applicable taxes and (3) to deliver within 180 days of the end of its fiscal year, its audited financial statements to the Sole Owner. The Agreement lists certain events of default, including (1) an Event of Default (as defined in the Sublease), (2) a default in any other loan between the School District and the Sole Owner, and (3) the downgrading below Baa3 by Moody's Investors Service, Inc., withdrawal, or suspension of any rating by Moody's Investors Service, Inc. of the Commonwealth of Pennsylvania's State Intercept Program. The remedies available upon an event of default under the Agreement include acceleration of amounts due under the 2014 Bonds or specific performance by the Sole Owner of any

covenant of which the School District is in default. The above list of events of default and remedies is not inclusive of all of events of default or remedies and interested prospective purchasers may obtain a copy of the Agreement from the School District or Trustee. PNC Bank, N.A., continues to be the sole owner of the 2014 Bonds and has consented to the partial refunding of the 2014 Bonds and the issuance of additional bonds under the trust indenture securing the 2014 Bonds.

THE SCHOOL DISTRICT

Introduction

The School District is located in the County of Delaware, Pennsylvania (the “County”) in the southeast corner of the Commonwealth, approximately midway between the cities of Philadelphia, Pennsylvania and Wilmington, Delaware. The School District is comprised of the City of Chester, the Borough of Upland and the Township of Chester, all located in the County. The School District covers an area of approximately 6.81 square miles along the Delaware River. The 2010 U.S. Census population served by the School District is approximately 41,173.

School District Governance

As a result of having been declared a “distressed” school district in 1994 pursuant to Section 691 of the Public School Code, the School District was governed by a three member Board of Control which, pursuant to Section 693 of the Public School Code, was empowered and authorized “to exercise all rights, powers, privileges, prerogatives and duties imposed or conferred by law on the board of school directors of the distressed district, and the Board of School Directors shall have no power to act without the approval of the special Board of Control.”

In May 2000, the Pennsylvania General Assembly passed and the Governor signed the Education Empowerment Act (the “Education Empowerment Act”). Effective July 1, 2000, the School District was certified as an Education Empowerment District. In March 2007, the Department determined that the School District demonstrated sufficient progress toward financial stability to terminate its status as a “distressed” school district and thereafter appointed a three person Education Empowerment Board pursuant to the Education Empowerment Act to maintain oversight over the continued improvement of the School District. The power of the Education Empowerment Board, which had authority to operate the School District pursuant to the Education Empowerment Act, lapsed on June 30, 2010, the date on which the Education Empowerment Act expired by its own terms. Control of the School District reverted back to the elected Board of School Directors on July 1, 2010 with financial oversight from the Commonwealth’s Secretary of Education.

On December 13, 2012, the School District was placed in receivership for a term of three years, which was extended afterwards and continues today. The Receiver is responsible for the governance of the School District other than the setting of real estate tax rates. The Receiver is likewise responsible for the development of a Financial Recovery Plan and directing the School District in meeting its objectives. The Revised Amended Financial Recovery Plan is provided in Appendix D, hereto.

The Receiver is empowered with the authority to modify the financial recovery plan as necessary to restore the School District to financial stability by submitting a petition to the Pennsylvania Court of Common Pleas. Within seven days of filing a petition to modify the financial recovery plan, the Court of Common Pleas will issue a decision either approving or disapproving the petition. The petition to modify the financial recovery plan shall be approved unless the court finds by clear and convincing evidence that the modification is arbitrary, capricious or wholly inadequate to restore the School District to financial stability.

The current receiver is Mr. Peter Barsz, CPA (together with any successors, the “Receiver”).

Please refer to “APPENDIX A - Certain Financial and Other Information Relating to the Chester Upland School District,” “APPENDIX B – School District Single Audit Report for the Fiscal Year Ended June 30, 2015,” “APPENDIX C - School District Annual Financial Report for the Fiscal Year Ending June 30, 2016 and “APPENDIX D – Demographic and Economic Information Relating to the Chester Upland School District” for a detailed descriptions of various aspects of the School District.

BONDHOLDERS' RISKS

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 exclusive 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’s ability to fulfill the terms of its obligations under the Loan Agreement and the General Obligation Note, both as defined herein are discussed elsewhere in this Official Statement.

Inability to Raise Taxes

The School District has operated at a deficit in prior years and has used borrowed funds to cover operating losses. Based on its past performance and the other risk factors discussed in this Official Statement, there can be no assurance that the School District will be able to meet its financial commitments with respect to the Bonds. If the Commonwealth appropriation is insufficient to pay the entire debt service on the Bonds at any time, the School District may not be able to raise taxes to cover the shortfall. A tax increase could result in an even higher level of delinquencies and, perhaps, lower percentages of collections (see **Table A-9** in **Appendix A**). Even if it is able to do so, there would be a lag time of up to one year before the new tax rate would result in additional collections, with the School District having to cover the difference in the interim through borrowings, assets sales or other revenue sources.

Outstanding Debt

The School District will, after the sale of the Bonds, have approximately \$88,510,000 of long-term debt outstanding with annual debt service as illustrated in **Table A-11** in **Appendix A**.

In addition, the School District engages in short term borrowing in the form of tax anticipation notes.

The School District has prior intercept agreements related to its outstanding bonds. All of the bonds and notes listed on **Table A-11** have equal priority, and 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 and other creditors having equal priority. The successful operation of the Intercept Agreement depends on the performance of certain administrative actions by the parties thereto (e.g., the Department's delivery to the State Treasurer prior to each Appropriation Payment Date of an appropriate voucher transmittal) and the availability of adequate appropriations which can be withheld for payment on the applicable Appropriation Payment Dates or the successful operation of the provisions of the Fiscal Code added by Act 85 applicable in the case of a Commonwealth budget impasse.

It is important to note that any use of Commonwealth subsidy amounts to pay debt service reduces the amount of revenue otherwise available for School District operations and expenses.

The Bonds shall not be deemed to be a debt of the Commonwealth or a pledge of the faith and credit of the Commonwealth.

Impact of Charter Schools

Currently there are three charter schools located within the boundaries of the School District: Charter School of the Arts, Chester Community Charter School and the Widener Partnership Charter School. The enrollment in June 2016 was approximately 3,501 students. In addition, approximately 376 resident students attend cyber charter schools. These charter schools have combined enrollment of approximately 3,877 students, constituting approximately 54.3% of the School District's student population.

Payments for each student enrolled in a charter school are made by the school district in which the student resides. The payments are made monthly and are based on a formula established by the Commonwealth. For the fiscal year 2016-17, the net cost to the School District of providing charter school education for students residing within the School District's boundaries is anticipated to be approximately \$55,200,000.

The result in the increased payments to the charter schools by the School District as a result of decreasing School District enrollment may severely undermine the ability of the School District to balance its budget and may affect its ability to meet its debt service obligation on the Bonds and possibly continue to operate its schools.

By orders of President Judge Chad F. Kenney on October 9 and 29, 2015, the District's Financial Recovery Plan was amended. The amendment modified the Special Education Tuition Rate agreed upon by the School District, the Pennsylvania Department of Education, Chester Community Charter School, Chester Charter School for the Arts and Widener Partnership Charter School. A memorandum of understanding was entered into which sets forth the terms of the modified charter school rates. As a matter of equity, the orders were extended to all other charter schools through school year 2024-2025. The President Judge also ordered that the Commonwealth of Pennsylvania match the savings realized by the School District from this change, which is expected to total over \$20 million through school year 2024-2025.

These orders were appealed by the charter schools not mentioned in the memorandum of understanding. The Orders were also appealed by the Department with regard to matching funds to be paid by the Commonwealth. A final decision as to this change in charter school funding has not been reached yet.

School District's Ability to Generate Revenues

The School District has directed that a portion of the School District's subsidy from the Commonwealth be paid directly to the Trustee to make scheduled debt service payments. Presently the School District has projected receipt of \$96,538,515 in appropriations from the Commonwealth for fiscal year 2016-17, and is obligated to pay a maximum of approximately \$8,900,000 in annual debt service on its existing obligations beginning fiscal year 2019 (see **Appendix A, Table A-13, "Debt Service Requirements"**). The use of Commonwealth subsidy amounts to pay debt service on the Bonds reduces the amount of revenues otherwise available to the School District for its operating expenses.

The assessed valuation of real property in the School District has decreased since 2000, although recent years have reversed this trend modestly, and its population has steadily declined since 1960. Due to the foregoing and other financial and economic factors, each of which reduces the School District's tax base, the School District cannot assure the Bondholders that it will be able to decrease expenses or increase taxes which will be collectible in amounts sufficient to pay the debt service on the Bonds.

However, in May 2016, Pennsylvania legislators passed House Bill 1552, which will provide additional funding in excess of \$12 million annually to the School District in perpetuity. This is expected to significantly strengthen School District finances over time.

In preparing the 2016-17 budget, the School Board of Directors did not anticipate any material increases in revenue (other than above); therefore the balancing of the budget is expected to be achieved by decreasing the expenses by overall staff reductions, increasing class size, renegotiating collective bargaining agreements for all union contracts, offering an Early Retirement Package, eliminating some instructional and non-instructional programs and re-negotiating or eliminating various service contracts.

School District's Financial Status

The School District continues to face financial challenges. The School District is located in an economically distressed area of the Commonwealth which is undertaking various efforts to stimulate economic revitalization. However, while the municipal governments take this action, the School District must carefully consider local taxation decisions so as to not further harm the economic viability of the area. In addition, certain municipal efforts toward economic development actually limit or delay School District property tax growth as a result of tax abatements and other concessions on certain real property.

The School District has had a high concentration of students requiring costly special education services and has a limited ability to control costs of these services.

In addition, the Pennsylvania charter school law provides for the creation of schools outside the direct control of a school district, which provide education to students according to the school's respective charter. 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. Over the past several years, the School District has made reductions to staffing and buildings in order to reduce cost as a result of movement of students to charter schools; however, the cost reductions must necessarily lag behind the movement of students by a year or more.

The School District has experienced operating deficits over many of the past several years. The School District's ability to balance its budget is dependent upon the successful implementation of a 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 and other factors affecting operating, transportation, labor, medical and pension costs.

State Appropriation Risk

While the Commonwealth's appropriations to the School District were not interrupted during previous budget impasses, there is no assurance future budget impasses may prevent the Commonwealth from appropriating subsidies to the School District, Act 85 (described later herein) notwithstanding. (See "Act 85 of 2016" herein.)

TAX MATTERS

State Tax Matters

In the opinion of Co-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.

The residence of a holder of a Bond 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 other state or its political subdivisions based on the interest or other income from the Bonds.

Federal Income Tax Treatment of the Bonds

Interest on the Bonds is includible in gross income for federal income tax purposes.

Additional Federal Income Tax Considerations Relating to the Bonds

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change, possibly with retroactive effect, or differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding a Bond as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. This summary focuses primarily on investors who will hold the Bonds as "capital assets" (generally, property held for investment within the meaning of Code Section 1221), but much of the discussion is applicable to other investors. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, ownership and disposition of the Bonds.

Taxability of Stated Interest and Principal of the Bonds. In general, interest payable to holders of Bonds who are not exempt from federal income tax will be treated as ordinary income, in the year paid, in the case of cash basis taxpayers, or the year accrued, in the case of accrual basis taxpayers. Principal payments on the Bonds, other than those attributable to any market discount, will be treated as return of capital.

Acquisition Premium. The holder of a Bond will be treated as having amortizable premium to the extent (if any) by which the holder's initial basis in the Bonds exceeds the outstanding principal amount of the Bond. Provided that the holder makes an election under Section 171 of the Code (or made such an election after October 22, 1986), the amount of any amortizable bond premium may be amortized over the term of the Bond and treated as a reduction of such holder's taxable interest income from the Bond each year, in which case the holder's basis in the Bonds will be reduced by the amortized amount.

The election under Section 171 of the Code to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by a holder of a Bond, and may be revoked only with the consent of the Internal Revenue Service. **HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE ADVISABILITY OF MAKING AN ELECTION TO DEDUCT AMORTIZABLE BOND PREMIUM AND THE APPROPRIATE METHOD OF MAKING SUCH AN ELECTION.**

Market Discount. A holder who purchases a Bond from a prior holder for a price below the adjusted issue price of a Bond (which generally will equal the remaining principal amount of such Bond) will, subject to certain de minimis rules, be treated as having purchased the Bond for a market discount. The amount of any market discount will be deemed to accrue over the remaining maturity of the Bond in accordance with the constant yield to maturity of accounting, and will have to be taken into account by the holder of a Bond as ordinary income for federal income tax purposes. Accrued market discount generally only has to be taken into account as ordinary income as principal payments are received, or upon the recognition of gain from the disposition of the Bonds, provided that the holder may elect to include market discount in income as it accrues.

A holder of a Bond acquired at a market discount may also be required to defer, until the maturity date of such Bond or its earlier disposition in a taxable disposition, the deduction of a portion of interest that the holder paid or accrued on indebtedness incurred or maintained to purchase or carry the Bonds. This deferral rule does not apply if the holder of such Bond elects to include the market discount in income for the tax years to which it relates. Prospective purchasers who intend to purchase Bonds from an existing holder at a market discount should consult their own tax advisors regarding the inclusion of market discount in taxable income as ordinary income, the election to include market discount in income as it accrues, and the possible deferral of a portion of the interest deductions attributable to indebtedness incurred or maintained to purchase or carry Bonds at a market discount.

Sale or Redemption of the Bonds. A holder of a Bond's tax basis for such Bond is the price such holder pays for the Bond, increased by an accruals of market discount, if applicable, and reduced by (a) payments received other than "qualified periodic interest" and (b) amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the Bond's basis as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset. Defeasance of the Bonds may result in a reissuance thereof, in which event a holder will also recognize taxable gain or loss as discussed in the previous sentence. In the case of a subsequent holder, a portion of any gain will generally be treated as ordinary income to the extent of any market discount accrued to the date of disposition which was not previously reported as ordinary income.

Medicare Tax. Under the "Health Care and Education Reconciliation Act of 2010," income from the Bonds may also be subject to a 3.8 percent "medicare tax" imposed for taxable years beginning after 2012. This tax will generally apply to your net investment income if your adjusted gross income exceeds certain threshold amounts, which are \$250,000 in the case of married couples filing joint returns and \$200,000 in the case of single individuals.

Backup Withholding. A holder of a Bond may, under certain circumstances, be subject to "backup withholding" at a specified rate prescribed in the Code with respect to interest on the Bonds. This withholding generally applies if the holder of a Bond (a) fails to furnish the Trustee with its taxpayer identification number ("TIN"); (b) furnished the Trustee an incorrect TIN; (c) fails to report property interest, dividends or other "reportable payments" as defined in the Code, or (d) under certain circumstances, fails to provide the Trustee or its securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to payments made to certain holders of Bonds, including payment to certain exempt recipients (such as exempt organizations) and to certain Nonresidents (as defined below). Owners of the Bonds should consult their tax advisors as to the qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The Trustee will report to the holders of the Bonds and to the IRS for each calendar year the amount of any "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments on the Bonds.

Foreign Holders. Under the Code, interest with respect to Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States backup withholding tax if the Trustee (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of a Bonds is a Nonresident. Under present United States federal income tax law, if you are a non-United States holder of a Bond the Trustee will not be required to deduct United States income withholding tax from payments of principal and interest to you if, in the case of interest, (a) in general, you are not a bank or controlled foreign corporation that is related to the issuer through stock ownership, and (b) you provide to the Trustee or a U.S. payor, a form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States withholding, signed under penalties of perjury, that you are not a United States holder and provide your name and address and such other certificates as may be necessary to support the facts under (a). The withholding tax, if applicable, may be reduced or eliminated by an applicable tax treaty. However, interest that is effectively connected with a United States business conducted by a Nonresident holder of a Bond will generally be subject to the regular United States income tax.

QZAB Program Requirements

Overview. Qualified Zone Academy Bonds ("QZABs") involve numerous program requirements including, among other things, an eligible local issuer restriction, a 100% qualified use of available project proceeds test, a 10% private business contribution requirement, a local education agency approval requirement, a maturity restriction and a volume cap restriction. This section summarizes certain QZAB program requirements.

Section 54E of the Code permits the Authority to issue taxable bonds known as "Qualified Zone Academy Bonds" to finance (a) the rehabilitation or repair of the public school facility in which the "Qualified Zone Academy" (as defined in Section 54E(d)(1) of the Code)

is established, (b) the provision of equipment for use at a Qualified Zone Academy, (c) the development of course materials for education to be provided at a Qualified Zone Academy or (d) the training of teachers and other school personnel at a Qualified Zone Academy.

In the Authority Resolution, the Authority designated the QZAB Bonds as Qualified Zone Academy Bonds pursuant to Section 54E of the Code.

Allocation of National Volume Limitation. A national limitation on the amount of bonds that may be designated as QZABs applies for each calendar year under Section 54E(c) of the Code. The annual national limitation is allocated among the states by the Secretary of the Treasury. On September 21, 2016, the Pennsylvania Department of Education awarded the District a total of \$7,500,000 in QZAB allocation from the Commonwealth's QZAB allocation with the stipulation that such bonds be issued no later than December 31, 2018.

Eligible Local Issuer. Eligible issuer of QZABs includes states or political subdivisions located in the jurisdiction in which the qualified zone academy is located.

100% of the Available Project Proceeds Test. The 100% use of the available project proceeds tests generally requires that 100% of the "available project" proceeds (as defined in Section 54A(e)(4) of the Code) of an issue of QZABs be used for any "qualified purpose" under Section 54E(d)(3) of the Code with respect to a "qualified zone academy" under Section 54E(d)(1) of the Code which is established by an eligible local education agency. In addition, the issuer must reasonably expect, as of the issue date, that (a) at least 100% of the available project proceeds will be spent for qualified purposes of the issue within three years from the issue date, unless the Secretary of the Treasury extends such period upon the issuer's request and meeting certain requirements, and (b) a binding commitment with a third party to spend at least 10% of the available project proceeds of the issue will be incurred within six months from the issue date. For these purposes, "available project proceeds" means the excess of the sale proceeds of the QZAB Bonds over the issuance costs financed with proceeds of the QZABs (to the extent that such costs do not exceed two percent of such sale proceeds) and investment proceeds on such excess. To the extent that less than 100% of the available project proceeds are expended by the close of the three-year period (or the extended period), the issuer is required to redeem all of the nonqualified QZABs (the amount of which is determined in the same manner as under Section 142 of the Code) within 90 days after the end of such period pursuant to Extraordinary Mandatory Redemption (as described herein).

Qualified Purposes. "Qualified Purposes" for uses of proceeds of QZABs with respect to a qualified zone academy under Section 54E(d)(3) of the Code include rehabilitating or repairing the public school in which the academy is established, providing equipment for use at such academy, developing course materials for education to be provided at such academy, and training teachers and other school personnel in such academy. For purposes of complying with Commonwealth law, proceeds of the QZAB Bonds will be used to pay costs of improvements to the heating, ventilation and air conditioning system at Chester High School.

Qualified Zone Academy. A "qualified zone academy" under Section 54E(d)(1) of the Code includes any public school or academic program within a public school which is established by and operated under the supervision of an eligible local education agency to provide education or training below the post-secondary level if the four requirements described below are met. First, the public school or program must be designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce. Second, students in the public school or program must be subject to the same academic standards and assessments as other students educated by the local education agency. Third, the comprehensive education plan of such public school or program is approved by the eligible local education agency. Fourth, either, (a) the public school is located in an empowerment zone or enterprise community (with this determination of whether the public school is located in such a zone or community being made on a one-time basis as of the issue date of the QZABs); or (b) there is a reasonable expectation as of the issue date of the QZABs that at least 35% of the students attending the public school or program will be eligible for free or reduced-cost lunches under the school lunch program established under the national School Lunch Act.

10% Private Business Contribution Requirement. The 10% private business contribution requirement under Section 54E(b) of the Code requires that the eligible local education agency which established the qualified zone academy have "written commitments" from eligible private entities to make "qualified contributions" having present value as of the issue date of the QZABs of at least 10% of the proceeds of the issue. The issuer of QZABs must certify that it has "written assurance" that the private business contribution requirement will be met. The School District entered into a contract with the National Education Foundation, pursuant to which the District will receive private contributions of two-year licenses to use certain software for use at Chester High School having an aggregate present value as of the issue date of the Bonds of not less than 10% of the proceeds of the Bonds.

Local Education Agency Approval. Under Section 54E(a)(3) of the Code, the issuer of QZABs also must certify that it has the written approval of the "eligible local education agency" within the meaning of Section 9101 of the Elementary and Secondary Education Act of 1965 for the bond issuance. In addition, the Davis-Bacon Act (40 U.S.C. § 3141 et seq.) applies to projects financed with proceeds of QZABs. Under the Davis-Bacon Act, among other requirements, contractors and subcontractors performing work on construction contracts in excess of \$2,000 for such project are required to pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits for similar projects in the area, as determined by the Secretary of Labor.

Sinking Fund Restrictions. Deposits may be made to a sinking fund for QZABs, provided that the following requirements are satisfied pursuant to Section 54(A)(d)(4)(C) of the Code: (a) such fund is funded at a rate not more rapid than equal annual installments; (b) such fund is funded in a manner reasonably expected to result in an amount not greater than an amount necessary to repay the Bonds; and (c) the yield on such fund is not greater than the maximum discount rate (the "permitted sinking fund yield") as determined by the Secretary of the U.S. Treasury on the sale date of the Bonds.

The School District has covenanted to be in compliance with all the above QZAB requirements.

Qualified Tax Credit Bonds

The below discussion of certain federal tax matters describes certain federal income tax consequences relating to the tax credit produced by the Bonds. Taxpayers are urged to consult their own tax advisors with respect to the federal income tax consequences of purchasing, carrying or disposing of the Bonds as applied to each taxpayer's own particular circumstances. Taxpayers who purchase tax credits associated with the Bonds that have been separated from the Bonds should consult with their own tax advisors as to the tax consequences of purchasing, carrying and disposing of any such tax credits.

In the opinion of Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the Bonds are "qualified zone academy bonds" within the meaning of Section 54E of the Code. Owners of the Bonds, as of the applicable credit allowance date, are entitled, subject to the limitations of Section 54A of the Code, to a tax credit in an amount equal to the sum of the credits determined under Section 54A(b) of the Code, unless the right to the tax credit associated with such Bond has been separated and is no longer held by such Owner. However, the amount of the tax credit will be treated as interest for federal tax purposes and will be included in gross income for all Owners of the Bonds, in accordance with each Owner's tax status, unless the right to the tax credit associated with such Bonds has been separated and is no longer held by such Owner.

The Code imposes various restrictions, conditions and requirements relating to the qualification of the Bonds as "qualified zone academy bonds" within the meaning of Section 54E of the Code. The School District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that the Bonds continue to qualify as qualified zone academy bonds. Inaccuracy of these representations or failure to comply with these covenants may result in termination of the tax credit, possibly from the date of original issuance of the Bonds. The opinion of Co-Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Co-Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the availability of the tax credit with respect to, the Bonds. Accordingly, the opinion of Co-Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Bond Counsel is of the opinion that the Bonds are "qualified zone academy bonds" within the meaning of Section 54E of the Code, the ownership or disposition of, or the accrual or receipt of the tax credit with respect to, the Bonds may otherwise affect an Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Owner or the Owner's other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may prevent Owners from realizing the full current benefit of the tax status of the Bonds. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Co-Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. The opinion of Co-Bond Counsel is not binding on the IRS or the courts. Furthermore, Co-Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the School District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The School District has covenanted, however, to comply with the requirements of the Code.

Amount of Tax Credit. Under the Code, the holders of the Bonds on March 15, June 15, September 15, and December 15 of any tax year (each is defined as a "Credit Allowance Date") will be allowed a tax credit against the Owner's federal income tax liability until maturity or early redemption. The amount of the tax credit is equal to the product of the published credit rate for the date on which the Bonds were sold (established as 4.55% per annum for the Bonds), times the outstanding principal amount of the Bonds on the relevant Credit Allowance Date, divided by four. The tax credit allowed for the first Credit Allowance Date of June 15, 2017, is the ratable portion of the tax credit otherwise allowed on such date based on an initial issuance date of March 23, 2017. If a Bond is redeemed or matures on a date other than a Credit Allowance Date, the associated tax credit will be a ratable portion of the tax credit otherwise allowed based on the redemption date.

Limitation on Tax Credit. The tax credit allowed may not exceed the sum of the taxpayer's regular tax liability and alternative minimum tax liability under Section 55 of the Code less, in general, the taxpayer's other tax credits (except refundable tax credits set forth in subparts C (Sections 31-37) and J (Section 54AA) of part IV of subchapter A of the Code). The tax credit is not considered a passive activity credit under Code Section 469(d), and therefore, such credit is not subject to the limitations with respect to passive activity credits.

Carryover of Unused Tax Credit Amount. If an Owner of a Bond and the associated tax credit cannot use all of the tax credit otherwise allocable to the taxable year, such Owner is allowed to carry forward to a subsequent tax year the unused portion of the tax credit deemed paid on such Credit Allowance Date.

Tax Credit Amount Included in Income as Attributed Interest. Section 54A of the Code requires the Owner of a Bond and the associated tax credit to include the amount of the tax credit (determined without reference to the limitation described above under "Limitation on Tax Credit") in gross income. The amount of the tax credit must be treated as if it were a payment of "qualified stated interest" on each Credit Allowance Date.

Tax Credit's Effect on Estimated Income Tax Payments. The tax credit may be taken into account by a taxpayer in computing the amount of quarterly estimated tax payments required to be paid by such taxpayer. Individual calendar year taxpayers should note that the March 15 and December 15 Credit Allowance Dates do not correspond to the regular estimated tax payment dates of April 15 and January 15.

Tax Credit "Stripping" Applicable to the Bonds. The Authority has designated the Bonds as qualified tax credit bonds for which the tax credits may be "stripped" pursuant to the provisions of IRS Notice 2010-28 entitled "Stripping Transactions for Qualified Tax Credit Bonds" dated April 12, 2010. Any purchaser or holder of the Bonds who wishes to "strip" the tax credits related to the Bonds should seek advice based on the rules and regulations in effect at the time of the prospective "stripping" transaction from an independent tax advisor.

INVESTORS WHO ARE NONRESIDENTS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF OWNING THE BONDS.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL TAX LAW WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE EFFECT OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON ON THEIR AFFAIRS, INCLUDING, BUT NOT LIMITED TO, THE EFFECT OF STATE AND LOCAL TAX LAWS.

CONTINUING DISCLOSURE

The Authority has no responsibility for or obligation with respect to the School District's compliance with the continuing disclosure obligations of the School District.

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 (being an "obligated person" within the meaning of the Rule) will, in a Continuing Disclosure Certificate to be executed by the School District on the date of settlement of the Bonds (the "Continuing Disclosure Certificate"), agree to provide, or cause to be provided the items below. The School District will also enter into a Disclosure Dissemination Agreement (as hereinafter defined) to be executed by the School District on the date of settlement of the Bonds.

The School District will agree to provide the following to the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access System ("EMMA") in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent:

(A) Annually, not later than March 31 following the end of each fiscal year ended the previous June 30 of the School District, beginning with its fiscal year ended June 30, 2016, the following annual financial statements and operating data of the School District as described below:

- i. Annual financial statements for the most recent fiscal year of the School District which shall include, at a minimum, its financial statements for such fiscal year presented in conformity with generally accepted accounting principles. Should the annual financial statements so provided not include independently audited financial statements of the School District for the fiscal year of the School District to which such statements pertain, the School District shall also provide such independently audited financial statements when and if available.
- ii. Operating data shall include the following:
 - a. a summary of the adopted budget for the current fiscal year;
 - b. 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);
 - c. the assessed value and market value of all taxable real estate for the current fiscal year;
 - d. the taxes and millage rates imposed for the current fiscal year;
 - e. a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year;
 - f. the real property tax collection results for the most recent fiscal year, 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 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).

(B) In a timely manner not in excess of ten (10) business days after the occurrence of the event, 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 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 of the Bonds, 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; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(C) in a timely manner, notice of a failure of the School District to provide the required independently audited annual financial statements and operating data specified above, on or before the date specified above.

With respect to the filing of annual financial statements and operating data, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (B) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (B) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (B) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

Bondholders are advised that the Continuing Disclosure Certificate and the Disclosure Dissemination Agreement (as defined below), copies of which are available at the office of the School District, should be read in their entirety for more complete information regarding their contents.

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 issuers (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>.

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 statement, budgets and certain financial and operating data relating to the School District. 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) failing to file audited financial statements and financial and operating data to all outstanding CUSIPs; and (e) failing to file or timely file certain notices, including notices of the aforementioned late filings and notices of enhanced and insured rating changes.

The School District has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") with Digital Assurance Certification, L.L.C. ("DAC" or the "Disclosure Dissemination Agent") as its Disclosure Dissemination Agent for the purpose of assisting it with any required remedial filings and 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 that accompany reminder notices of annual or interim mandatory filings, review of all template filings by professional accountants, as well as a time and date stamp record of each filing along with the unique ID from EMMA accompanying the copy of the actual document filed. DAC also offers 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 Agreement will provide bondholders or beneficial owners with certain enforcement rights in the event of a failure by the School District to comply with the terms thereof; however, a default under the Disclosure Dissemination Agreement does not constitute a default. The Disclosure Dissemination Agreement may be revised from time to time as permitted or required by applicable law, without the consent of the Bondholders, and may be terminated upon the economic defeasance of all outstanding Bonds, or other arrangement, whereby the School District is released from any further obligation with respect to the Bonds. Covenants in the Disclosure Dissemination Agreement may also be terminated, without the consent of the Bondholders, at such time as continuing disclosure is no longer required by applicable law. The School District will promptly notify the MSRB via EMMA of any revision or termination of the disclosure covenants. The sole remedy for a breach by the School District of its covenants to provide financial statements, tabular information and notices of material events is an action to compel performance of such covenants. Under no circumstances may monetary damage be assessed or recovered, nor will any such breach constitute a default under the Bonds or a failure to comply with any provision of the Bonds for purpose of the Act.

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 this 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 Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for the School District's failure to report to the Disclosure Dissemination Agent a Notice Event 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 has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the School District at all times.

LITIGATION

The Authority

There is no action, suit or proceeding before any court, public board or body pending or, to the knowledge of the Authority, threatened against or affecting the Authority, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds, the Indenture or the Loan Agreement, as defined herein, or the Intercept Agreement or the validity or enforceability of the Bonds, the Indenture or the Loan Agreement, as defined herein, or the Intercept Agreement.

The School District

There is no litigation of any nature now pending or threatened against the School District restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, taken in connection with the issuance or sale of the Bonds, the Loan Agreement and the General Obligation Note, both as defined herein or the Intercept Agreement, the pledge or application of any moneys or security provided for the payment of the Bonds.

LEGALITY FOR INVESTMENT

Under the Act, the Bonds are securities in which all officers of the Commonwealth and its political subdivisions and municipal officers and administrative departments, boards and commissions of the Commonwealth, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons whatsoever who now or may hereafter be authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest any funds, including capital, belonging to them or within their control, and the bonds are securities which may properly and legally be deposited with, and received by, any Commonwealth or municipal officers or agency of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

LEGAL MATTERS

The issuance and delivery of the Bonds are subject to approval as to legality by Dinsmore & Shohl LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania, and Powell Law, P.C., Harrisburg, Pennsylvania, each as Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its Counsel, Barley Snyder LLP, Lancaster, Pennsylvania; for the School District by its counsel, The Law Firm of DiOrio & Sereni, LLP, Media, Pennsylvania; and for the Underwriter by its counsel, Dilworth Paxson LLP, Philadelphia, Pennsylvania.

UNDERWRITING

PNC Capital Markets LLC (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a purchase price of \$7,466,250.00 (consisting of an aggregate principal amount of \$7,500,000.00 less an underwriter's discount of \$33,750.00).

The Underwriter's obligation to purchase the Bonds is subject to certain conditions precedent, however, the Underwriter is obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

RATING

Moody's Investors Service (“Moody's”) is expected to assign its municipal bond rating of “A2” (stable outlook) to the Bonds. This rating reflects Moody's view of the School District's eligibility for, and participation in, an amended version of the Commonwealth of Pennsylvania's State Intercept Program.

Such rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained from Moody's. A rating is not a recommendation to buy, sell or hold securities. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if in the judgment of such rating agency circumstances so warrant. Neither the Underwriter, the Authority, nor the School District has undertaken any responsibility either to bring to the attention of the holders of the Bonds any proposed change in or withdrawal of a rating of the Bonds or to oppose any such proposed change or withdrawal. A downward revision or withdrawal of such rating may have a substantial adverse effect on the market price of the Bonds.

INDEPENDENT AUDITORS

The basic financial statement of the School District as of and for the fiscal year ended June 30, 2015, included in **Appendix B** to this Official Statement has been audited by Maillie LLP, Oaks, Pennsylvania, independent certified public accountants, as stated in their report appearing in **Appendix B** to this Official Statement.

CERTAIN RELATIONSHIPS

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Service Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has other banking and financial relationships with the School District. PNC Bank, National Association owns the State Public School Building Authority School Revenue Bond (Chester Upland School District Project) Series of 2014.

Turner Law, P.C., Co-Bond Counsel, currently acts as Underwriter's Counsel to PNC Capital Markets LLC in a separate, unrelated transaction.

MISCELLANEOUS MATTERS

The Authority has no responsibility for the School District's Continuing Disclosure Certificate or the School District's compliance with the Continuing Disclosure Certificate or for the contents of, or any omissions from, the financial information, operating data or notices provided thereunder.

The references herein to the Indenture, the Intercept Agreement, Loan Agreement and the General Obligation Note, all as defined herein, statutes and other materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of the provisions thereof, copies of which will be furnished by the Authority upon request.

The information contained in this Official Statement has been compiled or prepared from official and other sources deemed to be reliable and, although not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as presentations of fact.

The information contained in this Official Statement should not be construed as representing all of the conditions affecting the Authority, the School District or the Bonds.

The Authority has not assisted in the preparation of this Official Statement, except for the statements concerning the Authority under the section captioned "**THE AUTHORITY**" and the first paragraph of the section captioned "**LITIGATION – The Authority**" herein and, except for those sections, the Authority is not responsible for any statements made in this Official Statement. Except for the authorization, execution and delivery of documents required to effect the issuance of the Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the Bonds. Accordingly, except as aforesaid, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

By: /s/ Robert Baccon
Name: Robert Baccon
Title: Executive Director

APPROVED:
CHESTER UPLAND SCHOOL DISTRICT
Delaware County, Pennsylvania

By: /s/ Peter Barsz
Name: Peter Barsz
Title: Receiver, Chester Upland School District

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APPENDIX A

**Certain Financial and Other Information
Relating to the Chester Upland School District**

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Introduction

The School District is located in the County of Delaware, Pennsylvania (the "County") in the southeast corner of the Commonwealth, approximately midway between the cities of Philadelphia, Pennsylvania and Wilmington, Delaware. The School District is comprised of the City of Chester, the Borough of Upland and the Township of Chester, all located in the County. The School District covers an area of approximately 6.81 square miles along the Delaware River. The 2010 U.S. Census population served by the School District is approximately 41,151.

School Facilities

The School District presently operates six elementary schools and one high school consisting of three separate sites. In addition, the School District owns three other buildings as listed below. All of the School District's buildings are maintained by the School District's maintenance staff. The School District's facilities are older buildings and are generally in need of renovation. The Capital Project being financed with the Bonds will include improvements to the Chester High School heating, ventilation and air conditioning system.

**TABLE A-1
CHESTER UPLAND SCHOOL DISTRICT
SCHOOL FACILITIES**

	<u>Original Construction</u>	<u>Most Recent Addition or Renovation</u>	<u>Grades</u>	<u>Pupil Capacity</u>	<u>2016-17 Enrollment ⁽¹⁾</u>
<i>Elementary:</i>					
Main Street	1954	1974	PreK - 5	355	389
Stetser	1955	--	PreK - 5	300	301
Chester Upland School of the Arts	1918	1979	PreK - 5	500	478
<i>Middle:</i>					
Toby Farms	1964	1969	6-8	700	417
<i>Secondary:</i>					
Chester High School	1974	--	9-12	2,761	1,022
STEM at Showalter					499
	1958	1981	7-12	604	
<i>Other Facilities:</i>					
Maintenance Building			N/A	N/A	N/A
Auto Body Shop			N/A	N/A	N/A

The School District also owns several facilities which are presently closed. These facilities consist of Columbus Elementary, Pulaski Middle School, William Penn Elementary, the Vocational Shops Building and the Wetherill School.

(1) As of November 3, 2016

Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the School District's administrative officials or obtained by the School District's administrative officials from the Department. See also "BONDHOLDERS' RISKS – Impact of Charter Schools" herein.

**TABLE A-2
CHESTER UPLAND SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments

<u>School Year Ending June 30,</u>	<u>Elementary</u>	<u>Middle</u>	<u>High School</u>	<u>Total</u>
2012	1,393	762	1,165	3,320
2013	980	575	1,038	2,593
2014	1,039	557	1,321	2,917
2015	1,172	542	1,479	3,193
2016	1,202	538	1,537	3,277
2017 ⁽¹⁾	1,166	553	1,600	3,346

(1) As of November 1, 2016.

Projected Enrollments ⁽¹⁾

<u>School Year Ending June 30,</u>	<u>Total</u>
2018	3,249
2019	3,239
2020	3,240
2021	3,270
2022	3,281

(1) Projected enrollments were obtained from the School District and are estimates prepared by the Pennsylvania Department of Education in July 2012 and are subject to fluctuation based on Charter School enrollments.

SCHOOL DISTRICT FINANCES

Budgeting Process in School Districts under the Taxpayer Relief Act as Amended by Act No. 25 of 2011

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education (the "Department"). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department 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 the Taxpayer 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 Department no later than 85 days prior to the date of the election immediately preceding the fiscal year. The Department is to compare the proposed percentage increase in the rate of any tax with the school district's 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 Department 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 Department approval is required, the school district must publish notice of its intent to seek Department approval not less than one week before submitting its request for approval to the Department and, if the Department determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. The Department 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 the Department 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.

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 prior to adoption, 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.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll, taxes and pension fund contribution payable, loans receivable from other funds, and revenues receivable from other governmental units. The School District's financial statements are audited annually by a firm of independent certified public accountants. The firm of Maillie LLP of Oaks, Pennsylvania currently serves as the School District's auditor.

Summary and Discussion of Financial Results

Table A-3 shows a summary of the General Fund Balance Sheet for the past six years. Table A-4 shows annual changes in ending General Fund Balance for each of the past six years.

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TABLE A-3
CHESTER UPLAND SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND BALANCE SHEET
(Years Ending June 30)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> ⁽¹⁾
Assets						
Cash and Cash Equivalents	\$2,503,903	\$2,782,845	\$4,240,622	\$7,310,573	\$3,416,546	\$7,773,463
Taxes Receivable	4,386,951	4,350,265	1,677,623	2,386,069	3,490,735	4,902,316
Due from other funds	-	141,027	825,003	1,135,142	224,020	913,250
Due from other governments	5,626,829	10,715,445	7,262,108	1,868,147	2,427,193	161,840
State revenue receivable	-	-	-	-	-	2,164,074
Federal revenue receivable	-	-	-	-	-	1,921,079
Prepaid items	30,325	-	-	9,896	536,370	182,058
Other receivables	25,800	1,068,906	-	-	-	132,774
Restricted assets						
Cash and cash equivalents	<u>33,830</u>	<u>33,537</u>	<u>21,077</u>	<u>20,973</u>	<u>20,973</u>	-
TOTAL ASSETS	<u>\$12,607,638</u>	<u>\$19,092,025</u>	<u>\$14,026,433</u>	<u>\$12,730,800</u>	<u>\$10,115,837</u>	<u>\$18,150,854</u>
Liabilities, Deferred Inflow of Resources and Fund Deficit						
Liabilities						
Accounts payable	\$11,305,818	\$7,388,707	\$3,773,279	\$13,936,676	\$6,716,954	\$11,571,211
Due to other governments	-	389,000	-	-	-	-
Unearned/deferred revenue	12,943,367	4,350,265	1,145,312	2,499,803	1,781,070	5,155,891
Accrued salaries and benefits	3,801,981	4,885,194	2,610,647	2,766,897	5,827,995	5,663,407
Payroll deductions and withholding	-	-	-	-	-	484,478
Other payables/current liabilities	<u>22,211</u>	<u>22,211</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>1,135,000</u>
TOTAL LIABILITIES	<u>\$28,073,377</u>	<u>\$17,035,377</u>	<u>\$7,529,238</u>	<u>\$19,208,376</u>	<u>\$14,331,019</u>	<u>\$24,009,987</u>
Deferred Inflows of Resources						
Unavailable revenues, property taxes	-	-	<u>1,677,623</u>	<u>2,333,822</u>	<u>3,490,734</u>	-
Fund Balances/(Deficit)						
Nonspendable, prepaid items	-	-	-	-	536,370	-
Restricted, debt service	33,830	33,537	21,077	20,973	20,973	-
Unassigned	<u>(15,499,569)</u>	<u>2,023,111</u>	<u>4,798,495</u>	<u>(8,832,371)</u>	<u>(8,263,259)</u>	<u>(5,858,133)</u>
TOTAL FUND BALANCE/(DEFICIT)	<u>(15,465,739)</u>	<u>2,056,648</u>	<u>4,819,572</u>	<u>(8,811,398)</u>	<u>(7,705,916)</u>	<u>(5,859,133)</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE/(DEFICIT)	<u>\$12,607,638</u>	<u>\$19,092,025</u>	<u>\$14,026,433</u>	<u>\$12,730,800</u>	<u>\$10,115,837</u>	<u>\$18,150,854</u>

Source: School District audited financial statements.

(1) Unaudited. Obtained from the School District's Annual Financial Report for the Fiscal Year Ending June 30, 2016, attached hereto as Appendix C.

TABLE A-4
CHESTER UPLAND SCHOOL DISTRICT
GENERAL FUND BALANCE SHEET
(Years Ending June 30)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> ⁽¹⁾
Beginning Fund Balance	\$3,861,398	\$(15,465,739)	\$2,056,648	\$4,819,572	\$(8,811,398)	\$(7,705,916)
Revenues over (under) expenditure	(19,327,137)	17,522,387	2,762,924	(13,630,970)	1,105,482	1,846,783
Ending Fund Balance	<u>\$(15,465,739)</u>	<u>\$2,056,648</u>	<u>\$4,819,572</u>	<u>\$(8,811,398)</u>	<u>\$(7,705,916)</u>	<u>\$(5,859,133)</u>

Source: School District audited financial statements.

(1) Unaudited. Obtained from the School District's Annual Financial Report for the Fiscal Year Ending June 30, 2016, attached hereto as Appendix C.

TABLE A-5
CHESTER UPLAND SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND REVENUES AND EXPENDITURES
(Years Ending June 30)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> ⁽²⁾
REVENUE:						
Local Sources	\$18,196,606	\$18,975,779	\$20,102,088	\$19,759,597	\$22,131,813	\$21,324,547
State Sources	71,631,202	90,375,521	74,544,010	85,830,785	90,270,062	99,222,321
Federal Sources	<u>14,208,550</u>	<u>6,979,555</u>	<u>5,031,653</u>	<u>4,140,036</u>	<u>5,998,868</u>	<u>7,733,321</u>
TOTAL REVENUE	104,036,358	116,330,855	99,677,751	109,730,418	118,400,743	128,280,189
EXPENDITURES						
Instruction ⁽¹⁾						
Regular Programs	62,299,683	42,170,139	48,487,569	55,837,988	47,413,695	54,761,821
Special Programs	17,682,948	24,165,063	30,126,259	33,818,154	41,326,306	37,862,779
Vocational education programs	1,261,291	1,081,063	802,051	965,619	837,149	923,678
Other instructional programs	2,611,045	1,218,580	1,876,798	2,223,785	2,408,574	1,355,104
Nonpublic school programs	105,813	68,931	54,272	44,326	137,462	35,971
Pre-K instructional programs	410,028	479,602	1,010,680	746,700	808,702	845,188
Support Services						
Pupil personnel	1,809,753	1,949,334	1,768,430	2,054,153	2,268,760	2,055,835
Instructional Staff	2,718,419	1,488,695	1,541,028	2,759,450	3,245,307	4,098,257
Administration	4,553,642	4,809,727	3,800,031	4,630,175	5,076,085	4,429,159
Pupil health	939,935	673,568	695,522	831,155	396,239	307,776
Business	1,564,758	1,239,302	1,706,864	1,295,751	1,080,611	852,363
Operation and maintenance	14,784,024	7,823,238	6,975,171	6,607,582	6,759,596	6,186,966
Pupil transportation services	3,851,657	3,426,906	3,512,985	3,171,223	3,433,314	3,998,500
Central and other services	1,015,291	1,181,316	703,012	1,182,228	1,027,986	1,115,425
Other support services	-	22,032	340,379	30,479	45,538	29,317
Operation of noninstructional services						
Student activities	294,291	294,074	285,385	232,057	204,257	370,139
Community services	316,632	191,947	308,075	679,531	650,080	527,744
Debt service	6,016,648	5,415,261	5,917,268	6,673,644	7,215,485	7,302,471
Refund of prior years' revenue	-	<u>1,109,690</u>	-	-	-	-
TOTAL EXPENDITURES	122,235,858	98,808,468	109,911,779	123,784,000	124,335,146	127,058,493
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	(18,199,500)	17,522,387	(10,234,028)	(14,053,582)	(5,934,403)	1,221,696
OTHER FINANCING SOURCES (USES)						
Bond issue proceeds	55,115,000	-	-	7,155,495	-	-
Proceeds from extended-term financing	-	-	-	-	-	400,000
Bond premium	1,212,066	-	-	-	-	-
Payment to refunded bonds escrow agent	(42,120,575)	-	-	-	-	-
Payment to currently refund outstanding bonds	(3,744,314)	-	-	(6,988,619)	-	-
Loan proceeds	-	-	10,000,000	-	4,665,000	-
Sale or compensation for loss of fixed assets	-	-	-	-	-	63,330
Insurance recoveries	-	-	-	-	-	27,156
Transfers in	4,002	-	-	-	-	-
Transfers out	(12,285,718)	-	-	-	(750,000)	-
Proceeds from sale of capital assets	691,902	-	2,996,952	255,736	3,124,885	-
Special Items - Gains	-	-	-	-	-	134,601
Budgetary reserve	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,127,637)</u>	-	<u>12,996,952</u>	<u>422,612</u>	<u>7,039,885</u>	<u>625,087</u>
NET CHANGE IN FUND BALANCE	(19,327,137)	17,522,387	2,762,924	(13,630,970)	1,105,482	1,846,783

Source: School District audited financial statements

(1) Includes funds paid to charter schools.

(2) Unaudited. Obtained from the School District's Annual Financial Report for the Fiscal Year Ending June 30, 2016, attached hereto as Appendix C.

TABLE A-5 (continued)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> ⁽¹⁾
FUND BALANCE/(DEFICIT) AT BEGINNING OF YEAR	<u>3,861,398</u>	<u>(15,465,739)</u>	<u>2,056,648</u>	<u>4,819,572</u>	<u>(8,811,398)</u>	<u>(7,705,916)</u>
FUND BALANCE/(DEFICIT) AT END OF YEAR	\$(15,465,739)	\$2,056,648	\$4,819,572	\$(8,811,398)	\$(7,705,916)	\$(5,859,133)

Source: School District audited financial statements

(1) Unaudited. Obtained from the School District's Annual Financial Report for the Fiscal Year Ending June 30, 2016, attached hereto as Appendix C.

**TABLE A-6
CHESTER-UPLAND SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND BUDGET
FISCAL YEAR 2016 AND FISCAL YEAR 2017**

REVENUE:

	<u>2016</u>	<u>2017</u>
Local Sources	\$19,696,145	\$21,943,311
State Sources	88,305,725	96,538,515
Federal Sources	4,609,962	5,587,655
Other Sources	<u>250,000</u>	<u>0</u>
<i>Total Revenue and Other Financing Sources</i>	<u>\$112,861,832</u>	<u>\$124,069,481</u>

EXPENDITURES:

Instruction	\$101,528,310	\$96,503,141
Support Services	23,427,453	25,703,686
Operation of Non-instructional Services	1,105,227	1,098,070
Debt Service	8,271,681	7,254,548
Other Financing Uses	<u>1,050,000</u>	<u>800,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>\$135,382,671</u>	<u>\$131,359,445</u>

Source: School District Budget Form PDE-2028

TAXING POWERS OF THE SCHOOL DISTRICT

The School District, acting through its elected Board, is empowered by the Public School Code and other statutes to levy the following taxes:

1. An annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes;
2. An unlimited tax on all real property for school purposes to provide funds for:
 - a) salaries and increments for the teaching and supervisory staff;
 - b) rentals due any municipality authority or non-profit corporation, or due 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 in connection with the school building projects; and
 - d) to pay for amortization of a bond issue to finance construction of school facilities, if issued prior to the first Monday in July, 1959.
3. An annual per capita tax on each resident over 18 years old of not more than \$10.00.

The School District may also levy additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act no. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, wage and other earned income taxes, real estate transfer taxes, gross receipts taxes, and occupation taxes, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth ("STEB")) multiplied by twelve mills.

The Local Tax Enabling Act was amended by Act 222 of 2004 to authorize all taxing authorities to exempt from per capita, occupation, emergency and municipal service or earned income taxes any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1), as Amended

Pennsylvania Act No. 1 of the Special Session of 2006 ("Act 1") is intended to provide property tax relief to Pennsylvania homeowners by limiting the taxation of real property by Pennsylvania school districts. Act 1 restricts Pennsylvania school districts from increasing the rate of any tax for school purposes above an index (the "Index") determined by the Department of Education of the Commonwealth (the "Department") unless the school district first obtains voter approval or the school district tax falls within one of the exceptions set forth in Act 1. On June 30, 2011, Act 1 was amended so that beginning on January 1, 2012, seven (7) of the original eleven (11) exceptions were eliminated. Under the amended version of Act 1, the four (4) categories in which school districts can raise property taxes above the Index without triggering a referendum are as follows; provided that the use of any exception is approved by the Department:

- (1) costs to pay interest and principal on indebtedness incurred prior to September 4, 2004 for Act 72 schools and the refinancing of such debt, and prior to June 27, 2006 for non-Act 72 schools and the refinancing of such debt;
- (2) costs to pay interest and principal on electoral debt;
- (3) special education expenses; and

(4) state pension payments.

The increase in the rate of any tax pursuant to the above exceptions must be approved by the Department and must not produce revenue in excess of the anticipated dollar amount of the expenditure for which the exception is allowed. If the Department disapproves the school district's petition or request to increase taxes pursuant to one or more of the allowable exceptions, the school district may submit a referendum question to the voters at the election immediately preceding the start of the school district fiscal year in which the proposed tax increase would take effect. If the referendum is not approved, however, the board of school directors may not approve an increase in the tax rate of more than the Index.

Status of the General Obligation Note Under Act 1

Payments of debt service on the General Obligation Note supporting payment of debt service on the Bonds described in this Official Statement are not eligible for exceptions under item (1) above. Therefore, the debt service on General Obligation Note necessary to support the debt service on the Bonds is presently subject to the tax rate limitations of Act 1, as amended.

Act 1, as amended, does not affect the School District's covenant under the Debt Act to budget, appropriate and pay debt service on the General Obligation Note and all other outstanding debt of the School District.

THE SUMMARY OF ACT 1, AS AMENDED, IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OR A LEGAL REPRESENTATION THEREOF, AND A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1, AS AMENDED, AS PART OF ANY DECISION TO PURCHASE THE BONDS.

State Law Authorizing Replacement of the School District's Occupation Tax with an Increase in the Local Earned Income Tax

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% tax on the annual amount of residents' wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under Act 24, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

The School District has taken no action to implement Act 24.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted 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 in the following table:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
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	9.2%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

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 has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. 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 binding referendum question on the ballot at a general or municipal election for approval by the voters.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 130 OF 2008. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 130 OF 2008 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 130 OF 2008. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 130 OF 2008 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

Tax Levy Trends

Table A-7 shows the recent trend of tax rates levied by the School District. Table A-8 shows the comparative trend of real property tax rates for the School District, the County and the municipalities within the School District.

**TABLE A-7
CHESTER UPLAND SCHOOL DISTRICT
TAX RATES**

<u>School Year</u>	<u>Chester City Real Estate (mills)</u>	<u>Chester Township/ Upland Borough Real Estate (mills)</u>	<u>Real Estate Transfer Tax(%)</u>
2011-12	51.336	24.3937	0.50%
2012-13	53.160	24.430	0.50%
2013-14	54.495	25.090	0.50%
2014-15	56.3478	23.9726	0.50%
2015-16	57.7993	24.6928	0.50%
2016-17	56.0271	29.7654	0.50%

Source: School District Officials and Pennsylvania Department of Education Form 2028.

**TABLE A-8
CHESTER UPLAND SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Chester City ⁽¹⁾	33.684	31.292	31.292	33.684	33.684
Chester Township ⁽²⁾	8.500	8.800	9.900	9.900	9.900
Upland Borough	2.000	2.000	2.000	2.000	2.000
Delaware County ⁽³⁾	5.304	5.452	5.452	5.604	5.604

Source: Pennsylvania Department of Community and Economic Development.

(1) Includes millage for general purposes, debt service and library.

(2) Includes millage for general purposes and fire equipment.

(3) Includes millage for general purposes and debt service.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$16,232,000 in 2015-16 (on an unaudited basis), which represented approximately 13.1% of total revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2% discount, and those who remit subsequent to 120 days after July 1 are assessed a 10% penalty. The last county-wide reassessment occurred in 2000.

TABLE A-9
CHESTER-UPLAND SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

<u>Year</u>	<u>Assessed Value (Chester City)</u>	<u>Millage Rate (Chester City)</u>	<u>Current Levy (Chester City)</u>	<u>Assessed Value (Chester Township and Upland Borough)</u>	<u>Millage Rate (Chester Township and Upland Borough)</u>	<u>Current Levy (Chester Township and Upland Borough)</u>
2010-11	\$263,125,000	51.336	\$13,507,785	\$220,741,000	24.620	\$5,355,618
2011-12	\$270,093,482	51.336	\$13,865,519	\$227,076,991	24.393	\$5,539,089
2012-13	\$263,125,000	53.160	\$13,987,725	\$220,741,000	24.430	\$5,392,703
2013-14	\$264,126,900	54.495	\$14,393,595	\$225,912,500	25.090	\$5,668,145
2014-15	\$307,932,531	56.3478	\$17,351,321	\$235,978,714	23.9726	\$5,657,023
2015-16 (unaudited)	\$311,499,888	57.7993	\$18,004,475	\$235,008,546	24.6928	\$5,803,019
2016-17 (budgeted)	\$311,499,888	56.0271	\$17,452,435	\$235,043,086	29.7654	\$6,996,151

<u>Year</u>	<u>Combined Current Levy (Total School District)</u>	<u>Net Tax Relief for Homestead Exclusions</u>	<u>Current Year Collections</u>	<u>Delinquent Collections</u>	<u>Total Collections</u>	<u>Total Collections as Percent of Levy</u>
2010-11	\$18,863,403	\$16,110,260	\$13,647,394	\$2,162,853	\$15,810,247	83.8%
2011-12	\$19,404,608	\$16,651,618	\$13,440,023	\$2,652,591	\$16,092,614	82.9%
2012-13	\$19,380,428	\$16,627,567	\$14,031,036	\$4,416,666	\$18,447,702	95.2%
2013-14	\$20,061,740	\$17,308,433	\$14,911,035	\$1,992,556	\$16,903,591	84.3%
2014-15	\$23,008,344	\$20,255,029	\$16,189,550	\$1,946,984	\$18,136,534	78.8%
2015-16 (unaudited)	\$23,807,495	\$21,054,156	\$16,150,000	Not Available	Not Available	Not Available
2016-17 (budgeted)	\$24,448,587	\$21,695,275	Not Available	Not Available	Not Available	Not Available

Source: School District Officials

Largest Real Property Taxpayers

The ten largest real estate taxpayers, together with 2016-17 assessed values are shown on Table A-10. The aggregate assessed value of these ten taxpayers totals approximately 35% of assessed value.

TABLE A-10
CHESTER UPLAND SCHOOL DISTRICT
LARGEST REAL PROPERTY TAXPAYERS ⁽¹⁾

<u>Owner</u>	<u>Property Type</u>	<u>Assessed Value</u>
Chester Downs & Marina LLC	Casino	\$118,650,000
Sun Center LP	Multiple Buildings	14,685,000
American Ref Fuel Co	Trash to Steam Plant	11,817,677
Kimberly Clark	Building	11,242,388
VS Chester ILF LLC	Building	9,900,000
Colfin 2015-4 Indust Owner LLC	Building	6,500,000
United Stinson Limited Partnership	Building	6,461,150
ET Subbeledere LTD Partnership	Nursing Home	5,825,000
Barker Brothers Enterprises	Building	5,661,340
Container Corp of America	Building	5,547,276
Total		<u>\$196,289,831</u>

Source: School District Officials

(1) Prospect Health, a for-profit health care entity, opened within School District boundaries at the site of a former non-profit health care facility. While it is expected that Prospect Health will be among the top ten taxpayers of the School District, it is presently in the process of appealing past assessments of its property as a tax-exempt entity, so its final assessed value is unknown at this time.

Other Taxes

Under the Local Tax Enabling Act, the School District collected \$405,347 in Real Estate Transfer taxes in 2014-15, on an unaudited basis. Among the taxes authorized by the Local Tax Enabling Act, on the Real Estate Transfer Tax is levied by the School District. The Local Tax Enabling Act limit is equal to 12 mills on the market value of real property.

Commonwealth Aid To School Districts

School districts in the Commonwealth receive annual financial assistance from the Pennsylvania Department of Education. Broadly speaking, the amount of such assistance is based upon (i) per pupil market value of assessable real estate in the school district, (ii) per pupil income earned in the school district and (iii) the school district's real effort, all as compared with such figures on a state-wide basis.

The two major programs that constitute such State aid for the School District are the instructional subsidy and the special educational subsidy.

The instructional subsidy received by a school district is based, in part, upon the school district's Market Value/Income Aid Ratio (the "MVAR") as such term is defined in the School Code. The MVAR is a function of both the ratio of the per pupil market value of real estate in the school district to such per pupil market value in the Commonwealth and the ratio of the per pupil income of the school district to the per pupil personal income in the Commonwealth. The School District's MVAR for Fiscal Year 2017 is 0.8627, which represents the latest data available.

Rental and sinking fund reimbursement from the Commonwealth for school projects is determined by the "Reimbursable Percentage" assigned to the school building project and by the school district's MVAR or Capital Account Reimbursable Fraction (the "CARF"), whichever is higher. Most school building projects in the Commonwealth are eligible for state reimbursement. Certain school building projects, such as school administration buildings, swimming pools and tracks are ineligible for reimbursement. A reimbursement percentage, based upon the rated pupil capacity of the new or renovated structure and certain other costs, is assigned to each building project. This reimbursement percentage multiplied by the school district MVAR or CARF, whichever is higher, determines the state share of the annual lease rental or debt service for that school year.

The difference between the State share and 100% yields the local share of debt service or lease rental payments. As the school district's MVAR may change each year, so will the State share of such reimbursement.

The amount of Commonwealth aid to the School District in the future may change in the event amendments are made to State aid formulas or if changes occur in local conditions which may affect the level of State aid under current formulas.

Section 633 of the School Code, as amended, presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date, or on any sinking fund deposit date, in accordance with the schedule under which the bonds are issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth 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 depository for such bond issue ("Pennsylvania Act 150 School District Intercept Program"). These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance that any payments made pursuant to this withholding provision will be made by the date on which such payments are due to Bondholders, and the effectiveness of the withholding provisions of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the School Code. These provisions may apply to withholding and paying over appropriations for payment of unpaid

teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the rights of creditors.

For information regarding certain limitations placed on the taxing powers of school districts in the Commonwealth of Pennsylvania, see **"TAXING POWERS OF THE SCHOOL DISTRICT - The Taxpayer Relief Act (Act 1), as Amended"** herein.

Act 25 of 2016

House Bill 1589 ("HB1589") was presented to the Governor of Pennsylvania for consideration on April 14, 2016 after adoption by the General Assembly. HB1589 contained language that authorized a borrowing to fund PlanCon appropriations for at least the 2015-16 fiscal year. HB1589 became law and known as Act 25 of 2016 ("Act 25") when the Governor failed to sign or veto the bill within the ten day period prescribed under the laws of the Commonwealth. Act 25 authorizes the borrowing to fund PlanCon appropriation for at least the 2015-16 fiscal year. This financing was completed by the Commonwealth and funds were remitted for the current fiscal year on or around November 10, 2016. There is no certainty that the PlanCon reimbursement will be appropriated or paid in any future fiscal years.

To the extent that any future legislation contains changes and alterations to the PlanCon program as it currently is structured, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could impact the amount of local funds needed to be allocated by the School District to pay debt service on its obligations.

School District Intercept Payments Legislation

Recently enacted Act 85 of 2016 provides for the intercept of school district subsidy payments by the Commonwealth Department of Education when annual Commonwealth appropriations have not been enacted by July 1 and continue to not be enacted when a school district debt service payment is due. Any Commonwealth payments made will be deducted from a school district's allocations upon enactment of a Commonwealth budget. The total amount of all intercept payments may not exceed 50% of the total non-federal General Fund subsidy payments made to a school district in the prior fiscal year.

Act 85 is recent legislation. It is not clear how the Commonwealth Department of Education would apply Act 85 in the event of a budget impasse. In particular, in the absence of a fiscal agent agreement or other obligation to make a sinking fund deposit more than 10 days in advance of a debt service payment date, timely payment of the impasse intercept by the Commonwealth Department of Education relies on the required advance notice by the Secretary of Education to legislative officials. As of the date of this Official Statement, no precedent or process for this advance notice has been established.

DEBT AND DEBT LIMITS

Debt Statement

Table A-11 below shows the debt of the Chester Upland School District including the issuance of the Bonds and excluding the Bonds refunded by a portion of the proceeds of the Bonds.

TABLE A-11
CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF DIRECT AND OVERLAPPING DEBT
(As of the Date of Issuance of the Bonds) ⁽¹⁾

NONELECTORAL DEBT	Gross Outstanding
Qualified Zone Academy Bonds – Tax Credit, Series of 2017	\$7,500,000
General Obligation Bonds, Series of 2008	<u>\$ 7,070,000</u>
TOTAL NONELECTORAL DEBT	\$ 14,570,000
LEASE RENTAL	
School Revenue Bonds, Series A of 2016 (Federally Taxable)	18,045,000
School Revenue Bonds, Series B of 2016	7,085,000
School Revenue Note, Series of 2014	5,875,000
School Revenue Bonds, Series A of 2011	33,550,000
School Revenue Bonds, Series C of 2011	<u>9,385,000</u>
TOTAL LEASE RENTAL DEBT	\$73,940,000
TOTAL PRINCIPAL OF DIRECT DEBT	\$ 88,510,000
OVERLAPPING DEBT	
City of Chester ⁽²⁾	\$26,697,777
Chester Township ⁽²⁾	0
Upland Borough ⁽²⁾	1,430,299
Delaware County ⁽³⁾	<u>5,693,455</u>
TOTAL OVERLAPPING DEBT	\$33,821,532
TOTAL DIRECT AND OVERLAPPING DEBT	\$122,331,532

(1) Includes the Bonds offered in this Official Statement.

(2) Source: Pennsylvania Department of Community and Economic Development. 100% overlapping.

