

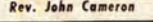
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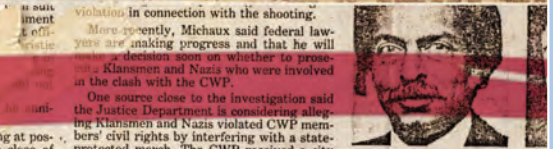
YEAR ENDED JUNE 30, 2013



JUNE 2, 1964

Although Negroes are more than 40% of the state's population, only some 20,000 Negroes are registered voters. Registered whites make up 95% of the electorate.

CONTINUED ON PAGE 4



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

440 N. BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19130

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA**

YEAR ENDED JUNE 30, 2013



Marcy F. Blender, CPA
Comptroller

Prepared by
Office of General Accounting

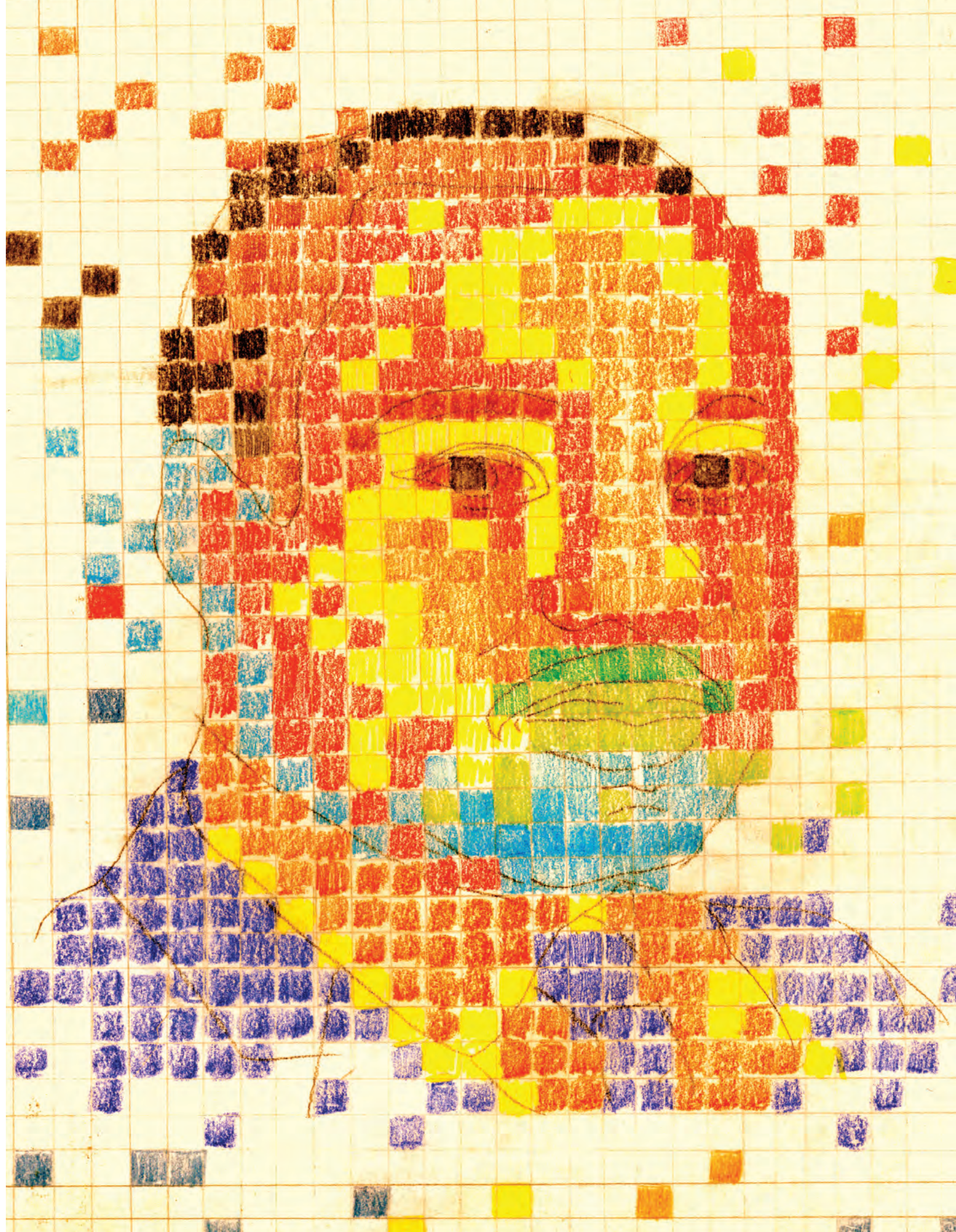
STUDENT ART

The art displayed throughout this report is the work of the School District of Philadelphia's art students. The winners were chosen from entries submitted for the 2013 Annual Accounting Cover Design Contest. This year's theme celebrates the 50th anniversary of Dr. Martin Luther King Jr's inspiring "I Have a Dream Speech." Students participating in this competition challenged their intellect, imagination and creativity to visually express their ideas and personal interpretations based the words and ideals exemplified by Dr. King. The work and dreams of this great American are still powerful and inspirational today.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Amanda Sananikone Academy at Palumbo Grade 11	Ms. Kiana Thompson
2 nd Prize Back Cover	Sishan Zhao Academy at Palumbo Grade 11	Ms. Kiana Thompson
3 rd Prize Divider: 1 st	DaishaChandler George Washington High School Grade 12	Ms. Temi Allen
	En-Ci Zou Academy at Palumbo Grade 11	Ms. Kiana Thompson
2 nd	Rose-Marie Conteh Academy at Palumbo Grade 11	Ms. Kiana Thompson
	Daniel Askerov George Washington High School Grade 9	Ms. Kimberly Colasante
3 rd	Jaliyah Vanguine Academy at Palumbo Grade 11	Ms. Kiana Thompson
	Isaiah Wroten John Bartram High School Grade 10	Mr. Bruce Augustine
	Ms. Deborah Klose, Direct of Art Education Office of Academic Support	





SCHOOL DISTRICT OF PHILADELPHIA
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THE SCHOOL DISTRICT OF PHILADELPHIA OFFICE OF THE SUPERINTENDENT

440 NORTH BROAD STREET, SUITE 301
PHILADELPHIA, PENNSYLVANIA 19130

WILLIAM R. HITE, JR., Ed.D.
SUPERINTENDENT

TELEPHONE (215) 400-4100
FAX (215) 400-4104

February 19, 2014

To the Members of the School Reform Commission, Honorable Mayor and Citizens of the City of Philadelphia:

We are pleased to present this Comprehensive Annual Financial Report ("CAFR") of The School District of Philadelphia ("School District" or "District") for the Fiscal Year ended June 30, 2013. Pursuant to provisions of The Philadelphia Home Rule Charter ("Charter"), these financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States of America. As such, management of the School District assumes full responsibility for the completeness and reliability of all information presented in this report and provides reasonable assurance that its financial statements are free of any material misstatements.

The Charter requires that the Office of the City Controller of the City of Philadelphia ("Office of the City Controller") performs an annual audit of the books of account, as well as financial records and transactions of the School District. The City Controller, an independently elected local official, is required to appoint a Certified Public Accountant as deputy in charge of auditing. Pursuant to these requirements, the Office of the City Controller conducted an independent audit of the School District's financial statements. The independent audit examined evidence supporting the amounts and disclosures contained in these financial statements on a test basis; assessed the accounting principles used and significant estimates made by senior management; and evaluated the overall presentation of these financial statements. The Office of the City Controller concluded that there was a reasonable basis for rendering an unqualified opinion that the School District's financial statements, for the Fiscal Year ended June 30, 2013, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented for your formal review and consideration.

As further required, senior management of the School District established a comprehensive system of internal controls that are designed to protect the School District's assets from loss, theft, and misuse. Internal offices of the School District, namely the offices of Management and Budget, General Accounting, Accounts Payable, Grants Development and Compliance and Audit Services, regularly review expenditures of School District funds and perform selective and random reviews of operations and controls further ensuring that this report is complete and reliable in all material respects and in conformity with GAAP. Furthermore and as part of the federally mandated "Single Audit" requirement, the Office of the City Controller performs an annual audit of the School District's internal controls and compliance thereto with legal requirements involving the administration of federal awards and grants. The Single Audit is designed to meet the needs of federal grantor agencies. These reports are available in the School District's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the School District

Despite being a component unit of the City of Philadelphia ("City") for financial reporting purposes only, the School District is an agency of the Commonwealth of Pennsylvania ("Commonwealth" or "State") created to assist in the administration of the Commonwealth's responsibility under the Pennsylvania Constitution to "provide for the maintenance and support of a thorough and efficient system of public education." It is by far the largest of the 501 school districts in the Commonwealth employing 19,846 full time employees as of June 15, 2013 and the eighth largest in the United States based on student enrollment data.

As required by GAAP, the financial statements of the School District include those of the primary government and its component unit, the Intermediate Unit No. 26 (the "IU"). The financial statements of the IU have been included in the School District's reporting entity as a blended component unit. The IU is included in the School District's reporting entity because of the significance of the operational relationship with the School District. All IU services are performed by the School District pursuant to contracts between it and the IU.

Although considered a quasi-state agency, the School District directly serves the citizens of the City of Philadelphia, Pennsylvania, the fifth largest city in the United States with a population of over 1.5 million and a land area of approximately 130 square miles. The School District educates 11% of the Commonwealth's 1.7 million public school students. Total enrollment in the School District has declined over the past decade while charter school enrollment significantly increased. Enrollment for the School District is over 202,059 students including 55,469 attending charter school; 5,997 enrolled in cyber schools and Non-Philadelphia (brick and mortar) charter schools; and 3,573 in alternative education programs/schools. The projected enrollment for the School District for 2013-2014 is 201,301. The continuing trend of increased enrollment in charter schools is expected to continue during this period with a projected enrollment of 66,109.

During Fiscal Year 2013 there were 240 schools that the School District operated, as well as 26 alternative education programs/schools (6 schools and 20 programs) and 84 charter schools managed by other entities within the city and that serve Philadelphia's children. In Fiscal Year 2013, nearly one of every three (30.0%) public school students in the School District attended charter schools, making the School District a national leader in providing meaningful school choice to parents and students. The Fiscal Year 2013 organizational structure for the School District includes 162 elementary schools; 23 middle schools; and 57 high schools. At the end of the 2012-2013 the School District closed 24 schools due to low occupancy levels and the shift of enrollment to charter schools. About 15% of the School District's buildings are 40 years old or less, 46% are between 41 and 80 years old, 39% are 81 years or older.

The School District provides a comprehensive range of mandated educational services that include general, special, and vocational education at the elementary and secondary levels, as well as related support and transportation services. The School District provided limited summer, in addition to pre- and after-school program services, depending on the needs of a community and available funding. To ensure schools have the administrative support they require and to provide targeted supports and services, schools were assigned to one of eight geographically dispersed Learning Networks.

As an agency of the Commonwealth, the School District is governed by both The Public School Code ("School Code") and the City Charter. As such, the School District is a separate and independent home rule school district of the first class established by the Charter under the First Class City Public Education Home Rule Act, approved August 9, 1963, P.L. 643 ("Act"). The Act expressly limits the powers of the City by prohibiting the City from, among other things, assuming the debt of the School District or enacting legislation regulating public education or its administration, except only in setting tax rates authorized for school purposes pursuant to the directive of the General Assembly of the Commonwealth.

Prior to 2001, the School District was governed by the Board of Education ("Board") consisting of nine members appointed generally by the Mayor of the City. In December of 2001, however, the Secretary of Education of the Commonwealth declared the School District financially distressed suspending the governing powers of the Board and placing management of the School District under the control of a five-member School Reform Commission ("SRC"). Three members, including the Chairman, are appointed by the Governor of Pennsylvania while the Mayor of Philadelphia appoints the remaining two members. The SRC exercises all powers and has all the responsibilities and duties of the original Board, along with additional powers. As prescribed, the SRC is now responsible for the overall operation, management, and educational programs of the School District, including all budgetary and financial matters. The duties of the SRC generally include, but are not limited to, the formulation of educational policy, the adoption of an annual budget, the development of a comprehensive capital improvement budget and program, and the incurrence of indebtedness. The Superintendent of Schools reports to the SRC. The Superintendent of Schools during most of the Fiscal Year 2013 reporting period was Dr. William R. Hite, Jr., replacing Mr. Thomas E. Knudsen in his Acting Superintendent role on September 17, 2012. Mr. Knudsen remained on as Chief Recovery Officer and Chief Financial Officer until November 28, 2012 when Matthew E. Stanski was appointed Chief Financial Officer.

The School District's fiscal year is July 1st to June 30th and is identical with those of both the City and the Commonwealth. The Charter requires that the School District adopt an operating budget, a capital budget, and a capital improvement program each fiscal year. To ensure financial control, the SRC must first approve, by resolution, all personnel appointments, purchases of materials, supplies, books, and equipment in excess of \$25,000 and individual contracts for

professional services and associated costs in excess of \$20,000. The School District maintains further budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget by the SRC.

Activities in the General Fund, the Intermediate Unit Fund, the Debt Service Fund, and the Capital Projects Fund are included in the annual appropriated budget. Purchase commitments are subject to an automated accounting system which tests for verification of available allotments and are encumbered, if not in excess of the available allotment, prior to the release of funds to a vendor and do not lapse. At year-end, encumbrances are included as a budgetary reservation in the governmental funds, except in Categorical Funds, since they do not constitute expenditures or liabilities. However, unencumbered appropriations lapse at year-end.

Major Initiatives

The two primary goals set by the School Reform Commission and the new Superintendent for Fiscal Year 2013, were: Goal 1) to provide safe, high quality public schools throughout the City of Philadelphia, and Goal 2) to bring the budget back into sustainable structural balance. To achieve these two mandates, the School District recognized the need to reform both its academic and business functions as well as to place all of its operations on a financially sustainable basis. To achieve these two goals six strategies were identified: Strategy 1) achieve and sustain financial balance; Strategy 2) improve student outcomes; Strategy 3) develop a system of excellent schools; Strategy 4) identify and develop committed, capable people; Strategy 5) become a parent and family-centered organization; and Strategy 6) become an aligned, accountable organization.

The major initiatives during this fiscal year were to fully implement the efforts begun in fiscal year 2012 to address a projected \$304 million shortfall due to the loss of State and Federal subsidies and proceed with the transformation plan including the appointment of a new Superintendent (a) to determine how best to effect needed economies from operations to close the deficit, (b) to determine how the academic programs might be structured within existing means and (c) to implement the first year of the five-year plan which provides an operating and financial road map for structural balance. The major Fiscal Year 2013 initiatives included (a) the successful execution of the Facilities Master Plan (FMP) to close twenty four (24) schools to right-size the District school system which was experiencing declining public school student enrollment due to shifts to charter schools; (b) to sell long-term deficit bonds that would provide \$300 million to fund obligations in Fiscal Year 2013 and 2014 and, finally, (c) to establish a position with our stakeholders and our communities that demonstrated an openness to new ideas and a transparency of policy execution that invited broad-based support for the future direction for K-12 education in Philadelphia.

Although the downturn in financial support from the State and Federal governments was anticipated to continue from the previous fiscal year due to: 1) the continuance of State budget cuts to education, 2) new Federal grant cuts due to sequestration, 3) the end of stimulus funds; and 4) the loss of carryover Federal dollars, the District started Fiscal Year 2013 facing the potential of staggering budget deficits if severe measures were not taken. In addition, the one-time cost saving measures totaling about \$167 million which were enacted in Fiscal Year 2012 were no longer available and the District continued to be faced with fixed cost increases, including pension, health care, charter payments, and labor contract obligations. As a result, serious, deep and recurring cuts were made to school budgets and to other operating departments which had absorbed drastic reductions during the prior fiscal year. Chief among the tasks yet to be completed is the negotiation of new collective bargaining agreements and work rules with the Philadelphia Federation of Teachers (PFT), the Commonwealth Association of School Business Administrators (CASA), School Police Association of Philadelphia (SPAP) and the School Cafeteria Employees (Local 634), with the objective to enact meaningful reforms as was done with the blue collar workers union (32BJ) during the prior fiscal year.

The fiscal year began with a \$20.5 million negative available operating fund balance. Because of the initiatives described above, and primarily due to the deficit financing that provided \$301.9 million, the District was able to resolve the projected structural budget deficit in Fiscal Year 2013 and end the year with a \$39.5 million operating surplus.

Budget Structure

The Operating Budget is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2013 ending Operating Fund balance is a positive \$58.4 million compared with a negative \$0.7 million for Fiscal Year 2012. Of the total \$58.4 million fund balance for the Operating Fund at June 30, 2013, \$18.9 million is non-spendable or encumbered for existing purchase commitments, leaving a fund balance of \$39.5 million. Applying the GASB 54 fund balance definitions to the \$58.4 million ending Operating Fund balance results in the following classifications of fund balances: In the General Fund, a negative \$64.1 million unassigned (consisting of a negative \$77.1 million of unassigned offset by \$13.0 million of encumbrances), \$18.4 million of restricted for self-insurance and, \$0.9

million of non-spendable fund balance for inventories and \$4.0 million in a long-term interfund loan, 2) in the Intermediate Unit Fund, a positive \$1.0 million of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, a positive \$98.2 million is considered restricted for future debt service payments. The Fiscal Year 2013 available fund balance represents a \$60.0 million increase from the Fiscal Year 2012 available Operating Fund balance of a negative \$20.5 million to the positive \$39.5 million Fiscal Year 2013 balance.

The SRC on May 31, 2012 adopted the fiscal year 2013 operating budget of \$ 2,357.1 million in revenues and other sources and \$2,556.3 million in obligations and other uses. On May 31, 2013 the SRC amended the fiscal year 2013 operating budget of \$2,614.6 million in revenues and other financing sources and obligations and other financing uses of \$2,564.5 million. Under the GASB 54 guidelines the fiscal year 2013 ending operating fund balance available for future operations is an increase of \$6.8 million from the amended budget ending fund balance of \$32.7 million. The main reason for this improvement was a \$13.4 million budget surplus in obligations offset by revenue and other uses budget shortfall of \$6.6 million. The obligations favorable variance was driven by lower than expected salary and benefits costs in Facilities and various administrative offices, lower than expected medical and other benefit costs overall and favorable variances in charter payments and payments to other educational entities. The revenue shortfall was caused by \$5.0 million in expected ACCESS revenue transfers from categorical funds, lower collections of real estate taxes only partially offset by increased liquor tax collections, and lower state revenues for PSERS reimbursements due in part to the lower than expected salary expenditures.

The Capital Improvement Program (CIP) identifies over \$872.2 million in facilities' needs through fiscal years 2013-2018 to improve major infrastructure systems and buildings. The Fiscal Year 2014 Capital Budget reflects two realities: the completion of the final projects under the \$1.9 billion CIP that began in 2003 and a reduction in capital spending that prioritizes the funding of deferred maintenance and life cycle replacements rather than new construction that would add to the District's overall capacity. Currently the budget assumes a moratorium on increasing capacity through new construction or additions over the next five years. On May 30 2013, the School District adopted its 2014 Capital Budget and six-year capital improvement program for Fiscal Years 2014-2019 ("Capital Improvement Program" or "CIP") which collectively totals approximately \$936.4 million. The School District amended its capital budget for Fiscal Year 2013 on May 30, 2013 to total approximately \$91.4 million. The School District presented the new strategic Facilities Master Plan (FMP) to the Governing Body in the late fall of 2011 and the SRC approved the plan in the spring of 2012. In the spring and summer of 2012, the District began to implement the first cohort of school closings and consolidations which continued through this past spring and summer of 2013. Continued implementation of the plan is ongoing.

The School District continues to pursue ongoing reductions of administrative costs to maximize resources for its primary educational mission. Effective July 1, 2013, the District through involuntary work force reductions reduced about 18.3% of its entire workforce, including about 35% of its central administrative staff. The impact of the workforce reduction will not be realized until Fiscal Year 2014. The School District spends about 3% of its operating budget on administrative costs (excluding financings); one of the lowest rates when compared with other large urban public school systems and 97% of the operating budget is spent on items directly benefiting the schools. Specifically, 74% is spent on academic and education support services and the remaining 23% is spent on capital financing and maintenance directly benefiting the schools.

Factors Affecting Financial Conditions

The information presented in the accompanying financial statements and report is best understood when placed in context with the District's financial planning and policy practices coupled with local social and economic factors, such as:

Financial Planning:

These are challenging times for The School District in Philadelphia. Declining revenues combined with State mandated expenditures, increases in expenditures such as payments to charter schools and contractually obligated compensation and benefits combined with an unsustainable cost structure has resulted in the necessity to take extreme measures and make unprecedented program sacrifices to remain fiscally sound. The School District's finances continue to pose challenges as we proceed into the 2013-2014 school year. It is vital that a long-term source of recurring revenues be developed and adequate yearly funding be obtained to provide a quality education to the student demographics which make up our enrollment. The District is seeking a fair State funding formula that better meets the needs of students, particularly those who are economically disadvantaged, and those who are English language learners or have special needs. Currently, more than 80% of the District's students are from economically disadvantaged families and nearly 20,000 students are receiving special education services, the largest share of that population statewide. In Fiscal Year 2014 fixed costs are expected to

increase by over \$100 million due to higher pensions and healthcare costs, utility expenses, charter school payments and salaries.

The challenge in Fiscal Year 2014 and beyond, and the intent of the Five-Year Financial Plan, will be to effect permanent and sustainable changes to structures and programs that cover the on-going increases in fixed charges and inflation in the years moving forward. Despite significant progress towards expenditure control, the District is assuming lower than anticipated revenues and higher than anticipated costs than those assumed in the Five-Year Financial Plan which was adopted in September 2012. These variances will place an even greater burden to achieve structural balance. In Fiscal Year 2014 the District asked the State for \$120 million of additional revenues, the City for \$60 million and the labor concessions or reforms of \$133 million. To-date, the District has received \$45 million from the State, the accelerated receipt of the \$69 million City grant and awaits the result of the continuing labor negotiations and \$50 million from the City.

The District has taken and will continue to take the necessary steps to build the foundation upon which teaching and learning can grow which includes: continuing to close low performing and underutilized District schools and Charter schools; seeking revisions to its contracts; expanding high quality seats; and, establishing baseline expectations for all of its schools.

Many factors are driving the financial challenges the District is facing.

The Local Economy: Although Philadelphia's economy lagged behind much of the nation over the last year, particularly when it came to producing jobs, education and medical sectors accounted for nearly one-third of the City's jobs. During the period between 2000 and 2010 the population of the City increased from 1,517,550 to 1,526,006 and during this same period, the population of the Commonwealth increased by 3.4%. In the two years following the 2010 Census, the City's population grew by an additional 1.4%, adding an additional 21,601 residents according to the 2012 U.S. Census Bureau estimates.

Philadelphia has developed an increasingly diverse economy centered on the healthcare industry, higher education, professional and business services and leisure and hospitality. The City is in the heart of a nine-county metropolitan area with approximately six million residents making it the country's sixth largest. Air, rail, highway, and water routes provide easy access to the area. The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City is experiencing a revival of construction with over 45 major projects under construction concurrently, representing over \$3.1 billion in combined public and private investment. Higher education and healthcare institutions are currently the most engaged in development.

As a major urban center with a rich historical legacy, Philadelphia is increasingly gaining national recognition for its cultural and recreational resources, which include the many tourism assets concentrated within city limits. Expansion of the Convention Center in 2011 increases the City's appeal as a tourist destination. Over 2.9 million room nights were sold in Center City in 2012, making it an all time high; this trend is projected to continue with a projected five percent growth from 2012 to 2018. The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, the Academy of Music, the Pennsylvania Ballet, the Constitution Center, the Kimmel Center, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, the Rodin Museum and the recent addition of the Barnes Foundation Museum. The South Philadelphia sports complex is home to the Philadelphia 76ers, Flyers, Phillies, and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park and the nation's first zoo. In 2011, Travel and Leisure magazine ranked Philadelphia as the number one City for arts and culture in the U.S.

The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area. Children's Hospital of Philadelphia is ranked number one in U.S. children's hospitals.

The area has the second largest concentration of students on the east coast with eighty higher education degree granting institutions and a total enrollment of over 300,000 students. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

Philadelphia continues to experience unemployment at a higher rate than the national average. The City's and region's economies are diversified, with strong representation in the health care, government and education sectors but without the dominance of any single employer or industry. The 2012 unemployment rate for the Philadelphia Metropolitan area was 8.5% compared to the national average of 8.1% which represents a 3.2% decrease from 2008 to 2012. The unemployment rate for the City was 10.8% for 2012. The City has one of the highest poverty rates, 28.4% and one of the lowest household medium incomes, \$34,207, among all major cities and the incidence of crime remains relatively high.

Accounting Pronouncements: Effective for Fiscal Year 2013, the School District has implemented three new Government Accounting Standards Board (GASB) Statements, GASB Numbers (Nos.) 61, 62, and 63.

GASB 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34 amended the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. It added the requirement that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the component unit. The School District's financial statements for Fiscal Year 2013 reflect this amendment in accounting principle for classifying the Intermediate Unit as a blended component.

GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements incorporated pronouncements which do not conflict with or contradict GASB pronouncements into the GASB's authoritative literature. This change was considered in the preparation of the School District's financial statements for Fiscal Year 2013.

GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provided guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It defined amounts required to be reported as deferred outflows and inflows of resources. It required the "Statement of Net Position" to include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This change was reflected in the preparation of the School District's comprehensive annual financial statements for Fiscal Year 2013.

Long-term Debt: As of June 30, 2013, the School District's outstanding principal amount of general obligation bonds and lease rental indebtedness was \$3.3 billion.

The SRC adopted a Debt Policy on February 18, 2009. The debt management policies are written guidelines that affect the amount and type of debt issued by the School District, the issuance process, and the management of a debt portfolio. The goal of the debt management policy is to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and can be expected to meet its obligations in a timely manner.

According to the Local Government Unit Debt Act, and as further stated in the Debt Policy, the School District must establish serial maturities or sinking fund installments for each bond issue that achieve, as nearly as practicable, level debt service within an issue or overall debt service within a particular classification of debt. The School District has never defaulted in the payment of debt service on any of its bonds, notes or lease rental obligations.

Almost all outstanding bonds issued prior to 2010 (except for its Qualified Zone Academy Bonds and Qualified School Construction Bonds) were insured and carried among the highest credit ratings in the industry from Standard & Poor's Rating Services, Moody's Investors Service and Fitch IBCA. The School District when issuing bonds, thereafter, has relied on the enhanced security that the State Intercept Program provides. The State intercept ratings are Aa3 with a stable outlook from Moody's, A+ with a stable outlook from Standard & Poor's and AA- with a negative outlook from Fitch. Moody's and Fitch provide underlying ratings for the School District which are Ba2 and BB both with negative outlooks, respectively. Standard & Poor's only provides a rating based upon State Intercept Program for the School District.

On November 28, 2012 the School District issued \$264,995,000 of State Public School Building Authority, School Lease Revenue Bonds to pay certain operating expenses of the School District.