(3) Source: Pennsylvania Department of Community and Economic Development. 1.79% overlapping. Proportionate share ratio is determined by dividing the assessed value of the municipalities that compose the School District by the assessed value of the County, and multiplying that ratio by the outstanding debt of the County.

Debt Limits and Remaining Borrowing Capacity

The borrowing capacity of the School District is calculated in accordance with provisions of the Act, which describes the applicable debt limits for local government units, including school districts and municipalities. Under the Act, the School District may incur electoral debt, which is debt approved by a majority of the School District's voters at either a general or special election, in an unlimited amount. Combined net nonelectoral debt and net lease rental debt (debt represented by capital leases and other forms of agreement evidencing the acquisition of a capital asset) incurred on behalf of the School District may not exceed 225% of the School District's "Borrowing Base". The Borrowing Base is calculated as the annual arithmetic average of Total Revenues (as defined in the Act), less any deductions or exceptions (as specified in the Act), for the three full fiscal years next preceding the date of incurring debt.

The current Borrowing Base of the School District is shown in the following Table A-12, and the current schedule of existing electoral, nonelectoral and lease rental debt is shown in Table A-11. The section “**Remaining Borrowing Capacity (Under the Local Government Unit Debt Act)**” reflects the resulting maximum levels of nonelectoral and lease rental debt which the School District will be permitted to incur after the issuance and sale of the Bonds.

**TABLE A-12
BORROWING BASE CALCULATION**

	Fiscal Year Ended June 30		
	<u>2014</u>	<u>2015</u>	<u>2016</u> <u>(unaudited)</u>
Gross Revenues	\$117,141,649	\$126,190,628	\$128,228,899
Less: Statutory Deductions			
a. Subsidy Rental and Sinking Fund Payments	2,076,187	144,970	144,512
b. Revenues Pledged for Self-Liquidating Debt	0	0	0
c. Interest on Sinking Funds	0	0	0
d. Grants and Gifts for Special Federally Funded Projects	0	0	2,556,914
e. Disposition of Assets and Nonrecurring Items	<u>7,411,231</u>	<u>7,789,885</u>	<u>463,000</u>
Net Revenues	\$107,654,231	\$118,255,773	\$125,064,473
Total Net Revenues for Three Years			\$350,974,477
Borrowing Base-Average Total Revenues for Three Year Period			\$116,991,492
Remaining Borrowing Capacity (Under the Local Government Unit Debt Act)			
Debt Limit – 225% of Borrowing Base			\$263,230,587
Less: Outstanding Net Lease Rental Debt and Net Non-Electoral Debt ⁽¹⁾			\$88,510,000
Current Borrowing Capacity			\$181,438,587

(1) Includes the Bonds offered through this Official Statement.

Other School District Indebtedness

The School District has two loans from the Commonwealth of Pennsylvania that are related to the School District’s financial recovery plan, described below. These loans are not backed by intercept agreements.

Department of Education Financial Recovery Loan

In 2013, the School District received approval for a \$10,000,000 financial recovery loan from the Pennsylvania Department of Education to be used to implement the components of the School District’s financial recovery plan. The loan bears no interest, and the annual principal payments of \$1,000,000 will be due on June 30 of each year, beginning with June 30, 2016, with the final payment on June 30, 2025.

Commonwealth of Pennsylvania Transition Loan

In 2015, the School District received approval for a \$4,665,000 transition loan from the Pennsylvania Department of Education to be used to implement the components of the School District’s financial recovery plan. The loan bears no interest, and the annual principal payments of \$466,500 are due on June 30 of each year, commencing with June 30, 2018, with the final payment on June 30, 2027.

Debt Service Requirements

Table A-13 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds, including debt service and sinking fund deposits on the Bonds.

Table A-14 presents data on 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.

TABLE A-13
CHESTER UPLAND SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS
(including the Bonds) ⁽¹⁾

Year	QZAB		
	Outstanding Debt Service	Debt Service and Sinking Fund Deposits	Total Debt Service
2018	6,218,663.21	256,666.67	6,475,329.88
2019	8,623,970.52	292,500.00	8,916,470.52
2020	8,629,156.77	287,500.00	8,916,656.77
2021	8,631,528.78	282,500.00	8,914,028.78
2022	8,629,732.98	282,500.00	8,912,232.98
2023	8,629,764.01	282,500.00	8,912,264.01
2024	8,632,329.31	282,500.00	8,914,829.31
2025	8,632,067.38	282,500.00	8,914,567.38
2026	8,613,754.50	302,500.00	8,916,254.50
2027	8,616,291.88	302,500.00	8,918,791.88
2028	8,646,501.13	272,500.00	8,919,001.13
2029	8,646,077.50	272,500.00	8,918,577.50
2030	8,607,963.13	312,500.00	8,920,463.13
2031	1,595,818.75	7,326,250.00	8,922,068.75
2032	0.00	0.00	0.00
<hr/>			
Total	111,353,619.81	11,037,916.67	122,391,536.48

(1) Totals may not add due to rounding.

TABLE A-14
CHESTER UPLAND SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY COMMONWEALTH AID ⁽¹⁾

2016-17 Commonwealth Aid Budgeted	\$96,538,515
2016-17 Debt Service Requirements	\$7,254,548
Maximum Future Debt Service Requirements after Issuance of Bonds	\$8,922,069
Coverage of 2016-17 Debt Service Requirements	13.3x
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds.....	10.9x

(1) Assumes current Commonwealth Aid Ratio. See "Commonwealth Aid to School Districts"

Additional and Future Financing

No further long terms borrowings are anticipated other than refundings subject to market conditions.

LABOR RELATIONS

School District Employees

There are presently 440 employees of the School District, including teachers, administrators, and part time and full time support personnel. The support personnel includes secretaries, custodial, cafeteria employees, maintenance, teacher aides, transportation employees, and business office employees.

The School District's teachers are represented by the Chester Upland Education Association, an affiliate of the Pennsylvania State Education Association under a contract which expired June 30, 2013. The School District and the teachers are in continued negotiations regarding this contract following rejection in December 2016 of a contract offer by the School District. The School District is also under contract with the Teamsters Union, which represents approximately 120 maintenance, cafeteria workers and bus drivers, which expired June 30, 2013. The School District's secretaries and clerks are represented by the Chester Upland Educational Support Personnel Association/PSEA under a contract which expires June 30, 2019.

Pension Program

School districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement Board. All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program.

Currently, each party (the employee, the School District and the Commonwealth) to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Pennsylvania Public School Employees' Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Act 9 became effective which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 22, 1983. The PSERS Board of Trustees has set the fiscal year 2016-17 employer retirement contribution rate at 30.03 percent of payroll. This contribution may increase in future fiscal years. Please see the PSERS website www.psers.state.pa.us for a description of the contribution requirements. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees.

Recent School District pension expenditures (prior to Commonwealth reimbursement) have been as follows:

2011-12	\$1,690,651
2012-13	2,889,520
2013-14	3,975,732
2014-15	5,532,106
2015-16 (unaudited)	6,265,570

The School District is current in all payments.

For fiscal year ending June 30, 2015, the School District implemented Governmental Accounting Standards Board Statement No. 68 which requires the School District to report their proportionate share of the net pension liability of approximately \$72,472,000. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the School District's one-year reported covered payroll as it relates to the total one-year reported covered payroll. The School District's proportion was 0.1831% of the total.

PSERS is the 17th largest defined benefit pension fund in the nation. PSERS is primarily responsible for administering a defined benefit pension plan for public school employees in the Commonwealth of Pennsylvania. The rate of return on investments was 14.91% for the fiscal year ended June 30, 2014, 7.96% for the fiscal year ended June 30, 2013, and 3.43% for the fiscal year ended June 30, 2012.

The Pennsylvania Department of Education 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 two fiscal years, the current fiscal year and a projection of required payments for the next two fiscal years.

<u>Fiscal Year</u>	<u>Percentage of Payroll</u>
2015	21.40%
2016	25.84%
2017	30.03%
2018	32.04%
2019	33.27%
2020	34.20%

As of June 30, 2014 the PSERS plan was 62.0% funded, with an unfunded actuarial accrued liability of approximately \$35,121,200,000. For more information, visit the PSERS website at <http://www.psers.state.pa.us>.

Source: School District Administrative Officials and PSERS website.

Termination Benefits

The School District pays for a portion of post-retirement health care benefits for certain retirees. These post-retirement health care benefits were offered by the School District as an inducement to hasten voluntary early termination. These post-retirement health care benefits terminate once the retiree reaches age 65 or within the timeline specified in the retirement contract, whichever comes first. There are nine retirees within this group who will receive a lifetime worth of health care benefits. The School District is assuming 90 years of age as the life expectancy for this group. The youngest and oldest retirees within this group are 75 and 90, respectively. As of June 30, 2015, there are a total of 17 retirees that are receiving these benefits. During this year, a decrease in the liability of \$342,600 was recorded for these post-retirement health care benefits.

The following table provides the various termination benefits that are currently being administered by the School District:

<u>Year of Early Retirement Incentive Program</u>	<u>Annual Cost Cap Per Retiree</u>	<u>Number of Years Left of Retirement Incentive</u>	<u>Number of Employees</u>
Fiscal Year 2009	\$8,000	1	3
Fiscal Year 2011	\$8,000	1	6
Fiscal Year 2014	\$5,000	1	8

Source: School District audited financial statements.

Other Post-Employment Benefits

The School District provides medical, prescription drug, dental and vision insurance benefits to eligible retired employees, spouse and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the School District and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

The School District's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the School District's annual OPEB cost for the fiscal year ending June 30, 2015, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the Plan:

Normal Cost	\$28,253
Amortization of unfunded actuarial accrued liability	<u>268,458</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	296,711
Interest on net OPEB obligation	-
Adjustment to ARC	=
ANNUAL OPEB EXPENSE	296,711
Net OPEB contributions during the year	<u>(229,122)</u>
INCREASE IN NET OPEB OBLIGATION	67,589
Net OPEB obligation – beginning of year	=
Estimated net OPEB obligation – end of year	<u>\$67,589</u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$296,711	77.22%	\$67,589

OPEB Funding Status and Funding Progress

The actuarial valuation date for the following information is July 1, 2014.

Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
\$ --	\$1,384,681	\$1,384,681	0%	\$22,460,873	6.16%

Source: School District audited financial statements.

APPENDIX B

**School District Single Audit
Report for the Fiscal Year Ended June 30, 2015**

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CHESTER UPLAND SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015



Certified Public Accountants and Business Consultants

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INTRODUCTORY SECTION

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CHESTER UPLAND SCHOOL DISTRICT

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CHESTER UPLAND SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Receiver
Chester Upland School District
Chester, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Chester Upland School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Chester Upland 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Chester Upland School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Receiver
Chester Upland School District
Chester, Pennsylvania

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Chester Upland School District will continue its operations under normal operating provision of the School Laws of Pennsylvania. As discussed in Notes B and M to the financial statements, the Pennsylvania Department of Education and/or federal, state, or county courts may impose directives which could affect the continuing operations of the School District.

As discussed in Note L to the financial statements, for the year ended June 30, 2015, the Chester Upland School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions--An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14, budgetary comparison information on page 49, schedule of the school district's proportionate share of the net pension liability on page 50, schedule of school district contributions on page 51, and postemployment benefits other than pension funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chester Upland School District's basic financial statements. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Receiver
Chester Upland School District
Chester, Pennsylvania

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, on our consideration of the Chester Upland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Chester Upland School District's internal control over financial reporting and compliance.

Maullie LLP

Oaks, Pennsylvania
August 29, 2016

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

The Receiver is pleased to present to readers of the financial statements of Chester Upland School District this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information furnished in the financial statements and notes to the financial statements.

While the Board of School Directors was the governing body of the Chester Upland School District from July 1, 2010 through December 12, 2012, the District was placed in receivership on December 13, 2012, for a term of three years and thereafter extended.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- In the governmental activities, total revenues increased \$11.2 million - from \$110.5 million in 2014 to \$121.7 million in 2015. This was the result of increased program revenues of \$900 thousand, increased general revenues consisting of real estate taxes of \$1.7 million, grants and contributions not restricted to specific programs of \$7.1 million, gains from the sale of assets of \$1.6 million, refunds of prior period expenditures of \$700 thousand, offset by an \$800 thousand transfer to the Proprietary Fund.
- While general revenues accounted for \$99,068,816 or 81.4% of total revenues (prior year, \$88,735,946 or 80.3%), it should be noted that the \$7.1 million increase in grants and contributions not restricted to specific programs includes \$4.7 million in proceeds from a state transition loan.
- Governmental activities program revenues in the form of charges for services, operating grants and contributions and capital grants and contributions accounted for \$22,631,700 or 18.6% of total revenues (prior year, \$21,762,862 or 19.8). Revenue in this category increased \$900 thousand, primarily as a result of an increase in federal grant revenues. Program revenues vary from year to year depending upon grants awarded to the School District.
- Current total governmental activities expenditures decreased from \$122,360,247 in 2013-14 to \$120,679,519 in 2014-15. This \$1.7 million decrease is primarily the result of a \$3.3 million decrease in charter school tuition (the result of an agreement reached between the district and the charter schools), a \$500 thousand decrease in interest on debt, a \$400 thousand decrease in pupil health services, and a \$200 thousand decrease in business services offset by an increase in regular and special education expenditures and other areas of \$1.2 million, \$1.4 million and \$100 thousand respectively.

Fund Financial Statements

- As of the end of the current fiscal year, Chester Upland School District's Governmental Fund reported an ending fund balance of negative \$7.7 million. This is attributed to the unassigned fund balance for the General Fund, which increased from negative \$8.8 million at June 30, 2014, to negative \$7.7 million at June 30, 2015. This \$1.1 million increase is primarily the result of \$4.6 million from loan proceeds, \$3.2 million local revenue in excess of budget, \$400 thousand state and federal revenues in excess of budget, offset by \$7.1 million in special education and other expenditures over budgeted amounts.

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Chester Upland School District's basic financial statements. The Chester Upland School District's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Chester Upland School District's finances, in a manner similar to a private-sector business. There are two government-wide statements presented in this report.

- The *statement of net position* presents information on all of the Chester Upland School District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Chester Upland School District is improving or deteriorating. To assess the District's overall health, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Chester Upland School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

In the government-wide financial statements, the District's activities are divided into two categories:

- ***Governmental Activities:*** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- ***Business-Type Activities:*** The District charges fees to help it cover the costs of certain services it provides, such as the food service program.

The government-wide financial statements can be found on pages 15 and 16 of this report.

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Chester Upland School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Chester Upland School District can be divided into two categories: Governmental Funds and the Proprietary Fund.

Governmental Funds. Most of the District's basic services are included in Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Funds financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

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

The Chester Upland School District maintains several individual Governmental Funds. For the year ended June 30, 2015, information is presented in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, as it is considered to be the only reportable major fund.

The Chester Upland School District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund for consideration of compliance with the budget.

The basic Governmental Funds financial statements can be found on pages 17 to 20 of this report.

Proprietary Fund. The Chester Upland School District maintains one type of Proprietary Fund; the Food Service Fund, which is an Enterprise Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. This fund accounts for the financial transactions related to the food service operation of the District.

The basic Proprietary Fund financial statements can be found on pages 21 to 23 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 25 to 48 of this report.

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Chester Upland School District, liabilities exceeded assets by \$134,150,148 at the close of the most recent fiscal year.

The table below summarizes the net position of the District at June 30, 2015 and 2014.

Chester Upland School District's Net Position

	Governmental Activities	
	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
Current and other assets	\$ 10,415,536	\$ 12,730,800
Capital assets	32,489,928	34,041,626
Deferred outflows of resources	5,106,000	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	48,011,464	46,772,426
LIABILITIES AND DEFERRED INFLOWS		
Long-term liabilities outstanding	153,888,147	81,264,377
Other liabilities	15,401,714	20,013,443
Deferred inflows of resources	12,407,000	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	181,696,861	101,277,820
NET POSITION		
Net investment in capital assets	(33,191,197)	(35,951,177)
Restricted	20,973	20,973
Unrestricted	(100,515,173)	(18,575,190)
TOTAL NET POSITION	\$ (133,685,397)	\$ (54,505,394)

The District's financial position is a product of many factors. In the governmental activities, the grants and contributions not restricted to specific programs drives the majority of the revenue generated. The tax base of the district is the second largest contributor of revenues. The District consists of three municipalities: Chester City, Upland Borough and Chester Township. In the business-type activities, which are food services, revenue is generated through meal production and resale.

Business-Type Activities		Totals	
2015	2014	2015	2014
\$ 405,862	\$ (1,042,789)	\$ 10,821,398	\$ 11,688,011
-	12,666	32,489,928	34,054,292
6,000	-	5,112,000	-
<u>411,862</u>	<u>(1,030,123)</u>	<u>48,423,326</u>	<u>45,742,303</u>
82,000	-	153,970,147	81,264,377
780,613	74,209	16,182,327	20,087,652
14,000	-	12,421,000	-
<u>876,613</u>	<u>74,209</u>	<u>182,573,474</u>	<u>101,352,029</u>
-	12,666	(33,191,197)	(35,938,511)
-	-	20,973	20,973
<u>(464,751)</u>	<u>(1,116,998)</u>	<u>(100,979,924)</u>	<u>(19,692,188)</u>
\$ <u><u>(464,751)</u></u>	\$ <u><u>(1,104,332)</u></u>	\$ <u><u>(134,150,148)</u></u>	\$ <u><u>(55,609,726)</u></u>

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Changes in the net position of the District are highlighted in the following table:

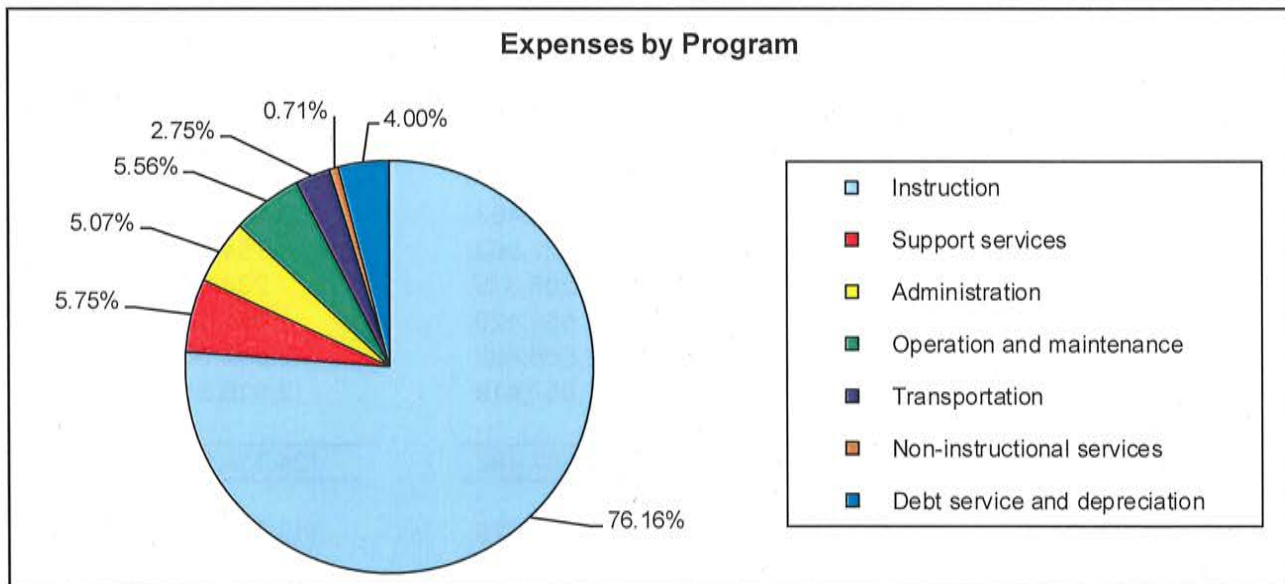
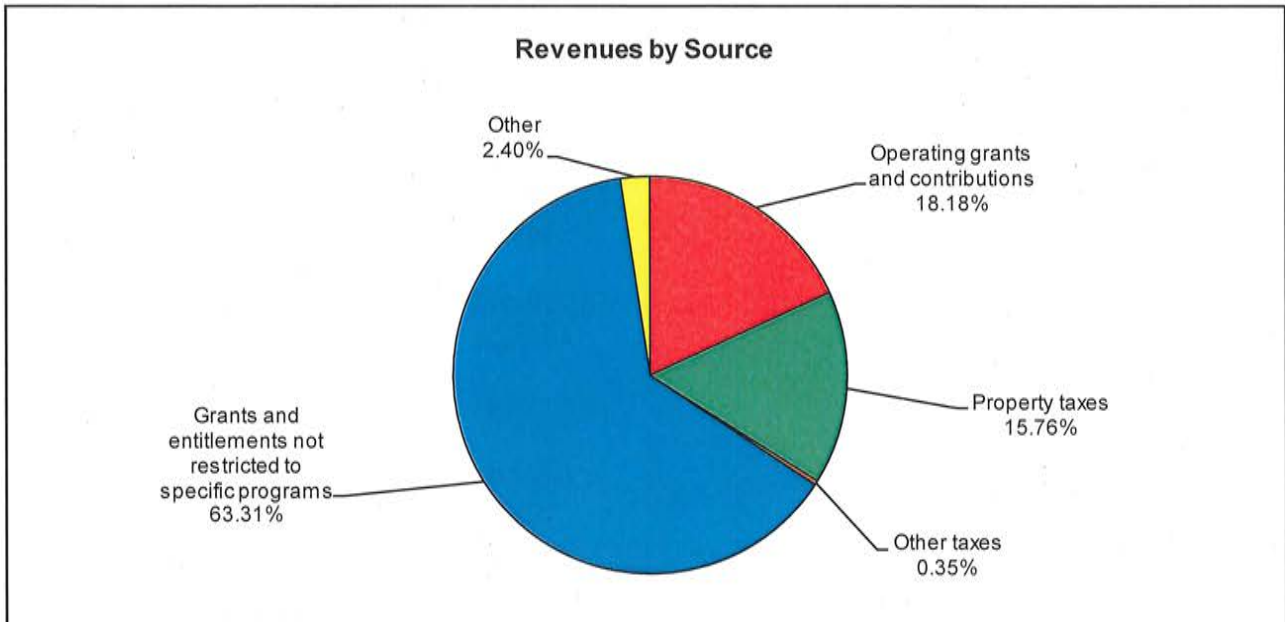
Chester Upland School District's Change in Net Position

	Governmental Activities	
	2015	2014
REVENUES		
Program revenues		
Charges for services	\$ 221,843	\$ 270,691
Operating grants and contributions	22,264,887	19,415,984
Capital grants and contributions	144,970	2,076,187
General revenues		
Property taxes	19,293,446	17,559,790
Other taxes	429,232	487,728
Grants and entitlements not restricted to specific programs	77,520,983	70,353,623
Investment earnings	-	7,060
Gain on sale of capital assets	1,848,149	255,736
Other	9,553	72,009
Refund of prior year expenditures	717,453	-
TOTAL REVENUES	122,450,516	110,498,808
EXPENSES		
Instruction	91,908,588	93,364,437
Support services	6,942,169	6,881,684
Administration	6,122,649	5,951,690
Operation and maintenance of plant services	6,707,787	6,603,871
Student transportation services	3,316,483	3,083,819
Food service	-	-
Student activities	205,375	234,010
Community services	650,120	681,651
Interest and amortization	2,968,929	3,542,767
Depreciation, unallocated	1,857,419	2,016,318
Transfers	750,000	-
TOTAL EXPENSES	121,429,519	122,360,247
CHANGE IN NET POSITION	1,020,997	(11,861,439)
NET POSITION AT BEGINNING OF YEAR	(134,706,394)	(42,643,955)
NET POSITION AT END OF YEAR	\$ (133,685,397)	\$ (54,505,394)

Business-Type Activities		Totals	
2015	2014	2015	2014
\$ 81,005	\$ 113,621	\$ 302,848	\$ 384,312
1,727,331	1,295,866	23,992,218	20,711,850
-	-	144,970	2,076,187
-	-	19,293,446	17,559,790
-	-	429,232	487,728
-	-	77,520,983	70,353,623
-	-	-	7,060
208	-	1,848,357	255,736
-	-	9,553	72,009
-	-	717,453	-
<u>1,808,544</u>	<u>1,409,487</u>	<u>124,259,060</u>	<u>111,908,295</u>
-	-	91,908,588	93,364,437
-	-	6,942,169	6,881,684
-	-	6,122,649	5,951,690
-	-	6,707,787	6,603,871
-	-	3,316,483	3,083,819
1,827,963	1,754,287	1,827,963	1,754,287
-	-	205,375	234,010
-	-	650,120	681,651
-	-	2,968,929	3,542,767
-	-	1,857,419	2,016,318
(750,000)	-	-	-
<u>1,077,963</u>	<u>1,754,287</u>	<u>122,507,482</u>	<u>124,114,534</u>
730,581	(344,800)	1,751,578	(12,206,239)
<u>(1,195,332)</u>	<u>(759,532)</u>	<u>(135,901,726)</u>	<u>(43,403,487)</u>
\$ <u>(464,751)</u>	\$ <u>(1,104,332)</u>	\$ <u>(134,150,148)</u>	\$ <u>(55,609,726)</u>

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

The following charts illustrate the sources and uses of funds for the governmental activities of the Chester Upland School District:



CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the Chester Upland School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Chester Upland School District's *Governmental Funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Chester Upland School District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Chester Upland School District's Governmental Funds reported combined ending fund balances of negative \$7,705,916, which was comprised entirely by the General Fund, as there was no Capital Projects ended fund balance to report. The General Fund is the primary operating fund of the Chester Upland School District.

Proprietary Fund

The Chester Upland School District's Proprietary Fund financial statements at the fund-level provide the same type of information found in the government-wide financial statements but in more detail. Daily management and administration of the food service program is performed by Chartwells, Compass Group USA.

The Food Service Fund's net position increased by \$730,581 during the year, as a result of a \$750,000 transfer from the district's general fund to reduce the fund's accumulated deficit. Through increased subsidy revenue and a renegotiated contract with its service provider vendor, the district has made great strides developing its Food Service Fund Program to be self-supporting on an annual basis. As a result, the fund's net position at year-end was negative \$465 thousand (compared to \$1.1 million the previous year), with an annual net change before the transfer of negative \$19 thousand, compared to an annual net change of negative \$345 thousand the previous year. The table below shows the fund's annual net changes before fund transfers for the last five years:

<u>Year Ended June 30,</u>	<u>Annual Net Change Before Fund Transfer</u>
2011	\$ (611,075)
2012	(616,609)
2013	(601,297)
2014	(344,800)
2015	(19,419)

Other factors concerning the Food Service Fund have already been addressed in the discussion of the School District's business-type activities.

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Chester Upland School District's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$32,489,928 (net of accumulated depreciation).

The following table shows the breakdown of the governmental portion.

Chester Upland School District's Capital Assets (Net of Depreciation)

	Governmental Activities	
	2015	2014
Land and improvements	\$ 51,102	\$ 153,310
Buildings and building improvements	31,119,637	32,541,415
Furniture and equipment	1,319,189	1,346,901
	<u>\$ 32,489,928</u>	<u>\$ 34,041,626</u>

Additional information on the Chester Upland School District's capital assets can be found in Note D of this report.

Long-Term Debt

Chester Upland School District's Outstanding Debt

	Governmental Activities	
	2015	2014
Outstanding obligation bonds	<u>\$ 72,270,000</u>	<u>\$ 71,880,000</u>

Chester Upland School District maintains a Moody's Ba2 rating.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- During the 2014-15 year, the district received \$4.7 million in proceeds from a state transition loan. The loan is to be paid back over ten years with the first payment occurring on June 30, 2018 and the last payment occurring on June 30, 2027.
- In October, 2015, the district entered into an agreement with charter schools that would reduce the district's charter school tuition expenditures. This agreement generated savings of \$3.3 million for the district in 2014-15 from 2013-14 levels. In addition, it will provide savings to the district for the entire 2015-16 year. The agreement expires on June 30, 2025.

Business-Type Activities		Totals	
2015	2014	2015	2014
\$ -	\$ -	\$ 51,102	\$ 153,310
-	-	31,119,637	32,541,415
-	12,666	1,319,189	1,359,567
<u>\$ -</u>	<u>\$ 12,666</u>	<u>\$ 32,489,928</u>	<u>\$ 34,054,292</u>

Business-Type Activities		Totals	
2015	2014	2015	2014
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,270,000</u>	<u>\$ 71,880,000</u>

CHESTER UPLAND SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

- Furthermore, in May, 2016, Pennsylvania legislators passed House Bill 1552 that will provide additional funding in excess of \$12 million annually to the district in perpetuity. This, along with reduced charter school tuition expenditures above, will help the district reduce its annual structural deficit.

The School District adopted its 2015-16 and 2016-17 fiscal year budgets in June 2015 and 2016 respectively. The district's 2015-16 budget included revenues of \$112,861,832 and expenditures of \$135,382,671. Since this budget was adopted in June, 2015, the favorable impacts of the tuition-savings-agreement with charters and the additional state revenue from House Bill 1552 were not reflected in the budget. However, with these developments, 2015-16 forecasted revenues and expenditures are \$126.4 million and \$128.1 million respectively.

The district's 2016-17 budget included revenues of \$124,069,481 and expenditures of \$131,359,445.

The district's receiver and senior administration continue to meet and discuss with decision makers at the state-level.

- The 2015-16 and 2016-17 millage rates for the City of Chester, Chester Township and Upland Borough are:

	Millage Rates	
	City of Chester	Chester Township and Upland Borough
2015 to 2016	\$ 57.7993	\$ 24.6928
2016 to 2017	59.7633	25.6555

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Chester Upland School District's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Business Administrator, Chester Upland School District, Administration Suite, 232 West 9th Street, Chester, PA 19013.

CHESTER UPLAND SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 3,416,546	\$ 501,995	\$ 3,918,541
Taxes receivable	3,490,735	-	3,490,735
Internal balances	212,538	(212,538)	-
Due from other governments	2,605,600	78,749	2,684,349
Other receivables	132,774	20,410	153,184
Inventories	-	17,246	17,246
Prepaid expenses	536,370	-	536,370
Restricted cash and cash equivalents	20,973	-	20,973
Capital assets, net of accumulated depreciation			
Land and improvements	51,102	-	51,102
Buildings and building improvements	31,119,637	-	31,119,637
Furniture and equipment	1,319,189	-	1,319,189
TOTAL ASSETS	42,905,464	405,862	43,311,326
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	5,106,000	6,000	5,112,000
LIABILITIES			
Accounts payable	7,016,653	762,610	7,779,263
Accrued salaries and benefits	5,827,995	13,663	5,841,658
Accrued interest	770,996	-	770,996
Unearned revenue	1,781,070	4,340	1,785,410
Other current liabilities	5,000	-	5,000
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	4,372,028	-	4,372,028
Financial recovery loan	1,000,000	-	1,000,000
Lease-purchase obligations	24,534	-	24,534
Compensated absences	90,918	-	90,918
Termination benefits	109,343	-	109,343
Portion due or payable after one year			
Bonds payable	61,284,563	-	61,284,563
Financial recovery loan	9,000,000	-	9,000,000
Commonwealth of PA transition loan	4,665,000	-	4,665,000
Compensated absences	818,254	-	818,254
Termination benefits	65,918	-	65,918
Net pension liability	72,390,000	82,000	72,472,000
Net OPEB obligation	67,589	-	67,589
TOTAL LIABILITIES	169,289,861	862,613	170,152,474
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	12,407,000	14,000	12,421,000
NET POSITION			
Net investment in capital assets	(33,191,197)	-	(33,191,197)
Restricted	20,973	-	20,973
Unrestricted	(100,515,173)	(464,751)	(100,979,924)
TOTAL NET POSITION	\$ (133,685,397)	\$ (464,751)	\$ (134,150,148)

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 46,456,911	\$ 62,466	\$ 3,344,209	\$ -
Special programs	41,278,181	-	12,931,444	-
Vocational education programs	828,416	-	356,199	-
Other instructional programs	2,542,175	-	58,953	-
Pre-kindergarten programs	802,905	-	838,865	-
Support services				
Pupil personnel services	2,253,121	-	227,315	-
Instructional staff services	3,224,894	-	188,629	-
Administration services	5,048,955	-	391,948	-
Pupil health services	394,255	-	73,006	-
Business services	1,073,694	-	99,918	-
Operation and maintenance of plant services	6,707,787	-	399,667	-
Student transportation services	3,316,483	142,754	2,214,491	-
Central services	1,024,361	-	55,737	-
Other services	45,538	-	-	-
Operation of non-instructional services				
Student activities	205,375	16,623	21,332	-
Community services	650,120	-	809	-
Facilities acquisition, construction and improvement	-	-	1,062,365	-
Interest and amortization on long-term debt	2,968,929	-	-	144,970
Depreciation, unallocated	1,857,419	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	120,679,519	221,843	22,264,887	144,970
BUSINESS-TYPE ACTIVITIES				
Food service	1,827,963	81,005	1,727,331	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 122,507,482	\$ 302,848	\$ 23,992,218	\$ 144,970

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Transfer taxes

Public utility taxes

Grants and contributions not restricted to specific programs

Gain on sale of capital assets

Refund of prior year expenditures/revenues, net

Miscellaneous

Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (43,050,236)	\$ -	\$ (43,050,236)
(28,346,737)	-	(28,346,737)
(472,217)	-	(472,217)
(2,483,222)	-	(2,483,222)
35,960	-	35,960
(2,025,806)	-	(2,025,806)
(3,036,265)	-	(3,036,265)
(4,657,007)	-	(4,657,007)
(321,249)	-	(321,249)
(973,776)	-	(973,776)
(6,308,120)	-	(6,308,120)
(959,238)	-	(959,238)
(968,624)	-	(968,624)
(45,538)	-	(45,538)
(167,420)	-	(167,420)
(649,311)	-	(649,311)
1,062,365	-	1,062,365
(2,823,959)	-	(2,823,959)
(1,857,419)	-	(1,857,419)
(98,047,819)	-	(98,047,819)
-	(19,627)	(19,627)
(98,047,819)	(19,627)	(98,067,446)
19,293,446	-	19,293,446
405,347	-	405,347
23,885	-	23,885
77,520,983	-	77,520,983
1,848,149	208	1,848,357
717,453	-	717,453
9,553	-	9,553
(750,000)	750,000	-
99,068,816	750,208	99,819,024
1,020,997	730,581	1,751,578
(134,706,394)	(1,195,332)	(135,901,726)
\$ (133,685,397)	\$ (464,751)	\$ (134,150,148)

CHESTER UPLAND SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,416,546	\$ -	\$ 3,416,546
Taxes receivable	3,490,735	-	3,490,735
Due from other funds	224,020	-	224,020
Due from other governments	2,427,193	311,181	2,738,374
Prepaid items	536,370	-	536,370
Restricted assets			
Cash and cash equivalents (Note G)	20,973	-	20,973
TOTAL ASSETS	\$ 10,115,837	\$ 311,181	\$ 10,427,018
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND DEFICIT			
LIABILITIES			
Accounts payable	\$ 6,716,954	\$ 299,699	\$ 7,016,653
Due to other funds	-	11,482	11,482
Unearned revenue	1,781,070	-	1,781,070
Accrued salaries and benefits	5,827,995	-	5,827,995
Other payables	5,000	-	5,000
TOTAL LIABILITIES	14,331,019	311,181	14,642,200
DEFERRED INFLOW OF RESOURCES			
Unavailable revenues, property taxes	3,490,734	-	3,490,734
FUND DEFICIT			
Nonspendable, prepaid items	536,370	-	536,370
Restricted, debt service	20,973	-	20,973
Unassigned	(8,263,259)	-	(8,263,259)
TOTAL FUND DEFICIT	(7,705,916)	-	(7,705,916)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND DEFICIT	\$ 10,115,837	\$ 311,181	\$ 10,427,018

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2015

TOTAL GOVERNMENTAL FUND BALANCE	\$ (7,705,916)
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund. These assets consist of:

Land and improvements	51,102
Buildings and building improvements	31,119,637
Furniture and equipment	1,319,189

Some of the School District's revenues will be collected after year-end but are not available soon enough to pay the current year's expenditures and therefore are reported as deferred revenue in the funds.

3,490,734

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the governmental funds.

(7,301,000)

Long-term liabilities applicable to governmental activities are not due and payable in the current year and, accordingly, are not reported as fund liabilities.

Accrued interest	(770,996)
Bonds payable	(65,656,591)
Department of Education Financial Recovery Loan	(14,665,000)
Lease-purchase obligations	(24,534)
Compensated absences	(909,172)
Termination benefits	(175,261)
Net pension liability	(72,390,000)
Net OPEB liability	(67,589)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(133,685,397)</u>
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See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 22,131,813	\$ -	\$ 22,131,813
State sources	90,270,062	1,062,365	91,332,427
Federal sources	<u>5,998,868</u>	<u>-</u>	<u>5,998,868</u>
TOTAL REVENUES	<u>118,400,743</u>	<u>1,062,365</u>	<u>119,463,108</u>
EXPENDITURES			
Instruction	92,931,888	-	92,931,888
Support services	23,333,436	-	23,333,436
Operation of non-instructional services	854,337	-	854,337
Debt service	7,215,485	-	7,215,485
Facilities acquisition, construction and improvement services	-	1,062,365	1,062,365
TOTAL EXPENDITURES	<u>124,335,146</u>	<u>1,062,365</u>	<u>125,397,511</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(5,934,403)</u>	<u>-</u>	<u>(5,934,403)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	4,665,000	-	4,665,000
Transfers out	(750,000)	-	(750,000)
Proceeds from sale of capital assets	<u>3,124,885</u>	<u>-</u>	<u>3,124,885</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,039,885</u>	<u>-</u>	<u>7,039,885</u>
NET CHANGE IN FUND BALANCE	1,105,482	-	1,105,482
FUND DEFICIT AT BEGINNING OF YEAR	<u>(8,811,398)</u>	<u>-</u>	<u>(8,811,398)</u>
FUND DEFICIT AT END OF YEAR	<u>\$ (7,705,916)</u>	<u>\$ -</u>	<u>\$ (7,705,916)</u>

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ 1,105,482

Capital outlays are reported in the Governmental Fund 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 exceeds capital outlays during the year.

Capital outlays	1,582,457
Depreciation	(1,857,419)
	(274,962)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. The following are the net changes in these noncurrent resources:

Property taxes	1,156,912
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Certain capital assets were disposed of during the year generating cash which is reported in the Governmental Funds as revenue. However, the assets had an under-depreciated balance at the time of disposal resulting in a reduction of the amount of gain. This is the amount of the book value.

(1,276,736)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the Governmental Fund, while the repayment of the principal of long-term debt consumes current financial resources of the Governmental Fund. Neither transaction, however, has any effect on net position. Also, the Governmental Fund reports the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Loan proceeds	(4,665,000)
Capital lease payments	95,622
Bond discount	(58,972)
Principal repayments	4,275,000
Termination benefit costs	342,600
	(10,750)

Under the modified accrual basis of accounting used in the Governmental Fund, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues. The following are the impact of the net changes in balances:

Compensated absences	(155,431)
Accrued interest on long-term debt	34,071
Net pension liability	510,000
Net OPEB liability	(67,589)
	321,051

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,020,997

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise Fund
	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 501,995
Due from other governments	78,749
Other receivables	20,410
Inventories	<u>17,246</u>
TOTAL CURRENT ASSETS	<u>618,400</u>
CAPITAL ASSETS	
Furniture and equipment	590,921
Accumulated depreciation	<u>(590,921)</u>
TOTAL CAPITAL ASSETS	<u>-</u>
TOTAL ASSETS	<u>618,400</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pension activity	<u>6,000</u>
LIABILITIES	
CURRENT LIABILITIES	
Due to other funds	212,538
Accounts payable	762,610
Deferred revenue	4,340
Accrued salaries and benefits	<u>13,663</u>
TOTAL CURRENT LIABILITIES	993,151
NONCURRENT LIABILITIES	
Net pension liability	<u>82,000</u>
TOTAL LIABILITIES	<u>1,075,151</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, pension activity	<u>14,000</u>
NET POSITION	
Unrestricted	<u>(464,751)</u>
TOTAL NET POSITION	<u>\$ (464,751)</u>

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>81,005</u>
OPERATING EXPENSES	
Salaries	29,340
Employee benefits	14,325
Contractual	1,671,180
Supplies	100,294
Depreciation	12,666
Other operating expenses	158
TOTAL OPERATING EXPENSES	<u>1,827,963</u>
OPERATING LOSS	<u>(1,746,958)</u>
NONOPERATING REVENUES	
Gain on sale of fixed assets	208
State sources	71,079
Federal sources	1,656,252
TOTAL NONOPERATING REVENUES	<u>1,727,539</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	(19,419)
TRANSFERS IN	<u>750,000</u>
CHANGE IN NET POSITION	730,581
NET POSITION AT BEGINNING OF YEAR, restated	<u>(1,195,332)</u>
NET POSITION AT END OF YEAR	<u>\$ (464,751)</u>

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 60,279
Payments to employees	(35,165)
Payments to suppliers	<u>(2,021,467)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,996,353)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from sale of fixed assets	208
Federal sources	1,656,252
State sources	<u>71,079</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,727,539</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Transfers in	<u>750,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	481,186
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>20,809</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 501,995</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,746,958)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	12,666
Pension expense	(1,000)
Increase in	
Other receivables	(20,410)
Due from other governments	(14,402)
Inventories	(10,049)
Increase (decrease) in	
Due to other funds	(922,604)
Accounts payable	697,220
Deferred revenue	(316)
Accrued salaries and benefits	<u>9,500</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,996,353)</u>

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Student Activity Fund	Agency Funds Other Agency Funds	Totals
ASSETS			
Cash and cash equivalents	\$ <u>13,318</u>	\$ <u>2,097</u>	\$ <u>15,415</u>
LIABILITIES			
Other current liabilities	\$ <u>13,318</u>	\$ <u>2,097</u>	\$ <u>15,415</u>

See accompanying notes to the basic financial statements.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Chester Upland School District (the "School District") is a municipal corporation governed by a locally elected nine-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the Chester Upland School District (the primary government) and its component units (entities for which the government is considered to be financially accountable). Other organizations for which the primary government is not accountable but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading are also included as part of the reporting entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Chester Upland School Authority is a blended component unit as defined in Governmental Accounting Standards Board Statement No. 61 and is included in the School District's reporting entity.

The basic financial statements of the Chester Upland 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 the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The School District has adopted all GASB Statements through No. 65.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Chester Upland School District. The School District is not a component unit of another reporting entity.

Organization

The School District, pursuant to an amendment to the Pennsylvania Public School Code, was organized as of July 1, 1970, as a school district of the second class. The School District is located in Delaware County, Pennsylvania. The School District's tax base consists of the City of Chester, Chester Township and Upland Borough.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out on the local level the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the Commonwealth of Pennsylvania.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of having been a “distressed” school district in 1994, pursuant to Section 691 of the School Code, the School District was governed by a three-member Education Empowerment Board, which, pursuant to Section 693 of the School Code, is empowered and authorized “to exercise all the rights, powers, privileges, prerogatives and duties imposed or conferred by law on the locally elected nine member board of the distressed district, and the locally elected nine member board shall have no power to act without the approval of the special Board of Control.”

In May 2000, the Pennsylvania legislature passed, and the Governor signed, the Education Empowerment Act. Effective July 1, 2000, the School District was certified as an Education Empowerment School District. At such time, the Board of Control appointed in accordance with Section 692 of the School Code was replaced by a new Board of Control, which immediately assumed control of the School District. In accordance with the Education Empowerment Act, the new Board of Control is comprised of three members consisting of the Secretary of Education of the Commonwealth, or a designee, who serves as chairman and two members who are residents of the County and who have been appointed by the Secretary of Education of the Commonwealth.

The Education Empowerment Board possessed all of the powers and duties that Pennsylvania law confers upon local school boards and the power conferred by Section 693 of the School Code, with the exception of the power to levy taxes. The Education Empowerment Board may also exercise additional powers set forth in the Education Empowerment Act having to do with employing professional staff, disposing of buildings, contracting for educational services, reallocating internal resources and applying for waivers of certain mandates of the Commonwealth. The Education Empowerment Board was empowered to serve until the School District no longer has a history of low test performance and has reached the goals set forth in a School District improvement plan to be prepared in accordance with the Education Empowerment Act.

In July 2012, the Pennsylvania legislature passed and the Governor signed into law, Act 141 of 2012. Under the act, a school district may be declared financially distressed and a recovery officer appointed to develop and implement a recovery plan. Effective December 13, 2012, a Receiver was appointed and assumed control of the School District.

Blended Component Unit

Chester Upland School Authority was duly incorporated under the provisions of the Municipality Authorities Act of May 2, 1945, P.L. 382, pursuant to a resolution adopted by the School District, and is authorized to acquire, hold, construct, finance, improve, maintain, operate, own, or lease, either as lessor or as lessee, buildings and facilities for the benefit of the School District. The Authority is reported as a blended component unit.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for the Governmental Fund and the Proprietary Fund. The major Governmental Fund and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the Governmental Fund, the School District considers revenues to be available if they are collected within 60 days after the fiscal year-end. Property taxes, dividends, interest and grants associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Expenditures generally are recorded when a liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the Governmental Fund. Long-term debt issues and acquisitions under capital leases are reported as other financing sources.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District reports the following major Governmental Fund:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund. The general tax revenues of the School District are accounted for in the General Fund.

The School District reports the following major Proprietary Fund:

Food Service Fund - The Food Service Fund accounts for the financial transactions related to the food service operations of the School District.

Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

With limited exceptions, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions.

The Proprietary Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Food Service Fund are charges to customers for sales. Operating expenses of the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are valued at fair value.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Section 440.1 of the Public School Act of 1949, as amended, the School District is permitted to invest funds in the following types of investments:

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) 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.

Receivables and Payables

The School District property tax year runs from July 1 through February 28. The discount period (2% of gross levy) runs from July 1 through September 15. The flat period runs from September 16 through November 16. The penalty period (10% of gross levy) runs from November 17 to collection. The School District taxes are billed and collected by the local appointed tax collector. In the government-wide financial statements, property taxes are recognized as revenues in the year for which they are levied. In the fund financial statements, property taxes are recognized to the extent that they are both measurable and available. Outstanding tax levies are offset on the Governmental Fund balance sheet by deferred revenues in the liability section. The amounts expected to be collected within the first 60 days after the fiscal year-end are recorded as revenue. The remaining balance is reflected as unearned revenue.

Revenues in the government-wide financial statements are susceptible to accrual in the period in which they become measurable unless accorded other treatment by GASB standards. All revenues and receivables in the government-wide and Governmental Fund financial statements are shown net of allowance for uncollectible accounts. Allowances are based on historical trends or specific account evaluation as deemed necessary.

Due to/from other governments primarily consist of amounts arising from transfer payments and amounts due from grantors or to grantees for specific programs.

Inventories

General Fund - Textbooks and instruction supplies are charged to expense upon acquisition.

Food Service Fund - Food and supplies are valued at cost (first-in, first-out method) or at estimated market value in the case of food donated by the U.S. Department of Agriculture.

Restricted Assets

Certain assets in the General Fund are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenue consists of revenues that have not met all requirements of revenue recognition. Unearned revenue items primarily consist of reimbursement-type grants where costs have not yet been incurred; this includes instances where the School District receives periodic advance funding but has not expended the funds nor met all the criteria to claim the funds as revenue for the current fiscal period. In the fund financial statements, unearned revenue includes property and grant revenue that are not available resources. Such is the case in the General Fund, where unavailable revenue has been established to offset real estate tax receivables. In addition, unearned revenue has been established to offset federal subsidies allotted to the School District that have not been earned.

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$1,000 (amount not rounded) or purchased with debt proceeds. The asset must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	10-50
Furniture and equipment	5-20

Compensated Absences

It is the School District's policy to permit employees to accumulate all earned but unused sick leave and vacation days. Employees are granted vacation and sick leave in varying amounts. The School District's policy is to pay for unused sick leave not exceeding certain amounts based upon meeting certain requirements when employees separate from service with the School District. All vacation pay is accrued when incurred in the government-wide and Proprietary Fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

The School District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. It is the deferred outflow related to pension activity, reported in the government-wide statement of net position and proprietary fund statement of net position. The deferred outflow related to pension activity is the result of actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, arises only under a modified accrual basis of accounting. Accordingly, this item is reported only in the Governmental Fund balance sheet. The Governmental Fund reports unavailable revenue from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings, changes in the School District's proportionate share of the total plan from year to year, and the difference between actual employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issue costs are recognized in the current period.

In the fund financial statements, the Governmental Fund recognizes bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position and Fund Equity

The difference between fund assets and liabilities is "net position" on the government-wide and Proprietary Fund statements and "fund balance" on the Governmental Fund statements. Net position is classified as "net investment in capital assets," legally "restricted" for a specific purpose, or "unrestricted" and available for appropriation for the general purposes of the fund.

In the Governmental Fund financial statements, nonspendable and restricted fund balance represent amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments and assignments of fund balance represent tentative management plans that are subject to change.

GASB Statement No. 54

As of June 30, 2011, the School District adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Fund are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by the passage of a resolution by the Board of School Directors. This includes the budget reserve account.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. As of June 30, 2014, the Board has not delegated the authority to assign fund balance.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Fund balance sheet (page 17). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Accounting and Control

An annual budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. As required, the proposed budget is made available for public inspection prior to the date of adoption required by July 1.

The General Fund is the only fund for which a budget is legally required. Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of the approved budget.

After the legal adoption of the budget, the Board of School Directors is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget are also required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2015, expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Function</u>	<u>Expenditures Over Budget</u>
General Fund	Instruction	
	Regular programs	\$ (1,688,407)
	Special programs	(6,574,127)
	Other instructional programs	(265,601)
	Support services	
	Instructional staff	(3,049)
	Administration	(499,623)
	Other support services	(22,038)
	Operation of non-instructional services	
	Community services	(641,080)

These excess expenditures were funded by various functions that were under budget in the General Fund and additional revenue sources.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE C - CASH AND INVESTMENTS

The School District maintains separate bank and money market accounts for its various funds.

School District funds are invested only in authorized types of investments for school districts [Pennsylvania Stat. Ann. Tit. 24,4-440.1 (c)-(d)]. To the extent that a savings account, certificate of deposit, or time deposit is utilized as one of these investments, the aggregate principal and interest will be kept below the FDIC insured amount of \$250,000, or it will be collateralized according to Pennsylvania State Law P.L. 281, No. 72 (Act 72) to the extent it exceeds \$250,000.

There are three categories of custodial credit risk that apply to the School District's bank balances:

1. Insured or collateralized with securities held by the School District or by the School District's agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or the School District's agent in the School District's name.
3. Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the School District's name.

The School District depository accounts are carried at cost plus accrued interest. At June 30, 2015, the carrying amount of the School District's deposits was \$3,954,929, and the bank balance was \$4,310,954.

Checking and savings accounts are covered by federal depository insurance or on a pooled basis under the provisions of Act 72 of 1971.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial risk.

As of June 30, 2015, \$4,060,954 of the School District's bank balance of \$4,310,954 was exposed to custodial credit risk as follows:

Insured	\$ 250,000
Uninsured and collateral held by pledging bank's trust department not in the School District's name	<u>4,060,954</u>
TOTAL DEPOSIT	\$ <u><u>4,310,954</u></u>

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE D - CAPITAL ASSETS

Capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets being depreciated				
Land and improvements	\$ 2,241,270	\$ -	\$ -	\$ 2,241,270
Buildings and building improvements	67,836,746	1,062,365	(4,989,670)	63,909,441
Furniture and equipment	10,147,148	520,092	-	10,667,240
TOTAL CAPITAL ASSETS BEING DEPRECIATED	80,225,164	1,582,457	(4,989,670)	76,817,951
Accumulated depreciation				
Land and improvements	(2,087,960)	(102,208)	-	(2,190,168)
Buildings and building improvements	(35,295,331)	(1,207,407)	3,712,934	(32,789,804)
Furniture and equipment	(8,800,247)	(547,804)	-	(9,348,051)
TOTAL ACCUMULATED DEPRECIATION	(46,183,538)	(1,857,419)	3,712,934	(44,328,023)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 34,041,626	\$ (274,962)	\$ (1,276,736)	\$ 32,489,928
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	\$ 590,921	\$ -	\$ -	\$ 590,921
Accumulated depreciation	(578,255)	(12,666)	-	(590,921)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 12,666	\$ (12,666)	\$ -	\$ -

NOTE E - LONG-TERM DEBT

Bonds Payable

Bonds payable consist of the following at June 30, 2015:

General Obligation Refunding Bonds, Series 2008, principal amount \$24,995,000, maturing March 15, 2006 through September 15, 2027, bearing interest from 3.50% to 4.75%, interest paid semiannually on March 15 and September 15	\$ 10,885,000
School Revenue Bonds, Series A, B and C of 2011, principal amount \$46,625,000, maturing September 15, 2011 through September 15, 2026, bearing interest from 1.50% to 5.25%, interest paid semiannually on March 15 and September 15	42,935,000
SUBTOTAL FORWARD	\$ 53,820,000

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE E - LONG-TERM DEBT (Continued)

SUBTOTAL FORWARDED \$ 53,820,000

School Revenue Bonds, Series D of 2011, principal amount \$8,490,000, maturing September 15, 2011 through September 15, 2016, bearing interest from 1.96% to 3.23%, interest paid semiannually on March 15 and September 15 6,630,000

School Revenue Bonds, Series of 2014, principal amount \$7,155,000, maturing November 15, 2014 through November 15, 2023, bearing interest at 3.48%, interest paid semiannually on May 15 and November 15 7,155,000

\$ 67,605,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 4,431,000	\$ 2,773,920	\$ 7,204,920
2017	4,632,000	2,622,548	7,254,548
2018	4,802,000	2,457,268	7,259,268
2019	5,001,000	2,357,224	7,358,224
2020	5,209,000	2,050,116	7,259,116
2021 to 2025	29,500,000	6,744,130	36,244,130
2026 to 2028	14,030,000	351,981	14,381,981
	<u>\$ 67,605,000</u>	<u>\$ 19,357,187</u>	<u>\$ 86,962,187</u>

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE E - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 71,880,000	\$ -	\$ (4,275,000)	\$ 67,605,000	\$ 4,431,000
Deferred amount on refundings	(2,007,381)	-	58,972	(1,948,409)	(58,972)
TOTAL GENERAL					
OBLIGATION BONDS	69,872,619	-	(4,216,028)	65,656,591	4,372,028
Department of Education					
Financial Recovery Loan	10,000,000	-	-	10,000,000	1,000,000
Commonwealth of PA					
Transition Loan	-	4,665,000	-	4,665,000	-
Lease-purchase obligations	120,156	-	(95,622)	24,534	24,534
Compensated absences	753,741	155,431	-	909,172	90,918
Termination benefits	517,861	-	(342,600)	175,261	109,343
Net pension liability	83,824,000	-	(11,434,000)	72,390,000	-
Net OPEB liability	-	67,589	-	67,589	-
TOTAL GOVERNMENTAL					
ACTIVITIES LONG-TERM					
LIABILITIES	<u>\$ 81,264,377</u>	<u>\$ 4,820,431</u>	<u>\$ (4,654,250)</u>	<u>\$ 81,430,558</u>	<u>\$ 5,596,823</u>
BUSINESS-TYPE ACTIVITIES					
Net pension liability	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ (13,000)</u>	<u>\$ 82,000</u>	<u>\$ -</u>

Claims and judgments and compensated absences are generally liquidated by the General Fund.

Department of Education Financial Recovery Loan

In 2013, the School District received approval for a \$10,000,000 financial recovery loan from the Commonwealth of Pennsylvania Department of Education to be used to implement the components of the School District's financial recovery plan. The loan bears no interest, and the annual principal payments of \$1,000,000 will be due on June 30 of each year, beginning with June 30, 2016, with the final payment on June 30, 2025.

Commonwealth of Pennsylvania Transition Loan

In 2015, the School District received approval for a \$4,665,000 transition loan from the Commonwealth of Pennsylvania Department of Education to be used to implement the components of the School District's financial recovery plan. The loan bears no interest, and the annual principal payments of \$466,500 will be due on June 30 of each year, beginning with June 30, 2018, with the final payment on June 30, 2027.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE F - LEASES

Capital Leases

The School District has entered into a lease agreement as lessee for financing the acquisition of school buses. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Equipment	\$ 366,000
Accumulated depreciation	<u>(134,200)</u>
CARRYING VALUE	<u>\$ 231,800</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 24,791
Amount representing interest	<u>(257)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 24,534</u>

Operating Leases

The School District leases equipment under operating leases. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ <u>81,000</u>

The rental expense applicable to operating leases was \$190,998 for the year ended June 30, 2015.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - RESTRICTED ASSETS

The balance of the restricted asset account is as follows:

General Fund operating reserve account for debt service	\$ <u>20,973</u>
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NOTE H - OTHER INFORMATION

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

NOTE I - PENSION PLAN

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS'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. Investments are reported at fair value.

General Information About the Pension Plan

Plan Description - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate 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.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - 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 one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on 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.

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) 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 at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services 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 10.3% (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 fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% 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. Contributions to the plan from the School District were \$5,112,000 for the year ended June 30, 2015.

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

At June 30, 2015, the School District reported a liability of \$72,472,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. 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, 2014, the School District's proportion was 0.1831%, which was a decrease of 0.0219% from its proportion measured as of June 30, 2013.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

For the year ended June 30, 2015, the School District recognized pension expense of \$4,601,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Net difference between projected and actual investment earnings	\$ -	\$ 5,175,000
Changes in proportions	-	7,215,000
Difference between employer contributions and proportionate share of total contributions	-	17,000
Contributions subsequent to the measurement date	<u>5,106,000</u>	<u>-</u>
	<u>\$ 5,106,000</u>	<u>\$ 12,407,000</u>
BUSINESS-TYPE ACTIVITIES		
Net difference between projected and actual investment earnings	\$ -	\$ 6,000
Changes in proportions	-	8,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>6,000</u>	<u>-</u>
	<u>\$ 6,000</u>	<u>\$ 14,000</u>

\$5,112,000 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 new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2016	\$ (3,036,000)	\$ (3,000)
2017	(3,036,000)	(3,000)
2018	(3,036,000)	(3,000)
2019	(3,036,000)	(3,000)
2020	<u>(263,000)</u>	<u>(2,000)</u>
	<u>\$ (12,407,000)</u>	<u>\$ (14,000)</u>

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on 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 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 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.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

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

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, 2014.

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District'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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$ <u>90,399,000</u>	\$ <u>72,472,000</u>	\$ <u>57,168,000</u>

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE J - TERMINATION BENEFITS

Benefits Description

The School District pays for a portion of post-retirement health care benefits for certain retirees. These post-retirement health care benefits were offered by the School District as an inducement to hasten voluntary early termination. These post-retirement health care benefits terminate once the retiree reaches age 65 or within the timeline specified in the retirement contract, whichever comes first. There are nine retirees who will receive a lifetime worth of health care benefits. The School District is assuming 90 years of age as the life expectancy for this group. The youngest and oldest retirees within this group are 75 and 90, respectively. As of June 30, 2015, there are a total of 17 retirees that are receiving these benefits. During the year, a decrease in the liability of \$342,600 was recorded for these post-retirement health care benefits.

The various termination benefits currently being administered by the School District are as follows:

<u>Year of Early Retirement Incentive Program</u>	<u>Annual Cost Cap Per Retiree</u>	<u>Number of Years Left Until Expiration of Retirement Incentive Package</u>	<u>Number of Employees</u>
Fiscal Year 2009	\$ 8,000	1	3
Fiscal Year 2011	8,000	1	6
Fiscal Year 2014	5,000	1	8

NOTE K - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides medical, prescription drug, dental and vision insurance benefits to eligible retired employees, spouse and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the School District and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan are as follows:

Normal cost	\$	28,253
Amortization of unfunded actuarial accrued liability		268,458
ANNUAL REQUIRED CONTRIBUTION (ARC)		<u>296,711</u>
Interest on net OPEB obligation		-
Adjustment to ARC		-
ANNUAL OPEB EXPENSE		<u>296,711</u>
Net OPEB contributions during the year		<u>(229,122)</u>
INCREASE IN NET OPEB OBLIGATION		67,589
Net OPEB obligation at beginning of year		<u>-</u>
NET OPEB OBLIGATION AT END OF YEAR	\$	<u><u>67,589</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ <u>296,711</u>	<u>77.22%</u>	\$ <u>67,589</u>

The year ended June 30, 2009, was the year of implementation of GASB Statement No. 45, and the School District has elected to implement prospectively.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress

The actuarial valuation date for the following information is July 1, 2014:

(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
\$ -	\$ 1,384,681	\$ 1,384,681	0%	\$ 22,460,873	6.16%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% in 2014, decreasing by 0.5% per year to 5.5% in 2016. The healthcare cost trend rate then decreases from 5.3% in 2017 to 4.2% in 2089 and later. The actuarial value of assets was determined using the market value of assets. The UAAL is being amortized based on a level dollar, 6-year open period.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE L - PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, effective July 1, 2014.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record their share of the Public School Employees' Retirement System (PSERS) unfunded liability.

For the government-wide governmental activities, the School District has treated their proportionate share of beginning of year net pension liability of \$83,824,000 and beginning of year deferred outflows of resources of \$3,623,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from \$(54,505,394) to (\$134,706,394).

For the proprietary fund food service fund, the School District has treated their proportionate share of beginning of year net pension liability of \$95,000 and beginning of year deferred outflows of resources of \$4,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the proprietary fund food service fund and for the business-type activities from \$(1,104,332) to (\$1,195,332).

NOTE M - DEFICITS

The School District incurred deficits in net position totaling \$134,150,148 through June 30, 2015. Management is in the process of dealing with adverse effects of fund deficits as follows:

1. Management also prepares monthly financial statements that are presented to the School Board at each meeting and are part of the record of the Board minutes. This financial statement presents the revenues and expenditures to date in comparison with the budget. In addition, expenditures are critically reviewed as they are incurred.
2. Management utilizes a detailed projection worksheet that is used to facilitate cost projections throughout the year so as to better manage the School District budget.

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REQUIRED SUPPLEMENTARY INFORMATION

CHESTER UPLAND SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 18,934,914	\$ 18,934,914	\$ 22,131,813	\$ 3,196,899
State sources	89,454,482	89,454,482	90,270,062	815,580
Federal sources	6,352,813	6,352,813	5,998,868	(353,945)
TOTAL REVENUES	114,742,209	114,742,209	118,400,743	3,658,534
EXPENDITURES				
Instruction				
Regular programs	45,725,288	45,725,288	47,413,695	(1,688,407)
Special programs	34,752,179	34,752,179	41,326,306	(6,574,127)
Vocational education programs	872,531	872,531	837,149	35,382
Other instructional programs	2,142,973	2,142,973	2,408,574	(265,601)
Nonpublic school programs	230,000	230,000	137,462	92,538
Pre-K instructional programs	810,351	810,351	808,702	1,649
Support services				
Pupil personnel	2,420,856	2,420,856	2,268,760	152,096
Instructional staff	3,242,258	3,242,258	3,245,307	(3,049)
Administration	4,576,462	4,576,462	5,076,085	(499,623)
Pupil health	562,492	562,492	396,239	166,253
Business	1,118,695	1,118,695	1,080,611	38,084
Operation and maintenance of plant services	7,662,476	7,662,476	6,759,596	902,880
Pupil transportation services	3,977,530	3,977,530	3,433,314	544,216
Central and other services	1,294,860	1,294,860	1,027,986	266,874
Other support services	23,500	23,500	45,538	(22,038)
Operation of non-instructional services				
Student activities	325,413	325,413	204,257	121,156
Community services	9,000	9,000	650,080	(641,080)
Debt service	7,445,345	7,445,345	7,215,485	229,860
TOTAL EXPENDITURES	117,192,209	117,192,209	124,335,146	(7,142,937)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,450,000)	(2,450,000)	(5,934,403)	(3,484,403)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	4,665,000	4,665,000
Transfers out	(1,050,000)	(1,050,000)	(750,000)	300,000
Proceeds from sale of capital assets	3,700,000	3,700,000	3,124,885	(575,115)
Budgetary reserve	(200,000)	(200,000)	-	200,000
TOTAL OTHER FINANCING SOURCES (USES)	2,450,000	2,450,000	7,039,885	4,589,885
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,105,482	\$ 1,105,482
FUND DEFICIT AT BEGINNING OF YEAR			(8,811,398)	
FUND DEFICIT AT END OF YEAR			\$ (7,705,916)	

CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

School District's proportion of the net pension liability (asset)	<u>0.1831%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 72,472,000</u>
School District's covered-employee payroll	<u>\$ 23,361,647</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>310.22%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>57.24%</u>

CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
YEAR ENDED JUNE 30, 2015

Contractually required contribution	\$ 5,112,000
Contributions in relation to the contractually required contribution	<u>5,112,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>
School District's covered-employee payroll	\$ <u><u>24,936,585</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>20.50%</u></u>

CHESTER UPLAND SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2015

SCHEDULE OF FUNDING PROGRESS

The actuarial valuation date for the following information was July 1, 2014:

Acturial Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2014	\$ -	\$ 1,384,681	\$ 1,384,681	0%	\$ 22,460,873	6.16%

***Independent Auditors' 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 Receiver
Chester Upland School District
Chester, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Chester Upland School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Chester Upland School District's basic financial statements, and have issued our report thereon dated August 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Chester Upland 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chester Upland School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Chester Upland School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 15-01 and 15-02 to be material weaknesses.

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.

To the Receiver
Chester Upland School District
Chester, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chester Upland School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Chester Upland School District's Response to Findings

Chester Upland School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Chester Upland School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oaks, Pennsylvania
August 29, 2016

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

To the Receiver
Chester Upland School District
Chester, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Chester Upland School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Chester Upland School District's major federal programs for the year ended June 30, 2015. Chester Upland School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Chester Upland School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 Chester Upland School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Chester Upland School District's compliance.

To the Receiver
Chester Upland School District
Chester, Pennsylvania

Opinion on Each Major Federal Programs

In our opinion, the Chester Upland School District complied, in all material respects, with the types of 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, 2015.

Other Matters

Chester Upland School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Chester Upland School District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Chester Upland 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 our audit of compliance, we considered the Chester Upland 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chester Upland 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Receiver
Chester Upland School District
Chester, Pennsylvania

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
August 29, 2016

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Grants to Local Educational Agencies	I	84.010	014-130081	July 1, 2013 to September 30, 2014
Title I Grants to Local Educational Agencies	I	84.010	013-150081	July 1, 2014 to September 30, 2015
Title I Grants to Local Educational Agencies	I	84.010	042-140081	July 1, 2014 to September 30, 2015
School Improvement Grants	I	84.377	142-14-0081	September 12, 2014 to September 30, 2015
Improving Teacher Quality State Grants	I	84.367	020-13-0081	July 1, 2012 to September 30, 2013
Improving Teacher Quality State Grants	I	84.367	020-14-0081	July 1, 2013 to September 30, 2014
Improving Teacher Quality State Grants	I	84.367	020-15-0081	July 1, 2014 to September 30, 2015
English Language Acquisition Grants	I	84.365	010-14-0081	July 1, 2013 to September 30, 2014
English Language Acquisition Grants	I	84.365	010-15-0081	July 1, 2014 to September 30, 2015
21st Century Community Learning Grants	I	84.287	4100058681	July 1, 2011 to September 30, 2012
21st Century Community Learning Grants	I	84.287	4100058681	July 1, 2012 to September 30, 2013
21st Century Community Learning Grants	I	84.287	4100060839	July 1, 2012 to September 30, 2013
21st Century Community Learning Grants	I	84.287	4100058681	July 1, 2013 to September 30, 2014
21st Century Community Learning Grants	I	84.287	4100060839	July 1, 2013 to September 30, 2014
21st Century Community Learning Grants	I	84.287	4100060839	July 1, 2014 to September 30, 2015
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 3,663,941	\$ -	\$ (1,672,662)	\$ 1,672,662	\$ 1,672,662	\$ -
3,480,743	3,480,743	-	2,528,702	2,528,702	(952,041)
328,485	306,595	-	114,069	114,069	(192,526)
866,558	199,975	-	486,318	486,318	286,343
834,847	-	-	7,493	7,493	7,493
813,608	(596)	(775,428)	774,832	774,832	-
814,227	633,288	-	798	798	(632,490)
30,191	17,252	7,022	10,230	10,230	-
27,659	24,586	-	20,573	20,573	(4,013)
480,000	(56,625)	(51,713)	(4,912)	(4,912)	-
480,000	56,625	212,068	-	-	155,443
158,309	-	13,533	-	-	13,533
480,000	341,767	179,707	162,060	162,060	-
158,309	102,374	72,403	29,971	29,971	-
<u>158,309</u>	<u>43,362</u>	<u>-</u>	<u>158,309</u>	<u>158,309</u>	<u>114,947</u>
\$ <u>12,775,186</u>	\$ <u>5,149,346</u>	\$ <u>(2,015,070)</u>	\$ <u>5,961,105</u>	\$ <u>5,961,105</u>	\$ <u>(1,203,311)</u>

CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARDED				
Passed through Delaware County Intermediate Unit				
Special Education - Grants to States	I	84.027	N/A	July 1, 2013 to September 30, 2014
Special Education - Grants to States	I	84.027	N/A	July 1, 2014 to September 30, 2015
Vocational Education - Basic Grants to States	I	84.048	N/A	July 1, 2013 to June 30, 2014
Vocational Education - Basic Grants to States	I	84.048	N/A	July 1, 2014 to June 30, 2015
Race to the Top	I	84.413	N/A	July 1, 2012 to September 30, 2015
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Substance Abuse and Mental Health Services Administration				
Substance Abuse and Mental Health Services	I	93.243	N/A	September 30, 2014 to September 29, 2016
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program	I	10.555	N/A	July 1, 2014 to June 30, 2015
National School Breakfast Program	I	10.553	N/A	July 1, 2014 to June 30, 2015
Child and Adult Care Food Program	I	10.558	N/A	July 1, 2014 to June 30, 2015
Summer Food Service Program for Children	I	10.559	N/A	July 1, 2014 to June 30, 2015
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				

Source Codes:

D = Direct funding
I = Indirect funding

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 12,775,186	\$ 5,149,346	\$ (2,015,070)	\$ 5,961,105	\$ 5,961,105	\$ (1,203,311)
1,200,000	756,664	756,664	-	-	-
2,188,752	2,137,085	-	2,188,752	2,188,752	51,667
164,034	65,251	65,281	(30)	(30)	-
178,530	178,530	-	178,530	178,530	-
<u>283,273</u>	<u>168,624</u>	<u>64,839</u>	<u>161,921</u>	<u>161,921</u>	<u>58,136</u>
<u>16,789,775</u>	<u>8,455,500</u>	<u>(1,128,286)</u>	<u>8,490,278</u>	<u>8,490,278</u>	<u>(1,093,508)</u>
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
N/A	1,034,584	40,389	1,043,669	1,043,669	49,474
N/A	478,022	20,919	482,894	482,894	25,791
N/A	309	-	309	309	-
N/A	30,298	-	30,298	30,298	-
N/A	<u>99,083 (a)</u>	<u>(4,656) (b)</u>	<u>99,399 (c)</u>	<u>99,399</u>	<u>(4,340) (d)</u>
	<u>1,642,296</u>	<u>56,652</u>	<u>1,656,569</u>	<u>1,656,569</u>	<u>70,925</u>
\$ <u>16,889,775</u>	\$ <u>10,097,796</u>	\$ <u>(1,071,634)</u>	\$ <u>10,196,847</u>	\$ <u>10,196,847</u>	\$ <u>(972,583)</u>

Footnotes:

(a) = Total amount of foods received from Department of Agriculture.

(b) = Beginning inventory at July 1, 2014.

(c) = Total amount of foods used.

(d) = Ending inventory at June 30, 2015.

CHESTER UPLAND SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the School District in the General Fund for U.S. Department of Education and U.S. Treasury Department programs and in the Food Service Fund for U.S. Department of Agriculture programs.

The Chester Upland School District has three major federal programs for the year ended June 30, 2015:

- Title I, Part A Cluster
- School Improvement Grants
- Child Nutrition Cluster

The above major programs constituted 63.34% of the total expenditures of federal awards as follows:

Total expenditures per schedule of expenditures of federal awards	\$ 10,196,847	
Title I, Part A Cluster	\$ 4,315,433	
School Improvement Grants	486,318	
Child Nutrition Cluster	<u>1,656,260</u>	
	\$ <u>6,458,011</u>	
	\$ <u>6,458,011</u>	
	\$ 10,196,847	= 63.33%

NOTE B - BASIS OF ACCOUNTING

The School District uses the modified accrual method of recording transactions charged to the Governmental Fund and the accrual method of recording transactions charged to the Proprietary Fund.

NOTE C - DONATED FOODS

Donated foods were valued according to cost estimates provided by the U.S.D.A.

CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Chester Upland School District.
2. Material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of the Chester Upland School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for the Chester Upland School District expresses an unmodified.
6. There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Circular.
7. The programs tested as major programs were:

<u>Program</u>	<u>CFDA</u>
Title I, Part A Cluster	84.010
School Improvement Grants	84.377
Child Nutrition Cluster	10.553, 10.555, 10.559

The threshold for distinguishing Types A and B programs was \$305,905.

8. Chester Upland School District was not determined to be a low-risk auditee.

CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

15-01 Maintain Fixed Asset Records

Condition: The School District does not maintain a detailed listing of fixed assets and does not reconcile these records to the general ledger on a timely basis.

Criteria: Records should be maintained and reconciled on a timely basis to the general ledger.

Effect: Failure to maintain schedules could result in an inaccurate accounting of assets and also prohibit evaluating the reliability of assets and the need for replacements.

Cause: The Business Office has not assigned an individual the task of maintaining these records.

Recommendation: We recommend detailed fixed asset records be kept and maintained on a timely basis.

Management's Response: The District concurs with the finding. The Accounts Payable Coordinator was to maintain a schedule of new purchases and reconcile it to the general ledger as of the month-ending-date by the 5th business day of the subsequent month, then submit completed reconciliations electronically to the Assistant Business Administrator monthly. However, due to the district's cash shortages and structural deficit, communication from vendors occupied much of the Accounts Payable Coordinator's time and became overwhelming not only for him, but the entire Business Office.

15-02 Data Collection Form

Condition: The School District did not submit and certify its Data Collection Form to the Federal Audit Clearinghouse within nine months of the fiscal year end.

Criteria: An entity subject to a Single Audit are required to submit and certify its audit package and Data Collection Form within nine months of its fiscal year end.

Effect: The District is not in compliance with Federal Audit Clearinghouse requirements.

Cause: The Single Audit was not completed and submitted in a timely manner.

Recommendation: We recommend that the School District institute policies and procedures that allow for the Data Collection Form to be submitted by the required deadline.

Management's Response: While the district agrees with the finding at face-value, the district maintains that the audit must be complete before the data collection form should be submitted. That said, during fieldwork, through the end of the audit, the district's Business Office was burdened by a state-commissioned forensic audit, various state consultants and the withholding of hiring the much-needed requested positions within the Business Office to allow the audit to be performed timely.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CHESTER UPLAND SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

14-01 Accounts Payable Reconciled to the General Ledger

Description of Finding: Monthly reconciliations between the accounts payable balance in the general ledger and the open invoices were not being performed.

Current Status: This finding has been addressed and is no longer applicable.

14-02 Maintain Fixed Asset Records

Description of Finding: The School District did not maintain a detailed listing of fixed assets and did not reconcile these records to the general ledger on a timely basis.

Current Status: This finding is still applicable. See the schedule of findings and questioned costs item 15-01.

14-03 Reconciliation of Bank Accounts

Description of Finding: The School District did not reconcile bank accounts to the general ledger.

Current Status: This finding has been addressed and is no longer applicable.

14-04 Title I Grants to Local Education Agencies: Allowable Costs
Federal Grantor: U.S. Department of Education
Federal CFDA #84.010
Pass-Through Grantor: Pennsylvania Department of Education

Description of Finding: The School District did not maintain semiannual certifications for employees that worked solely on a Title I program in support of salaries and wages.

Current Status: This finding has been addressed and is no longer applicable.



CHESTER UPLAND SCHOOL DISTRICT
1720 MELROSE AVENUE
CHESTER, PENNSYLVANIA 19013

"Teaching for Success—Mind, Body, and Spirit"

AUDIT CITATION ACTION PLAN

FISCAL YEAR ENDED JUNE 30, 2015

Karen DeShullo, Chief Business Administrator

Finding 15-01, 14-02 and 13-03; Maintain Fixed Asset Records

Description of Finding:

The School District does not maintain a detailed listing of fixed assets and does not reconcile these records to the general ledger on a timely basis.

District Position:

The District concurs with the finding. The Accounts Payable Coordinator was to maintain a schedule of new purchases and reconcile it to the general ledger as of the month-ending-date by the 5th business day of the subsequent month, then submit completed reconciliations electronically to the Assistant Business Administrator monthly. However, due to the district's cash shortages and structural deficit, communication from vendors occupied much of the Accounts Payable Coordinator's time and became overwhelming not only for him, but the entire Business Office.

Corrective Action to be taken:

CUSD Local Audit Citation Plan
Fiscal Year Ended June 30, 2015

The Chief Business Administrator is recommending to the Receiver that a Controller be hired so that tasks such as this can be completed with fidelity. The forensic audit report concurs that the Business Office is in need of additional staff, as does the state Turnaround Specialist.

Timetable for implementation:

11/1/16

Monitoring to be performed:

Chief Business Administrator will inspect records quarterly.

Responsible Person with Scope of Authority:

Chief Business Administrator

Finding 15-02 Data Collection Form

Description of Finding:

The school district did not submit and certify its data collection form to the Federal Audit Clearinghouse within nine months of the fiscal year end.

District Position:

While the district agrees with the finding at face-value, the district maintains that the audit must be complete before the data collection form should be submitted. That said, during fieldwork, through the end of the audit, the district's Business Office was burdened by a state-commissioned forensic audit, various state consultants and the withholding of hiring the much-needed requested positions within the Business Office to allow the audit to be performed timely.

Corrective Action to be taken:

The Chief Business Administrator is recommending to the Receiver that a Controller be hired so that tasks such as this can be completed with fidelity. The forensic audit report concurs that the Business Office is in need of additional staff, as does the state Turnaround Specialist.

Timetable for implementation:

11/1/16

Monitoring to be performed:

Chief Business Administrator

Responsible Person with Scope of Authority:

Chief Business Administrator

APPENDIX C

School District Annual Financial Report for the Fiscal Year Ending June 30, 2016

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LEA Name : Chester-Upland SD
Address : Attn: Administration Suite
Chester, PA 19013

County : Delaware
AUN Number : 125231232
LEA Type : SD

**Annual Financial Report
Accuracy Certification Statement**

For Fiscal Year Ending

6/30/2016

Pennsylvania Department of Education

&

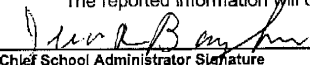
Office of Comptroller Operations

PDE-2056: Intermediate Unit

PDE-2057: School District, AVTS/CTC, Charter School,
and Special Program Jointure

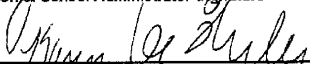
CERTIFICATION: By signing this page I agree that the electronic data submitted is a complete and accurate statement of the financial operations and status of the local education agency for the fiscal year. It has been prepared in accordance with generally accepted accounting principles and established Commonwealth of PA reporting guidelines.*

The reported information will change as the annual financial report will be amended once the audit is complete.


Chief School Administrator Signature

Date

1/10/17


Board Secretary Signature

Date

1/10/17

KAREN G DESHULLO

Contact Person

kdeshullo@chesteruplandsd.org

Contact Person E-mail Address

(610)447-3655

Ext :

Contact Person Telephone Number

(610)447-3675

Contact Person Fax Number

Audit Certification
Annual Financial Report:
For Fiscal Year Ending 6/30/2016
(Pursuant to PA School Code Section 218(b))

LEA Name : Chester-Upland SD
AUN Number : 125231232
County : Delaware

Audit Certification Due: 12/31/2016

This certification is applicable to:

- ☐ Orig. Annual Financial Report submitted to
Comptroller Operations: _____
Date
- ☐ Annual Financial Report revisions submitted on: _____
Date

Auditing Firm:

Auditor Contact Name:

Auditor Phone:

Auditor E-mail:

CERTIFICATION: By signing this page I agree that the financial statements of the school have been properly audited as noted above pursuant to Article XXIV, and in the auditor's professional opinion, the Annual Financial Report (PDE-2057) submitted on the date referenced is materially consistent with the audited financial statements.

Chief School Administrator

Board Secretary

Signature

Date

Signature

Date

KAREN G DESHULLO

Contact Person

kdeshullo@chesteruplandsd.org

Contact Person E-mail Address

(610)447-3655

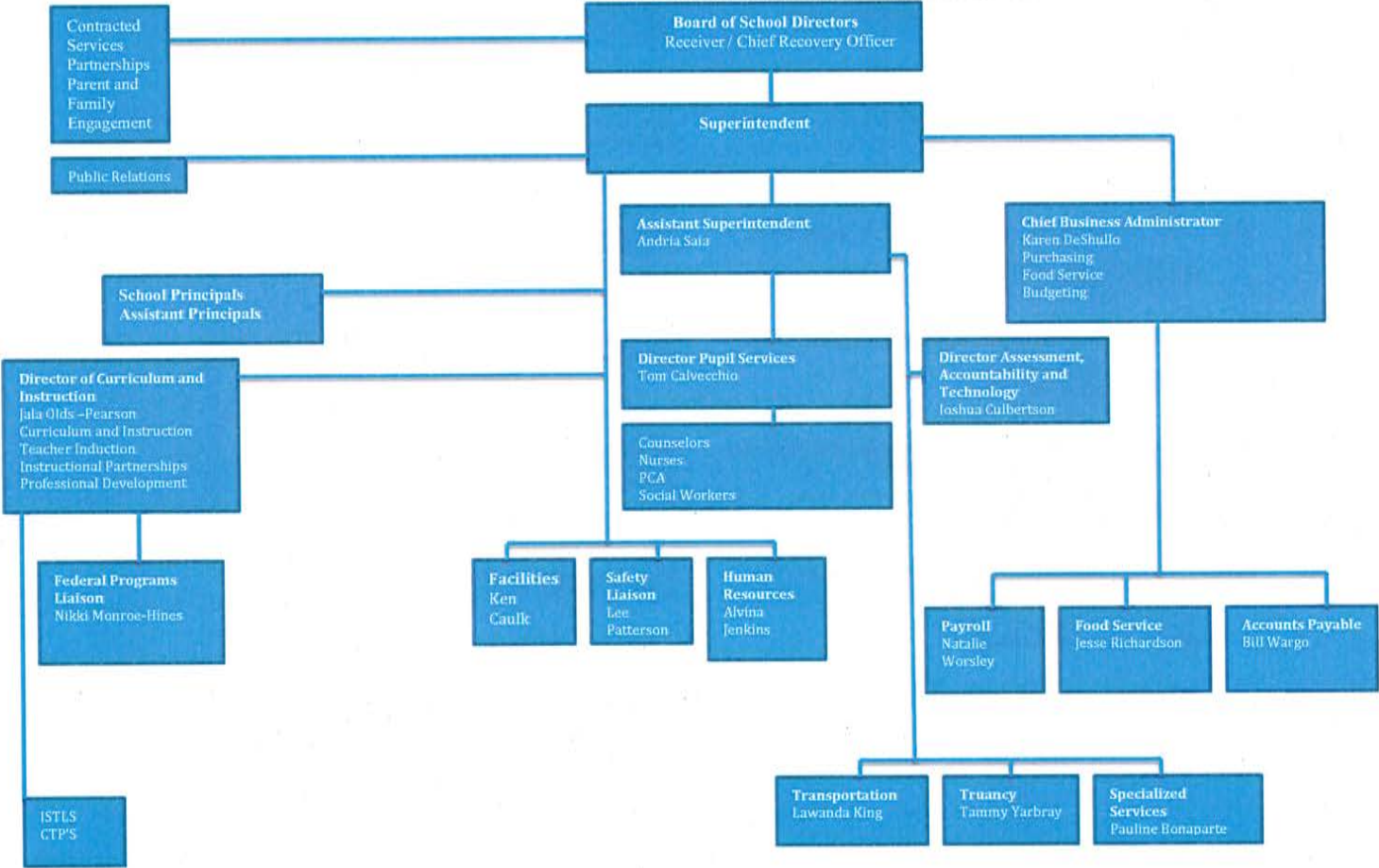
Ext :

Contact Person Telephone Number

(610)447-3675

Contact Person Fax Number

Chester Upland School District Organization Chart



2015-2016 Annual Financial Report - 06/30/2016 Fiscal Year End

LEA : 125231232 Chester-Upland SD

Printed 1/19/2017 3:35:53 PM

Validations

Page - 1 of 1

<u>Val Number</u>	<u>Description</u>	<u>Justification</u>
30220	Revenue code 9920 has an amount entered as a Special Item. Provide a description of this Special Item. Rev detail, 9920, Fund 10: \$134,601.00	Savings Achieved From Negotiated Vendor Discounts
30390	Revenue Detail: AFR amount must equal PDE FAI System amount. 7110, AFR Rev Detail: 73666356.00 7110, PDE FAI System: \$73,445,880.87	Revenue Amounts Were Posted per FAI System and Communications Received
30490	Revenue Detail: AFR amount must equal or exceed PDE FAI System amount. 7170, AFR Rev Detail: 453606.00 7170, PDE FAI System: \$2,600,552.64	Revenue Amounts Were Posted per FAI System and Communications Received
30501	Revenue Detail: AFR amount must equal or exceed PDE FAI System amount. 7311, AFR Rev Detail: 964900.00 7311, PDE FAI System: \$977,202.82	Revenue Amounts Were Posted per FAI System and Communications Received
30680	Revenue Detail: Current Tax Revenue amount cannot exceed 30% variance from prior year amount. Correct the data or enter a justification. 6153, Current AFR Rev Detail: \$866,331.00 6153, Prior AFR Rev Detail: \$403,592.23	The district received more transfer taxes in 2015 -16 as a result of the sale of certain large properties.
42420	Expenditure Detail: Total current year 2700-513 expenditure varies from prior year by 10%. Correct the data or enter a justification. 2700-513, AFR Exp Detail: \$3,463,347.00 2700-513, PY AFR Amount: \$0.00	The district contracted out transportation starting with the 2015-16 year.

Amounts Expressed in Whole Dollars

	<u>General Fund</u> (10)	<u>Public Purpose Trust</u> (27)	<u>Other Compt Approved</u> (28)	<u>Athletic / Activity</u> (29)	<u>Capital Reserve (690)</u> <u>1850</u> (31)
Assets And Deferred Outflows Of Resources					
Assets					
0100 Cash and Cash Equivalents	7,773,463				
0110 Investments					
0120 Taxes Receivable	4,902,316				
0130 Due From Other Funds	913,250				
0141 Due From Other Governments	161,840				
0142 State Revenue Receivable	2,164,074				
0143 Federal Revenue Receivable	1,921,079				
0145 Other Intergovernmental Revenue Receivable					
0146 Due from Primary Government					
0147 Due from Component Unit					
0150 Other Receivables	132,774				
0170 Inventories					
0180 Prepaid Expenses (Expenditures)	182,058				
0190 Other Current Assets					
Total Assets	\$18,150,854				
0910 Deferred Outflows of Resources					
Total Assets And Deferred Outflows Of Resources	\$18,150,854				

Amounts Expressed in Whole Dollars	<u>Capital Reserve (1431)</u> (32)	<u>Other Capital Projects</u> <u>Fund</u> (39)	<u>Debt Service</u> (40)	<u>Permanent</u> (90)	<u>Total Governmental</u> <u>Funds</u>
Assets And Deferred Outflows Of Resources					
Assets					
0100 Cash and Cash Equivalents					7,773,463
0110 Investments					
0120 Taxes Receivable					4,902,316
0130 Due From Other Funds					913,250
0141 Due From Other Governments					161,840
0142 State Revenue Receivable		311,181			2,475,255
0143 Federal Revenue Receivable					1,921,079
0145 Other Intergovernmental Revenue Receivable					
0146 Due from Primary Government					
0147 Due from Component Unit					
0150 Other Receivables					132,774
0170 Inventories					
0180 Prepaid Expenses (Expenditures)					182,058
0190 Other Current Assets					
Total Assets		\$311,181			\$18,462,035
0910 Deferred Outflows of Resources					
Total Assets And Deferred Outflows Of Resources		\$311,181			\$18,462,035

Amounts Expressed in Whole Dollars

	<u>General Fund</u> (10)	<u>Public Purpose Trust</u> (27)	<u>Other Compt Approved</u> (28)	<u>Athletic / Activity</u> (29)	<u>Capital Reserve (690)</u> 1850 (31)
Liabilities And Deferred Inflows Of Resources And Fund Balances					
Liabilities					
0400 Due to Other Funds					
0411 Due to Other Governments					
0412 Due to Primary Government					
0413 Due to Component Unit					
0420 Accounts Payable	11,571,211				
0430 Contracts Payable					
0440 Current Portion of Long-Term Debt					
0450 Short-Term Payables					
0461 Accrued Salaries and Benefits	5,663,407				
0462 Payroll Deductions and Withholding	484,478				
0480 Unearned Revenues	5,155,891				
0490 Other Current Liabilities	1,135,000				
Total Liabilities	\$24,009,987				
0950 Deferred Inflows of Resources					
Fund Balances					
0810 Nonspendable Fund Balance					
0820 Restricted Fund Balance					
0830 Committed Fund Balance					
0840 Assigned Fund Balance					
0850 Unassigned Fund Balance	(5,859,133)				
Total Fund Balances	(\$5,859,133)				
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$18,150,854				

Amounts Expressed in Whole Dollars	<u>Capital Reserve (1431)</u> (32)	<u>Other Capital Projects</u> <u>Fund</u> (39)	<u>Debt Service</u> (40)	<u>Permanent</u> (90)	<u>Total Governmental</u> <u>Funds</u>
Liabilities And Deferred Inflows Of Resources And Fund Balances					
Liabilities					
0400 Due to Other Funds		993,923			993,923
0411 Due to Other Governments					
0412 Due to Primary Government					
0413 Due to Component Unit					
0420 Accounts Payable		91,896			11,663,107
0430 Contracts Payable					
0440 Current Portion of Long-Term Debt					
0450 Short-Term Payables					
0461 Accrued Salaries and Benefits					5,663,407
0462 Payroll Deductions and Withholding					484,478
0480 Unearned Revenues					5,155,891
0490 Other Current Liabilities					1,135,000
Total Liabilities		\$1,085,819			\$25,095,806
0950 Deferred Inflows of Resources					
Fund Balances					
0810 Nonspendable Fund Balance		(774,638)			(774,638)
0820 Restricted Fund Balance					
0830 Committed Fund Balance					
0840 Assigned Fund Balance					
0850 Unassigned Fund Balance					(5,859,133)
Total Fund Balances		(\$774,638)			(\$6,633,771)
Total Liabilities, Deferred Inflows Of Resources And Fund Balances		\$311,181			\$18,462,035

Amounts Expressed in Whole Dollars	<u>General Fund</u> (10)	<u>Public Purpose Trust</u> (27)	<u>Other Compt Approved</u> (28)	<u>Athletic / Activity</u> (29)	<u>Capital Reserve (690)</u> <u>1850</u> (31)
Revenues					
6000 Revenue from Local Sources	21,324,547				
7000 Revenue from State Sources	99,222,321				
8000 Revenue from Federal Sources	7,733,321				
Total Revenues	\$128,280,189				
Expenditures					
1000 Instruction	95,784,541				
2000 Support Services	23,073,598				
3000 Operation of Non-Instructional Services	897,883				
4000 Facilities Acquisition, Construction and Improvement Services					
5110 Debt Service	7,294,415				
5130 Refund of Prior Year Revenues / Receipts	8,056				
5140 Short-Term Borrowing – Interest and Costs					
Total Expenditures	\$127,058,493				
Excess (Deficiency) Of Revenues Over Expenditures	\$1,221,696				
Other Financing Sources (Uses)					
9110 Face Value of Bonds Issued					
9120 Proceeds from Refunding of Bonds					
9130 Bond Premiums					
9200 Proceeds from Extended-Term Financing	400,000				
9300 Interfund Transfers - IN					
9400 Sale of or Compensation for Loss of Fixed Assets	63,330				
9710 Transfers from Component Units					
9720 Transfers from Primary Governments					
9910 Other Financing Sources Not Listed in the 9000 Series					
9990 Insurance Recoveries	27,156				
5120 Debt Service – Refunded Bonds					
5150 Bond Discounts					
5200 Interfund Transfers – Out					
5300 Transfers Out to Component Units/Primary Governments					
Total Other Financing Sources (Uses)	\$490,486				

Amounts Expressed in Whole Dollars	<u>Capital Reserve (1431)</u> (32)	<u>Other Capital Projects</u> <u>Fund</u> (39)	<u>Debt Service</u> (40)	<u>Permanent</u> (90)	<u>Total Governmental</u> <u>Funds</u>
Revenues					
6000 Revenue from Local Sources					21,324,547
7000 Revenue from State Sources		1,746,947			100,969,268
8000 Revenue from Federal Sources					7,733,321
Total Revenues		\$1,746,947			\$130,027,136
Expenditures					
1000 Instruction					95,784,541
2000 Support Services					23,073,598
3000 Operation of Non-Instructional Services					897,883
4000 Facilities Acquisition, Construction and Improvement Services		2,521,585			2,521,585
5110 Debt Service					7,294,415
5130 Refund of Prior Year Revenues / Receipts					8,056
5140 Short-Term Borrowing – Interest and Costs					
Total Expenditures		\$2,521,585			\$129,580,078
Excess (Deficiency) Of Revenues Over Expenditures		(\$774,638)			\$447,058
Other Financing Sources (Uses)					
9110 Face Value of Bonds Issued					
9120 Proceeds from Refunding of Bonds					
9130 Bond Premiums					
9200 Proceeds from Extended-Term Financing					400,000
9300 Interfund Transfers - IN					
9400 Sale of or Compensation for Loss of Fixed Assets					63,330
9710 Transfers from Component Units					
9720 Transfers from Primary Governments					
9910 Other Financing Sources Not Listed in the 9000 Series					
9990 Insurance Recoveries					27,156
5120 Debt Service – Refunded Bonds					
5150 Bond Discounts					
5200 Interfund Transfers – Out					
5300 Transfers Out to Component Units/Primary Governments					
Total Other Financing Sources (Uses)					\$490,486

Amounts Expressed in Whole Dollars

	<u>General Fund</u> (10)	<u>Public Purpose Trust</u> (27)	<u>Other Compt Approved</u> (28)	<u>Athletic / Activity</u> (29)	<u>Capital Reserve</u> (690, 1850) (31)
Special And Extraordinary Items					
9920 Special Items – Gains	134,601				
9930 Extraordinary Items – Gains					
5520 Special Items – Losses					
5530 Extraordinary Items – Losses					
Net Change In Fund Balances	\$1,846,783				
Fund Balance					
0001 Fund Balance - Beginning of Fiscal Year	(7,705,916)				
Fund Balance - End Of Year	(\$5,859,133)				

Amounts Expressed in Whole Dollars

	<u>Capital Reserve (1431)</u> (32)	<u>Other Capital Projects</u> <u>Fund</u> (39)	<u>Debt Service</u> (40)	<u>Permanent</u> (90)	<u>Total Governmental</u> <u>Funds</u>
Special And Extraordinary Items					
9920 Special Items – Gains					134,601
9930 Extraordinary Items – Gains					
5520 Special Items – Losses					
5530 Extraordinary Items – Losses					
Net Change In Fund Balances		(\$774,638)			\$1,072,145
Fund Balance					
0001 Fund Balance - Beginning of Fiscal Year					(7,705,916)
Fund Balance - End Of Year		(\$774,638)			(\$6,633,771)

Amounts Expressed in Whole Dollars	<u>Food Service</u> (51)	<u>Child Care</u> <u>Operations</u> (52)	<u>Other Enterprise</u> (58)	<u>TOTAL</u>	<u>Internal Service</u> (60)
Assets And Deferred Outflows Of Resources					
Current Assets					
0100 Cash and Cash Equivalents	3,560			3,560	
0110 Investments					
0130 Due From Other Funds	80,674			80,674	
0141 Due From Other Governments					
0142 State Revenue Receivable	3,485			3,485	
0143 Federal Revenue Receivable					
0146 Due from Primary Government					
0147 Due from Component Unit					
0150 Other Receivables	20,410			20,410	
0170 Inventories					
0180 Prepaid Expenses (Expenditures)					
0190 Other Current Assets					
Total Current Assets	\$108,129			\$108,129	
Noncurrent Assets					
0211 Land					
0212 Site Improvements (Net)					
0220 Buildings and Building Improvements (Net)					
0230 Machinery, Equipment and Furniture (Net)					
0250 Construction in Progress					
0260 Long Term Prepayments					
0290 Other Noncurrent Assets					
Total Noncurrent Assets					
0910 Deferred Outflows of Resources	12,000			12,000	
Total Assets And Deferred Outflows Of Resources	\$120,129			\$120,129	

Amounts Expressed in Whole Dollars	<u>Food Service</u> (51)	<u>Child Care</u> <u>Operations</u> (52)	<u>Other Enterprise</u> (58)	<u>TOTAL</u>	<u>Internal Service</u> (60)
Liabilities And Deferred Inflows Of Resources And Net Position					
Current Liabilities					
0400 Due to Other Funds					
0411 Due to Other Governments					
0413 Due to Component Unit					
0420 Accounts Payable	478,399			478,399	
0430 Contracts Payable					
0440 Current Portion of Long-Term Debt					
0450 Short-Term Payables					
0461 Accrued Salaries and Benefits	23,506			23,506	
0462 Payroll Deductions and Withholding					
0480 Unearned Revenues	2,908			2,908	
0490 Other Current Liabilities					
Total Current Liabilities	\$504,813			\$504,813	
Noncurrent Liabilities					
0510 Bonds Payable					
0520 Extended-Term Financing Agreements Payable					
0530 Lease-Purchase Obligations					
0540 Accumulated Compensated Absences					
0550 Authority Lease Obligations					
0560 Other Post-Employment Benefits (OPEB)					
0570 Net Pension Liability	93,000			93,000	
0599 Other Long-Term Liabilities					
Total Noncurrent Liabilities	\$93,000			\$93,000	
Total Liabilities	\$597,813			\$597,813	
0950 Deferred Inflows of Resources	7,000			7,000	
Net Position					
0791 Invested in Capital Assets, Net of Related Debt					
0008 Restricted Net Position (0792 – 0798)					
0799 Unrestricted Net Position	(484,684)			(484,684)	
Total Net Position	(\$484,684)			(\$484,684)	
Total Liabilities And Deferred Inflows Of Resources And Net Position	\$120,129			\$120,129	

Amounts Expressed in Whole Dollars	<u>Food Service</u> (51)	<u>Child Care Operations</u> (52)	<u>Other Enterprise</u> (58)	<u>TOTAL</u>	<u>Internal Service</u> (60)
Operating Revenues					
6600 Food Service Revenue	136,337			136,337	
0071 Charges for Services					
0072 Other Operating Revenue					
Total Operating Revenues	\$136,337			\$136,337	
Operating Expenses					
100 Personnel Services – Salaries	30,461			30,461	
200 Personnel Services – Employee Benefits	17,374			17,374	
300 Purchased Professional and Technical Services					
400 Purchased Property Services					
500 Other Purchased Services	1,732,693			1,732,693	
600 Supplies	141,396			141,396	
740 Depreciation					
810 Dues and Fees	59,084			59,084	
890 Miscellaneous Expenditures					
Total Operating Expenses	\$1,981,008			\$1,981,008	
Operating Income (Loss)	(\$1,844,671)			(\$1,844,671)	
Non Operating Revenues (Expenses)					
6500 Earnings on Investments					
6920 Contributions and Donations from Private Sources					
6930 Gains or Losses on Sale of Fixed Assets					
6991 Refunds of a Prior Year Expenditure					
7000 Revenue from State Sources	76,682			76,682	
8000 Revenue from Federal Sources	1,748,056			1,748,056	
820 Claims and Judgments Against the LEA					
830 Interest					
TOTAL Non Operating Revenues (Expenses)	\$1,824,738			\$1,824,738	
Income (Loss) Before Contributions And Transfers	(\$19,933)			(\$19,933)	

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
 (REP)

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Amounts Expressed in Whole Dollars	<u>Food Service</u> (51)	<u>Child Care Operations</u> (52)	<u>Other Enterprise</u> (58)	<u>TOTAL</u>	<u>Internal Service</u> (60)
Contributions, Transfers, and Special and Extraordinary Items					
5200 Interfund Transfers -- Out					
5300 Transfers Out to Component Units/Primary Governments					
5520 Special Items -- Losses					
5530 Extraordinary Items -- Losses					
9300 Interfund Transfers - IN					
9500 Capital Contributions					
9700 Transfers IN From Component Units/Primary Governments					
9920 Special Items -- Gains					
9930 Extraordinary Items -- Gains					
Change in Net Position	(\$19,933)			(\$19,933)	
0002 Net Position - Beginning of Fiscal Year	(464,751)			(464,751)	
0003 Accounting Changes / Residual Equity Transfers					
Net Position - End Of Year	(\$484,684)			(\$484,684)	

Amounts Expressed in Whole Dollars	<u>Food Service</u> (51)	<u>Child Care Operations</u> (52)	<u>Other Enterprise</u> (59)	<u>TOTAL</u>	<u>Internal Service(60)</u>
Cash Flows From Operating Activities					
0011 Cash Receipts From Users	134,905			134,905	
0012 Cash Receipts From Assessments Made to Other Funds					
0013 Cash Receipts From Earnings on Investments					
0014 Cash Receipts From Other Operating Revenue					
0015 Cash Payments To Employees For Services	39,992			39,992	
0016 Cash Payments For Insurance Claims					
0017 Cash Payments To Suppliers For Goods and Services	2,418,086			2,418,086	
0018 Cash Payments For Other Operating Expenses					
Net Cash Provided By (Used For) Operating Activities	(\$2,323,173)			(\$2,323,173)	
Cash Flows From Non-Capital Financing Activities					
0021 Receipts From Local Sources - 6000					
0022 Receipts From State Sources - 7000	76,682			76,682	
0023 Receipts From Federal Sources -8000	1,748,056			1,748,056	
0024 Notes and Loans Received (Repaid)					
0025 Interest Paid on Notes/Loans - 5100-830					
0026 Operating Transfers In (Out)/Residual Equity Trans					
0027 Operating Transfers In (Out) Primary Government / Comp Unit					
0028 Receipts From Refund of Prior Year Expenditures - 6991					
0029 Special and Extraordinary Gains (losses)					
Net Cash Prov By (Used for) Non-Capital Financing Activities	\$1,824,738			\$1,824,738	
Cash Flows From Capital and Related Financing Activities					
0031 Payments For Fac Acq, Const, and Imp - 4000					
0032 Gain / (Loss) on Sale of Fixed Assets - 6930					
0033 Proceeds From Extended Term Financing - 9200					
0034 Principal Paid on Financing Agreements					
0035 Interest Paid on Financing Agreements - 5100-830					
0036 (Inc) Dec in Contributed Capital					
Net Cash Prov By (Used for) Capital and Related Financing Activities					
Cash Flows From Investing Activities					
0041 Earnings on Investments - 6500					
0042 Purchase of Inv Securities / Deposits to Inv Pools					
0043 Receipts From Investment Pool Withdrawals					
0044 Proceeds from Sale and Maturity of Inv Securities					
0045 Loans Received (Paid)					
Net Cash Prov By (Used for) Investing Activities					

	<u>Food Service</u> <u>(51)</u>	<u>Child Care Operations</u> <u>(52)</u>	<u>Other Enterprise</u> <u>(58)</u>	<u>TOTAL</u>	<u>Internal Service</u> <u>(60)</u>
Net Increase (Decrease) in Cash Flows	(498,435)			(498,435)	
0004 Cash and Cash Equivalents Beginning of Year	501,995			501,995	
Cash and Cash Equivalents at Year End	\$3,560			\$3,560	
<hr/>					
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used For) Operating Activities					
0005 Operating Income (Loss) per REP	(1,844,671)			(1,844,671)	
Adjustments					
0051 Depreciation and Net Amortization					
0052 Provision for Uncollectible Accounts					
0053 Other Adjustments					
Effect of Changes in Assets, Liabilities, Deferred Outflows and Deferred Inflows					
0054 (Inc) Dec In Accounts Receivable (0120-0150)	75,264			75,264	
0055 Advances to Other Funds (0160)	(293,212)			(293,212)	
0056 (Inc) Dec In Inventories (0170)	17,246			17,246	
0057 (Inc) Dec in Prepaid Expenses (0180)					
0058 (Inc) Dec in Other Current or Noncurrent Assets					
0064 Deferred Outflows (0910)					
0059 Inc (Dec) in Accounts Payable (0400-0450)	(284,211)			(284,211)	
0060 Inc (Dec) in Accrued Salaries/Benefits (0461)	9,843			9,843	
0065 Inc (Dec) in Net Pension Liabilities (0570)	(2,000)			(2,000)	
0066 Inc (Dec) in Other Postemp Benefit Oblig (0560)					
0061 Inc (Dec) in Payroll Deductions/Withholding (0462)					
0062 Inc (Dec) in Unearned Revenue (0480)	(1,432)			(1,432)	
0063 Inc (Dec) in Other Current or Noncurrent Liabilities					
0067 Deferred Inflows (0950)					
Total Adjustments	(\$478,502)			(\$478,502)	
Cash Provided By (Used for) Total	(\$2,323,173)			(\$2,323,173)	

COMBINED STATEMENT OF CASH FLOWS
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Explanation of Transaction and Balance Sheet Effect	Amount
Total	

Amounts Expressed in Whole Dollars	<u>Private Purpose Trust</u> (71)	<u>Investment Trust</u> (72)	<u>Pension Trust</u> (73)	<u>Activity</u> (81)
Assets And Deferred Outflows Of Resources				
Assets				
0100 Cash and Cash Equivalents				12,720
0110 Investments				
0130 Due From Other Funds				
0147 Due from Component Unit				
0150 Other Receivables				
0170 Inventories				
0180 Prepaid Expenses (Expenditures)				
0190 Other Current Assets				
0220 Buildings and Building Improvements (Net)				
0230 Machinery, Equipment and Furniture (Net)				
Total Assets				\$12,720
0910 Deferred Outflows of Resources				
Total Assets And Deferred Outflows Of Resources				\$12,720

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Amounts Expressed in Whole Dollars	<u>Other Agency</u> (89)	<u>Discrete Component Units</u> (98)	<u>Discrete Component Units</u> (99)	<u>Total Fiduciary Funds</u>
Assets And Deferred Outflows Of Resources				
Assets				
0100 Cash and Cash Equivalents	2,671			15,391
0110 Investments				
0130 Due From Other Funds				
0147 Due from Component Unit				
0150 Other Receivables				
0170 Inventories				
0180 Prepaid Expenses (Expenditures)				
0190 Other Current Assets				
0220 Buildings and Building Improvements (Net)				
0230 Machinery, Equipment and Furniture (Net)				
Total Assets	\$2,671			\$15,391
0910 Deferred Outflows of Resources				
Total Assets And Deferred Outflows Of Resources	\$2,671			\$15,391

Amounts Expressed in Whole Dollars	<u>Private Purpose Trust</u> (71)	<u>Investment Trust</u> (72)	<u>Pension Trust</u> (73)	<u>Activity</u> (81)
Liabilities, Deferred Inflows Of Resources And Net Position				
Liabilities				
0400 Due to Other Funds				
0411 Due to Other Governments				
0412 Due to Primary Government				
0413 Due to Component Unit				
0420 Accounts Payable				12,720
0430 Contracts Payable				
0450 Short-Term Payables				
0461 Accrued Salaries and Benefits				
0462 Payroll Deductions and Withholding				
0480 Unearned Revenues				
0490 Other Current Liabilities				
Total Liabilities				\$12,720
0950 Deferred Inflows of Resources				
Net Position				
0791 Invested in Capital Assets, Net of Related Debt				
0009 Restricted Net Position (0792 – 0798)				
0799 Unrestricted Net Position				
Total Net Position				
Total Liabilities, Deferred Inflows Of Resources And Net Position				\$12,720

Amounts Expressed in Whole Dollars	<u>Other Agency</u> (89)	<u>Discrete Component Units</u> (98)	<u>Discrete Component Units</u> (99)	<u>Total Fiduciary Funds</u>
Liabilities, Deferred Inflows Of Resources And Net Position				
Liabilities				
0400 Due to Other Funds				
0411 Due to Other Governments				
0412 Due to Primary Government				
0413 Due to Component Unit				
0420 Accounts Payable	2,671			15,391
0430 Contracts Payable				
0450 Short-Term Payables				
0461 Accrued Salaries and Benefits				
0462 Payroll Deductions and Withholding				
0480 Unearned Revenues				
0490 Other Current Liabilities				
Total Liabilities	\$2,671			\$15,391
0950 Deferred Inflows of Resources				
Net Position				
0791 Invested in Capital Assets, Net of Related Debt				
0009 Restricted Net Position (0792 – 0798)				
0799 Unrestricted Net Position				
Total Net Position				
Total Liabilities, Deferred Inflows Of Resources And Net Position	\$2,671			\$15,391

Detail of General Fund Revenues and Other Financing Sources - (REV)

General Fund (10)

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	Revenue Reported In Current Year	Current Year Tax Accrual	Prior Year Tax Accrual	Taxes Collected In Current Year
<u>Revenue from Local Sources</u>				
6111 Current Real Estate Taxes	16,067,628.00			16,067,628.00
6112 Interim Real Estate Taxes	205,324.00			205,324.00
6113 Public Utility Realty Taxes	23,814.00			23,814.00
6153 Current Act 511 Real Estate Transfer Taxes	868,331.00			868,331.00
6411 Delinquent Real Estate Taxes	859,696.00			859,696.00
6700 Revenues from LEA Activities	11,122.00			
6831 Federal Revenue Received from Other Pennsylvania Public LEAs	169,936.00			
6832 Federal IDEA Revenue Received as Pass Through	2,751,516.00			
6836 Federal ARRA Race to the Top Revenue Received as Pass Through	65,504.00			
6910 Rentals	2,349.00			
6920 Contributions and Donations from Private Sources	6,574.00			
6949 Other Tuition from Patrons	6,042.00			
6961 Transportation Services Provided Other Pennsylvania LEAs	2,900.00			
6991 Refunds of a Prior Year Expenditure	252,508.00			
6999 Other Revenues Not Specified Above	31,303.00			
TOTAL Revenue from Local Sources	\$21,324,547.00			\$18,024,793.00

Revenue from State Sources

	Revenue Reported In Current Year
7110 Basic Education Funding	73,666,356.00
7160 Tuition for Orphans Subsidy	329,212.00
7170 School Improvement Grants	453,606.00
7220 Vocational Education	174,040.00
7271 Special Education funds for School-Aged Pupils	5,610,550.00
7292 Pre-K Counts	816,100.00
7311 Pupil Transportation Subsidy	964,900.00
7312 Nonpublic and Charter School Pupil Transportation Subsidy	819,280.00
7320 Rental and Sinking Fund Payments / Building Reimbursement Subsidy	144,512.00
7340 State Property Tax Reduction Allocation	2,753,110.00
7360 Safe Schools	109,447.00
7505 Ready to Learn Block Grant	1,421,091.00
7598 Revenue for the Support of Public Schools	4,351,874.00
7599 Other State Revenue Not Listed Elsewhere in the 7000 Series	5,600.00
7810 State Share of Social Security and Medicare Taxes	1,312,327.00
7820 State Share of Retirement Contributions	6,290,316.00
TOTAL Revenue from State Sources	\$99,222,321.00

	Revenue Reported In Current Year
<u>Revenue from Federal Sources</u>	
8514 NCLB, Title I - Improving the Academic Achievement of the Disadvantaged	5,675,026.00
8515 NCLB, Title II - Preparing, Training and Recruiting High Quality Teachers and Principals	1,216,226.00
8516 NCLB, Title III - Language Instruction for Limited English Proficient and Immigrant Students	36,166.00
8517 NCLB, Title IV - 21st Century Schools	164,924.00
8690 Other Restricted Federal Grants-in-Aid Through the Commonwealth of PA	3,295.00
8810 School-Based Access Medicaid Reimbursement Program (SBAP) Reimbursements (Access)	637,684.00
TOTAL Revenue from Federal Sources	\$7,733,321.00

	Revenue Reported <u>In Current Year</u>	
<u>Other Financing Sources</u>		
9210 Proceeds from Commonwealth of PA Loans	400,000.00	
9400 Sale of or Compensation for Loss of Fixed Assets	63,330.00	
9920 Special Items - Gains	134,601.00	
9990 Insurance Recoveries	27,156.00	
TOTAL Other Financing Sources	\$625,087.00	
TOTAL FROM ALL SOURCES	\$128,905,276.00	\$18,024,793.00

Revenue from Local Sources	21,324,547.00
Revenue from State Sources	99,222,321.00
Revenue from Federal Sources	7,733,321.00
Other Financing Sources	625,087.00
TOTAL FROM ALL SOURCES	\$128,905,276.00

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General Fund (10)

1000 Instruction

Total100 Personnel Services – Salaries

100 Personnel Services – Salaries

16,845,970.00

Total Personnel Services – Salaries**\$16,845,970.00**200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

4,899,606.00

220 Social Security Contributions

1,302,463.00

230 PSERS Retirement Contributions

4,301,870.00

240 Tuition Reimbursement

222,133.00

250 Unemployment Compensation

276,971.00

260 Workers' Compensation

706,181.00

270 Group Insurance – Self-Insurance

123,164.00

280 Other Post-Employment Benefits (OPEB)

6,000.00

Total Personnel Services – Employee Benefits**\$11,838,388.00**300 Purchased Professional and Technical Services

322 Professional Educational Services – Ius

3,190,097.00

323 Professional Educational Services – Other Educational Agencies

1,719,261.00

324 Professional Educational Services – Employee Training and Development Services

44,527.00

329 Professional Educational Services – Other

78,638.00

330 Other Professional Services

1,537,855.00

Total Purchased Professional and Technical Services**\$6,570,378.00**400 Purchased Property Services

430 Repairs and Maintenance Services

(7,864.00)

440 Rentals

51,333.00

Total Purchased Property Services**\$43,469.00**500 Other Purchased Services

510 Student Transportation Services

22,430.00

561 Tuition To Other School Districts Within the State

699,634.00

562 Tuition To Pennsylvania Charter Schools

55,197,916.00

563 Tuition To Nonpublic Schools

199,954.00

567 Tuition To Approved Private Schools (APS) and PA Chartered Schools for the Deaf and Blind

2,283,531.00

568 Tuition To Private Residential Rehabilitative Institutions (PRRI) [In-State] and Detention Centers

471,011.00

569 Tuition – Other

5,500.00

580 Travel

8,432.00

591 Services Purchased Locally

1,815.00

Total Other Purchased Services**\$58,890,223.00**600 Supplies

610 General Supplies

570,894.00

630 Food

26,291.00

640 Books and Periodicals

222,631.00

650 Supplies & Fees – Technology Related

24,986.00

Total Supplies**\$844,802.00**700 Property

750 Equipment – Original and Additional

662,170.00

General Fund (10)		
1000 Instruction		
Total Property		<u>Total</u>
800 <u>Other Objects</u>		\$662,170.00
810 Dues and Fees		8,497.00
820 Claims and Judgments Against the LEA		78,155.00
890 Miscellaneous Expenditures		2,489.00
Total Other Objects		\$89,141.00
Total 1000 Instruction		\$96,784,541.00

General Fund (10)

1100 Regular Programs – Elementary / Secondary

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	5,236,688.00	4,964,942.00	1,901,073.00	12,102,703.00
Total Personnel Services – Salaries	\$5,236,688.00	\$4,964,942.00	\$1,901,073.00	\$12,102,703.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	1,575,553.00	1,510,080.00	355,636.00	3,441,269.00
220 Social Security Contributions	405,708.00	385,563.00	143,257.00	934,528.00
230 PSERS Retirement Contributions	1,325,064.00	1,256,285.00	483,887.00	3,065,236.00
240 Tuition Reimbursement	95,517.00	126,616.00		222,133.00
250 Unemployment Compensation	91,442.00	89,283.00	16,306.00	197,031.00
260 Workers' Compensation	223,800.00	218,018.00	60,140.00	501,958.00
270 Group Insurance – Self-Insurance	38,310.00	34,322.00	13,318.00	85,950.00
280 Other Post-Employment Benefits (OPEB)	2,580.00	3,420.00		6,000.00
Total Personnel Services – Employee Benefits	\$3,757,974.00	\$3,623,587.00	\$1,072,544.00	\$8,454,105.00
300 Purchased Professional and Technical Services				
322 Professional Educational Services – Ius	62.00	82.00		144.00
323 Professional Educational Services – Other Educational Agencies	81,253.00	107,707.00	588,840.00	777,800.00
324 Professional Educational Services – Employee Training and Development Services	17,110.00	22,680.00		39,790.00
329 Professional Educational Services – Other			78,638.00	78,638.00
330 Other Professional Services			143,521.00	143,521.00
Total Purchased Professional and Technical Services	\$98,425.00	\$130,469.00	\$810,999.00	\$1,039,893.00
400 Purchased Property Services				
440 Rentals	22,073.00	29,260.00		51,333.00
Total Purchased Property Services	\$22,073.00	\$29,260.00		\$51,333.00
500 Other Purchased Services				
510 Student Transportation Services			17,158.00	17,158.00
561 Tuition To Other School Districts Within the State	25,462.00	33,752.00		59,214.00
562 Tuition To Pennsylvania Charter Schools	23,905,154.00	7,623,670.00		31,528,824.00
568 Tuition To Private Residential Rehabilitative Institutions (PRRI) [In-State] and Detention Centers	90,799.00	120,361.00		211,160.00
591 Services Purchased Locally			1,590.00	1,590.00
Total Other Purchased Services	\$24,021,415.00	\$7,777,783.00	\$18,748.00	\$31,817,946.00
600 Supplies				
610 General Supplies	25,977.00	40,427.00	411,187.00	477,591.00
630 Food	1,173.00	990.00		2,163.00
640 Books and Periodicals	37,414.00	48,539.00	73,443.00	157,396.00
650 Supplies & Fees – Technology Related	688.00	912.00		1,600.00
Total Supplies	\$65,252.00	\$88,868.00	\$484,630.00	\$638,750.00
700 Property				
750 Equipment – Original and Additional	19,793.00	26,237.00	611,061.00	657,091.00
Total Property	\$19,793.00	\$26,237.00	\$611,061.00	\$657,091.00
Total 1100 Regular Programs – Elementary / Secondary	\$33,221,620.00	\$16,641,146.00	\$4,899,055.00	\$54,761,821.00

General Fund (10)

1110 Regular Programs

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	5,236,688.00	4,964,942.00	1,901,073.00	12,102,703.00
Total Personnel Services – Salaries	\$5,236,688.00	\$4,964,942.00	\$1,901,073.00	\$12,102,703.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	1,575,553.00	1,510,080.00	355,636.00	3,441,269.00
220 Social Security Contributions	405,708.00	385,563.00	143,257.00	934,528.00
230 PSERS Retirement Contributions	1,325,064.00	1,256,285.00	483,887.00	3,065,236.00
240 Tuition Reimbursement	95,517.00	126,616.00		222,133.00
250 Unemployment Compensation	91,442.00	89,283.00	16,306.00	197,031.00
260 Workers' Compensation	223,800.00	218,018.00	60,140.00	501,958.00
270 Group Insurance – Self-Insurance	38,310.00	34,322.00	13,318.00	85,950.00
280 Other Post-Employment Benefits (OPEB)	2,580.00	3,420.00		6,000.00
Total Personnel Services – Employee Benefits	\$3,757,974.00	\$3,623,587.00	\$1,072,544.00	\$8,454,105.00
300 Purchased Professional and Technical Services				
322 Professional Educational Services – Ius	62.00	82.00		144.00
323 Professional Educational Services – Other Educational Agencies	81,253.00	107,707.00		188,960.00
324 Professional Educational Services – Employee Training and Development Services	17,110.00	22,680.00		39,790.00
Total Purchased Professional and Technical Services	\$98,425.00	\$130,469.00		\$228,894.00
400 Purchased Property Services				
440 Rentals	22,073.00	29,260.00		51,333.00
Total Purchased Property Services	\$22,073.00	\$29,260.00		\$51,333.00
500 Other Purchased Services				
510 Student Transportation Services			1,280.00	1,280.00
561 Tuition To Other School Districts Within the State	25,462.00	33,752.00		59,214.00
562 Tuition To Pennsylvania Charter Schools	23,905,154.00	7,623,670.00		31,528,824.00
568 Tuition To Private Residential Rehabilitative Institutions (PRRI) [In-State] and Detention Centers	90,799.00	120,361.00		211,160.00
Total Other Purchased Services	\$24,021,415.00	\$7,777,783.00	\$1,280.00	\$31,800,478.00
600 Supplies				
610 General Supplies	25,977.00	40,427.00	3,489.00	69,893.00
630 Food	1,173.00	990.00		2,163.00
640 Books and Periodicals	37,414.00	46,539.00	6,973.00	90,926.00
650 Supplies & Fees – Technology Related	688.00	912.00		1,600.00
Total Supplies	\$65,252.00	\$88,868.00	\$10,462.00	\$164,582.00
700 Property				
750 Equipment – Original and Additional	19,793.00	26,237.00	527,551.00	573,581.00
Total Property	\$19,793.00	\$26,237.00	\$527,551.00	\$573,581.00
Total 1110 Regular Programs	\$33,221,620.00	\$16,641,146.00	\$3,512,910.00	\$53,375,676.00

General Fund (10)

1190 Federally-Funded Regular Programs

300 Purchased Professional and Technical Services

323 Professional Educational Services – Other Educational Agencies
 329 Professional Educational Services – Other
 330 Other Professional Services

Total Purchased Professional and Technical Services

500 Other Purchased Services

510 Student Transportation Services
 591 Services Purchased Locally

Total Other Purchased Services

600 Supplies

610 General Supplies
 640 Books and Periodicals

Total Supplies

700 Property

750 Equipment – Original and Additional

Total Property

Total 1190 Federally-Funded Regular Programs

ElementarySecondaryFederalTotal

588,840.00 588,840.00

78,638.00 78,638.00

143,521.00 143,521.00

\$810,999.00 \$810,999.00

15,878.00 15,878.00

1,590.00 1,590.00

\$17,468.00 \$17,468.00

407,698.00 407,698.00

66,470.00 66,470.00

\$474,168.00 \$474,168.00

83,510.00 83,510.00

\$83,510.00 \$83,510.00

\$1,386,145.00 \$1,386,145.00

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General Fund (10)

1200 Special Programs – Elementary / Secondary

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	2,348,471.00	1,391,526.00	10,781.00	3,750,778.00
Total Personnel Services – Salaries	\$2,348,471.00	\$1,391,526.00	\$10,781.00	\$3,750,778.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	751,492.00	448,281.00	293.00	1,200,066.00
220 Social Security Contributions	182,646.00	109,033.00	331.00	292,010.00
230 PSERS Retirement Contributions	609,626.00	371,901.00	926.00	982,453.00
250 Unemployment Compensation	42,801.00	26,065.00		68,866.00
260 Workers' Compensation	106,343.00	64,657.00	26.00	171,026.00
270 Group Insurance – Self-Insurance	18,301.00	9,816.00	10.00	28,127.00
Total Personnel Services – Employee Benefits	\$1,711,209.00	\$1,029,753.00	\$1,586.00	\$2,742,548.00
300 Purchased Professional and Technical Services				
322 Professional Educational Services – Ius	680,847.00	902,519.00	1,606,587.00	3,189,953.00
323 Professional Educational Services – Other Educational Agencies	3,565.00	4,725.00		8,290.00
324 Professional Educational Services – Employee Training and Development Services	2,037.00	2,700.00		4,737.00
330 Other Professional Services	535,875.00	710,346.00	148,113.00	1,394,334.00
Total Purchased Professional and Technical Services	\$1,222,324.00	\$1,620,290.00	\$1,754,700.00	\$4,597,314.00
500 Other Purchased Services				
561 Tuition To Other School Districts Within the State	74,541.00	98,810.00		173,351.00
562 Tuition To Pennsylvania Charter Schools	17,945,906.00	5,723,186.00		23,669,092.00
563 Tuition To Nonpublic Schools	72,703.00	96,374.00	30,877.00	199,954.00
567 Tuition To Approved Private Schools (APS) and PA Chartered Schools for the Deaf and Blind	836,732.00	1,109,157.00	337,642.00	2,283,531.00
568 Tuition To Private Residential Rehabilitative Institutions (PRRI) [In-State] and Detention Centers	34,959.00	46,341.00	178,551.00	259,851.00
569 Tuition – Other	2,365.00	3,135.00		5,500.00
580 Travel	928.00	1,231.00	3,681.00	5,840.00
591 Services Purchased Locally	97.00	128.00		225.00
Total Other Purchased Services	\$18,968,231.00	\$7,078,362.00	\$550,751.00	\$26,597,344.00
600 Supplies				
610 General Supplies	19,652.00	26,050.00	51.00	45,753.00
630 Food	124.00	164.00		288.00
640 Books and Periodicals	11,463.00	15,195.00		26,658.00
650 Supplies & Fees – Technology Related	5,656.00	7,498.00		13,154.00
Total Supplies	\$36,895.00	\$48,907.00	\$51.00	\$85,853.00
800 Other Objects				
810 Dues and Fees	4,450.00	5,898.00		10,348.00
820 Claims and Judgments Against the LEA	33,606.00	44,549.00		78,155.00
890 Miscellaneous Expenditures	189.00	250.00		439.00
Total Other Objects	\$38,245.00	\$50,697.00		\$88,942.00
Total 1200 Special Programs – Elementary / Secondary	\$24,325,375.00	\$11,219,535.00	\$2,317,869.00	\$37,862,779.00

General Fund (10)

1240 Academic Support

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

Total 1240 Academic Support

ElementarySecondaryFederalTotal

78,849.00

78,849.00

\$78,849.00**\$78,849.00**

8,120.00

8,120.00

6,032.00

6,032.00

20,375.00

20,375.00

710.00

710.00

2,602.00

2,602.00

252.00

252.00

\$38,091.00**\$38,091.00****\$116,940.00****\$116,940.00**

General Fund (10)

1243 Gifted Support

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 <u>Personnel Services – Salaries</u>				
100 Personnel Services – Salaries		78,849.00		78,849.00
Total Personnel Services – Salaries		\$78,849.00		\$78,849.00
200 <u>Personnel Services – Employee Benefits</u>				
210 Group Insurance – Contracted Provider		8,120.00		8,120.00
220 Social Security Contributions		6,032.00		6,032.00
230 PSERS Retirement Contributions		20,375.00		20,375.00
250 Unemployment Compensation		710.00		710.00
260 Workers' Compensation		2,602.00		2,602.00
270 Group Insurance – Self-Insurance		252.00		252.00
Total Personnel Services – Employee Benefits		\$38,091.00		\$38,091.00
Total 1243 Gifted Support		\$116,940.00		\$116,940.00