Initiative to Increase Local Tax Collections: Local tax rates for the School District are authorized by the City Council. The City of Philadelphia collects the following current and delinquent taxes for the School District: the Real Estate Tax; the Liquor by the Drink Tax; the School Income Tax; and the Use & Occupancy Tax. These taxes represent about 31.4%

of the Fiscal Year 2013 overall revenues. The City has focused its attention on improving the collections of all taxes by establishing a Chief Collections Officer and appointing a new Revenue Commissioner.

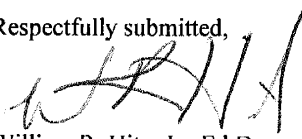
Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2012. Similarly, the Association of School Business Officials International ("ASBO") awarded a Certificate of Excellence to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1985 up to and including 2012. In order to be awarded a Certificate of Achievement or a Certificate of Excellence (collectively "Certificates"), a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificates are valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet legal requirements and all applicable mandates and guidelines. Consequently, the School District is submitting it to both GFOA and ASBO respectively to determine its eligibility for additional certificates for Fiscal Year 2013.

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of certain business and financial offices, especially the Office of General Accounting. We express our sincere appreciation to all participants who assisted in and contributed to the preparation of this report. We also thank the Office of the City Controller for their cooperation, support and continued assistance.

Respectfully submitted,



William R. Hite, Jr., Ed.D.
Superintendent and Chief Executive Officer
School District of Philadelphia



Matthew E. Stanski
Chief Financial Officer
School District of Philadelphia



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**School District of Philadelphia
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Association of School Business Officials International

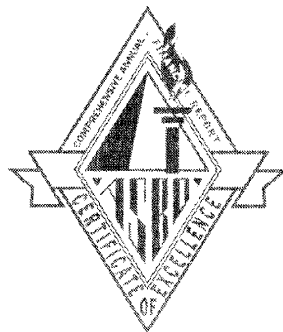


*The Certificate of Excellence in Financial Reporting Award
is presented to*

School District of Philadelphia

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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



Ron McCulley, CPPB, RSB0
President

John D. Musso, CAE, RSBA
Executive Director

SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2013

List of Principal Officials of the School District

School Reform Commission

Pedro A. Ramos, Esq., Chairman
Lorene Cary, Member
Feather Houstoun, Member
Joseph A. Dworetzky, Esq., Member
Wendell E. Pritchett, Member

School District of Philadelphia

William R. Hite, JR., Ed.D.
Superintendent and CEO

Paul Kihn
Deputy Superintendent

Michael A. Davis
General Counsel

Naomi Wyatt
Chief Talent Officer

Matthew E. Stanski
Chief Financial Officer

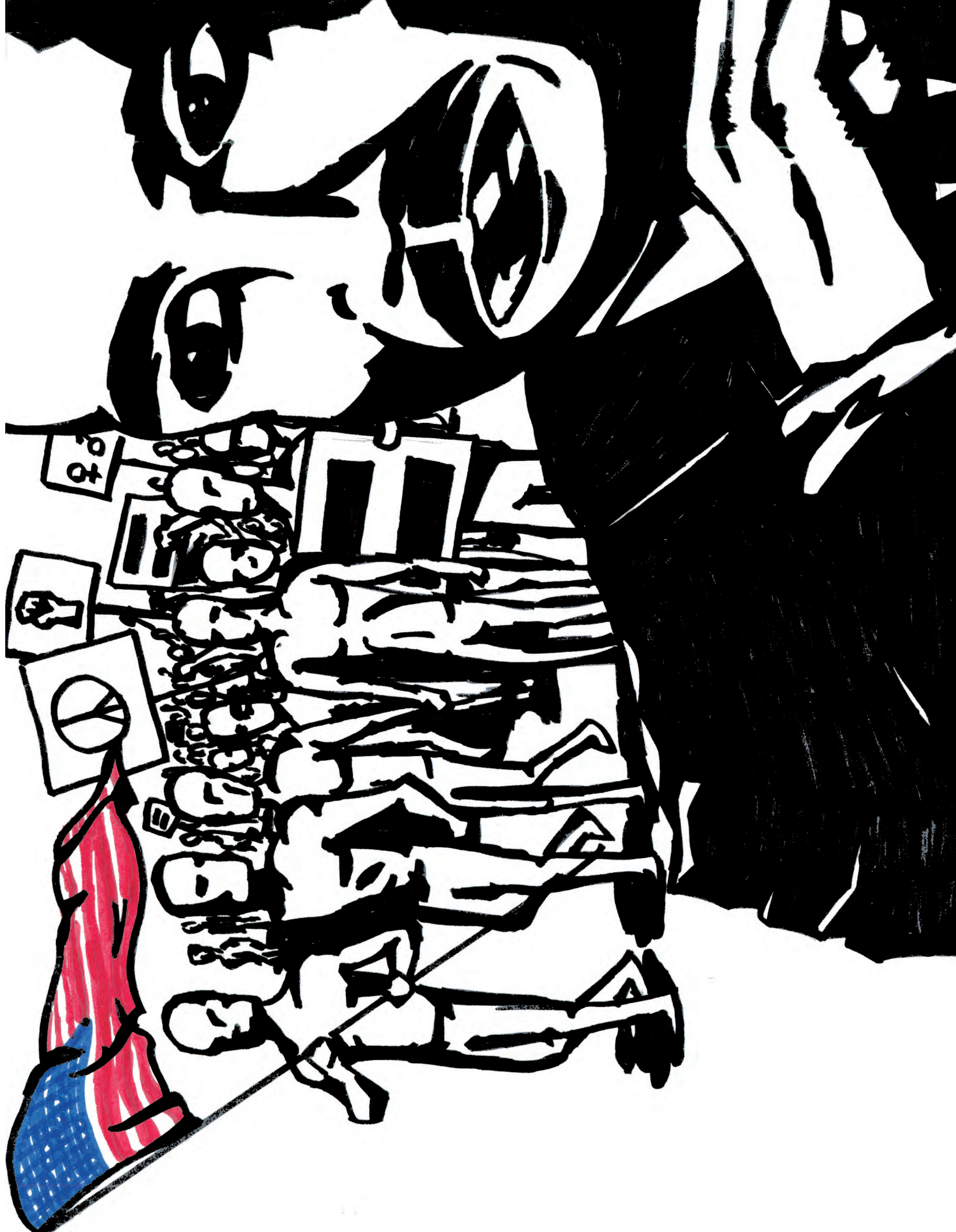
Karyn T. Lynch
Chief of Student Services

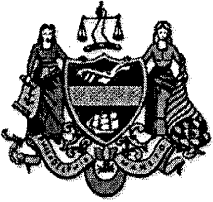
David M. Hardy
Chief of Academic Supports

Melanie S. Harris
Chief Information Officer

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CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of
The School Reform Commission of the
School District of Philadelphia

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 School District of Philadelphia, Pennsylvania (School District), a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

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 School District, as of June 30, 2013, 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.

Changes in Accounting Principles

As discussed in Note 1.C. to the financial statements, in 2013 the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Additionally, as discussed in Note 1.D.(12) to the financial statements, in 2013 the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, Financial Reporting of Outflows of Resources, Deferred Inflows of Resources, and Net Position.

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 16 through 32, and the major funds budgetary comparison schedules, the other postemployment life insurance benefits schedule of funding progress, and the related notes to required supplementary information on pages 88 through 92 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.

Supplementary and Other Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2013, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The Other Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2013, 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 Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2013.

The other information, including the Introductory Section and the Statistical Section, as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the School District's basic financial statements as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated February 11, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the

C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

aggregate remaining fund information. The 2012 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds for the year ended June 30, 2012 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The 2012 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds have been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.



GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 19, 2014

**SCHOOL DISTRICT OF PHILADELPHIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

I. INTRODUCTION

As part of the Financial Section of the Comprehensive Annual Financial Report ("CAFR"), the Management's Discussion and Analysis narrative ("MD&A") is an important element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

This section of the CAFR represents management's discussion and analysis of the School District of Philadelphia's ("School District") overall financial performance during the Fiscal Year that ended June 30, 2013. The intent of this narrative discussion and analysis is to provide readers with brief explanations of the types of presentations that set forth the School District's basic financial statements, results of operations, long-term debt activity and significant variations from the original adopted and final amended budgets pertaining to certain major funds.

The School District presents comparative financial information between the current and prior fiscal years in its MD&A in an effort to illustrate its overall financial performance and condition. The MD&A is intended to help the reader identify the reasons for changes in net position, expenses, revenues and fund balances from the prior fiscal year. The MD&A is also designed to assist the reader with identifying significant financial issues, identifying changes or any material deviations from the School District's prior financial position, and identifying any individual fund issues or concerns. As such, this section should be read in conjunction with and as a complement to the School District's Letter of Transmittal located at the front of this CAFR and the financial statements which immediately follow.

II. FINANCIAL HIGHLIGHTS

For eleven years, the School District has been operating under the governance of the School Reform Commission following the declaration of financial distress by the Secretary of Education of the Commonwealth of Pennsylvania in December of 2001. Since that time, the School Reform Commission has helped to realign and reallocate resources, amend school policies and procedures, develop achievement plans and implement district-wide reforms in an effort to improve both the quality of education and administrative efficiency.

Several key financial highlights for Fiscal Year 2013 include, but are not limited to, the following:

- Total revenues for the governmental funds were \$2.8 billion. A little over one third of total revenues are received from the PA Basic Education Subsidy (BES). A little over one third of the District's revenues are from the collection of local taxes and local non-tax sources. The remaining little under one third represents subsidies and grants awarded and appropriated by Pennsylvania state governmental entities and agencies; as well as recurring federal grants and subsidies with the state representing slightly more than the federal components.
- Total expenditures for the governmental funds were \$3.1 billion. Approximately ninety seven percent (97%) of all expenditures were incurred for instructional services, direct student-related costs and expenditures and services directly benefitting students and schools such as transportation, utilities and debt service for school renovations and construction. A significant portion of expenditures are fixed and/or mandated by regulatory and contractual obligations (e.g., salary increases per the Collective Bargaining Agreements, mandated pension plan contributions, debt service costs, and charter school per pupil payments).

Management's Discussion and Analysis

- At the end of the current fiscal year, total net position was (\$1,600.9) million resulting from an excess of liabilities over assets. Bonds payable and premiums on general obligation bonds and other unfunded liabilities, such as the incurred but not reported (IBNR) claims related to the self insurance medical plan, severance payable, workers compensation, derivative instruments and other contingent liabilities are the primary long-term liabilities impacting this balance.
- The Operating Fund is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The fiscal year 2013 ending Operating Fund balance is \$58.4 million, as restated for GASB 54 which became effective for fiscal year 2011. Of the total \$58.4 million fund balance for the Operating Fund at June 30, 2013, \$18.9 million is non-spendable or encumbered for existing purchase commitments, leaving an ending budgetary fund balance of \$39.5 million.
- Under bond covenants, the School District is required to set aside with our fiscal agent from daily local revenue receipts amounts sufficient to meet debt service obligations due at future dates. At year end, the sinking funds in our fiscal agent's custody totaled \$98.1 million from the School District to pay obligations for the next fiscal year.

Financial results for Fiscal Year 2013, compared to Fiscal Year 2012, are the result of several factors and events; the most significant include, but are not limited to:

- Total revenues for the governmental funds increased by \$40.4 million compared to Fiscal Year 2012. This was primarily the result of local tax and non tax revenues and state grants and subsidies. Local revenue increases of \$44.2 million were generated mostly from taxes consisting of real estate, use and occupancy, school and liquor sales taxes, and various local revenue contributions primarily from the City and the Parking Authority. State grants and subsidies increased by \$40.6 million primarily due to pension plan reimbursements and the PA Accountability Block Grant. Whereas federal grants and subsidies decreased by \$44.4 million primarily due to the end of stimulus funds coupled with the end of the Department of Labor Grants, changes in ACCESS reimbursements and federal grant sequestration cuts.
- Total expenditures for the governmental funds increased by \$221.6 million compared to Fiscal Year 2012. These expenditure increases were caused by increases of \$78.6 million in instructional, student support services, administrative support, pupil transportation costs, operation and maintenance of plant services, and early childhood; a \$61.2 million increase in charter school expenses, a \$92.3 million increase in long term debt costs; offset by \$10.5 million less in expenditures in the Capital Improvement Plan (CIP).
- The Debt Service Fund is a separate governmental operating fund established for the accumulation of resources to pay bond principal and interest, and for payment of other associated costs. The variance in the net change in the debt service fund balance was a \$26.0 million decrease from Fiscal Year 2012 to Fiscal Year 2013. This change reflects: a net increase of sources of financing of \$66.3 million primarily due to increase tax revenues and state subsidies of \$66.2 million, an increase in financing issuance costs of \$0.5 million, an increase in the sale of capital asset proceeds of \$0.3 million and a decrease in other revenue and financing for annual bank fees and refunding proceeds of \$0.7 million, offset by a net increase of expenditures of \$92.3 million resulting from larger principal, interest and authority obligation payments of \$92.7 million, a reduction in administrative and fixed swap expenses of \$0.6 million and an increase in variable rate payments and issuance costs of \$0.2 million.
- The Operating Fund balance of \$58.4 million as of June 30, 2013 reflects a \$59.1 million increase from the Fiscal Year 2012 balance. This balance, which includes \$14.0 million of encumbrances for the General and Intermediate Funds, \$4.1 million in food service charges and \$0.9 million of General Fund inventories, is primarily the result of several factors: 1) higher revenues and other sources due to \$301.9 million in deficit financing offset by 2) a significant increase in charter school per pupil payments due to higher enrollments and increases in per student payments, 3) steep reductions in personnel and other costs as a result of ongoing cost-cutting efforts, and 4) the ongoing effects of the elimination of stimulus funding and reduction of state funding.

II. USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Financial Section of the CAFR generally consists of three parts: (1) Management's Discussion and Analysis; (2) a series of Financial Statements and Notes to those statements; and (3) Required Supplementary Information. The financial statements are organized to first provide an understanding of the fiscal performance of the School District as a whole. The financial statements are then later organized to provide a detailed look at the School District's specific financial activities.

District-Wide Statements

The Statement of Net Position and the Statement of Activities are financial statements that provide information concerning the overall activities of the School District while also presenting a long-term view of the School District's finances. These statements utilize the accrual basis of accounting and the economic resources measurement basis which is similar to the accounting methods used in most private sector companies. For example, full accrual accounting recognizes the financial effects of events when they occur without regard to the timing of cash flows related to those events.

The School District's assets, liabilities and net position are detailed in the Statement of Net Position. From this statement, the reader can identify what assets the School District owns, what debt is outstanding and the nature of the remaining net assets. This information is used to assess the School District's ability to cover operating costs and finance those services in the future as well as its remaining borrowing capacity. This statement can also be used to determine how much of the School District's net assets can be used as collateral to fund new services, programs or special initiatives as compared to how much is either currently invested in capital assets or restricted for specific purposes.

While the Statement of Net Position provides the reader with a long-term view of the School District's financial condition, the Statement of Activities contains detailed information pertaining to the School District's direct costs of providing services (i.e., expenses) and the resources used to fund those services (i.e., revenues). This presentation is also used to identify the costs of various services and functions and the extent to which those services are able to cover their own costs with, for example, user fees, charges and grants, as opposed to being financed with general revenues. Moreover, the statement provides comparative data regarding whether or not the financial status of the School District has improved or deteriorated during the reported fiscal year.

Fund Financial Statements

Principally, fund financial statements provide the reader with more detail concerning current operations than the district-wide financial statements by providing the reader with detailed information and data regarding the School District's major governmental funds: General, Intermediate Unit, Categorical, Debt Service and Capital Projects. From these statements, the reader can understand how services were financed on a short-term basis as well as what funding remains available for future spending to cover those services.

In contrast to district-wide financial statements, the fund financial statements utilize the modified accrual basis of accounting and the current financial resource measurement basis. Under modified accrual accounting, the fund recognizes revenues when they become available and measurable and expenditures when the liability is incurred and measurable, except for long-term debt and obligations which are recognized as they become due. Modified accrual accounting measures cash and all other financial assets that can be readily converted to cash and, as such, provides a more detailed short-term view of the School District's general operations.

Fiduciary Responsibilities

The Statement of Fiduciary Net Position presents financial information which captures activities where the School District acts solely as an agent for the benefit of employees, students and/or parents. These types of activities are excluded from the district-wide financial statements since the School District cannot use these assets to finance its operational needs. As such, the School District is legally responsible for ensuring that the assets reported in these funds and statements are used for their intended purposes. The School District is and acts as a trustee for the Fiduciary Funds.

IV. REPORTING BY THE SCHOOL DISTRICT AS A WHOLE

As previously mentioned, the Statement of Net Position and the Statement of Activities provide the financial status and operating results of the School District as a whole. The data presented in these statements provide the reader with insight as to how the School District performed financially in Fiscal Year 2013. These two statements report the School District's net position and any changes in net position which are shown on Table 1 and Table 2 below. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the fiscal year as compared to the prior fiscal year.

Net Position

Table 1 provides a summary of the School District's net position as of June 30, 2013. A more detailed Statement of Net Position can be found on page 34 of the Basic Financial Statement section:

Net Position
As of June 30, 2013
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2013	2012	2013	2012	2013	2012
Current & Other Assets	\$ 606.8	\$ 628.8	\$ 0.6	\$ 6.7	\$ 607.4	\$ 635.5
Capital Assets	1,911.1	1,956.3	2.1	2.5	1,913.2	1,958.8
Total Assets	\$ 2,517.9	\$ 2,585.1	\$ 2.7	\$ 9.2	\$ 2,520.6	\$ 2,594.3
Liabilities						
Long-Term Liabilities	\$ 3,792.0	\$ 3,694.7	\$ 2.7	\$ 2.8	\$ 3,794.7	\$ 3,697.5
Other Liabilities	323.9	322.7	2.9	10.7	326.8	333.4
Total Liabilities	\$ 4,115.9	\$ 4,017.4	\$ 5.6	\$ 13.5	\$ 4,121.5	\$ 4,030.9
Net Position						
Net Investment in Capital Assets -	\$ (238.2)	\$ (211.0)	\$ 2.1	\$ 2.5	\$ (236.1)	\$ (208.5)
Restricted	123.2	134.5	-	-	123.2	134.5
Unrestricted	\$ (1,483.0)	(1,355.8)	\$ (5.0)	(6.8)	(1,488.0)	(1,362.6)
Total Net Position	\$ (1,598.0)	\$ (1,432.3)	\$ (2.9)	\$ (4.3)	\$ (1,600.9)	\$ (1,436.6)

For the Fiscal Year ending June 30, 2013, the School District's total net position was (\$1,600.9) million. This negative net position amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,488.0) million is unrestricted. This balance also reflects a decrease of \$164.3 million from Fiscal Year ending June 30, 2012. This decrease was primarily caused by a decrease in capital assets of \$45.6 million and a decrease of \$29.3 million in cash and investment items, decrease in employee related liabilities of \$95.4 million offset by an increase in bond related debt of \$196.6 million.

Moreover, restricted assets are reported separately to show legal constraints from covenants and enabling legislation when applicable that limit the School District's ability to use those funds to cover daily operations.

Changes in Net Position

The Statement of Activities presents the School District's revenues and expenses in a programmatic format. For each activity, the statement presents gross expenses, offsetting program revenues and the resulting net cost of each general activity. Since a large portion of the School District's revenues are general or otherwise not associated with or dedicated to providing any specific program, each activity in the statement displays either a deficit (i.e., net cost of operating the activity) or a surplus (i.e., net profit of operating the activity).

The results of this year's operations as a whole are reported in the Statement of Activities on page 35 of the Basic Financial Statement section. Table 2 summarizes the data from that presentation:

Changes in Net Position
Fiscal Year Ended June 30, 2013
(Dollars in Millions)
Table 2

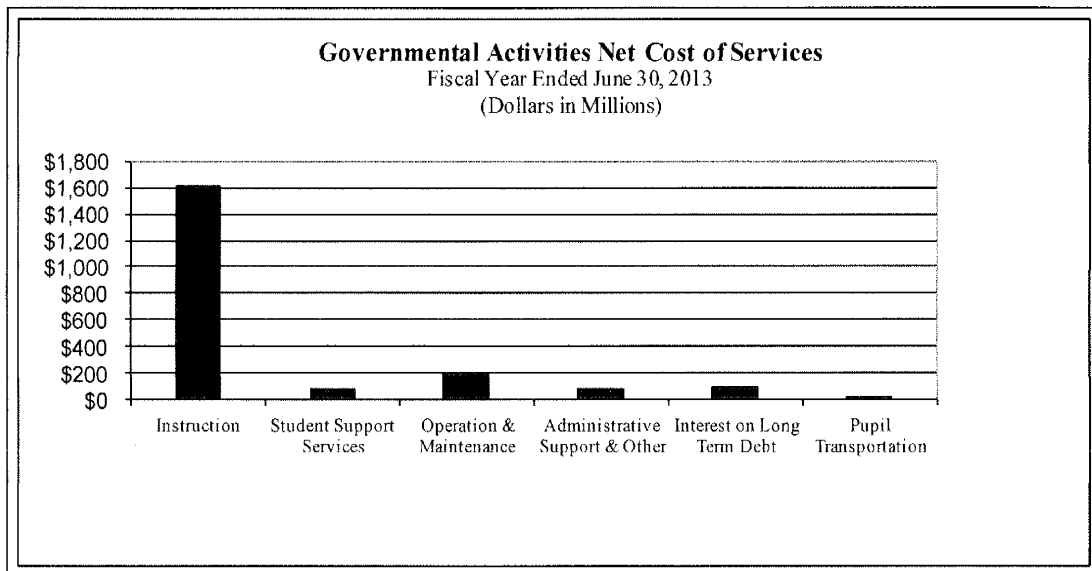
	Governmental Activities		Business-Type Activities	
Revenues	2013	2012	2013	2012
Program Revenues				
Charges for Services	\$ 6.5	\$ 1.9	\$ 1.6	\$ 2.1
Operating Grants & Contributions	865.6	788.5	76.1	77.3
Capital Grants & Contributions	1.0	(0.2)	-	0.2
General Revenues				
Property Taxes	650.6	658.5	-	-
Other Taxes	209.1	197.0	-	-
Grants & Contributions Not Restricted	100.6	87.9	-	-
State & Federal Subsidies Not Restricted	925.8	969.3	-	-
Investment Expense	(1.9)	4.2	-	-
Total Revenues	\$ 2,757.3	\$ 2,707.1	\$ 77.7	\$ 79.6
Expenses				
Instruction	\$ 2,189.7	\$ 2,088.0	\$ -	\$ -
Student Support Services	180.3	181.6	-	-
Administrative Support & Other	118.0	97.7	-	-
Interest on Long Term Debt	153.7	139.0	-	-
Pupil Transportation	82.0	82.0	-	-
Operation & Maintenance	198.8	197.2	-	-
Early Childhood Education	0.2	0.2	-	-
Food Service	-	-	76.1	77.3
Total Expenses	\$ 2,922.7	\$ 2,785.7	\$ 76.1	\$ 77.3
Excess (Deficiency) before Transfers	\$ (165.4)	\$ (78.6)	\$ 1.6	\$ 2.3
Transfers	\$ (0.3)	\$ 0.2	\$ (0.2)	\$ (0.2)
Increase/(Decrease) in Net Position	\$ (165.7)	\$ (78.4)	\$ 1.4	\$ 2.1
Net Position - Beginning	\$ (1,432.3)	\$ (1,347.5)	\$ (4.3)	\$ (6.4)
Prior Period Adjustment	-	(6.4)	-	-
Net Position - Ending	\$ (1,598.0)	\$ (1,432.3)	\$ (2.9)	\$ (4.3)

Cost of Services by Major Functional Expense Category

Table 3 and the accompanying graph illustrate and highlight the net costs incurred by each of the major activities presented in the School District's Statement of Activities. For each activity, the statement presents gross expenses and the resulting net cost, offset by program revenues, of each general activity. The major functional expense categories are entitled: Instruction, Student Support Services, Operation and Maintenance, Administrative Support and Other, Interest on Long Term Debt, Pupil Transportation, Food Service and Early Childhood Education.

**Cost of Services by
Major Functional Expense Category**
Fiscal Year Ended June 30, 2013
(Dollars in Millions)
Table 3

Functional Expense	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,189.7	\$ 1,614.6
Student Support Services	180.3	81.1
Operation & Maintenance	198.8	181.8
Administrative Support & Other	118.0	77.5
Interest on Long Term Debt	153.7	90.5
Pupil Transportation	82.0	4.2
Food Service	76.1	(1.6)
Early Childhood Education	0.2	-
Total Expenses	<u>\$ 2,998.8</u>	<u>\$ 2,048.1</u>

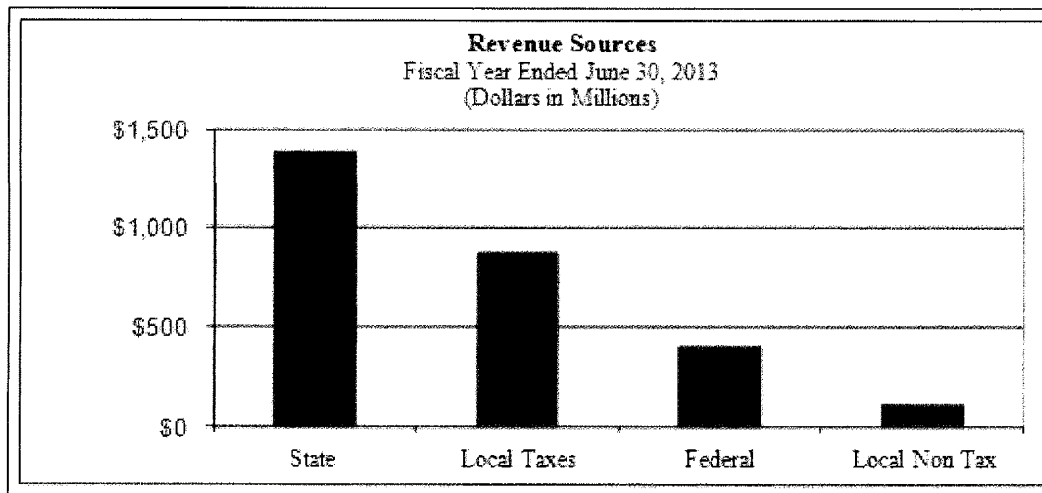


Major Sources of Revenues

The School District's overall revenues are derived primarily from three sources: (i) state grants and subsidies totaling 50.2%; (ii) local taxes and non-tax revenues totaling 35.3%; and (iii) federal grants and subsidies totaling 14.5%. The largest component of state subsidies is the basic education funding allocation which the School District can use to cover any costs associated with the operation of the public school system while the largest component of local revenue is the levy and collection of taxes such as real estate, business use and occupancy, non-business income, liquor by the drink and public utility realty. A third source of revenue is both federal and state grants dedicated to providing specific programs and services.

Management's Discussion and Analysis

The following bar graph illustrates the School District's major sources of revenues for all Governmental Funds for Fiscal Year 2013:



As previously illustrated in Table 2, most of the School District's revenues are considered to be general as opposed to program related. Table 4, provides further detail on the School District's primary sources of revenue for the General Fund, Intermediate Unit Fund and Categorical Fund. Total revenues for all Governmental Funds of \$2,770.0 million can be found on pages 40-41 of the Basic Financial Statement Section in the Statement of Revenues, Expenditures and Changes in Fund Balance.