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General Fund (10)

1290 Special Programs - Other Support

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits300 Purchased Professional and Technical Services

322 Professional Educational Services – Ius

323 Professional Educational Services – Other Educational Agencies

324 Professional Educational Services – Employee Training and Development Services

330 Other Professional Services

Total Purchased Professional and Technical Services500 Other Purchased Services

561 Tuition To Other School Districts Within the State

562 Tuition To Pennsylvania Charter Schools

563 Tuition To Nonpublic Schools

567 Tuition To Approved Private Schools (APS) and PA Chartered Schools for the Deaf and Blind

568 Tuition To Private Residential Rehabilitative Institutions (PRRI) [In-State] and Detention Centers

569 Tuition – Other

580 Travel

591 Services Purchased Locally

Total Other Purchased Services600 Supplies

610 General Supplies

630 Food

640 Books and Periodicals

650 Supplies & Fees – Technology Related

Total Supplies800 Other Objects

810 Dues and Fees

820 Claims and Judgments Against the LEA

890 Miscellaneous Expenditures

Total Other Objects**Total 1290 Special Programs - Other Support**

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
	2,348,471.00	1,312,677.00	10,781.00	3,671,929.00
	\$2,348,471.00	\$1,312,677.00	\$10,781.00	\$3,671,929.00
	751,492.00	440,161.00	293.00	1,191,946.00
	182,646.00	103,001.00	331.00	285,978.00
	609,626.00	351,526.00	926.00	962,078.00
	42,801.00	25,355.00		68,156.00
	106,343.00	62,055.00	26.00	168,424.00
	18,301.00	9,564.00	10.00	27,875.00
	\$1,711,209.00	\$991,662.00	\$1,586.00	\$2,704,457.00
	680,847.00	902,519.00	1,606,587.00	3,189,953.00
	3,565.00	4,725.00		8,290.00
	2,037.00	2,700.00		4,737.00
	535,875.00	710,346.00	148,113.00	1,394,334.00
	\$1,222,324.00	\$1,620,290.00	\$1,754,700.00	\$4,597,314.00
	74,541.00	98,810.00		173,351.00
	17,945,906.00	5,723,186.00		23,669,092.00
	72,703.00	96,374.00	30,877.00	199,954.00
	836,732.00	1,109,157.00	337,642.00	2,283,531.00
	34,959.00	46,341.00	178,551.00	259,851.00
	2,365.00	3,135.00		5,500.00
	928.00	1,231.00	3,681.00	5,840.00
	97.00	128.00		225.00
	\$18,968,231.00	\$7,078,362.00	\$550,751.00	\$26,597,344.00
	19,652.00	26,050.00	51.00	45,753.00
	124.00	164.00		288.00
	11,463.00	15,195.00		26,658.00
	5,656.00	7,498.00		13,154.00
	\$36,895.00	\$48,907.00	\$51.00	\$85,853.00
	4,450.00	5,898.00		10,348.00
	33,606.00	44,549.00		78,155.00
	189.00	250.00		439.00
	\$38,245.00	\$50,697.00		\$88,942.00
	\$24,325,375.00	\$11,102,595.00	\$2,317,869.00	\$37,745,839.00

General Fund (10)

1300 Vocational Education

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries		302,473.00	110,930.00	413,403.00
Total Personnel Services – Salaries		\$302,473.00	\$110,930.00	\$413,403.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider		93,122.00	10,750.00	103,872.00
220 Social Security Contributions		23,139.00	8,487.00	31,626.00
230 PSERS Retirement Contributions		76,365.00	28,665.00	105,030.00
250 Unemployment Compensation		5,340.00		5,340.00
260 Workers' Compensation		13,286.00		13,286.00
270 Group Insurance – Self-Insurance		2,180.00		2,180.00
Total Personnel Services – Employee Benefits		\$213,432.00	\$47,902.00	\$261,334.00
400 Purchased Property Services				
430 Repairs and Maintenance Services		(7,864.00)		(7,864.00)
Total Purchased Property Services		(\$7,864.00)		(\$7,864.00)
500 Other Purchased Services				
510 Student Transportation Services		3,000.00	2,272.00	5,272.00
561 Tuition To Other School Districts Within the State		152,553.00		152,553.00
580 Travel		942.00	1,650.00	2,592.00
Total Other Purchased Services		\$156,495.00	\$3,922.00	\$160,417.00
600 Supplies				
610 General Supplies		37,386.00	4,915.00	42,301.00
640 Books and Periodicals		38,577.00		38,577.00
650 Supplies & Fees – Technology Related		10,232.00		10,232.00
Total Supplies		\$86,195.00	\$4,915.00	\$91,110.00
700 Property				
750 Equipment – Original and Additional		5,079.00		5,079.00
Total Property		\$5,079.00		\$5,079.00
800 Other Objects				
810 Dues and Fees		(1,851.00)		(1,851.00)
890 Miscellaneous Expenditures		700.00	1,350.00	2,050.00
Total Other Objects		(\$1,151.00)	\$1,350.00	\$199.00
Total 1300 Vocational Education		\$754,659.00	\$169,019.00	\$923,678.00

General Fund (10)

1400 Other Instructional Programs – Elementary / Secondary

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	4,445.00	79,539.00		83,984.00
Total Personnel Services – Salaries	\$4,445.00	\$79,539.00		\$83,984.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	1,368.00	24,596.00		25,964.00
220 Social Security Contributions	340.00	6,084.00		6,424.00
230 PSERS Retirement Contributions	1,122.00	20,095.00		21,217.00
250 Unemployment Compensation	78.00	1,410.00		1,488.00
260 Workers' Compensation	195.00	3,509.00		3,704.00
270 Group Insurance – Self-Insurance	32.00	575.00		607.00
Total Personnel Services – Employee Benefits	\$3,135.00	\$56,269.00		\$59,404.00
300 Purchased Professional and Technical Services				
323 Professional Educational Services – Other Educational Agencies	5,106.00	886,768.00	5,326.00	897,200.00
Total Purchased Professional and Technical Services	\$5,106.00	\$886,768.00	\$5,326.00	\$897,200.00
500 Other Purchased Services				
561 Tuition To Other School Districts Within the State	135,242.00	179,274.00		314,516.00
Total Other Purchased Services	\$135,242.00	\$179,274.00		\$314,516.00
Total 1400 Other Instructional Programs – Elementary / Secondary	\$147,928.00	\$1,201,850.00	\$5,326.00	\$1,355,104.00

General Fund (10)

1430 Homebound Instruction

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	4,445.00	5,892.00		10,337.00
Total Personnel Services – Salaries	\$4,445.00	\$5,892.00		\$10,337.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	1,368.00	1,814.00		3,182.00
220 Social Security Contributions	340.00	451.00		791.00
230 PSERS Retirement Contributions	1,122.00	1,488.00		2,610.00
250 Unemployment Compensation	78.00	104.00		182.00
260 Workers' Compensation	195.00	259.00		454.00
270 Group Insurance – Self-Insurance	32.00	42.00		74.00
Total Personnel Services – Employee Benefits	\$3,135.00	\$4,158.00		\$7,293.00
Total 1430 Homebound Instruction	\$7,580.00	\$10,050.00		\$17,630.00

General Fund (10)

1440 Alternative Regular Education Programs

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

300 Purchased Professional and Technical Services

323 Professional Educational Services – Other Educational Agencies

Total Purchased Professional and Technical Services

500 Other Purchased Services

561 Tuition To Other School Districts Within the State

Total Other Purchased Services

Total 1440 Alternative Regular Education Programs

ElementarySecondaryFederalTotal

73,647.00

73,647.00

\$73,647.00**\$73,647.00**

22,782.00

22,782.00

5,633.00

5,633.00

18,607.00

18,607.00

1,306.00

1,306.00

3,250.00

3,250.00

533.00

533.00

\$52,111.00**\$52,111.00**

880,000.00

880,000.00

\$880,000.00**\$880,000.00**

135,242.00

314,516.00

\$135,242.00**\$179,274.00****\$314,516.00****\$135,242.00****\$1,185,032.00****\$1,320,274.00**

General Fund (10)

1441 Adjudicated / Court-Placed Programs

500 Other Purchased Services

561 Tuition To Other School Districts Within the State

Total Other Purchased Services

Total 1441 Adjudicated / Court-Placed Programs

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
135,242.00	179,274.00		314,516.00
\$135,242.00	\$179,274.00		\$314,516.00
\$135,242.00	\$179,274.00		\$314,516.00

General Fund (10)

1442 Alternative Education Programs

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 <u>Personnel Services – Salaries</u>				
100 Personnel Services – Salaries		73,647.00		73,647.00
Total Personnel Services – Salaries		\$73,647.00		\$73,647.00
200 <u>Personnel Services – Employee Benefits</u>				
210 Group Insurance – Contracted Provider		22,782.00		22,782.00
220 Social Security Contributions		5,633.00		5,633.00
230 PSERS Retirement Contributions		18,607.00		18,607.00
250 Unemployment Compensation		1,306.00		1,306.00
260 Workers' Compensation		3,250.00		3,250.00
270 Group Insurance – Self-Insurance		533.00		533.00
Total Personnel Services – Employee Benefits		\$52,111.00		\$52,111.00
300 <u>Purchased Professional and Technical Services</u>				
323 Professional Educational Services – Other Educational Agencies		880,000.00		880,000.00
Total Purchased Professional and Technical Services		\$880,000.00		\$880,000.00
Total 1442 Alternative Education Programs		\$1,005,758.00		\$1,005,758.00

General Fund (10)

1450 Instructional Programs Outside the Established School Day

300 Purchased Professional and Technical Services

323 Professional Educational Services – Other Educational Agencies

Total Purchased Professional and Technical Services

Total 1450 Instructional Programs Outside the Established School Day

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
5,106.00	6,768.00	5,326.00	17,200.00
\$5,106.00	\$6,768.00	\$5,326.00	\$17,200.00
\$5,106.00	\$6,768.00	\$5,326.00	\$17,200.00

General Fund (10)				
1500 Nonpublic School Programs	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
300 <u>Purchased Professional and Technical Services</u>				
323 Professional Educational Services – Other Educational Agencies				35,971.00
Total Purchased Professional and Technical Services				\$35,971.00
Total 1500 Nonpublic School Programs				\$35,971.00

General Fund (10)

1800 Pre-Kindergarten

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits600 Supplies

610 General Supplies

630 Food

Total Supplies**Total 1800 Pre-Kindergarten**ElementarySecondaryFederalTotal

495,102.00

\$495,102.00

128,435.00

37,875.00

127,934.00

4,246.00

16,207.00

6,300.00

\$320,997.00

5,249.00

23,840.00

\$29,089.00**\$845,188.00**

General Fund (10)

1801 Pre-K Instruction

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				495,102.00
100 Personnel Services – Salaries				
Total Personnel Services – Salaries				\$495,102.00
200 Personnel Services – Employee Benefits				128,435.00
210 Group Insurance – Contracted Provider				37,875.00
220 Social Security Contributions				127,934.00
230 PSERS Retirement Contributions				4,246.00
250 Unemployment Compensation				16,207.00
260 Workers' Compensation				6,300.00
270 Group Insurance – Self-Insurance				
Total Personnel Services – Employee Benefits				\$320,997.00
600 Supplies				5,249.00
610 General Supplies				23,840.00
630 Food				
Total Supplies				\$29,089.00
Total 1801 Pre-K Instruction				\$845,188.00

General Fund (10)

2000 Support Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total

7,586,439.00

Total Personnel Services – Salaries

\$7,586,439.00200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

2,320,281.00

220 Social Security Contributions

554,231.00

230 PSERS Retirement Contributions

1,921,513.00

250 Unemployment Compensation

134,898.00

260 Workers' Compensation

329,673.00

270 Group Insurance – Self-Insurance

58,336.00

Total Personnel Services – Employee Benefits

\$5,318,932.00300 Purchased Professional and Technical Services

310 Official / Administrative Services

90,950.00

322 Professional Educational Services – Ius

214,510.00

323 Professional Educational Services – Other Educational Agencies

303,679.00

324 Professional Educational Services – Employee Training and Development Services

225,064.00

329 Professional Educational Services – Other

41,850.00

330 Other Professional Services

2,184,563.00

340 Technical Services

13,913.00

Total Purchased Professional and Technical Services

\$3,074,529.00400 Purchased Property Services

410 Cleaning Services

138,822.00

420 Utility Services

793,505.00

430 Repairs and Maintenance Services

269,152.00

440 Rentals

55,614.00

490 Other Purchased Property Services

1,930.00

Total Purchased Property Services

\$1,259,023.00500 Other Purchased Services

513 Contracted Carriers

3,463,347.00

516 Student Transportation Services From the IU

19,230.00

520 Insurance – General

2,971.00

522 Automotive Liability Insurance

174,204.00

523 General Property and Liability Insurance

475,253.00

530 Communications

127,578.00

541 Advertising Related to Federal Grant Awards

7,223.00

549 Other Advertising/Public Relations

457.00

580 Travel

12,722.00

591 Services Purchased Locally

60,355.00

595 IU Payments By Withholding

24,262.00

599 Other Miscellaneous Purchased Services

6,041.00

Total Other Purchased Services

\$4,373,643.00600 Supplies

610 General Supplies

386,669.00

620 Energy

290,776.00

General Fund (10)**2000 Support Services****600 Supplies**

630 Food

640 Books and Periodicals

Total Supplies**700 Property**

750 Equipment – Original and Additional

Total Property**800 Other Objects**

810 Dues and Fees

820 Claims and Judgments Against the LEA

890 Miscellaneous Expenditures

Total Other Objects**Total 2000 Support Services****Total**

8,503.00

368,977.00

\$1,054,925.00

245,303.00

\$245,303.00

53,122.00

107,650.00

32.00

\$160,804.00**\$23,073,598.00**

General Fund (10)

2100 Support Services – Students

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

300 Purchased Professional and Technical Services

330 Other Professional Services

Total Purchased Professional and Technical Services

400 Purchased Property Services

430 Repairs and Maintenance Services

Total Purchased Property Services

500 Other Purchased Services

580 Travel

Total Other Purchased Services

600 Supplies

610 General Supplies

Total Supplies

Total 2100 Support Services – Students

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
81,781.00	182,792.00	124,353.00	1,176,405.00
\$81,781.00	\$182,792.00	\$124,353.00	\$1,176,405.00
25,177.00	56,272.00	27,915.00	354,101.00
6,202.00	13,911.00	9,018.00	90,013.00
20,648.00	46,149.00	30,460.00	297,744.00
1,444.00	3,226.00	1,047.00	19,753.00
3,592.00	8,029.00	3,881.00	50,421.00
589.00	1,317.00	1,008.00	8,644.00
\$57,652.00	\$128,904.00	\$73,329.00	\$820,676.00
			115.00
			\$115.00
			57,972.00
			\$57,972.00
			119.00
			\$119.00
			548.00
			\$548.00
\$139,433.00	\$311,696.00	\$197,682.00	\$2,055,835.00

General Fund (10)

2120 Guidance Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

Total 2120 Guidance Services

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
14,074.00	83,958.00		98,032.00
\$14,074.00	\$83,958.00		\$98,032.00
4,335.00	25,848.00		30,183.00
1,077.00	6,423.00		7,500.00
3,554.00	21,197.00		24,751.00
249.00	1,482.00		1,731.00
619.00	3,688.00		4,307.00
101.00	605.00		706.00
\$9,935.00	\$59,243.00		\$69,178.00
\$24,009.00	\$143,201.00		\$167,210.00

General Fund (10)

2140 Psychological Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	38,080.00	59,561.00		97,641.00
Total Personnel Services – Salaries	\$38,080.00	\$59,561.00		\$97,641.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	11,722.00	18,335.00		30,057.00
220 Social Security Contributions	2,913.00	4,556.00		7,469.00
230 PSERS Retirement Contributions	9,614.00	15,037.00		24,651.00
250 Unemployment Compensation	672.00	1,051.00		1,723.00
260 Workers' Compensation	1,672.00	2,616.00		4,288.00
270 Group Insurance – Self-Insurance	274.00	429.00		703.00
Total Personnel Services – Employee Benefits	\$26,867.00	\$42,024.00		\$68,891.00
Total 2140 Psychological Services	\$64,947.00	\$101,585.00		\$166,532.00

General Fund (10)

2160 Social Work Services

100 Personnel Services – SalariesElementarySecondaryFederalTotal

100 Personnel Services – Salaries

124,353.00

871,300.00

Total Personnel Services – Salaries**\$124,353.00****\$871,300.00**200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

27,915.00

260,175.00

220 Social Security Contributions

9,018.00

66,799.00

230 PSERS Retirement Contributions

30,460.00

220,714.00

250 Unemployment Compensation

1,047.00

14,367.00

260 Workers' Compensation

3,881.00

37,020.00

270 Group Insurance – Self-Insurance

1,008.00

6,446.00

Total Personnel Services – Employee Benefits**\$73,329.00****\$605,521.00****Total 2160 Social Work Services****\$197,682.00****\$1,476,821.00**

General Fund (10)

2170 Student Accounting Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries				40,532.00
Total Personnel Services – Salaries				\$40,532.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider				12,477.00
220 Social Security Contributions				3,101.00
230 PSERS Retirement Contributions				10,233.00
250 Unemployment Compensation				716.00
260 Workers' Compensation				1,780.00
270 Group Insurance – Self-Insurance				292.00
Total Personnel Services – Employee Benefits				\$28,599.00
300 Purchased Professional and Technical Services				
330 Other Professional Services				115.00
Total Purchased Professional and Technical Services				\$115.00
400 Purchased Property Services				
430 Repairs and Maintenance Services				57,972.00
Total Purchased Property Services				\$57,972.00
500 Other Purchased Services				
580 Travel				119.00
Total Other Purchased Services				\$119.00
600 Supplies				
610 General Supplies				548.00
Total Supplies				\$548.00
Total 2170 Student Accounting Services				\$127,885.00

General Fund (10)

2190 Other Student Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

Total 2190 Other Student Services

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
29,627.00	39,273.00		68,900.00
\$29,627.00	\$39,273.00		\$68,900.00
9,120.00	12,089.00		21,209.00
2,212.00	2,932.00		5,144.00
7,480.00	9,915.00		17,395.00
523.00	693.00		1,216.00
1,301.00	1,725.00		3,026.00
214.00	283.00		497.00
\$20,850.00	\$27,637.00		\$48,487.00
\$50,477.00	\$66,910.00		\$117,387.00

General Fund (10)

2200 Support Services – Instructional Staff

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	378,376.00	434,913.00	303,510.00	1,116,799.00
Total Personnel Services – Salaries	\$378,376.00	\$434,913.00	\$303,510.00	\$1,116,799.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	125,423.00	145,741.00	11,235.00	282,399.00
220 Social Security Contributions	31,448.00	36,334.00	8,852.00	76,634.00
230 PSERS Retirement Contributions	114,854.00	135,420.00	28,231.00	278,505.00
250 Unemployment Compensation	9,241.00	11,072.00		20,313.00
260 Workers' Compensation	18,863.00	22,078.00	793.00	41,734.00
270 Group Insurance – Self-Insurance	3,189.00	3,923.00	2,643.00	9,755.00
Total Personnel Services – Employee Benefits	\$303,018.00	\$354,568.00	\$51,754.00	\$709,340.00
300 Purchased Professional and Technical Services				
322 Professional Educational Services – Ius	16,826.00	22,305.00		39,131.00
323 Professional Educational Services – Other Educational Agencies	21,691.00	28,753.00	253,235.00	303,679.00
324 Professional Educational Services – Employee Training and Development Services	20,540.00	27,227.00	152,797.00	200,564.00
330 Other Professional Services	5,986.00	7,934.00	996,941.00	1,010,861.00
Total Purchased Professional and Technical Services	\$65,043.00	\$86,219.00	\$1,402,973.00	\$1,554,235.00
400 Purchased Property Services				
430 Repairs and Maintenance Services	2,773.00	3,676.00		6,449.00
Total Purchased Property Services	\$2,773.00	\$3,676.00		\$6,449.00
500 Other Purchased Services				
580 Travel	644.00	855.00	4,521.00	6,020.00
Total Other Purchased Services	\$644.00	\$855.00	\$4,521.00	\$6,020.00
600 Supplies				
610 General Supplies	13,402.00	17,765.00	59,967.00	91,134.00
640 Books and Periodicals	145,803.00	223,174.00		368,977.00
Total Supplies	\$159,205.00	\$240,939.00	\$59,967.00	\$460,111.00
700 Property				
750 Equipment – Original and Additional	105,480.00	139,823.00		245,303.00
Total Property	\$105,480.00	\$139,823.00		\$245,303.00
Total 2200 Support Services – Instructional Staff	\$1,014,539.00	\$1,260,993.00	\$1,822,725.00	\$4,098,257.00

General Fund (10)

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
2220 Technology Support Services				
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	21,500.00	28,500.00		50,000.00
Total Personnel Services – Salaries	\$21,500.00	\$28,500.00		\$50,000.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	6,618.00	8,773.00		15,391.00
220 Social Security Contributions	1,645.00	2,180.00		3,825.00
230 PSERS Retirement Contributions	5,428.00	7,195.00		12,623.00
250 Unemployment Compensation	380.00	503.00		883.00
260 Workers' Compensation	944.00	1,252.00		2,196.00
270 Group Insurance – Self-Insurance	155.00	205.00		360.00
Total Personnel Services – Employee Benefits	\$15,170.00	\$20,108.00		\$35,278.00
300 Purchased Professional and Technical Services				
322 Professional Educational Services – lus	16,826.00	22,305.00		39,131.00
Total Purchased Professional and Technical Services	\$16,826.00	\$22,305.00		\$39,131.00
400 Purchased Property Services				
430 Repairs and Maintenance Services	2,773.00	3,676.00		6,449.00
Total Purchased Property Services	\$2,773.00	\$3,676.00		\$6,449.00
600 Supplies				
610 General Supplies	13,032.00	17,275.00		30,307.00
Total Supplies	\$13,032.00	\$17,275.00		\$30,307.00
700 Property				
750 Equipment – Original and Additional	105,480.00	139,823.00		245,303.00
Total Property	\$105,480.00	\$139,823.00		\$245,303.00
Total 2220 Technology Support Services	\$174,781.00	\$231,687.00		\$406,468.00

General Fund (10)

2240 Computer-Assisted Instruction Support Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	58,812.00	77,961.00		136,773.00
Total Personnel Services – Salaries	\$58,812.00	\$77,961.00		\$136,773.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	18,104.00	23,999.00		42,103.00
220 Social Security Contributions	4,448.00	5,897.00		10,345.00
230 PSERS Retirement Contributions	14,848.00	19,682.00		34,530.00
250 Unemployment Compensation	1,038.00	1,376.00		2,414.00
260 Workers' Compensation	2,583.00	3,424.00		6,007.00
270 Group Insurance – Self-Insurance	424.00	562.00		986.00
Total Personnel Services – Employee Benefits	\$41,445.00	\$54,940.00		\$96,385.00
Total 2240 Computer-Assisted Instruction Support Services	\$100,257.00	\$132,901.00		\$233,158.00

General Fund (10)

2250 School Library Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

Total 2250 School Library Services

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
22,356.00	86,383.00		108,739.00
\$22,356.00	\$86,383.00		\$108,739.00
6,882.00	26,591.00		33,473.00
1,710.00	6,608.00		8,318.00
5,644.00	21,809.00		27,453.00
395.00	1,525.00		1,920.00
982.00	3,794.00		4,776.00
161.00	623.00		784.00
\$15,774.00	\$60,950.00		\$76,724.00
\$38,130.00	\$147,333.00		\$185,463.00

General Fund (10)

2260 Instruction and Curriculum Development Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries	178,620.00	242,069.00	303,510.00	724,199.00
Total Personnel Services – Salaries	\$178,620.00	\$242,069.00	\$303,510.00	\$724,199.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider	63,933.00	86,378.00	11,235.00	161,546.00
220 Social Security Contributions	16,026.00	21,649.00	8,852.00	46,527.00
230 PSERS Retirement Contributions	64,423.00	86,734.00	28,231.00	179,388.00
250 Unemployment Compensation	5,714.00	7,668.00		13,382.00
260 Workers' Compensation	10,090.00	13,608.00	793.00	24,491.00
270 Group Insurance – Self-Insurance	1,825.00	2,457.00	2,643.00	6,925.00
Total Personnel Services – Employee Benefits	\$162,011.00	\$218,494.00	\$51,754.00	\$432,259.00
300 Purchased Professional and Technical Services				
324 Professional Educational Services – Employee Training and Development Services	156.00	207.00		363.00
Total Purchased Professional and Technical Services	\$156.00	\$207.00		\$363.00
500 Other Purchased Services				
580 Travel	398.00	528.00		926.00
Total Other Purchased Services	\$398.00	\$528.00		\$926.00
600 Supplies				
610 General Supplies	370.00	490.00		860.00
640 Books and Periodicals	145,803.00	223,174.00		368,977.00
Total Supplies	\$146,173.00	\$223,664.00		\$369,837.00
Total 2260 Instruction and Curriculum Development Services	\$487,358.00	\$684,962.00	\$355,264.00	\$1,527,584.00

General Fund (10)

2270 Instructional Staff Professional Development Services

300 Purchased Professional and Technical Services

323 Professional Educational Services – Other Educational Agencies

324 Professional Educational Services – Employee Training and Development Services

330 Other Professional Services

Total Purchased Professional and Technical Services

500 Other Purchased Services

580 Travel

Total Other Purchased Services

600 Supplies

610 General Supplies

Total Supplies

Total 2270 Instructional Staff Professional Development Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
	21,691.00	28,753.00	253,235.00	303,679.00
	20,384.00	27,020.00	152,797.00	200,201.00
	5,986.00	7,934.00	822,945.00	836,865.00
	\$48,061.00	\$63,707.00	\$1,228,977.00	\$1,340,745.00
	246.00	327.00	4,521.00	5,094.00
	\$246.00	\$327.00	\$4,521.00	\$5,094.00
			59,967.00	59,967.00
			\$59,967.00	\$59,967.00
	\$48,307.00	\$64,034.00	\$1,293,465.00	\$1,405,806.00

General Fund (10)				
2280 Nonpublic Support Services				
300 <u>Purchased Professional and Technical Services</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
330 Other Professional Services			173,996.00	173,996.00
Total Purchased Professional and Technical Services			\$173,996.00	\$173,996.00
Total 2280 Nonpublic Support Services			\$173,996.00	\$173,996.00

General Fund (10)

2290 Other Instructional Staff Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

Total 2290 Other Instructional Staff Services

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
97,088.00			97,088.00
\$97,088.00			\$97,088.00
29,886.00			29,886.00
7,619.00			7,619.00
24,511.00			24,511.00
1,714.00			1,714.00
4,264.00			4,264.00
624.00	76.00		700.00
\$68,618.00	\$76.00		\$68,694.00
\$165,706.00	\$76.00		\$165,782.00

General Fund (10)

2300 Support Services – Administration

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

300 Purchased Professional and Technical Services

310 Official / Administrative Services

329 Professional Educational Services – Other

330 Other Professional Services

Total Purchased Professional and Technical Services

500 Other Purchased Services

520 Insurance – General

530 Communications

541 Advertising Related to Federal Grant Awards

580 Travel

591 Services Purchased Locally

Total Other Purchased Services

600 Supplies

610 General Supplies

630 Food

Total Supplies

800 Other Objects

810 Dues and Fees

820 Claims and Judgments Against the LEA

890 Miscellaneous Expenditures

Total Other Objects

Total 2300 Support Services – Administration

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
621,848.00	594,211.00		2,094,005.00
\$621,848.00	\$594,211.00		\$2,094,005.00
229,742.00	145,901.00		647,718.00
46,837.00	44,353.00		146,777.00
184,791.00	122,385.00		528,923.00
12,979.00	8,563.00		37,055.00
32,292.00	21,304.00		92,192.00
5,792.00	3,004.00		15,130.00
\$512,433.00	\$345,510.00		\$1,467,795.00
			90,950.00
	34,810.00		41,850.00
			585,757.00
	\$34,810.00		\$718,567.00
			2,971.00
			1,828.00
			7,223.00
(5.00)	(6.00)		639.00
			2,250.00
(\$5.00)	(\$6.00)		\$14,911.00
186.00	476.00		3,979.00
523.00	3,174.00		8,129.00
\$709.00	\$3,650.00		\$12,108.00
			14,101.00
			107,650.00
			32.00
			\$121,783.00
\$1,134,985.00	\$978,175.00		\$4,429,159.00

General Fund (10)

2310 Board Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

28,889.00

Total Personnel Services – Salaries

\$28,889.00

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

8,893.00

220 Social Security Contributions

2,140.00

230 PSERS Retirement Contributions

7,293.00

250 Unemployment Compensation

510.00

260 Workers' Compensation

1,269.00

270 Group Insurance – Self-Insurance

208.00

Total Personnel Services – Employee Benefits

\$20,313.00

300 Purchased Professional and Technical Services

310 Official / Administrative Services

23,866.00

329 Professional Educational Services – Other

3,500.00

330 Other Professional Services

34,359.00

Total Purchased Professional and Technical Services

\$61,725.00

500 Other Purchased Services

530 Communications

1,828.00

541 Advertising Related to Federal Grant Awards

7,223.00

580 Travel

650.00

Total Other Purchased Services

\$9,701.00

600 Supplies

610 General Supplies

11.00

Total Supplies

\$11.00

800 Other Objects

810 Dues and Fees

11,601.00

820 Claims and Judgments Against the LEA

107,650.00

890 Miscellaneous Expenditures

32.00

Total Other Objects

\$119,283.00

Total 2310 Board Services

\$239,922.00

General Fund (10)

2330 Tax Assessment and Collection Services

ElementarySecondaryFederalTotal100 Personnel Services – Salaries

100 Personnel Services – Salaries

125,873.00

Total Personnel Services – Salaries**\$125,873.00**200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

38,747.00

220 Social Security Contributions

9,629.00

230 PSERS Retirement Contributions

31,779.00

250 Unemployment Compensation

2,222.00

260 Workers' Compensation

5,528.00

270 Group Insurance – Self-Insurance

907.00

Total Personnel Services – Employee Benefits**\$88,812.00**300 Purchased Professional and Technical Services

330 Other Professional Services

40,818.00

Total Purchased Professional and Technical Services**\$40,818.00**500 Other Purchased Services

520 Insurance – General

2,971.00

Total Other Purchased Services**\$2,971.00**600 Supplies

610 General Supplies

2,651.00

Total Supplies**\$2,651.00****Total 2330 Tax Assessment and Collection Services****\$261,125.00**

General Fund (10)

2350 Legal and Accounting Services

300 Purchased Professional and Technical Services

310 Official / Administrative Services

330 Other Professional Services

Total Purchased Professional and Technical Services**Total 2350 Legal and Accounting Services**ElementarySecondaryFederalTotal

67,084.00

510,580.00

\$577,664.00**\$577,664.00**

General Fund (10)

2360 Office of the Superintendent / Executive Director Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries				703,684.00
Total Personnel Services – Salaries				\$703,684.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider				218,432.00
220 Social Security Contributions				42,326.00
230 PSERS Retirement Contributions				177,752.00
250 Unemployment Compensation				12,437.00
260 Workers' Compensation				30,943.00
270 Group Insurance – Self-Insurance				5,078.00
Total Personnel Services – Employee Benefits				\$486,968.00
300 Purchased Professional and Technical Services				
329 Professional Educational Services – Other				3,540.00
Total Purchased Professional and Technical Services				\$3,540.00
600 Supplies				
630 Food				4,432.00
Total Supplies				\$4,432.00
800 Other Objects				
810 Dues and Fees				2,500.00
Total Other Objects				\$2,500.00
Total 2360 Office of the Superintendent / Executive Director Services				\$1,201,124.00

General Fund (10)

2370 Community Relations Services

500 Other Purchased Services

591 Services Purchased Locally

Total Other Purchased Services

600 Supplies

610 General Supplies

Total Supplies

Total 2370 Community Relations Services

Elementary

Secondary

Federal

Total

2,250.00

\$2,250.00

655.00

\$655.00

\$2,905.00

General Fund (10)

2380 Office of the Principal Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits300 Purchased Professional and Technical Services

329 Professional Educational Services – Other

Total Purchased Professional and Technical Services500 Other Purchased Services

580 Travel

Total Other Purchased Services600 Supplies

610 General Supplies

630 Food

Total Supplies**Total 2380 Office of the Principal Services**ElementarySecondaryFederalTotal

621,848.00

594,211.00

1,216,059.00

\$621,848.00**\$594,211.00****\$1,216,059.00**

229,742.00

145,901.00

375,643.00

46,837.00

44,353.00

91,190.00

184,791.00

122,385.00

307,176.00

12,979.00

8,563.00

21,542.00

32,292.00

21,304.00

53,596.00

5,792.00

3,004.00

8,796.00

\$512,433.00**\$345,510.00****\$857,943.00**

34,810.00

34,810.00

\$34,810.00**\$34,810.00**

(5.00)

(6.00)

(11.00)

(\$5.00)**(\$6.00)****(\$11.00)**

186.00

476.00

662.00

523.00

3,174.00

3,697.00

\$709.00**\$3,650.00****\$4,359.00****\$1,134,985.00****\$978,175.00****\$2,113,160.00**

General Fund (10)

2390 Other Administration Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

Total 2390 Other Administration Services

ElementarySecondaryFederalTotal

19,500.00

\$19,500.00

6,003.00

1,492.00

4,923.00

344.00

856.00

141.00

\$13,759.00

\$33,259.00

General Fund (10)

2400 Support Services – Pupil Health

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 <u>Personnel Services – Salaries</u>				
100 Personnel Services – Salaries				119,081.00
Total Personnel Services – Salaries				\$119,081.00
200 <u>Personnel Services – Employee Benefits</u>				
210 Group Insurance – Contracted Provider				37,118.00
220 Social Security Contributions				9,061.00
230 PSERS Retirement Contributions				30,122.00
250 Unemployment Compensation				2,129.00
260 Workers' Compensation				5,296.00
270 Group Insurance – Self-Insurance				869.00
Total Personnel Services – Employee Benefits				\$84,595.00
300 <u>Purchased Professional and Technical Services</u>				
330 Other Professional Services				96,348.00
Total Purchased Professional and Technical Services				\$96,348.00
400 <u>Purchased Property Services</u>				
410 Cleaning Services				536.00
Total Purchased Property Services				\$536.00
600 <u>Supplies</u>				
610 General Supplies				7,216.00
Total Supplies				\$7,216.00
Total 2400 Support Services – Pupil Health				\$307,776.00

General Fund (10)

2420 Medical Services

300 Purchased Professional and Technical Services

330 Other Professional Services

Total Purchased Professional and Technical Services

400 Purchased Property Services

410 Cleaning Services

Total Purchased Property Services

Total 2420 Medical Services

Elementary

Secondary

Federal

Total

31,790.00

\$31,790.00

536.00

\$536.00

\$32,326.00

General Fund (10)

2440 Nursing Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 <u>Personnel Services – Salaries</u>				
100 Personnel Services – Salaries				119,081.00
Total Personnel Services – Salaries				\$119,081.00
200 <u>Personnel Services – Employee Benefits</u>				
210 Group Insurance – Contracted Provider				37,118.00
220 Social Security Contributions				9,061.00
230 PSERS Retirement Contributions				30,122.00
250 Unemployment Compensation				2,129.00
260 Workers' Compensation				5,296.00
270 Group Insurance – Self-Insurance				869.00
Total Personnel Services – Employee Benefits				\$84,595.00
300 <u>Purchased Professional and Technical Services</u>				
330 Other Professional Services				64,558.00
Total Purchased Professional and Technical Services				\$64,558.00
600 <u>Supplies</u>				
610 General Supplies				7,216.00
Total Supplies				\$7,216.00
Total 2440 Nursing Services				\$275,450.00

General Fund (10)

2500 Support Services – Business

100 Personnel Services – SalariesElementarySecondaryFederalTotal

100 Personnel Services – Salaries

440,708.00

Total Personnel Services – Salaries**\$440,708.00**200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

136,365.00

220 Social Security Contributions

31,852.00

230 PSERS Retirement Contributions

111,351.00

250 Unemployment Compensation

7,820.00

260 Workers' Compensation

19,456.00

270 Group Insurance – Self-Insurance

3,193.00

Total Personnel Services – Employee Benefits**\$310,037.00**300 Purchased Professional and Technical Services

330 Other Professional Services

6,175.00

Total Purchased Professional and Technical Services**\$6,175.00**400 Purchased Property Services

440 Rentals

15,787.00

Total Purchased Property Services**\$15,787.00**500 Other Purchased Services

530 Communications

23,826.00

Total Other Purchased Services**\$23,826.00**600 Supplies

610 General Supplies

20,711.00

Total Supplies**\$20,711.00**800 Other Objects

810 Dues and Fees

35,119.00

Total Other Objects**\$35,119.00****Total 2500 Support Services – Business****\$852,363.00**

General Fund (10)

2510 Fiscal Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 <u>Personnel Services – Salaries</u>				
100 Personnel Services – Salaries				440,708.00
Total Personnel Services – Salaries				\$440,708.00
200 <u>Personnel Services – Employee Benefits</u>				
210 Group Insurance – Contracted Provider				136,365.00
220 Social Security Contributions				31,852.00
230 PSERS Retirement Contributions				111,351.00
250 Unemployment Compensation				7,820.00
260 Workers' Compensation				19,456.00
270 Group Insurance – Self-Insurance				3,193.00
Total Personnel Services – Employee Benefits				\$310,037.00
300 <u>Purchased Professional and Technical Services</u>				
330 Other Professional Services				6,175.00
Total Purchased Professional and Technical Services				\$6,175.00
400 <u>Purchased Property Services</u>				
440 Rentals				15,787.00
Total Purchased Property Services				\$15,787.00
500 <u>Other Purchased Services</u>				
530 Communications				23,826.00
Total Other Purchased Services				\$23,826.00
600 <u>Supplies</u>				
610 General Supplies				20,711.00
Total Supplies				\$20,711.00
800 <u>Other Objects</u>				
810 Dues and Fees				35,119.00
Total Other Objects				\$35,119.00
Total 2510 Fiscal Services				\$852,363.00

General Fund (10)

2511 Supervision of Fiscal Services - Head of Component

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				440,708.00
100 Personnel Services – Salaries				
Total Personnel Services – Salaries				\$440,708.00
200 Personnel Services – Employee Benefits				136,365.00
210 Group Insurance – Contracted Provider				31,852.00
220 Social Security Contributions				111,351.00
230 PSERS Retirement Contributions				7,820.00
250 Unemployment Compensation				19,456.00
260 Workers' Compensation				3,193.00
270 Group Insurance – Self-Insurance				
Total Personnel Services – Employee Benefits				\$310,037.00
300 Purchased Professional and Technical Services				6,175.00
330 Other Professional Services				
Total Purchased Professional and Technical Services				\$6,175.00
400 Purchased Property Services				15,787.00
440 Rentals				
Total Purchased Property Services				\$15,787.00
500 Other Purchased Services				23,826.00
530 Communications				
Total Other Purchased Services				\$23,826.00
600 Supplies				20,711.00
610 General Supplies				
Total Supplies				\$20,711.00
800 Other Objects				35,119.00
810 Dues and Fees				
Total Other Objects				\$35,119.00
Total 2511 Supervision of Fiscal Services - Head of Component				\$852,363.00

General Fund (10)

2600 Operation and Maintenance of Plant Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

300 Purchased Professional and Technical Services

324 Professional Educational Services – Employee Training and Development Services

330 Other Professional Services

Total Purchased Professional and Technical Services

400 Purchased Property Services

410 Cleaning Services

420 Utility Services

430 Repairs and Maintenance Services

440 Rentals

490 Other Purchased Property Services

Total Purchased Property Services

500 Other Purchased Services

522 Automotive Liability Insurance

523 General Property and Liability Insurance

530 Communications

591 Services Purchased Locally

Total Other Purchased Services

600 Supplies

610 General Supplies

620 Energy

Total Supplies

800 Other Objects

810 Dues and Fees

Total Other Objects

Total 2600 Operation and Maintenance of Plant Services

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
		64,000.00	2,224,380.00
		\$64,000.00	\$2,224,380.00
		25,364.00	703,957.00
		4,896.00	168,514.00
		16,538.00	565,716.00
		578.00	39,491.00
		2,112.00	98,931.00
		1,008.00	16,897.00
		\$50,494.00	\$1,593,506.00
			24,500.00
			133,521.00
			\$158,021.00
			138,286.00
			793,505.00
			189,639.00
			14,921.00
			1,930.00
			\$1,138,281.00
			174,204.00
			475,253.00
			90,755.00
			58,105.00
			\$798,317.00
91,409.00	121,171.00		212,580.00
			61,631.00
\$91,409.00	\$121,171.00		\$274,211.00
			250.00
			\$250.00
\$91,409.00	\$121,171.00	\$114,494.00	\$6,186,966.00

General Fund (10)

2620 Operation of Buildings Services

100 Personnel Services – SalariesElementarySecondaryFederalTotal

100 Personnel Services – Salaries

1,710,310.00

Total Personnel Services – Salaries**\$1,710,310.00**200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

539,633.00

220 Social Security Contributions

128,962.00

230 PSERS Retirement Contributions

435,466.00

250 Unemployment Compensation

30,946.00

260 Workers' Compensation

76,993.00

270 Group Insurance – Self-Insurance

12,635.00

Total Personnel Services – Employee Benefits**\$1,224,635.00**300 Purchased Professional and Technical Services

330 Other Professional Services

129,641.00

Total Purchased Professional and Technical Services**\$129,641.00**400 Purchased Property Services

410 Cleaning Services

138,286.00

420 Utility Services

793,505.00

430 Repairs and Maintenance Services

128,579.00

440 Rentals

14,921.00

490 Other Purchased Property Services

1,930.00

Total Purchased Property Services**\$1,077,221.00**500 Other Purchased Services

522 Automotive Liability Insurance

174,204.00

523 General Property and Liability Insurance

475,253.00

530 Communications

90,755.00

591 Services Purchased Locally

58,105.00

Total Other Purchased Services**\$798,317.00**600 Supplies

610 General Supplies

90,859.00

120,441.00

211,300.00

620 Energy

61,631.00

Total Supplies**\$90,859.00****\$120,441.00****\$272,931.00**800 Other Objects

810 Dues and Fees

250.00

Total Other Objects**\$250.00****Total 2620 Operation of Buildings Services****\$90,859.00****\$120,441.00****\$5,213,305.00**

General Fund (10)

2660 Safety and Security Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

300 Purchased Professional and Technical Services

324 Professional Educational Services – Employee Training and Development Services

330 Other Professional Services

Total Purchased Professional and Technical Services

400 Purchased Property Services

430 Repairs and Maintenance Services

Total Purchased Property Services

600 Supplies

610 General Supplies

Total Supplies

Total 2660 Safety and Security Services

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
		64,000.00	514,070.00
		\$64,000.00	\$514,070.00
		25,364.00	164,324.00
		4,896.00	39,552.00
		16,538.00	130,250.00
		576.00	8,545.00
		2,112.00	21,938.00
		1,008.00	4,262.00
		\$50,494.00	\$368,871.00
			24,500.00
			3,880.00
			\$28,380.00
			61,060.00
			\$61,060.00
550.00	730.00		1,280.00
\$550.00	\$730.00		\$1,280.00
\$550.00	\$730.00	\$114,494.00	\$973,661.00

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General Fund (10)

2700 Student Transportation Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				85,912.00
100 Personnel Services – Salaries				
Total Personnel Services – Salaries				\$85,912.00
200 Personnel Services – Employee Benefits				57,265.00
210 Group Insurance – Contracted Provider				6,345.00
220 Social Security Contributions				25,541.00
230 PSERS Retirement Contributions				3,284.00
250 Unemployment Compensation				8,170.00
260 Workers' Compensation				1,341.00
270 Group Insurance – Self-Insurance				
Total Personnel Services – Employee Benefits				\$101,946.00
300 Purchased Professional and Technical Services				37,400.00
330 Other Professional Services				
Total Purchased Professional and Technical Services				\$37,400.00
400 Purchased Property Services				12,042.00
430 Repairs and Maintenance Services				24,906.00
440 Rentals				
Total Purchased Property Services				\$36,948.00
500 Other Purchased Services				3,463,347.00
513 Contracted Carriers				19,230.00
516 Student Transportation Services From the IU				4,478.00
580 Travel			4,478.00	
Total Other Purchased Services			\$4,478.00	\$3,487,055.00
600 Supplies				18,175.00
610 General Supplies				229,145.00
620 Energy				
Total Supplies				\$247,320.00
800 Other Objects				1,919.00
810 Dues and Fees				
Total Other Objects				\$1,919.00
Total 2700 Student Transportation Services			\$4,478.00	\$3,998,500.00

General Fund (10)

2720 Vehicle Operation Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services -- Salaries				
100 Personnel Services -- Salaries				73,661.00
Total Personnel Services -- Salaries				\$73,661.00
200 Personnel Services -- Employee Benefits				
210 Group Insurance -- Contracted Provider				49,099.00
220 Social Security Contributions				5,440.00
230 PSERS Retirement Contributions				21,899.00
250 Unemployment Compensation				2,816.00
260 Workers' Compensation				7,005.00
270 Group Insurance -- Self-Insurance				1,150.00
Total Personnel Services -- Employee Benefits				\$87,409.00
300 Purchased Professional and Technical Services				
330 Other Professional Services				32,067.00
Total Purchased Professional and Technical Services				\$32,067.00
400 Purchased Property Services				
430 Repairs and Maintenance Services				10,325.00
440 Rentals				21,354.00
Total Purchased Property Services				\$31,679.00
500 Other Purchased Services				
513 Contracted Carriers				2,969,474.00
516 Student Transportation Services From the IU				16,488.00
Total Other Purchased Services				\$2,985,962.00
600 Supplies				
610 General Supplies				15,583.00
620 Energy				196,469.00
Total Supplies				\$212,052.00
800 Other Objects				
810 Dues and Fees				1,644.00
Total Other Objects				\$1,644.00
Total 2720 Vehicle Operation Services				\$3,424,474.00

General Fund (10)

2750 Nonpublic Transportation

100 Personnel Services – Salaries

100 Personnel Services – Salaries

12,251.00

Total Personnel Services – Salaries

\$12,251.00

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

8,166.00

220 Social Security Contributions

905.00

230 PSERS Retirement Contributions

3,642.00

250 Unemployment Compensation

468.00

260 Workers' Compensation

1,165.00

270 Group Insurance – Self-Insurance

191.00

Total Personnel Services – Employee Benefits

\$14,537.00

300 Purchased Professional and Technical Services

330 Other Professional Services

5,333.00

Total Purchased Professional and Technical Services

\$5,333.00

400 Purchased Property Services

430 Repairs and Maintenance Services

1,717.00

440 Rentals

3,552.00

Total Purchased Property Services

\$5,269.00

500 Other Purchased Services

513 Contracted Carriers

493,873.00

516 Student Transportation Services From the IU

2,742.00

Total Other Purchased Services

\$496,615.00

600 Supplies

610 General Supplies

2,592.00

620 Energy

32,676.00

Total Supplies

\$35,268.00

800 Other Objects

810 Dues and Fees

275.00

Total Other Objects

\$275.00

Total 2750 Nonpublic Transportation

\$569,548.00

General Fund (10)

2790 Other Student Transportation Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
500 <u>Other Purchased Services</u>				
580 Travel			4,478.00	4,478.00
Total Other Purchased Services			\$4,478.00	\$4,478.00
Total 2790 Other Student Transportation Services			\$4,478.00	\$4,478.00

General Fund (10)

2800 Support Services – Central

100 Personnel Services – SalariesElementarySecondaryFederalTotal

100 Personnel Services – Salaries

86,250.00 329,149.00

Total Personnel Services – Salaries

\$86,250.00 \$329,149.00

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

26,586.00 101,358.00

220 Social Security Contributions

6,596.00 25,035.00

230 PSERS Retirement Contributions

22,287.00 83,611.00

250 Unemployment Compensation

765.00 5,053.00

260 Workers' Compensation

2,805.00 13,473.00

270 Group Insurance – Self-Insurance

756.00 2,507.00

Total Personnel Services – Employee Benefits

\$59,795.00 \$231,037.00

300 Purchased Professional and Technical Services

322 Professional Educational Services – lus

175,379.00

330 Other Professional Services

314,386.00

340 Technical Services

13,913.00

Total Purchased Professional and Technical Services

\$503,678.00

400 Purchased Property Services

430 Repairs and Maintenance Services

3,050.00

Total Purchased Property Services

\$3,050.00

500 Other Purchased Services

530 Communications

11,169.00

549 Other Advertising/Public Relations

457.00

580 Travel

1,466.00 1,466.00

599 Other Miscellaneous Purchased Services

2,366.00 2,366.00

Total Other Purchased Services

\$3,832.00 \$15,458.00

600 Supplies

610 General Supplies

957.00 30,946.00

630 Food

374.00

Total Supplies

\$957.00 \$31,320.00

800 Other Objects

810 Dues and Fees

1,733.00

Total Other Objects

\$1,733.00

Total 2800 Support Services – Central

\$150,834.00 \$1,115,425.00

General Fund (10)

2830 Staff Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries				131,649.00
Total Personnel Services – Salaries				\$131,649.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider				40,526.00
220 Social Security Contributions				10,083.00
230 PSERS Retirement Contributions				33,237.00
250 Unemployment Compensation				2,324.00
260 Workers' Compensation				5,782.00
270 Group Insurance – Self-Insurance				949.00
Total Personnel Services – Employee Benefits				\$92,901.00
300 Purchased Professional and Technical Services				
330 Other Professional Services				283,277.00
Total Purchased Professional and Technical Services				\$283,277.00
500 Other Purchased Services				
549 Other Advertising/Public Relations				457.00
Total Other Purchased Services				\$457.00
600 Supplies				
610 General Supplies				3,519.00
630 Food				374.00
Total Supplies				\$3,893.00
800 Other Objects				
810 Dues and Fees				1,733.00
Total Other Objects				\$1,733.00
Total 2830 Staff Services				\$513,910.00

General Fund (10)

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
2831 Supervision of Staff Services				
100 <u>Personnel Services – Salaries</u>				131,649.00
100 Personnel Services – Salaries				
Total Personnel Services – Salaries				\$131,649.00
200 <u>Personnel Services – Employee Benefits</u>				
210 Group Insurance – Contracted Provider				40,526.00
220 Social Security Contributions				10,083.00
230 PSERS Retirement Contributions				33,237.00
250 Unemployment Compensation				2,324.00
260 Workers' Compensation				5,782.00
270 Group Insurance – Self-Insurance				949.00
Total Personnel Services – Employee Benefits				\$92,901.00
300 <u>Purchased Professional and Technical Services</u>				283,277.00
330 Other Professional Services				
Total Purchased Professional and Technical Services				\$283,277.00
500 <u>Other Purchased Services</u>				457.00
549 Other Advertising/Public Relations				
Total Other Purchased Services				\$457.00
600 <u>Supplies</u>				3,519.00
610 General Supplies				374.00
630 Food				
Total Supplies				\$3,893.00
800 <u>Other Objects</u>				1,733.00
810 Dues and Fees				
Total Other Objects				\$1,733.00
Total 2831 Supervision of Staff Services				\$513,910.00

General Fund (10)

2840 Data Processing Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries				110,000.00
Total Personnel Services – Salaries				\$110,000.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider				33,861.00
220 Social Security Contributions				8,262.00
230 PSERS Retirement Contributions				27,771.00
250 Unemployment Compensation				1,942.00
260 Workers' Compensation				4,831.00
270 Group Insurance – Self-Insurance				793.00
Total Personnel Services – Employee Benefits				\$77,460.00
300 Purchased Professional and Technical Services				
322 Professional Educational Services – Ius				175,379.00
330 Other Professional Services				31,109.00
340 Technical Services				13,913.00
Total Purchased Professional and Technical Services				\$220,401.00
400 Purchased Property Services				
430 Repairs and Maintenance Services				3,050.00
Total Purchased Property Services				\$3,050.00
500 Other Purchased Services				
530 Communications				11,169.00
Total Other Purchased Services				\$11,169.00
600 Supplies				
610 General Supplies				26,470.00
Total Supplies				\$26,470.00
Total 2840 Data Processing Services				\$448,550.00

General Fund (10)

2850 State and Federal Agency Liaison Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

Total Personnel Services – Salaries

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

220 Social Security Contributions

230 PSERS Retirement Contributions

250 Unemployment Compensation

260 Workers' Compensation

270 Group Insurance – Self-Insurance

Total Personnel Services – Employee Benefits

500 Other Purchased Services

580 Travel

599 Other Miscellaneous Purchased Services

Total Other Purchased Services

600 Supplies

610 General Supplies

Total Supplies

Total 2850 State and Federal Agency Liaison Services

ElementarySecondaryFederalTotal

86,250.00 87,500.00

\$86,250.00 \$87,500.00

26,586.00 26,971.00

6,596.00 6,690.00

22,287.00 22,603.00

765.00 787.00

2,805.00 2,860.00

756.00 765.00

\$59,795.00 \$60,676.00

1,466.00 1,466.00

2,366.00 2,366.00

\$3,832.00 \$3,832.00

957.00 957.00

\$957.00 \$957.00

\$150,834.00 \$152,965.00

General Fund (10)

2900 Other Support Services

500 Other Purchased Services

595 IU Payments By Withholding

599 Other Miscellaneous Purchased Services

Total Other Purchased Services

600 Supplies

610 General Supplies

Total Supplies

Total 2900 Other Support Services

<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
			24,262.00
		3,675.00	3,675.00
		\$3,675.00	\$27,937.00
		1,380.00	1,380.00
		\$1,380.00	\$1,380.00
		\$5,055.00	\$29,317.00

General Fund (10)

2910 Support Services Not Listed Elsewhere In the 2000 Series

500 Other Purchased ServicesElementarySecondaryFederalTotal

595 IU Payments By Withholding

24,262.00

599 Other Miscellaneous Purchased Services

3,675.00 3,675.00

Total Other Purchased Services**\$3,675.00 \$27,937.00**600 Supplies

610 General Supplies

1,380.00 1,380.00

Total Supplies**\$1,380.00 \$1,380.00****Total 2910 Support Services Not Listed Elsewhere In the 2000 Series****\$5,055.00 \$29,317.00**

General Fund (10)

3000 Operation of Non-Instructional Services

100 Personnel Services – Salaries

100 Personnel Services – Salaries

168,641.00

Total Personnel Services – Salaries

\$168,641.00

200 Personnel Services – Employee Benefits

210 Group Insurance – Contracted Provider

46,896.00

220 Social Security Contributions

13,050.00

230 PSERS Retirement Contributions

42,188.00

250 Unemployment Compensation

2,690.00

260 Workers' Compensation

6,691.00

270 Group Insurance – Self-Insurance

1,098.00

Total Personnel Services – Employee Benefits

\$112,613.00

300 Purchased Professional and Technical Services

323 Professional Educational Services – Other Educational Agencies

83,566.00

324 Professional Educational Services – Employee Training and Development Services

29,215.00

329 Professional Educational Services – Other

163,448.00

330 Other Professional Services

100,885.00

390 Other Purchased Professional and Technical Services

15,256.00

Total Purchased Professional and Technical Services

\$392,370.00

400 Purchased Property Services

410 Cleaning Services

110.00

440 Rentals

1,370.00

490 Other Purchased Property Services

2,506.00

Total Purchased Property Services

\$3,986.00

500 Other Purchased Services

580 Travel

12,089.00

599 Other Miscellaneous Purchased Services

34,406.00

Total Other Purchased Services

\$46,495.00

600 Supplies

610 General Supplies

106,605.00

630 Food

53,910.00

Total Supplies

\$160,515.00

800 Other Objects

810 Dues and Fees

10,855.00

890 Miscellaneous Expenditures

2,408.00

Total Other Objects

\$13,263.00

Total 3000 Operation of Non-Instructional Services

\$897,883.00

General Fund (10)

3200 Student Activities

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				163,819.00
100 Personnel Services – Salaries				
Total Personnel Services – Salaries				\$163,819.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider				45,368.00
220 Social Security Contributions				12,681.00
230 PSERS Retirement Contributions				40,965.00
250 Unemployment Compensation				2,602.00
260 Workers' Compensation				6,473.00
270 Group Insurance – Self-Insurance				1,062.00
Total Personnel Services – Employee Benefits				\$109,151.00
300 Purchased Professional and Technical Services				
330 Other Professional Services				4,000.00
390 Other Purchased Professional and Technical Services				15,256.00
Total Purchased Professional and Technical Services				\$19,256.00
400 Purchased Property Services				
410 Cleaning Services				110.00
Total Purchased Property Services				\$110.00
500 Other Purchased Services				
580 Travel				4,110.00
Total Other Purchased Services				\$4,110.00
600 Supplies				
610 General Supplies				56,051.00
630 Food				4,379.00
Total Supplies				\$60,430.00
800 Other Objects				
810 Dues and Fees				10,855.00
890 Miscellaneous Expenditures				2,408.00
Total Other Objects				\$13,263.00
Total 3200 Student Activities				\$370,139.00

General Fund (10)

3300 Community Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
100 Personnel Services – Salaries				
100 Personnel Services – Salaries				4,822.00
Total Personnel Services – Salaries				\$4,822.00
200 Personnel Services – Employee Benefits				
210 Group Insurance – Contracted Provider				1,528.00
220 Social Security Contributions				369.00
230 PSERS Retirement Contributions				1,223.00
250 Unemployment Compensation				88.00
260 Workers' Compensation				218.00
270 Group Insurance – Self-Insurance				36.00
Total Personnel Services – Employee Benefits				\$3,462.00
300 Purchased Professional and Technical Services				
323 Professional Educational Services – Other Educational Agencies			17,602.00	83,566.00
324 Professional Educational Services – Employee Training and Development Services			14,785.00	29,215.00
329 Professional Educational Services – Other			163,448.00	163,448.00
330 Other Professional Services				96,885.00
Total Purchased Professional and Technical Services			\$195,835.00	\$373,114.00
400 Purchased Property Services				
440 Rentals			1,370.00	1,370.00
490 Other Purchased Property Services			2,506.00	2,506.00
Total Purchased Property Services			\$3,876.00	\$3,876.00
500 Other Purchased Services				
580 Travel			7,979.00	7,979.00
599 Other Miscellaneous Purchased Services			34,406.00	34,406.00
Total Other Purchased Services			\$42,385.00	\$42,385.00
600 Supplies				
610 General Supplies			50,554.00	50,554.00
630 Food			41,222.00	49,531.00
Total Supplies			\$91,776.00	\$100,085.00
Total 3300 Community Services			\$333,872.00	\$527,744.00

General Fund (10)

5000 Other Expenditures and Financing Uses

800 Other Objects

830 Interest

880 Refunds of Prior Years' Receipts

Total Other Objects

900 Other Uses of Funds

910 Redemption of Principal

920 Authority Obligations

Total Other Uses of Funds

Total 5000 Other Expenditures and Financing Uses

Total

2,864,415.00

8,056.00

\$2,872,471.00

1,005,000.00

3,425,000.00

\$4,430,000.00

\$7,302,471.00

General Fund (10)

5100 Debt Service / Other Expenditures and Financing Uses

800 Other Objects

830 Interest

880 Refunds of Prior Years' Receipts

Total Other Objects

900 Other Uses of Funds

910 Redemption of Principal

920 Authority Obligations

Total Other Uses of Funds

Total 5100 Debt Service / Other Expenditures and Financing Uses

Elementary

Secondary

Federal

Total

2,864,415.00

8,056.00

\$2,872,471.00

1,005,000.00

3,425,000.00

\$4,430,000.00

\$7,302,471.00

General Fund (10)

5110 Debt Service

800 Other Objects

830 Interest

Total Other Objects

900 Other Uses of Funds

910 Redemption of Principal

920 Authority Obligations

Total Other Uses of Funds

Total 5110 Debt Service

Elementary

Secondary

Federal

Total

2,864,415.00

\$2,864,415.00

1,005,000.00

3,425,000.00

\$4,430,000.00

\$7,294,415.00

General Fund (10)				
5130 Refund of Prior Year Revenues / Receipts	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
800 <u>Other Objects</u>				
880 Refunds of Prior Years' Receipts				8,056.00
Total Other Objects				\$8,056.00
Total 5130 Refund of Prior Year Revenues / Receipts				\$8,056.00

Other Capital Projects Fund (39)

4000 Facilities Acquisition, Construction and Improvement Services

400 Purchased Property Services

430 Repairs and Maintenance Services

450 Construction Services

Total Purchased Property Services

500 Other Purchased Services

580 Travel

Total Other Purchased Services

700 Property

750 Equipment -- Original and Additional

790 Other Property

Total Property

Total 4000 Facilities Acquisition, Construction and Improvement Services

Total

1,806.00

2,420,939.00

\$2,422,545.00

18,136.00

\$18,136.00

35,800.00

45,104.00

\$80,904.00**\$2,521,585.00**

Other Capital Projects Fund (39)

4500 Building Acquisition and Construction Services – Original and Additional

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
700 <u>Property</u>				
790 Other Property				45,104.00
Total Property				\$45,104.00
Total 4500 Building Acquisition and Construction Services – Original and Additional				\$45,104.00

Other Capital Projects Fund (39)

4600 Existing Building Improvement Services

	<u>Elementary</u>	<u>Secondary</u>	<u>Federal</u>	<u>Total</u>
400 <u>Purchased Property Services</u>				
430 Repairs and Maintenance Services				1,606.00
450 Construction Services				2,420,939.00
Total Purchased Property Services				\$2,422,545.00
500 <u>Other Purchased Services</u>				
580 Travel				18,136.00
Total Other Purchased Services				\$18,136.00
700 <u>Property</u>				
750 Equipment – Original and Additional				35,800.00
Total Property				\$35,800.00
Total 4600 Existing Building Improvement Services				\$2,476,481.00

	<u>General Fund(10)</u>	<u>Public Purpose Trust(27)</u>	<u>Other Compt Approved (28)</u>	<u>Athletic / Activity(29)</u>	<u>Capital Reserve (690, 1850)(31)</u>
1000 Instruction					
1100 Regular Programs - Elementary / Secondary	54,761,821.00				
1200 Special Programs - Elementary / Secondary	37,862,779.00				
1300 Vocational Education	923,678.00				
1400 Other Instructional Programs - Elementary / Secondary	1,355,104.00				
1500 Nonpublic School Programs	35,971.00				
1800 Pre-Kindergarten	845,188.00				
Total Instruction	\$95,784,541.00				
2000 Support Services					
2100 Support Services - Students	2,055,835.00				
2200 Support Services - Instructional Staff	4,098,257.00				
2300 Support Services - Administration	4,429,159.00				
2400 Support Services - Pupil Health	307,776.00				
2500 Support Services - Business	852,363.00				
2600 Operation and Maintenance of Plant Services	6,186,968.00				
2700 Student Transportation Services	3,998,500.00				
2800 Support Services - Central	1,115,425.00				
2900 Other Support Services	29,317.00				
Total Support Services	\$23,073,598.00				
3000 Operation of Non-Instructional Services					
3200 Student Activities	370,139.00				
3300 Community Services	527,744.00				
Total Operation of Non-Instructional Services	\$897,883.00				
4000 Facilities Acquisition, Construction and Improvement Services					
4500 Building Acquisition and Construction Services - Original and Additional					
4600 Existing Building Improvement Services					
Total Facilities Acquisition, Construction and Improvement Services					
5000 Other Expenditures and Financing Uses					
5100 Debt Service / Other Expenditures and Financing Uses	7,302,471.00				
Total Other Expenditures and Financing Uses	\$7,302,471.00				
TOTAL ACTUAL EXPENDITURES & OTHER FINANCING USES	\$127,058,493.00				

	<u>Capital Reserve (1431)(32)</u>	<u>Other Capital Projects Fund(39)</u>	<u>Debt Service(40)</u>	<u>Permanent(90)</u>	<u>Total</u>
1000 Instruction					54,761,821.00
1100 Regular Programs - Elementary / Secondary					37,862,779.00
1200 Special Programs - Elementary / Secondary					923,678.00
1300 Vocational Education					1,355,104.00
1400 Other Instructional Programs - Elementary / Secondary					35,971.00
1500 Nonpublic School Programs					845,188.00
1800 Pre-Kindergarten					
Total Instruction					\$95,784,541.00
2000 Support Services					2,055,835.00
2100 Support Services - Students					4,098,257.00
2200 Support Services - Instructional Staff					4,429,159.00
2300 Support Services - Administration					307,776.00
2400 Support Services - Pupil Health					852,363.00
2500 Support Services - Business					6,186,966.00
2600 Operation and Maintenance of Plant Services					3,998,500.00
2700 Student Transportation Services					1,115,425.00
2800 Support Services - Central					29,317.00
2900 Other Support Services					
Total Support Services					\$23,073,598.00
3000 Operation of Non-Instructional Services					370,139.00
3200 Student Activities					527,744.00
3300 Community Services					
Total Operation of Non-Instructional Services					\$897,883.00
4000 Facilities Acquisition, Construction and Improvement Services					45,104.00
4500 Building Acquisition and Construction Services - Original and Additional		45,104.00			
4600 Existing Building Improvement Services		2,476,481.00			2,476,481.00
Total Facilities Acquisition, Construction and Improvement Services		\$2,521,585.00			\$2,521,585.00
5000 Other Expenditures and Financing Uses					7,302,471.00
5100 Debt Service / Other Expenditures and Financing Uses					
Total Other Expenditures and Financing Uses					\$7,302,471.00
TOTAL ACTUAL EXPENDITURES & OTHER FINANCING USES		\$2,521,585.00			\$129,580,078.00

PSERS Salary Data (Salary Data should relate to the General Fund only)

Amount Description	Amount
Total Salary Base for salaries subject to PSERS withholding	24,489,795.00
Total Federally Funded salaries subject to PSERS withholding	2,364,524.00

Title I Expenditure Data

Amount Description	Amount
Expenditures Funded with Current Title I Funds	3,161,509.00
Expenditures Funded with Carry over Title I Funds	952,041.00
Total Title I Expenditure Data	\$4,113,550.00

Title I ARRA Amount

Amount Description	Amount
Portion of Total Title I Expenditures funded with ARRA Title I	

Benefits for Staff Relative to Collective
Bargaining Agreements

	OBJECT	COVERED	NOT COVERED	TOTAL
10 General Fund				
	211 Medical Insurance	5,980,740.00		5,980,740.00
	212 Dental Insurance			
	215 Eye Care Insurance			
	216 Prescription Insurance	1,196,598.00		1,196,598.00
	271 Self-Insurance Medical Benefits			
	272 Self-Insurance Dental Benefits	182,673.00		182,673.00
	275 Self-Insurance Eye Care Benefits			
	276 Self-Insurance Prescription Benefits			
	FUND TOTAL	\$7,360,011.00		\$7,360,011.00
50 Enterprise Fund	No Self Insurance data to report			
	211 Medical Insurance			
	212 Dental Insurance			
	215 Eye Care Insurance			
	216 Prescription Insurance			
	271 Self-Insurance Medical Benefits			
	272 Self-Insurance Dental Benefits			
	275 Self-Insurance Eye Care Benefits			
	276 Self-Insurance Prescription Benefits			
	FUND TOTAL			
60 Internal Service Fund	No Self Insurance data to report			
	211 Medical Insurance			
	212 Dental Insurance			
	215 Eye Care Insurance			
	216 Prescription Insurance			
	271 Self-Insurance Medical Benefits			
	272 Self-Insurance Dental Benefits			
	275 Self-Insurance Eye Care Benefits			
	276 Self-Insurance Prescription Benefits			
	FUND TOTAL			
Total of All Funds		\$7,360,011.00		\$7,360,011.00

Function	Special Education (Prior Year)	Nonspecial Education (Prior Year)	Total (Prior Year)	Special Education (Current Year)	Nonspecial Education (Current Year)	Total (Current Year)
2120 Guidance Services	52,353.00	181,486.00	233,841.00	38,141.00	129,069.00	167,210.00
2140 Psychological Services	36,300.00	125,837.00	162,137.00	37,986.00	128,546.00	166,532.00
2150 Speech Pathology and Audiology Services						
2160 Social Work Services	351,553.00	1,215,144.00	1,566,697.00	336,863.00	1,139,958.00	1,476,821.00
2260 Instruction and Curriculum Development Services	416,077.00	1,539,642.00	1,955,719.00	348,442.00	1,179,142.00	1,527,584.00
2350 Legal and Accounting Services	149,239.00	493,754.00	642,993.00	131,765.00	445,899.00	577,664.00
2420 Medical Services	11,817.00	39,096.00	50,913.00	7,374.00	24,952.00	32,326.00
2440 Nursing Services	78,850.00	260,874.00	339,724.00	62,830.00	212,620.00	275,450.00
2700 Student Transportation Services	776,815.00	2,651,617.00	3,428,432.00	911,036.00	3,082,986.00	3,994,022.00
Total	\$1,873,004.00	\$6,507,452.00	\$8,380,456.00	\$1,874,437.00	\$6,343,172.00	\$8,217,609.00

(PRINCIPAL AMOUNTS ONLY)

ALL GOVERNMENTAL FUND TYPES

	Short-Term Borrowing	General Obligation Bonds/Notes	Authority Building Obligations	Other Long-Term Debt	Other Post- Employment Benefits (OPEB)	Compensated Absences	Net Pension Liability	Total
1. Debt at Beginning of Fiscal Year		10,885,000.00	56,720,000.00	14,665,000.00	1,883,495.00		72,390,000.00	156,343,495.00
2. Additional Debt Incurred During Year					286,510.00		11,763,000.00	12,049,510.00
3. Retirements and Repayments		1,005,000.00	3,426,000.00		455,066.00			4,886,066.00
4. Debt at End of Fiscal Year		9,880,000.00	53,294,000.00	14,665,000.00	1,514,939.00		84,153,000.00	163,506,939.00
5. Accreted Interest at End Of Fiscal Year								
6. Total Debt and Accreted Interest		9,880,000.00	53,294,000.00	14,665,000.00	1,514,939.00		84,153,000.00	163,506,939.00
7. Current Portion P&I - Due within 1 year		1,435,650.00	5,818,898.00	2,000,000.00	286,510.00		7,553,281.00	17,094,339.00
8. Interest Paid during current fiscal year		461,050.00	2,312,871.00					2,773,921.00

(PRINCIPAL AMOUNTS ONLY)

ALL PROPRIETARY FUND TYPES

	Short-Term Borrowing	General Obligation Bonds/Notes	Authority Building Obligations	Other Long-Term Debt	Other Post- Employment Benefits (OPEB)	Compensated Absences	Net Pension Liability	Total
1. Debt at Beginning of Fiscal Year					873.00	2,910.00	82,000.00	85,783.00
2. Additional Debt Incurred During Year					162.00	1,202.00	13,000.00	14,364.00
3. Retirements and Repayments						2,910.00	2,000.00	4,910.00
4. Debt at End of Fiscal Year					1,035.00	1,202.00	93,000.00	95,237.00
5. Accreted Interest at End Of Fiscal Year								
6. Total Debt and Accreted Interest					1,035.00	1,202.00	93,000.00	95,237.00
7. Current Portion P&I - Due within 1 year					138.00			138.00
8. Interest Paid during current fiscal year								

Total Principal and Interest Payments Made by Your School - All Funds

Function	Fund	Principal (910)	Principal (920)	Interest (830)	Total (Principal +Interest)	Misc Other Uses (990)
5110	10 General Fund	1,005,000.00	3,425,000.00	2,864,415.00	7,294,415.00	
5110	20 Special Revenue Funds					
5110	30 Capital Projects Funds					
5110	40 Debt Service Fund					
5110	90 Permanent Fund					
5120	10 General Fund					
5120	20 Special Revenue Funds					
5120	30 Capital Projects Funds					
5120	40 Debt Service Fund					
Total Debt Payments - Governmental Funds		\$1,005,000.00	\$3,425,000.00	\$2,864,415.00	\$7,294,415.00	
Function	Fund	Principal (910)	Principal (920)	Interest (830)	Total (Principal +Interest)	
5110	50 Enterprise Fund					
5110	60 Internal Service Fund					
5120	50 Enterprise Fund					
5120	60 Internal Service Fund					
Total Debt Payments - Proprietary Funds						

Bond Details
Governmental Funds

Debt Category	Debt Issue Date (MM/YYYY)	Debt at Beginning of Fiscal Year	Principal Amounts Only		Debt at End of Fiscal Year	Current Portion Due Within One Year (Principal and Interest)	Interest Paid	
			Additions	Reductions / Repayments			During	Fiscal Year
General Obligation Bonds/Notes – CIB	06/2008	10,885,000.00		1,005,000.00	9,880,000.00	1,435,650.00		461,050.00
Authority Building Obligations – CIB	06/2011	49,565,000.00		3,425,000.00	46,140,000.00	5,164,969.00		2,063,751.00
Authority Building Obligations – CIB	04/2014	7,155,000.00		1,000.00	7,154,000.00	653,929.00		249,120.00
Extended Term Financing Agreements		14,665,000.00			14,665,000.00	2,000,000.00		
Other Post-Employment Benefits (OPEB)		1,683,495.00	286,510.00	455,066.00	1,514,939.00	286,510.00		
Net Pension Liability		72,390,000.00	11,763,000.00		84,153,000.00	7,553,281.00		
Totals for Debt Entered:		\$156,343,495.00	\$12,049,510.00	\$4,886,066.00	\$163,506,939.00	\$17,094,339.00		\$2,773,921.00

Bond Details
Proprietary Funds

Debt Category	Debt Issue Date (MM/YYYY)	Debt at Beginning of Fiscal Year	Principal Amounts Only		Debt at End of Fiscal Year	Current Portion Due Within One Year (Principal and Interest)	Interest Paid	
			Additions	Reductions / Repayments			During	Fiscal Year
Other Post-Employment Benefits (OPEB)		873.00	162.00		1,035.00	138.00		
Compensated Absences		2,910.00	1,202.00	2,910.00	1,202.00			
Net Pension Liability		82,000.00	13,000.00	2,000.00	93,000.00			
Totals for Debt Entered:		\$85,783.00	\$14,364.00	\$4,910.00	\$95,237.00	\$138.00		

General Fund (10)**Section 1: Tuition/Purchased Services as Reported within Expenditure Detail**

	Amount
Tuition Reported in General Fund Expenditures 1000-560	58,857,546.00
Purchased Services in General Fund Expenditures 1000-594 and 1000-597	
Section 1 Total	\$58,857,546.00

Section 2: Tuition Paid to Institution Types During Fiscal Year

	Tuition Paid For Nonspecial Education	Tuition Paid For Special Education	Total
1 1306 Institutions			
2 Institutionalized Children's Programs			
3 Juveniles Incarcerated in Adult Facilities			
4 Residential Treatment Facilities			
5 Other Local Education Agencies	526,283.00	173,352.00	699,635.00
6 Brick and Mortar Charter Schools	28,076,407.00	20,606,479.00	48,682,886.00
7 Cyber Charter Schools	3,452,417.00	3,062,613.00	6,515,030.00
8 Career and Technology Centers			
9 Approved Private Schools		2,283,530.00	2,283,530.00
10 PA Chartered Schools for the Deaf and Blind			
11 Private Residential Rehabilitative Institutions	211,160.00	259,851.00	471,011.00
12 Juvenile Detention Centers			
13 Special Program Jointures			
14 Other Tuition Not Included Elsewhere In This Section		205,454.00	205,454.00
Section 2 Total	\$32,266,267.00	\$26,591,279.00	\$58,857,546.00

1 .	<u>Student Transportation Services for Educational Field Trips</u>	14,433.00
2 .	<u>Student Transportation Services for Student Activities</u>	3,081.00
3 .	<u>Rental of Vehicles for Student Transportation Services</u>	
4 .	<u>Capital Reserve Funds</u>	

Include only district-owned transportation expenditures paid from State or local money.

DO NOT include federal expenditures or payments to contract service providers.

Contracted transportation services should not be recorded on this schedule.

Food Service / Cafeteria Operations Fund (51)	
3000 Operation of Non-Instructional Services	<u>Total</u>
600 Supplies	
630 Food	684,997.00
Total Supplies	\$684,997.00
Total 3000 Operation of Non-Instructional Services	\$684,997.00

Food Service / Cafeteria Operations Fund (51)

3100 Food Services

600 Supplies

630 Food

Total Supplies

Total 3100 Food Services

Elementary

Secondary

Federal

Total

684,997.00

684,997.00

\$684,997.00

\$684,997.00

\$684,997.00

\$684,997.00

Summary of Proprietary Fund Expenses and Other Financing Uses - (ICRS)

Page - 1 of 1

	<u>Food Service(51)</u>	<u>Child Care Operations(52)</u>	<u>Other Enterprise(58)</u>	<u>Internal Service(60)</u>	<u>Total</u>
3000 <u>Operation of Non-Instructional Services</u>					
3100 Food Services	684,997.00				684,997.00
Total Operation of Non-Instructional Services	\$684,997.00				\$684,997.00
TOTAL ACTUAL EXPENDITURES & OTHER FINANCING USES	\$684,997.00				\$684,997.00

APPENDIX D

Demographic and Economic Information Relating to Chester Upland School District

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Introduction

The Chester Upland School District, Delaware County, Pennsylvania (the "School District") is comprised of the City of Chester, the Borough of Upland and the Township of Chester, all located in the County of Delaware, Pennsylvania (the "County") on the Delaware River, approximately midway between the cities of Philadelphia, Pennsylvania and Wilmington, Delaware. The School District occupies an area of 6.81 square miles.

The County is located in the southeast corner of Pennsylvania, adjacent to Philadelphia and bordered by the Delaware River. The County includes manufacturing interests, suburban development for Philadelphia Metropolitan Area commuters and extensive farming country located throughout the greater part of the County's middle and western area.

Among the highways servicing the School District are U.S. Route 13 (Philadelphia, Chester and Wilmington Pike) and the Philadelphia- Baltimore Pike. Additional highways servicing Delaware County are U.S. Route 30 (Lancaster Pike), U.S. Route 322 (28th Division Highway), Interstate 95 and Interstate 476 (the Blue Route). The Commodore Barry Bridge provides direct connection between the County and New Jersey.

A variety of transportation facilities are provided throughout the County by Conrail (main-line freight and commuter service) and the Red Arrow rail lines of Southeastern Pennsylvania Transportation Authority ("SEPTA"). SEPTA also provides bus and trolley services. Airport facilities are available at the Philadelphia International Airport in Philadelphia and Delaware Counties, located seven miles north of the School District, providing domestic and international passenger and freight service to destinations throughout the nation and world.

Population

Table C-1 shows the recent population trends for the School District, the County and the Commonwealth of Pennsylvania. Table C-2 shows 2014 age composition and average number of persons per household in the County and for the Commonwealth.

**TABLE C-1
RECENT POPULATION TRENDS**

	<u>2000</u>	<u>2010</u>	<u>2000-2010 % Change</u>	<u>2014 Estimate</u>
City of Chester	36,854	33,972	(7.82)%	34,007
Township of Chester	4,604	3,940	(14.42)%	4,069
Borough of Upland	<u>2,977</u>	<u>3,239</u>	<u>8.80%</u>	<u>3,248</u>
TOTAL SCHOOL DISTRICT	44,435	41,151	(7.39)%	41,324
Delaware County	550,864	558,979	1.47%	560,775
Pennsylvania	12,281,054	12,702,379	3.40%	12,758,729

SOURCE: United States Census Bureau and American Community Survey, 5 Year Estimates, 2010 - 2014.

**TABLE C-2
AGE COMPOSITION - 2014**

	0-17 Years	18-64 Years	65+ Years
City of Chester	23.5%	64.4%	12.1%
Township of Chester	29.3%	61.5%	9.2%
Borough of Upland	32.0%	57.2%	10.8%
Delaware County	22.8%	62.6%	14.6%
Pennsylvania	21.5%	62.5%	16.0%

SOURCE: American Community Survey, 5 Year Estimates, 2010 - 2014.

Employment

The County is located in the midst of one of the most heavily industrialized regions in the United States. It is part of the industrial and commercial concentration, which has developed in the areas along both sides of the Delaware River from Trenton, New Jersey to points below and west of the City of Wilmington, Delaware.

Among the important industries located along the Delaware River are shipbuilding, aircraft, chemicals, heavy machinery, paper and paper products, petroleum and petroleum products, steel and metal fabricating, electronics and textiles.

Table C-3 shows the distribution of employment in Delaware County and Table C-4 shows the major employers located within the County.

**TABLE C-3
DISTRIBUTION OF EMPLOYMENT**

DELAWARE COUNTY METROPOLITAN STATISTICAL AREA SEPTEMBER 2016					
NONFARM JOBS (Not Seasonally Adjusted)					
ESTABLISHMENT DATA	Industry Employment			Net Change From:	
	September 2016	August 2016	September 2016	August 2016	September 2015
TOTAL NONFARM	233,800	229,900	231,900	3,900	1,900
TOTAL PRIVATE	209,100	207,000	206,600	2,100	2,500
GOODS-PRODUCING	25,300	25,200	25,800	100	-500
SERVICE-PROVIDING	208,500	204,700	206,100	3,800	2,400
PRIVATE SERVICE-PROVIDING	183,800	181,800	180,800	2,000	3,000
MINING, LOGGING AND CONSTRUCTION	11,500	11,500	11,300	0	200
MANUFACTURING	13,800	13,700	14,500	100	-700
Durable Goods	9,400	9,400	9,900	0	-500
Non-Durable Goods	4,400	4,300	4,600	100	-200
Trade, Transportation, and Utilities	42,900	42,900	41,300	0	1,600
Wholesale Trade	8,000	8,100	8,000	-100	0
Retail Trade	25,700	26,100	24,300	-400	1,400
Transportation and Utilities	9,200	8,700	9,000	500	200
Information	2,800	2,800	2,800	0	0
Financial Activities	16,300	16,400	16,100	-100	200
Finance and insurance	13,600	13,700	13,400	-100	200
Professional and Business Services	32,300	32,200	32,100	100	200
Professional, scientific and technical services	11,500	11,500	11,200	0	300
Legal Services	1,400	1,400	1,400	0	0
Administrative and waste management services	14,200	14,200	14,400	0	-200
Education and Health Services	56,700	53,900	56,100	2,800	600
Educational services	15,900	13,000	15,700	2,900	200
Health care and social assistance	40,800	40,900	40,400	-100	400
Hospitals	7,300	7,300	7,200	0	100
Leisure and Hospitality	21,400	22,100	21,100	-700	300
Accommodation and food services	16,800	16,600	16,500	200	300
Food services and drinking places	15,600	15,400	15,400	200	200
Other Services	11,400	11,500	11,300	-100	100
Government	24,700	22,900	25,300	1,800	-600
Federal Government	2,000	2,100	2,100	-100	-100
State Government	2,700	2,500	2,600	200	100
Local Government	20,000	18,300	20,600	1,700	-600

**TABLE C-4
LARGEST EMPLOYERS
DELAWARE COUNTY, PENNSYLVANIA**

<u>Name</u>	<u>Product or Service</u>
The Boeing Company	Military Helicopters
Crozer Chester Medical Center	Health Care
Delaware County	Health Care and Social Assistance, Courts
Villanova University	Education
United Parcel Service Inc.	Package Distribution
Amerihealth Mercy Services LLC	Human Services
Wawa, Inc.	Corporate Headquarters / Convenience Stores
Federal Government	Government
SAP America, Inc.	Technology Systems
Elwyn	Government

Source: Center for Workforce Information and Analysis as of 3rd Quarter 2015.

Table C-5 shows recent trends in labor force, employment and unemployment for the County and the Commonwealth.

**TABLE C-5
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> ⁽¹⁾
<i>Delaware County</i>						
Civilian Labor Force (000)	286.9	289.6	290.4	290.0	291.9	299.0
.....						
Employment (000)	264.6	267.3	269.9	273.9	278.1	283.7
.....						
Unemployment (000)	22.3	22.3	20.5	16.1	13.8	15.3
.....						
Unemployment Rate	7.8%	7.7%	7.1%	5.5%	4.7%	5.1%
.....						
<i>Pennsylvania</i>						
Civilian Labor Force (000)	6,425.0	6,466.0	6,460.0	6,378.0	6,424.0	6,525.0
.....						
Employment (000)	5,931.0	5,954.0	5,982.0	6,009.0	6,094.0	6,174.0
.....						
Unemployment (000)	494.0	513.0	478.0	370.0	330.0	351.0
.....						
Unemployment Rate	7.7%	7.9%	7.4%	5.8%	5.1%	5.4%
.....						

Source: Center for Workforce Information & Analysis, Pennsylvania Department of Labor & Industry.
(1) As of September, 2016.

Income

The data in Table C-6 shows recent trends in per capita income for the component municipalities of the School District, the County and the Commonwealth.

**TABLE C-6
RECENT TRENDS IN PER CAPITA INCOME**

	<u>2000</u>	<u>2010</u>	<u>2000-2010 % Change</u>	<u>2014 Estimate</u>
City of Chester	\$13,052	\$14,251	9.19%	\$15,516
Township of Chester	\$16,072	\$19,913	23.90%	\$18,964
Borough of Upland	\$15,391	\$20,317	32.01%	\$17,350
Delaware County	\$25,040	\$32,067	28.06%	\$33,539
Pennsylvania	\$20,880	\$27,049	29.55%	\$28,912

SOURCE: United States Census Bureau, American Community Survey, 5-Year Estimates, 2006 – 2010 and 2010 – 2014.

Housing

The data in Table C-7 shows housing data for the component municipalities of the School District, the County and the Commonwealth.

**TABLE C-7
HOUSING DATA**

	<u>Total Housing Units</u>		<u>Owner Occupied Median Value</u>		<u>Renter Occupied Median Rent</u>	
	<u>2010</u>	<u>2014</u>	<u>2010</u>	<u>2014</u>	<u>2010</u>	<u>2014</u>
City of Chester	15,753	15,129	\$66,900	\$67,200	\$741	\$810
Township of Chester	1,511	1,542	\$93,200	\$95,400	\$919	\$985
Borough of Upland	1,342	1,207	\$103,700	\$95,900	\$524	\$695
Delaware County	222,545	222,430	\$232,300	\$233,400	\$902	\$978
Pennsylvania	5,568,820	5,578,393	\$165,500	\$164,900	\$763	\$832

SOURCE: United States Census Bureau: 2006-2010 and 2010-2014 American Community Survey 5-Year Estimates.

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APPENDIX E

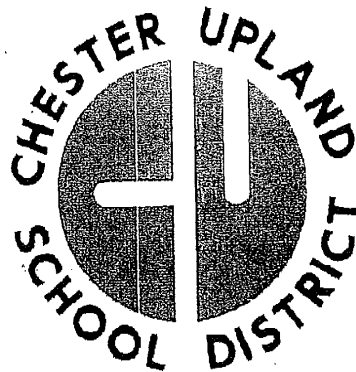
Revised Amended Financial Recovery Plan of the Chester Upland School District dated October 2, 2015

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School District Financial Recovery Act

Revised Amended Financial Recovery Plan

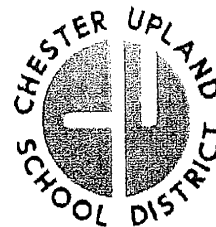
Chester Upland School District
Delaware County, Pennsylvania
Dr. Francis V. Barnes, Receiver



October 2, 2015

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Introduction

Introduction

The Chester Upland School District ("District") is poised to finally overcome years of financial distress. This Revised Amended Financial Recovery Plan, in conjunction with the initiatives approved in the August 2015 Amended Financial Recovery Plan, offers a bold and comprehensive strategy to eliminate the District's structural deficit and the negative fund balance.

The District's annual structural deficit has been its single biggest obstacle to achieving financial stability. With this Revised Amended Financial Recovery Plan, the District will immediately cut its massive structural deficit in half while the District, the Pennsylvania Department of Education ("PDE"), and the Governor's administration work together to pursue additional funding from the General Assembly to once and for all fix the District's chronic fiscal issues.

In addition to the elimination of the District's structural deficit, this Revised Amended Financial Recovery Plan provides a multi-faceted approach to eliminating the District's negative fund balance and forges a path for the District to start planning for its future. Consequently, the District will then be able to focus solely on its most critical role—providing a quality education to all students of Chester Upland.

Financial Highlights

	2012-13 Actual	2013-14 Actual	2014-15 Forecast	2015-16 Budget
Ordinary Revenues	\$100,019,672	\$101,726,872	\$102,895,741	\$112,611,832
Net Other Financing Uses	\$2,996,952	\$422,612		\$250,000
Extraordinary State Aid	\$6,500,000	\$8,503,540	\$13,954,143	\$3,712,266
State Transitional Loan Proceeds	\$10,000,000		\$4,665,000	
Total Revenues	\$119,516,624	\$110,653,024	\$121,514,884	\$116,574,098
Total Expenditures	\$116,753,700	\$124,283,994	\$137,089,316	\$143,094,937
Annual Structural Deficit	\$2,762,924	(\$13,630,970)	(\$15,574,432)	(\$26,520,839)
Ending Fund Balance	\$4,819,572	(\$8,811,398)	(\$24,385,830)	(\$50,906,669)
<i>Source: Pennsylvania Department of Education in consultation with the Chester Upland School District</i>				

Definitions of Terms

In order to understand the District's complex finances, it is helpful to have common terminology. The following phrases are described so that readers have common understanding of how they are used in this Plan. The usage here may differ slightly from other financial documents.

Annual Structural Deficit - The annual difference between current year revenue and current year expenditures of the District expected to recur in subsequent years. Does not include balances from prior years.

Ending Fund Balance – The cumulative difference of current year revenues plus net other financing uses minus expenditures plus the ending fund balance from the prior year.

Extraordinary Funding – Funding from the Commonwealth provided to the District or to charter schools with CUSD students on a non-recurring basis, in excess of its formula-driven state subsidies. Includes additional one-time state subsidies, settlement monies, and transitional loans.

Negative Fund Balance - The cumulative total of the deficit of the District including current and prior operating years. Also called accumulated deficit.

Revised Amended Financial Recovery Plan Initiatives:

- Eliminate the District's annual structural deficit by (1) modifying the District's special education charter tuition rate and (2) requesting a permanent increase to the District's basic education funding from the General Assembly.
- Eliminate the District's negative fund balance through a multi-faceted approach, including extraordinary funding or refinancing.
- Plan and fund capital improvements to District schools.

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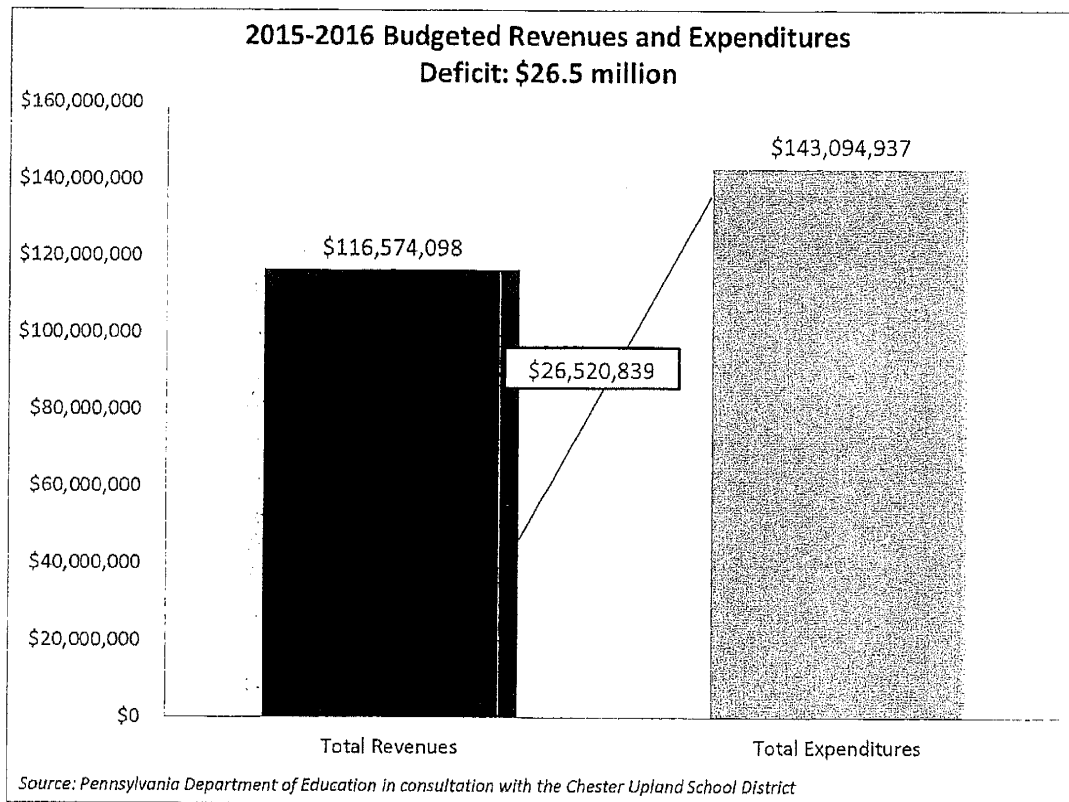
Financial Status

Financial Status

Overview

The Revised Amended Financial Recovery Plan proposes initiatives that will eliminate the District's structural deficit and eliminate the District's negative fund balance. Achievement of the initiatives in this Revised Amended Financial Recovery Plan will result in a sustainable and permanent solution to the District's financial troubles.

The Chester Upland School District's 2015-16 adopted budget, as in past years, is not balanced because its expenditures are significantly higher than its revenue. Currently, the District projects an annual structural deficit of \$26.5 million in 2015-16. The District's annual structural deficit reflects a weak tax base and high expenditures related to charter school tuition payments. The graph below shows the District's 2015-16 budgeted revenues and expenditures.

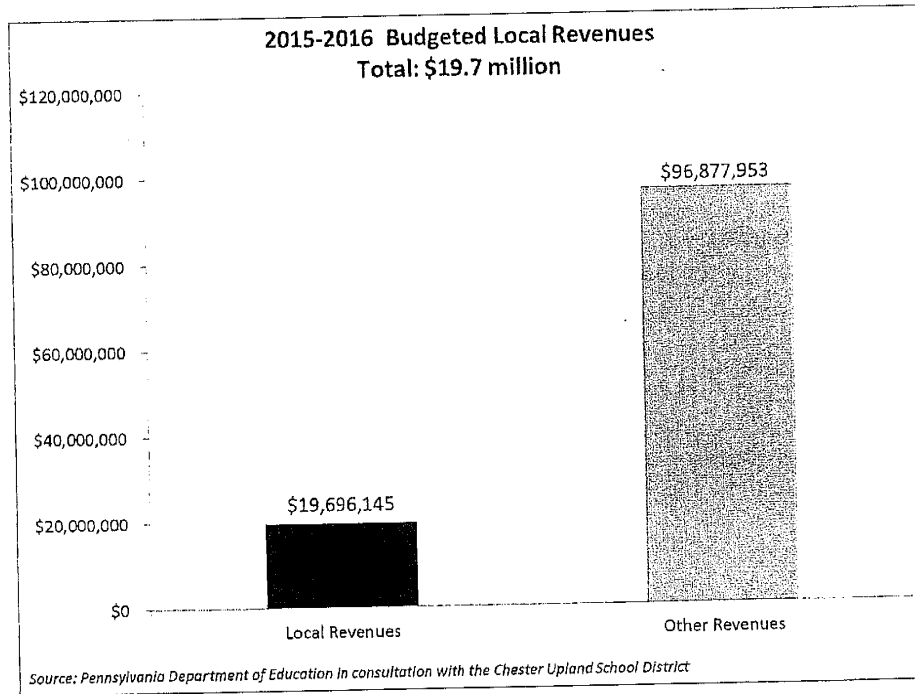


Revenues

State funding accounts for the majority (\$88.3 million or 78.2 percent) of the District's ordinary revenues. This amount includes the \$9.6 million increase in the Governor's proposed budget (\$8.6 million in Basic Education Funding and \$1.0 million in Special Education Funding).

In contrast, the District receives just 17.5 percent of its ordinary revenues from local sources. Most local revenue is from real estate taxes. The District has a very low local tax collection rate (approximately 72 percent for Chester City and 88 percent for Chester Township/Upland Borough) and a fairly high local tax effort of 18.1 equalized mills. Pursuant to the 2012 Recovery Plan, the District has annually increased property taxes to the Act 1 State Index, adjusted by the required leveling of the rates.

The District's federal revenues make up only 4.1 percent of its total ordinary revenues.



Expenditures

CUSD's 2015-16 budget expends \$143.1 million. The expenditures in CUSD are similar to the expenditures in other school districts, with the exception of charter school tuition payments.

CUSD Expenditures		
Expenditure Category	2015-2016 Final Budget (June 23, 2015)	Percentage of Total Budget
Payments to Charter Schools	\$64,510,776	45%
Salaries & Benefits	\$41,501,356	29%
Other Operating Costs	\$26,165,619	18%
Debt Payments	\$7,204,920	5%
HVAC Capital Project	\$3,712,266	3%
Total Expenditures	\$143,094,937	100%
<i>Source: Pennsylvania Department of Education in consultation with the Chester Upland School District</i>		

The District is unique in that charter school tuition payments comprise 45 percent of its expenditure budget and consume 55 percent of its total budgeted revenues. Under the current charter school funding formula, even with no changes in enrollment, this figure will grow annually.

Financial Challenges

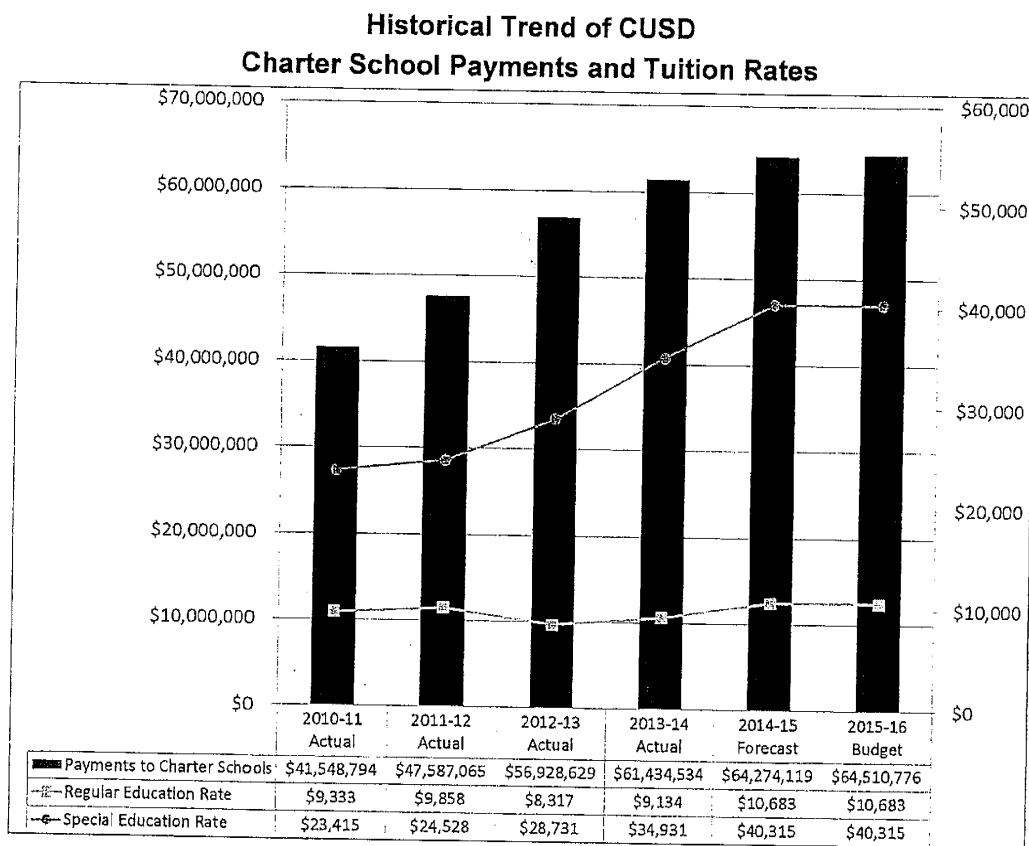
As a result of the District's history of unbalanced budgets, the District faces two distinct financial challenges: (1) its annual structural deficit and (2) its negative fund balance. The structural deficit must be addressed to stop the debt from growing each and every day. However, to achieve long-term financial stability, the District's negative fund balance must also be eliminated to ensure adequate cash flow. As noted above, the Revised Amended Financial Recovery Plan proposes initiatives that will eliminate the District's annual structural deficit and eradicate its negative fund balance. Together these initiatives provide a comprehensive strategy to addressing the District's financial challenges.



Eliminating the Structural Deficit

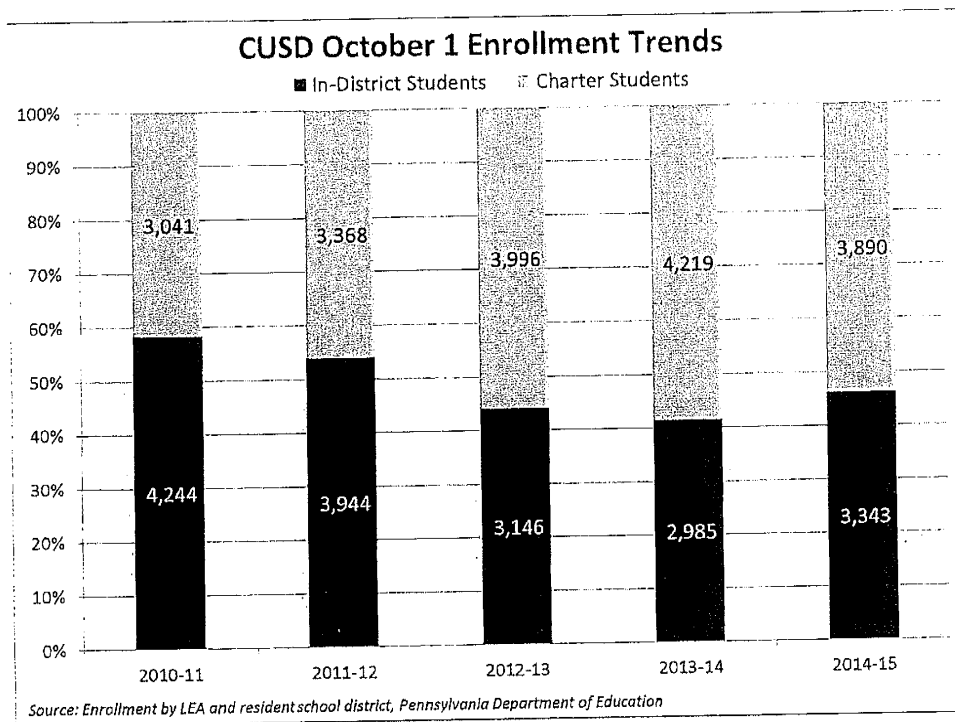
Structural Deficit

The first financial challenge that the District must address is its annual structural deficit. Financial recovery is not possible without action to stop the structural deficit from continuing to grow each and every day. The District's structural deficit can be attributed to the overinflated charter tuition rates that the District is forced to pay based upon an inequitable formula. This results in an overfunding to the charter schools and an underfunding to the District. The table below reflects the total payments to charter schools and the growth of the charter school tuition rates.



Source: Pennsylvania Department of Education

Even though tuition rates have increased, they are not the sole reason that payments to charter schools have risen so dramatically. The other driving force is growing charter enrollment in the District. The number of charter students increased by 28 percent from 2010-11 to 2014-15.



Initiatives

CR01.	Reform Special Education Rate for Charter Schools	
	Target outcome:	Apply modified special education charter tuition rates already agreed to by some of the District's charter schools to all other brick-and-mortar and cyber charter schools that enroll District students.
	Responsible party:	Receiver, Pennsylvania Department of Education

The largest obstacle to the District's efforts to achieve financial stability is the disproportionate funding of special education students in charter schools. This payment is consistently above the cost of services provided by charter schools to special education students. It is also significantly more than any other district pays to the same charter schools for special education students. The unfair and excessive special education payments to charter schools are bankrupting the District.

Currently, this special education tuition rate is based on the District's special education expenditures, excluding federal expenditures, divided by 16 percent of the District's Average Daily Membership (ADM).¹ Sixteen percent represents the average number of students with disabilities and students in gifted programs statewide in 1994-95. Arguably, the special education tuition rate formula was designed to measure a school district's own effort related to special

¹ The amount paid to charter schools for special education students equals the amount paid for regular education students plus an additional amount calculated as follows: [special education instruction expenditures minus federally-funded special education instruction expenditures] divided by 16% of the school districts total average daily membership.

education expenditures per student, thereby ensuring the same amount would be contributed by districts with students enrolled in charter schools. However, in this case, the formula distorts the District's effort by assuming the percentage of special education students in a school district is the statewide average of 16 percent. In reality, the District's percentage of special education students is approximately 24 percent.

It is worth noting that special education identifications at the District's charter schools are high compared to the state average, especially in the lowest cost disability category of Speech/Language Impairment for which the state average is 15 percent. The three charter schools in CUSD had rates of students identified for this disability at 28 percent for Chester Community Charter School ("CCCS"); 20.3 percent for Widener Partnership Charter School ("WPCS"); and 29.8 percent for Chester Charter School for the Arts ("CCSA"). While Speech/Language Impairment requires the least amount of services – and least amount of cost – the District pays for that disability category at the same high tuition rate.

Based on Act 16 of 2000, school districts and charter schools report the number of students educated in the prior school year in each cost category listed in the table below.

	Category 1 Under \$25,000	Category 2 \$25,000 to \$49,999	Category 3 \$50,000 to \$74,999	Category 4 \$75,000 and over
CUSD	695	88	37	7
Brick and mortar charter schools	857	0	0	0
Cyber charter schools	136	0	0	1
Total	1,688	88	37	8

Note: The Special Education Funding Commission combined Category 3 and Category 4 for funding purposes.

The District's add-on rate for special education students in a charter school is more than any other district in the Commonwealth – \$29,632.13 per student – for a total special education rate per student of \$40,315.42. Even wealthier school districts with the same special education student population would be financially stressed if they had to pay this rate mandated by such an antiquated formula. The District cannot attain financial stability without addressing this critical issue.

The inequitable nature of this funding formula is clearly illustrated by a comparison of the special education rates paid to the charter schools in the District on behalf of students who are enrolled from other districts in the area. Each district pays a different rate based on its own average expenditures.

Special Education Tuition Rates Paid to Charter Schools		
School District	2014-15 Special Ed Add-On Rate (based on state average of 16 percent)	2014-15 Special Ed Rate (regular ed tuition plus special ed add-on)
Chester Upland SD	\$29,632.13	\$40,315.42
Great Valley SD	\$18,065.74	\$30,869.69
Chichester SD	\$18,015.77	\$30,435.49
Interboro SD	\$14,643.86	\$26,000.08
Penn-Delco SD	\$11,812.80	\$21,631.41
Ridley SD	\$13,490.90	\$25,104.79
Southeast Delco SD	\$14,999.21	\$24,068.72
Springfield SD	\$14,592.74	\$25,302.12
Upper Darby SD	\$14,985.67	\$23,437.90
Wallingford-Swarthmore SD	\$17,167.11	\$29,791.89
William Penn SD	\$18,011.01	\$28,154.63
Philadelphia City SD	\$15,300.92	\$23,293.32
Source: Pennsylvania Department of Education		

CUSD is certainly not the only school district struggling under the burden of a law that requires payment of special education tuition to charter schools substantially unrelated to and in excess of their actual expenditures. However, the circumstances in CUSD make the District the first to experience a resulting structural deficit of this magnitude.

In 2013, the Pennsylvania General Assembly recognized the significant issues surrounding state funding to school districts in support of the costs of special education. Act 3 of 2013 established a bipartisan, bicameral Special Education Funding Commission. The Commission was tasked to review Pennsylvania's special education funding and make recommendations for a new formula.

The commission issued its report in December 2013 and recommended that new state funding for special education be based on three levels of per student multipliers relative to the cost of services. The proposed multipliers were:

- 1.51 (Category 1) for students receiving services less than \$25,000 per year;
- 3.77 (Category 2) for students receiving services equal to or greater than \$25,000 but less than \$50,000; and
- 7.46 (Category 3) for students receiving services equal to or greater than \$50,000.

The three tiers of multipliers for students who receive special education services have since been enacted into law to determine the distribution of new state funding for special education. *See* 72 P.S. § 1722-J(10). However, the funding formulas for charter schools, including reimbursement from school districts to charters for special education students, have not been changed. This disregards the Commission's recommendations for charter school funding:

Special education funding is currently paid on a per-student basis for charter schools and cyber charter schools, with funding transferred from the school

district of residence for each eligible student. The existing funding process is flawed, using an assumed percentage of 16 percent of all children enrolled in the district of residence and paying the same rate regardless of student differences in educational need and cost.

The Commission recommends applying the same principles for a new formula described above for all local education agencies, including school districts, charter schools, and cyber charter schools. The use of three cost categories will improve the accuracy and fairness of funding distribution for charter schools and cyber charter schools.

The District and PDE have worked together with several of the District's charter schools—CCCS, CCSA, and WPCS—to reach an agreement on a modified special education charter tuition rate by applying the principles of the Commission's report. As suggested by the Commission report, the agreed-upon modified special education charter tuition rate will utilize a multiplier in conjunction with the District's regular education rate. The proposed modification will bring the District's special education tuition rate in line with the rates paid by surrounding school districts.

For the 2015-16 school year, a 2.53 multiplier will be applied to the current regular education charter tuition rate of \$10,683.29. This results in a special education tuition rate of \$27,028.72 per student. This special education tuition rate will remain constant throughout the 2015-16 school year to enable the District to plan for the first year that this is in place. After the 2015-16 school year, the special education rate will be determined by applying the 2.53 multiplier to the regular education tuition rate as established by the PDE-363 form and reconciled with Annual Financial Report results. The modified special education tuition rate, as applied to CCCS, CCSA, and WPCS, will result in savings to the District of \$10.4 million in 2015-16. This agreement has been put in place for 10 years and will continue to apply even if the District exits receivership or Act 141 oversight.

While the District's charter schools agreed to accept this modified special education tuition rate, there are other charter schools, both brick-and-mortar and cyber, that District students attend. As such, the same agreed-upon modified special education tuition rate should be applied to all charter schools that enroll District students, which will result in additional savings of approximately \$800,000.

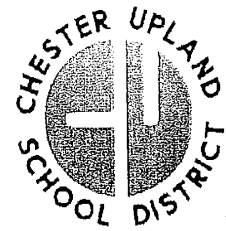
Applying the modified special education tuition rate to all charter schools that accept District students will result in a total savings of \$11.2 million in 2015-16.

CR02.	Achieve Permanent Increase of CUSD's Basic Education Funding	
	Target outcome:	Request the General Assembly add a permanent increase to the base of the District's Basic Education Funding subsidy
	Responsible party:	Receiver, Pennsylvania Department of Education, Governor's Office

The initiative to modify the special education charter tuition rates will only cut the District's structural deficit in half. In the 2015-16 school year, the structural deficit will not impact cash flow because the District's charter schools have agreed to forgive amounts owed to them from the 2014-15 school year. However, in future years, a permanent increase in the District's state funding is needed to provide stable and adequate financial resources to the District.

As part the budget negotiation process, the Governor's Office will advocate for an upward adjustment in the District's Basic Education Funding base to replace lost savings resulting from the agreement in Initiative CR01 and cover future shortfalls. This permanent increase to the base of the District's basic education funding subsidy, in conjunction with the modified special education tuition rate, should allow the District to take the necessary steps to achieve balanced budgets in future years.

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Eliminating the Negative Fund Balance

Fund Balance

Eliminating the current annual structural deficit is an essential first step of any financial recovery plan. Once the District is able to consistently achieve balanced budgets, the District still has three lingering issues that must be addressed:

- First, the District is estimated to complete 2014-15 with a negative fund balance of \$24.4 million.
- Second, the District owes charter schools \$8.6 million in 2014-15 charter tuition, a figure that is included in the negative fund balance.
- Third, to achieve financial stability and exit Act 141 oversight, the District must build a modest positive fund balance.

In order for the District to start over with a clean slate, its negative fund balance must be eliminated. The District's negative fund balance is currently \$24.4 million dollars. If the initiatives proposed in both plans are not approved and implemented, the District's negative fund balance will grow to \$50.9 million by the end of 2015-16.

The August 2015 Amended Financial Recovery Plan included the hiring of a financial turnaround specialist to negotiate the reduction of a portion of the negative fund balance with current creditors. Some of those outstanding obligations must be paid in full, including payments due to charters schools, while some of those debts could be renegotiated. The Receiver, with the assistance of PDE, is currently reviewing candidates for the financial turnaround specialist and gathering additional information on potential cost savings.

The August 2015 Amended Financial Recovery Plan also required the engagement of an audit firm to conduct a forensic audit of the District. This audit is already underway and the first phase is expected to be completed on September 30, 2015.

The District's \$24.4 million negative fund balance is comprised of the outstanding obligations as set forth in the table below. In addition to cost savings identified by the financial turnaround specialist and the forensic auditors, the initiatives below call for a quick elimination of the District's negative fund balance.

2014-15 Negative Fund Balance	
Charter Schools	\$8,558,152
PSERS	\$3,495,931
Health Care	\$868,739
<u>Other</u>	<u>\$11,463,008</u>
Total	\$24,385,830

Initiatives

In the August 2015 Amended Financial Recovery Plan, the Court approved initiative BU04, which permitted restructuring of the District's Act 141 Transitional Loan to defer a \$1.0 million loan repayment scheduled for 2015-16. In addition to the approved initiative, this Plan includes additional measures to eliminate the District's negative fund balance.

BU05.	Forgiveness of 2014-15 payments from charter schools	
	Target outcome:	Apply forgiveness of 2014-15 charter tuition to all brick-and-mortar and cyber charter schools that enroll District students that have already not agreed to do so.
	Responsible party:	Receiver, Pennsylvania Department of Education

The District and PDE have worked together with the District's charter schools, CCCS, CCSA, and WPCS, to reach an agreement on forgiving the unpaid amounts due from May and June 2015. The District owes CCCS, CCSA, and WPCS \$7.3 million in tuition for the 2014-15 school year. The forgiveness of this debt will immediately reduce the District's negative fund balance to \$17.1 million.

While the District's charter schools agreed to forgive the unpaid amounts due from May and June 2015, there are other charter schools, both brick-and-mortar and cyber, that District students attend with amounts due of \$1.2 million.

Applying the forgiveness of unpaid amounts from May and June 2015 will result in a total savings of \$8.6 million in 2014-15 reducing the District's negative fund balance to \$15.8 million.

BU06.	Support Passage of House Bill 1521	
	Target outcome:	Eliminate District's negative fund balance
	Responsible party:	Receiver, Pennsylvania Department of Education

In recognition of the extraordinary commitment that this Revised Amended Financial Recovery Plan makes to restore the District to true financial stability, the Administration requested that the General Assembly provide a one-time extraordinary supplemental appropriation to support districts experiencing extreme financial difficulty.

House Bill 1521 was introduced on September 4, 2015, by Representative Thaddaeus Kirkland. This bill transfers \$25 million from the General Fund to the Department of Education for 2015-16 for payments to school districts located in a county of the second class A that have been declared distressed pursuant to the School District Financial Recovery Act. These funds can be utilized to entirely eliminate the District's negative fund balance. The bill has been referred to

the House Education Committee. The Receiver and PDE strongly support the passage of this bill.

BU07.	Refinancing to Resolve Negative Fund Balance	
	Target outcome:	Refinance negative fund balance to eliminate outstanding debt
	Responsible party:	Receiver, Pennsylvania Department of Education

If the General Assembly fails to pass House Bill 1521, the Receiver proposes to refinance as much as \$25 million to provide funds to pay outstanding accounts payable through June 30, 2016. The refinancing is expected to add approximately \$2 million in annual repayment costs to the District for the following twenty years.

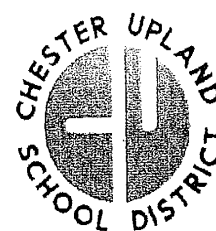
Following final Commonwealth budget adoption, when the District receives state subsidy payments, charter school tuition invoices for 2014-15 will be paid unless the charter school has waived repayment of such invoices. Proceeds from the debt refinancing will then be available to pay all other outstanding invoices from the prior year. The refinancing will additionally afford the District with adequate cash flow to make on-time payments to charter schools and vendors throughout the 2015-16 school year.²

BU08.	Commonwealth Debt Service payment	
	Target outcome:	Protect the credit rating of the District, Pennsylvania State Public School Building Authority, and the Commonwealth, and reduce the District's 2015-16 expenditures
	Responsible party:	Pennsylvania Department of Education

In September 2015, the Commonwealth made a debt service payment on behalf of the District in the amount of \$4,351,874. This payment, combined with the charter funding reforms and PDE loan restructuring, will eliminate any annual structural deficit for the current school year.

Given the Governor's continuing commitment to significantly grow state education subsidies for all school districts in subsequent fiscal years, in conjunction with all other aspects of the Revised Amended Financial Recovery Plan, the District will be able to fund these debt obligations going forward.

² See the Receiver's statement concerning this initiative at the end of this document.



Planning for the Future

Planning for the Future

After the District's structural deficit and negative fund balance are eliminated, the District must look forward to the future. The physical condition of the District's high school is a serious long-term concern. The current year budget already includes \$3.7 million in additional state funds for necessary HVAC improvements to maintain functionality on some floors of the high school building. However, this is not a long-term solution. Additionally, the District needs to start preparing for the return of control to the elected board of school directors.

Initiatives

PF01.	Plan and Fund Capital Improvements	
	Target outcome:	Provide for the renovation or construction of a new high school
	Responsible party:	Receiver, Pennsylvania Department of Education, Governor's Office

Currently, the General Assembly is considering substantial changes or even ending the PlanCon reimbursement program for local school district construction projects. Given these conversations, it is expected that a major overhaul of the PlanCon process will be part of a final budget agreement.

Multiple proposals that could benefit the District could be included as part of this Plan. The District could be granted authority to seek future state reimbursement through an affordable plan to fund necessary long-term renovations or new construction. For example, the plan could include a fiscally prudent alternative to build a new high school. The Governor's Office and PDE will support and advocate for the District's request for additional funding to renovate or construct a new high school.

PF02.	Exiting Receivership	
	Target outcome:	Return the elected board of school directors to power, while maintaining oversight of recovery process with a Chief Recovery Officer
	Responsible party:	Receiver, Pennsylvania Department of Education

Once the components of the Revised Amended Financial Recovery Plan are enacted, the District will have a positive financial outlook. If the initiatives are approved in the Revised Plan, then the District must focus on an academic recovery plan. Once financial stability is achieved and the District has a clear path to follow for academic recovery, the receivership will be able to end and the elected school board will be placed back into power. When the receivership expires, the District will continue to be monitored by a chief recovery officer and PDE for a period of five years to ensure financial stability is maintained or as long as the City of Chester remains a financially distressed municipality, whichever is longer. 24 P.S. § 6-676-A.



Conclusion

Conclusion

Simply cutting non-charter expenditures will never be enough to fix the massive structural deficit in the District's budget each year. First and foremost, the District must stop the structural deficit from continuing to grow. The only way the District can eliminate its structural deficit is to address its greatest cause—the disproportionately high charter school tuition rates that the District pays under an inequitable formula. In conjunction with an increase to the District's basic education funding, this will address the root cause of the District's structural deficit and ensure that all students in the District have access to a quality education.

The modification of the special education charter tuition rate in conjunction with the initiatives set forth in this Revised Amended Financial Recovery Plan will balance the District's budget for the first time in decades. The alignment of the expenditures with revenues will ensure that the District has sufficient funds to make timely payments to all vendors, including charter schools. The requests in this Plan provide a long-term, sustainable solution.

Through these initiatives, as outlined in this Revised Amended Financial Recovery Plan, we can assure the local community that the District will have the means to balance its current operating budget, eliminate past negative fund balances, and reasonably plan for foreseeable future funding needs. The approval of this Plan will provide a clear and comprehensive path for the District to achieve financial recovery.

Chester-Upland SD
Revenues, Expenditures and Changes in Fund Balance

	2015-16	2015-16 After Initiatives
Ordinary Revenues		
Local Revenue	\$19,696,145	\$19,696,145
State Revenue	\$88,305,725 ¹	\$88,305,725 ¹
Federal Revenue	\$4,609,962	\$4,609,962
Total Ordinary Revenues	\$112,611,832	\$112,611,832
Net Other Financing Uses	\$250,000	\$250,000
Total Ordinary Revenues and Net Other Financing Uses	\$112,861,832	\$112,861,832
Extraordinary Revenues		
Payment for HVAC Capital Project in Chester HS	\$3,712,266 ²	\$3,712,266 ²
Payment for debt service in September 2015		\$4,351,874 ³
Total Extraordinary Revenues	\$3,712,266	\$8,064,140
Total Revenues	\$116,574,098	\$120,925,972
Expenditures		
Operating Expenditures	(\$66,666,975)	(\$65,599,712) ⁴
Payments to Charter Schools	(\$64,510,776)	(\$53,296,801) ⁵
Debt Payments	(\$7,204,920)	(\$7,204,920)
Payment on Transition Loan	(\$1,000,000)	(\$0) ⁶
HVAC Capital Project in Chester HS	(\$3,712,266)	(\$3,712,266)
Total Expenditures	(\$143,094,937)	(\$129,813,699)
Surplus/(Deficit)	(\$26,520,839)	(\$8,887,727) ⁷
Fund Balance Initiative		\$25,000,000 ⁸
Beginning Fund Balance	(\$24,385,830)	(\$15,827,678) ⁹
Ending Fund Balance	(\$50,906,669)	\$284,595

¹ State Revenue estimates based on Governor's proposal for Basic Education Funding and Special Education Funding

² \$3,712,266 paid from PDE Empowerment funds for HVAC Capital Project in Chester HS.

³ State payment of \$4,351,874 debt service due to TD Bank on September 15, 2015 (Initiative BU08).

⁴ Operating Expenditures decreased due to work of forensic audit and further review of the current year budget.

⁵ Includes \$11.2 million reduction in charter school tuition payments based on agreement in Initiative CR01.

⁶ Restructure Transitional Loan payment terms (Initiative BU04, 8/18/15 Amended Financial Recovery Plan).

⁷ Eliminate structural deficit with permanent increase in Basic Education Funding (Initiative CR02).

⁸ Eliminate negative ending fund balance (Initiatives BU06, BU07).

⁹ Includes \$8,558,152 of forgiven 2014-15 payments to charter schools based on agreement in Initiative BU05.



CHESTER UPLAND SCHOOL DISTRICT
OFFICE OF THE RECEIVER
1720 MELROSE AVENUE
CHESTER, PA 19013
610.447.3825
610.447.3616 (fax)

As Interim Receiver for the Chester Upland School District my primary responsibility is to implement the Financial Recovery Plan previously approved by the Court to restore the financial stability of the School District.

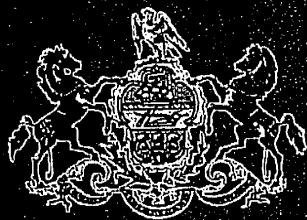
Other than the refinancing contemplated by the Financial Recovery Plan including the Transition Loans under Act 141, I would not normally recommend incurring additional debt and the annual debt service obligation to resolve the fiscal situation in the School District.

However, it is apparent that a substantial portion of the deficit that has been incurred over time is caused by the overwhelming obligation of payments to charter schools, especially the excessive overpayment for resident special education students attending these schools.

The deficit created by this situation is of an extraordinary magnitude and, absent the passage of proposed legislation in the near future, will hamstring the financial recovery of the District as well as prevent it from being returned to its elected officials in a financially stable condition.

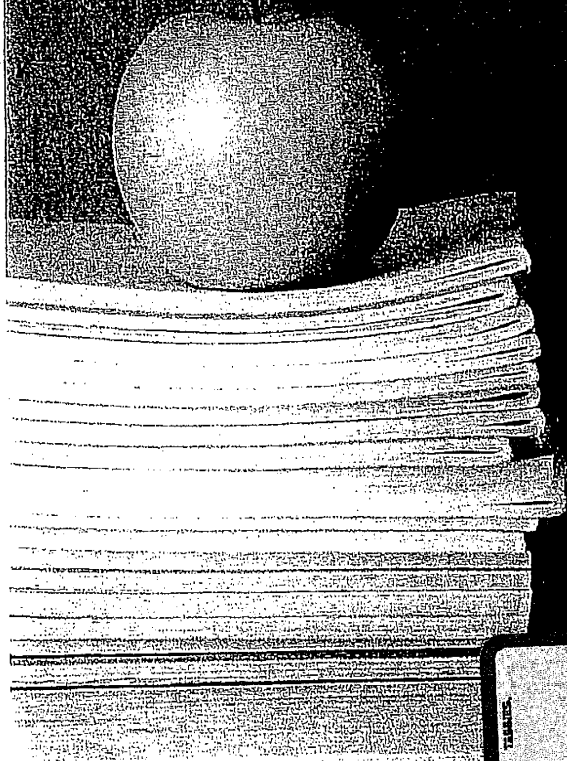
Since there does not appear to be any other acceptable remedy on the horizon, this initiative has been included in the Revised Amended Financial Recovery Plan being presented to the Court today requesting approval to finance unfunded debt of the School District.

Francis V. Barnes
Receiver
September 15, 2015



SPECIAL EDUCATION FUNDING COMMISSION REPORT

December 11, 2013



Senator
Pat Browne
Co-Chair

Representative
Bernie O'Neill
Co-Chair

EXHIBIT

B

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EXECUTIVE SUMMARY

The Commonwealth of Pennsylvania has a strong interest in improving education outcomes for students with disabilities. State support for special education in public schools is important for helping students to achieve academically and fulfill their individual potential.

The Special Education Funding Commission held public hearings throughout the state in 2013, receiving testimony about these issues from dozens of witnesses. Students, parents, educators, and national experts uniformly emphasized the long-term impact of the state funding system on the ability of schools to meet the needs of children with disabilities.

Special education involves a highly complex and costly set of supports and services. Local education agencies are responsible under state and federal law for performing detailed evaluations of student needs, accurately determining eligibility, designing an individualized education program, providing multiple interrelated supports to meet academic and behavioral needs, hiring a wide range of disability experts and service providers, ensuring progress in the general education curriculum and, ultimately, giving students a successful transition to higher education, employment, adult independent living, and community participation.

Nearly 270,000 children with disabilities – one out of every 6.5 students – receive special education services in Pennsylvania public schools. The range of disabilities comprises speech impairments, learning disabilities, orthopedic impairments, hearing or visual impairments, emotional disturbance, autism, intellectual disabilities, traumatic brain injuries, multiple disabilities and other health impairments. Most children are included in regular classrooms and receive all or much of their instruction alongside students who do not have disabilities. In schools with adequate resources, academic achievement for children with disabilities averages close to the results for all students.