Revenue by Source and Type
Fiscal Year Ended June 30, 2013
(Dollars in Millions)
Table 4

Revenue Source	General Fund	Intermediate Unit Fund	Categorical Funds
Local Taxes	\$ 869.6	\$ -	\$ -
Local Non-Tax	101.3	0.5	4.7
State Grants and Subsidies	1,222.5	94.6	72.4
Federal Grants and Subsidies	13.4	-	386.7
Total Revenue	<u>\$ 2,206.8</u>	<u>\$ 95.1</u>	<u>\$ 463.8</u>

V. MAJOR FUND HIGHLIGHTS

While the School District maintains and accounts for a number of funds, six of these funds are considered major funds. These funds are the General Fund, Intermediate Unit Fund, Categorical Funds, Debt Service Fund, Capital Projects Fund and Enterprise Fund.

General Fund

The General Fund serves as the School District's main operating fund that records all financial activity except for those transactions which must be specifically accounted for under the other funds, such as the Debt Service Fund. The General Fund had a negative ending fund balance of \$40.8 million on June 30, 2013. For Fiscal Year 2013, there was an excess of revenues over expenditures of \$250.0 million, \$301.9 million of deficit financing and

\$480.9 million of other financing uses which together resulted in a \$71.0 million positive impact to the ending fund balance.

Intermediate Unit Fund

The Intermediate Unit Fund is used to account for state appropriations for special education and non-public school programs as well as certain administrative costs. Programs include Autistic Support, Blind or Visually Impaired Support, Deaf or Hearing Impaired Support, Emotional Support, Learning Support and Multiple Disabilities Support while related administrative costs include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2013, the Intermediate Unit Fund had a \$0.4 million net decrease in fund balance which resulted in an ending fund balance of \$1.0 million at June 30, 2013.

Categorical Funds

Categorical Funds are used to account for specific purpose federal, state, city or private grants to cover the costs of dedicated programs and special initiatives. Categorical Funds had a \$3.7 million net increase in fund balance which resulted in a negative \$5.8 million ending fund balance at June 30, 2013. The primary reason for this increase was that the Fiscal Year 2012 deferred balance of \$9.5 million was received during Fiscal Year 2013. At June 30, 2013, there was \$5.8 million still outstanding from grantors and recorded as deferred revenues and not yet recognized as current revenues under GASB Statement No. 33 guidelines.

Debt Service Fund

The Debt Service Fund is primarily used to account for the School District's accumulation of resources for the payment of debt service and bond issuance costs. During Fiscal Year 2013, the Debt Service Fund reflects a \$11.3 million net decrease in fund balance to \$98.2 million as of June 30, 2013. Debt Service expenditures of \$258.9 million were offset by interfund transfers of \$244.7 million, revenues of \$2.6 million and capital asset sales of \$0.3 million.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to cover the costs associated with the acquisition of capital assets and for the construction, modernization, alteration, repair, and improvements to the School District's major capital facilities and buildings. During Fiscal Year 2013, capital outlays resulted in a negative net change of \$66.3 million in the capital projects fund which decreased the fund balance as of June 30, 2013 to \$103.4 million. New building construction totaling \$13.1 million, capital alterations and improvements totaling \$49.1 million, environmental management of \$2.9 million, equipment acquisitions totaling \$2.8 million were offset by \$1.6 million for revenues and capital asset sales. .

Enterprise Fund

The Enterprise Fund is used to account for the operation of the Food Service Division. The Enterprise Fund had a negative total net position balance of \$2.9 million at the end of Fiscal Year 2013 which reflects a \$1.4 million improvement from the previous fiscal year and was used to pay back the long-term loan to the General Fund.

The financial performance and position of each of the previously discussed major funds and also non-major governmental funds can be found in the Statement of Revenues, Expenditures and Changes in Fund Balances on pages 40-41, as well as page 44 for the Enterprise Fund, and are summarized in Table 5 and Table 6 that immediately follows:

Excess (Deficiency) of Revenues, Other Financing Sources/Uses, and Over (Under) Expenditures for Major and Non-Major Governmental Funds

Fiscal Year Ended June 30, 2013

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2013	Fiscal Year 2012
General	\$ 71.0	\$ (68.2)
Intermediate Unit	(0.4)	(1.3)
Categorical	3.7	45.1
Debt Service	(11.3)	14.6
Capital Projects	(66.3)	83.7
Enterprise	1.4	2.1
Non-Major Governmental	-	(0.1)
Total Change in Fund Balance	<u>\$ (1.9)</u>	<u>\$ 75.9</u>

Total Fund Balances for Major and Non-Major Governmental Funds

As of June 30, 2013

(Dollars in Millions)

Table 6

Fund	Fiscal Year 2013	Fiscal Year 2012
General	\$ (40.8)	\$ (111.6)
Intermediate Unit	1.0	1.4
Categorical	(5.8)	(9.5)
Debt Service	98.2	109.5
Capital Projects	103.4	169.9
Enterprise	(2.9)	(4.3)
Non-Major Governmental	<u>6.3</u>	<u>6.3</u>
Total Fund Balance	<u>\$ 159.4</u>	<u>\$ 161.7</u>

VI. BUDGETING HIGHLIGHTS

Included in its enabling legislation pursuant to the Philadelphia Home Rule Charter ("Charter"), the School District is required to adopt an operating budget, a capital budget and a capital improvement program for each fiscal year. Each budget is based on obligations; the most significant budgeted fund being the General Fund. During the course of each fiscal year, the operating budget is amended and approved by the School Reform Commission. The final amended budget incorporates all of the School District's approved adjustments that were incurred since the initial advertised or adopted operating budget was issued. While all budgets must be approved by the School Reform Commission, the Charter also requires the governing body to levy taxes annually, within the limits authorized by the Pennsylvania General Assembly and the Philadelphia City Council, respectively, in amounts sufficient to provide funds to cover operating expenses and debt service charges. The Philadelphia City Council annually holds hearings to determine the level of local tax funding for the School District.

The capital budget is prepared as part of a six-year capital improvement program, of which, the first year of the program is the budget for the current fiscal year. All proposed expenditures included in the School District's

Capital Improvement Program require the authorization and approval of the School Reform Commission on a project by project basis.

Since the School District is a service-oriented organization, it is labor intensive. Consequently, a substantial portion of its operating expenditures involve personnel costs and related employee benefits. Personnel costs principally encompass the costs of instructional staff (teachers), school support staff, administrative staff, custodial and maintenance staff and transportation staff. Staffing patterns and salary costs are largely determined by school enrollment levels, collective bargaining agreements, state mandates and policies set by the School Reform Commission. Costs related to contracted services, such as materials, books, instructional aids and equipment, are also primarily related to enrollment levels and certain new program initiatives. All costs are sensitive to general inflation levels.

General Fund Budget

For Fiscal Year 2013, the final budgeted General Fund revenue was \$86.5 million lower than the original May 2012 adopted budget. This resulted primarily from a \$72.8 million decrease in state revenue (a \$31.7 million increase in Social Security & Retirement revenue offset by a \$104.5 million decrease in other state revenues), a decrease of \$17.6 million in Current City taxes, a \$6.8 million decrease in Delinquent City taxes, offset by a \$10.7 million net increase in local non tax and federal revenues. Across the General Fund and the Intermediate Unit, total State revenues only decreased by \$14.2 million from the original May 2012 adopted budget. The \$72.8 million decrease in the State revenues in the General Fund alone resulted from the inclusion of the Governor's proposed Student Advancement Education Block Grant (SAEBG) in the May 2012 adopted budget. The SAEBG would have shifted revenues from the Intermediate Unit to the General Fund. The General Assembly did not adopt the SAEBG proposal and this resulted in revenues returning to the I.U. from the General Fund in the final General Fund budget.

The anticipated obligations in the final General Fund budget represented a decrease of \$6.0 million over the original adopted budget. This decrease resulted primarily from the following changes in budgets: 1) \$30.4 million reduction in salaries, 2) a \$23.6 million increase in benefits budgets (primarily driven by increased Termination pay), and 3) a \$0.8 million increase in all other expenditure budgets.

The anticipated Other Financing Sources/ (Uses) in the final General Fund budget were \$330.3 million favorable over the original adopted budget. This is due primarily to a \$301.9 million bond issuance initiated after the adoption of the Fiscal Year 2013 budget and a \$29.0 million increase in financing uses.

The General Fund ending fund balance variance from the final budget at June 30, 2013 is a positive \$30.7 million. Of this amount, a net \$17.9 million is not available for appropriation because it is reserved for medical self insurance, encumbrances and a change in inventory reserve. The remainder is due to \$2.5 million in decreased revenues, \$1.2 million increase in net sources and a decrease of \$14.1 million in obligations.

Actual General Fund revenues of \$2,206.8 million are \$2.6 million less than those estimated in the final General Fund budget of \$2,209.4 million. Actual General Fund obligations totaling \$1,958.9 million were \$14.1 million lower than estimated in the final budget of \$1,973.0 million. Other financing sources/uses of \$179.7 million were \$1.2 million lower than the final budget and the \$15.4 million favorable difference between the final budget and actual beginning fund balance is due to medical and other reserves not available for appropriation.

The actual ending General Fund balance at June 30, 2013 of a negative \$40.8 million was \$30.7 million favorable from the final budget ending balance of a negative \$71.5 million.

Table 7 presents a summary comparison of the General Fund's original and final operating budgets with actual performance as can be seen in more detail in the General Fund Budgetary Comparison Schedule on page 88 of the Required Supplementary Information section:

General Fund Budget Comparison
Fiscal Year Ended June 30, 2013
(Dollars in Millions)
Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,295.9	\$ 2,209.4	\$ 2,206.8	\$ (2.6)
Total Obligations	1,979.0	1,973.0	1,958.9	14.1
Total Other Financing Sources/(Uses)	(511.2)	(180.9)	(179.7)	1.2
Net Change in Fund Balance	(194.3)	55.5	68.2	12.7
Fund Balance Beginning of Year	(129.8)	(127.0)	(111.6)	15.4
Change in Reserves	-	-	2.6	2.6
Fund Balance End of Year	<u>\$ (324.1)</u>	<u>\$ (71.5)</u>	<u>\$ (40.8)</u>	<u>\$ 30.7</u>

During Fiscal Year 2013, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$2.6 million unfavorable variance due primarily to a \$4.2 million unfavorable variance in Current Local taxes (primarily in real estate and U&O taxes), offset by a \$1.6 million favorable variance in Delinquent taxes.
- Obligations were \$14.1 million less than budgeted primarily due to \$2.9 million favorable variance in full time salaries, \$3.1 million favorable variance in non fulltime salaries, and an \$8.5 million favorable benefit variance
- Other Financing Sources/ (Uses) were \$1.2 million favorable from the final budget. Uses of funds were \$1.8 million unfavorable to the final budget due to a \$2.1 million lower than budgeted intra-Operating fund transfers offset by general fund sources that were \$0.6 million lower than budgeted and a \$0.3 million higher than budgeted charge for local share.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2013, the School District had \$3,498.7 million invested in capital assets. Over the years, these assets have depreciated by \$1,585.6 million leaving a carrying value of \$1,913.1 million. This represents a decrease of \$45.7 million over the Fiscal Year 2012 ending balance. Table 8 represents Net Capital Assets. Refer to Note 4C, page 68 for additional information.

Net Capital Assets
As of June 30, 2013
(Dollars in Millions)
Table 8

Capital Asset Category	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Land	\$ 132.3	\$ 131.8	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,667.1	1,669.3	-	-
Personal Property	83.6	97.0	2.1	2.5
Construction In Progress	28.0	58.2	-	-
Total Net Book Value	<u>\$ 1,911.0</u>	<u>\$ 1,956.3</u>	<u>\$ 2.1</u>	<u>\$ 2.5</u>

Debt Administration

The School District is a component unit of the City of Philadelphia ("City") for financial reporting purposes only and the debt that is incurred is not considered the debt of the City. The School District issues debt in the form of bonds to be used for the acquisition of land and equipment purchases, construction purposes and notes to cover its short-term cash flow needs.

The Statement of Net Position includes deferred debt issuance costs, deferred refunding charges, bond premiums, bond discounts, and bonds payable which are amortized over the life of the issued or refunded bonds.

On November 28, 2012, the District issued \$265.0 million of School Lease Revenue Bonds with a premium of \$36.9 million. These bonds are 20-year fixed rate lease revenue bonds issued through the State Public School Building Authority (SPSBA) to fund the deficit. The total of \$301.9 million represents the aggregate proceeds of the sale.

Table 9, below, shows a summary of all long-term obligations outstanding:

Long-Term Obligations Outstanding
As of June 30, 2013
(Dollars in Millions)
Table 9

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Total Bonded Debt	\$ 3,260.0	\$ 3,067.5	\$ -	\$ -
Employee Related Obligations	348.0	441.1	2.7	2.8
Due to Other Governments	45.3	45.3	-	-
Other	138.7	140.8	4.1	7.1
Total Long-Term Obligations Outstanding	<u>\$ 3,792.0</u>	<u>\$ 3,694.7</u>	<u>\$ 6.8</u>	<u>\$ 9.9</u>

The Total Long-term Obligations Outstanding for governmental activities increased by \$97.3 million. This includes an increase in bonded debt of \$192.5 million with a corresponding decrease in employee obligations of \$93.1 million. All other long-term obligations decreased by \$2.1 million. Refer to Note 4D(2), pages 69-74 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District ended Fiscal Year 2013 with a positive operating fund balance of \$58.4 million as defined and in accordance with GASB 54 (a negative \$40.8 million in General Fund balance, \$1.0 million in Intermediate Unit Fund balance and \$98.2 million in Debt Service Fund balance). GASB 54 requires reporting to reflect expendable and non-expendable categories and amounts which are considered restricted, committed, assigned or unassigned. The \$58.4 million includes \$14.0 million of encumbrances for the General and Intermediate Unit Funds, \$4.0 million in loans to the Food Service Fund and \$0.9 million of General Fund inventories. The ending budgetary operating fund balance is \$39.5 million once those items are accounted for. The School District was able to achieve a positive operating fund balance taking into account \$301.9 million of proceeds from a lease/leaseback financing used to fund working capital. In Fiscal Year 2013 the one-time gap closing measures and discretionary spending cuts made in the previous two fiscal years were no longer available, and therefore, spending reduction options were even more limited. The financial picture was further adversely impacted by the gap between revenues and rising mandated, non-discretionary expenditures, such as increases in PSERS pension contributions, charter school payments, salary expenditures and health care benefits costs.

As of December 31, 2013, the School District is projecting a negative \$28.7 million fiscal year ended June 30, 2014 budgetary operating fund balance, compared to the adopted Budget for the Fiscal Year ending June 30, 2014 which projected a \$0 ending fund balance. The budget shortfall is primarily due to increases in three expenditure areas: 1) charter school enrollments and payments, 2) mandated special education payments, and, 3) contracted services for transportation. Five major cost drivers: 1) charter payments, 2) special education, 3) maintaining class sizes of 30:1 and 33:1, 4) public, non-public and charter school transportation costs, and 5) debt service; comprise 75% of the School District's operating budget. New recurring revenues and relief from non-discretionary cost increases are essential. The carry forward of the Fiscal Year 2013 operating surplus and the realization of cost saving measures that closed the budget gap include: 1) the closing of 24 underutilized and low performing schools; 2) the dramatic reduction in services to schools and students; 3) the temporary suspension of the Pennsylvania School Code to allow cost saving initiatives to be implemented, such as the capping of charter school enrollments; 4) the layoff of 3,800 employees followed by the reinstatement of 1,600 employees as a result of additional revenues; and, 5) the implementation by the City of improved school tax collection initiatives have had a positive impact on balancing the Fiscal Year 2014 budget. The School District is in negotiations for new contracts with its largest unions which will provide personnel cost savings in future fiscal years. One of the unions has filed numerous grievances, some related to the suspension of the School Code, as well as for other contractual issues.

Impact of No Child Left Behind and Charter Schools

One major cost driver that affects School District spending is implementing the requirements of "No Child Left Behind" ("NCLB"). As part of "NCLB," students in underperforming schools must be given the option to transfer to another public school that is not underperforming.

In addition to the school choice options required under "NCLB," the School District in 2013 supported 84 Charter Schools where any student may apply to attend. Funding Charter Schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997 has had a significant fiscal impact on the School District since its passage.

Charter Schools remain highly dispersed geographically, with the students enrolled in Charter Schools not all coming from the same classroom, grade level or even from the same school or neighborhood. Therefore, given these realities, the School District has been unable to make dollar-for-dollar reductions in cost areas such as the number of principals, custodians and bus drivers it employs overall. Additionally, approximately thirty percent (30%) of Charter School students have come from private or parochial schools for which the School District did not provide education previously. Therefore, the revenues for these student costs were not provided to the School District in prior years, but are now a part of the Charter School system for which the School District has to provide per pupil payments. In Fiscal Year 2013, the School District paid charter schools on a per pupil basis \$8,064.15 for a regular education student and \$19,831.32 for a special education student. The School District's Charter School expenditures increased by about \$61.2 million over the prior fiscal years. Fiscal Year 2013 was the second year the State did not provide any Charter School reimbursement. At its highest level of reimbursement, the State provided \$109.5 million in Fiscal Year 2011. As a result, the impact of Charter Schools to the District's operating

budget has increased both due to increases in Charter School costs driven by increased enrollments and per pupil costs and decreases in State Reimbursement.

"NCLB" also mandated that all teachers of core academic subjects must be considered "highly qualified" by 2006. To meet this standard, all teachers must be fully certified and/or licensed by the state; hold at least a bachelor's degree from a four-year institution; and demonstrate competence in each core academic subject area they teach. By the end of Fiscal Year 2012, 90.7% of the teachers in the School District were considered highly qualified, and 99.2% were considered fully certified. Due to recruitment and retention strategies, on-going professional development, and staffing process improvements, the percentage of highly qualified teachers of core academic subjects was raised to 93.9% and the number of fully certified teachers was 98.9% in Fiscal Year 2013.

Academic Achievement

The major focus for the district this past fiscal year was to establish a foundation to improve the academic outcomes of all students. This intentional shift was made in light of the rigors of the Common Core and the understanding of what drives all students learning. Educators and researchers recognize the importance of mastering reading by the end of 3rd grade. Students who fail to reach this critical milestone often falter in the later grades and drop out before earning a high school diploma. Yet, in The School District of Philadelphia, fewer than 50% of our 3rd graders attain proficiency on the PSSA in reading. The results are even bleaker for English Language Learners, Special Education students, and African-American and Latino males.

However, The School District of Philadelphia is taking strides to improve student outcomes. To attain the important goals set by the College-Going Work Group, the District – in collaboration with multiple stakeholders convened an Early Literacy Work Group to examine and revise its literacy policies for Pre-Kindergarten to 3rd grade. The goal of this work group was to build a model that will ensure students are reading at or above grade level by the end of 3rd grade. The Early Literacy Work Group identified core components of a successful Early Literacy model based on research, national models, District practice, and educator input that meet the needs of all of our students, reviewed and revised the current Comprehensive Literacy Framework Model, aligned the Early Literacy policies and practices to the Superintendent's Strategic Plan and to Common Core College and Career Readiness standards, and designed and delivered professional development that supports educator implementation of the new Comprehensive Literacy Framework Model.

In addition, school year 2012-2013 saw a different student support system rolled out for implementation. Response to Instruction and Intervention (RtII) is a multi-level system of support focused on improving learning for all students. It is a data driven model to enable early identification and strategic interventions for students at academic or behavioral risk. All of which is driven by a core curriculum, support, and evidence-based interventions to monitor growth and establish a system of accountability for student outcomes.

In all, the current process is designed to put the District on the path to achieving the vision of all students graduating on time and being prepared for college and/or career. To this very point, the Office of Career and Technical Education (CTE) has published a standardized competency list for every CTE program within the district for the first time in over twenty-five years. This competency list will not only ensure that we are progressively improving the quality of our programs, but ensuring that the education our students receive, whether it is leading towards a college or a career, is comprehensive by nature and preparing them for the world ahead of them. This will also complement our efforts to fully involve the business and industry community in the planning and guidance for program expansion and improvement.

Our relentless approach towards instructional outcomes for all has pushed us to think more critically about all of our student populations. For example, the Office of Specialized Services (OSS) has purchased numerous researched validated intervention materials to address academic deficits in language arts, math and writing so that all students with disabilities are improving academically. Along with the purchase of these materials, OSS has, through its staff and various consultants, offered training on over thirty additional academic and behavioral interventions. Our Office of Multilingual Curriculum and Programs has also made strides to improve the academic outcomes of our English Language Learners this past year. In 2012-2013, results from the ACCESS test indicate a slight increase in the area of writing in addition to meeting the Pennsylvania Department of Education (PDE) targets for the past three years.

Management's Discussion and Analysis

This is the beginning of the Superintendent's Strategic Plan to increase the number of high school graduates in the city and to make the system more responsive to the needs of all students, schools, parents, and the community. To continue taking strides towards sustained progress, we will look to re-evaluate our current academic approach under the guidance of the district's action plan and develop a cohesive theory of action that will promote and improve student outcomes for all of our district's children.

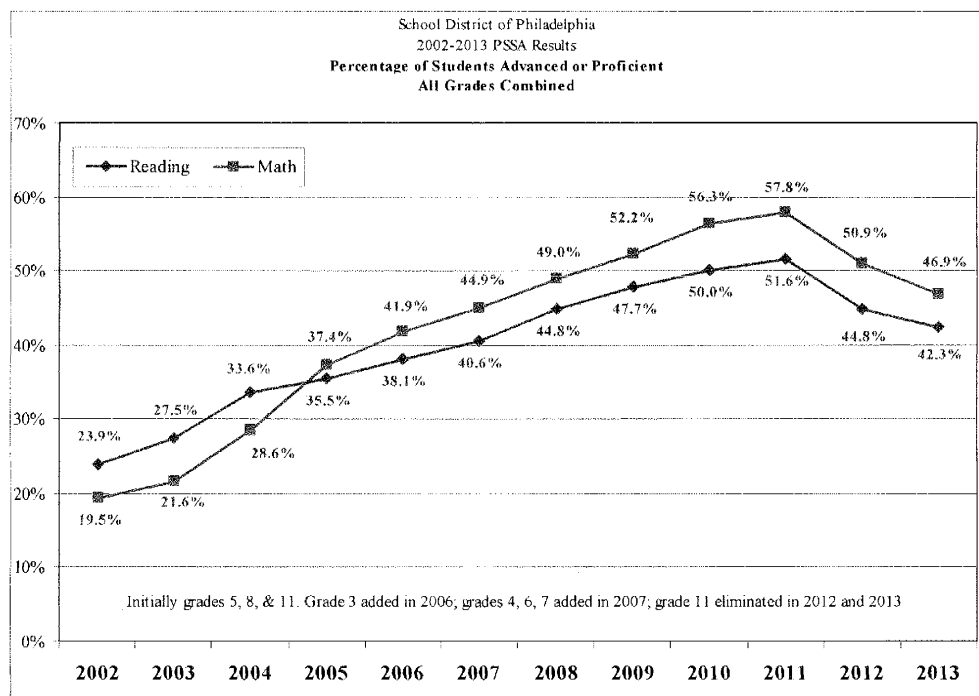
There are two required Pennsylvania State Assessment Examinations administered to students, the Pennsylvania System of School Assessment (PSSA) and the Keystone Examination.

Students in grades 3 - 8 and 11 are currently administered the PSSA in reading and math, which is given annually throughout the Commonwealth. Although 2013 marks the second year of declines in the percentage of students scoring proficient or advanced in Mathematics and Reading, the District has demonstrated growth in reading and math over the last nine years. From 2012 to 2013 Mathematics proficiency rates decreased by 4.0 percentage points from 50.9% to 46.9% and Reading Proficiency Rates decreased by 2.5 percentage points from 44.8% to 42.3%. Over the last nine years, the percentage of students achieving a proficient score or above in reading increased from 23.9% in 2002 to 42.3% in 2013, an increase of 18.4 percentage points. In math, the percentage of students achieving a proficient score or above increased from 19.5% in 2002 to 46.9% in 2013, an increase of 27.4 percentage points. See chart below.

For 2013, declines in PSSA results were observed across all grade levels and subgroups (race/ethnicity, IEP/Special Education, English Language Learners, Economically Disadvantaged). Proficiency rates in Mathematics and Reading were less than 50% across all grade levels and subgroup with the exception of Grade 7 (Mathematics), Grade 8 (Reading), Asian (Mathematics and Reading), White (Mathematics and Reading) and Multi-Racial/Ethnic (Mathematics).

Keystone Examinations were administered for the first time in the 2012-2013 school year after a pilot administration the previous spring. Keystone Examinations are end-of-course assessments designed to assess proficiency in the area of Algebra I, Literature, and Biology. They serve two purposes: 1) high school accountability and assessments for federal and state purposes, and 2) high school graduation requirements for students beginning with the class of 2017.

Of students in grade 11 taking the Keystone Examinations, 39.8% scored proficient or advanced on the Algebra I exam, 20.3% scored proficient or advanced on the Biology exam and 53.4% scored proficient or advanced on the Literature exam. Proficiency rates were less than 50% for all subgroups with the exception of Asian (Algebra I and Literature), White (Algebra I and Literature) and Multi-Racial/Ethnic (Literature).



Climate and Safety

"NCLB" also requires that all states establish and implement standards for identifying "Persistently Dangerous Schools." In Pennsylvania, a school is labeled "Persistently Dangerous" based on and as determined by the number of dangerous incidents (defined as weapon possession or violence) that result in arrest in the school, on school premises and on the highway (to and from School). The number of all District violent incidents decreased by 33.3% from Fiscal Year 2012 to Fiscal Year 2013.

There has been significant focus and much improvement to school safety over the past several years and in particular in Fiscal Year 2013. Much of this improvement has been due to an emphasis on school safety team meetings and stronger collaboration between SDP offices and the Philadelphia Police Department. The District also maintains a "focus schools list" that provided direct safety supports to the neediest schools.

The School District has been making progress in improving school safety since Fiscal Year 2004 when twenty-seven (27) schools were labeled "Persistently Dangerous" (PDS) based on serious incidents from the previous year. For the Fiscal Year 2013, six schools are identified as "Persistently Dangerous." The six (6) Philadelphia schools designated Persistently Dangerous in Fiscal Year 2013 have made significant progress over the past year.

Four (4) schools are no longer designated as PDS only two (2) are designated PDS for Fiscal Year 2014. The School District has concluded that the higher number of PDS designations within the School District of Philadelphia compared to other school districts in PA is due in significant part to the District's emphasis on reporting all incidents while focusing on improving the quality of school based interventions.