Funding for special education in Pennsylvania's public schools comes primarily – over 60 percent – from property taxes and other local sources. Annual state funding is slightly less than \$1 billion, about 30 percent of the total, with federal funding adding a relatively small amount.

Prior to 1991, state funding for special education was distributed through an “excess cost” system that paid school districts for the difference between actual special education costs and regular education costs. When this system was perceived to result in rapidly increasing costs, the state switched to a “census formula”. The new system originally paid school districts a supplement based on calculations assuming that 15 percent of all students have mild disabilities and 1 percent have severe disabilities. Over the years, the census formula sometimes included other factors for community poverty and property tax levels. Since 2008-09, Pennsylvania has not increased special education funding and has effectively ended its use of a funding formula. Charter schools and cyber charter schools receive special education funding through a separate per-student payment process that also relies on the assumption that 16 percent of all students enrolled in all school districts are eligible for special education.

The Commission recommends that the General Assembly adopt a new formula for distributing state funding for special education in excess of 2010-11 levels. The main objective of the new funding system is to improve accuracy in distributing limited resources, balancing this goal with the need for ease of use and sustainability by not placing administrative reporting burdens on the state or local education agencies. The new formula will include factors reflecting student needs based on three cost categories – low, moderate, and high. The formula will also include factors reflecting community differences such as poverty, property tax levels, and rural and small district conditions. The new formula recommended by the Commission will be a great improvement over the census formula, benefiting children with disabilities and all students enrolled in Pennsylvania public schools. The special education funding system for charter schools and cyber charter schools

should receive similar reforms. Furthermore, in accordance with the resolution, the Special Education Funding Commission will continue its work by drafting legislation.

RECOMMENDED SPECIAL EDUCATION FUNDING FORMULA

(1) Calculate the weighted student count for each school district as follows:

- Category 1 = 1.51 (students < \$25,000)
- Category 2 = 3.77 (students \Rightarrow \$25,000 and < \$50,000)
- Category 3 = 7.46 (students \Rightarrow \$50,000 and above)
-

(2) Adjust weighted student count for rural and small school districts:

- Multiply the weighted student count in (1) by 50% of the adjusted sparsity/size ratio
 - The sparsity/size ratio = (60%*size ratio) + (40%*sparsity ratio)
 - Size Ratio = average daily membership (ADM) / statewide average ADM
 - Sparsity Ratio = ADM per square mile / state ADM per square mile
 - Adjust by percentage difference > 70th percentile (0.7416)
 - For school districts with a sparsity/size ratio < 70th percentile no adjustment

(3) Add the school district's weight in (1) and the adjustment in (2).

(4) Multiply the sum in (3) by the school district's market value/personal income aid ratio and its equalized millage multiplier.

- Equalized millage multiplier = the school district's equalized millage rate as a percentage of the 70th percentile (20.12 equalized mills)
- For school district with an equalized millage rate > 70th percentile the multiplier is 1

(5) Prorate funding.

- Multiply the product in (4) for each school district by the amount of funds to be distributed and divide by the sum of the products in (4) for all school districts.

INTRODUCTION BY CO-CHAIRS OF THE COMMISSION

It has been our great honor to Co-chair the Special Education Funding Commission. The Commission was created with the passage of Act 3 of 2013, unanimously passed by both the Senate and House of Representatives and signed into law by the Governor on April 25, 2013. Such unanimous support is evidence of the state government's interest in reforming a system that has been in place for a long time but is often seen as not fairly and adequately serving the current needs in Pennsylvania for students with disabilities and their schools.

This Commonwealth has made it a goal for several decades to achieve equal access to special education programs. However, the ability to meet that goal has been undermined by a special education funding formula that currently does not effectively match the needs of our students with the cost of providing those services. The purpose of the Commission is simple but important – to develop a new formula that will correct these deficiencies so we can reach our goals of achievement and inclusion for Pennsylvania's children with disabilities.

Currently, state funding for special education is distributed based on an estimate that children with disabilities comprise 16 percent of the overall student population in each school district. This formula does not accurately allocate state funding because it fails to take into account the actual number of students needing special education services or the type and intensity of support they require to succeed in school.

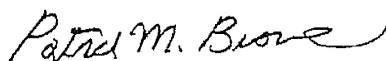
Over the last six months, we have enjoyed working closely with our colleagues on the 15-member Commission, including dedicated members of the Senate, House of Representatives, and the Administration. The Commission members heard vital testimony from over 50 witnesses at seven public hearings held throughout the state. We greatly appreciate the mutually respectful deliberations held among the Commission members in considering the complex issues and options for addressing systemic problems related to special education funding. The Commission has accomplished a great deal in a compressed time frame.

The Commission is recommending the establishment of a new special education funding formula to ensure that state money is adequately and equitably distributed. This recommendation follows the parameters contained in Act 3 for distributing any increase in special education funding over 2010-11 levels. The proposed formula includes the use of three cost categories for students receiving special education services, ranging from least intensive to most intensive. In addition, the formula reflects community levels of poverty, property taxes, and other factors needed for a fair and accurate distribution of funds.

This report and the recommendations it contains reflect the thorough consideration of all Commission members. We now entrust this report to the General Assembly for further consideration and timely enactment of final reforms into law.

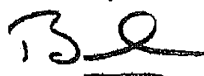
Special appreciation is due to our staff, the staff of Commission members, Appropriations Committee staff, without whom this work could not be performed. In addition, the expertise of the Independent Fiscal Office was critical to the Commission accomplishing its objectives. The Department of Education also provided invaluable assistance for the Commission's work.

Sincerely,



Senator Pat Browne

Sincerely,



Representative Bernie O'Neill

ACT 3 AND THE CHARGE TO THE COMMISSION

Through Act 3 of 2013 (House Bill 2), the General Assembly established the Special Education Funding Commission and charged the Commission with the following tasks and responsibilities.

The Commission shall:

1. Review and make recommendations related to special education funding. *Section 122(b)*. Review and make findings and recommendations related to special education funding in this Commonwealth. *Section 122(i)(1)*.
2. Issue a report of its findings and recommendations. *Section 122(i)(5)*. Draft proposed regulations and proposed legislation based on its findings. *Section 122(i)(3)*.
3. Consider nationally accepted accounting and budgeting standards. *Section 122(i)(11)*.
4. Develop a special education formula and identify factors that may be used to determine the distribution of a change in special education funding among the school districts in this Commonwealth. *Section 122(h)*. Review and consider special education funding factors utilized throughout the United States. *Section 122(i)(7)*. Consider the impact these factors may have on the distribution of special education funding among the school districts. *Section 122(i)(8)*. The factors may include all of the following (additional details required for each factor as contained in Act 3 are not listed here):
 - a. Three cost categories of eligible students and a description of and parameters for the categories. *Section 122(i)(6)(i)*.
 - b. A student count for each school district designed for each category. *Section 122(i)(6)(ii)*.
 - c. A weighting factor that differs for each of the three cost categories. *Section 122(i)(6)(iii)*.
 - d. Adjustments for each school district based on the market value/personal income aid ratio, the equalized millage rate, and geographic price differences. *Section 122(i)(6)(iv)*.
 - e. A proportional system for distributing the changes in special education funding among school districts based on the factors listed above. *Section 122(i)(6)(v)*.
 - f. Improved systems for collecting and documenting student enrollment and membership in public schools. *Section 122(i)(6)(vi)*.
 - g. Other factors related to the distribution of special education funding. *Section 122(i)(6)(vii)*.
5. Receive input and gather information on the identification of children as eligible students by charter and cyber charter schools and on charter and cyber charter school funding reimbursements regarding eligible students. *Section 122(i)(3)*.
6. Reconstitute the Commission every five years to meet, hold public hearings, review the operation of the special education funding provisions of this section, and make a further report to be considered and acted upon by the General Assembly. *Section 122(k)*.

Act 3 also placed limitations on the Commission's work:

- The special education formula developed by the Commission shall not go into effect unless the formula is approved by an act of the General Assembly enacted after the effective date of this section. *Section 122(j)*.
- The General Assembly shall, through the annual appropriations process, determine the level of State funding for special education and the amount of any change in funding. The special education formula developed under this section shall determine only the distribution of any increase in special education funding among the school districts of this Commonwealth above the amount of special education funding in the base year (2010-11) and shall not be used for any other purpose. *Section 122(l)*.
- For the 2013-14 school year and each school year thereafter, any State funding for special education in an amount that does not exceed the amount of State funding for special education in the base year shall be allocated in the same manner as the State funding was allocated in the base year (2010-11). *Section 122(m)*.
- Nothing in the provisions of this Act (Act 3) shall alter Federal or State law regarding the protections provided to an eligible student for receiving education in the least restrictive environment or shall alter the legal authority of individualized education program teams to make appropriate program and placement decisions for eligible students in accordance with the individualized education program developed for each eligible student. *Section 2509.17*.

MEMBERSHIP OF THE COMMISSION

Act 3 established requirements for the membership of the Special Education Funding Commission.

The Commission shall:

1. Consist of the following 15 members (or their designees): *Section 122(c)(1)*.
 - a. Chair and Minority Chair of the Education Committee of the Senate.
 - b. Chair and Minority Chair of the Education Committee of the House of Representatives.
 - c. Two legislators from each of the four legislative caucuses.
 - d. The Secretary of Education.
 - e. The Secretary of the Budget.
 - f. The Deputy Secretary for Elementary and Secondary Education.
2. Appoint a member to serve as chair of the Commission. *Section 122(c)(2)*.
3. Reimbursement of Members – The Commission members may not receive compensation for their services, but shall be reimbursed for all necessary travel and other reasonable expenses incurred in connection with the performance of their duties as members of the Commission. *Section 122(f)*.

Members of the Special Education Funding Commission include:

<u>Senate</u>	<u>House of Representatives</u>	<u>Administration</u>
Pat Browne (R-16) Co-Chair	Bernie O'Neill (R-29) Co-Chair	Charles Zogby, Secretary of the Budget
James Brewster (D-45)	Paul Clymer (R-145)	Carolyn Dumaresq, Acting Secretary of Education
Andrew Dinniman (D-19)	Mark Longietti (D-7)	Rita Perez, Acting Deputy Secretary for Elementary and Secondary Education
Edwin Erickson (R-26)	Michael Peifer (R-139)	
Mike Folmer (R-48)	James Roebuck (D-188)	
Judith Schwank (D-11)	Mike Sturla (D-96)	

HEARINGS OF THE COMMISSION

Act 3 established requirements for the hearings of the Special Education Funding Commission.

The Commission shall:

1. Hold its first meeting within 30 days of the effective date of this section. *Section 122(d).*
2. Hold meetings at the call of the chair. *Section 122(e).*
3. Hold public hearings in different regions of this Commonwealth. *Section 122(i)(4).*
4. Consult with and utilize experts to assist the Commission in carrying out the duties under this subsection. *Section 122(i)(2) and Section 122(i)(10).*
5. Receive input from interested parties, including but not limited to, charter and cyber charter school operators. *Section 122(i)(3).*

Commission members were appointed during May 2013 and the Commission held the following hearings (see Appendix for additional details):

June 13, 2013	North Office Building, State Capitol, Harrisburg, PA
July 10, 2013	North Office Building, State Capitol, Harrisburg, PA
July 25, 2013	Bucks County Intermediate Unit #22, Doylestown, PA
August 7, 2013	University of Pittsburgh, Pittsburgh, PA
August 22, 2013	Allentown School District Administration Building, Allentown, PA
September 4, 2013	Nittany Lion Inn, State College, PA
September 26, 2013	Alvernia University, Reading, PA

TESTIMONY RECEIVED BY THE COMMISSION

The following witnesses testified before the Commission at its public hearings:

Dr. Jacayln Auris, Director of Student Services at Chester County IU 24 (July 25)

Carl Blessing, Chief Financial Officer of Berks County IU (September 26)

Randy L. Brown, PRSBA, Business Administrator, State College Area School District (September 4)

Chris Celmer, Asst. Director of Business Services of Berks County IU (September 26)

Dr. Malcolm Conner, Special Education Advisor, PA Department of Education, Bureau of Special Education (June 13)

Kevin Corcoran, Assistant Head of School/Director of School Improvement, Agora Cyber Charter School (September 26)

Laura E. Cowburn, PRSBA, RSBA, Assistant to the Superintendent for Business Services, Columbia Borough School District, for PA Association of School Business Officials (July 10)

Michael Crossey, President, PA State Education Association (August 22)

Tee Decker, Asst. Director of Special Programs & Services of Carbon Lehigh IU (September 26)

Aimee Denton, Parent (September 26)

Cindy Duch, Director of Parent Advising, Parent Education & Advocacy Leadership Center (PEAL Center) (September 4)

Dr. Maria Edelberg, Assistant Executive Director at Delaware County IU 25 (July 25)

Sandra Edling, PRSBA, Assistant Director Management Services, Montgomery County IU #23, for PA Association of School Business Officials (July 10)

Louise Fick, Supervisor of Special Education, Parkland School District (June 13)

Maurice "Reese" Flurie, Ed.D., CEO, Commonwealth Connections Academy (September 4)

Amber Mintz Foote, Parent and Advocate (September 26)

Dr. Barry Galasso, Executive Director of Bucks IU 22 (July 25)

Dr. John George, Exec. Director of Berks County IU & Pres. PAIU (September 26)

Susan Gobreski, Executive Director, Education Voters PA (September 26)

Dr. Anthony Grieco, Executive Director of Luzerne IU 18 (July 25)

Mike Griffith, School Finance Consultant, Education Commission of the States (July 10)

Dr. Mary Beth Gustafson, Assistant Superintendent for Special Education, Pocono Mountain School District (June 13)

Nicolyn Habecker, Parent and Advocate (September 26)

Lawrence Jones, Jr., CEO, Richard Allen Preparatory Charter School, Inc. (September 4)

Jennifer King, Parent and Inclusion Consultant, Include Me from the Start (June 13)

David Lapp, Staff Attorney, Education Law Center (September 26)

Lisa Lightner, Parent and Advocate, Arc of Chester County (September 26)
 Dennis McAndrews, Esq., Partner, McAndrews Law Office (June 13)
 David W. Matyas, PRSBA, Business Administrator, Central Bucks School District (July 25)
 Mark B. Miller, School Director in Centennial School District and Co-Chair of Keystone State Education Coalition (September 26)
 Richard Moss, Chief, Central Division, PA Department of Education, Bureau of Special Education (August 7)
 John Mozzochio, Director, Special Services, New Castle School District (August 7)
 Robyn Oplinger, Parent and Advocate, Disability Rights Network (August 22)
 Diane Perry, Parent and Coordinator, Special Kids Network (August 22)
 Nan Porter, School Director, Martin Luther School (August 22)
 David Ramsey, Coordinator of Student Services, Parkland School District (June 13)
 Audrey Rasmusson, Esq., Parent (September 4)
 Kimberly Resh, Parent and Advocate (August 22)
 Karl A. Romberger, Jr., Esq., Sweet, Stevens, Katz, & Williams, New Britain, PA, Pennsylvania School Board Association (PSBA) (September 26)
 John Sarandrea, Superintendent, New Castle Area School District (August 7)
 Dale Scafuro, Director of Student Services, Central Bucks School District (July 25)
 Nicole D. Snyder, Esq., Latsha Davis & Kenna, P.C., Pennsylvania Coalition of Public Charter Schools (PCPCS) (September 26)
 Betsey Somerville, Director of Special Education, Canon-McMillian School District (June 13)
 Larry Sperling, CEO, Philadelphia Academy Charter School (September 4)
 Jane Stadnik, Parent (September 4)
 Ira Weiss, Solicitor, Pittsburgh School District (August 7)
 Colleen Tomko, Parent and Advocate (August 22)
 Nick Torres, CEO, Education Plus Academy Charter School (September 26)
 Deborah Versteegen, Ph.D., Professor of Education Leadership, University of Nevada, Reno (September 26)
 Uldis Vilcins, Director of Transportation Services of Carbon Lehigh IU (September 26)
 Dr. Ronald O. Wells, Special Education Adviser, PA Department of Education, Bureau of Special Education (August 7)
 Lee Ann Wentzel, Superintendent, Ridley School District, for PA Association of School Administrators (July 10)
 Arlene Wheat, Assistant Superintendent - Special Education & Pupil Services North Allegheny School District (August 7)

TECHNICAL ASSISTANCE RECEIVED BY THE COMMISSION

Act 3 established requirements for the roles of the Department of Education and other bodies in the General Assembly to provide technical assistance to the Commission:

Role of the Department of Education

- o The Department shall provide the Commission with data, research and other information upon request by the Commission. *Section 122(g).*
- o Using existing resources and data systems as well as nationally accepted accounting and modeling standards, the Department shall collect data necessary for accurate functioning of a special education formula developed under Section 122. The Department shall begin collecting such data upon the effective date of this section. *Section 2509.16.*

Role of Other Bodies in the General Assembly – The General Assembly shall provide administrative support, meeting space, and any other assistance required by the Commission to carry out its duties under this section in cooperation with the Department. *Section 122(g).*

Since the Commission was formed in late April and May 2013, the Department has served its role as charged by Act 3. Many dedicated staff at the Department have provided invaluable assistance to the Commission.

The Independent Fiscal Office served as a vital source of technical expertise in working with large amounts of data.

The Independent Fiscal Office, the Pennsylvania Association of School Business Officials and the Department assisted the Commission in performing a survey of local education agencies to evaluate special education funding. The survey was conducted in September and October 2013. A randomly selected representative sample of school districts, charter schools, and cyber charter schools participated in the survey.¹ The survey results provided accurate data about the distribution of special education costs among students based on need. The Commission used this data to help determine the proper factors to include in the new special education formula.

Pathway Strategies LLC, also provided additional technical assistance to the Commission.

¹ Surveys were sent to 65 randomly selected school districts and 35 randomly selected charter schools and cyber charter schools. Survey responses were returned by 54 districts and 17 charters and cyber charters.

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University of Pittsburgh: Charlene Kumar, Charlie McLaughlin, and Paul Supowitz

THE BASICS OF SPECIAL EDUCATION

"Children with disabilities [shall] have available to them a free appropriate public education which is designed to enable the student to participate fully and independently in the community, including preparation for employment or higher education." 22 Pa. Code 14.102(a)(1)(i)

"Improving educational results for children with disabilities is an essential element of our national policy of ensuring equality of opportunity, full participation, independent living, and economic self-sufficiency for individuals with disabilities." 20 U.S. Code 1400(c)(1)

This section summarizes some of the most important aspects of how special education operates for students and schools.² As reflected in the two legal quotations above, special education for children with disabilities has the potential to significantly impact their lives, their ability to learn, and their future opportunities to participate in society.

A Basis in Civil Rights

Dr. Malcolm Conner, Special Education Advisor, Pennsylvania Department of Education, testified at the Commission hearing on June 13, 2013, describing the two lawsuits that initially defined the rights of children with disabilities to special education.³ Dr. Conner described how these court decisions led to the initial establishment of children's rights in statute. Over time, the principles and protections of special education have expanded through both state and federal laws.

Individuals with Disabilities Education Act (IDEA)

IDEA is a federal law, first enacted in 1975 as the *Education for All Handicapped Children Act*.⁴ Federal regulations also implement IDEA and cover school-aged children.⁵

Title 24 contains statutory provisions for special education, which implement and sometimes expand on the federal IDEA requirements.⁶ Relevant Pennsylvania regulations exist for: special education; academic standards and testing for all children, including provisions designated for children with disabilities; and charter schools and cyber charter schools.⁷ State regulations must comply with federal standards and may exceed these standards if determined by state law.

Kimberly Resh testified with her daughter Mikayla at the Commission hearing on August 22, 2013 saying that, nearly forty years after IDEA was enacted, not all students are afforded their

² This section reflects information from state and federal law, from testimony received by the Commission, and from the publications of the Pennsylvania Training and Technical Assistance Network (<http://www.pattan.net/category/Resources/PaTTAN%20Publications>) and the Disability Rights Network of Pennsylvania (<http://www.drnpa.org/publications/>).

³ *Pennsylvania Association for Retarded Children (PARC) v. Commonwealth of Pennsylvania*, 334 F. Supp. 1257 (E.D. PA 1971)(resolved with a consent decree); *Mills v. Board of Education*, 348 F. Supp. 866 (D. DC 1972)(mirrored the PA decision).

⁴ 20 United States Code (U.S.C.) Sections 1400 through 1482.

⁵ 34 Code of Federal Regulations (C.F.R.) Part 300.

⁶ 24 Purdon's Statutes (P.S.) Sections 13-1371 through 13-1377.

⁷ 22 Pa. Code Chapter 14 (special education), Chapter 4 (academic standards and testing for all children, including provisions designated for children with disabilities), Chapter 711 (charter schools and cyber charters).

rights because of resource and funding issues. "To even the playing field," she testified, "funding needs to be proportionally distributed to school districts with greater needs."

Free Appropriate Public Education

Federal and state law guarantee every eligible child with a disability the right to a free appropriate public education (FAPE).

A free appropriate public education is a planned program of education, supports, and services that takes account of the child's individual needs. An appropriate program allows the child to make meaningful progress and prepare for education goals, employment, and independent living. Each child's program must be provided without cost to the family.

Diane Perry, parent of David, testified at the Commission hearing on August 22, 2013 that the future lives of children with disabilities are shaped by FAPE and their educational experiences in school. Robyn Oplinger, Childrens Advocate, Disability Rights Network of Pennsylvania, testified at the Commission hearing on August 22, 2013 that FAPE allows children with disabilities to become independent adults and productive citizens within their communities.

Arlene Wheat, Assistant Superintendent for Special Education and Pupil Services, North Allegheny School District, testified at the Commission hearing on August 7, 2013 that schools should provide FAPE because children with disabilities "deserve it." Dr. Mary Beth Gustafson, Assistant Superintendent for Special Education, Pocono Mountain School District, testified at the Commission hearing on June 13, 2013 that a disability can be a barrier to success in the classroom and must be addressed by the school. Betsy Somerville, Director of Special Education, Canon-McMillan School District, testified at the Commission hearing on June 13, 2013 that each local education agency may have a different interpretation of FAPE, based in some ways on what they can afford with limited funding.

Several parents testified about the advocacy sometimes needed to push schools to provide appropriate services for their children with disabilities in compliance with FAPE.⁸ Without such advocacy, parents feel that their children may fail to develop crucial academic, behavioral, and social skills. Schools often do not have the special education resources to effectively serve all students according to best practices and help them to fully succeed in school and prepare for adult life. Families that can afford it commonly pay for additional services to supplement the free special education program provided at school.

Special Education

Special education⁹ is defined as "specially designed instruction" and the "related services" needed by the child to benefit from that instruction. Dr. Gustafson testified that special education is not a place, but is a set of individualized supports and services to address the needs of the student.¹⁰

"Specially designed instruction" means that teachers must adapt the content (what is taught), methodology (the process used to teach), or delivery of the curriculum to take account of the child's learning needs and to ensure the child has access to the general curriculum provided to children without disabilities.

⁸ Testimony at the Commission hearing on September 4, 2013 by Cindy Duch, Director of Parent Advising, Parent Education & Advocacy Leadership Center; Audrey Rasmussen, Esq., Parent; and Jane Stadnik, Parent.

⁹ Dr. Conner testified at the Commission hearing on June 13, 2013 that gifted education is not part of special education. Gifted students who do not have a disability may receive services under separate state regulations, Chapter 16. Such services are not funded through state or federal appropriations for special education.

¹⁰ Testimony at Commission hearing on June 13, 2013.

Children eligible for special education have the right to stay in school through the school term in which they turn 21 or until they graduate (whichever comes first).

Dale Scafuro, Director of Student Services, Central Bucks School District, testified at the Commission hearing on July 25, 2013 that over the last 30 years there have been significant positive changes in special education. She said, "We know much more about how to educate children with disabilities and our students are meeting goals that years ago we could never have imagined."

Local Education Agency (LEA) Responsibility

The school district where the parents live is responsible for making sure that each eligible child is identified, evaluated, and provided with a free appropriate public education. Children who live in foster care, group homes, residential treatment, or other facilities are entitled to receive their education from the school district in which the facility is located.

Charter schools and cyber charter schools are also responsible for providing free and appropriate special education services to eligible students.

Ms. Scafuro testified that local education agencies are required to conduct ongoing activities to identify students who may be in need of special education, as well as screening students receiving special education services to ensure they make progress on grade level standards.¹¹

David Ramsey, Pupil Services Coordinator, Parkland School District, testified at the Commission hearing on June 13, 2013 that school districts sometimes cannot plan for unexpected special education costs arising when a student with significant disabilities moves into the community and must receive mandatory services. Mark B. Miller, School Director in Centennial School District and Co-Chair of Keystone State Education Coalition, testified at the Commission hearing on September 26, 2013 that families often move into his district in order to access the high quality of special education services provided, especially for students with complex needs.

Laura Cowburn, Assistant to the Superintendent for Business Services, Columbia Borough School District, testified at the Commission hearing on July 10, 2013 that communities with greater poverty and higher numbers of rental properties may experience significant student transience, making special education costs unpredictable and also increasing overall costs for mandated services to meet student needs. Dr. Gustafson testified that many children in foster care come to school with a disability and frequently transfer in and out of school during the year, creating large unexpected costs.¹²

Michael Crossey, President, Pennsylvania State Education Association, testified at the Commission hearing on August 22, 2013 that mandated special education services impose costs on local education agencies above the level of expenditures for students without disabilities. Ms. Resh testified that "school districts that take ownership of their most needy students by providing appropriate supports for their education need greater allocation of special education funding to do so."

Evaluations for Special Education

An "initial evaluation" starts the process of determining whether a child needs special education. Children cannot get special education services until the evaluation is completed.

¹¹ Testimony at the Commission hearing on July 25, 2013.

¹² Testimony at the Commission hearing on June 13, 2013.

The initial evaluation determines (1) if the child has a disability and (2) needs special education as a result. The written evaluation report also makes recommendations about what special education and related services the child needs.

Either the school or a parent can initiate the evaluation process. Both must agree that the evaluation is needed before the evaluation takes place. In most cases, a certified school psychologist must be included as a member of the evaluation team.

The school must use a variety of testing tools and strategies to gather information on the child's developmental, academic, and functional levels. In most cases, the child must be evaluated using the child's native language (such as Spanish) or other way of communicating (such as sign language) in order to produce accurate information.

A child who is receiving special education must be reevaluated at least every three years, with some limited exceptions.

Dr. Gustafson and Mr. Ramsey both testified that the evaluation process often involves significant time and expense for the local education agency.¹³ Ms. Scafuro testified that the evaluation process may involve a psychologist, guidance counselor, reading specialist, speech therapist, general classroom teacher, and other specialists as needed.¹⁴

Eligibility for Special Education

The evaluation team first decides two things: (1) whether a child has a disability that makes it difficult to learn; and (2) if so, whether the child needs special education services and supports as a result of that disability. The child must meet both criteria to be eligible for special education.

The law lists different types of disabilities that qualify a child for special education services. To be eligible, the child must fit into at least one of the disability categories listed in special education law and the child must need special education (specially designed instruction) due to the disability. The disability types include:

Autism	Intellectual disability	Specific learning disability
Deaf-blindness	Multiple disabilities	Speech or language impairment
Emotional disturbance	Orthopedic impairment	Traumatic brain injury
Hearing impairment, including deafness	Other health impairment affecting strength, vitality, alertness	Visual impairment, including blindness

Service Options for Students with Disabilities Not Eligible for Special Education

Students who are not eligible for special education may still receive services from the school to help them overcome learning challenges. Support services may include tutoring, counseling, and other helpful interventions.

Only some children who are not eligible for special education will have a direct legal right to support services. Children can seek legal protections through a "Section 504 Plan" or "ADA accommodations."

Some children can receive reasonable accommodations or other support services under a Service Agreement/Accommodations Plan pursuant to Section 504 of the Rehabilitation Act of

¹³ Testimony at the Commission hearing on June 13, 2013.

¹⁴ Testimony at the Commission hearing on July 25, 2013.

1973 and PA Code Chapter 15. Section 504 rights and processes may apply for children who have a physical or mental disability that "substantially limits" a major life function such as learning, thinking, walking, breathing, seeing, or hearing.

The Americans with Disabilities Act (ADA) also requires schools to make reasonable accommodations for children with disabilities.

Dr. Conner testified that, unlike special education, the state and federal governments do not provide funding for the services and accommodations delivered by public schools through these other programs.¹⁵

Individualized Education Program (IEP)

An IEP is a written plan that describes the unique needs of a child who is eligible for special education and explains the specific services and supports the child needs to make progress in school.

The IEP explains when the services will begin and the frequency and duration for providing each service. The IEP also describes measurable academic and functional goals, where the services are provided, what special training and equipment will be given to the school staff, and how much of the school day the child will spend with peers without disabilities.

All of the special education, related services, and other supports listed in the IEP must be provided to the child by the school. Michael Griffith, Senior Policy Analyst, Education Commission of the States, testified at the Commission hearing on July 10, 2013 that the local education agency is legally mandated to implement the IEP regardless of cost. Ms. Somerville testified that the IEP and associated costs are truly individualized for each student.¹⁶ Ms. King, Mr. McAndrews, and Ms. Somerville testified about the importance of intensive and ongoing training for both regular education and special education teachers to adequately meet the individualized needs of students with a wide variety of disabilities, as well as the large cost of providing such training.¹⁷ Ms. Cowburn testified about the significant paperwork and administrative costs associated with meeting IEP requirements and legal mandates for special education.¹⁸

IEP Team

School staff and the parents meet as a team to write and review the IEP. Older students also may be included in the meeting. The law often requires attendance at Team meetings for the school staff assigned to the IEP Team for a given student.

The IEP Team must meet at least once every year to review and revise the IEP based on the child's progress on annual goals, the child's progress in the general education curriculum, any re-evaluations that have been done, and parent or teacher concerns.

Ms. Fick and Ms. Somerville testified that Team meetings are more effective when the local education agency invites the participation of social workers and case managers who may serve the child through other local and state agencies, but this practice requires time and imposes administrative costs on the LEA.¹⁹

¹⁵ Testimony at the Commission hearing on June 13, 2013.

¹⁶ Testimony at the Commission hearing on June 13, 2013.

¹⁷ Testimony at the Commission hearing on June 13, 2013.

¹⁸ Testimony at the Commission hearing on July 10, 2013.

¹⁹ Testimony at the Commission hearing on June 13, 2013.

Least Restrictive Environment

The law presumes that children with disabilities should be taught in the "least restrictive environment" with children who do not have disabilities to the maximum extent appropriate.

If the child cannot be included in regular education classes for the whole school day, the IEP Team must consider what part of the child's program (including academic classes, non-academic classes, lunch, recess, and extracurricular activities) the child can attend with children who do not have disabilities.

In most situations, the law gives children with disabilities a right to be educated in a regular classroom if they can make reasonable educational progress in that setting when they are given appropriate supports and services.

Ms. Resh testified that inclusion benefits both students with disabilities and all students, "teaching life lessons that are as important as academics – understanding, compassion, and acceptance."²⁰ Ms. Perry testified about the benefits of inclusion for her son, such as improving his reading skills by exposing him to materials at higher grade levels and allowing him to develop life ambitions similar to his non-disabled peers.²¹ Ms. Resh testified that schools are often unable to provide the supports needed to more fully include children with disabilities in the least restrictive environment because of resource and funding issues.²² Lisa Lightner, Parent and Advocate, Arc of Chester County, testified at the Commission hearing on September 26, 2013 that the education profession now knows how to successfully include all students in typical classrooms but the lack of resources in some schools means that effective inclusion may not occur.

Ms. Wheat testified that the North Allegheny School District is proud of its high rate of inclusion of students with disabilities in the least restrictive environment, but this comes at a high cost.²³ Jennifer King, Inclusion Consultant, Include Me From the Start, testified at the Commission hearing on June 13, 2013 that inclusion rates vary widely between local education agencies, with Pennsylvania as a whole ranked about 28th in the nation. Ms. King testified that schools are often fearful to include students with significant disabilities in regular classrooms due to lack of training, technology, and support services. Ms. Somerville testified that some schools are not proactive in addressing student needs in inclusive settings because it is very costly to provide appropriate training and supports for classroom teachers.²⁴ Sandra Edling, Assistant Director of Management Services, Montgomery County Intermediate Unit, testified at the Commission hearing on July 10, 2013 that inclusive physical education programs sometimes require expenditures for specialized instructors and adaptive equipment.

In addition to inclusive practices, Ms. Edling testified that local education agencies must also provide separate and specialized classrooms for some students based on significant need, serving students with more severe autism, emotional disorder, or multiple disabilities. State law establishes limits on the size of these separate classes, often with high associated costs for very small student-teacher ratios as well as the need for one or more classroom aides.²⁵

²⁰ Testimony at the Commission hearing on August 22, 2013.

²¹ Testimony at the Commission hearing on August 22, 2013.

²² Testimony at the Commission hearing on August 22, 2013.

²³ Testimony at the Commission hearing on August 7, 2013.

²⁴ Testimony at the Commission hearing on June 13, 2013. Ms. Somerville testified that using effective inclusion practices such as co-teaching can annually cost more than \$30,000 just for one student in one classroom.

²⁵ Testimony at the Commission hearing on July 10, 2013.

Progress in the General Education Curriculum

The IEP is designed so the student's needs are met and the child can make progress and be involved in the general education curriculum. "Progress" and "involvement" are broadly defined to meet IEP goals and do not require children with disabilities to do all of the same work at the same level and pace as other students.

The "general education curriculum" means the curriculum that the school follows for all students at the child's grade level. The law presumes that children with disabilities should be taught what all other children at their grade level are taught unless there is a good, disability-based reason why they should be taught at a different level. The school cannot refuse to include the child in the general curriculum solely because the curriculum would need to be modified for the child.

Support Options for Students Eligible for Special Education

In general, supports can assist children to learn academic skills (learning support), to control behaviors (emotional support), or to acquire basic living skills (life skills). Students must receive appropriate supports in the least restrictive environment.

Levels of support are also defined by the amount of time in a typical day the child receives special education supports:

"Itinerant support" (provided for 20% or less each day);

"Supplemental support" (more than 20% of the day but less than 80% of the day); or

"Full-time support" (provided for 80% or more of the day).

Lee Ann Wentzel, Superintendent, Ridley School District, testified at the Commission hearing on July 10, 2013 that there is a great disparity of cost and services within these levels of support, perhaps with overlapping costs between the levels for some students.

Examples of supports and related services include curriculum adaptation, therapies (speech, physical, occupational), school health services, assistive technology, transportation, behavior counseling, and training and assistance for teachers. Staffing needs include program administrators, teachers, classroom aides, inclusion specialists, psychologists, social workers, expert therapists, behavior specialists, technology experts, personal care assistants, health professionals, transition coordinators, specialized consultants, and private service providers.

Ms. Scafuro testified that provision of appropriate services and supports are important to help the student make progress in the general education curriculum in the least restrictive environment.²⁶ Decisions about services are made by local education agencies through the IEP process in collaboration with parents.

Colleen Tomko testified with her son, Shaun, at the Commission hearing on August 22, 2013 that adequate funding for special education allows schools to provide needed services in a timely and cost-efficient manner, instead of waiting until a crisis requires more expensive approaches. Ms. Oplinger testified that funding shortages and rising costs are currently forcing many local education agencies to cut back on services and supports, such as reading instruction for older students and professional development for teachers and other staff.²⁷

Ms. Edling testified that many communities in Pennsylvania are experiencing a shortage of trained and certified service specialists, such as occupational therapists, creating competition to hire their services and raising costs for local education agencies.²⁸ She also testified that health

²⁶ Testimony at the Commission hearing on July 25, 2013.

²⁷ Testimony at the Commission hearing on August 22, 2013.

²⁸ Testimony at the Commission hearing on June 13, 2013.

or medical services can be costly but are necessary to allow students to access their educational instruction.

Mr. Ramsey testified that assistive technology has become an increasingly essential component of special education with significant associated costs that all districts may not be able to afford.²⁹ Ms. Edling testified that assistive technology costs are often increased when substantial training is required for proper use of the equipment or when student needs are better identified or change over time.³⁰ Ms. Habecker testified about the importance of assistive technology for giving all students access to teaching and learning.³¹

Ms. Somerville testified that behavior support services and transportation for students with specialized transportation needs can also be very costly.³² Ms. Cowburn testified that transportation costs can be especially high for small school districts needing to bus their students who receive special education services in neighboring districts or the intermediate unit.³³ David Matyas, Business Administrator, Central Bucks School District, testified at the Commission hearing on July 25, 2013 that large school districts also face challenges in coping with high transportation costs due to the large number and diversity of students. Mr. Matyas testified that most special education transportation costs for students with disabilities are not funded through the state budget line item for school transportation.³⁴ Dr. John George, Executive Director of Berks County Intermediate Unit, testified at the Commission hearing on September 26, 2013 that special education transportation costs are influenced by distance traveled to special service providers, additional personnel needed to help the students, specialized equipment such as wheelchair lifts, and uncompensated transportation required for early intervention services by non-district programs.

Dr. Maria Edelberg, Assistant Executive Director at Delaware County Intermediate Unit 25, testified at the Commission hearing on July 25, 2013 about examples of the wide variety of services and supports needed for students with disabilities, including wrap-around mental health and behavioral supports, one-on-one speech and language therapy to improve communication, adapting written materials for students with limited vision, and optimal positioning of students who use wheelchairs as well as providing some upright movement. Dr. Edelberg also testified about legal limitations on teacher-student ratios and age ranges allowed within specialized classrooms, resulting in significant costs for multiple small instructional settings.

Program Modifications and Specially Designed Instruction

The IEP describes the specialized instruction, methods, and strategies that will be used by the school to help the child advance toward reaching the IEP goals, to be involved and make progress in the general education curriculum, and participate in extracurricular and nonacademic activities.

All supports and services must be "based on peer-reviewed research to the extent practicable" – research studies showing that the strategies are successful in helping children with similar needs to learn and make progress. Dennis McAndrews, Esq., Managing Partner, McAndrews Law Offices, testified at the Commission hearing on June 13, 2013 that many schools have not yet met this standard, meaning that more rigorous services may actually be needed for

²⁹ Testimony at the Commission hearing on June 13, 2013.

³⁰ Testimony at the Commission hearing on July 10, 2013.

³¹ Testimony at the Commission hearing on September 26, 2013.

³² Testimony at the Commission hearing on June 13, 2013.

³³ Testimony at the Commission hearing on July 10, 2013.

³⁴ Testimony at the Commission hearing on July 25, 2013.

students. Dr. Gustafson testified that “research-based practices really work and how do you put a price tag on that?”³⁵

Ms. Scafuro testified that the direct provision of specialized instruction and strategies for students are only one aspect of achieving successful results.³⁶ Equally important is the formal coordination of these strategies with all classroom teachers and the family, so that the child receives consistent support in all environments. Such coordination services can be time consuming and costly.

Extended School Year (ESY) Services

All children with a disability must be considered for ESY. ESY services may be appropriate for a child who loses skills over the summer or other school breaks or for a student who needs the extra time to learn skills that are crucial to receive an appropriate education. Ms. Edling testified that ESY services incur costs for teachers and building operations during months when these expenses may not otherwise occur.³⁷

Transition Planning

For children age 14 and older, the IEP must include – and the school must provide – services and supports needed to help the student achieve post-high school goals for higher education, employment, independent living, and community participation.

Ms. Oplinger testified that the additional expense of providing transition services through a student's twenty-first birthday allows the time and support they often need to make a successful transition to adult life, but that many schools lack the resources and funding needed to provide quality programs.³⁸ Dr. Jacayln Auris, Director of Student Services at Chester County Intermediate Unit 24, testified at the Commission hearing on July 25, 2013 that effective transition services often take place in natural environments outside of the traditional school building, requiring student supports that are not provided in regular school settings. She listed transition cost factors such as fees for learning how to use public services, rental of community-based life skills facilities, and behavior specialists and supports to facilitate acceptance into the community. Ms. Edling testified that the delivery of transition services sometimes involves costs for establishing job experience sites and coaches, as well as transportation during the school day.³⁹

Written Notices and Dispute Resolution Processes

Schools are required to give written notice to parents about most special education matters, providing explanations and offering opportunities to discuss the issues.

A variety of administrative processes exist to help schools and parents resolve disputes, including IEP team meetings, complaints to the Pennsylvania Department of Education's Bureau of Special Education, mediation services through the Pennsylvania Office for Dispute Resolution (ODR), and due process/special education hearings (also offered through ODR).

Ms. Scafuro testified that litigation costs have increased over the years, due to disagreements with parents.⁴⁰ Many disputes involve parent requests for private placement in very expensive

³⁵ Testimony at the Commission hearing on June 13, 2013.

³⁶ Testimony at the Commission hearing on July 25, 2013.

³⁷ Testimony at the Commission hearing on July 10, 2013.

³⁸ Testimony at the Commission hearing on August 22, 2013.

³⁹ Testimony at the Commission hearing on July 10, 2013.

⁴⁰ Testimony at the Commission hearing on July 25, 2013.

settings outside of the school district. Dr. Gustafson testified that a local education agency can count on a minimum cost of \$30,000 for the legal expenses involved with even a simple due process hearing for a single student.⁴¹ Mr. Weiss testified that schools often take defensive action by committing to provide costly services to a student in order to avoid litigation.⁴²

Early Intervention

Programs and services for children with disabilities or developmental delays from birth to age three are called "Early Intervention" (EI).

EI Preschool Services often continue supports for children from age three through their entry to kindergarten or first grade.

Nicolyn Habecker, Parent and Advocate, testified with her son Joshua at the Commission hearing on September 26, 2013 about the importance of funding to support the capacity of schools for sufficient communication and collaboration between families, EI providers, and LEAs at the time of transition between these programs.

Intermediate Units

The 29 Intermediate Units (IUs) in Pennsylvania provide a wide variety of special education services in support of local education agencies. Dr. Barry Galasso, Executive Director, Bucks County Intermediate Unit 22, testified at the Commission hearing on July 25, 2013 that each IU offers a somewhat different mix of services, including administrative supports, direct student instruction, various therapies and student supports, assistive technology, professional development for teachers, consulting expertise, and many other services. Dr. Edelberg testified that IUs often serve students with significant disabilities and costly educational needs.⁴³

Dr. Anthony Grieco, Executive Director of Luzerne Intermediate Unit 18, testified at the Commission hearing on July 25, 2013 about the zero-based budgeting method used by IUs to bill school districts for services provided to their students. This method incorporates all costs incurred by the IU for meeting the needs of each student, many with significant disabilities. When a particular school district experiences growth in related needs for students, IUs can help the district to bring these students back into the neighborhood school with appropriate services.

Dr. Auris testified that IUs provide services to charter schools and cyber charter schools, including on-line services for students and professional development for teachers in a central location.⁴⁴

Approved Private Schools

Nan Porter, School Director, Martin Luther School, testified at the Commission hearing on August 22, 2013 that approved private schools serve students with severe and complex disabilities who cannot have their needs met in local education agencies and who have otherwise struggled to stay successfully or safely in school.⁴⁵ 32 approved private schools operate in Pennsylvania, certified and licensed by the Commonwealth, serving over 3,500 students in day and residential programs. APS students represent the full range of disability types, but have the most complex needs within each disability type or have multiple disabilities.

⁴¹ Testimony at the Commission hearing on June 13, 2013.

⁴² Testimony at the Commission hearing on August 7, 2013.

⁴³ Testimony at the Commission hearing on July 25, 2013.

⁴⁴ Testimony at the Commission hearing on July 25, 2013.

⁴⁵ The information in this section reflects the testimony of Ms. Porter as well as Pennsylvania statutes found at 24 P. S. §§ 13-1371, 13-1372, 13-1376 and 13-1377 and state regulations for APS found at 22 PA Code Chapter 171.

Approved private schools also work with local education agencies as appropriate to support education of students in their neighborhood school when the more restrictive APS environment is not needed. Placement at an APS is decided by the IEP Team for the student, including the child's family and the local education agency.

Local education agencies can apply to the Pennsylvania Department of Education for approval of funding for an APS placement. PDE sets a different tuition rate for each APS in consideration of factors including costs to meet the needs of students served at the APS. Upon approval of funding, the state covers 60 percent and the LEA covers 40 percent of the APS tuition. LEAs can also place a student at an APS through the IEP process without seeking funding from the state, thus paying the full tuition rate. The state appropriates funding for the APS system through the annual budget process, with state law mandating that this line item receives an annual increase at the rate of 125 percent of the increase in the special education line item. For students with state-approved tuition payments, the LEA's share of the APS tuition is not actually sent by the LEA to the APS, but is withheld by the state from LEA funding to balance out the funding level in the APS budget line item. Due to the flat state funding of special education in recent years, most approved private schools now have limited slots for students with state-approved tuition payments.

Other Human Services Agencies

Local human services agencies also sometimes provide related services for school-age students with disabilities. These services may include case management, behavioral health, and supports for parents and families. The level of funding for these agencies has an influence on the special education costs of local education agencies. Dr. Auris and Dr. Edelberg testified that LEAs must pick up the costs to allow the student to learn and make progress under state and federal laws, if the services are needed by the student and the local human services agencies are unable to offer or pay for such services.⁴⁶ Karl A. Romberger, Jr., Esq., Sweet, Stevens, Katz, & Williams, New Britain, PA (Pennsylvania School Board Association), testified at the Commission hearing on September 26, 2013 that this arrangement often makes the LEA the "provider of social and behavioral health support services by default." The collaboration between LEAs and local human services agencies are especially important for students age 14 and older in need of transition services, aiming to avoid gaps in services as students enter adulthood.

⁴⁶ Testimony at the Commission hearing on July 25, 2013.

SUMMARY OF PENNSYLVANIA DATA ABOUT SPECIAL EDUCATION

Special education for students with disabilities is an important aspect of public education in Pennsylvania.⁴⁷ The size and scope of special education are considerable, presenting one of the largest influences on teaching, learning, funding, and overall school operations.

Statewide Enrollment

There are 268,466 students with disabilities receiving special education services in Pennsylvania public schools. This is 15.2 percent of the total 1.76 million public education students in the state. In other words, special education involves one out of every 6.5 students.

The composition of students eligible for special education by race and ethnicity is nearly the same as for all students in the state.

Race/Ethnicity	Special Education	All PA Public Education Students
American Indian / Alaskan Native	0.2%	0.2%
Asian	1.3%	3.3%
Black or African American	18.1%	15.4%
Hispanic	8.8%	8.7%
Multi-Racial	0.9%	1.9%
Native Hawaiian / Pacific Islander	0.0%	0.1%
White	70.7%	70.6%
STATEWIDE ENROLLMENT TOTAL	268,466 or 15.2%	1.76 million

Special education enrollment has grown and changed over the last 20 years. There have been significant shifts in the total number of students receiving special education as well as the percentage of all public education students in the state.

Pennsylvania Special Education Enrollment	1991-92	2001-02	2011-12
Special education students: Total Number	207,385	228,164	268,466
% of All Students	12.2%	12.9%	15.2%
Total number of all public education students	1.70 million	1.77 million	1.76 million

Dr. Conner testified that while enrollment has grown over time, many students also need more intensive services to meet their needs and additional supports for inclusion in regular

⁴⁷ The data in this section comes from the Pennsylvania Department of Education. All data is from 2011-12, the most recent year for which all categories of data are available, except where otherwise indicated. Data totals include all public education students in the state, unless otherwise indicated. See http://www.education.state.pa.us/portal/server.pt/community/data_and_statistics/7202. Also see <http://penndata.hbg.psu.edu/>.

classrooms.⁴⁸ Dr. Gustafson agreed that student needs have intensified due to changes in diagnosis and eligibility for special education, including mental health and behavioral health needs.⁴⁹ Mr. McAndrews testified that the teaching profession knows much more today about the science of how children with disabilities learn to read, write, compute, socialize, and behave, compared to 1975.⁵⁰ He explained that research has helped schools to better identify and serve student needs, and federal law was amended in 2004 to require special education instruction and related services to be based on peer-reviewed research wherever practicable.

Educational Setting

Most children with disabilities are included in regular classrooms and receive all or much of their academic instruction alongside students who do not have disabilities. Some children receive a portion of special education services in more intensive settings within their neighborhood school. Special education for a relatively small number of students is provided in separate day programs or residential schools dedicated to offering the most intensive services.

Educational Setting	% of All Special Education Students in PA
Inside regular classroom 80% or more of the day	62.2%
Between 80% and 40%	24.1%
Less than 40%	9.2%
In other settings	4.5%

Inclusion for students with disabilities has completely changed over the last 20 years. In 1991-92, only 1,119 students in Pennsylvania received special education services in a regular classroom for the entire school day. By 2001-02, 43 percent of students (totaling 98,241) were included in regular classes more than 80 percent of the day.

Ms. King testified that cost is often more closely associated with the kinds of support services needed by an individual student, rather than the educational setting itself.⁵¹ Louise Fick, Supervisor of Special Education, Parkland School District, testified at the Commission hearing on June 13, 2013 that there is a wide variety of students with disabilities within different settings in each local education agency, which affects cost.

⁴⁸ Testimony at the Commission hearing on June 13, 2013.

⁴⁹ Testimony at the Commission hearing on June 13, 2013.

⁵⁰ Testimony at the Commission hearing on June 13, 2013.

⁵¹ Testimony at the Commission hearing on June 13, 2013.

Student Disabilities

63 percent of all Pennsylvania students receiving special education services have either a speech-language impairment or a specific learning disability. 15 percent have an intellectual disability or autism.

Disabilities	Percent of all Special Education Students		
	1991-92	2001-02	2011-12
Autism	0.2%	1.3%	7.8%
Deaf-blindness	0.0%	0.01%	0.03%
Emotional disturbance	6.5%	7.0%	8.8%
Hearing Impairment	1.4%	0.9%	1.0%
Intellectual disability (mental retardation)	11.5%	9.1%	7.1%
Multiple disabilities	0.2%	0.8%	1.1%
Orthopedic impairment	0.6%	0.4%	0.3%
Other health impairment (affecting strength, vitality, alertness)	0.0%	1.1%	10.2%
Specific learning disability	30.1%	41.8%	47.9%
Speech or language impairment	20.0%	11.9%	15.1%
Traumatic brain injury	0.6%	0.1%	0.3%
Visual impairment	0.5%	0.4%	0.4%

As science and health care have progressed over the years, students are being identified for different kinds of disabilities. Twenty years ago, more students were identified as having a speech-language impairment, but fewer with a specific learning disability. Far more students were identified in the past as having an intellectual disability, while autism was almost unknown.

Mr. Matyas testified that Central Bucks School District and other local education agencies have experienced a large shift in students from lower cost disabilities to higher cost disabilities, greatly raising educational expenses despite stable overall special education enrollment totals.⁵²

Dr. Gustafson testified that one in fifty-five children are now identified with autism compared to one in ten thousand in the past.⁵³ Ms. Scafuro testified that many children with autism may have been misidentified in the past.⁵⁴ Ms. Edling testified that the number of students with autism in Montgomery County increased over 31 percent just between 2009 and 2012.⁵⁵

Academic Achievement

Because most students receiving special education have relatively "mild" disabilities and are included in regular classrooms for academic instruction, they are able to perform adequately on standardized tests. Of course, academic results require appropriate supports and services. Mr. McAndrews testified that this is demonstrated in school districts with more resources, where students with disabilities often have relatively strong test scores regardless of socio-economic

⁵² Testimony at the Commission hearing on July 25, 2013.

⁵³ Testimony at the Commission hearing on June 13, 2013.

⁵⁴ Testimony at the Commission hearing on July 25, 2013.

⁵⁵ Testimony at the Commission hearing on July 10, 2013.

factors.⁵⁶ In high-poverty school districts, students with disabilities generally have very low test scores. Statewide, students with disabilities demonstrate a large average achievement gap compared to students who do not have disabilities.

	Combined Average Reading And Math Passing Rate on PSSA	Market Value/Personal Income Aid Ratio (higher ratio indicates greater poverty)
50 poorest PA school districts	29% (special education students)	0.7796
50 wealthiest PA school districts	58% (special education students)	0.2135
Statewide Avg. – Special Ed	40%	NA
Statewide Avg. – All Students	74%	NA

Differences between Local Education Agencies

Different conditions exist for special education among the hundreds of local education agencies in Pennsylvania. For example, school districts face different situations than charter schools and cyber charter schools, as well as vocational technical schools. Great variation occurs from district to district and school to school.

First, the percentage of special education students compared to all students varies widely among local education agencies. Some school districts have a total student population with less than 10 percent of children receiving special education services. Other districts have over 25 percent of all students who receive special education. A similar range exists for other kinds of local education agencies.

Percent of Total Student Enrollment that Receives Special Education Services	Number of School Districts in PA
Under 10%	18
10% to 11.9%	49
12% to 13.9%	82
14% to 15.9%	129
16% to 17.9%	117
18% to 19.9%	70
20% to 21.9%	24
22% to 25.9%	7
26% and higher	4
<i>Statewide Average = 15.2%</i>	

Second, there is a great range in the number of students within each local education agency receiving special education services. Some school districts enroll less than 100 special education students. Others enroll more than 3,000. With some exceptions, the smaller size of

⁵⁶ Testimony at the Commission hearing on June 13, 2013.

most charter schools, cyber charter schools, and vocational technical schools means they enroll a relatively small number of students receiving special education.

Total Number of Students in the School District Who Receive Special Education Services	Number of School Districts in PA
Under 100	17
100 to 199	113
200 to 299	97
300 to 399	75
400 to 499	49
500 to 599	39
600 to 699	19
700 to 799	26
800 to 899	10
900 to 999	8
1,000 to 1,199	15
1,200 to 1,499	14
1,500 to 1,999	9
2,000 to 2,999	6
3,000 and over	3
<i>Reading SD = 3,169. Pittsburgh = 4,890. Philadelphia = 20,784.</i>	
<i>Statewide Average = 506.</i>	

Third, local education agencies show great differences in the racial composition, inclusion rate, and type of disabilities among their special education student population. Larger local education agencies typically enroll a greater number of students with a wider variety of disabilities and needs. Smaller LEAs face a more limited range of student needs, but may not have systems and resources in place to meet the needs of individual students who present less common disabilities. Two additional complicating factors include local rates for property taxes and poverty, reflecting the community's ability to generate local revenue to support public schools. No two LEAs are the same, when these multiple factors are considered.

Ms. Cowburn testified that schools in many of Pennsylvania's urban areas face high poverty, low property values, and high numbers of students with disabilities, making it difficult for local taxpayers to provide the resources needed to adequately fund special education services.⁵⁷ Mr. Griffith testified that similar challenges are faced by public schools nationwide.⁵⁸

⁵⁷ Testimony at the Commission hearing on July 10, 2013.

⁵⁸ Testimony at the Commission hearing on July 10, 2013.

<i>Example of Special Education Differences between LEAs</i>	
Eastern Lancaster School District	Lancaster School District
355 special ed students (11.5% of all students)	1,995 special ed students (18.4% of all students)
Autism. Emotional disturbance. Intellectual disability. Other health impairment. Specific learning disability. Speech-language impairment.	Same disabilities as Eastern Lancaster, plus – Hearing impairment; Multiple disabilities
85% of special ed students are White. 5% Black; 5% Hispanic	20% of special ed students are White. 22% Black; 57% Hispanic
64% of special ed students are inside regular classes for 80% or more of the day	56% of special ed students are inside regular classes for 80% or more of the day
27% of all students are in poverty	78% of all students are in poverty
13.8 equalized millage rate (property taxes)	24.4 equalized millage rate (property taxes)
\$4,577 in state special ed funding per special ed student	\$4,368 in state special ed funding per special ed student
\$11,398 annual special ed expenditures per student, not including regular ed & other costs.	\$11,910 annual special ed expenditures per student, not including regular ed & other costs

Expenditures for Special Education

Local education agencies spend different amounts on a per student basis for special education. Some school districts annually spend more than \$25,000 per student just for special education costs. Other districts spend less than \$7,000. These amounts do not include regular education costs incurred for children with disabilities. In addition, there are other expenses dedicated to meeting the needs of students receiving special education services. These additional expenses are not easily accounted for, but often involve accommodations for children included in regular classrooms, transportation costs, and other necessary costs.

Range of PER STUDENT Special Ed. Expenditures Not including regular ed. and other needed costs	Number of School Districts in PA
Under \$7,000	13
\$7,000 to \$7,999	34
\$8,000 to \$8,999	53
\$9,000 to \$9,999	82
\$10,000 to \$10,999	84
\$11,000 to \$11,999	67
\$12,000 to \$12,999	5
\$13,000 to \$13,999	33
\$14,000 to \$14,999	16
\$15,000 to \$15,999	23
\$16,000 to \$16,999	13
\$17,000 to \$17,999	12
\$18,000 to \$19,999	8
\$20,000 to \$24,999	8
\$25,000 and over	1
<i>Statewide Average = \$13,028</i>	

Ms. Cowburn testified that special education costs are the most rapidly growing part of the budget for local education agencies.⁵⁹ She explained that because of the strict legal mandates for special education services to meet the needs of students, local education agencies must often cut back on regular education spending to find resources in the budget for increasing special education costs. Amber Mintz Foote, Parent and Advocate, testified at the Commission hearing on September 26, 2013 that many LEAs also do not have the resources to provide needed special education services. Ms. Mintz said, "Schools are often in the uncomfortable position of having to say 'No' when they want to say 'Yes' because the money and staffing are just not there."

Revenue Sources for Special Education

Mr. Griffith testified that federal funding for special education is appropriated through the Individuals with Disabilities Education Act (IDEA). In 2012-13, federal funding for all states was \$11.7 billion.⁶⁰ Each state receives funding either based on its level of IDEA dollars in 1999 (hold harmless) or through a formula weighted 85 percent for total student enrollment and 15 percent for a count of students who are living in poverty (34 CFR 300.703). IDEA does not mandate any particular mix of state and local funding to cover the remaining special education costs, but states are prohibited from reducing special education appropriations.

Ms. Cowburn testified that for the 2011-12 school year, local education agencies in Pennsylvania spent \$3.3 billion on special education instructional costs.⁶¹ Total state funding was \$960 million and federal funding was \$340 million, meaning that local taxpayers provided \$2 billion of special education costs.⁶²

⁵⁹ Testimony at the Commission hearing on July 10, 2013.

⁶⁰ Testimony at the Commission hearing on July 10, 2013.

⁶¹ These costs are reported as Category 1200 according to state accounting procedures, and do not include other related expenditures for special education.

⁶² Testimony at the Commission hearing on July 10, 2013.

SPECIAL EDUCATION FUNDING FORMULAS IN OTHER STATES

Many states face funding challenges for special education similar to the situation in Pennsylvania. While a variety of formulas are used in different states, several common factors can help inform the development of a state funding system for special education by the Pennsylvania General Assembly.⁶³

Challenges Facing the States (including Pennsylvania)

Federal law requires schools to provide the supports and services needed for all children with disabilities to receive a free appropriate public education. In support of these standards, the federal government provided a national total of \$11.9 billion in special education funding in 2010-11.⁶⁴ Pennsylvania received \$451 million in federal funding for special education in that year. This amount was less than 14% of total expenditures for special education in Pennsylvania public schools.

State appropriations for special education are vital to students and schools because federal resources are far from sufficient. This places significant scrutiny on the fairness of state formulas used to distribute state special education dollars among local education agencies.

State funding systems also face challenges due to increasing numbers of students identified with disabilities. Nationwide, as in Pennsylvania, the number of students receiving special education services has grown in recent years. Improvements in research, medical treatment, and educational practices have led to higher identification rates in most states.

United States Special Education Enrollment	1990-91	2000-01	2009-10
Special education students: Total Number	4.7 million	6.3 million	6.5 million
% of All Students	11.4%	13.3%	13.1%
<i>See similar data for Pennsylvania on page 25 above.</i>			
Source: Natl. Center for Education Statistics at http://nces.ed.gov/fastfacts/display.asp?id=64 .			

In addition, all states now include students with disabilities in state academic assessment systems. Public release of standardized testing results places an emphasis on the educational needs and achievement gaps of students receiving special education services. This further increases the pressure on state funding systems.

State Mechanisms for Funding Special Education

State mechanisms for funding special education programs and services commonly aim to support the overall objectives of state and federal standards for educating children with disabilities. These standards include providing a free and appropriate public education in the least restrictive environment for students with disabilities along the full range of need. Because state funding formulas have the potential to impact a wide range of special education decisions by local education agencies, many states design their formulas to avoid giving incentives for

⁶³ Background information for this section was provided in testimony at the Commission's public hearing on July 10, 2013 by Michael Griffith, Senior Policy Analyst, Education Commission of the States (ECS) and at the hearing on September 26 by Deborah A. Verstegen, PhD, Professor, Education Finance & Policy, College of Education, University of Nevada. Additional background information was utilized from other ECS publications found at <http://www.ecs.org/html/IssueSection.asp?issueid=112&subissueid=57&ssID=0&s=What+States+Are+Doing>.

⁶⁴ See *U.S. Education Appropriations*, National Center for Education Statistics, http://nces.ed.gov/programs/digest/d12/tables/dt12_424.asp.

over-identifying students, classifying students into more severe disability categories, or moving students into more segregated settings based primarily on funding considerations.

States use one or more different mechanisms for special education funding. All of these approaches recognize that additional resources are needed to support the education of students with disabilities, above regular education expenditures. State funding is appropriated in some states:

1. *Through an independent state formula dedicated solely to special education, separate from the main school funding mechanism.*

Pennsylvania has long maintained an independent formula for special education. Thirty-one states follow this practice.

2. *By including special education students along with other cost drivers in the state's main funding formula.*

Pennsylvania has included students in poverty and English language learners within the main formula for Basic Education, but not students with disabilities. Eighteen states have "unified" formulas that include special education.

3. *Using additional budget line items to provide state funding for expensive programs or students with very high-cost special education needs.*

Pennsylvania operates the Contingency Fund for this purpose, as well as a separate line item in the budget for Approved Private Schools. Thirty-one states operate programs to provide additional funding for students with very high needs/costs or intensive programs such as extended school year services.

States with Independent Formulas for Special Education Funding

States use three general types of funding formulas for special education – Cost Approach; Census Approach; and Combined Approach.⁶⁵ Each state employs a unique variation on these basic formula types, so that no two states are identical. In addition, states often change their special education formula over time based on educational, funding, and other considerations.

The Cost Approach. This type of formula assumes that the state should distribute funding to local education agencies (LEAs) based on the costs associated with educating students with disabilities. The state often funds part of the total cost, with the LEA paying for the remainder from local and federal sources. Many states also put a cap on the costs funded for any particular LEA or for the state as a whole.

Costs are measured in different ways. Some states provide a flat dollar amount for every student. Other states assign a cost weight to different students based on their disability, type of placement,⁶⁶ or the intensity of services they need. The number of weights varies, ranging from three or fewer weights in some state formulas to more than a dozen in others.

⁶⁵ Studies use somewhat different ways to define special education formulas and to count the number of states using each formula type. A general estimate is that over 30 states use the Cost Approach, under 10 states use the Census Approach, and almost 20 states in total use a Combined Approach.

⁶⁶ States using placement-based formulas assign different relative costs for the education for students with disabilities in inclusive (regular) classroom settings and for education in separate (self-contained) settings. Some states estimate that inclusion costs more than separate settings or should receive greater fiscal incentives, while other states assume the opposite.

A few states use cost formulas measuring the total special education services provided by an LEA, rather than using a student basis for cost. Service cost or resource-based formulas usually measure student-teacher ratios or classroom units for different kinds of services.

Other states focus on actual expenditures, rather than direct costs. The formulas in these states provide "reimbursement" for a percentage of LEA expenditures for special education. States consider LEA expenditures that are approved by regulation or administrative review. Limits or caps are usually placed on the funding calculated by this approach.

The Census Approach. This type of formula provides funding based on the number of students receiving special education services in each LEA. Some states assume that all LEAs have the same percentage of students with disabilities. Pennsylvania has used the Census Approach for many years.

The Combined Approach. Many states combine the Cost and Census Approaches. A Combined Approach uses a formula or multiple appropriation line items that reflect both costs and student counts.

Student Variables. The number and type of student variables within independent special education formulas differ widely from state to state. Some states have twelve or more student variables, reflecting diverse categories of student cost, need, or enrollment. Other states have only one or two variables, meaning that several special education factors are aggregated into broader categories. States commonly set a weight for each variable and a base cost for the overall formula, although the values for these factors vary widely between the states. Some states balance these factors, setting higher weights to compensate for a relatively low base cost. Many states place a cap on each variable, providing funding based on actual student count or cost data for each local education agency up to a set level. Such caps protect against over-identification or excess costs. Because of the great variety in how states use and define student variables, there is little consistency between the variable weights utilized in different formulas.

States that Include Special Education within the Basic Education Formula

Rather than appropriating state funding through an independent special education formula, some states incorporate students with disabilities into the main formula for public education. The main formula then includes variables that distribute funding based on cost or enrollment data for special education. In this way, the same formula concepts described above are utilized within the unified funding system. Most states with a unified formula also appropriate funding through separate programs for especially high-cost special education students or services.

Separate Funding Systems for High Cost Students or Services

Many states recognize that no single formula can account for students with the most complex needs, far outside the range of average special education costs. A relatively small percentage of students have educational needs that require very expensive supports and services. Special education formulas are generally not designed to address these extraordinary situations.

States often establish separate mechanisms to provide funding for high-cost students. The definition of "high cost" varies from state to state, ranging from \$10,000 to over \$50,000 of total spending per student.

In addition, some states appropriate funding directed for special education services with extraordinary costs, such as extended year (summer) programs.

Most states limit the funding available for these high cost systems, using a percentage of the total cost, providing funding only over a set cost level, or capping the appropriations available in a given year. In these states, the claims by local education agencies usually exceed the funding available for distribution.

Trends in State Funding Formulas

It is difficult to discern any universal trends in special education formulas. Each state tends to have a unique approach to funding education for students with disabilities.

However, many states have attempted to increase the accuracy of their formulas in recent years. States seek greater accuracy by using up-to-date, data-based formula variables, rather than treating all students and schools as if they have the same needs. Formulas with multiple variables are generally more accurate than single-variable formulas.

Some states have moved away from formulas with variables based on student disability labels, such as autism or speech impairment. Research shows that disability types are often not correlated with cost or need for services. For example, some students with autism may require expensive services while other autistic students do not. Ms. Scafuro testified that "the disability does not drive the cost, the needs drive the cost."⁶⁷ Mr. Moss agreed, explaining that years ago the Pennsylvania Department of Education stopped using disability types to award resources from the Contingency Fund, because there was no relationship to actual cost or need.⁶⁸

Similarly, formulas based on the type of student placement may lack accuracy. Students who are fully included in regular classrooms may have a wide range of costs. Costs also vary for students receiving most services in a separate special education classroom.

One method for improving accuracy is to use a formula that considers the ability to pay of each local education agency. Some communities are better able to generate local funding than others to support their schools.

For a variety of reasons, some states are moving their independent special education formula into the main basic education formula, along with other student groups with higher educational costs.

Mr. Crossey testified that an effective special education formula should take into consideration the range of student needs and the actual cost of providing services.⁶⁹ Dr. Galasso testified that formula accuracy is important to support costs incurred by local education agencies, but may be difficult to fully achieve.⁷⁰ Special education costs tend to be highly fluid, changing during the course of a given school year as student needs change and as some students with disabilities move in and out of the school. Dr. Auris and Dr. Edelberg added that some LEAs may be able to establish a level of stable fixed costs, but this often requires a sizable student population with similar needs and may vary based on geographic region in the state.⁷¹ The cost of some special education services and staffing may be relatively consistent across the state, possibly aiding the accuracy of a state formula.

⁶⁷ Testimony at the Commission hearing on July 25, 2013.

⁶⁸ Testimony at the Commission hearing on August 7, 2013.

⁶⁹ Testimony at the Commission hearing on August 22, 2013.

⁷⁰ Testimony at the Commission hearing on July 25, 2013.

⁷¹ Testimony at the Commission hearing on July 25, 2013.

Balance Between Accuracy and Workability

The experience in some states shows that there are practical limits on the accuracy of special education funding formulas. A formula with twenty variables may distribute funding more accurately than a formula using two variables. But utilizing a complicated formula year after year may be unsustainable and difficult to administer, primarily because of the burden placed on the state and local education agencies to produce updated data.

Neighboring States

New Jersey uses an independent formula with a Census Approach.⁷² The New Jersey formula provides funding based on an assumption that all school districts have about 15 percent of their students receiving special education services. The formula is also weighted by local wealth, so that high poverty communities receive more state funding. In addition, the state separately provides additional funding to partially meet the needs of very high cost students.

New York includes two special education student variables within its overall unified Foundation Aid formula.⁷³ The state also provides separate funding to partially meet the needs of very high cost students.

Ohio uses an independent special education formula with a Cost Approach.⁷⁴ The formula contains six categories based on disability labels, each with a different student count and weight. The formula also includes variables reflecting school district cost factors, measured as an overall district share percentage. In addition, the state separately provides additional funding to partially meet the needs of very high cost students and also for transportation.

⁷² See the *School Funding Reform Act* and the *Special Education Funding System Analysis* posted on the website of the New Jersey Department of Education at <http://www.nj.gov/education/finance/>.

⁷³ See the *State Aid Handbook* posted on the website of the New York State Education Department at <https://stateaid.nysed.gov/>.

⁷⁴ See *State Funds for Special Education* posted on the website of the Ohio Department of Education at <http://education.ohio.gov/Topics/Special-Education/Federal-and-State-Requirements/Procedures-and-Guidance/Federal-and-State-Funding>.

SPECIAL EDUCATION FUNDING AND FORMULAS IN PENNSYLVANIA

Special education funding in Pennsylvania has experienced many changes over time. State funding levels have varied from year to year, along with the formulas used to distribute dollars to local education agencies. This section analyzes the trends in both funding and formulas for special education in Pennsylvania.

Annual Education Budget Line Items for Students with Disabilities

There are several line items in the state's annual education budget that are dedicated for services to students with disabilities.⁷⁵ Charter schools and cyber charter schools receive funding for special education not through a particular line item in the state budget, but through the school district where each student resides.

SPECIAL EDUCATION. The main line item in the state budget is the Special Education Appropriation. This line item funds four programs: (1) special education for school districts; (2) core services from Intermediate Units; (3) Institutionalized Children's Program of the Intermediate Units; and (4) the Special Education Contingency Fund providing grants by application to local education agencies for students with extraordinary costs. Also included are set asides for the reimbursement of special education wards of state students, out of state students and students in PRRI's.

In the 2013-14 budget, the total amount for this line item was \$1.027 billion. Special Education funding component received 92 percent of the line item. The other three remaining programs received a total of \$75.7 million or about 8 percent of the line item.

EARLY INTERVENTION. The state budget provides funding for Early Intervention services for young children from birth through age five with developmental delays. The 2013-14 budget includes \$222 million for these services.

SPECIAL SCHOOLS. The state budget contains independent line items for Pennsylvania Charter Schools for the Deaf and Blind (\$42 million in 2013-14) and Approved Private Schools (\$98 million).

OTHER LINE ITEMS. Many other line items benefit students with disabilities, along with all other students in local education agencies. Most students receive special education services in regular classrooms, ride the school bus, and eat in the lunchroom with their peers who do not have disabilities. In this way, the line items for basic education, pupil transportation, food services, and other programs are important to the quality of education for students with disabilities.

State Funding for Special Education

The state currently provides school districts with \$948 million in funding for special education. This equates to a statewide average of about \$3,530 per student receiving special education services.⁷⁶ In addition to Basic Education funding provided to each school district the state also provides school districts with \$948 million. Special education funding is not the only state revenue that can be used to support special education programs.

⁷⁵ Information about the 2013-14 Pennsylvania budget is found on the website for the Department of Education at http://www.portal.state.pa.us/portal/server.pt/community/education_budget/8699.

⁷⁶ Per student funding is estimated using the data for special education enrollment found on the PennData website of the Pennsylvania Department of Education (<http://penndata.hbg.psu.edu/index.aspx>) divided by the state funding data listed in the immediately preceding footnote.

State funding for special education has remained at the same level since 2008. Ms. Fick testified that special education funding has become much more of a local responsibility over the last several years as expenses continue to increase but state funding has been flat.⁷⁷ Funding increased by about 80 percent in total over the last 20 years, or an average of around 4 percent per year.⁷⁸

Special Education Funding for LEAs (millions of dollars)			
2008-09 through 2013-14	\$948	2001-02	\$788
2007-08	\$926	2000-01	\$715
2006-07	\$898	1999-00	\$666
2005-06	\$876	1998-99	\$626
2004-05	\$856	1997-98	\$562
2003-04	\$836	1996-97	\$533
2002-03	\$800	1995-96	\$502

There has been a wide range of funding increases received among the 500 school districts over the last 20 years. Funding for some districts has grown by over 150 percent (more than doubled), while other districts have received less than a 50 percent increase. As discussed below, these variations appear to be related to the many changes over time in the state's funding formula for special education and are not closely correlated to student enrollment, poverty, or other data-based factors. For example, some districts with significant enrollment and poverty growth have received among the smallest funding increases, while other districts with declining enrollment and poverty have received large funding increases.

Ms. Scafuro testified that the financial issues currently faced by local education agencies are making it more and more difficult to meet their service obligations and provide high quality programs to students with disabilities.⁷⁹ Mr. Crossey testified that school districts have responded by pulling funding from non-mandated regular education programs or raising local taxes in order to support special education programs.⁸⁰ In addition, differences in available funding between local education agencies lead to differences in the provision of special education services. Ms. Somerville also testified that if other districts had more funding available they would be more willing and able to provide the needed services for special education.⁸¹

Past Formulas Used to Distribute State Funding for Special Education

Excess Cost System⁸²

⁷⁷ Testimony at the Commission hearing on June 13, 2013.

⁷⁸ Pennsylvania data about funding levels over time, including data in the chart, are found on the website for the Department of Education at http://www.portal.state.pa.us/portal/server.pt/community/historical_files_and_reports/12951/special_education_funding/509062.

⁷⁹ Testimony at the Commission hearing on July 25, 2013.

⁸⁰ Testimony at the Commission hearing on August 22, 2013.

⁸¹ Testimony at the Commission hearing on June 13, 2013.

⁸² See 24 P.S. § 25-2509, Payments on account of courses for exceptional children.

Prior to 1991, Pennsylvania used the "excess cost" system to fund special education. The state paid school districts for the difference between special education costs and regular education costs. The formula included the actual number of students in special education and the actual costs in each district. Adjustments were made during the fiscal year to give extra funds needed or apply left-over funds to the next year. The excess cost system was intended to meet the actual needs for each school district.

Special education costs were perceived to increase rapidly under the excess cost system. There was no effective limitation on cost increases. As a result, the system may have included potential incentives for over-identification of students for special education and for using expensive programs.

Census System⁸³

In order to establish more predictability, in 1991 the state adopted a new mechanism for distributing special education funding. Under the "census system", the state paid school districts a supplement based on a formula. The formula assumed that 15 percent of all students in each district had mild disabilities and that 1 percent had severe disabilities.⁸⁴ Districts received a fixed amount of funding per assumed student⁸⁵ whether they had more or less than this 16 percent overall level. The census system did not count the actual number of students who received special education services. In some years, the formula included a higher payment rate for the one-percent category of students with severe disabilities.⁸⁶

Under the census system, the funding formula for special education changed in almost every year since 1991. Changes over time included:

- The state usually gave funding to every district at the same or a higher level as the year before. This is called "hold harmless." In addition, guaranteed minimum increases for districts were set between 1% and 5%, varying each year.
- From 1994 to 2001, the formula included factors that benefited districts with higher costs than the "average" district.
- From 1997 to 2001, the formula favored districts with high levels of poverty and high tax effort (equalized mills). After 2001, local poverty levels remained a factor, but equalized mills were not considered.
- From 1999 to 2002, the formula added a factor benefiting districts with very high numbers of students receiving special education services.
- Since 2000-01, the state has capped state funding and used the overall sixteen-percent factor to divide the total amount of any new funding between districts.
- The 2008-09 state budget was the last time that special education received an increase.⁸⁷ This was also the last year that a formula was used to distribute funding for special education. The level of state funding has remained the same since 2008-09.

⁸³ See 24 P.S. § 25-2509.5, Special education payments to school districts.

⁸⁴ In the first year of the census formula, but not in other years, the state assumed that 17 percent of all students have mild disabilities and 1 percent have severe disabilities.

⁸⁵ For example, in 1999-2000, the assumed percentage of students with mild disabilities (15%) was multiplied by \$1,315 and the assumed percentage of students with severe disabilities (1%) was multiplied by \$14,535. See 24 P.S. § 25-2509.5(u).

⁸⁶ After 1999-2000, the state generally stopped paying a higher rate for students with severe disabilities.

⁸⁷ See 24 P.S. § 25-2509.5(zz).

both statewide and for each school district.⁸⁸ Thus, at this time Pennsylvania does not actually use a special education funding formula.

Ms. Cowburn testified that many local education agencies currently do not receive a share of state funding that matches their level of need, based on the number of students with disabilities or their educational costs, which places more of the burden on local taxpayers in those communities.⁸⁹ As a result, tax increases occur at the local level. Ms. Cowburn explained that high-poverty communities with low property values and property taxes that are already very high are unable to effectively generate much more local revenue.

Ms. Wentzel testified that, given limited state funding and increasing costs, some local education agencies have sought to satisfy special education mandates by reducing the resources allocated to regular education programs.⁹⁰ She recommended that state funding should be more accurately distributed based on actual student enrollment, cost and service levels needed, school district wealth, and local tax burden. Mr. Matyas testified that school districts have little choice beyond reducing costs in other program areas to preserve special education services, due to legal mandates, increasing special education costs, flat state funding, and caps on property tax increases.⁹¹

Ira Weiss, Solicitor, Pittsburgh School District, testified at the Commission hearing on August 7, 2013 that special education funding reforms are needed and will "benefit families and communities by strengthening the education of all students, increasing instructional effectiveness, reducing dropout rates, improving student performance, and lowering long term societal costs."

Charter Schools and Cyber Charter Schools

Charter schools and cyber charter schools follow the same federal requirements for special education as all other public schools,⁹² although the funding is handled differently. Payments to charter schools by school districts are based on the school districts expenditures, not the charter schools cost of educating students.⁹³ The payments are made through the school district of residence for each student. When payment disagreements arise, the Department of Education may handle the reimbursements by withholding funding from the school district and passing it along to the charter or cyber charter school.

The funding rates are set by state law. The rate is different for each school district, based on its average per-student expenditure for regular education plus an additional amount representing its average per-student expenditure for special education. The special education amount uses an assumed 16 percent of average daily membership of students, not enrollment. Ms. Cowburn testified that this system penalizes school districts with more than 16 percent of students receiving special education services, forcing them to pay a much higher rate to charter schools than actually occurs in the district.⁹⁴

⁸⁸ See 24 P.S. § 25-2509.5(aaa).

⁸⁹ Testimony at the Commission hearing on July 10, 2013.

⁹⁰ Testimony at the Commission hearing on July 10, 2013.

⁹¹ Testimony at the Commission hearing on July 25, 2013.

⁹² Special education costs may be lower at charter schools and cyber charter schools, because they are exempted from some state requirements for school districts (such as class size and age range). See 22 Pa. Code Chapter 711.

⁹³ See 24 P.S. 17-1725-A, Funding for charter schools. Also see state regulations (22 Pa. Code Ch. 711.9) and basic education circulars (BEC-Charter Schools, 24 P.S. Section 17-1701-A and BEC-Cyber Charter Schools, 24 P.S. Section 17-1741-A), found online at

http://www.portal.state.pa.us/portal/server.pt/community/charter_school_regulations/7359.

⁹⁴ Testimony at the Commission hearing on July 10, 2013.

Special Education Contingency Fund⁹⁵

The Contingency Fund provides additional state funding for local education agencies (LEAs) with extraordinary special education program expenses for students with significant disabilities. Each LEA can annually apply for funding for individual students through the Department of Education. The Department has discretion over the approval process, based on standard procedures established by the Secretary of Education. When an application is received by the annual deadline and approved, funding is often provided below the requested amount due to limited overall state appropriations.

The total amount of statewide funding for the Contingency Fund is appropriated each year as a small percentage of the special education line item in the budget. The percentage has been set at 1 percent in recent years, although this was higher in the past. Total funding available for distribution to LEA's is \$9.3 million for 2013-14.

Ms. Flick, Ms. Gustafson, and Ms. Somerville testified that funding received through the Contingency Fund can be unpredictable from year to year, with a local education agency receiving much less funding in some years than in others despite stable or increasing student needs.⁹⁶ Ms. Wentzel testified about similar concerns.⁹⁷ Dr. Galasso and Dr. Grieco testified that the Contingency Fund should be expanded or additional resources provided in other ways for students with extraordinary costs, with emphasis on an equitable and transparent process for distributing these dollars.⁹⁸

Richard Moss, Chief, Division of Technical Assistance and Improvement – Central, Pennsylvania Department of Education (PDE), testified at the Commission hearing on August 7, 2013, that PDE advises local education agencies to not count on the Contingency Fund as part of their annual budgeting process.

Dr. Ronald Wells, Special Education Advisor, Pennsylvania Department of Education, testified at the Commission hearing on August 7, 2013, that the Contingency Fund was established by state statute in 1991.⁹⁹ Dr. Wells explained that local education agencies apply to PDE for reimbursement of instructional costs and related services included in the individualized educational program (IEP) for the student. There are certain cost factors deducted from each application, so that any award from the state is in the form of a partial match for total spending on each child. The LEA's aid ratio is used to weight the approved funding level, but is not used to determine which applications are approved. The total award is limited to a maximum of \$150,000 per LEA,¹⁰⁰ which could include one or more students. An LEA cannot access additional funds above the cap, regardless of the number of high-cost students enrolled in its schools. Applications received before the annual deadline are considered and approved starting with those having the highest net cost after deductions, causing the available funding to be expended before many lower-cost applications are reviewed.

Dr. Wells further testified that in 2012-13 a total of 788 applications were received from 199 LEAs. Many LEAs choose to not apply to the Contingency Fund, due to the low amount of available funding. 236 requests were approved through the Fund for 122 LEAs. 17 LEAs received the maximum allotment of \$150,000. In 2012-13, the number of very high cost

⁹⁵ See 24 P.S. § 25-2509.8. Also see Guidelines published by the Department of Education at http://www.portal.state.pa.us/portal/server.pt/community/special_education/7465/contingency_fund_information/6113

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⁹⁷ Testimony at the Commission hearing on June 13, 2013.

⁹⁸ Testimony at the Commission hearing on July 10, 2013.

⁹⁹ Testimony at the Commission hearing on July 25, 2013.

⁹⁹ 24 P.S. § 25-2509.8 Extraordinary special education program expenses.

¹⁰⁰ The limit is \$300,000 for the School District of Philadelphia.

applications (more than \$100,000 after cost deductions) for individual students was more than four times higher than six years earlier – an increase of over 400% since 2007-08.

Mr. Moss testified that PDE changed the application review process after 2006-07 to prioritize funding approval for the highest cost students and to weight the funding for approved applications using the aid ratio. Before that time, PDE had approved nearly all applications but funded only a very small percentage of each request. Mr. Moss testified that the current Contingency Fund system is not set to be equitable between LEAs of different total enrollment or special education enrollment.

STUDENT-BASED FORMULA FACTORS AFFECTING COST AND EXPENDITURES

Special education costs and expenditures for local education agencies are affected by student-based factors. The state formula used to distribute funding should take at least some of these factors into consideration. The objective for using a formula is to distribute state funding according to the relative needs of students and schools.

Act 3 Instructions

Pennsylvania Act 3 of 2013 (House Bill 2) contains instructions for possible student-based factors that may have an impact on special education funding.¹⁰¹ In compliance with Act 3, the Commission considered the factors discussed below.

Relative Cost for Students

Students receiving special education services cost more to educate than students who do not have disabilities or a need for these services. The additional costs vary for each individual student based on their personal needs for accommodations and supports.

Some students with disabilities have relatively simple needs and require special education services that are only a little more costly than students who do not have a disability. Other students have more complex disabilities and thus require very costly services. There is potentially a different cost for each child based on his or her unique needs. Most importantly, the composition of students varies among local education agencies.

Mr. Weiss testified that state funding for special education should be distributed in recognition of the enrollment levels of students with disabilities as well as their needs and service costs in different local education agencies.¹⁰² Mr. Weiss concluded that "Not all students cost the same and the formula should include weighting for higher costs." Susan Gobreski, Executive Director, Education Voters PA, testified at the Commission hearing on September 26, 2013 that the special education formula should include factors reflecting different levels of community poverty and student costs.

Ms. Resh testified that every student should get appropriate special education services regardless of the school district in which they reside.¹⁰³ "When special education funding reform ensures that funding is allocated based on current enrollment of special education students and the level of disability and need these students have, districts will be able to rise to the challenge." Ms. Tomko testified that fair distribution of special education funding by the state will help ensure that schools can give all children with disabilities the services they need, instead of the current system in which under-funded schools may not provide the same level of services when their families are unable to actively advocate for more.¹⁰⁴

Student Cost Categories

Pennsylvania has nearly 270,000 students receiving special education services in local education agencies. It is not practicable to design a mechanism to distribute state funding that

¹⁰¹ See Public School Code of 1949 – Omnibus Amendments, Act of Apr. 25, 2013, P.L. 12; No. 3, Section 122(h) and Sections 122(i)(6), (7) and (8).

¹⁰² Testimony at the Commission hearing on August 7, 2013.

¹⁰³ Testimony at the Commission hearing on August 22, 2013.

¹⁰⁴ Testimony at the Commission hearing on August 22, 2013.

directly considers the needs of each individual student and the cost impact of their unique needs on the schools in which they are enrolled. For this reason, funding formulas used in other states create broad student categories reflecting a range of student needs for special education services.

Act 3 includes three student categories, varying by intensity in the range of services required by students with disabilities.¹⁰⁵ Cost Category 1 includes “students with disabilities typically requiring the least-intensive range of services.” Cost Category 2 includes “students with disabilities typically requiring a middle range of services.” Cost Category 3 includes “students with disabilities typically requiring the most intensive range of services.”

Defining the student categories by cost and intensity of services is an effective way to ensure the funding formula distributes resources according to the special education costs and expenditures incurred by local education agencies. LEAs with higher costs and expenditures should receive a larger share of state funding than LEAs with lower levels of need.

Ms. Edling testified that breaking special education costs into categories would move Pennsylvania’s formula in the direction of providing resources where they are needed.¹⁰⁶ Ms. Cowburn testified and emphasized that “a whole mind set has to change” so that the funding system is paying for services where they are delivered for students.¹⁰⁷

In order to provide for an accurate funding formula, other states use different definitions for student cost categories.¹⁰⁸ The variety of approaches includes categories based on intensity of services, type of placement, student-teacher ratios, and actual expenditures.

Several states have moved away from using formula categories based on student disability labels.¹⁰⁹ In general, disability types are not an accurate measure of cost or intensity of services. Mr. Ramsey testified that students are idiosyncratic with a wide range of individualized needs for each kind of disability.¹¹⁰ For example, a student with autism may require more or less intensive services than a student with a “specific learning disability”. In addition, the cost and intensity of services often change from year to year for each individual student, although the disability label assigned to them remains the same. Many students require less intensive services as they get older, learn more, and progress into higher grade levels.

There is an inherent limitation on the high cost category created as part of any funding formula. A relatively small number of students with disabilities have extraordinary educational costs. Some students may require special education services costing more than \$100,000 in each year. The high cost category in the formula is not likely to accurately reflect the needs of these students and the schools responsible for their education. For this reason, many states use a separate funding mechanism to provide additional resources for local education agencies outside of the special education formula. In Pennsylvania, the Contingency Fund may serve this purpose.

¹⁰⁵ See Act 3, Section 122(i)(6)(i).

¹⁰⁶ Testimony at the Commission hearing on July 10, 2013.

¹⁰⁷ Testimony at the Commission hearing on July 10, 2013.

¹⁰⁸ See Special Education Funding Formula on Other States Section above for more information on this topic.

¹⁰⁹ Students receiving special education services are each assigned a label representing the nature of their primary disability. Students are labeled as “autism”, “emotional disturbance”, “orthopedic impairment”, “specific learning disability”, or one out of the dozen different labels provided by state and federal law.

¹¹⁰ Testimony at the Commission hearing on June 13, 2013.

Weighting Factor for Each Category

A funding formula that contains more than one student category requires the assignment of a different weight for each category. The purpose of the weight is to accurately distribute funding based on the relative needs of students and schools.

Act 3 states that the formula may include “a weighting factor that differs for each of the three cost categories of students with disabilities based on the typical range of services for each cost category.”¹¹¹

The weights used in the special education formulas of other states cover a wide scope of values and measures. The weights are given different values based on the number of student categories in the formula, the definition and scope of each category, the use of other formula variables, and other factors.

In general, student categories reflecting higher costs are assigned a weight of greater value. For example, a low cost category may have a weight of 1.1, reflecting student and school needs slightly above the needs of students who do not have disabilities. A high cost category may have a weight of 5.1, reflecting much greater student and school needs.

Student Enrollment Count

The final formula factor involves the number of students in each category for local education agencies. Using student enrollment counts can help to increase the accurate distribution of state funding, so that LEAs with more students receive a greater share of the resources.

Ms. Fick and Ms. Somerville testified that some LEAs attract more students with complex and costly needs, due to the high quality of the special education services offered in their schools, with families moving into the community in order to access these services.¹¹² Ms. Weiss also testified that this circumstance is a significant cost driver for special education in many school districts.¹¹³ Mr. Sarandrea testified that Pennsylvania school districts bordering on Ohio attract families moving across the state line to access better quality special education programs available in Pennsylvania.¹¹⁴

There are two possible complications with the use of student enrollment counts. First, most states are careful to avoid creating incentives for LEAs to over-identify students or artificially inflate costs. When real student counts are used in the formula, states often adopt monitoring protocols and protections to discourage LEAs from shifting students away from lower cost categories with lower weights in the formula (and into higher cost categories), thus attracting a greater share of funding. Pennsylvania adopted such protections as part of Act 3.

Second, states often seek to avoid placing new bureaucratic data reporting requirements onto LEAs. A real student count for each category has the potential to require LEAs to report detailed data needed for operating the funding formula, unless such data is already collected by the state.

For these two reasons, some states utilize student enrollment averages within the special education funding formula. An enrollment count average can involve a statewide percentage of students receiving special education or a statewide percentage of all students enrolled in all local education agencies (not just students with disabilities). In Pennsylvania, the Census System of funding assumed that special education enrollment in all school districts was at the

¹¹¹ See Act 3, Section 122(i)(6)(iii).

¹¹² Testimony at the Commission hearing on June 13, 2013.

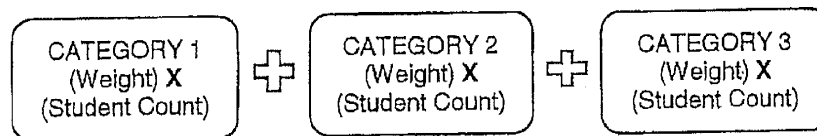
¹¹³ Testimony at the Commission hearing on August 7, 2013.

¹¹⁴ Testimony at the Commission hearing on August 7, 2013.

same rate of 16 percent. Such assumed percentages greatly reduce the accuracy of the formula.

Building a Formula with Student-based Factors

A typical formula using student-based factors will look something like the following illustration:



Base Cost Factor

Some states apply a base cost to multiply by the various student factors in the formula. The base cost typically reflects the average cost to educate a student without disabilities. Some states add special education student costs to a base cost in the formula in order to reflect the additional costs associated with special education.

Act 3 does not include a base cost factor. In adopting Act 3, the General Assembly determined that other methods can be used to accurately distribute special education funding among local education agencies in Pennsylvania.

LEA FORMULA FACTORS AFFECTING COST & ABILITY TO PROVIDE SERVICES

A variety of community-based factors affect special education costs for local education agencies and the ability of LEAs to provide services to students with disabilities. Some of these factors should be part of the state's special education formula, in order to distribute funding according to the relative needs of students and schools.

Act 3 Instructions

Pennsylvania Act 3 of 2013 (House Bill 2) contains instructions for possible community-based factors that may have an impact on special education funding.¹¹⁵ In compliance with Act 3, the Commission considered the factors discussed below.

Relative Capacity of Local Education Agencies

Local education agencies face different conditions for the provision of special education services. For example, the level of poverty varies throughout the state. Some communities have much lower levels of local wealth and more students living in poverty. Local property taxes are also much higher in some communities, often the same places with high poverty. In addition, the local cost of living can vary between communities, with higher prices for the same goods and services.

These factors can make it much more expensive for some LEAs to provide special education services. Many states include community-based variables in their special education funding formulas, in order to accurately distribute resources and provide all schools with the ability to provide quality services to students with disabilities.

Mr. Crossey testified that an effective state formula should take into account the local wealth of school districts and their ability to pay for special education programs.¹¹⁶

Community Poverty

The overall level of community poverty imposes additional educational challenges and costs on local education agencies. Students in poverty, especially children with disabilities, tend to have more complicated academic needs.

Act 3 includes a factor designated as the market value/personal income aid ratio. The aid ratio is commonly used within education funding formulas in Pennsylvania. It is defined by state law¹¹⁷ to represent the relative wealth (market sales value of local real estate and personal income of residents) of a particular community in relation to the state average.

John Sarandrea, Superintendent, New Castle Area School District, testified at the Commission hearing on August 7, 2013 that there is a correlation between the percentage of students needing special education services and the aid ratio of the community in which the local education agency is located.

¹¹⁵ See Public School Code of 1949 – Omnibus Amendments, Act of Apr. 25, 2013, P.L. 12, No. 3, Section 122(h) and Sections 122(i)(6), (7) and (8).

¹¹⁶ Testimony at the Commission hearing on August 22, 2013.

¹¹⁷ 24 P.S. § 25-2501(14.1), Definitions.

Local Tax Effort

Communities often have high local tax rates because local poverty and other conditions make it difficult to generate sufficient revenue to support quality schools. Many Pennsylvania communities with very high local taxes are still unable to fund their schools at the same level as more wealthy communities.

Act 3 uses the equalized millage rate to reflect local tax effort. This factor is defined in state law¹¹⁸ to reflect the total local school taxes collected by a school district divided by the market value of local real estate.

Mr. Sarandrea testified that, in many high poverty communities, the local tax base is shrinking and is “maxed out,” so that it is not an option to support special education costs by raising local taxes.¹¹⁹

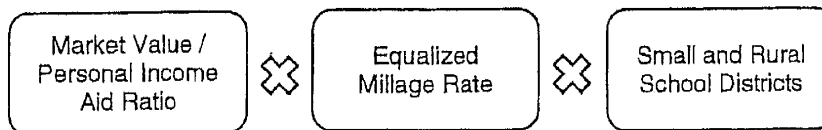
Other Factors

Some states include other community-based factors in the formula. Other factors reflect conditions in local education agencies (LEAs) that are very small, rural, rapidly growing, or with large achievement gaps.

The Commission heard testimony from many witnesses that small and rural conditions in Pennsylvania have an impact on special education costs. Ms. Fick testified that small school districts may not be able to offer the full range of special education services that are available in larger districts.¹²⁰ Ms. Wheat and Mr. Weiss testified that small school districts may not benefit from the same efficiencies in service provision that larger districts experience.¹²¹ Ms. Cowburn testified about the transportation costs incurred by small and rural districts needing to bus students for special education services outside of the district.¹²²

Building a Formula with LEA Factors

A typical formula using community-based factors will look something like the following illustration:



Local Cost of Living

Throughout Pennsylvania, there are price differences for the same goods and services. It costs more in some communities to purchase school supplies and to pay teacher salaries and benefits. Special education expenses are sensitive to cost of living differences, because local education agencies must obtain most products and services in the local marketplace to meet the needs of students with disabilities.

Other education formulas in Pennsylvania do not currently use a factor for geographic price differences. The state does not have a well-tested measure for this data.

¹¹⁸ 24 P.S. § 25-2501(9.2), Definitions.

¹¹⁹ Testimony at the Commission hearing on August 7, 2013.

¹²⁰ Testimony at the Commission hearing on June 13, 2013.

¹²¹ Testimony at the Commission hearing on August 7, 2013.

¹²² Testimony at the Commission hearing on July 10, 2013.

ISSUES INVOLVING POSSIBLE OVER-IDENTIFICATION OF STUDENTS

State and Federal law prohibit public schools from using special education programs and funding to serve children who are not qualified for special education. In addition, government policies provide for monitoring of local education agency practices to identify circumstances where schools may over-identify students for special education by gender, race, family income, and type of disability. Such policies are intended to ensure that student needs are met in appropriate ways and that limited resources are allocated efficiently and without waste or manipulation.

School Districts

The Commission did not hear any testimony to indicate the current practice of over-identification in school districts within Pennsylvania.

Over-identification may have been a concern when the Excess Cost System was used in Pennsylvania prior to 1991. Since that time, special education funding has been distributed in the Commonwealth through a Census System. Mr. Griffith and Dr. Versteegen testified that Census Systems are commonly adopted by states as a reaction to cost drivers such as over-identification.¹²³

Bernie Miller, Director of Education Services, Pennsylvania State Education Association, testified at the Commission hearing on August 22, 2013 that school districts no longer have an incentive to over-identify students, partly because the science of special education has improved and drives the decision-making process.¹²⁴

Ms. Cowburn testified that "school districts have absolutely no reason to over-identify students for special education."¹²⁵ She explained that special education revenue received from state and federal sources do not cover the districts' costs.

Charter Schools and Cyber Charter Schools

The Commission received testimony from many witnesses about potential incentives for over-identification in Pennsylvania's current funding system for special education in charter schools and cyber charter schools. Officials for school districts, charter schools, and cyber charter schools generally agreed about how the current system works, although there was no consensus about the impact of the system on how students are identified for special education.

David Lapp, Staff Attorney, Education Law Center, testified at the Commission hearing on September 26, 2013, summarizing the issues based on his experience: "The current charter school funding mechanism provides charter schools the same funding for each student with a disability, regardless of the severity of that student's disability. This creates a strong incentive to over-identify students with less costly disabilities and to under-identify (or under-enroll) students with severe (or more costly) disabilities. A student with a mild disability can be a financial boon to a charter school, given that the funding the charter receives will exceed the charter's cost to educate the child. In contrast, when a charter school does enroll a student with a severe disability, the funding may be inadequate. This creates a disincentive for charters to serve students with severe disabilities."

¹²³ Testimony at the Commission hearings on July 10 (Griffith) and September 26 (Versteegen).

¹²⁴ Testimony at the Commission hearing on August 22, 2013.

¹²⁵ Testimony at the Commission hearing on July 10, 2013.

Kevin Corcoran, Assistant Head of School, Agora Cyber Charter School, testified at the Commission hearing on September 26, 2013, that “93 percent of our special education students arrived at our school with IEPs from their school district of residence.”

Lawrence Jones, Jr., CEO, Richard Allen Preparatory Charter School, testified at the Commission hearing on September 4, 2013, responding to allegations that some charter schools have “gamed the system” to get more funding for special education. He testified that “if this is happening it is shameful, unethical and violates the spirit of Free and Appropriate Public Education” under IDEA. Nicole Snyder, Esq., Latsha Davis & McKenna (Pennsylvania Coalition of Public Charter Schools), testified at the Commission hearing on September 26, 2013 that charter schools comply with state and federal laws for special education, just as school districts do.

Larry Sperling, CEO, Philadelphia Academy Charter School, testified at the Commission hearing on September 4, 2013, about the significant costs for special education expended in his school to meet the needs of students with a wide variety of disabilities. Mr. Sperling explained that Philadelphia Academy Charter School has developed a reputation for providing excellent special education services.

Dr. Maurice Flurie, CEO, Commonwealth Connections Academy, testified at the Commission hearing on September 4, 2013, that special education costs for cyber charter schools “are not less, but rather they are different from those incurred in ‘bricks and mortar’ settings.” Mr. Flurie provided several examples of very high-cost students served through special education by Commonwealth Connections Academy. He noted that many of these students, while enrolled at the Academy, are served by costly private placements and not by the cyber charter school itself.

Nicholas D. Torres, CEO, Education Plus Academy Cyber Charter School, testified at the Commission hearing on September 26, 2013, about the success of the unique “blended approach of virtual and face-to-face learning” employed at his school, focusing on the special education needs of students with learning disabilities. Mr. Torres also said that his school sometimes spends more or less for the special education costs of a given student than the funding actually received from the district of residence. This point was also made by Mr. Corcoran about how funding is utilized by Agora Cyber Charter School, where many students cost less than the funding received but a smaller number of students cost much more.¹²⁶

Hannah Barrick, Director of Advocacy, Pennsylvania Association of School Business Officials, testified at the Commission hearing on September 4, 2013 that the flat rate for special education tuition paid by school districts to charter schools regardless of actual student disability or cost may create potential incentives for over-identification.

Other school district officials also testified on this issue. Mr. Weiss testified that charter schools are funded based on the full special education tuition rate regardless of the level of services actually provided to students with disabilities.¹²⁷ This imposes significant costs on school districts. Ms. Scafuro testified that Central Bucks School District often pays more to a charter school or cyber charter school for special education than the costs would have been to educate the child in the school district itself.¹²⁸ This occurs because many of these children have relatively low cost special education needs. Ms. Cowburn and Mr. Crossey testified that special education in charter schools should be funded based on the actual costs of students they serve, not average costs.¹²⁹ On behalf of the Pennsylvania Coalition of Public Charter Schools, Ms.

¹²⁶ Testimony at the Commission hearing on September 26, 2013.

¹²⁷ Testimony at the Commission hearing on August 7, 2013.

¹²⁸ Testimony at the Commission hearing on July 25, 2013.

¹²⁹ Testimony at the Commission hearing on July 10, 2013 (Cowburn) and August 22, 2013 (Crossey).

Snyder testified that a "tiered or cost approach" to special education funding would be encouraged by charter schools and cyber charter schools.¹³⁰

Ms. Fick, Dr. Gustafson, and Ms. Somerville testified that students with disabilities often re-enroll in their school districts after an unsuccessful experience with special education in a cyber-charter school.¹³¹ While the student is enrolled at the cyber charter school, the home district receives almost no information about the special education services provided, even though the district must pay for the tuition. They testified that cyber charter schools may not provide the same level of services as the home school district, creating extra costs for the district to help the student catch up after returning.¹³² Ms. Cowburn testified about similar issues.¹³³ Mr. Sarandrea testified that similar trends occur in western Pennsylvania.¹³⁴

Dr. Auris testified that Intermediate Units frequently provide special education services for students enrolled in charter schools and cyber charter schools, including full-time all-day services in classrooms located in the IU facility.¹³⁵ The charter schools pay the IU for these services. Ms. Snyder and other charter school officials testified about the challenges they have in obtaining services from some Intermediate Units, forcing the charter school to acquire services from other providers and driving up their costs for special education.¹³⁶

Ms. Gobreski testified that the problems in the current system can be addressed by applying the same principles and structure for a funding formula to both school districts and charter schools.¹³⁷ Ms. Snyder, Mr. Corcoran, and other witnesses emphasized that the current special education funding system for charter schools and cyber charter schools involves a regular education reimbursement component which includes less than the full amount of regular education expenses from school districts.¹³⁸

¹³⁰ Testimony at the Commission hearing on September 26, 2013.

¹³¹ Testimony at the Commission hearing on June 13, 2013.

¹³² Testimony at the Commission hearing on June 13, 2013.

¹³³ Testimony at the Commission hearing on July 10, 2013.

¹³⁴ Testimony at the Commission hearing on August 7, 2013.

¹³⁵ Testimony at the Commission hearing on July 25, 2013.

¹³⁶ Testimony at the Commission hearing on September 26, 2013.

¹³⁷ Testimony at the Commission hearing on September 26, 2013.

¹³⁸ Testimony at the Commission hearing on September 26, 2013. See 24 P.S. 17-1725-A, setting charter reimbursement rates for regular education using "the budgeted total expenditure per average daily membership . . . minus the budgeted expenditures of the district of residence for nonpublic school programs; adult education programs; community/junior college programs; student transportation services; special education programs; facilities acquisition, construction and improvement services; and other financing uses, including debt services and fund transfers." The same net regular education amount is also part of current law for special education reimbursement for charter schools and cyber charter schools, with average special education expenditures added to the net regular education amount.

CORE PRINCIPLES FOR A NEW SPECIAL EDUCATION FUNDING FORMULA

As described above, the Commission is charged by Act 3 with developing a special education formula based on several essential factors. The testimony presented to the Commission illustrates the importance of these factors and related issues from witnesses at the Commission's hearings. In addition, Act 3 places certain limitations on the authority of the Commission. Within these guidelines and limitations, this section lays out the core principles considered by the Commission in developing a new special education funding formula for Pennsylvania.

The Commission finds that Pennsylvania's special education funding formula should take into consideration the following core principles:

Meet the Needs of Students and Schools

The formula should be designed to meet the needs of students and schools.

Provide Accuracy

The formula should provide a reasonable level of accuracy in distributing state resources to local education agencies based on need.

Consider Changing Conditions

The formula should contain variables that reflect changes in student population and community conditions, in order to remain a viable and effective funding system over time.

Section 122(k) of Act 3 also provides a mechanism for periodic review of the formula by the General Assembly. The Commission will be reconstituted every five years to meet, hold public hearings, review the operation of the special education funding formula, and make a report with recommendations for legislative action.

Achieve Sustainability and Workability

The formula should be simple to use, easy to understand, and avoid placing an excessive administrative burden on the state and local education agencies, in order to remain a consistent, practical, and effective system over a period of many years.

There is an inherent balance between accuracy and workability. Compromise on both principles is necessary to construct a sustainable and effective system.

Protect Against Over-identification and Other Unintended Consequences

Any funding formula inevitably creates incentives that influence the decisions of school officials. The special education formula should encourage compliance with best practices and legal standards. Schools should not be motivated by the formula to over-identify or under-identify students with disabilities, nor to withhold services needed by students or provide unnecessary services.

Limitations in Act 3

The special education formula developed by the Commission shall not go into effect unless the formula is approved by an act of the General Assembly enacted after the effective date of this section. *Section 122(j).*

The General Assembly shall, through the annual appropriations process, determine the level of State funding for special education and the amount of any change in funding. The special education formula developed under this section shall determine only the distribution of any increase in special education funding among the school districts of this Commonwealth above the amount of special education funding in the base year (2010-11) and shall not be used for any other purpose. *Section 122(l).*

For the 2013-14 school year and each school year thereafter, any State funding for special education in an amount that does not exceed the amount of State funding for special education in the base year shall be allocated in the same manner as the State funding was allocated in the base year (2010-11). *Section 122(m).*

Nothing in the provisions of this Act (Act 3) shall alter Federal or State law regarding the protections provided to an eligible student for receiving education in the least restrictive environment or shall alter the legal authority of individualized education program teams to make appropriate program and placement decisions for eligible students in accordance with the individualized education program developed for each eligible student. *Section 2509.17.*

FINAL RECOMMENDATIONS

This section contains the recommendations of the Commission for developing a special education formula with factors that will be used to determine the distribution of a change in special education funding among the local education agencies in the Commonwealth.

As described above, the Commission held public hearings throughout the state and received testimony from over 50 witnesses about the various considerations for developing a new special education formula. In addition, the Department of Education and the Independent Fiscal Office assisted the Commission in performing a thorough survey of local education agencies¹³⁹ to evaluate special education funding and the distribution of costs among students and LEAs based on need. The Commission used the expert testimony received and the survey data to help determine the proper structure of the proposed new funding system.¹⁴⁰

Overall Structure of the Special Education Formula

Special education should remain as an independent line item in the state budget with its own formula. It should not be combined with basic education or other line items. This is the current practice in Pennsylvania and is followed by most other states. The independent status of the special education line item provides for greater transparency and accountability.

LEA Factors in the Formula

The special education formula should include factors reflecting the cost and ability of local education agencies to provide services to students with disabilities. These formula factors should include:

- Market value/personal income aid ratio to reflect relative wealth
- Equalized millage rate to reflect local tax effort (relative to 70th percentile – 150th district)
- A factor for small, rural LEAs, measuring each LEA's average daily membership per square mile adjusted to reflect the LEA's ADM relative to statewide ADM (sparsity weighted 40%; size weighted 60%; overall minimum at 70th percentile; and overall weight at one-half value¹⁴¹)

These factors have been commonly used in basic education and other funding formulas in Pennsylvania.¹⁴² The factors will be applied in the special education formula using the corresponding values associated with each LEA, averaged for the three most recent years for which data is available. Using three-year averages will stabilize annual variations over time.

¹³⁹ Surveys were sent to 65 randomly selected school districts and 35 randomly selected charter schools and cyber charter schools. Survey responses were returned by 54 districts and 17 charter schools and cyber charter schools. Nearly 29,000 students receiving special education services are enrolled in these schools.

¹⁴⁰ The Commission also evaluated other data from the Department about students eligible for special education and the services provided by local education agencies, including past special education funding spreadsheets, Act 16 submission data from LEAs about cost distribution for students with disabilities, and Contingency Fund submission data from LEAs applying for the Fund.

¹⁴¹ Testimony received at the commission's hearing indicates that, throughout the state: (i) size impacts special education costs more than sparsity factors; (ii) poverty level and tax effort have a greater impact in special education costs than small and rural factors; and (iii) all of these issues should be part of the formula.

¹⁴² The local cost of living is a factor that has not been frequently used as part of education funding formulas in Pennsylvania. Accurate data about geographic price differences is not currently available. Further discussion of this issue is included in the Conclusions and Recommendations Section.

Student Factors in the Formula

The special education formula includes factors reflecting the relative cost of special education supports and services provided for students with disabilities. These formula factors include:

- ***Three cost categories of students eligible for special education to reflect the intensity in the range of services required to meet their needs.***

Category 1 reflecting the least intensive range of services;

Category 2 includes students with a moderate range of services; and

Category 3 will include students with the most intensive range of services.

Three categories provide an effective balance between accuracy and workability. Fewer categories would not be sufficiently accurate in recognizing differences in student cost. A greater number of categories would be excessively burdensome to operate and maintain the formula over time. The categories are based on relative cost because this is the primary factor in distinguishing between the needs of different students and schools. Most states use cost-based formulas. Other alternatives, such as using formula categories based on disability labels or student placement, have been found to not accurately reflect a consistent measure of cost, need, and services for students and schools.

In addition, the use of three overall cost categories will not create incentives for over-identification and will avoid placing unnecessary administrative burdens on the state and local education agencies. LEAs will not be required to file excessive data reports and will not be motivated to incur spending in hopes of receiving additional state reimbursement. The Department will need to annually update the student factors as appropriate based on the inflation rate, ensuring that the cost ranges reflected by the three categories remain in proportion over time. The Act 16 reports filed annually by LEAs should include data with a validated total equal to the aggregate number of students eligible for special education in each LEA, including the number of students with expenditures in each category in the funding formula and also disaggregated by charter schools and cyber charter schools for the number of students in each category enrolled from each school district of residence.

- ***A student count for each LEA, designed for each of the three categories.***
The student count for each category should be based on annual data that LEAs currently report pursuant to Section 1372(8) of the Public School Code as amended by Act 16 of 2000. The Act 16 data reflects the identification of students in each LEA receiving special education services with annual expenditure levels less than \$25,000 (Category 1), greater than \$25,000 and less than \$50,000 (Category 2), and equal to or exceeding \$50,000 (Category 3). The annual cost data includes all expenditures for special education supports and services, including transportation and other related services mandated by the student's IEP, not including regular education expenditures.

The count of students eligible for special education within each of the three formula categories will be accurate, because it is based on long-standing reports filed by LEAs with the Department. The Act 16 reports also correlate to the Commission's thorough review of independent data and surveys completed by a representative sample of LEAs in September and October 2013.

The student counts for each category in the formula will not create incentives to over-identify students. The formula is constructed so that school districts are not directly paid

by the state on a per-student basis. Instead, a variety of community and student factors combine to measure the overall needs of each district relative to other districts. Funding is distributed based on these overall district ratios, using accurate data but only indirectly responding to newly identified individual students. The reasonable balance between accuracy and workability will help to sustain the effectiveness of the formula over time. In addition, Act 3 contains strong accountability provisions for oversight and monitoring by the Department of Education in compliance with federal prohibitions against student over-identification. The Department must ensure that LEAs adopt and comply with policies against over-identification and must monitor these issues. *Act 3, Section 2509.15(a)(3)(iv)*. The Department also must:

"automatically conduct a thorough review of the special education plan of any school district with a substantially higher ratio of eligible students in the district to its average daily membership for all students than the State average, as established by the Department of Education, and of any district where the ratio of eligible students in the school district to its average daily membership for all students in the most recent school year for which data is available has increased by more than ten percent (10%) over the previous year or of any district where the ratio has increased by an annual average of more than five percent (5%) during the most recent five-year period. The Department of Education may take remedial action, including withholding up to five percent (5%) of all State special education funding, if the Department of Education determines that a school district has overidentified children for special education." *Act 3, Section 2509.15(c)(4)(i), Special Education Accountability.*¹⁴³

- ***A weighting factor that differs for each of the three cost categories.***

Based on careful review of data and surveys completed by a representative sample of LEAs, the weights are:

Category 1 – 1.51

Category 2 – 3.77

Category 3 – 7.46

These weights reflect the typical range of services for students in each category, based on special education costs in excess of regular education costs.¹⁴⁴

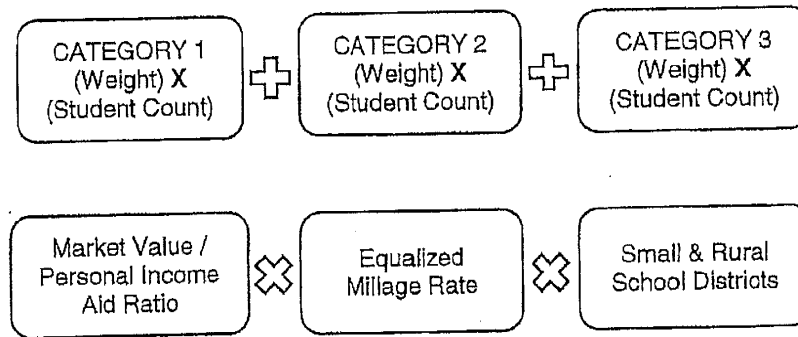
Distribution Method

The special education formula should use a proportional system for distributing changes in special education funding among school districts based on the various factors listed above. The formula will result in a unique calculated total of the LEA factors and student factors for each local education agency. The calculated total for each LEA will be divided by the aggregation of calculated totals for all LEAs in the Commonwealth, resulting in a unique distribution ratio for each LEA. The distribution ratio for each LEA will be multiplied by the statewide total change in special education funding to calculate the change in funding to be provided for each LEA in a given year.

¹⁴³ Public School Code of 1949 - Omnibus Amendments, Act of Apr. 25, 2013, P.L. 12, No. 3.

¹⁴⁴ The weights are consistent with national research and formula practices in other states. The weight values were calculated using both parts of the LEA survey conducted by the Department and IFO. The cost distribution provided by the survey reflects the range of services for students as annual special education costs vary across the three formula categories from less than \$500 to over \$100,000. In addition, cost variances based on student prototypes in the survey demonstrate similar relative student costs and needs between the three formula categories.

The special education formula described above will look like the following illustration:



Distributing a future increase in funding to each LEA will be achieved by: (1) totaling these calculations for each LEA where the factors apply; (2) adding up all LEA totals to get a statewide aggregate total; (3) determining the ratio of #1 to #2; and (4) applying the ratio to the aggregate state change in annual funding.

School Districts

School districts in Pennsylvania will receive changes in special education funding from the state according to the formula described above.

Pursuant to Act 3, school districts will also receive state funding for special education in an amount that does not exceed the base year (2010-11), allocated in the same manner as the state funding was allocated in the base year.

In the early years of using the new formula, the base year amount for school districts is expected to be much larger than the annual change in funding distributed through the new formula. With consistent use over time, the new formula will effectively match the needs of students and schools with the resources available for providing special education services.

Charter Schools and Cyber Charter Schools

Special education funding is currently paid on a per-student basis for charter schools and cyber charter schools, with funding transferred from the school district of residence for each eligible student. The existing funding process is flawed, using an assumed percentage of 16 percent of all children enrolled in the district of residence and paying the same rate regardless of student differences in educational need and cost.

The Commission recommends applying the same principles for a new formula described above for all local education agencies, including school districts, charter schools, and cyber charter schools. The use of three cost categories will improve the accuracy and fairness of funding distribution for charter schools and cyber charter schools. This change should be phased in over three years, so that the new reimbursement rate affects LEA budgets in three equal steps.

Some adjustments to the formula are needed because charter schools and cyber charter schools receive per-student payment from each school district of residence, instead of state payment through aggregate state budget appropriations. The charter funding system also uses

a different "base amount" of the average per-student regular education expenditures in each district. The use of regular education expenditure amounts means that: (1) the formula category weights must be adjusted; and (2) the poverty, tax effort, and small-rural factors are not needed in the formula.

Compared to school districts, charter schools and cyber charter schools on average enroll relatively few students with high special education costs.¹⁴⁵ For this reason, the payment rate will usually fall within Category 1 (up to \$25,000 in excess of regular education costs). The Department will promulgate regulations allowing charter schools and cyber charter schools to document higher costs and receive funding within Category 2 (greater than \$25,000 and less than \$50,000) or Category 3 (equal to or exceeding \$50,000). Such documentation should be reasonable but not excessive, in order to avoid incentives for over-identification and over-spending.

The payment rate for each category will be calculated by multiplying (i) a special education weight by (ii) the average regular education expenditure amount for the district of residence, as calculated pursuant to the current provisions of Section 1725-A(a)(2). The weights will be 1.51 (Category 1), 3.77 (Category 2), and 7.46 (Category 3). Districts will adjust the weights to be more accurate based on local per student costs relative to average state costs for special education.

Approved Private Schools (APS)

APS's have been challenged with their formula being tied to the special education line item which has not been increased in four years resulting in flat funding for the APS over that time period. They are scheduled to be level funded again in fiscal year 2014-15. An immediate change is to amend the statute to allow for any state allocated money that is returned by an APS to the Commonwealth in a previous fiscal year to be redirected to the APS's line item in the next fiscal year.

Extraordinary Cost Fund (Contingency Fund)

Several changes are needed to the Contingency Fund to improve transparency, predictability, efficiency, and equity within this important aspect of special education funding. Given realistic prospects for total funding by the state, the Contingency Fund is unlikely to fully support the extraordinary special education program expenses of students with significant disabilities in most local education agencies. The objective of the Fund should remain as in recent years, where a limited number of LEAs receive a meaningful level of funding. The name of the Fund should be the "Extraordinary Cost Fund" to better reflect its purpose.

The Fund should be appropriated by the General Assembly through an independent line item in the annual education budget, not included within the special education line item as is the current practice. A separate line item will provide for greater transparency and accountability, including acknowledgement of the actual amount of the appropriation. The current Contingency Fund and the Category 3 Fund, as recommended by Act 3 of 2013, should be combined as an independent line item (the newly named Extraordinary Cost Fund), and the Commission recommends using the Fund distribution mechanism described below to distribute the new fund.

¹⁴⁵ Charter schools and cyber charter schools responding to the survey of the Department of Education and the Independent Fiscal Office in September and October 2013 provided data showing that they have special education costs per student less than \$30,000 for 98 percent of all students with disabilities.

In consultation with the Pennsylvania Department of Education, the Commission recommends that LEA's apply for Extraordinary Cost Funds for student costs that exceed \$75,000. The market value/ personal income aid ratio shall be applied to calculations for applications for student costs between \$75,000 and \$100,000. The market value/ personal income aid ratio shall not be applied to calculations for applications for student costs over \$100,000. For funds distributed for student costs in excess of \$100,000, a payment cap for the largest school district shall be established, not to exceed the percentage of the school district's special education population divided by the total special education population of Pennsylvania.

Funding for the distribution of extraordinary costs is summarized as follows:

- a. More than \$75,000 -- \$100,000 -- Special Education costs per student minus the special education subsidy per student x MV/PI aid ratio
- b. Over \$100,000 and greater would be funded minus special education subsidy per student (MV/PI aid ratio not applied)
- c. Establish a cap for the largest school district. Funding/payments cap not to exceed the school district's special education population divided by the total special education population of Pennsylvania, multiplied by the total funds in the Extraordinary Cost Fund for that year.

The annual budget appropriation for the Extraordinary Cost Fund should be maintained at no less than the sum of one percent of the state's special education appropriation plus the additional amount of one percent of the state's special education appropriation above the level appropriated in 2010-11. This basic level of funding is needed to ensure the Fund can serve its intended purpose to a minimal extent.

LEA Data on Student Enrollment and Educational Cost

Pennsylvania has not invested in developing the capacity to regularly document and evaluate the educational costs associated with special education supports and services provided by public schools to students with disabilities. The resources needed to annually collect this data would be substantial, including computer systems and staffing within the Department and LEA's. Current systems and staffing levels are not able to provide such data.

As a result, the Commission worked with the Department and the Independent Fiscal Office to perform a thorough survey of 65 randomly selected school districts and 35 randomly selected charter schools and cyber charter schools. (See Appendix for survey instrument.) The resulting survey data, as correlated with additional data from the Department, allowed the Commission to develop factors in the special education funding formula to accurately represent the needs and costs of students and schools.

Based on its experience, the Commission recommends that the Department develop options for strengthening the state and LEA capacity to provide improved annual data regarding these issues. Model systems used by other states should be examined, with relative costs and benefits considered.

Inclusion Costs

Inclusion of students with disabilities in regular classrooms is one of the most challenging issues for students, their families, and schools. The Commission repeatedly heard testimony about how inclusion decisions are complicated by cost issues. Schools may be reluctant to pursue inclusion due to transitional costs for training teachers and adjusting student services. Families may perceive that students are placed in regular classrooms without sufficient support. State

and federal law mandate student placement in the least restrictive environment and cost concerns should not be a barrier to legal compliance.

Section 2509.13(b) of Act 3 establishes a voluntary competitive grant program for LEA's meeting academic inclusion and achievement criteria. The General Assembly should fund this program to address these important issues, as the state budget allows.

ISSUES CONSIDERED WITHOUT RECOMMENDATION

This section contains observations about additional improvements worth considering for special education funding, although the Commission will not make formal recommendations about these issues.

Local Cost of Living

As discussed in previous sections, special education costs vary throughout the state based on geographic price differences. The General Assembly should study options for developing an accurate cost of living measurement for different communities in Pennsylvania, for possible inclusion in future formulas for special education funding.

Hold Harmless and Minimum Increase

The practices of "hold harmless" (no loss of funding) and "minimum increase" (guaranteed rise in funding) occur when the state provides education funding for LEA's even when the official formula would not have provided such funding. These practices cause the state to spend limited resources and distort the objective, equitable nature of data-based funding formulas. The General Assembly should carefully consider these issues before applying hold harmless and limited increases as part of the special education funding system.

Transportation Costs

The General Assembly should examine ways to revise the current formula used to calculate and distribute state funding for public school transportation to recognize the additional costs associated with students eligible for special education.

Long Term Cost Projections

Special education costs are affected by long term state and national trends in disability rates, which are predictable to some degree. Inflation is another predictable influence on costs, affecting special education more than other areas of public education. The General Assembly should study whether these factors can help to predict special education costs over time, allowing for more effective fiscal planning by the state and LEA's.

Other Programs for Students with Special Needs

Two programs outside the scope of special education deserve recognition. These programs are valuable aspects of public education but receive neither state nor federal funding.

The General Assembly should study the various aspects of gifted education in Pennsylvania, including funding issues. It is an important aspect of public education for many students, families, and schools.

Similarly, the General Assembly should examine the funding issues related to services provided by public schools for students with disabilities pursuant to Section 504 of the Rehabilitation Act of 1973 and PA Code Chapter 15. Such students have disabilities requiring accommodation, but are not eligible for special education.

Student Transience

The General Assembly should study ways that the state can facilitate a smooth transition between LEA's for students with disabilities who may experience frequent changes in residence,

including children in foster care and many low-income families. Systemic improvements such as centralizing records and coordinating communication between LEAs for these children could lower costs and improve student services.