The School District is strongly committed to creating a safe and orderly environment in all its schools. The School District is undertaking efforts to not only remove schools from the Persistently Dangerous list, but also to enhance school climate beyond simply reducing and eliminating violence. The Student Code of Conduct is designed to help create an environment that is more conducive to learning. The due process and transition hearing protocols set in place are executed swiftly and with fidelity by independent hearing officers to ensure the safety of the school environment as well as the safety and well being of the disruptive student to be moved to a setting that will assist them and address the serious violation of the Code of Student Conduct. This process is overseen by the Office of Student Rights and Responsibilities. All of the contracted provider transition schools in the SDP Alternative Education Division, have a School District Transition Liaison that is responsible for insuring the transition process is executed with fidelity and the students are afforded the academic and behavioral support needed while attending the alternative school program before returning to the comprehensive school setting or other academic options to graduate.

Since students cannot learn if they exhibit inconsistent behaviors or truancy, or if they have barriers to learning due to social and emotional challenges, the School District, under Alternative Education, provides resources for the students through the alternative models of Educational Options Program (EOP), Transition Schools, or Accelerated/Multiple Pathways to Graduation programs. These schools and opportunities provide support, intervention and strategies for students and parents to keep students in school and responsible for their actions in addition to providing for education at grade and age appropriate levels with a goal of graduation. Students can be referred to Alternative Education programs through self-referrals, transfers, and the response to intervention process for a change in placement. In addition, the Re-Engagement Center also provides the support and resource for admission to these programs for students that have been disconnected or disengaged from the educational setting in Philadelphia. Transition schools offer the programs that support promotion and graduation with a personalized learning plan model integrated with the core curriculum for academics and the accelerated school model provides the same with an enhanced pace of study that supports a student that is overage/under credited to graduate within three years with a high school diploma.

To ease the transition back to school for students who are returning from juvenile detention or incarceration, the School District offers the Re-Entry Transition Initiative - Welcome Return Assessment Process ("RETI-WRAP"), a modified transition program that is collaboration with the Office of Juvenile Probation and the Department of Human Services that assesses and evaluates students before they return to school. Additionally, the procedures for students to return to the regular education setting after attending an alternative school have been enhanced with School District of Philadelphia staff designated to support the parent, student, and regular education school program to ensure the successful transition of the student and increase positive behavior and attendance upon the student's return.

Capital Improvement Program

The School District's Capital Improvement Program ("CIP") supports the School District's initiative to equitably provide space for reduced class size; enhance academic reform efforts by ensuring students have state-of-the-art facilities; and present all students with a safe, healthful, learning environment. The original CIP addressed the need for new construction, renovations and repairs and was assessed a total of \$1.9 billion from Fiscal Year 2003 to Fiscal Year 2012. The Office of Capital Programs has overseen or is currently overseeing the design and construction of eight (8) new neighborhood high schools, eight (8) new smaller high schools and five (5) new neighborhood elementary schools; thirteen (13) middle school conversions; fifteen (15) school additions, and three (3) primary education centers. Other specific plans under the CIP include classroom modernization, upgrades to school athletic fields and stadiums, environmental projects, boiler, roof and window replacements, and substantial renovations to existing school buildings, as well as support the Facilities Master Plan which will collectively stabilize the School District's real property portfolio. The current CIP covers \$936.4 million from Fiscal Year 2014 to Fiscal Year 2019 and is updated every year with the planned annual expenditure levels dependent on the district's ability to fund and issue long-term debt instruments as determined by the annual operating budget's debt capacity.

IX. THE SCHOOL DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the financial conditions of the School District. If you have questions about the report or need additional financial information, please contact Matthew Stanski, Chief Financial Officer or Marcy F. Blender, CPA, Comptroller, at 440 North Broad Street, Philadelphia, PA 19130.

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 483,307	\$ 18,393	\$ 501,700
Cash and Investments with Fiscal Agent	98,112,600	-	98,112,600
Equity In Pooled Cash and Investments	93,647,856	-	93,647,856
Taxes Receivable (Net)	173,647,705	-	173,647,705
Due from Other Governments	60,317,881	6,393,304	66,711,185
Accounts Receivable (Net of Allowance)	11,298,455	3,000,000	14,298,455
Accrued Interest Receivable	414,912	-	414,912
Internal Balances	11,122,456	(11,122,456)	-
Inventory	1,241,507	2,274,822	3,516,329
Deferred Debt Issuance Cost	29,026,272	-	29,026,272
Restricted Assets:			
Cash and Cash Equivalents	108,914,368	-	108,914,368
Cash and Investments Held by Trustee	237,558	-	237,558
Funds on Deposit	18,375,000	-	18,375,000
Capital Assets:			
Land	132,311,349	-	132,311,349
Artwork	8,064,600	-	8,064,600
Buildings and Improvements	3,027,344,720	-	3,027,344,720
Personal Property	240,480,374	16,456,935	256,937,309
Construction in Progress	27,908,779	-	27,908,779
Intangibles	46,059,638	-	46,059,638
Accumulated Depreciation	(1,571,119,715)	(14,335,152)	(1,585,454,867)
Total Assets	2,517,889,622	2,685,846	2,520,575,468
LIABILITIES			
Accounts Payable	74,505,101	1,477,199	75,982,300
Overpayment of Taxes	9,272,973	-	9,272,973
Accrued Salaries and Benefits Payable	62,969,521	1,269,359	64,238,880
Termination Compensation Payable	66,550,562	168,757	66,719,319
Severance Payable	27,221,753	-	27,221,753
Other Liabilities	(35,792)	-	(35,792)
Derivative Instrument - Swap Liability	23,951,137	-	23,951,137
Unearned Revenue	17,014,790	-	17,014,790
Due to Other Governments	5,373,926	-	5,373,926
Bond Interest Payable	37,167,488	-	37,167,488
Non-Current Liabilities			
Due within one year	262,685,286	300,000	262,985,286
Due in more than one year	3,529,276,132	2,351,501	3,531,627,633
Total Liabilities	4,115,952,877	5,566,816	4,121,519,693
NET POSITION			
Net Investment in Capital Assets	(238,239,663)	2,121,783	(236,117,880)
Restricted for:			
Medical Self-Insurance	18,375,000	-	18,375,000
Debt Service	98,227,500	-	98,227,500
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	3,446,872	-	3,446,872
Non-Expendable - Scholarships	2,835,742	-	2,835,742
Arbitrage Rebate Payable	265,502	-	265,502
Unrestricted (Deficit)	(1,482,974,208)	(5,002,753)	(1,487,976,961)
Total Net Position	\$ (1,598,063,255)	\$ (2,880,970)	\$ (1,600,944,225)

The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Activities
For the Year Ended June 30, 2013

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities								
Instruction	\$ 2,189,735,238	\$ -	\$ 846,735	\$ 574,259,129	\$ -	\$ (1,614,629,374)	\$ -	\$ (1,614,629,374)
Student Support Services	180,347,843	-	-	99,281,798	-	(81,066,045)	-	(81,066,045)
Administrative Support	102,854,911	-	4,752,130	34,706,941	-	(63,395,840)	-	(63,395,840)
Operation & Maintenance of Plant, Services	201,291,896	(2,439,711)	894,097	15,093,630	1,000,000	(181,774,458)	-	(181,774,458)
Pupil Transportation	82,014,556	-	-	77,810,340	-	(4,204,216)	-	(4,204,216)
All Other Support Services	15,122,644	-	-	1,007,007	-	(14,115,637)	-	(14,115,637)
Early Childhood Education	197,305	-	-	197,305	-	-	-	-
Interest on Long-Term Debt	153,707,213	-	-	63,205,980	-	(90,501,233)	-	(90,501,233)
Total Governmental Activities	2,925,181,606	(2,439,711)	6,402,962	865,562,130	1,000,000	(2,049,686,803)	-	(2,049,686,803)
Business-Type Activities								
Food Service	73,596,537	2,439,711	1,581,866	76,071,397	-	-	1,617,015	1,617,015
Total Business-Type Activities	73,596,537	2,439,711	1,581,866	76,071,397	-	-	1,617,015	1,617,015
Total	\$ 2,998,778,143	\$ -	\$ 8,074,828	\$ 941,633,527	\$ 1,000,000	\$ (2,049,686,803)	\$ 1,617,015	\$ (2,048,069,788)
General Revenues/Contributed Capital/Transfers:								
Property Taxes						\$ 650,633,402	\$ -	\$ 650,633,402
Use & Occupancy Taxes						130,141,624	-	130,141,624
Liquor Taxes						50,780,126	-	50,780,126
School (Non-Business) Income Taxes						27,225,017	-	27,225,017
Public Utility / PILOT Taxes						1,053,163	-	1,053,163
Grants and Contributions Not Restricted to Specific Programs						100,580,173	-	100,580,173
State & Federal Subsidies Not Restricted to Specific Programs						925,830,966	-	925,830,966
Transfers						(431,527)	(217,015)	(648,542)
Investment Expense						(1,864,357)	-	(1,864,357)
Total General Revenues and Transfers						\$ 1,883,948,587	\$ (217,015)	\$ 1,883,731,572
Change in Net Position						(165,738,216)	1,400,000	(164,338,216)
Net Position - As of July 1, 2012						(1,432,325,029)	(4,280,970)	(1,436,606,009)
Net Position - As of June 30, 2013						\$ (1,598,063,255)	\$ (2,880,970)	\$ (1,600,944,225)

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 483,307	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	58,944,259	20,415,793	7,693,205
Cash and Investments Held by Trustee	-	-	-
Funds on Deposit	18,375,000	-	-
Taxes Receivable (Net)	173,647,705	-	-
Due from Other Funds	11,122,456	-	-
Due from Other Governments	10,296,846	3,173,650	45,985,724
Accounts Receivable (Net)	12,704,218	-	-
Accrued Interest Receivable	1,513	-	-
Inventory	1,213,843	-	-
Total Assets	\$ 286,789,147	\$ 23,589,443	\$ 53,678,929
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 44,732,833	\$ 7,981,478	\$ 16,223,883
Overpayment of Taxes	9,272,973	-	-
Accrued Salaries and Benefits Payable	29,745,564	13,920,119	18,855,849
Termination Compensation Payable	66,550,562	-	-
Severance Payable	27,221,753	-	-
Deferred Revenue	147,401,776	-	22,498,733
Due to Other Governments	2,687,907	720,074	1,915,561
Other Liabilities	(35,792)	-	-
Total Liabilities	327,577,576	22,621,671	59,494,026
Fund Balances:			
Nonspendable:			
Inventories	903,869	-	-
Permanent Fund Principal	-	-	-
Long Term Interfund Loan	4,060,515	-	-
Restricted:			
Medical Self-Insurance	18,375,000	-	-
Retirement of Long Term Debt	-	-	-
Debt Service Interest	-	-	-
Arbitrage Rebate Payable	-	-	-
Trust Purposes	-	-	-
Capital Purposes	-	-	-
Assigned:			
Special Education	-	967,772	-
Unassigned:	(64,127,813)	-	(5,815,097)
Total Fund Balances	(40,788,429)	967,772	(5,815,097)
Total Liabilities and Fund Balances	\$ 286,789,147	\$ 23,589,443	\$ 53,678,929

The notes to the basic financial statements are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 108,914,368	\$ -	\$ 109,397,675
98,112,600	-	-	98,112,600
53,165	108,779	6,282,989	93,498,190
-	237,558	-	237,558
-	-	-	18,375,000
-	-	-	173,647,705
-	-	-	11,122,456
-	854,208	-	60,310,428
-	-	-	12,704,218
412,489	910	-	414,912
-	-	-	1,213,843
<u>\$ 98,578,254</u>	<u>\$ 110,115,823</u>	<u>\$ 6,282,989</u>	<u>\$ 579,034,585</u>
\$ 19,600	\$ 5,485,869	\$ 375	\$ 74,444,038
-	-	-	9,272,973
-	413,269	-	62,934,801
-	-	-	66,550,562
-	-	-	27,221,753
331,154	763,155	-	170,994,818
-	50,384	-	5,373,926
-	-	-	(35,792)
<u>350,754</u>	<u>6,712,677</u>	<u>375</u>	<u>416,757,079</u>
-	-	-	903,869
-	-	1,367,948	1,367,948
-	-	-	4,060,515
-	-	-	18,375,000
69,058,891	-	-	69,058,891
29,168,609	-	-	29,168,609
-	265,502	-	265,502
-	-	4,914,666	4,914,666
-	103,137,644	-	103,137,644
-	-	-	967,772
-	-	-	(69,942,910)
<u>98,227,500</u>	<u>103,403,146</u>	<u>6,282,614</u>	<u>162,277,506</u>
<u>\$ 98,578,254</u>	<u>\$ 110,115,823</u>	<u>\$ 6,282,989</u>	<u>\$ 579,034,585</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Position
June 30, 2013

Fund Balance - Total Governmental Funds (page 37)	\$ 162,277,506
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,911,025,331
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	152,547,625
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Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.	(3,799,962,580)
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Derivative instruments, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.	(23,951,137)
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Net position of governmental activities (page 34)	<u>\$ (1,598,063,255)</u>
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The notes to the basic financial statements are an integral part of this statement.

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School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2013

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 869,646,069	\$ -	\$ -
Locally Generated Non Tax	101,251,017	502,423	4,701,945
State Grants and Subsidies	1,222,536,972	94,604,283	72,439,916
Federal Grants and Subsidies	13,414,215	-	386,671,891
Total Revenues	<u>2,206,848,273</u>	<u>95,106,706</u>	<u>463,813,752</u>
EXPENDITURES			
Current:			
Instruction	973,741,155	230,878,177	333,498,994
Student Support Services	24,990,084	89,608,024	87,333,335
Administrative Support	63,128,512	9,900,702	29,757,354
Operation & Maintenance of Plant Services	204,053,392	-	1,263,821
Pupil Transportation	84,103,940	-	-
All Other Support Services	14,857,999	-	-
Early Childhood Education	-	-	197,305
Payments to Charter Schools	591,994,942	-	8,968,390
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>1,956,870,024</u>	<u>330,386,903</u>	<u>461,019,199</u>
Excess (Deficiency) of Revenues over Expenditures	<u>249,978,249</u>	<u>(235,280,197)</u>	<u>2,794,553</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	953,303	234,888,713	1,810,877
Transfers Out	(481,812,545)	-	(953,303)
Capital Asset Proceeds	-	-	-
Debt Issuance	264,995,000	-	-
Bond Premium	36,908,311	-	-
Total Other Financing Sources and (Uses)	<u>(178,955,931)</u>	<u>234,888,713</u>	<u>857,574</u>
Net Change in Fund Balances	71,022,318	(391,484)	3,652,127
Fund Balances, July 1, 2012	(111,612,614)	1,359,256	(9,467,224)
Change in Inventory Reserve	(198,133)	-	-
Fund Balances, June 30, 2013	<u>\$ (40,788,429)</u>	<u>\$ 967,772</u>	<u>\$ (5,815,097)</u>

The notes to the basic financial statements are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 869,646,069
2,615,953	1,014,268	46,046	110,131,652
-	576,001	-	1,390,157,172
-	-	-	400,086,106
<u>2,615,953</u>	<u>1,590,269</u>	<u>46,046</u>	<u>2,770,020,999</u>
-	-	68,369	1,538,186,695
-	-	-	201,931,443
-	-	-	102,786,568
-	-	-	205,317,213
-	-	-	84,103,940
-	-	-	14,857,999
-	-	-	197,305
-	-	-	600,963,332
107,664,250	-	-	107,664,250
97,229,742	-	-	97,229,742
49,056,375	-	-	49,056,375
1,872,800	-	-	1,872,800
3,133,801	-	-	3,133,801
-	13,105,257	-	13,105,257
-	2,892,619	-	2,892,619
-	49,082,386	-	49,082,386
-	2,848,697	-	2,848,697
<u>258,956,968</u>	<u>67,928,959</u>	<u>68,369</u>	<u>3,075,230,422</u>
<u>(256,341,015)</u>	<u>(66,338,690)</u>	<u>(22,323)</u>	<u>(305,209,423)</u>
244,681,428	-	-	482,334,321
-	-	-	(482,765,848)
343,500	3,080	-	346,580
-	-	-	264,995,000
-	-	-	36,908,311
<u>245,024,928</u>	<u>3,080</u>	<u>-</u>	<u>301,818,364</u>
(11,316,087)	(66,335,610)	(22,323)	(3,391,059)
109,543,587	169,738,756	6,304,937	165,866,698
-	-	-	(198,133)
<u>\$ 98,227,500</u>	<u>\$ 103,403,146</u>	<u>\$ 6,282,614</u>	<u>\$ 162,277,506</u>

School District of Philadelphia
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the Statement of Activities (page 35) are different because:

Net change in fund balances - total governmental funds (page 41)	\$ (3,391,059)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(50,597,703)
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Non capitalized purchases that exceed capital outlays.	5,462,354
--	-----------

The net effect of miscellaneous transactions involving losses arising from disposal and sale of capital assets are not reported as expenditures in the governmental funds.	(424,378)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(14,967,502)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.	(187,699,060)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	86,313,935
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The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.	(434,803)
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Change in net assets of governmental activities (page 35)	\$ (165,738,216)
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The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 18,393	\$ -
Equity in Pooled Cash and Investments	-	149,666
Due From Other Governments	6,393,304	7,453
Other Receivables	3,000,000	26,640
Inventories	2,274,822	27,664
Total Current Assets	<u>11,686,519</u>	<u>211,423</u>
Noncurrent Assets:		
Machinery & Equipment	16,456,935	537,691
Accumulated Depreciation	<u>(14,335,152)</u>	<u>(513,277)</u>
Total Noncurrent Assets	<u>2,121,783</u>	<u>24,414</u>
 Total Assets	 <u>\$ 13,808,302</u>	 <u>\$ 235,837</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,477,199	\$ 61,063
Accrued Salaries and Benefits Payable	1,269,359	34,720
Termination Compensation Payable	168,757	-
Due to Other Funds	<u>7,061,942</u>	<u>-</u>
Total Current Liabilities	<u>9,977,257</u>	<u>95,783</u>
Noncurrent Liabilities:		
Termination Compensation Payable	1,838,827	140,054
Severance Payable	812,674	-
Interfund Loan	<u>4,060,514</u>	<u>-</u>
Total Noncurrent Liabilities	<u>6,712,015</u>	<u>140,054</u>
 Total Liabilities	 <u>16,689,272</u>	 <u>235,837</u>
NET POSITION		
Net Investment in Capital Assets	2,121,783	24,414
Unrestricted	<u>(5,002,753)</u>	<u>(24,414)</u>
Total Net Position	<u>(2,880,970)</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 13,808,302</u>	<u>\$ 235,837</u>

The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 1,581,866	\$ -
Sale of Printing Services	-	876,768
Total Operating Revenues	<u>1,581,866</u>	<u>876,768</u>
Operating Expenses:		
Salaries	15,877,348	479,578
Employee Benefits	13,664,605	289,923
Other Purchased Service - Food	42,323,715	-
Depreciation	473,355	6,532
Other Operating Expenses	3,697,225	535,538
Total Operating Expenses	<u>76,036,248</u>	<u>1,311,571</u>
Operating Gain/(Loss)	(74,454,382)	(434,803)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	76,071,397	48,090
Income (loss) Before Contributions and Transfers	<u>1,617,015</u>	<u>(386,713)</u>
Transfers In/(Out)	(217,015)	648,542
Change in Net Position	<u>1,400,000</u>	<u>261,829</u>
Total Net Position July 1, 2012	(4,280,970)	(261,829)
Total Net Position June 30, 2013	<u>\$ (2,880,970)</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2013

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 1,581,866	\$ 876,768
Cash Payments to Employees for Services	(29,029,469)	(791,250)
Cash Payments to Suppliers for Goods and Services	(47,177,797)	-
Cash Payments for Other Operating Expenses	(3,697,225)	(528,570)
Net Cash (Used)/Provided by Operating Activities	<u>(78,322,625)</u>	<u>(443,052)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to/Advances from Other Funds	2,661,941	(123,506)
State Sources	4,963,310	29,638
Federal Sources	65,310,025	18,452
Transfers In/(Out)	(217,015)	648,542
Net Cash Provided by Non-Capital Financing Activities	<u>72,718,261</u>	<u>573,126</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(130,246)	(2,829)
Loss on disposal of Assets	1,126	22,421
Net Cash Used by Capital and Related Financing Activities	<u>(129,120)</u>	<u>19,592</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(5,733,484)	149,666
Cash and Cash Equivalents July 1, 2012	5,751,877	-
Cash and Cash Equivalents June 30, 2013	<u>\$ 18,393</u>	<u>\$ 149,666</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating (Loss)	\$ (74,454,382)	\$ (434,803)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	473,355	6,532
Donated Food Commodities	3,657,132	-
(Increase)/Decrease in Accounts Receivable	-	(1,251)
(Increase)/Decrease in Inventories	(94,492)	10,623
(Increase)/Decrease in Other Current Assets	-	(26,640)
Increase/(Decrease) in Accounts Payable	(8,416,722)	24,235
Increase/(Decrease) in Accrued Salaries and Benefits Payable	530,421	(6,303)
Increase/(Decrease) in Termination Compensation Payable	(52,475)	(15,445)
(Decrease) in Severance Payable	34,538	-
Total Adjustments	<u>(3,868,243)</u>	<u>(8,249)</u>
Net Cash Used by Operating Activities	<u>\$ (78,322,625)</u>	<u>\$ (443,052)</u>

The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,088,360
Equity in Pooled Cash and Investments	626,358	78,931,058
Investments	200,000	-
Accounts Receivable	158	2,672,339
Inventories	-	101,617
Total Assets	<u>826,516</u>	<u>86,793,374</u>
LIABILITIES		
Accounts Payable	2,240	-
Payroll Deductions and Withholdings	-	80,754,070
Due to Student Activities	-	5,085,737
Other Liabilities	-	953,567
Total Liabilities	<u>2,240</u>	<u>86,793,374</u>
NET POSITION		
Held in Trust for Various Purposes	<u>\$ 824,276</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 422,504
Interest Received	1,610
Total Additions	<u>424,114</u>
DEDUCTIONS	
Scholarships Awarded	301,253
Total Deductions	<u>301,253</u>
Change in Net Position	122,861
Net Position July 1, 2012	701,415
Net Position June 30, 2013	<u><u>\$ 824,276</u></u>

The notes to the basic financial statements are an integral part of this statement.

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SCHOOL DISTRICT OF PHILADELPHIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

These notes are an integral part of the basic financial statements and include a summary of accounting policies and practices and other information considered necessary to ensure a clear understanding of the statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2013, conform to Generally Accepted Accounting Principles ("GAAP") for local government units as prescribed by the Governmental Accounting Standards Board (the "GASB").

The most significant accounting policies are summarized below:

A. Reporting Entity

The School District is the largest school district in the Commonwealth of Pennsylvania (the "Commonwealth") and the eighth largest public educational system in the United States according to enrollment data. In Fiscal Year 2013, the School District served over 202,059 students, including those in Charter and Alternative Schools, as well as employed over 19,800 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the "City"). The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the state Constitution to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

As such, the School District is a separate and independent home rule school district of the first class formally established by the Philadelphia Home Rule Charter (the "Charter") in December of 1965. The Philadelphia Home Rule Charter Act, P.L. 643 (the "Act") expressly limits the powers of the City by prohibiting the City from, among other things, assuming the debt of the School District or enacting legislation regulating public education and its administration except only to set tax rates for school purposes as authorized by the General Assembly of the Commonwealth. Although the School District is an independent legal entity, it is considered to be a component unit of the City for reporting purposes only and is included in the City of Philadelphia's Comprehensive Annual Financial Report (the "CAFR").

Effective December 2001, in a cooperative effort with the City to address the School District's financial needs, the Commonwealth assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949.

Shortly thereafter, a five-member School Reform Commission (the "SRC") was established. The SRC exercises all powers and has all duties of the original Board of Education. The Board of Education continues in office, performing only the duties assigned, if any, by the SRC. At the time of this report, the SRC has not delegated any duties to the Board of Education. Furthermore, the Governor of Pennsylvania appointed the chairman and two other members of the SRC while the Mayor of the City of Philadelphia appointed the remaining two members. The five-member commission performs its fiscal oversight responsibility for the Philadelphia public school system.

Prior to the formation of the SRC, the School District implemented a new management structure where a Chief Executive Officer (the "CEO") was appointed in lieu of a "Superintendent" effective November 1, 2000.

Although the CEO performs all duties imposed on the Superintendent of Schools by both the Charter and the Public School Code of 1949 (the “School Code”) and serves as the Secretary and Treasurer of the Governing Body of the School District, the new designation was designed to provide the Governing Body with more freedom and to avoid being constrained to select a traditional “academic scholar” ignoring the business experience that is equally necessary for such a large school district. In addition, the new administrative and management structure of the School District recognized the enormity of the job of CEO of a large, urban public school system and successfully sought to implement a more corporate accountability structure and team management approach to ensure that the School District would accomplish specific objectives and overall goals. The organizational structure at June 30, 2013 included a Superintendent/CEO, Deputy Superintendent, General Counsel, School Safety Officer, Chief Finance Officer, Chief Academic Supports Officer, Chief Student Support Services Officer, Chief of School Officer, Chief of HR, Talent & Development Officer, Chief of Parent and Family Services Officer, Chief of School Operations Officer, Chief of Information Technology Officer, Chief of External Relations Officer, and Charter School Office. The General Counsel, School Safety Officer, and Deputy Superintendent directly report to the Superintendent/CEO. All others report to the Deputy Superintendent.

The Superintendent/CEO is responsible for the general supervision of all business affairs of the School District, the furnishing of all reports to the Department of Education of the Commonwealth and other matters prescribed by the School Code, as amended. As Treasurer, the Superintendent/CEO receives all Commonwealth appropriations, School District taxes and other monies of the School District; makes payments on orders approved by the Governing Body; and is responsible for the investment of School District funds. Under this management structure, the Superintendent/CEO still performs the duties of the Superintendent of Schools under the Charter, including the pre-audit duties and functions of the school controller.

Moreover, the School District also serves as the agent for the Intermediate Unit No. 26 (the “IU”); a separate entity established by the Commonwealth to provide special education, special education transportation, and non-public school services. Similar to the School District, the SRC also constitutes the Board of Directors of the IU; the boundaries of the IU are coterminous with those of the City and School District. The School District performs all IU services, pursuant to contracts between the two. The relationship between the School District and the IU was re-evaluated during fiscal year 2011 and as a result the IU is reported as a blended component unit in accordance with GASB Statement No. 14 “The Financial Reporting Entity”, as amended.

B. District-Wide and Fund Financial Statements

In June 1999, GASB issued Statement No. 34 “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*” (GASB Statement No. 34) effective for periods beginning after June 15, 2001. This statement, known as the “Reporting Model” better defines the way government entities prepare and present financial information. State and local governments previously have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. As such, GASB Statement No. 34 establishes requirements and a reporting model for the annual financial reports of state and local governments.

The financial statements are accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of Management’s Discussion and Analysis (“MD&A”). This analysis is similar to the analysis that private sector entities provide in their annual reports and is Required Supplementary Information (the “RSI”). The basic financial statements include both district-wide (based on the School District as a whole) and fund financial statements. District-wide and fund financial statements categorize primary activities as either governmental or business-type. Required supplementary information other than MD&A, including the required budgetary comparison information, are presented immediately following the notes to the financial statements.

Management’s Discussion & Analysis – MD&A discusses the current-year results in comparison with the prior year, with emphasis on the current year. The MD&A is a fact-based analysis discussing the positive and negative aspects of the comparison with the prior year. It uses charts, graphs, and tables to enhance the understandability of the information. The MD&A analyzes overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year’s operations. It presents the information needed to support this analysis of financial position and results of operations required.

More specifically, the MD&A analyzes: (1) the balances and transactions of individual funds; and (2) any significant variations between original and final budget amounts and between final budget amounts and actual results for the general fund. The MD&A also describes: (1) any significant capital asset and long-term debt activity that occurred during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services; and (2) any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

District-Wide Financial Statements – The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are prepared using full accrual accounting for all of the government’s activities. This approach includes not only current assets and liabilities (such as cash and accounts payable), but also capital assets, deferred outflows of resources, long-term liabilities, and deferred inflows of resources as amended by GASB Statement #63-Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Accrual accounting also reports all of the revenues and costs associated with providing such services each year, not just those received or paid in the current fiscal year or soon thereafter. Fiduciary funds are not included in district-wide financial statements.

Statement of Net Position – The Statement of Net Position is designed to present the financial position of the primary government. The School District reports all capital assets in the district-wide Statement of Net Position and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of the School District is presented in three categories: 1) investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted. In the district-wide Statement of Net Position, both the activities’ assets and liabilities: (a) are presented on a consolidated basis; and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

Statement of Activities – The Statement of Activities presents expenses and revenues in a format that focuses on the cost of each function to the School District. The expense of individual functions is compared to the revenue generated by the function (for instance, through user charges or governmental grants). These directly matched revenues are called program revenues. This format enables the district-wide Statement of Activities to reflect both the gross and net cost per functional category (instruction, student support services, pupil transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects only capital-specific grants. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. Direct expenses are considered those that are clearly identifiable with a specific function. The School District allocates indirect expenses to their applicable functions.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the School District are organized by fund types. Each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities of balances and changes therein. Each fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. A reconciliation is also presented which briefly explains adjustments necessary to reconcile the fund financial statements to the governmental activities column of the district-wide financial statements.

The School District’s fiduciary funds are presented in the fund financial statements as well. Since by definition, these assets are held for the benefit of a third party and cannot be used to address activities or other obligations of the School District, these funds are not incorporated into the district-wide financial statements.

There are three major fund types presented in this report. A brief description of each is summarized below:

- (1) **Governmental Fund Types** - These are the funds through which most costs of district functions are typically paid for or financed. The funds included in this category are:
 - (a) **General Fund** - the principal operating fund of the School District; accounts for and reports all financial resources not accounted for and reported in another fund.
 - (b) **Special Revenue Funds** – these funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. Special Revenue funds include:
 - (i) **Intermediate Unit Fund** - used to account for State appropriations for special education and non-public school services, a blended component unit of the School District;

- (ii) Categorical Funds - used to account for specific purpose Federal, State, City or Private grants;
 - (iii) Trust Funds – used to account for funds where both principal and earnings may be used to support School District programs that benefit either the district itself or its students.
 - (c) Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
 - (d) Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
 - (e) Permanent Fund - used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support District programs that benefit the District or its students.
- (2) Proprietary Fund Types - These are funds that account for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The funds included in this category are:
- (a) Enterprise Fund - used to account for the operation of the Food Service Division; and
 - (b) Internal Service Fund – used to account for the operation of the Print Shop and outsourced reproduction of materials for printing and copy services provided to various School District divisions on a cost reimbursement basis.
- (3) Fiduciary Fund Types - These funds account for assets held by the School District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:
- (a) Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments, most of which are through scholarships and awards; and
 - (b) Agency Funds - used to account for assets held by the School District as trustee or agent for others. At June 30, 2013, the School District administered the Payroll Liabilities, Student Bus Token, Student Activities and Unclaimed Monies Funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment of transactions or events is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting similar to that used for Proprietary and Private Purpose Trust Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Agency Funds report only assets and liabilities and therefore do not have a measurement focus. Agency Funds, however, use the accrual basis of accounting that recognizes both receivables and payables.

Non-exchange transactions represent activities where the School District either gives or receives value without directly receiving or giving equal value in exchange and includes grants and donations. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements are satisfied.

It is the School District's policy to first use restricted assets for expenses incurred for which restricted and unrestricted assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This type of presentation focuses on the determination of and changes in financial position, and generally only current assets and current liabilities, are included on the balance sheet.

Revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current fiscal period, or soon thereafter, to pay liabilities of the current fiscal period. For this purpose, the School District considers revenues to be available for the General Fund if they are collected within 60 days of the end of the current fiscal period or beyond the normal time of receipt because of highly unusual circumstances and within 90 days of the current fiscal period for Categorical Funds.

Revenues from grants and donations, however, are recognized in the fiscal year in which all eligibility requirements were satisfied and the resources are available. Expenditures generally are recorded when a liability is incurred as required by accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Local taxes, such as liquor by the drink, school income and business use and occupancy, associated with the current fiscal period are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District receives the vast majority of its revenues from governmental entities. These revenues primarily come in the form of state subsidies (gross instruction, special education and transportation, retirement and social security reimbursement etc.), local taxes (real estate school income, use and occupancy, liquor sales etc.), federal grants, state grants and non-tax revenues (City contributions, Parking contributions etc.)

Although GASB Statement No. 34 eliminates the presentation of account groups, it does provide that these records be maintained and requires that the information be incorporated into the governmental column in the district-wide Statement of Net Position.

However, private sector standards of accounting and financial reporting issued prior to December 1, 1989, were incorporated through GASB Statement No. 62- Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The School District has implemented this statement and prepared both the district-wide and proprietary fund financial statements in accordance.

Likewise, the School District eliminated the effect of interfund activity from its district-wide financial statements. Exceptions to this general rule are categorized in other charges between the School District's food service function and other functions of the District. In this instance, elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges rendered; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes. Indirect costs, such as depreciation, are allocated as specific program expenses.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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 School District's Enterprise Fund (or Food Service) and Internal Service Fund (or Print Shop) reflect charges for sales and services. Operating expenses for these funds include the costs of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity

(1) Cash and Investments

Cash and cash equivalents include currency on hand, deposits, short-term highly liquid investments and investments with original maturities of three months or less from the date of acquisition. State statutes require the School District to invest in obligations of the United States Treasury, and/or the Commonwealth of Pennsylvania, and/or collateralized repurchase agreements.

Non-participating investment contracts or, more generally, certificates of deposit and repurchase agreements are reported at cost, which approximates fair value. However, all other investments are reported at cost.

(2) Real Estate Taxes

Ad valorem real estate tax revenues are recognized in compliance with GASB Statement No. 33. This statement provides that tax revenues should be recognized in the period for which they are levied except that they shall not be recognized unless they are collected within the current fiscal year or expected to be collected within sixty days after the end of the current fiscal year.

The tax on real estate in Philadelphia for public school purposes is based on a calendar year basis. For the entire Fiscal Year 2013 the tax rate was 53.09 mills. Of this total, 16.75 mills are levied directly by the School District pursuant to legislative authorization by the General Assembly of the Commonwealth without further approval of the Council of the City of Philadelphia ("City Council") while the remaining 36.34 mills are levied pursuant to legislative authorization and approval by ordinance of the City Council.

Although assessments are certified and taxes are levied on January 1st, taxes are not due and payable until March 31st of each calendar year. Interest and penalty accrue at the rate of 1.5 percent per month beginning April 1st. Unpaid taxes are considered delinquent the following January 1st and are then subject to lien. The City has established real estate investment and improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties or, are otherwise known as "tax abatements," and typically forgive tax increases for up to ten (10) years.

(3) Due from Other Governments

Grant revenues are recognized when all the applicable eligibility requirements are met and the resources are available. Primarily, the line item titled "Due from Other Governments" represents the excess of grant expenditures over funds collected.

(4) Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To/From Other Funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances."

(5) Inventories & Prepaid Items

Inventories in the General Fund are valued at an average cost of \$1.2 million. Included are expendable supplies of \$0.9 million held for consumption by the Maintenance and Transportation Departments. The cost is recorded as an expenditure at the time inventory is purchased. The expendable supplies inventory is equally offset by a fund balance reserve, which indicates that, although they are a component of net current assets, they do not constitute available resources.

Enterprise Fund (or Food Service) inventories include \$2.0 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

Internal Service Fund (or Print Shop) inventories are valued at last unit cost and are expensed as they are consumed.

Agency Fund (i.e., Student Bus Token) inventories are valued at cost. This inventory represents tokens on hand at the close of the current fiscal year.

(6) Artwork

Values reported in capital assets for artwork inventory are based on replacement values provided by an outside consulting firm with expertise in establishing current market and/or replacement values for artwork. This methodology was established because historical cost records on many of the items are not available.

(7) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of at least \$500 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair market value as of the date donated. The costs associated with the normal maintenance and repair of capital assets, that do not add to the value of the asset or materially extend its useful life, are not capitalized.

GASB Statement 51 requires the capitalization of intangible assets. The most common circumstances in which GASBS 51 applies to the School District is in cases involving computer software. The School District will capitalize internally generated software applications and modifications to existing internally generated software applications as well as purchased software and modifications.

Land and Construction in Progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	10-30
Equipment	5-20
Vehicles	8-10
Office equipment	10
Computer equipment	5
Intangibles	10

Capital assets acquired or constructed for governmental fund purposes are recorded as expenditures in the fund incurring the obligation and are capitalized at cost in the district-wide Statement of Net Position.

Proprietary Fund equipment acquisitions are capitalized in the appropriate fund and depreciated over 5 to 20 years in the Enterprise or Internal Service Funds also using the straight-line method.

(8) Deferred Revenues

Deferred revenues represent monies received in advance of being earned or receivables that will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate principally to property tax receivables, which were levied in the current and prior years, but will not be available to pay liabilities of the current fiscal period. In Categorical Funds, deferred revenue represents grant funds received prior to expenditure, or grant funds which were earned but for which resources are not considered to be available. In the Debt Service Fund, deferred revenues represent interest on investments received in advance of being earned. In the Capital Projects Fund, deferred revenue consists of capital grant funds which were earned but for which resources were not available.

(9) Insurance

For many years, medical benefits for nearly all of the School District's represented and unrepresented employees were procured through a fully-insured medical contract. In Fiscal Year 2010, the fully-insured premium payments increased by over 10% and the prevailing sentiment predicted continued excessively high increases. The unions agreed to a conversion to a self-funded, self-insured plan to be implemented in Fiscal Year 2011. The District's actuary concluded that, if implemented well, self-funded self-insured plan would mitigate the level of annual increases the District would experience in medical costs. The School District's experience during Fiscal Year 2012 and 2013 support the actuarial conclusion that we are managing these costs better.

The School District is also self-insured for most of its risks including casualty losses, public liability, unemployment, and weekly indemnity. Workers' Compensation is covered by excess insurance over a \$5.0 million self-insured retention. The School District does purchase certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from fire, flood or boiler and machinery with a deductible of \$500,000 and a limit of \$250.0 million per occurrence. Certain insurance coverages, including employee performance bonds, student accident and employee dishonesty bonds,

are also procured regularly. Medical self-insured benefits, unemployment and workers' compensation coverage are funded by pro-rata charges to each fund, while the cost of weekly indemnity coverage is shared by the School District and covered employees.

Liabilities expected to be liquidated with available resources are shown as accrued expenditures in the General Fund. Amounts expected to be paid from future years' resources are shown in the district-wide Statement of Net Position.

(10) Compensated Absences

It is School District policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these benefits is accrued in the district-wide Statement of Net Position if they have matured (i.e. unused reimbursable leave). A liability for these amounts is reported in the governmental funds for employees who have resigned or retired as of June 30th. The School District's leave policy is as follows:

- (a) Vacation and Personal Leave - School District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary depending on length of service or job classification. In addition, almost all School District employees are entitled to three days of personal leave annually. Vacation and personal leave may be used or accumulated within certain limits until paid upon retirement or termination at the rate of pay at the time of separation.
- (b) Sick Leave - Most School District employees are credited with 10 days of sick leave annually with no limitation on accumulation. Upon retirement or termination, such employees are paid 25% of the value of their accumulated sick leave balance at the rate of pay at the time of separation.

(11) Long-Term Obligations

In the district-wide financial statements and proprietary fund types presented 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, issuance costs and refunding charges are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported separately from the applicable bond premium or discount, bond issuance costs and refunding charges.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current fiscal 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.

(12) Deferred Outflows and Inflows of Resources

Deferred outflow of resources is a consumption of net assets by the School District that is applicable to a future reporting period. In contrast, deferred inflow of resources is an acquisition of net assets by the School District that is applicable to a future reporting period.

Any amounts that are required to be reported as deferred outflows of resources are presented in the Statement of Net Position in a separate section following assets. Similarly, any amounts that are reported as deferred inflows of resources are presented in a separate section following liabilities. The total for deferred outflows of resources are added to the total for assets, and likewise, the total for deferred inflows of resources are added to the total for liabilities to provide subtotals.

(13) Fund Equity

In accordance with GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", effective for Fiscal Year 2011 in the fund financial statements, governmental funds report non-spendable, restricted, committed, assigned, and unassigned fund balance amounts.

- (a) Nonspendable Fund Balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.
- (b) Restricted Fund Balance: The restricted fund balance classification includes amounts when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.
- (c) Committed Fund Balance: The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of a resolution of the School Reform Commission (SRC). Those committed amounts cannot be used for any other purpose unless the SRC removes or changes the specified use by resolution. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- (d) Assigned Fund Balance: The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. Currently only the SRC itself can assign fund balance. If the SRC delegates the authority it can only be done through a resolution and may be delegated to (a) a budget committee, (b) finance committee, or (c) a specific School District official.
- (e) Unassigned Fund Balance: The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the nonspendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding nonspendable. To the extent that funds are available for expenditure in other categories except for the nonspendable fund balance, the order of use shall be 1) committed balances, 2) assigned amounts 3) unassigned amounts.

(14) Restricted Assets

Certain proceeds of the Debt Service Fund, i.e. bonds, resources set-aside for their repayment, and funds held in escrow for refunding and defeasement, are classified as restricted assets and are not included on the balance sheet. They are maintained under separate accounts and their use is limited by applicable bond covenants.

Restricted amounts reported as cash, cash equivalents, investments and funds on deposit represent bond proceeds set-aside for capital project purposes and working capital associated with employee healthcare self-insurance.

(15) Comparative Data

Comparative data from Fiscal Year 2012 is provided as a key element of the MD&A section of this report to better enhances the analysis and comprehension of financial data of the current fiscal period.

E. Significant Matters Impacting Operations

The School District's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. During the Fiscal Year ended June 30, 2013, the School District continued to experience a number of negative trends that deeply impacted District operations. These trends included: (1) a positive operating fund balance achieved primarily through one-time actions, non-recurring savings and cost deferrals for two consecutive years; (2) virtually flat State operating revenues except for increases in the State's employer portion for pension costs, declining federal revenues, offset by moderate local revenue increases; and (3) mandated and non-discretionary cost increases including: (a) wage and benefit costs due to existing collective bargaining agreements, (b) increased charter school per pupil payments, (c) debt service payments, (d) public and non-public transportation costs, and (e) increases in the School District's employer portion of pension costs.

Fiscal Year 2013 reflects a third consecutive year of a negative ending General Fund balance. The negative General Fund balances for June 30, 2011, June 30, 2012 and June 30, 2013 were a negative \$43.4 million, a negative \$111.6 million and a negative \$40.8 million respectively. However, when the School District's operating funds (General Fund, Intermediate Unit Fund, and Debt Service Fund), are combined (as they form the School District's Operating Budget) the School District experienced at June 30, 2011, June 30, 2012, and June 30, 2013 an operating funds surplus of \$30.8 million, a negative operating funds balance of \$20.5 million and a positive operating funds balance of \$39.5 million, respectively. The combined operating funds surplus at June 30, 2013 includes a negative General Fund balance of \$40.8 million, a positive Debt Service Fund balance of \$98.2 million which is appropriated and restricted to pay for debt service costs in Fiscal Year 2014 and a positive Intermediate Fund Balance of \$1.0 million.

Due to a significant budget gap projected for Fiscal Year 2013 based on the trends discussed above, the School District completed a one-time working capital financing that generated proceeds of \$301.9 million in Fiscal Year 2013. Primarily as a result of this financing, the District was able to achieve the Fiscal Year 2013 operating fund surplus. In addition, measures were taken during Fiscal Year 2013 to right size the District through the implementation of a Facilities Master Plan (FMP) that led to the closing of 24 school buildings in Fiscal Year 2014, thus generating savings and educational improvements in future years.

Facing the potential for an operating budget shortfall for Fiscal Year 2014 projected at \$303.8 million and the need to adopt a balanced budget, additional severe measures were taken for Fiscal Year 2014, including across-the-board significant reductions to staffing through 3,800 lay-offs combined with cuts to educational programs and administrative functions. The projected budget gap was caused primarily by the following factors: (1) the inability to obtain needed additional recurring revenues from the Commonwealth and the City; (2) failure to achieve concessions from the District's labor unions due to ongoing negotiations; and (3) continued increases in mandated and non-discretionary costs including District enrollment shifting to charter schools. The School District adopted a balanced Fiscal Year 2014 budget on May 30, 2013 which eliminated the \$303.8 million budget gap.

The School District prepared a current estimate for the Fiscal Year 2014 Operating Budget as of December 31, 2013, which reflects an operating budget shortfall of \$28.7 million. The current estimate for the Fiscal Year 2014 Operating Budget includes the following revenue items which were not included in the adopted Fiscal Year 2014 Operating Budget: 1) \$50 million in additional City funding; 2) \$45 million in additional State funding in the form of a State grant to the City which is required by statute to be transferred to the School District; 3) \$15 million in improved School District tax collections by the City Revenue Department and \$3.9 of additional local revenues; and, 4) \$2 million in additional State Basic Education funding. These additional revenues were primarily used to restore essential services to schools. The School District has identified and expects to implement additional savings for Fiscal Year 2014 to address the remaining \$28.7 million projected budget gap. Corrective actions will be implemented based upon the least impact to schools and could potentially include mid-year budget reductions for expenditure items, the realization of further debt service savings, medical eligibility audits and administrative hiring freezes.

The District is currently in contract negotiations with its major unions to change work rules and contract terms to contribute towards future savings. The Governor's proposed Fiscal Year 2015 budget includes a \$29 million increase in State revenues in the form of a Ready to Learn grant. In addition, a request for the District to receive \$120 million in recurring revenues from the authorization by statute for the City to reimpose an extension of the 1% Sales Tax has also been proposed for Fiscal Year 2015. The Commonwealth has announced that it expects to review the potential of developing a more equitable funding formula tied to actual student enrollments, as well as, students in poverty and English Language Learners (ELL) which could potentially benefit future years. The District will work closely with the Commonwealth and the City, as well as private outside funding sources, to seek additional revenues for Fiscal Year 2015 and thereafter. Reviews of the utilization of District buildings will be on-going and the District will benefit in Fiscal Year 2015 from one-time savings related to the previous year's Facilities Master Plan. The District will continue to work with the Commonwealth on addressing the over enrollment caps of charter schools and looks to expand the District's Philadelphia Virtual Academy to offset the growing cost of cyber charter schools. As required by the Philadelphia Home Rule Charter, the District will adopt a balanced budget for Fiscal Year 2015 and take every measure available to ensure that spending is not beyond available resources.

During the course of each fiscal year, the School District monitors its cash flow on a monthly basis and compares it to the cash flow assumptions primarily based on the adopted operating budget. Such cash flow projections estimate that sufficient cash will be available for the School District to continue operations and meet its expenses in a timely manner through the remainder of Fiscal Year 2014; in particular, to pay salaries and debt service when due. Revenue and expenditure projections for Fiscal Year 2015 are currently not yet available, and the School District will closely monitor the cash flow to ensure continued operations.

As referred to elsewhere in the Notes to the Financial Statements, the School District is a political subdivision of the Commonwealth carrying out a constitutionally mandated function for which the Commonwealth must provide funding. In

In addition to annually recurring State funding, the School District levies taxes pursuant to City Council authorization and direct authorization of the General Assembly. In addition, Section 696 of the Pennsylvania Public School Code of 1949, as amended (the "School Code"), requires the City to authorize all School Taxes in each fiscal year to yield an amount at least equal to the highest amount in the three preceding fiscal years and to maintain all other payments and grants to the School District at the same level each fiscal year. Accordingly, the School District has assurance of annual recurring revenue.

The School Reform Commission, the governing body of the School District, is prepared to exercise its statutory powers to maximize the revenues available to the School District.

If the School District is unable to adequately reduce spending and/or obtain additional funding, it may be unable to pay certain obligations, other than payroll and debt service, timely. There can be no assurance that the School District will be successful in accomplishing its cost saving plans or in obtaining additional revenues.

2. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the district-wide Statement of Net Position. When capital assets (i.e., land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets is reported as expenditures in governmental funds. However, the Statement of Net Position includes capital assets among the assets of the School District as a whole.

Cost of Capital Assets	\$ 3,481,631,769
Accumulated Depreciation	(1,570,606,438)
Net Cost of Capital Assets	<u>\$ 1,911,025,331</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current period expenditures. Those assets are offset by deferred revenue in the governmental funds and are not included in fund balance. Also, deferred outflows from derivative instruments are not reported as assets in the governmental funds.

Taxes Receivable	\$ 143,169,373
Grants & Subsidies	6,578,252
SEPTA Administrative Fee	2,800,000
Total Adjustment of Other Assets	<u>\$ 152,547,625</u>

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current fiscal period and therefore are not reported as liabilities in the governmental funds." The details of the (\$3,799,962,580) difference are as follows:

School District of Philadelphia

Bonds Payable	\$ (3,295,018,149)
Deduct: Discount on Bonds Payable	9,765,545
Add: Premium on Bonds Payable	(128,877,927)
Deduct: Deferred Charge on Refunding	154,061,020
Deduct: Deferred Charge for Issuance Cost	29,026,272
Bond Interest Payable	(37,167,488)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(122,936,674)
Unemployment Compensation Payable	(3,987,987)
Compensated Absences	(203,220,298)
Severance Payable	(131,656,968)
Claims and Judgments	(5,578,181)
Arbitrage Rebate Payable	(265,503)
DHS Payable	(3,500,000)
OPEB Payable	(388,430)
NSF Payable	(2,442,246)
Incurred But Not Reported IBNR Payable	(12,497,000)
Voluntary Early Retirement Incentive Program	-
	<hr/>
<i>Net adjustment to reduce fund balance - total governmental funds - to arrive at net position governmental activities.</i>	<i>\$ (3,799,962,580)</i>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the District-Wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the district-wide Statement of Activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the (\$50,597,703) difference are as follows:

Capital outlay	\$ 67,928,959
Depreciation expense	<u>(118,526,662)</u>

<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.</i>	<i>\$ (50,597,703)</i>
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Another element of that reconciliation states that “The net effect of miscellaneous transactions involving losses arising from disposal and sale of capital assets are not reported as expenditures in governmental funds.” The Statement of Activities reports losses and gains arising from the disposal and sale of capital assets. Conversely, governmental funds do not report any loss on the disposal or sale of capital assets. The details of this (\$424,378) difference are as follows:

School District of Philadelphia

Loss on Disposal of Capital Assets	\$ (2,435,507)
Gain on Sale of Capital Assets	2,357,709
Proceeds from Sale of Capital Assets	<u>(346,580)</u>

*Net adjustment to decrease net changes in fund balances -
total governmental funds to arrive at changes in net assets
of governmental activities.*

\$ (424,378)

Another element of that reconciliation states that "Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds." The details of this (\$14,967,502) difference are as follows:

Deferred Revenue	\$ (12,701,709)
Derivative Investment Expense	(1,864,357)
Adjustment Operating Grants and Contributions	(700,000)
Miscellaneous Revenue	<u>298,564</u>

*Net adjustment to decrease net changes in fund balances -
total governmental funds to arrive at changes in net position
of governmental activities.*

\$ (14,967,502)

Another element of the reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments." The details of this (\$187,699,060) difference are as follows:

Principal Repayment on Bonds	\$ 107,664,251
Principal Repayment on Authority Obligations	6,540,000
Bond Issuance and Defeasance	<u>(301,903,311)</u>

Net effect of differences in the treatment of long-term debt

\$ (187,699,060)

Another element of the reconciliation states that, "Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of the \$86,313,935 difference are as follows:

School District of Philadelphia

Change in Compensated Absences Payable	\$ 47,952,886
Change in Severance Payable	34,619,058
Change in Workers' Compensation Payable	869,325
Change in Unemployment Compensation Payable	2,072,931
Change in Claims and Judgments Payable	1,007,597
Change in Early/Voluntary Retirement Incentive Payable	11,403,294
Change in Arbitrage Rebate Payable	20,671
Change in Net Accrued Bond Interest	(10,827,295)
Change in Bond Issuance Costs	1,872,800
Change in DHS Payable	500,000
Change in OPEB Payable	(258,086)
Change in NSF Payable	(2,442,246)
Change in IBNR Payable	(477,000)
<hr/>	
<i>Net adjustment to increase/(decrease) net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities.</i>	<u><u>\$ 86,313,935</u></u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

(1) General Budget Policies

As required by various legislative mandates, the School District is required to adopt both an operating budget and a capital budget for each fiscal year. The operating budget consists of the General Fund, the Intermediate Unit Fund and the Debt Service Fund. In the fall of each fiscal year, the CEO provides a status report to the Governing Body on the budget for the current Fiscal Year. Multi-year projections are also developed during the normal budget preparation process so that consideration of any changes in the current educational program can be discussed.

In mid-November of each fiscal year, program administrators and managers receive budget preparation materials in order to develop goals, objectives and priorities which are transposed into budget requests. All such requests are defined by items of expenditures referred to as "object classes." Completed budget requests are submitted to the Office of Management and Budget for review by the end of December of each fiscal year. All approved requests are incorporated into the "proposed operating budget."

In consultation with the SRC, the CEO provides status reports on both budgets for the current Fiscal Year, the ensuing Fiscal Year, and multi-year projections before and after giving consideration to any changes in the current education program. The SRC then must observe specific-timing requirements outlined in the Charter and described more fully as follows:

- (a) At least thirty days prior to the end of the current Fiscal Year, the budget must be adopted (no later than May 31st of each year);
- (b) At least thirty days prior to adoption, public hearings must be held (no later than April 30th of each year); and
- (c) At least thirty days prior to public hearings, notice must be given of hearing dates, and copies of the proposed operating budget must be made available to all interested parties (no later than March 31st of each year).

A statement of estimated receipts and expenditures is submitted to the Mayor of the City and the President of City Council on or before March 31st of each fiscal year. Since the School District has limited taxing power, the City Council must approve the continuance of, or changes in, the levy of local taxes for school purposes

required to fund the estimated expenditures of the School District after taking into account the estimated revenues from the Commonwealth and the 16.75 mills of real estate taxes authorized by the General Assembly.