APPENDIX - PUBLIC HEARINGS AND TESTIMONY

May 15, 2013	Harrisburg Room 8 E-B, State Capitol Building
Organizational Meeting	

June 13, 2013	Harrisburg North Office Building, Hearing Room 1, State Capitol Complex
Special Education: How It Works for Students and Schools	
Presenters	Position/ Affiliation
Dr. Malcolm Conner	Special Education Advisor, PA Department of Education, Bureau of Special Education
Louse Fick	Supervisor Special Education, Parkland School District
Dr. Mary Beth Gustafson	Assistant Superintendent for Special Education, Pocono Mountain School District
Jennifer King	Parent and Inclusion Consultant, Include Me from the Start
Dennis McAndrews, Esq.	Partner, McAndrews Law Office
David Ramsey	Coordinator of Student Services, Parkland School District
Betsey Somerville	Director of Special Education, Canon-McMillian School District

July 10, 2013	Harrisburg North Office Building, Hearing Room 1, State Capitol Complex
Special Education: Financing of Special Education	
Presenters	Position/ Affiliation
Sandra Edling, PRSBA	Assistant Director Management Services, Montgomery County IU 23, PA Association of School Business Officials
Laura Cowburn, PRSBA, RSBA	Assistant to the Superintendent for Business Services, Columbia Borough School District, PA Association of School Business Officials
Mike Griffith	School Finance Consultant, Education Commission of the States
Lee Ann Wentzel	Superintendent, Ridley School District, PA Association of School Administration

July 25, 2013	Doylestown Buck's County Intermediate Unit 22
Special Education: Why Special Education Costs More to Educate	
Presenters	Position/ Affiliation
Dr. Barry Galasso	Executive Director of Bucks IU 22
Dr. Anthony Grieco	Executive Director of Luzerne IU 18
Dr. Jacayln Auris	Director of Student Services at Chester County IU 24

Dr. Maria Edelberg	Assistant Executive Director at Delaware County IU 25
David W. Matyas, PRSBA	Business Administrator, Central Bucks School District
Dale Scafuro	Director of Student Services, Central Bucks School District, PA Association of School Business Officials

August 7, 2013	Pittsburgh William Pitt Union Ballroom, University of Pittsburgh
Special Education: Cost Categories in Special Education Funding	
Presenters	Position/ Affiliation
Richard Moss	Chief, Central Division, PA Department of Education, Bureau of Special Education
Dr. Ronald O. Wells	Special Education Adviser, PA Department of Education, Bureau of Special Education
Ira Weiss	Solicitor, Pittsburgh School District
John Sarandrea	Superintendent, New Castle Area School District
John Mozzochio	Director, Special Services, New Castle School District
Arlene Wheat	Assistant Superintendent, Special Education & Pupil Services, North Allegheny School District

August 22, 2013	Allentown Allentown School District Central Administration Building
Special Education: To Consider Costs of Special Education Funding	
Presenters	Position/ Affiliation
Robyn Oplinger	Parent and Senior Advocate of the Children's Team, Disability Rights Network of PA
Diane Perry	Parent and Coordinator, Special Kids Network
Kimberly Resh	Parent and Advocate
Colleen Tomko	Parent and Advocate
Nan Porter	School Director, Martin Luther School, Alliance of Approved Private Schools
Michael Crossey	President, PA State Education Association

September 4, 2013	State College Assembly Room, Nittany Lion Inn
Special Education Funding: Charter & Cyber Charter Schools	
Presenters	Position/ Affiliation
Lawrence Jones, Jr.	CEO, Richard Allen Preparatory Charter School, Inc.
Larry Sperling	CEO, Philadelphia Academy Charter School
Maurice "Reese" Flurie, Ed.D.	CEO, Commonwealth Connections Academy
Randy L. Brown, PRSBA	Business Administrator, State College Area School District
Cindy Duch	Director of Parent Advising, Parent Education & Advocacy Leadership Center (PEAL Center)
Jane Stadnik	Parent

Audrey Rasmusson, Esq.	Parent
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September 26, 2013	Reading Student Center, Alvernia University
Special Education Funding: Charter & Cyber Charter Schools	
Presenters	Position/ Affiliation
Susan Gobreski	Executive Director, Education Voters PA
Nicolyn Habecker	Parent and Advocate
Amber Mintz Foote	Parent and Advocate
Lisa Lightner	Parent and Advocate, Arc of Chester County
Nick Torres	CEO, Education Plus Academy Charter School
Aimee Denton	Parent
David Lapp	Staff Attorney, Education Law Center
Nicole D. Snyder, Esq.	Latsha Davis & Kenna, P.C., Pennsylvania Coalition of Public Charter Schools (PCPCS)
Kevin Corcoran	Assistant Head of School/Director of School Improvement, Agora Cyber Charter School
Karl A. Romberger, Jr., Esq	Sweet, Stevens, Katz, & Williams, Pennsylvania School Board Association (PSBA)
Mark B. Miller	School Director, Centennial School District and Co-Chair, Keystone State Education Coalition
Dr. John George	Executive Director, Berks County IU & President, Pennsylvania Association of Intermediate Units (PAIU)
Carl Blessing	Chief Financial Officer, Berks County IU, PAIU
Chris Celmer	Assistant Director of Business Services, Berks County IU, PAIU
Uldis Vilcins	Director of Transportation Services, Carbon Lehigh IU, PAIU
Tee Decker	Assistant Director of Special Programs & Services, Carbon Lehigh IU, PAIU
Deborah Verstegen, Ph.D.	Professor of Education Leadership, University of Nevada, Reno

INDEPENDENT FISCAL OFFICE – SURVEY TO LEA’S

TO: Local Education Agency CEO/Superintendent

FROM: **Dr. Carolyn Dumaesq, Acting Secretary of Education; and**
Senator Pat Browne and Representative Bernie O’Neill,
Co-Chairs of the Pennsylvania Special Education Funding Formula Commission

DATE: September 24, 2013

RE: Request for Special Education Cost Estimations from Your LEA

As you know, special education funding is a crucial issue for all local education agencies (LEAs) in Pennsylvania. We will greatly appreciate your timely participation in completing cost estimations to assist the Commonwealth in addressing the needs of students with disabilities and the public schools that serve them. Details are enclosed below and in the spreadsheet accompanying this letter.

This work was authorized by Act 3, approved by the General Assembly earlier this year. Your LEA was randomly and impartially selected, along with dozens of other school districts, charter schools, and cyber charter schools. The data you provide will assist the Commission in considering options for developing a new special education funding formula to distribute any new state funding. The Commission will issue its final report later this year, including recommendations for moving forward legislation to enact a new special education funding system in Pennsylvania for the distribution of new special education dollars.

Your participation is vital and most appreciated. The cost estimation process for LEAs was developed by the Commission and the Department, along with the Independent Fiscal Office (IFO) and the Pennsylvania Association of School Business Officials (PASBO). The process was designed to minimize the time required for you and your staff to provide the requested data.

INSTRUCTIONS. Detailed instructions are contained in the spreadsheet accompanying this letter. You may find it helpful to coordinate your work on these tasks with the heads of special education and business/finance offices for the LEA.

WEBINAR FORUM. On Monday, September 30, 2013 at 3:00 p.m., the Commission, the IFO and PASBO will offer an informational web forum to discuss the methodology behind the cost analysis and to answer any questions regarding your completion of the cost estimates. Information about how to join the web forum is provided with this letter.

DEADLINE. By Friday, October 11, 2013, please complete the spreadsheet and return it to SpecialEdFundForm@pasen.gov. You can send questions about the spreadsheet to the same e-mail address.

Thank you for joining in this important work. The members of the General Assembly along with the Department of Education greatly appreciate your assistance.

Detail for Cost Distributions

lower bound	upper bound	School Districts		Charter Schools	
		share	cumulative	share	cumulative
0	1,000	2.7%	2.7%	3.3%	3.3%
1,000	2,000	5.2%	7.9%	4.9%	8.1%
2,000	3,000	7.0%	14.9%	7.7%	15.8%
3,000	4,000	5.7%	20.6%	7.8%	23.6%
4,000	5,000	5.1%	25.6%	9.0%	32.7%
5,000	6,000	5.3%	31.0%	9.0%	41.7%
6,000	7,000	5.2%	36.2%	9.7%	51.3%
7,000	8,000	5.0%	41.2%	8.7%	60.1%
8,000	9,000	5.4%	46.5%	7.3%	67.4%
9,000	10,000	5.2%	51.8%	4.9%	72.3%
10,000	11,000	4.5%	56.3%	3.3%	75.6%
11,000	12,000	4.4%	60.6%	3.7%	79.3%
12,000	13,000	4.3%	65.0%	2.7%	81.9%
13,000	14,000	3.8%	68.8%	3.4%	85.3%
14,000	15,000	3.4%	72.2%	2.4%	87.7%
15,000	16,000	2.6%	74.9%	2.0%	89.7%
16,000	17,000	2.2%	77.1%	0.7%	90.4%
17,000	18,000	1.9%	79.0%	1.3%	91.7%
18,000	19,000	1.6%	80.6%	1.2%	92.9%
19,000	20,000	1.4%	82.0%	0.6%	93.5%
20,000	21,000	1.3%	83.3%	0.5%	94.0%
21,000	22,000	1.2%	84.5%	0.6%	94.6%
22,000	23,000	1.0%	85.6%	0.5%	95.1%
23,000	24,000	1.0%	86.5%	0.6%	95.6%
24,000	25,000	0.8%	87.3%	0.4%	96.0%
25,000	26,000	0.6%	87.9%	0.5%	96.5%
26,000	27,000	0.6%	88.6%	0.4%	96.9%
27,000	28,000	0.6%	89.2%	0.3%	97.2%
28,000	29,000	0.6%	89.8%	0.4%	97.5%
29,000	30,000	0.5%	90.3%	0.3%	97.8%
30,000	50,000	5.7%	96.1%	1.0%	98.8%
50,000	75,000	2.9%	99.0%	0.5%	99.3%
75,000	100,000	0.8%	99.8%	0.2%	99.6%
100,000	no limit	0.2%	100.0%	0.4%	100.0%

Instructions for Special Education Funding Formula Cost Analysis

September 19, 2013

To fulfill its obligations under Act 3 of 2012, the Special Education Funding Formula Commission (Commission) requests that 100 randomly sampled Local Education Agencies (LEAs, 65 school districts and 35 charter/cyber charter schools) provide two types of special education cost estimates. The information will be used by the Commission to (1) construct a statewide per pupil cost distribution for special education students and (2) provide data regarding the dispersion of costs to provide special education services across the state.

Note: The first part of this information request focuses on the costs of certain actual special education students in each LEA, as opposed to costs about a specific exceptionality or specific special education service. The data will provide the Commission with a snapshot of an LEA's distribution of per pupil costs for special education students. For that purpose, this information request attempts to determine the range of an LEA's special education costs and the share of students that exist at each point on that cost spectrum. It is recognized that all cost estimates represent only rough approximations based on the LEA's best judgment.

A. Representative Students

The Commission requests that LEAs estimate the cost of several representative special education students for the 2011-12 school year. This procedure is similar to the estimates LEAs supply in their annual Act 16 submission to the Pennsylvania Department of Education (PDE). However, for this purpose, the Commission requests that LEAs provide additional detail relative to what is required by the Act 16 submission and, unlike the Act 16 submission, this request does not specify specific dollar thresholds (e.g., \$25,000, \$50,000 and \$75,000) as each LEA will have a unique distribution of per pupil special education costs.

The Commission requests that LEAs identify an actual student based on 2011-12 data that would serve as a representative for each of the six categories below. Once students have been identified, please provide cost estimates for each of those representative students. See Part I of the Cost Analysis tab for an itemization of the various special education costs to include in those estimates.

Median Student: For this student, 50 percent of special education students are less expensive, and 50 percent are more expensive. The median student would be located in the middle of an LEA's distribution of special education students. For example, if the LEA has 100 special education students and they are aligned from lowest to highest cost, this would be the 50th student. (Note: The median student will be *less costly* than the average cost of a student because a relatively small number of students with severe disabilities drive up the average cost.)

Representative Student 1: A student who represents the very low end of the special education cost scale. In terms of cost, this student would approximately reside in the 10th cost percentile. That is, roughly 90 percent of special education students require a higher level of expenditures.

Representative Student 2: A student who is somewhat less costly than the median student. In terms of cost, this student would approximately reside the 30th cost percentile. That is, roughly 70 percent of special education students require a higher level of expenditures.

Representative Student 3: Median Student from above.

Representative Student 4: A student who represents the upper-middle end of the special education cost scale. In terms of cost, this student would approximately reside in the 75th cost percentile. That is, roughly 25 percent of special education students require a higher level of expenditures.

Representative Student 5: A student who represents the higher end of the special education cost scale. In terms of cost, this student would approximately reside in the 90th cost percentile. That is, roughly 10 percent of special education students require a higher level of expenditures.

Representative Student 6: A student who represents the very top end of the special education cost scale. In terms of cost, this student would approximately reside in the 99th cost percentile. The LEA will have a very small number of special education students who require a higher level of expenditures, but those students provide less information regarding "typical" costs for students who require a very high level of services.

Please use the Cost Analysis tab to enter cost estimates for the six Representative Students. The spreadsheet can be used to calibrate the estimates to ensure that they are roughly consistent (i.e., +/- 10 percent) with reported total special education spending for 2011-12. LEAs need only enter cost estimates for the six Representative Students; other data will be pre-populated once the survey responder has identified his or her LEA from the pull down menu.

B. Prototype Students

The Commission also seeks information regarding the dispersion of special education costs across LEAs. Each LEA will have unique factors that drive costs such as geography, immediate availability of services and the intensity of services provided. In order to gauge that dispersion, the Commission requests that LEAs estimate the cost for three hypothetical "prototype" students who represent the lower, middle and upper portions of the special education cost spectrum. The estimates will be used to demonstrate how costs vary based on geographic location, type of school district (e.g., rural, suburban or urban) and other relevant factors. Please see Part III of the Cost Analysis tab for a list of the services required by the three prototype students.

Special Education Funding Formula Commission LEA Cost Analysis

Please use this spreadsheet to complete your response to the attached survey. Only the green cells require data. More detailed instructions can be found on the Instructions tab. Please complete and return this excel workbook no later than October 11, 2013.

Please Enter School District Name from dropdown box: Abington SD

PART I

For school year 2011-12, lines 1-7 in column (a) have been populated. If these data are correct, please skip to Part II. If these data are incorrect, please use column (b) to enter a positive or negative value that when added to column (a) makes column (c) correct. The Excel sheet will automatically add columns (a) and (b) and compute the resulting sum in column (c). Column (c) data are used in Part II.

	Column (a) Data for 2011-12	Column (b) Adjustment to correct data (only use if necessary)	Column (c) Data used in Part II
1. Total number of special education students	874	0	874
2. Special and gifted education costs (1200)	\$13,843,415	\$0	\$13,843,415
3. Less: gifted support (1243)	\$712,107	\$0	\$712,107
4. Plus: special education schedule costs*	\$1,301,102	\$0	\$1,301,102
5. Plus: other special education costs not listed in the lines 2-4	\$0	\$0	\$0
6. Net special education spending	\$14,432,411		\$14,432,411
7. Average cost per student	\$16,513		\$16,513

* Special education schedule costs are special education costs reported for purposes of Act 1 exceptions within the following categories: 2120 (guidance services), 2140 (psychological services), 2150 (speech pathology/audiology), 2160 (social work), 2260 (instruction and curriculum development), 2350 (legal services), 2420 (medical services), 2440 (nursing services), and 2700 (transportation).

PART II

Please enter the approximate dollar cost (include any costs that are detailed in Part I of this worksheet) for each representative student as described on the Instructions tab. Once the data are entered, line 7 (Implied Total Spending) will compute a rough approximation of total implied special education spending based on the estimates entered for each representative student. Line 10 computes a percentage difference between actual reported spending (Part I, line 6) and the implied amount (Part II, line 7). Those amounts should be reasonably close (i.e., +/- 10 percent).

Representative Student	Approximate Cost (in dollars)	Approximate Percentile	Approximate Total Cost
1	\$0	10.0%	\$0
2	\$0	30.0%	\$0
3	\$0	50.0%	\$0
4	\$0	75.0%	\$0
5	\$0	90.0%	\$0
6	\$0	99.0%	\$0

median student

7. Implied total spending on special education \$0
8. Implied average spent on each special education student \$0
9. Dollar difference: actual less implied \$14,432,411
10. Percentage difference 100.0%

PART III

Please cost out the services for the following three prototype students. If your school district typically provides services that are not referenced in the bullet points, please do not include those costs in this part. Instead, please list those services (including their costs) within the space provided for additional information in Part IV.

Student A:

- Speech impairment
- Grade 4 (school day 6.5 hours)
- Included in regular classroom at least 80% (22 students in regular classroom) (use average teacher salary and benefits—do not deduct state share of FICA and PSERS)
- Related Services: 30 minutes of one-on-one speech therapy 2x/week (at LEA)
- No transportation costs

Total Costs for Student A:

Student B:

- Autism
- Grade 4 (school day 6.5 hours)
- Included in regular classroom 50% (22 students in regular classroom) (use gross average teacher salary)
- Related Services: Autistic support classroom 3 hours/day (8 students, 1 teacher, 1 paraprofessional) (use average teacher salary and benefits—do not deduct state share of FICA and PSERS; average paraprofessional salary and benefits—do not deduct state share of FICA and PSERS)
- Related Services: 30 minutes of one-on-one OT 1x/week (at LEA)
- Full time one-on-one aide 6.5 hours/day (use average aide salary and benefits—do not deduct state share of FICA and PSERS)
- No transportation costs

Total Costs for Student B:

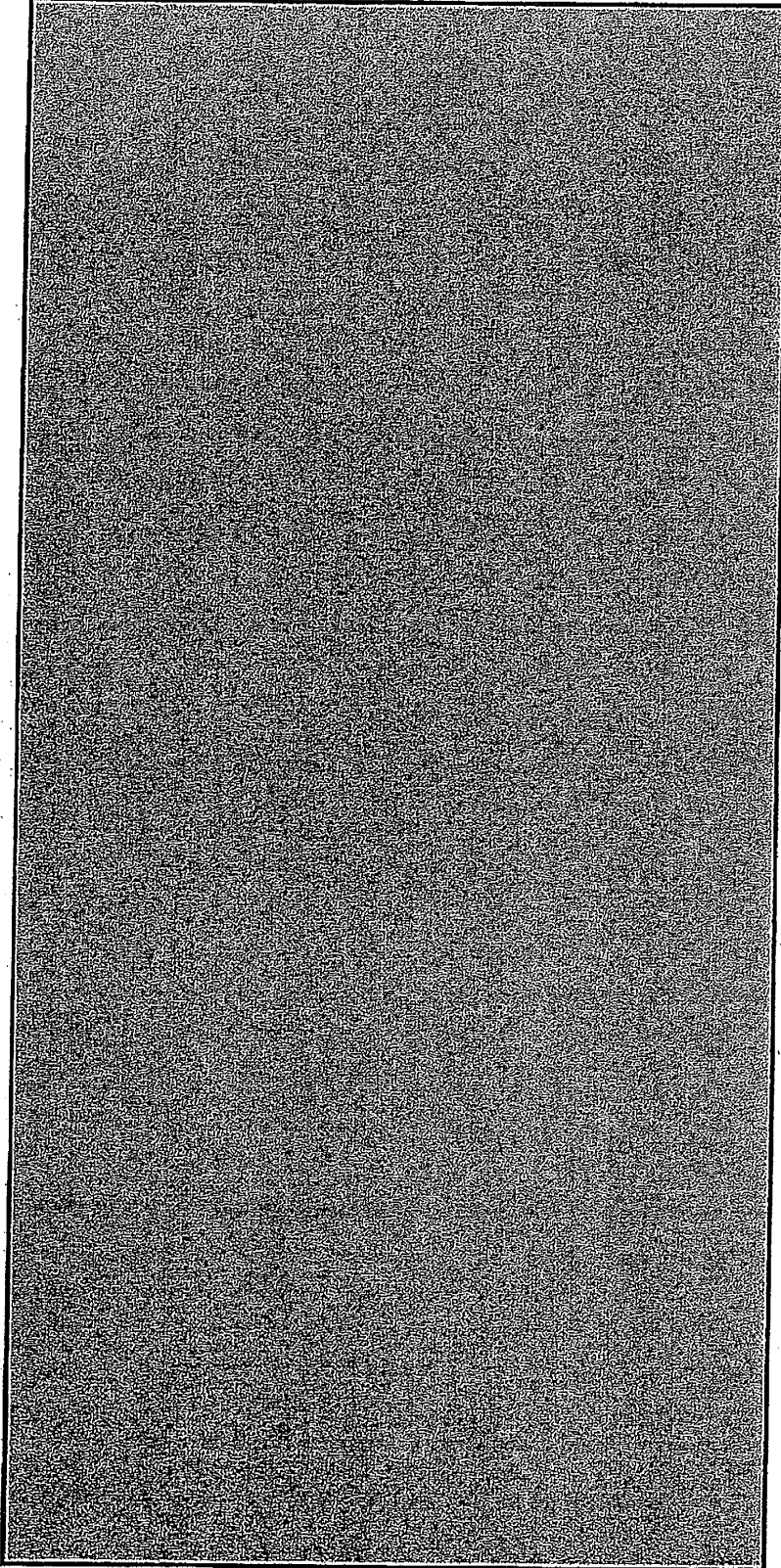
Student C:

- Autism
- Grade 4 (school day 6.5 hours)
- Receives all education services outside of LEA at either: approved private school for autism, intermediate unit, or other appropriate outside placement for autism services (assume APS day rate, where applicable)
- Full time one-on-one aide 6.5 hours/day (use average aide salary and benefits—do not deduct state share of FICA and PSERS)
- Transportation (assume roundtrip transportation to applicable placement outside LEA in 9 passenger van daily)

Total Costs for Student C:

PART IV

Please use this space to provide any additional information that may be pertinent to this survey.



Please provide the name, title, phone number and e-mail address of the contact person for this survey.

Name and title:

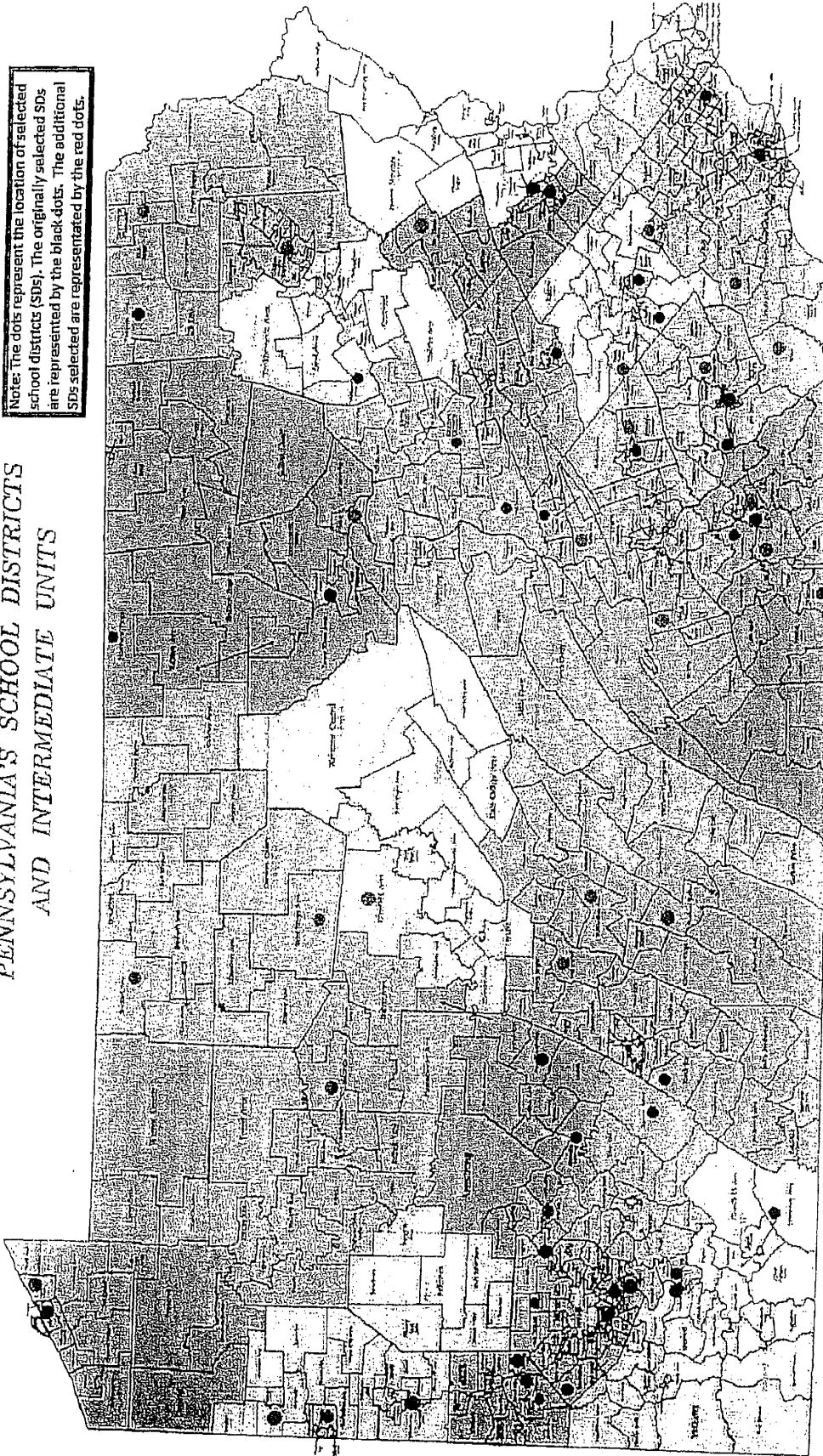
E-mail address:

Phone number:



PENNSYLVANIA'S SCHOOL DISTRICTS
AND INTERMEDIATE UNITS

Note: The dots represent the location of selected school districts (SDs). The originally selected SDs are represented by the black dots. The additional SDs selected are represented by the red dots.



THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1521 Session of
2015

INTRODUCED BY KIRKLAND, SEPTEMBER 4, 2015

REFERRED TO COMMITTEE ON EDUCATION, SEPTEMBER 4, 2015

AN ACT

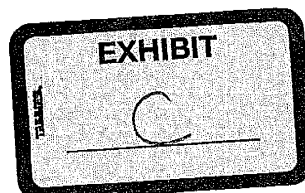
1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," in reimbursements by Commonwealth and
6 between school districts, further providing for discretionary
7 funds to assist school districts experiencing extreme
8 financial difficulty.

9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 Section 1. Section 2502.27 of the act of March 10, 1949
12 (P.L.30, No.14), known as the Public School Code of 1949, is
13 amended by adding a subsection to read:

14 Section 2502.27. Discretionary Funds to Assist School
15 Districts Experiencing Extreme Financial Difficulty.--* * *

16 (d) A sum of twenty-five million dollars (\$25,000,000) shall
17 be appropriated from the General Fund to the Department of
18 Education for the 2015-2016 fiscal year for payments to school
19 districts located in a county of the second class A that have
20 been declared distressed pursuant to Article VI-A. The Secretary
21 of Education shall establish guidelines for the following:



- 1 (1) School districts' applications for the funds.
- 2 (2) Department approval of applications for funds.
- 3 (3) Department distribution of funds.
- 4 (4) School districts' expenditure of the funds.
- 5 The Secretary of Education shall report to the General Assembly
6 on such expenditures.
- 7 Section 2. This act shall take effect immediately.

**IN THE COURT OF COMMON PLEAS OF DELAWARE COUNTY,
PENNSYLVANIA
CIVIL DIVISION**

IN RE: APPOINTMENT OF A	:	CIVIL DIVISION
RECEIVER FOR THE CHESTER	:	NO. 12-9781
UPLAND SCHOOL DISTRICT	:	

**MEMORANDUM OF LAW IN SUPPORT OF THE
CHESTER UPLAND SCHOOL DISTRICT AND THE
PENNSYLVANIA DEPARTMENT OF EDUCATION’S
JOINT PETITION TO AMEND THE FINANCIAL RECOVERY PLAN**

Chester Upland School District (“District”) seeks to restore financial stability so that it can focus on providing quality education to its students. The School District Financial Recovery Act provides the tools necessary for the Receiver—as authorized by the Court—to repair the District’s financial situation by addressing two distinct challenges: (1) its recurring annual structural deficit and (2) its negative fund balance.

The bulk of this year’s structural deficit derives from the District’s payment of overinflated tuition rates for special education students in charter schools. Neighboring school districts who send special education students to the same charter schools *pay much less* than the District. This is patently unfair and one of the main reasons the District faces such financial distress. Therefore, as set forth more fully in the revised Amended Financial Recovery Plan and below, the Receiver seeks to modify payments made by the District to charter schools for

special education in an equitable manner. The three brick-and-mortar charter schools located within the District boundaries have already agreed to accept a reduced special education charter tuition rate.

But this initiative alone will not suffice to return the District to financial stability. The Receiver therefore proposes additional actions designed to eliminate the District's annual structural deficit and eliminate the District's negative fund balance. Together, these initiatives will provide a comprehensive and thorough financial plan that will restore the District to financial stability.

QUESTION PRESENTED TO THE COURT

Should the Court grant the Petition to Approve the revised Amended Financial Recovery Plan and authorize the Receiver to implement the initiatives outlined in the Plan, including: (1) adjusting the tuition rate for special education students in all charter schools; and (2) implementing measures to reduce the District's negative fund balance that will allow the District to plan for the future.

Suggested Answer: Yes.

I. BACKGROUND

The District's financial situation has continued to deteriorate over the past few years. If no action is taken, the District's negative fund balance will reach \$50.9 million by the end of the 2015-16 school year. The School District Financial

Recovery Act empowers the District, with the Court's approval, to turn this situation around and return the District to financial stability.

A. Financial Recovery Act

The School District Financial Recovery Act was signed into law in 2012, at a time when many school districts struggled financially. Depending on the severity of the school district's financial state, the law classifies a financial recovery school district as either moderate or severe. 24 P.S. § 6-651-A; 6-661-A. The District, the most financially distressed school district in the Commonwealth, is one of two school districts identified in severe financial recovery status.¹

The development and implementation of a financial recovery plan is the crux of the financial recovery process. A financial recovery plan must:

- Provide for the delivery of effective educational services to all students enrolled in the financial recovery school district
- Provide for the payment of lawful financial obligations of the financial recovery school district
- Provide for the timely deposit of required payments to the Public School Employees' Retirement Fund
- Provide a plan for the financial recovery school district's return to financial stability

¹ Only nine school districts may be in financial recovery status at one time. 24 P.S. § 6-621-A(a)(1)(ii).

24 P.S. § 6-641-A(1-4). In addition to the development and implementation of a financial recovery plan, financial recovery school districts are empowered with the legal authority to exercise extraordinary powers only available to financial recovery school districts. 24 P.S. § 6-642-A. Some of these extraordinary powers include the ability to:

- Convert school buildings to charter schools
- Cancel or renegotiate any contract to which the board of school directors or the school district is a party
- Dispense with the services of such nonprofessional employees that are not needed for the economical operation of the district
- Enter into agreements with persons, for-profit, or nonprofit organizations providing noninstructional or other services

24 P.S. § 6-642-A.

When a financial recovery school district is in receivership, the law grants the receiver even more robust powers to assist a district achieve financial stability. These additional powers are conferred upon the receiver in recognition of the fact that receivership is an extraordinary measure taken in only the most severe circumstances. The receiver is empowered with the additional authority to:

- Modify the financial recovery plan as necessary to restore the school district to financial stability by submitting a petition to the court of common pleas

- Employ financial or legal experts the receiver deems necessary to implement or modify the financial recovery plan
- Direct the board of school directors to levy and raise taxes
- Impair or modify existing bonds, notes, school district securities or other lawful contractual or legal obligations of the school district if ordered by a court of competent jurisdiction or as provided in section 642-A(a)(3)

24 P.S. § 6-672-A.

The School District Financial Recovery Act is unique in the respect that it allows financial recovery school districts to exercise extraordinary powers not available to other school districts. This is in contrast to previous laws which focused more on alternative governance structures as solutions to academic and fiscal problems.² However, the Act recognizes that some school district issues are not solely caused by the governance of the school district.

In the District's case, a change in its governance structure has been critical to its recovery, but has not been enough to solve the District's financial woes. The Receiver must exercise additional powers provided by the Financial Recovery Act to reduce the District's structural deficit and negative fund balance, and to bring about true financial recovery.

² The former Education Empowerment Act, which the District was subject to, governed academically distressed school districts from 2000-2010. See 24 P.S. § 17-1701-B, et. seq. The Education Empowerment Act provided for a Special Board of Control to govern the District.

The School District Financial Recovery Act is the sole remedy the law provides to turn financial recovery school districts around. The Act explicitly prohibits a school district from filing bankruptcy. 24 P.S. § 6-692-A. As such, the powers given to a financial recovery school district are the only powers at a receiver's disposal to exercise in returning the District to financial stability.

B. Recommendations of the Special Education Funding Commission

The revised Amended Financial Recovery Plan adapts and relies upon recommendations of the Special Education Funding Commission, and a brief background is provided here.

In 2013, the General Assembly recognized that significant issues existed regarding the funding of special education students in Pennsylvania. Act 3 of 2013 established a bipartisan, bicameral Special Education Funding Commission and charged the Commission with reviewing Pennsylvania's system related to special education funding. *See* 24 P.S. § 1-122. The Commission issued its report in December 2013 and recognized the inequity in funding all special education

students in the same manner regardless of the actual cost of educating those students.³

The Commission recommended distributing funding based upon actual expenditures using three levels of per student multipliers relative to cost of services.⁴ The three tiers of multipliers have since been enacted into law to determine distribution of new state funding for special education. *See* 72 P.S. § 1722-J(10). The Commission also recommended using the same three tiers of multipliers for charter school funding. These multipliers should be used with the charter school regular education rate as the mechanism to provide additional funding for special education students, as compared to the current formula which provides just one flat special education rate.

II. ARGUMENT

A. The Financial Recovery Act Empowers the Court to Authorize the Modification or Impairment of Lawful Contractual or Legal Obligations.

The School District Financial Recovery Act provides that a receiver may not “unilaterally impair or modify existing bonds, notes, school district securities or

³ A copy of the Commission’s report is attached to the Petition as Exhibit B.

⁴ The commission proposed utilizing three categories based upon the actual cost of education. Category 1 was for students receiving services costing less than \$25,000 per year; Category 2 was for students receiving services equal to or greater than \$25,000, but less than \$50,000; and Category 3 was for students receiving services equal to or greater than \$50,000.

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).” See 24 P.S. § 6-672-A(c)(3) (emphasis added).⁵ By its terms, this provision unequivocally allows the Receiver to impair or modify legal obligations—such as the ones identified in the Amended Financial Recovery Plan—when those modifications are approved by a court. In other words, the General Assembly has explicitly authorized courts overseeing receivership proceedings to order the modification of contractual and legal obligations that will help a school district in receivership achieve financial recovery.

i. The Plain Language of the Financial Recovery Act Authorizes the Modification or Impairment of Lawful Contractual or Legal Obligations.

Pursuant to the Rules of Statutory Construction, every statute “shall be construed, if possible, to give effect to all of its provisions.” 1 Pa.C.S. § 1921(a). Section 672-A(c)(3) restricts the Receiver from unilaterally modifying legal obligations, but the provision conversely permits such modifications with court

⁵ To clarify, the power to cancel or renegotiate contracts as provided for in section 642-A(a)(3) is not applicable in this case because a charter agreement is not a contract, it is a government license. *Foreman v. Chester Upland School District*, 941 A.2d 108 (Pa. Cmwlth. 2008)(holding that the relationship between a school district and a charter school is not contractual, but regulatory; school directors are obligated to issue a charter if the applicant satisfies the criteria set forth in the Charter School Law); see also *Community Academy v. SRC*, 65 A.3d 1023 (Pa. Cmwlth. 2013). As such, the Receiver is requesting a modification of a legal obligation because the charter school formula is set forth in section 1725-A of the Charter School Law. 24 P.S. § 17-1725-A.

approval. A contrary interpretation that only views section 672-A(c)(3) as a prohibition on the receiver's action would give no effect to the phrase "except as otherwise ordered by a court of competent jurisdiction." In order to give effect to all of the language in section 672-A(c)(3), it must be interpreted as both a restriction on the Receiver's unilateral power and an authorization for the Receiver to exercise such power if ordered by a court. A contrary interpretation would give no discernable meaning to the authorizing language. Moreover, it would frustrate the plain legislative intent that the Receiver, along with the Court charged with responsibility for approving the Receiver's Financial Recovery Plan, has all the tools necessary to restore financial recovery school districts to financial stability. The Rules of Statutory Construction also provide that "[w]hen words of a statute are clear and free from all ambiguity, the letter of it is not to be disregarded under the pretext of pursuing its spirit." 1 Pa.C.S. § 1921(b). In this case, the language of section 672-A(c)(3) is clear. The plain language provides for a restriction on the Receiver's unilateral power and an authorization to exercise such power if ordered by a court.

If section 672-A(c)(3) were found to be ambiguous, the Rules of Statutory Construction permit the intention of the General Assembly to be ascertained by considering, among other matters, (1) the occasion and necessity for the

statute/mischief to be remedied and (2) the consequences of a particular interpretation. 1 Pa.C.S § 1921(c)(1,3,&6).

When the School District Financial Recovery Act became law in 2012, many school districts were struggling financially. The General Assembly designed the law to provide targeted support to financial recovery school districts to allow them to achieve financial stability. *See generally* 24 P.S. § 6-601-A. In fact, legislative history demonstrates that the General Assembly intended to identify the District as one of the school districts in financial recovery status. *See House Journal*, Pages 1577-1590, June 28, 2012.⁶ In discussing the background of the law, Senator Piccola explained during a Senate debate that:

We have two school districts in this Commonwealth that literally are facing running out of money probably before the end of the year, Chester-Upland and Duquesne.... And I believe that the last thing we want to do is get to sometime in the middle of a school year and have school buildings closed, and kids out on the street and not receiving the education that I think they are entitled to here in the Commonwealth of Pennsylvania.

See Senate Journal, Page 623, June 19, 2012. Unquestionably, the General Assembly knew the law would apply to the District. Therefore, it must be inferred

⁶ In providing background of the law, Representative Clymer, one of the sponsors of the legislation, explained that “[t]his is a plan to stabilize financially failing schools. . . They have created two categories – a moderate financial recovery plan that would involve Harrisburg and York, and a severe financial recovery plan that would involve Duquesne and Chester Upland.”

that the General Assembly intended the law to provide a remedy for the District to achieve financial stability, and the law should be interpreted accordingly.

Interpreting the Financial Recovery Act to not empower the receiver to alter contractual and legal obligations with court approval would eviscerate the purpose and spirit of the law. The Receiver is empowered with the authority to “[m]odify the financial recovery plan as necessary to restore the school district to financial stability by submitting a petition to the court of common pleas.” 24 P.S. § 6-672-A(b)(5) (emphasis added).⁷ In order to restore the District to financial stability, the District must modify legal obligations such as the special education charter tuition rates discussed more fully below. The District’s charter schools have already agreed to accept a modified special education tuition rate. However, there are other charter schools, including brick-and-mortar and cyber schools, that accept District students. As such, the modified special education tuition rate, already imposed upon the District’s charter schools, should be applied to all charter schools based upon the legal authority of the Receiver and Court to impair legal obligations. Without the ability to modify obligations such as tuition rates, the

⁷ The Receiver’s power to modify the financial recovery plan in section 672-A(b)(5) is stronger than a Chief Recovery Officer’s power to modify the financial recovery plan in section 664-A(a)(4). A Receiver is empowered with the authority to modify the plan “as necessary to restore the school district to financial stability,” whereas a Chief Recovery Officer may only do so if “necessary to implement or complete the plan or adapt the plan to circumstances that arise or become apparent after approval of the plan.” 24 P.S. § 6-672-A(b)(5); 6-664-A(a)(4).

Receiver cannot create a plan that provides for the restoration of financial stability to the District—i.e., the primary purpose of the Financial Recovery Act. The consequence of an interpretation that does not permit a court to modify obligations is that none of the components of a financial recovery plan can be fulfilled.⁸

The Rules of Statutory Construction further call for the presumption that the General Assembly “intends the entire statute to be effective and certain.” In order to read the entire School District Financial Recovery Act as a whole and attempt to give effect to the entire law, the Receiver must be empowered with the authority to amend the financial recovery plan by modifying charter school special education tuition rates. 1 Pa.C.S. § 1922(2); *see also In re Appointment of a Receiver for the Chester Upland School District*, No. 12-9781 (Aug. 25, 2015). Given that charter school payments are one of the District’s largest expenditures, the law must be interpreted to allow the District to modify the obligation to pay an overinflated special education tuition rate. Otherwise, the Act, which the General Assembly drafted with the District itself in mind, would be rendered meaningless. The

⁸ A financial recovery plan must provide for (1) the delivery of effective educational services to all students enrolled in the financial recovery school district; (2) the payment of lawful financial obligations of the financial recovery school district; (3) the timely deposit of required payments to the Public School Employees’ Retirement Fund, and (4) a plan for the financial recovery school district’s return to financial stability. 24 P.S. § 6-641-A(1-4). The plan must also include recommendations for satisfying judgments, past-due accounts payable; eliminating deficits; balancing the budget; and proposing the reduction of debt due on specific claims. 24 P.S. § 6-641-A(4)(i).

District cannot extricate itself from financial distress without adjusting special education charter tuition rates. If the Court were not empowered to order this modification, the Act would not be given effect.

This Court has already decided this point of law and held that the School District Financial Recovery Act allows the Receiver to impair or modify legal obligations—such as the ones identified in the revised Amended Financial Recovery Plan—when those modifications are approved by a court. *See In re Appointment of a Receiver for the Chester Upland School District*, No. 12-9781 (Aug. 25, 2015), at page 4. This Court held that “[c]learly by indicating “contractual or legal obligations”, the Legislature anticipated legal statutorily mandated obligations as well to be included in this statute and is subject to change in the microscopic instance when considering these distressed districts.” *Id.* The court’s “limited role in this process . . . is to determine merely whether the proposed modification is arbitrary, capricious, or wholly inadequate to restore the school districts to financial stability as established by clear and convincing evidence.” *See In re Appointment of a Receiver for the Chester Upland School District*, No. 12-9781 (Aug. 25, 2015).⁹

⁹ The law also states that “[i]f there is a conflict between this act or other State law, the provision of this article shall prevail.” 24 P.S. § 6-691-A(b). To the extent that the Act is inconsistent with another provision of law, the General Assembly intended the Financial Recovery Act to control.

*ii. The General Assembly Properly Delegated
Authority to the Receiver and Court to Impair
Lawful Contractual or Legal Obligations.*

Article II, Section 1 of the Pennsylvania Constitution provides that “[t]he legislative power of this Commonwealth shall be vested in a General Assembly, which shall consist of a Senate and a House of Representatives.” PA. CONST. ART. II, SEC. 1. The non-delegation principle does not require that all details of administration be precisely or separately enumerated in the statute. While the legislature cannot delegate power to make a law, it may, where necessary, “confer authority and discretion in connection with the execution of the law; it may establish primary standards and impose upon others the duty to carry out the declared legislative policy in accordance with the general provisions of the act.” *Chartiers Valley Joint Schools v. Allegheny County Board of School Directors*, 211 A.2d 487 (Pa. 1965) (quoting *Belovsky v. Redevelopment Authority*, 54 A.2d 277, 284 (Pa. 1947)). However, the legislation must contain adequate standards which will guide and restrain the exercise of the delegated powers. *Id.* at 493.

The General Assembly, in the School District Financial Recovery Act, set forth adequate guidance for the Receiver and Court to follow when making decisions on whether to impair a lawful contractual or legal obligation. See 24 P.S. § 6-672-A. First, the Receiver may only modify the District’s Financial Recovery

Plan if necessary “to restore the school district to financial stability.” 24 P.S. § 6-672-A(5). The Court must then approve the plan unless the requested modification is “arbitrary, capricious, or wholly inadequate to restore the school district to financial stability.” 24 P.S. § 6-672-A(5). This statutory scheme demonstrates that the General Assembly has provided clear guidance to both the Receiver and the Court on when it is appropriate to impair a legal obligation. In order to do so, the Receiver must submit a plan modification that is necessary to restore financial stability to the District; correspondingly, the Court must find that the impairment of the legal obligation is not arbitrary, capricious, or wholly inadequate to restoring financial stability to the District. Also, the power is ultimately restricted because it may only be exercised when a school district is in receivership pursuant to the School District Financial Recovery Act. The Receiver and Court may only impair legal obligations under those circumstances as specifically prescribed by the General Assembly.

The Receiver and PDE are not requesting that this Court create a new law. Instead, they are requesting that this Court permit the Receiver to exercise a power, with the Court’s approval, already set forth in the law. The General Assembly has provided the proper guidance necessary for the District and the Court to follow when making the decision to impair a legal obligation.

iii. The Proposed Modification of Legal Obligations Will Ensure that all District and Charter Students are Funded in an Equitable Manner.

The Equal Protection Clause of the U.S. Constitution provides that “[n]o State shall deny to any person within its jurisdiction....the equal protection of the laws.” U.S. CONST. ART. XIV. Pennsylvania courts apply essentially the same standards when adjudicating claims under the Equal Protection Clause of the U.S. Constitution and the comparable provisions of the Pennsylvania Constitution. *See, e.g., Jae v. Good*, 946 A.2d 802 (Pa. Cmwlth. 2008).

Equal protection principles do not vitiate the General Assembly’s power to make classifications, which flows from its general power to enact regulations for the health, safety, and welfare of the community. *Harrisburg Sch. Dist. v. Zogby*, 828 A.2d 1079 (Pa. 2003) (citing *Harris v. State Bd. of Optometrical Exam’rs.*, 135 A. 237, 240 (Pa. 1926)). Equal protection principles do permit differential treatment of persons having different needs provided that “classifications at issue bear a reasonable relationship to a legitimate state purpose.” *Id.* (citing *Tosto v. Pa. Nursing Home Loan Agency*, 331 A.2d 198, 204 (Pa. 1975)).

The General Assembly has clearly designated school districts in financial recovery status as a classification of school districts. *See generally* 6-601-A, *et.*

seq. Financial recovery school districts, particularly those designated as severe financial recovery status, are permitted to exercise extraordinary powers not available to other school districts. *See* 24 P.S. § 6-672-A. This classification bears a reasonable relationship to the legitimate state purpose of helping financially-distressed school districts achieve financial stability.

Furthermore, the power that the Receiver and PDE are requesting to exercise—the reduction of the special education charter tuition rates—will not even subject charter schools to a different funding mechanism compared to other charter schools. The current funding mechanism for charter schools, as set forth in section 1725-A, results in every single school district having a different special education charter tuition rate ranging from \$13,000 per student to \$44,000 per student across the Commonwealth. Under the Receiver’s proposal, the charter schools would be funded by the same mechanism, but pursuant to a reduced rate more consistent with the actual cost of education. This proposal will ensure that all students have equal access to education in the Chester Upland with funding distributed in an equitable manner.

B. The Receiver's Proposed Modification of Charter School Tuition Rates is not Arbitrary, Capricious, or Wholly Inadequate to Restore the District to Financial Stability.

The proposed modification of charter school tuition rates will drastically reduce the District's structural deficit, which is the first distinct financial challenge the District must address in order to achieve financial stability. The power to modify a legal obligation is an extraordinary power that should only be wielded in extreme circumstances. However, given the financial state of the District, urgent circumstances require extraordinary action. Altering the charter school tuition rates would constitute a modification of a legal obligation because the rates are set pursuant to section 1725-A of the Charter School Law. 24 P.S. § 17-1725-A. As set forth more fully in the revised Amended Financial Recovery Plan, the biggest obstacle to the District achieving financial stability is the huge amount of special education charter school payments made by the District. This extremely high payment is calculated using patently unfair methodology. The District cannot attain financial stability without addressing this urgent and critical issue through the modification of the special education charter tuition rates.

The amount that the District pays per special education student to charter schools has absolutely no relation to the actual cost of educating these students. Arguably, the special education tuition formula was designed to measure a school

district's own efforts related to special education expenditures per student such that the same amount would be contributed by the District with students enrolled in charter schools. However, the formula completely and utterly distorts the District's own effort related to special education expenditures by assuming the percentage of special education students in a school district is the statewide average of 16 percent. In reality, the District's actual percentage of special education students is 24 percent.

Furthermore, if nothing changes, the charter schools will continue to receive a uniform tuition rate for all special education students, regardless of a student's special education needs. In 2015-16, charter schools would receive \$40,315 per special education student from the District. Charter schools would receive \$10,683 per regular education student, meaning an additional \$29,632 is paid to a charter school for each special education student regardless of the actual cost to educate and regardless of the needs of the special education student. And nearly all of the special education students in charter schools require the least intensive amount of services—yet the District is forced to pay the same rate of \$40,315 per student.

Representatives of some of the District's charter schools have even admitted that the District's special education tuition rates are too high. *See* August 25, 2015 Hearing Transcript, at 140, 172. Furthermore, they have admitted that the charter

schools utilize the excess special education funds to subsidize their entire operations. *Id.* at 170. Equity demands that the District no longer continue to pay unfair special education rates when those funds admittedly are not used to pay for special education services. Therefore, there must be a rational, reasonable approach to calculating special education charter tuition rates for the District.

As recommended by the Special Education Funding Commission report, a modified special education charter tuition rate utilizing the regular education charter tuition rate in conjunction with a multiplier, is a well-reasoned approach to reduce the District's special education charter tuition rate. For the 2015-16 school year, a 2.53 multiplier should be applied to the regular education rate of \$10,683.29. This modified rate is more in line with the rate paid by surrounding school districts.

Given the research done by the Special Education Funding Commission and considering its bipartisan, bicameral backing, the reduction of the special education charter school tuition rate in accordance with the spirit of their recommendations is not arbitrary and capricious. Additionally, this measure will continue to ensure that all students, regardless of whether they attend District or charter schools, receive effective educational services. *See In re Appointment of a Receiver for the Chester Upland School District*, No. 12-9781 (Aug. 25, 2015), at page 9.

The District's charter schools have also agreed to forgive tuition still owed from the 2014-15 school year. Based upon the savings realized from this forgiveness, the District will have sufficient cash flow for the 2015-16 school year. However, even with the savings from the modified special education charter tuition rate, the District will need additional funding in order to close the gap on their structural deficit in future years. As such, the Governor's office will work with PDE and the District to request that the General Assembly provide a permanent increase to the base of the District's basic education funding starting in the 2016-17 school year. The increased basic education funding, in conjunction with the modified special education charter tuition rate, will once and for all fix the District's structural deficit.

C. The Receiver's Proposed Actions to Reduce the District's Negative Fund Balance are not Arbitrary, Capricious, or Wholly Inadequate to Restore the District to Financial Stability.

In addition to the reforms needed to eliminate the District's structural deficit, the revised Amended Financial Recovery Plan addresses how to eliminate the District's negative fund balance, the second financial challenge facing the District. First, the Governor's office has requested that the General Assembly provide a one-time subsidy payment to the District to eliminate the District's negative fund balance. Based on that request, Representative Kirkland has introduced legislation

(HB 1521), which would provide \$25 million in one-time funds that would be used to eliminate the District's negative fund balance entirely. While the District and PDE will advocate for the passage of this bill, this course of action is dependent upon the General Assembly's actions. Therefore, there must also be contingencies put in place to address the negative fund balance in the event that the General Assembly fails to pass this legislation.

If the General Assembly fails to pass HB 1521, then the District would refinance its debt to eliminate the negative fund balance. A commitment is being secured by a financial institution to provide financing, contingent upon approval of the revised Amended Financial Recovery Plan. This refinancing will allow the District to pay its negative fund balance over a number of years. This refinancing will ensure that the District has adequate cash flow to make payments to charter schools and other vendors. In addition to either the adoption of HB 1521 or refinancing, the District will be able to realize additional savings through the use of its financial turnaround specialist, an initiative already approved by this Court.

Also, the District's charter schools have agreed to forgive the tuition still owed from the District for the 2014-15 school year. This has the impact of immediately reducing the District's negative fund balance. Additionally, in the revised Amended Financial Recovery Plan, the Receiver has requested that the

same forgiveness be applied to all outstanding charter tuition for the 2014-15 school year. As with the modification of the special education charter tuition rate, this would be a modification of a legal obligation. This forgiveness is needed to ensure that there is adequate cash flow for the 2015-16 school year while the longer-term initiatives are being completed, such as advocating that the General Assembly increase the District's basic education funding.

These proposed actions will eliminate the District's negative fund balance and will lead to even greater financing savings by the District. Once the District's structural deficit and negative fund balance are eliminated, the District then must focus on planning for the future. A serious concern is the state of the high school facility. During legislative negotiations for an overhaul to the Plancon process, the Governor's Office will seek a provision to assist the District in its efforts to renovate the high school.

III. CONCLUSION

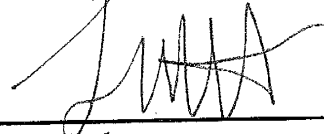
Simply cutting non-charter expenditures will never be enough to fix the massive structural deficit in the District's budget each year. The only way the District can attack its structural deficit is to address its biggest cause—the disproportionately high charter school tuition rates that the District is forced to pay under an inequitable formula. This initiative, in addition to a permanent increase

to the District's basic education funding, will address the root cause of the District's structural deficit and ensure that all students in the District—regardless of whether they are educated at District or charter schools—have access to a quality education.

The modification of the special education charter tuition rate in conjunction with the other initiatives in the Revised Financial Recovery Plan will result in the District's annual expenditures being in line with the District's annual revenues for the first time in decades. The alignment of the expenditures with revenues will ensure that the District has adequate cash flow to make timely payments to all vendors, including charter schools. The approval of these initiatives will provide a clear and comprehensive path for the District to achieve financial recovery.


For the reasons set forth in the Joint Petition to Amend the Financial Recovery Plan and in this supporting Memorandum of Law, the Receiver and the Secretary of Education request that this Honorable Court approve the Amended Financial Recovery Plan.

Respectfully submitted,

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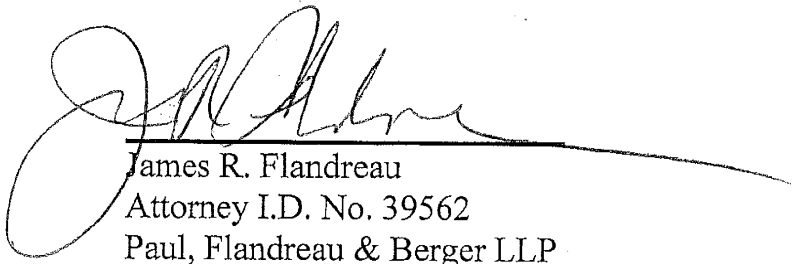
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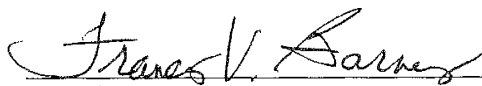
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*Counsel for Pennsylvania Department
of Education and Secretary of
Education Pedro Rivera*

Date: October 2, 2015

VERIFICATION

Receiver Francis V. Barnes deposes and says (1) that I am authorized to make and do make this verification on behalf of the Chester Upland School District; and (2) that the factual averments contained in the foregoing document are true and correct to the best of my knowledge, information and belief. This verification is made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities)

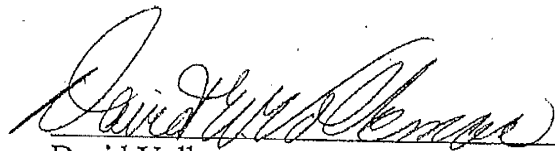
A handwritten signature in cursive script, reading "Francis V. Barnes", written over a horizontal line.

Francis V. Barnes

Receiver of Chester Upland School District

VERIFICATION

Executive Deputy Secretary of Education David Volkman deposes and says (1) that I am authorized to make and do make this verification on behalf of the Pennsylvania Department of Education; and (2) that the factual averments contained in the foregoing document are true and correct to the best of my knowledge, information and belief. This verification is made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in cursive script, appearing to read "David Volkman", written over a horizontal line.

David Volkman
Executive Deputy Secretary of Education

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of October 2015, I have caused the foregoing Petition to be served upon the persons and in the manner indicated below:

Service by Electronic Mail

Rocco P. Imperatrice, III, Esquire
Imperatrice, Amarant & Bell, P.C.
3405 West Chester Pike
Newtown Square, PA 19073

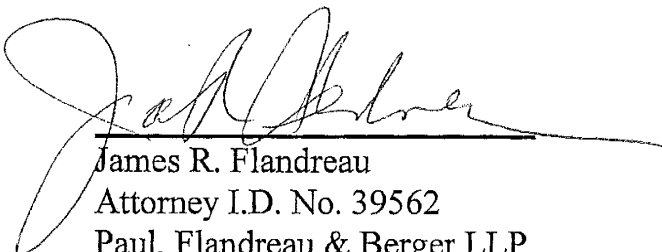
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APPENDIX F

Form of Co-Bond Counsel Opinion

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The form of the approving legal opinion of Co-Bond Counsel is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Co-Bond Counsel has no duty, and has assumed no obligation, to revise, update or supplement its opinion to address or reflect a change or changes in such circumstances subsequent to the date of delivery of the Bonds, whether or not it has notice or obtains knowledge of the same, and whether or not this Official Statement shall be recirculated. The approving legal opinion of Co-Bond Counsel represents its considered professional judgment, following a comparison of relevant factual certifications to applicable law. Such opinion is not a guarantee of a particular result, nor is such opinion binding on any administrative or judicial tribunal.

\$7,500,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
Federally Taxable School Revenue Bonds
(Chester Upland School District Project)
Qualified Zone Academy Bonds – Tax Credit, Series of 2017

OPINION OF CO-BOND COUNSEL

March 23, 2016

PNC Capital Market LLC
Tower at PNC Plaza
300 Fifth Avenue
Pittsburgh, PA 15222

State Public School Building Authority
1035 Mumma Road
Wormleysburg, PA 17101

U.S. Bank National Association
50 S. 16th Street, Suite 2000
Philadelphia, PA 19102

Chester Upland School District
1720 Melrose Avenue
Chester, PA 19103

Ladies and Gentlemen:

We have served as Co-Bond Counsel to the State Public School Building Authority (“Authority”), in connection with the issuance of \$7,500,000 Federally Taxable School Revenue Bonds (Chester Upland School District Project), Qualified Zone Academy Bonds – Tax Credit, Series of 2017 (the “Bonds”) by the Authority under the provisions of the State Public School Building Authority Act, approved by the General Assembly of the Commonwealth of Pennsylvania on July 5, 1947, P.L. 1217, as amended and supplemented (the “Act”). The Bonds will be issued under a Trust Indenture, dated as of March 1, 2017 (the “Indenture”), by and between the Authority and U.S. Bank, National Association, as trustee (the “Trustee”), and will be equally and ratably secured under the Indenture by an assignment and pledge by the Authority to the Trustee of payments to be made to the Authority by the Chester Upland School District, Delaware County, Pennsylvania (the “School District”).

The Bonds are being issued for the purpose of providing funds which will be used to: (i) finance rehabilitation, including improvements to the HVAC system, of Chester High School, which is a “qualified zone academy” within the meaning of Section 54E(d)(1) of the Code (hereinafter defined); and (ii) pay certain costs of issuing the Bonds (collectively, the “2017 Project”).

The School District, as borrower, and the Authority, as issuer, have entered into a Loan Agreement dated as of March 1, 2016 (the “Loan Agreement”), pursuant to which proceeds of the Bonds will be loaned by the Authority to the School District to finance the costs of the 2017 Project. As evidence of the payments to be made under the Loan Agreement, the School District will execute and deliver to the Authority a General Obligation Note in the stated principal amount not to exceed \$7,500,000, securing the payments under the Loan Agreement (the “General Obligation Note”) pursuant to which the School District will make debt service payments, and other sums payable under the Loan Agreement, to the Authority in the amounts and at the times set forth in the Loan Agreement, which amounts will be sufficient for the payments by the Authority of the principal of and interest on the Bonds. Pursuant to the provisions of an Assignment (the “Assignment”) from the Authority to the Trustee, the Authority has, among other things, pledged, assigned and granted to the Trustee substantially all of its right, title and interest in and to the Loan Agreement (except for certain indemnification rights, rights to receive notices, rights to provide approvals and rights to receive certain payments and to be reimbursed for certain costs and expenses that it may incur, as provided in the Loan Agreement) and in and to the General Obligation Note.

Pursuant to the State Appropriation Intercept Agreement among the Authority, the Treasurer of the Commonwealth of Pennsylvania (the “State Treasurer”), the Department of Education of the Commonwealth of Pennsylvania (the “Department”) and the School District, dated as of March 1, 2017 (the “Intercept Agreement”), which Intercept Agreement will be acknowledged and accepted by the Trustee pursuant to the authority of Section 7-785(b) of the Public School Code, the School District has instructed the Department to instruct and direct the State Treasurer to withhold from appropriations of the Commonwealth of Pennsylvania due to the School District on the last Thursdays of the months of February and August of each fiscal year of the School District, commencing August 31, 2017, the amounts set forth in an exhibit to the Intercept Agreement, which amounts will be used to pay the debt service due on the Bonds on each March 15 and September 15, commencing September 15, 2017 (the “Scheduled Amounts”), and to pay the same directly to the Trustee, as assignee of the Authority under the Loan Agreement and the General Obligation Note.

As Co-Bond Counsel for the Authority, we have examined: (a) the Constitution of the Commonwealth of Pennsylvania; (b) the Act; (c) the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified at 53 Pa.C.S. Section 8001 *et seq.*, as amended; (d) the Public School Code of 1949, Act of March 10, 1949, P.L. 30, No. 14, as amended (the “School Code”); (e) the proceedings of the Authority relative to the authorization, issuance and sale of the Bonds including the Indenture, the Loan Agreement, the General Obligation Note, the Assignment and the Intercept Agreement; (f) the resolution adopted by the Board of School Directors of the School District authorizing the incurrence of debt evidenced by the Bonds (the “Debt Ordinance”) and the Debt Statement of the School District filed with the Pennsylvania Department of Community and Economic Development (“PA DCED”); (g) the resolution of the receiver of the School District (the “Receiver”) approving the Debt Ordinance (the “Receiver Resolution”); (h) the corresponding

Certificate of Approval of PA DCED; (i) the Internal Revenue Code of 1986, as amended (the "Code"); and (j) such other documents, statements, certifications, affidavits, proceedings and other documents and matters of law as we deemed relevant and necessary in order to render this opinion, including, without limitation, an opinion of Counsel to the Authority as to various matters and an opinion of the Solicitor to the School District as to various matters.

We have reviewed the tax certificate of authorized officers of the Authority and the School District, along with other closing certificates of the Authority, School District and other parties to the issuance and sale of the Bonds. Unless separately noted, we have relied upon, but have not independently verified, factual certifications made to us by the School District, its officers and agents, and by said other parties, both in such certificates and otherwise during the course of our engagement.

We have not been engaged nor undertaken to review the adequacy of disclosure in the Official Statement nor in any other securities offering material produced in respect of the Bonds and, except as to matters set forth in this opinion and described as such in said Official Statement, we express no opinion or belief with respect thereto.

Based on the foregoing, we are of the opinion on this date as follows:

1. The Authority is a body corporate and politic, is validly existing under the laws of the Commonwealth and has the corporate power and lawful authority to: (a) execute and deliver the Indenture and the Loan Agreement; and (b) issue and deliver the Bonds.
2. Assuming due authorization, execution and delivery by the other parties thereto, the Indenture, Loan Agreement and the Intercept Agreement have been duly authorized, executed, acknowledged and delivered by the Authority, and the Indenture, the Loan Agreement and the Intercept Agreement constitute the legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights ("Creditors' Rights Limitations").
3. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding obligations of the Authority, payable solely from the revenues received by the Authority pursuant to the Loan Agreement, and are enforceable in accordance with the terms thereof, except to the extent enforcement thereof may be affected by Creditors' Rights Limitations.
4. 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.
5. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, the Bonds are "qualified zone academy bonds" under Section 54E of the Code. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, a taxpayer who holds a Bond on the Credit Allowance Date, as defined in Section 54A of the Code, of a Bond which

occurs during the taxpayer's taxable year, will be allowed a credit against the tax imposed by Chapter 1, Subtitle A of the Code for such taxable year (the "Tax Credit"). The amount of the Tax Credit will be equal to the product of 4.55% multiplied by the outstanding principal amount of a Bond held by the taxpayer on the Credit Allowance Date as provided under the Code, divided by four. The Tax Credit allowable for the first Credit Allowance Date of June 15, 2017, is the ratable portion of the Tax Credit otherwise allowed on such date based on an initial issuance date of March 23, 2017. If a Bond is redeemed or matures on a date other than a Credit Allowance Date, the associated Tax Credit will be a ratable portion of the tax credit otherwise allowed based on the redemption date. The amount of the Tax Credits that accrue to a taxpayer who holds a Bond will be treated as interest that is included in the gross income of a taxpayer for federal income tax purposes. The opinions set forth in this paragraph are subject to the compliance by the School District with all of the requirements of the Code that must be satisfied after the issuance of the Bonds so that the Tax Credits will continue to be allowed to a taxpayer who holds the Bonds. The School District has covenanted to comply with each of these requirements. Failure to comply with certain of those covenants subsequent to issuance could cause the Bonds not to qualify as "qualified zone academy bonds" under the Code. We express no opinion as to any other Federal income tax consequence arising from ownership of the Bonds.

Purchasers of the Bonds should consult their own tax advisors as to collateral state or federal income tax consequences. We express no opinion regarding state or federal tax consequences arising with respect to the Bonds other than as expressly set forth in numbered paragraphs 4 and 5 hereof.

We call to your attention the fact that the Bonds are payable solely from amounts to be received by the Authority under the Loan Agreement and the General Obligation Note and that the Bonds are special, limited obligations of the Authority, and neither the faith nor the credit of the Commonwealth of Pennsylvania nor the credit of the Authority (except to the limited extent described above) is pledged to the payment of the Bonds. The Authority has no taxing power.

These opinions are rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We express no opinion as to, and we assume no responsibility for, any matter or information not set forth in the numbered paragraphs above including, without limitation, with respect to the accuracy, adequacy or completeness of, the Preliminary Official Statement or the Official Statement prepared in respect of the Bonds, including, in both cases, the appendices thereto, and make no representation that we have independently verified any such matter or information.

The opinions set forth herein are given solely for the benefit of the addressees listed above and may not be relied on by any other person or entity without our express prior written consent. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,