If total estimated funds from all sources are insufficient to balance the budget, the SRC must reduce anticipated expenditures to a level consistent with total available funds, as mandated by the Charter. The ensuing balanced budget becomes the adopted financial plan for the School District for the forthcoming Fiscal Year.

Control of the operating budget is exercised at the expenditure object class level within principal administrative units. Management is authorized to transfer budget amounts between personal services and employee benefits and among materials, supplies, books and equipment, but only within an administrative unit. Transfers between other expenditure classes or between administrative units require the approval of the SRC with appropriate notice, public hearing and debate. No supplementary budgetary appropriations are necessary during the fiscal year. Unencumbered appropriations lapse at year-end.

The development of the capital budget and program is the principal responsibility of the Office of Capital Programs and represents that office's research and analyses as well as the priorities of both the SRC and the CEO in consultation with representatives of the City Planning Commission. Due consideration is given to balancing physical needs and financial resources which may become available to fund capital improvements. A capital program detailing the division's plan for the ensuing five years, as well as a capital budget detailing the expenditure requirements of the first year of the capital program must be adopted by the SRC no later than the date of the adoption of the annual operating budget. Implementation of the capital budget is contingent upon the receipt of proceeds of debt obligations of the School District or other resources made available for capital improvement purposes.

Control of the Capital Projects Fund budget is exercised at the major project and sub-project levels. Transfers between major projects must be approved by the SRC. Unencumbered appropriations lapse at year-end although they may be included in the ensuing fiscal year's appropriations. Administrative control is maintained at the individual project level.

The SRC is not required to adopt a budget for Categorical Funds. However, the SRC does approve all contracts with funding agencies and budgetary control is exercised at the level prescribed by funding agency regulations and guidelines. Amendments to individual grants in the Categorical Funds budgets must be approved by funding agencies.

Enterprise (or Food Services) and Internal Service (or Print Shop) Funds budgets are not adopted; however, formal budgets are prepared and approved by management and expenses are controlled and monitored according to appropriate line items.

Likewise, Fiduciary Funds are not formally budgeted; however, each individual expenditure request is reviewed for compliance with legal provisions and for availability of funding.

(2) Encumbrance Accounting

Encumbrance accounting, by which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in governmental funds except for Categorical Funds.

B. Fund Equity/Net Position

The operating funds, which consist of the General Fund, Intermediate Unit Fund and Debt Service Fund, experienced a fund balance of \$58.4 million. This amount is comprised of a General Fund negative fund balance of \$40.8 million, which is offset by \$98.2 million in the Debt Service Fund and \$1.0 million in the Intermediate Unit Fund.

Categorical Funds experienced a negative fund balance of \$5.8 million. The deficit in the Categorical Funds is due to GASB Statement No. 33 provisions which require that grant revenue can only be recognized when collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of the current fiscal period.

The Enterprise Fund had negative net position of \$2.9 million.

4. **DETAILED NOTES ON ALL FUNDS AND ACCOUNTS**

A. **Cash and Investments**

(1) **General Information**

The School District's cash and investments, including \$84.0 million held in agency funds, at June 30, 2013 are summarized as follows:

Cash and Cash Equivalents	\$	114,504,428
Cash and Investments with Fiscal Agent		98,112,600
Equity in Pooled Cash and Investments		173,205,272
Cash and Investments Held by Trustee		237,558
Investments		<u>200,000</u>
Total Cash and Investments	\$	<u>386,259,858</u>

The School District is authorized under Section 440.1 of the Public School Code to invest in United States Treasury bills, short-term obligations of the United States government and its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States, obligations of the Commonwealth or any political subdivision of the Commonwealth backed by the full faith and credit of the Commonwealth or the political subdivision, money market funds of United States Treasury obligations and collateralized repurchase agreements.

The School District's investment policy is contained in a formal resolution of the SRC, namely SRC-3, dated April 21, 2004. It allows the District to invest School District funds consistent with Pennsylvania Public School Code Section 440.1. The resolution delineates the standards and specifications for banks and other institutions permitted to be used for investments /deposits of School District funds.

(2) **Cash Management Practices**

The average yield on all maturing investments during Fiscal Year 2013 was approximately 0.30% and total interest income was \$2.4 million. This was a \$ 0.3 million decrease in total income over Fiscal Year 2012 primarily due to continuation of lower average interest rates.

(3) **Investments**

As of June 30, 2013, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 98,091,720	.008
Discounted Notes	15,712,683	.380

(a) *Interest Rate Risk* – The School District minimizes the affect that changes in interest rates have on the fair value of investments by investing in obligations of the United States Treasury and Commonwealth and/or collateralized repurchase agreements. Repurchase agreements for sinking funds and consolidated cash, and capital fund investments, as of June 30, 2013 mature in three (3) days. Discounted Notes purchased by the School District relating to forward purchase agreements for sinking fund deposits are designed to mature in less than a year.

(b) *Credit Risk* - School District investments in collateral securities were rated as follows:

<u>Investment</u>	<u>Name</u>	<u>Moody's</u>	<u>S& P</u>	<u>Fitch</u>
Discounted Notes under Forward Purchase Agreement	Federal National Mortgage Association (FNMA)	Aaa	AA+	AAA
	Federal Home Loan Bank (FHLB)	Aaa	AA+	N/R *

*Fitch does not rate (N/R) FHLB.

- (c) *Concentration of Credit Risk* - The School District does not restrict the amount of deposits made to any particular bank or any counterparty to a repurchase agreement.
- (d) *Custodial Credit Risk-Deposits* - The School District maintains all deposits in depositories which are insured by the Federal Deposit Insurance Company (the "FDIC") to the extent permitted by law and to the extent not so insured, shall be secured by collateral pledged in accordance with Pennsylvania law (Act 72 of 1971). In addition, for any depository bearing a Bauer Financial rating of three stars or less in any quarter of the year, School District deposits in those institutions are limited to the amount of available federal insurance, and appropriate collateral pledged specifically to the School District for those deposits.
- (e) *Custodial Credit Risk-Investments* - The School District generally requires that all collateral pertaining to investments in repurchase agreements be held by a third party custodial agent. Collateral is delivered to the School District's custody banks for all repurchase agreements. Allowable collateral includes: (i) United States Treasury securities; and (ii) United States Government Agencies (full faith and credit with no maturity restrictions; non full faith and credit with maturity restrictions of one (1) year or less). The market value of collateral is maintained at 102% of investments.

(4) Derivative Investment Instruments

- (a) *Issued and Adopted Accounting Principles*: In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. All derivatives are to be reported on the statement of net position at fair value. For swaps deemed to be investment instruments under GASB 53, such as the School District's basis swaps, the changes in fair value are reported in the statement of activities as investment revenue or loss.
- (b) *Objective, Terms, Fair Value and Accounting of Derivative Instruments*: The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB 53. Fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

The table below displays the objectives, terms, and fair values of the School District's derivative instruments outstanding as of June 30, 2013 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2003 School Lease Revenue Bonds	\$150,000,000	\$150,000,000	11/30/06	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$7,183,341)	Wells Fargo Bank N.A.	Aa3/AA-/AA-
Series 2005 School Lease Revenue Bonds	\$350,000,000	\$350,000,000	11/30/06	5/15/2035	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$16,765,796)	JPMorgan Chase Bank, N.A.	Aa1/A+/A+
							(\$23,951,137)		

Basis risk / Interest rate risk.

The primary objective of the basis swaps was for the School District to reduce interest cost from the expected benefit resulting from short term tax-exempt rates reflecting prevailing income tax rates throughout the life of the swap. The School District receives a percentage of 1-Month LIBOR plus a spread of 0.2788% and pays the SIFMA tax-exempt rate, with the expectation of a 0.2788% net benefit over the life of the swap as long as tax rates remain the same. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus SIFMA Swap Rates (short-term tax-exempt rates), a direct function of income tax rates, is approximately 67%. Therefore, there needs to be a spread payable to the School District in exchange for 67% of LIBOR

over the long term and this is the value of the benefit, the risk being tax rates change over the life of the basis swap. This additional receipt of 0.2788% to the School District is the expected benefit and reduction to interest cost on the associated bonds for the life of the basis swap transaction. From the date of execution of the two basis swaps through June 30, 2013, the net benefit to the School District has been \$9,134,530.

The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

Credit risk. This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the total fair value of swaps netting, or aggregating under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2013, the School District has no credit risk exposure on the two basis swap contracts because the swaps under each netting agreement with each counterparty have negative fair values, meaning the counterparties are exposed to the School District in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the basis swaps become positive, the School District would be exposed to credit risk.

The basis swap agreements contain varying collateral agreements with the counterparties. The basis swaps require collateralization of the fair value of the basis swap should the counterparty's credit rating fall below the applicable thresholds.

Termination risk. Only the School District may terminate the two exiting basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the basis swap's fair value.

B. Receivables

(1) Net Receivables

Receivables for the School District's individual Major and Non-Major, Internal Service and Fiduciary Funds in the aggregate, including the applicable allowances for uncollectible accounts, as of the fiscal year end are as follows:

	(Dollars in Thousands)						
	General	Debt Service	Capital Projects	Internal Service	Enterprise	Fiduciary	Total
Receivables							
Interest	\$ 1.5	\$ 412.5	\$ 0.9	\$ -	\$ -	\$ -	\$ 414.9
Taxes	253,764.5	-	-	-	-	-	253,764.5
Accounts (net)	12,704.2	-	-	26.6	3,000.0	2,672.5	18,403.3
Gross Receivables	266,470.2	412.5	0.9	26.6	3,000.0	2,672.5	272,582.7
Less: Allowances for Uncollectible							
Taxes	80,116.8	-	-	-	-	-	80,116.8
Total Allowance	80,116.8	-	-	-	-	-	80,116.8
Net Total Receivables	<u>\$ 186,353.4</u>	<u>\$ 412.5</u>	<u>\$ 0.9</u>	<u>\$ 26.6</u>	<u>\$ 3,000.0</u>	<u>\$ 2,672.5</u>	<u>\$ 192,465.9</u>

(2) Taxes Receivable

The totals reported for taxes receivable on the Statement of Net Position, Balance Sheet and the table above have been aggregated. The following details of the components of those taxes are presented in the table below. Estimated collectible taxes at June 30, 2013 equaled \$173.6 million as follows:

School District of Philadelphia

	(Dollars in Millions)		
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 66.3	\$ 4.9	\$ 61.4
Prior	<u>145.1</u>	<u>49.4</u>	<u>95.7</u>
Total Real Estate Taxes	<u>211.4</u>	<u>54.3</u>	<u>157.1</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	15.6	10.3	5.3
School Income Tax	6.1	2.7	3.4
Liquor Sales Tax	<u>20.6</u>	<u>12.8</u>	<u>7.8</u>
Total Self Assessed Taxes	<u>42.3</u>	<u>25.8</u>	<u>16.5</u>
 Total Taxes Receivable	 <u>\$ 253.7</u>	 <u>\$ 80.1</u>	 <u>\$ 173.6</u>

During July and August 2013, \$19.7 million in real estate taxes receivable and \$10.8 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2013 revenues.

(3) Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current fiscal period. Governmental funds also defer revenue recognition in connection with resources that were received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes receivable earned but not available (General Fund)	\$ 143,169,373	-
Accounts receivables earned but not available (General Fund)	4,232,403	-
Grant funds earned but not available (Categorical Funds)	5,815,097	-
Grant funds earned but not available (Capital Projects Funds)	763,155	-
Grant funds received prior to meeting all eligibility requirements (Categorical Funds)	-	\$ 16,683,636
Interest on investments received prior to being earned (Debt Service Fund)	-	331,154
 Total Deferred Revenue for Governmental Funds	 <u>\$ 153,980,028</u>	 <u>\$ 17,014,790</u>

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C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2013 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 131.8	\$ -	\$ -	\$ 0.5	\$ 132.3
Construction in Progress	58.2	17.7	-	(47.9)	28.0
Artwork	8.1	-	-	-	8.1
Total Capital Assets - Not Depreciated	\$ 198.1	\$ 17.7	\$ -	\$ (47.4)	\$ 168.4
Capital Assets - Depreciated					
Buildings	\$ 1,752.9	\$ 22.7	\$ -	\$ 21.9	\$ 1,797.5
Improvements	1,185.1	19.2	-	25.6	1,229.9
Intangible Assets	45.6	0.5	-	-	46.1
Personal Property	255.3	15.6	(31.1)	-	239.8
Print Shop	0.7	-	(0.2)	-	0.5
Total Capital Assets - Depreciated	\$ 3,239.6	\$ 58.0	\$ (31.3)	\$ 47.5	\$ 3,313.8
Less Accumulated Depreciation					
Buildings	\$ (609.5)	\$ (32.4)	\$ -	\$ -	\$ (641.9)
Improvements	(670.3)	(57.6)	-	-	(727.9)
Intangible Assets	(34.5)	(2.1)	-	-	(36.6)
Personal Property	(166.5)	(26.4)	28.6	-	(164.3)
Print Shop	(0.6)	-	0.1	-	(0.5)
Total Accumulated Depreciation	\$ (1,481.4)	\$ (118.5)	\$ 28.7	\$ -	\$ (1,571.2)
Net Capital Assets Depreciated	\$ 1,758.2	\$ (60.5)	\$ (2.6)	\$ 47.5	\$ 1,742.6
Governmental Activities - Net Capital Assets	\$ 1,956.3	\$ (42.8)	\$ (2.6)	\$ 0.1	\$ 1,911.0
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 16.6	\$ 0.1	\$ (0.2)	\$ -	\$ 16.5
Less Accumulated Depreciation	(14.1)	(0.5)	0.2	-	(14.4)
Business-Type Activities - Net Capital Assets	\$ 2.5	\$ (0.4)	\$ -	\$ -	\$ 2.1

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 107.9
Student Support Services	4.3
Administrative Support	5.3
Operation & Maintenance of Plant Services	0.7
All Other Support Services	0.3
Total Depreciation Expense	\$ 118.5

For Business-Type activities, all depreciation expense was charged to the Enterprise Fund (or Food Service).

D. Obligations

(1) Short-Term Obligations

The School District issued \$500.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 3, 2012 as authorized by the SRC. The proceeds of the Notes were used to address the School District's cyclical cash flow needs. All of the Notes were repaid as of June 28, 2013. Changes in short-term obligations payable during Fiscal Year 2013 were as follows:

School District of Philadelphia

	(Dollars in Millions)			
	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Tax and Revenue Anticipation Note (Series of 2012-2013)	\$ -	\$ 500.0	\$ (500.0)	\$ -
Total	\$ -	\$ 500.0	\$ (500.0)	\$ -

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2013 were as follows:

	(Dollars in Millions)				
	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 3,144.2	\$ 265.0	\$ (114.2)	\$ 3,295.0	\$ 113.7
Bond Premium	100.9	36.9	(8.9)	128.9	9.7
Bond Refunding Losses	(167.3)	-	13.2	(154.1)	(13.2)
Bond Discount	(10.3)	-	0.5	(9.8)	(0.5)
Total Bonded Debt	\$ 3,067.5	\$ 301.9	\$ (109.4)	\$ 3,260.0	\$ 109.7
Termination Compensation Payable	\$ 251.4	\$ 19.0	\$ (67.0)	\$ 203.4	\$ 38.6
Severance Payable	166.2	1.7	(36.2)	131.7	17.2
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	136.5	33.8	(37.8)	132.5	37.8
Incurred But Not Reported (IBNR) Payable	12.0	0.5	-	12.5	12.5
Early/Voluntary Retirement Incentive	11.4	-	(11.4)	-	-
Arbitrage Liability	0.3	-	-	0.3	0.3
DHS Liability	4.0	-	(0.5)	3.5	0.5
OPEB Liability	0.1	0.3	-	0.4	-
NFS Federal Liability	-	2.5	(0.1)	2.4	0.8
Governmental Activity - Long-Term Liabilities	<u>\$ 3,694.7</u>	<u>\$ 359.7</u>	<u>\$ (262.4)</u>	<u>\$ 3,792.0</u>	<u>\$ 262.7</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.1	\$ 0.4	\$ (0.6)	\$ 1.9	\$ 0.2
Severance Payable	0.7	0.4	(0.3)	0.8	0.1
Interfund Loan	7.1	-	(3.0)	4.1	-
Other Liabilities	-	-	-	-	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 9.9</u>	<u>\$ 0.8</u>	<u>\$ (3.9)</u>	<u>\$ 6.8</u>	<u>\$ 0.3</u>

Termination (compensated absences), severance, unemployment, claims & judgments and workers' compensation liabilities are accrued to the governmental funds to which the individual is charged and then liquidated by the General Fund. In addition, DHS, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.

The Interfund Loan of \$4.1 million under the Business-Type Activity is presented on the Government-Wide Statement of Net Position Business-Type Activity column as part of the \$11.1 million Internal Balances Payables.

(a) General Obligation Bonds & Lease Rental Debt

(i) Authority to Issue

- General obligation debt is issued pursuant to the Local Government Unit Debt Act of July 12, 1972, P.L. 781 as amended and re-enacted by Act 177, approved December

1996 (the "Debt Act"). The Debt Service Fund is used to account for the accumulation of resources and the payment of principal, interest and issuance costs on general obligation bonds and lease rental debt. The School District has issued various general obligation bonds and lease rental debt throughout the years to fund budgeted capital projects and to refund higher interest rate bonds with bonds bearing lower costs, and to provide level debt service payments for the District.

- The School District is authorized, under amendments to the Debt Act enacted in September 2003, to enter into "qualified interest rate management agreements." These qualified interest rate management agreements are, defined in the Debt Act, as agreements determined in the judgment of the School District designed to manage interest rate risk or interest cost of the School District on any debt which the School District is authorized to incur under the Debt Act. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements. The School District's Debt Policy places limits on the amount of qualified interest rate management agreements the School District may enter.

General obligation bonds and lease obligations at June 30, 2013 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue ⁽¹⁾	Interest Rates	Maturity Year Ending 30-Jun	Original Principal Issued	Principal Outstanding	Interest	Total
2000 - B	QZABS ⁽²⁾	2014	22,985	22,930	-	22,930
2003 - B	5.500 ⁽³⁾	2028	588,140	43,505	35,892	79,397
2004 - D	4.000 - 5.000	2015	100,000	8,705	870	9,575
2004 - E	QZABS ⁽²⁾	2019	19,335	8,286	-	8,286
2005 - A	4.000 - 5.000	2023	198,140	194,250	51,715	245,965
2005 - B	5.000	2017	43,415	26,610	3,410	30,020
2005 - C	4.470 - 5.310	2026	71,740	53,785	20,208	73,993
2005 - D	5.000 - 5.500	2021	29,920	18,375	4,796	23,171
2006 - A	4.450 - 5.000 ⁽³⁾	2036	317,125	282,195	188,758	470,953
2006 - B	3.500 - 5.000 ⁽³⁾	2033	545,570	545,540	442,001	987,541
2007 - A	4.000 - 5.000	2034	146,530	146,475	121,765	268,240
2007 - C	QZABS ⁽²⁾	2023	13,510	9,007	-	9,007
2007 - D	QZABS ⁽²⁾	2023	28,160	28,135	3,344	31,479
2008 - E	4.125 - 6.000	2039	282,365	268,715	250,289	519,004
2008 - F	3.875 - 5.250	2028	114,215	114,195	45,775	159,970
2009 - A	4.527 - 4.827	2014	20,075	3,070	148	3,218
2009 - B	3.000 - 5.000	2019	30,710	30,710	5,731	36,441
2009 - C	Variable Rate ⁽⁴⁾	2026	49,200	49,200	6,243 ⁽⁵⁾	55,443
2010 - A	5.000	2016	27,820	15,645	1,590	17,235
2010 - B	4.735 - 6.765	2040	221,485	221,485	255,085 ⁽⁶⁾	476,570
2010 - C	2.500 - 5.000	2022	300,045	230,145	53,706	283,851
2010 - D	3.125 - 5.000	2023	49,365	49,365	16,434	65,799
2010 - E	3.000 - 5.250	2025	125,880	120,835	52,577	173,412
2010 - F	Variable Rate ⁽⁴⁾	2031	150,000	150,000	26,980 ⁽⁵⁾	176,980
2010 - G	Variable Rate ⁽⁴⁾	2031	150,000	150,000	26,980 ⁽⁵⁾	176,980
2011 - A	5.995	2031	144,625	144,625	151,730 ⁽⁷⁾	296,355
2011 - B	2.000 - 5.000	2022	16,970	15,590	2,194	17,784
2011 - C	2.000 - 5.000	2022	41,185	34,065	8,192	42,257
2011 - D	3.000 - 5.000	2022	16,330	16,330	2,971	19,301
2012 - A	2.000	2017	35,313	28,250	1,516 ⁽⁸⁾	29,766
2012 - B	5.000 ⁽³⁾	2032	264,995	264,995	158,394	423,389
			<u>4,165,148</u>	<u>3,295,018</u>	<u>1,939,294</u>	<u>5,234,312</u>

⁽¹⁾ All debt has been issued for Capital purposes, except for issues for 2005-A, 2005-C, 2009-A, 2012-A and 2012-B.

⁽²⁾ Prior to 2006, Qualified Zone Academy Bonds were interest free to the issuer. The 2007D QZABS bear interest at 1.25%.

⁽³⁾ Lease rental debt issued through the State Public School Building Authority.

⁽⁴⁾ Maximum interest rate on the Series C of 2009 and Series F & G of 2010 is 12%. If the Bonds became Bank

School District of Philadelphia

Bonds and are held by the Creditor Provider the maximum is 24%. However, in no event shall such rates exceed the highest rates allowed by the Commonwealth of Pennsylvania. Currently, the Series C, F & G bonds are secured by letters of credit which expire in 2014 (see Subsequent Event Note for update). All variable rate bonds are trading at or below SIFMA.

- (5) The School District budgets its variable rate debt at 1.25%.
- (6) Bonds issued as ARRA Federal Taxable Build American Bonds, Series 2010-B, receive a cash subsidy from United States Treasury equal to 35% of interest payable. In Fiscal Year 2013, this subsidy was reduced by \$0.2 million due to the Federal Budget Sequestration.
- (7) Bonds issued as ARRA Qualified School Construction Bonds, Series 2011-A, receive a cash subsidy from United States Treasury that is set at the time of the sale. The School District will receive a 4.87% subsidy on bonds that were issued at a 5.995% interest rate. In Fiscal Year 2013, these subsidies were not affected by the Federal Budget Sequestration.
- (8) SEPTA issued a loan to the School District in the aggregate principal amount of \$35.3 million to be paid in five equal payments with interest for Transpasses in fiscal year 2012. Total debt service will be reduced by \$3.5 million administrative fee adjustment.

Debt service to maturity on general obligation bonds at June 30, 2013 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

Governmental Activities (Dollars in Thousands)			
Year Ending June 30	Principal	Interest ⁽¹⁾	Total
2014	\$ 106,059	\$ 95,294	\$ 201,353
2015	102,499	91,527	194,026
2016	108,664	86,861	195,525
2017	111,944	82,130	194,074
2018	112,897	77,098	189,995
2019-2023	597,265	309,277	906,542
2024-2028	469,715	202,746	672,461
2029-2033	285,915	121,595	407,510
2034-2038	216,345	44,272	260,617
2039-2040	47,480	3,450	50,930
Total	<u>\$ 2,158,783</u>	<u>\$ 1,114,250</u>	<u>\$ 3,273,033</u>

- (1) Maximum interest rate on the Series C of 2009 and Series F & G of 2010 is 12%. If the Bonds became Bank Bonds and are held by the Creditor Provider the maximum is 24%. However, in no event shall such rates exceed the highest rates allowed by the Commonwealth of Pennsylvania. Currently, the Series C, F & G bonds are secured by letters of credit which expire on January 3, 2014 (see Subsequent Event Note for update). All variable rate bonds are trading at or below SIFMA.

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2013 is summarized as follows:

Governmental Activities (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2014	3.500-5.000	\$ 11,380	\$ 59,966	\$ 71,346
2015	3.500-5.000	16,475	54,870	71,345
2016	3.500-5.000	17,255	54,083	71,338
2017	3.625-4.500	18,125	53,220	71,345
2018	3.625-5.000	19,030	52,314	71,344
2019 - 2023	3.750-5.000	119,675	246,222	365,897
2024 - 2028	4.125-5.000	316,330	197,711	514,041
2029 - 2033	4.500-5.000	561,665	101,533	663,198
2034 - 2036	4.450-4.500	56,300	5,125	61,425
Total		<u>\$ 1,136,235</u>	<u>\$ 825,044</u>	<u>\$ 1,961,279</u>

(ii) Sinking Fund Covenants

- Fixed Rate General Obligation Bonds: The School District has covenanted that the City will, on each business day, irrevocably deposit with the paying agent for the bonds, from local tax revenues collected that day, for payment into a sinking fund, approximately equal daily installments which, together with other available resources in the sinking fund amounts sufficient to accumulate the sum required to pay the next principal or redemption price and the amount required to pay the next interest payment. Such debt service resources are required to be accumulated in full by this method by the 15th day prior to each specified payment date. These covenants were established to enhance the credit underlying the School District's general obligation bonds and to assure timely payment of debt service.
- Variable Rate General Obligation Bonds: The School District has covenanted that it will irrevocably deposit monthly, with the paying agent for these bonds, fifteen days prior to the next payment date, from any revenues available that day into the sinking funds, an amount which, together with other available resources in the sinking fund that will be sufficient to pay the next monthly variable rate interest payment and in years when principal payments are due, an amount equal to 1/12 of the next principal payment. These covenants were established to enhance the credit underlying the School District's variable rate bonds and to assure timely payment of debt service. The Debt Policy places limits on the portion of the School District's debt portfolio that can be in the variable rate mode.
- Lease Rental Debt: The School District has entered into an intercept agreement with the Treasurer of the Commonwealth of Pennsylvania who will irrevocably deposit semi-annually, with the paying agent for these bonds, from any Commonwealth revenues due the School District into a sinking fund, an amount equal to the Base Rental payments due under the sublease on or prior to each Base Rental payment. These payments are due on or prior to the fifteenth (15th) day of the calendar month immediately preceding each debt service date for the State Public School Building Authority bonds. These covenants were established to enhance the credit underlying the School District's Lease Rental Debt and to assure timely payment of debt service.
- Interest Rate Management Agreements: Pursuant to the Debt Act, periodic scheduled payments due from the School District under a qualified interest rate management agreement are payable on a parity with debt service on the bonds related to the applicable qualified interest rate management agreement. The School District has covenanted to budget, appropriate and pay such periodic scheduled payments from its general revenues, and has pledged its full faith and credit and taxing power (within the limits prescribed by law) to secure such payments. Termination payments are subject and subordinate to periodic scheduled payments and are not secured by the foregoing pledge.

(b) Derivative Instruments

Summary

The School District adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows (amounts in thousands; debit (credit)):

School District of Philadelphia

		<u>Change in Fair Value</u>	<u>Fair Value at June 30, 2013</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment derivatives:					
Pays-variable interest rate swaps	Investment expense	(\$ 1,864)	Investment	\$ (23,951)	\$ 500,000
				<u>\$ (23,951)</u>	

As of June 30, 2013, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

(c) Fixed Rate Lease Revenue Deficit Bonds and Defeasements

(i) *Fixed Rate Lease Revenue Deficit Bonds:*

On November 28, 2012, the School District of Philadelphia issued \$264,995,000 of School Lease Revenue Bonds with a premium of \$36,908,311. These bonds were 20 year fixed rate lease revenue bonds issued through the State Public School Building Authority (SPSBA) to fund the deficit. The \$301,903,311 represents the aggregate proceeds of the sale. Costs of issuance totaled \$1,872,800 less \$1,283,112 for the underwriters' discount.

(ii) *Defeasements:*

As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. As of June 30, 2013, \$91.0 million of bonds outstanding are considered to be totally defeased and the liability has been removed from long-term liabilities.

In addition, the QZAB bond Series 2004E of \$19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places \$1.4 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt. As of June 30, 2013, \$11.0 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZABs bond Series 2007C and 2007D of \$13.5 and \$28.2 million, respectively, were issued December 28, 2007, and due December 28, 2022 are considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places \$0.9 million in trust with its fiscal agent each December 15th for Series 2007C. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt. As of June 30, 2013, \$4.5 million is considered partially defeased in substance for accounting and financial reporting purposes.

(d) Debt Limits

The Pennsylvania Local Government Unit Debt Act of 1996 (Act No. 177) establishes borrowing base and debt limits for municipalities and school districts within the Commonwealth. The Act provides no limitation on debt approved by the voters (electoral) and excludes Tax and Revenue Anticipation Notes from the computation of the non-electoral debt limit along with certain other exclusions e.g., self-liquidating debt, subsidized debt and debt issued to fund an unfunded actuarial accrued liability. As of June 30, 2013, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$1,542.3 million.

(e) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2013, the arbitrage rebate calculation indicates a liability totaling \$265,502 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. This liability will continue to decrease since the project funds are no longer earning above the bond yield. The School District will continue to perform an annual audit rebate calculation until all funds have been expended. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2013.

The School District has reserved \$265,502 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(3) Leases

Operating Leases

The School District is committed under various leases for building, office space and equipment. These leases are considered operating leases for accounting purposes. Lease expenditures for the fiscal year ended June 30, 2013 amounted to \$9,476,761. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2014	\$ 5.3
2015	2.4
2016	2.5
Total	<u>\$ 10.2</u>

(4) General Obligation Bonds/Lease Rental Payable

The ending balance for bonded debt was \$3,295.0 million with net adjustment for bond premiums and discounts of \$119.1 million and deductions of \$154.1 million for bond refunding losses. As of June 30, 2013, the total bonded debt was \$3,260.0 million. See note 1D (11) which describes the District's accounting practices for long-term obligations.

(5) Termination Compensation Payable

Termination pay consists of accumulated leave not expected to be paid with available resources. It includes accumulated liabilities for unused personal illness, personal leave, and vacation balances that are payable upon termination. See note 1. D (10), Compensated Absences, for the School District's leave policies.

(6) Voluntary Early Retirement Incentive

On April 8, 2011, the School District of Philadelphia offered a one-time Voluntary Early Retirement Incentive Program (ERIP) that allowed eligible employees to separate from service with the District at the close of business on July 1, 2011 and receive eighteen months of health care coverage including medical, dental, optical, and prescription beginning August 1, 2011 for most employees. The package was open to employees of any age who had at least 35 years of service by July 1, 2011; employees 60 or older with 30 years of service; and employees 62 or older with one year of service.

A total of 1,182 personnel took advantage of the ERIP offer and a long-term liability of \$28.6 million had been established to reflect the costs of these benefits at June 30, 2011. As of June 30, 2013, the remaining outstanding balance at July 1, 2012 of \$11.4 million was completely paid.

(7) Severance Payable

Pursuant to collective bargaining agreements with the Philadelphia Federation of Teachers and the Commonwealth Association of School Administrators, ten (10) month salary schedules were extended over twelve (12) months beginning September 1, 1982. This agreement created a severance liability to all ten (10) month employees that will be paid upon termination or retirement. Estimated severance payable, based on current salaries at June 30, 2013, was \$131.6 million under the governmental activities. July and August 2013 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2014 appropriations.

(8) Incurred But Not Reported (IBNR) Payable

Beginning in fiscal year 2011, the School District of Philadelphia revised its method of providing health care insurance to its employees. The revision involves a change from premium-based coverage to a self-insurance program. As part of this program, the District has contracted with an administrator to provide the claims review and payment function and with an insurance consultant for the program advisory services. Through the self-insurance program, the District will gain greater oversight and control over its fringe benefits costs.

An actuary estimated the Incurred But Not Reported (IBNR) liability for the School District of Philadelphia's self-insured Medical and Prescription Drug plans as of June 30, 2013. The IBNR is technically a subset of the total unpaid claims liability, which also includes claims incurred and reported to the administrator but awaiting processing and incurred and processed but not yet paid. As of June 30, 2013, the Incurred But Not Reported Payable amounted to \$12.5 million.

(9) Department of Human Services (DHS) Liability

The City of Philadelphia, Department of Human Services (DHS) paid the costs for Philadelphia children receiving educational services at various residential treatment programs during fiscal years 2009 and 2010. The School District and DHS agreed these costs were the responsibility of the School District. DHS requested reimbursement from the School District for these costs. On December 21, 2011, the School District and DHS entered into a structured settlement whereby the School District agreed to a payment plan to pay \$4.0 million to DHS over a four year period. As of June 30, 2013, the DHS liability was \$3.5 million.

(10) Other Post Employment Benefits (OPEB)

The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. The cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. As of June 30, 2013, the District had an OPEB obligation of \$388,430. See Note 4J Other Post Employment Life Insurance Benefits for details.

(11) Due to Other Governments

Deferred Reimbursement – The Commonwealth of Pennsylvania has agreed to continue to defer amounts due from prior years totaling \$45.3 million for reimbursement of advanced funds provided for Special Education transportation costs.

(12) National Science Foundation ("NSF") Liability:

An audit by the National Science Foundation's ("NSF") Office of Inspector General ("OIG") of two NSF grant awards covering the period from July 1, 1999 through August 31, 2005 questioned \$3,346,652 in costs incurred under the two awards. On April 14, 2009, NSF issued its decision eliminating \$834,406 from the recommended disallowance, leaving \$2,512,246 that NSF sought to recover. On November 30, 2012, NSF sent a letter demanding payment in the amount of \$2,512,246. On April 9, 2013, NSF and the School District agreed to a thirty-five month repayment plan for the \$ 2,512,246 with the first payment of \$70,000 due June 30, 2013. As of June 30, 2013, the remaining NSF liability was \$2,442,246.

(13) Other Liabilities

Other liabilities consist of \$122.9 million for Workers' Compensation, \$4.0 million for Unemployment Compensation Claims and \$5.7 million for Claims & Judgments.

E. Interfund Receivables, Payables and Transfers

- (1) The composition of Interfund balances as of June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 11,122,456

Interfund receivables and payables arose from operating activity between funds. Any unpaid balance at the end of the fiscal year is reported as an interfund receivable and/or payable.

The balance of \$11,122,456 under the Enterprise Fund was reclassified as an internal balance on the District-wide financial statements. Pursuant to a resolution adopted by the School Reform Commission on January 19, 2011, the \$12,060,515 accumulated liability due to the General Fund as of June 30, 2010 will be repaid in increments from fiscal years 2011 through 2015. Repayment will be made by a reduction in the General Fund indirect cost charge to the Enterprise Fund to the extent necessary to enable the Enterprise Fund to pay the scheduled increments. \$1,500,000 was repaid in FY11. \$2,100,000 was repaid in FY12 which was comprised of the scheduled \$1,500,000 payment and an extra \$600,000 towards the \$2,000,000 payment due June 2013. The remaining balance of \$1,400,000 was repaid in FY 2013.

The \$11,122,456 consists of \$7,060,514 of the remaining June 30, 2010 accumulated liability. The remaining \$4,061,942 represents a short-term timing difference with regards to cash at June 30, 2013.

- (2) Interfund transfers at June 30, 2013 were as follows:

<u>Interfund Transfers Out</u>				
<u>Interfund Transfers In</u>	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
General	\$ -	\$ 953,303	\$ -	\$ 953,303
Intermediate Unit	234,888,713	-	-	234,888,713
Categorical	1,810,877	-	-	1,810,877
Debt Service	244,464,413	-	217,015	244,681,428
Print Shop	648,542	-	-	648,542
Total	<u>\$ 481,812,545</u>	<u>\$ 953,303</u>	<u>\$ 217,015</u>	<u>\$ 482,982,863</u>

Interfund transfers are used to: (a) move revenues from the fund that statute or budget requires for collection to the fund that statute or budget requires for expenditure; and, (b) move receipts to the Debt Service Fund from the Enterprise Fund as a transfer to cover Fiscal Year 2013 allocations of cafeteria renovations.

F. Commitments

- (1) Capital Projects Fund Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2013 are summarized as follows:

New Construction and Land	\$ 4,489,235
Environmental Management	650,018
Alterations and Improvements	18,448,478
Equipment Acquisition	<u>2,746,709</u>
Total	<u>\$ 26,334,440</u>

- (2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2013 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 13,012,367	\$ 967,772

- (3) Categorical Fund Commitments
Categorical Funds encumbrances totaled \$11.6 million at June 30, 2013.

G. Affiliated Organizations

The Philadelphia Education Fund, Philadelphia Academies, Inc. (formerly *The Philadelphia High School Academies*), Foundations, Aspira, Inc., Cora Services, Elwyn, Inc., Philadelphia Youth Network, EducationWorks, International Education and Community Initiatives, Catapult Learning LLC and Philadelphia's Children First Fund are nonprofit corporations and are funded by grants, contributions and approximately \$34.3 million in contract revenue from the School District during Fiscal Year 2013. These organizations, in cooperation with the School District, administer various programs to enhance the education of School District students. These corporations are governed by independent boards which, in some instances, include representatives of the School District. Management of these organizations is not designated by the School District nor does the School District have the ability to significantly influence their operations. The School District, with the exception of a small start-up contribution to Philadelphia's Children First Fund, does not subsidize the operations of these corporations. In addition, the School District does not guarantee any of their debt service. These organizations are not considered component units of the School District because there is no accountability for fiscal matters to the School District.

H. Intermediate Unit

As previously noted, the School District is also an Intermediate Unit established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an Intermediate Unit for a fiscal year is partially financed by state appropriations. In certain instances (i.e. transportation), the School District reimburses the Commonwealth for the funds advanced in the previous fiscal year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances and efficiency of vehicle utilization.

I. Litigation and Contingencies

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

- (1) ***Special Education and Civil Rights Claims*** – There are two hundred eighty-seven (287) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$1.9 million.

Of those, two hundred seventy-seven (277) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, one hundred and thirty-nine (139) unfavorable outcomes are deemed probable and one hundred and seventeen (117) are considered reasonably possible, in the aggregate of \$1.0 million and \$0.4 million respectively.

There are three (3) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes of two (2) are deemed probable in the aggregate amounts of approximately \$0.03 million.

There are six (6) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately \$0.22 million and \$0.05 million respectively.

Another special education case which the School District is considering whether to file a petition with the Supreme Court of the United States is deemed by General Counsel to be reasonably possible in the amount of \$0.1 million.

- (2) ***Other Matters*** - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$24.1 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will

approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$2.4 million and \$6.1 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$1.9 million and \$2.7 million, respectively, arising from personal injury and property damage claims and lawsuits.

- (3) **Education Audits** - In the early 1990s, the School District received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student average daily membership ("ADM"). In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student ADM in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40 million through fiscal year 1999, and subsequently reduced by half, to approximately \$20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student ADM figures, an audit of reported ADM in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional \$20 million for the alleged over-reporting of ADM during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending.

The Pennsylvania Auditor General's Bureau of Audits conducted a performance audit of the School District's pupil membership and attendance reporting procedures for the 2009-2010 school year, and issued a draft report on October 26, 2011. The School District's response to the draft report was filed on December 16, 2011. The final audit report was issued on February 14, 2012, including the School District's corrective action plan. Because no final determination of forgiveness has been made, however, there remains a reasonably possible loss in this category on the amount of \$40 million.

- (4) **Federal Audit** - The U.S. Department of Education Office of the Inspector General ("OIG") conducted an audit of the School District's controls over Federal expenditures for the period commencing July 1, 2005 through June 30, 2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the School District responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. On January 15, 2010, the OIG issued an audit report, assessing the School District's management of federal grant funds during the 2006 fiscal year. The report identified \$138.8 million in findings resulting from the audit of controls over federal expenditures, of which \$121.1 million were considered inadequately supported and \$17.7 million were considered unallowable costs. The report included five findings, the largest of which related to undocumented salary and benefits charged to federal programs in the amount of \$123 million.

As of June 30, 2013 and continuing until the date of this letter, in the opinion of outside counsel, the School District has potential material liability related to the OIG audit issued in January 2010. The OIG issued an audit report to the School District assessing the School District's management of federal grant funds during the 2006 fiscal year.

To date, the U.S. Department of Education (DOE) has issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The PDLs were issued to the Pennsylvania Department of Education (PDE) and appeals of both are pending. DOE issued a third PDL on the remaining findings that required corrective actions, but did not result in monetary exposure. Most of the corrective actions have already been implemented or are being addressed as part of the corrective action plan agreed upon with the PDE and DOE. DOE has indicated that it may issue a fourth (final) PDL related to the 2010 audit seeking a recovery of questioned costs under Funds for the Improvement of Education (FIE) and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). The fourth PDL will likely result in additional sustained liabilities related to these programs; however, the District has arguments to defend against the recovery.

The first PDL demanded a recovery of \$9.9 million and was appealed to the Office of Administrative Law Judge. Of that amount, DOE's counsel stipulated to approximately \$2.8 million as barred by the statute of limitations, leaving a balance of \$7.2 million. To extinguish the remaining liability, the School District submitted, on April 27, 2012, documentation for equitable offset. The case is briefed and the Administrative Law Judge may issue the

decision entirely on the bases of the briefs, or may schedule a hearing. Once the initial decision is rendered by the Administrative Law Judge, either party may request a review of that initial decision by the Secretary. The Secretary may affirm, remand or set aside the decision. The Secretary's final decision may be appealed to the U.S. Court of Appeals for the Third Circuit.

The second PDL demanded a recovery of \$2.5 million. That PDL was not timely appealed by PDE. However, the PDL invited the State to present evidence to DOE of the amount barred by the statute of limitations. PDE and the School District have assembled documentation demonstrating the application of the statute of limitations. DOE will then review the documentation and indicate what costs DOE agrees are barred by the statute of limitations.

On December 18, 2012, DOE's office of the Chief Financial Officer (OCFO) requested the School District provide additional documentation \$341,693 of questioned GEAR UP expenditures. The School District provided documentation supporting \$281,858 of the costs at issue to OCFO, as well as evidence covering the remaining liability through equitable offset, on January 30, 2013. The School District continued to work with OCFO regarding the documentation requests, and provided additional evidence on April 12, 2013. In April 2013, OCFO also asked about costs related to the FIE program. The School District provided the requested supporting documentation for FIE expenditures to OCFO on May 1, 2013. To date, DOE has not issued a formal determination regarding these expenditures.

Because of the long appeal process, no assurance can be given as to the final resolution of the OIG audit findings, or the amounts, if any, which may be required to be repaid by the School District at this time.

Therefore, no assurance can be given by outside counsel as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District. Of the \$9.7 remaining exposure from the \$138.8 million of findings, the School District is optimistic that all of the liability included on the PDLs will be eliminated based on the application of the statute of limitations and equitable offset. In the opinion of the School District, with regard to the March PDL and the September PDL, the likelihood of a recovery by USDE in the amount of \$9.7 million is remote.

(5) **The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan**

Pursuant to resolutions approved by the School Reform Commission, the School District implemented The School District of Philadelphia 403(b) Plan ("403(b) Plan") and The School District of Philadelphia 457(b) Deferred Compensation Plan (the "457(b) Plan")(collectively, the 403(b) Plan and the 457(b) Plan shall be known as the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District, after withholding all applicable payroll taxes, (i) would pay termination pay owed to a resigning or retiring employee in cash or, (ii) at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring or resigning during or after the calendar year in which they attain age 55, after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Based on the advice of legal counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld FICA taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. By letter dated October 16, 2012, the IRS stated that the School District is following its revised policy concerning the treatment of termination pay under the 403(b) Plan, and thus no federal employment tax liability exists. By letter dated November 18, 2013, the Department of Revenue of the City of Philadelphia determined that the contributions of termination pay to the 403(b) Plan are employer contributions, and, as such, are not subject to City Wage Taxes at the time of contribution, and the School District is not required to withhold City Wage Tax from such contributions. The School District management believes that if it were finally determined that any liability for State taxes (including interest and penalties) relating to these plans existed at June 30, 2013, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2013.

(6) **Administrative Appeals in Pennsylvania Department of Education**

The School District received several subsidy withholding requests filed with the Pennsylvania Department of Education (PDE) by charter schools that have enrolled resident students from the School District. These withholding requests address whether the PDE's charter school funding form (PDE-363) used to calculate charter school tuition contains an allowance for improper deductions in the calculation of the regular education expenditure. The issue is not whether the School District made improper calculations on the form, but whether the form itself is flawed, in that PDE has authorized federal funding to be deducted from the expenditure calculation in violation of the law. This is an issue pending with respect to more than 200 subsidy withholding requests were submitted to PDE, seeking additional subsidies from school districts throughout the Commonwealth, all of which requests raise the same issue.

Because there are over 200 appeals pending, PDE elected to select four cases involving Pittsburgh School District and charter schools as example cases on the legal issues involved. PDE has assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. The School District of Philadelphia intends to Petition to Intervene in the example case so that the School District's interests can be adequately represented. It is not yet known when that Petition will be filed or if the School District will be permitted to intervene. The direct cases against the School District are currently stayed pending the outcome of the example case.

The School District intends to vigorously defend its position in this matter, both as an intervenor and as a party, if the direct cases against the School District ever move forward. It is the belief of the School District – and of PDE according to their own form and guidance documents – that federal funding is not appropriately included in the calculation of charter school funding due to the nature of the funding itself and the fact that charter schools are equally eligible for the same federal funding as school districts. Although it is impossible to determine with any degree of certainty, based upon our evaluation of the case and the legal claims, it is the opinion of outside counsel that there is a high likelihood of success for the School Districts' positions in this matter. The likelihood of an unfavorable outcome, in the opinion of outside counsel, would be between reasonably possible and remote. If, however, the charter schools successfully argue that they are entitled to a portion of the School District's federal funding, the exposure to the School District is approximately \$5.7 million in terms of the pending withholding requests of which we are aware. The exposure in terms of future effects if the PDE-363 form is invalidated and all charter schools are permitted, going forward, to receive a portion of the School District's federal funding on an annual basis, is estimated to be upwards of \$100 million each year.

On December 9, 2013, the lead petitioner Urban Pathways 6-12 Charter Schools withdrew its requests for withholding and reimbursement from Pittsburgh Public Schools. The proceedings are in suspense until PDE determines who will be the lead petitioner.

(7) **Appeals Related to the State Tax Equalization Board Assessment of Real Estate**

In July 2011, the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia for the tax year 2012--significantly lower than the City's Established Predetermined Ratio (EPR) of 32.0% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15.0% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Board of Revision of Taxes (BRT) is directed by statute to calculate the assessed value using the CLR rather than the EPR. In April 2012, in response to informal objections filed by the City and The School District of Philadelphia (School District), STEB raised the CLR to 25.2%--a percentage that is not enough to avoid the use of CLR in calculating assessed value for real estate tax purposes, but it effectively halves the City's potential losses. The appeal period from STEB's increase to the CLR passed without any appeal being filed, therefore the 25.2% is now final.

For tax year 2012, about 2,000 taxpayers with property collectively valued at about \$2 billion filed assessment appeals with the BRT. The School District filed cross-appeals, seeking higher market values in all of those cases. Roughly 1,500 of those cases have now been resolved at a total estimated cost to the School District of \$3.8 million. The City believes that a prudent yet reasonable (as opposed to worst case) estimate if the City were to lose the remaining 500 cases, the loss to the City and the School District combined would be approximately \$7.3 million and therefore the loss to the School District would be approximately \$4.0 million.

New state legislation (Act 131) mandates that 2013 real estate taxes will be based on 2011 assessed values (with adjustments for subsequent demolitions and improvements) and will not be subject to adjustment for the common level ratio, therefore this issue should not resurface in 2014. That same state legislation mandates the adoption of actual values for 2014 real estate taxes; therefore this issue also should not arise for 2014 real estate tax because the CLR does not apply to assessment appeals made immediately after a full reassessment.

J. Other Post Employment Life Insurance Benefits

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the School District recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the School District's future cash flows. Recognition of the liability accumulated from prior years is amortized over no more than 30 years.

Plan Description:

The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees in a single-employer plan. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with ten years of service or 35 years of service regardless of age. A disabled employee's eligibility is determined by the insurance company providing the coverage. An unaudited copy of the life insurance benefit plan can be obtained by writing to The School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The School District is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2012, the effective date of the most recent biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees	Average Age
Active		
Represented	13,907	45.9
Non-represented	848	48.4
Retirees	9,758	76.3
Disabled	120	58.6
Total	24,633	55.9

Annual OPEB Cost and Net OPEB Obligation:

The School District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the actuarial accrued liability (AAL), which under GASB Statement No. 45 may be amortized over no more than 30 years. The District has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each biennial actuarial valuation date, amortized over a 30 year period for the valuation period ending June 30, 2012, using the level percentage of payroll method. The following table shows the elements of the School District's annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the School District's net OPEB obligation to the plan:

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Normal Cost	\$ 206,936
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	603,813
Annual Required Contribution (ARC)	810,749
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	<u>\$ 810,749</u>
Net OPEB Obligation as of June 30, 2012	\$ 130,344
Annual OPEB Cost	810,749
Employer Contributions	(552,663)
Increase/(Decrease) in net OPEB Obligation	<u>\$ 258,086</u>
Net OPEB Obligation as of June 30, 2013	<u>\$ 388,430</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending June 30, 2013 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2011	\$673,167	100.0%	\$0
2012	810,749	83.9%	130,344
2013	810,749	68.2%	388,430

Basis of Accounting:

As defined by GASB Statement No. 45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. The School District's policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement No. 45.

Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$18.1 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.1 million.

Active	\$4,088,289
Inactive	14,026,106
Total	\$18,114,395

Covered Payroll (annual payroll of active employees covered by the plan)	\$871,663,661
UAAL as a percentage of covered payroll	.02078%

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2012 OPEB actuarial valuations are those specific to the OPEB valuations. Actuarial valuations involve estimates of the values of reported amounts, assumptions about the probability of events far into the future, and are subject to continual revision. Actuarial calculations reflect a long-term perspective.

- Discount Rate: 3.25% per year, compounded annually.
- Payroll Growth: Payroll is assumed to increase at an average rate of 3.25% per year considering inflation.
- Mortality: Pre-termination and post-termination healthy annuitant rates are projected on a generational basis using Scale AA. As generational tables, they reflect mortality improvements both before and after the measurement date.

Pre-termination: RP-2000 Employee Mortality Table for Males and Females.

Post-termination Healthy Lives: RP-2000 Healthy Annuitant mortality table for males and females.

Post-termination Disabled Lives: RP-2000 Disabled Annuitant mortality table for males and females. No provision was made for future mortality improvements for disabled lives.

- Termination: Rates which vary by age and years of services were used. Sample rates are shown below:

<u>If less than 5 years of Service</u>		<u>If 5 or more Years of Service</u>	
<u>Years of Service</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
Less than one year	24.49%	25	24.75%
1 - 2	25.23%	30	18.01%
2 - 3	16.54%	35	10.98%
3 - 4	14.07%	40	7.91%
4 - 5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

- Retirement: Retirement rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	15%	15%
60	12	15

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	30%	30%
60	28	30
65	20	25
74	100	100

- Disability: Disability rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age and gender. In addition, no disabilities are assumed to occur at age 60 or later. Sample rates are as follows:

<u>Attained Age</u>	<u>Percentage Disability Incidence</u>	
	<u>Male</u>	<u>Female</u>
25	0.024%	0.030%
30	0.024%	0.040%
35	0.100%	0.060%
40	0.180%	0.100%
45	0.180%	0.150%
50	0.280%	0.200%
55	0.430%	0.380%

- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.
- Life Insurance Coverage while Disabled: The maximum amount of life insurance of \$45,000 for non-represented employees or \$25,000 for represented employees was assumed to be in effect for future disabled retirees prior to age 65. Actual amounts were used for current disabled retirees prior to age 65.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2012 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.
- Special Data Adjustments: Male was assumed for 555 retirees for whom gender was not provided. Active members hired after June 30, 2011 was assumed to be in Class T-E or T-F in PSERS; otherwise Class T-C or T-D was assumed.

K. Pension Plan

(1) Plan Description

The School District of Philadelphia contributes to the Public School Employees' Retirement System (the System), a governmental cost-sharing multiple-employer 401 (a) defined benefit plan administered by the Public School Employees' Retirement System. The System provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-9102) assigns the authority to establish and amend benefit provisions to the System.

The System issues a comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N. 5th Street, Harrisburg PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The CAFR is also available on the Publications page of the PSERS website, www.psers.state.pa.us.

(2) Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

(3) Contribution Rates

Members Contributions - Active members who joined prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation.

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Members who joined the System on or after July 22, 1983 and who were active or inactive employees as of July 1, 2001 contribute at 6.25 percent (Membership Class TC) or 7.50 percent (Membership Class TD) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and 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 Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer's Contributions -Contributions required of employers are based upon an actuarial valuation. For Fiscal Year ended June 30, 2013 the rate of employer contribution was 12.36 percent of covered payroll. The 12.36 percent rate is composed of a pension contribution rate of 11.50 percent for pension benefits and .86 percent for health insurance premium assistance. The School District's contributions to PSERS for the years ending June 30, 2011, 2012, and 2013 were \$72,863,462, \$93,833,216, and \$129,407,591 respectively, and were equal to the required contributions for each year.

Commonwealth Contributions - The Commonwealth pays the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2013 was 72.08 percent.

L. Risk Management

The School District is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

The School District maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$500,000 and a limit of \$250.0 million per occurrence. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

The School District reported the current portion of its risk management obligations totaling \$31.4 million in the General Fund and the long-term portion of its risk management obligations totaling \$145.0 million (See Note 4D(2)) in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro-rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and to the amount the loss can be reasonably estimated. Losses include an estimate of claims that were incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

At June 30, 2013, the amount of these liabilities totaled \$176.4 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

	<u>Beginning Liability</u>	<u>Claims & Adjustments</u>	<u>Claim Payments</u>	<u>Ending Liability</u>	<u>Due Within One Year</u>
Fiscal Year 2012	\$ 166.4	\$ 275.4	\$ 261.2	\$ 180.5	\$ 81.9
Fiscal Year 2013	\$ 180.5	\$ 243.3	\$ 247.4	\$ 176.4	\$ 81.7

Settled claims covered by commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) years. There has not been a significant reduction in insurance coverage from coverage in the prior fiscal year for any risk category. The School District has not entered into any annuity contracts as part of claims settlements.

M. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that occurred subsequent to June 30, 2013 through and including February 19, 2014. The following events are described below:

- (1) On July 2, 2013, the School District issued Tax and Revenue Anticipation Notes, the Series A of 2013-2014 in the principal amount of \$125,000,000 ("Series A Notes"). The Commonwealth of Pennsylvania provided the School District with \$400,000,000 of basic education subsidy advances. Both the Series A Notes and the advances were for cash flow purposes.
- (2) On September 23, 2013, the School District authorized the extension and amendment of two Letters of Credit agreements and authorized two new Letters of Credit agreements effective October 31, 2013 through January 3, 2017. The LOC providers are, Barclays Bank for the Series F 2010 Bonds, PNC Bank for the Series G 2010 Bonds, RBC Bank for the Series H 2010 Bonds and TD Securities for the Series C 2009 Bonds. These LOCs cover \$349 million of existing variable rate demand bonds.

**REQUIRED SUPPLEMENTARY
INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION
AND ANALYSIS**

School District of Philadelphia
Budgetary Comparison Schedules
General and Intermediate Unit Funds
For The Year Ended June 30, 2013

	General Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Local Taxes	\$ 895,192,000	\$ 870,774,000	\$ 869,646,069	\$ (1,127,931)
Locally Generated Non Tax	89,265,000	100,472,000	101,251,017	779,017
State Grants and Subsidies	1,297,859,000	1,225,046,000	1,222,536,972	(2,509,028)
Federal Grants and Subsidies	13,562,000	13,095,000	13,414,215	319,215
Total Revenues	2,295,878,000	2,209,387,000	2,206,848,273	(2,538,727)
OBLIGATIONS				
Current Operating				
Instruction	991,429,973	991,733,209	974,421,555	17,311,654
Student Support Services	24,635,661	25,175,436	25,075,845	99,591
Administrative Support	70,494,660	71,974,474	65,718,032	6,256,442
Operation & Maintenance of Plant Services	220,110,687	227,882,380	205,500,307	22,382,073
Pupil Transportation	78,890,084	87,463,389	86,020,918	1,442,471
All Other Support Services	21,588,468	(8,665,116)	9,624,448	(18,289,564)
Payments to Charter Schools	588,761,350	594,436,520	592,580,011	1,856,509
Allocated Costs	(16,943,302)	(16,995,106)	-	(16,995,106)
Total Obligations	1,978,967,581	1,973,005,186	1,958,941,116	14,064,070
Excess of Revenues Over (Under) Obligations	316,910,419	236,381,814	247,907,157	11,525,343
OTHER FINANCING SOURCES (USES)				
Transfers In	2,200,000	1,550,000	953,303	(596,697)
Transfers Out	(513,419,596)	(484,320,935)	(482,548,976)	1,771,959
Bond Proceeds	-	301,903,000	301,903,311	311
SEPTA Loan Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	(511,219,596)	(180,867,935)	(179,692,362)	1,175,573
Net Change in Fund Balances	(194,309,177)	55,513,879	68,214,795	12,700,916
Fund Balances, July 1, 2012	(129,789,100)	(126,980,000)	(111,612,614)	15,367,386
Change in Inventory Reserve	-	-	(198,133)	(198,133)
Change in Encumbrance Reserve	-	-	2,807,523	2,807,523
Fund Balances, June 30, 2013	\$ (324,098,277)	\$ (71,466,121)	\$ (40,788,429)	\$ 30,677,692

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
373,000	381,000	502,423	121,423
39,664,000	98,280,000	94,604,283	(3,675,717)
-	-	-	-
40,037,000	98,661,000	95,106,706	(3,554,294)
218,767,232	229,895,984	230,899,099	(1,003,115)
82,186,985	90,212,630	89,647,961	564,669
782,274	920,305	715,300	205,005
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,255,401	9,307,205	9,469,490	(162,285)
310,991,892	330,336,124	330,731,850	(395,726)
(270,954,892)	(231,675,124)	(235,625,144)	(3,950,020)
270,954,900	231,675,100	235,625,144	3,950,044
-	-	-	-
-	-	-	-
-	-	-	-
270,954,900	231,675,100	235,625,144	3,950,044
8	(24)	-	24
-	-	1,359,256	1,359,256
-	-	-	-
-	-	(391,484)	(391,484)
\$ 8	\$ (24)	\$ 967,772	\$ 967,796

Refer to notes to the required supplementary information

**SCHOOL DISTRICT OF PHILADELPHIA
OTHER POSTEMPLOYMENT LIFE INSURANCE BENEFITS
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL Percentage of Covered Payroll
06/30/2008	\$0	\$13,862,000	\$13,862,000	0.0%	\$829,232,009	.01672
06/30/2010	0	14,532,971	14,532,971	0.0%	948,979,863	.01531
06/30/2012	0	18,114,395	18,114,395	0.0%	871,663,661	.02078

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

1. BASIS OF BUDGETING

The comparative schedules prepared on the basis of budgeting differ from the Generally Accepted Accounting Principles (modified accrual) basis statements in that both expenditures and encumbrances are applied against the current budget and adjustments affecting activity budgeted in prior years are accounted for as a reduction of expenditures.

2. RECONCILIATION BETWEEN THE BASIS OF BUDGETING AND GAAP

Statements prepared on a GAAP basis can be reconciled to those prepared on the basis of budgeting as follows:

	(Dollars in Thousands)	
	General Fund	Intermediate Unit Fund
Revenue – Basis of Budgeting	\$ 2,206,848	\$ 95,107
Revenue - GAAP Basis	\$ 2,206,848	\$ 95,107
Obligations – Basis of Budgeting	\$ 1,958,941	\$ 330,732
Current Year Encumbrances	(12,847)	(635)
Prior Year Encumbrance Payments	5,449	290
Prior Year Encumbrance Cancellations and Other Adjustments	5,327	-
Expenditures - GAAP Basis	\$ 1,956,870	\$ 330,387
Other Financing Sources (Uses) - Basis of Budgeting	\$ (179,692)	\$ 235,625
Prior Year Encumbrance Cancellations	736	(736)
Other Financing Sources (Uses) - GAAP Basis	\$ (178,956)	\$ 234,889

3. ***OBLIGATIONS IN EXCESS OF APPROPRIATIONS***

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2013:

A. General Fund

(1). All Other Support Services	\$ 18,289,564
(2). Allocated Costs	16,995,106

B. Intermediate Unit Fund

(1). Instruction	\$ 1,003,115
(2). Allocated Costs	162,285

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$18,289,564 in “All Other Support Services” results from a number of items including the budgeting of undistributed salary, benefit, and lapsed appropriation savings that are expected to be realized but cannot be accurately assigned to specific functional areas. In addition, the District experienced lower than expected cancellation of prior year encumbrances.

The negative variance of \$16,995,106 in “Allocated Costs” results from the required distribution of actual expenditures across Agencies in the Administrative Support and Operation and maintenance of plant Services categories. These actual expenditures represent costs allocated to the Intermediate Unit and to Categorical Funds reflecting administrative, operational and indirect support costs which are all originally expensed to the General Fund.

Intermediate Unit Fund

The negative variance of \$1,003,115 in “Instruction” is due to special education costs exceeding budgets in high incidence support offset by lower than budgeted expenditures in other support areas.

The negative variance of \$162,285 in “Allocated Costs” results from slightly higher than budgeted costs being allocated to the IU.

4. ***ALLOCATED COSTS***

Allocated costs represent the School District’s distribution of certain expenditures incurred by the General Fund on behalf of the Intermediate Unit and Categorical Funds. The costs are initially recorded in the General Fund and are subsequently transferred to the appropriate fund. The costs include, but are not limited to, managerial and staff support functions in the following areas: Accountability and Assessment, Health Services, Facilities Management Services, Human Resources, Information Technology, Security Operations, Curriculum Support, Transportation, Accounting Services, Payroll, Budget, Treasury Operations, etc.

In the General Fund allocated costs under All Other Support Services cost center are budgeted with a credit balance due to Intermediate Unit operations and allocated costs attributable to other funds and other adjustments. The original and final budget, for the credit balance, was \$ 16,943,302 and \$ 16,995,106, respectively.

Determination of allocated costs for Special Education Transportation is based on the number of special education routes and students, drivers employed, miles driven, and other factors. Since the total cost of all transportation is accumulated in the General Fund, subsequent analysis determines the amount to be charged to Special Education IU Transportation.

5. *OTHER POSTEMPLOYMENT LIFE INSURANCE BENEFITS*

The schedule of funding progress presents the results of Other Postemployment Benefits (OPEB) valuations performed on a biennial basis, for the fiscal year ending June 30th 2008, 2010, and 2012. This schedule is intended to provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of June 30, 2008, June 30, 2010, and June 30, 2012, the plan is not funded and therefore there are no assets. Payroll is assumed to increase at an average rate of 3.25% per year. Life insurance benefit is not based upon payroll.

Several actuarial assumptions were changed in the current valuation from previous valuations to better reflect anticipated experience. The changes include: (1) decrease in the discount rate from 4.00 percent to 3.25 percent; (2) decrease in the payroll growth assumption from 4.00 percent to 3.25 percent; (3) update of the mortality assumption from The Uninsured Pensioner 1994 Mortality Table (UP94) to the RP-2000 mortality tables projected on a generational basis for healthy lives and a separate table for disabled retirees; (4) an update of the retirement and disability rates to those used in the June 30, 2011 valuation of the Pennsylvania Public Employees Retirement System; and (5) the use of actual gender for all but 555 retirees, who were assumed to be male.

6. *OTHER*

There is no budgetary comparison presented for Categorical Funds because this fund does not have an annual appropriated budget.

OTHER SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue funds include Trust Funds for which both principal and earnings may be used to support School District programs that benefit either the School District or its students.

For external reporting purposes the School District reports one Non-Major Special Revenue Trust Fund. However, at June 30, 2013 there were forty-four individual Special Revenue Trust Funds administered by the School District.

Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support School District programs that benefit the School District or its students.

For external reporting purposes the School District reports one Permanent Fund. However, at June 30, 2013 there were eighty-nine Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,137,192	\$ 2,145,797	\$ 6,282,989
Total Assets	<u>\$ 4,137,192</u>	<u>\$ 2,145,797</u>	<u>\$ 6,282,989</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 225	\$ 150	\$ 375
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,367,948	1,367,948
Restricted:			
Trust Purposes	4,136,967	777,699	4,914,666
Total Fund Balances	<u>4,136,967</u>	<u>2,145,647</u>	<u>6,282,614</u>
Total Liabilities and Fund Balances	<u>\$ 4,137,192</u>	<u>\$ 2,145,797</u>	<u>\$ 6,282,989</u>

School District of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 39,195	\$ 6,851	\$ 46,046
EXPENDITURES			
Instruction	41,990	26,379	68,369
Excess (Deficiency) of Revenues Over Expenditures	(2,795)	(19,528)	(22,323)
Fund Balances, July 1, 2012	4,139,762	2,165,175	6,304,937
Fund Balances, June 30, 2013	\$ 4,136,967	\$ 2,145,647	\$ 6,282,614

Governmental Funds

Governmental funds are the funds through which costs of School District functions are typically financed.

The funds included in this category are:

- General Fund - The principal operating fund of the School District; accounts for all financial resources except those required to be in another fund.
- Intermediate Unit Fund – used to account for State appropriations for special education and non-public programs.
- Debt Service Fund - used to account for the accumulation of resources for the payment of debt service and bond issuance costs.
- Capital Projects Fund - used to account for financial resources used for capital asset acquisition, construction, and improvement.

School District of Philadelphia
Schedule of Detailed Budgetary and Actual Revenues
General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 683,243,000	\$ 604,275,000	\$ 601,533,418	\$ (2,741,582)
Prior Years	60,550,000	52,500,000	52,028,212	(471,788)
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	109,000,000	133,300,000	132,688,861	(611,139)
School (Non-Business) Income	27,500,000	27,750,000	28,104,641	354,641
Liquor Sales	46,800,000	51,900,000	54,237,774	2,337,774
Public Utility Realty	1,099,000	1,049,000	1,048,544	(456)
Tax Credits and Other Adjustments	(33,000,000)	-	-	-
Total Local Taxes	895,192,000	870,774,000	869,646,069	(1,127,931)
Locally Generated Non Tax				
Interest on Investments	840,000	715,000	719,264	4,264
City Contributions	48,990,000	68,990,000	68,990,000	-
Legal Settlements	2,392,000	2,744,000	2,744,398	398
Stadium Agreements	3,000,000	2,716,000	2,716,500	500
Voluntary Contributions	370,000	338,000	571,639	233,639
Parking Authority Contributions	13,384,000	12,542,000	13,263,733	721,733
Gaming Revenue	5,000,000	5,138,000	4,791,189	(346,811)
Reimbursement from Other Funds	14,000	14,000	13,860	(140)
Miscellaneous	15,275,000	7,275,000	7,440,434	165,434
Total Locally Generated Non Tax	89,265,000	100,472,000	101,251,017	779,017
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	1,086,408,000	968,129,000	968,129,258	258
Less: Reimbursement of Prior Years IU Advances	-	44,443,000	44,443,471	471
Net Instruction	1,086,408,000	923,686,000	923,685,787	(213)
Debt Service	12,500,000	12,500,000	7,493,472	(5,006,528)
School Health Program				
Nurse Services	855,000	786,000	1,208,991	422,991
Medical and Dental	2,148,000	1,918,000	2,019,232	101,232
Tuition	105,000	81,000	109,024	28,024
Area Vocational Technical Education	4,200,000	4,481,000	4,486,727	5,727
Transportation	-	58,340,000	58,391,628	51,628
District Special Education	127,611,000	127,567,000	127,566,684	(316)
Retirement	61,950,000	58,336,000	59,232,124	896,124
Social Security	2,082,000	37,351,000	38,343,303	992,303
Total State Grants and Subsidies	1,297,859,000	1,225,046,000	1,222,536,972	(2,509,028)
Federal Grants and Subsidies				
Federal Debt Service Subsidy	13,413,000	12,890,000	13,196,132	306,132
Impacted Area Aid	149,000	205,000	218,083	13,083
Total Federal Grants and Subsidies	13,562,000	13,095,000	13,414,215	319,215
Total Other Governments	1,311,421,000	1,238,141,000	1,235,951,187	(2,189,813)
Total Revenues	\$ 2,295,878,000	\$ 2,209,387,000	\$ 2,206,848,273	\$ (2,538,727)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 2,392,950	\$ 2,251,372	\$ 1,817,133	\$ 434,239
Employee Benefits	1,547,699	1,696,552	1,332,586	363,966
Prof.,Tech. Services	-	40,000	1,197	38,803
Property,Transportation,Comm.	-	68,893	34,620	34,273
Materials, Supplies, Books and Equipment	113,553	207,443	103,939	103,504
	<hr/>	<hr/>	<hr/>	<hr/>
	4,054,202	4,264,260	3,289,475	974,785
	<hr/>	<hr/>	<hr/>	<hr/>
Elementary Education				
Personal Services	287,641,205	280,863,750	280,840,244	23,506
Employee Benefits	157,783,175	166,804,716	166,654,098	150,618
Prof.,Tech. Services	519,137	459,700	431,430	28,270
Property,Transportation,Comm.	50,406	8,155	151,568	(143,413)
Materials, Supplies, Books and Equipment	4,914,550	5,567,701	4,875,656	692,045
	<hr/>	<hr/>	<hr/>	<hr/>
	450,908,473	453,704,022	452,952,996	751,026
	<hr/>	<hr/>	<hr/>	<hr/>
Middle School Education				
Personal Services	54,745,353	50,895,135	50,147,756	747,379
Employee Benefits	29,105,739	29,368,693	29,360,823	7,870
Prof.,Tech. Services	159,676	162,585	138,920	23,665
Property,Transportation,Comm.	355,333	290,955	183,796	107,159
Materials, Supplies, Books and Equipment	917,282	922,266	875,778	46,488
	<hr/>	<hr/>	<hr/>	<hr/>
	85,283,383	81,639,634	80,707,073	932,561
	<hr/>	<hr/>	<hr/>	<hr/>
Senior High School Education				
Personal Services	146,184,479	137,723,274	137,430,762	292,512
Employee Benefits	78,105,212	79,857,725	77,917,351	1,940,374
Prof.,Tech. Services	2,136,155	2,472,805	2,315,877	156,928
Property,Transportation,Comm.	542,251	733,505	845,986	(112,481)
Materials, Supplies, Books and Equipment	2,671,183	4,024,908	3,463,824	561,084
	<hr/>	<hr/>	<hr/>	<hr/>
	229,639,280	224,812,217	221,973,800	2,838,417
	<hr/>	<hr/>	<hr/>	<hr/>
Special Education				
Personal Services	6,381,310	6,856,991	6,767,132	89,859
Employee Benefits	3,423,842	4,067,480	4,047,510	19,970
Materials, Supplies, Books and Equipment	18,450	9,360	9,512	(152)
	<hr/>	<hr/>	<hr/>	<hr/>
	9,823,602	10,933,831	10,824,154	109,677
	<hr/>	<hr/>	<hr/>	<hr/>

(Continued on pages 100 through 105)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Area Vocational Technical Education				
Personal Services	\$ 29,723,534	\$ 29,320,753	\$ 28,435,243	\$ 885,510
Employee Benefits	15,866,200	17,032,930	16,578,227	454,703
Prof.,Tech. Services	355,909	366,073	239,823	126,250
Property,Transportation,Comm.	174,297	168,799	310,025	(141,226)
Materials, Supplies, Books and Equipment	669,813	887,468	878,346	9,122
Other	154,906	154,906	-	154,906
	<u>46,944,659</u>	<u>47,930,929</u>	<u>46,441,664</u>	<u>1,489,265</u>
Desegregation				
Personal Services	2,156,161	2,290,576	2,185,547	105,029
Employee Benefits	1,001,241	1,321,007	1,273,701	47,306
Prof.,Tech. Services	55,309	61,790	55,860	5,930
Property,Transportation,Comm.	19,525	7,261	29,678	(22,417)
Materials, Supplies, Books and Equipment	839,206	681,103	647,787	33,316
	<u>4,071,442</u>	<u>4,361,737</u>	<u>4,192,573</u>	<u>169,164</u>
Promise Academies				
Personal Services	4,974,091	5,438,588	4,604,017	834,571
Employee Benefits	2,289,594	1,859,127	2,452,623	(593,496)
Materials, Supplies, Books and Equipment	-	-	690	(690)
	<u>7,263,685</u>	<u>7,297,715</u>	<u>7,057,330</u>	<u>240,385</u>
School Support Services				
Personal Services	43,532,578	44,122,911	41,290,474	2,832,437
Employee Benefits	19,167,759	21,961,530	18,340,144	3,621,386
Prof.,Tech. Services	1,686,512	1,819,123	1,749,655	69,468
Property,Transportation,Comm.	266,670	32,728	41,530	(8,802)
Materials, Supplies, Books and Equipment	1,978,516	962,100	39,360	922,740
Other	-	92,932	-	92,932
	<u>66,632,035</u>	<u>68,991,324</u>	<u>61,461,163</u>	<u>7,530,161</u>
Payment to Other Educational Entities				
Prof.,Tech. Services	30,508,498	31,508,498	31,016,589	491,909
Property,Transportation,Comm.	56,224,364	56,209,364	54,450,125	1,759,239
	<u>86,732,862</u>	<u>87,717,862</u>	<u>85,466,714</u>	<u>2,251,148</u>
Adult Education				
Personal Services	59,380	59,380	43,048	16,332
Employee Benefits	16,970	20,298	11,565	8,733
	<u>76,350</u>	<u>79,678</u>	<u>54,613</u>	<u>25,065</u>
Total Instruction	<u>991,429,973</u>	<u>991,733,209</u>	<u>974,421,555</u>	<u>17,311,654</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 14,899,980	\$ 15,374,055	\$ 15,382,726	\$ (8,671)
Employee Benefits	8,650,646	8,760,593	9,122,164	(361,571)
Prof.,Tech. Services	325,000	325,000	115,000	210,000
Property,Transportation,Comm.	80,446	80,446	13,009	67,437
Materials, Supplies, Books and Equipment	191,997	191,997	127,824	64,173
	24,148,069	24,732,091	24,760,723	(28,632)
Office of Specialized Services				
Personal Services	241,105	201,110	125,666	75,444
Employee Benefits	105,312	101,060	54,993	46,067
Prof.,Tech. Services	134,200	134,200	129,200	5,000
Property,Transportation,Comm.	4,775	4,775	3,904	871
Materials, Supplies, Books and Equipment	2,200	2,200	1,359	841
	487,592	443,345	315,122	128,223
Total Student Support Services	24,635,661	25,175,436	25,075,845	99,591
Administrative Support				
Regional Offices				
Personal Services	1,773,356	4,406	309,597	(305,191)
Employee Benefits	848,142	1,506	123,837	(122,331)
Prof.,Tech. Services	-	-	1,638	(1,638)
Property,Transportation,Comm.	4,500	1,070	1,136	(66)
Materials, Supplies, Books and Equipment	158,790	29,670	15,982	13,688
Other	-	-	(22,019)	22,019
	2,784,788	36,652	430,171	(393,519)
Financial Services				
Personal Services	3,524,316	4,069,378	4,347,638	(278,260)
Employee Benefits	1,818,422	2,220,826	2,230,946	(10,120)
Prof.,Tech. Services	852,570	1,202,220	1,286,504	(84,284)
Property,Transportation,Comm.	36,435	36,435	51,877	(15,442)
Materials, Supplies, Books and Equipment	64,321	64,321	48,340	15,981
Other	398	70,398	(316,927)	387,325
	6,296,462	7,663,578	7,648,378	15,200
Office of the Chief Finance Officer				
Personal Services	250,875	19,117	26,231	(7,114)
Employee Benefits	107,572	6,535	10,855	(4,320)
Prof.,Tech. Services	139,987	139,987	165,509	(25,522)
Property,Transportation,Comm.	9,752	9,752	8,752	1,000
Materials, Supplies, Books and Equipment	9,034	9,034	1,582	7,452
	517,220	184,425	212,929	(28,504)
Office of Procurement Services				
Personal Services	636,961	613,838	551,791	62,047
Employee Benefits	365,132	373,354	371,763	1,591
Prof.,Tech. Services	91,914	68,221	3,144	65,077
Property,Transportation,Comm.	16,745	16,745	8,315	8,430
Materials, Supplies, Books and Equipment	14,579	14,579	(96,167)	110,746
Other	-	-	(40,840)	40,840
	1,125,331	1,086,737	798,006	288,731

(Continued on pages 102 through 105)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 4,163,453	\$ 4,292,922	\$ 3,710,772	\$ 582,150
Employee Benefits	2,263,532	2,416,076	2,003,721	412,355
Prof.,Tech. Services	306,402	330,621	372,230	(41,609)
Property,Transportation,Comm.	2,213	4,179	30,249	(26,070)
Materials, Supplies, Books and Equipment	92,433	87,433	29,784	57,649
Other	966	-	(195,792)	195,792
	<u>6,828,999</u>	<u>7,131,231</u>	<u>5,950,964</u>	<u>1,180,267</u>
Information Technology				
Personal Services	4,511,798	4,966,639	4,397,362	569,277
Employee Benefits	2,354,641	2,679,498	2,444,311	235,187
Prof.,Tech. Services	4,459,624	3,610,341	3,856,961	(246,620)
Property,Transportation,Comm.	2,169,153	2,169,153	2,480,925	(311,772)
Materials, Supplies, Books and Equipment	2,346,319	3,659,597	3,325,170	334,427
Other	(2,750,000)	(3,238,717)	(3,891,953)	653,236
	<u>13,091,535</u>	<u>13,846,511</u>	<u>12,612,776</u>	<u>1,233,735</u>
Municipal Services				
Personal Services	429,052	-	44,908	(44,908)
Employee Benefits	266,115	-	24,572	(24,572)
Prof.,Tech. Services	3,798,000	-	(2,000)	2,000
Property,Transportation,Comm.	2,152	-	-	-
Other	-	-	(3,285)	3,285
	<u>4,495,319</u>	<u>-</u>	<u>64,195</u>	<u>(64,195)</u>
Alternative Education				
Personal Services	611,465	1,037,737	1,028,798	8,939
Employee Benefits	375,754	591,577	588,565	3,012
Prof.,Tech. Services	-	10,000	-	10,000
Property,Transportation,Comm.	3,219	3,219	6,160	(2,941)
Materials, Supplies, Books and Equipment	95,720	99,703	45,689	54,014
	<u>1,086,158</u>	<u>1,742,236</u>	<u>1,669,212</u>	<u>73,024</u>
Accountability, Assessment & Intervention				
Personal Services	1,729,567	1,702,923	1,300,571	402,352
Employee Benefits	893,150	904,283	670,770	233,513
Prof.,Tech. Services	1,399,509	1,635,494	1,583,565	51,929
Property,Transportation,Comm.	16,505	22,323	39,716	(17,393)
Materials, Supplies, Books and Equipment	67,104	46,531	36,404	10,127
Other	(300,000)	(300,000)	(85,977)	(214,023)
	<u>3,805,835</u>	<u>4,011,554</u>	<u>3,545,049</u>	<u>466,505</u>
Office of School Management				
Personal Services	4,386,085	6,225,253	6,055,619	169,634
Employee Benefits	2,723,181	3,793,809	3,575,706	218,103
Prof.,Tech. Services	498,586	868,100	785,350	82,750
Property,Transportation,Comm.	55,422	94,222	73,311	20,911
Materials, Supplies, Books and Equipment	129,154	85,186	43,951	41,235
Other	187	187	(362,443)	362,630
	<u>7,792,615</u>	<u>11,066,757</u>	<u>10,171,494</u>	<u>895,263</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Secondary Education				
Personal Services	\$ 222,099	\$ 268,825	\$ 224,885	\$ 43,940
Employee Benefits	81,411	120,132	114,121	6,011
Prof.,Tech. Services	536,781	423,541	365,099	58,442
Property,Transportation,Comm.	57,739	148,151	174,710	(26,559)
Materials, Supplies, Books and Equipment	335,980	237,241	207,876	29,365
Other	12,279	-	(3,204)	3,204
	1,246,289	1,197,890	1,083,487	114,403
Curriculum, Instruction & Professional Development				
Personal Services	1,404,559	2,135,199	1,927,773	207,426
Employee Benefits	679,870	1,071,340	950,445	120,895
Prof.,Tech. Services	-	-	40,720	(40,720)
Property,Transportation,Comm.	100,449	186,149	239,387	(53,238)
Materials, Supplies, Books and Equipment	226,553	276,553	62,125	214,428
Other	21,688	21,688	(86,598)	108,286
	2,433,119	3,690,929	3,133,852	557,077
Professional Growth Trust Fund				
Employee Benefits	342,360	342,360	295,000	47,360
Office of the Chief Operations Officer				
Personal Services	1,448,004	1,318,825	1,116,150	202,675
Employee Benefits	764,178	753,077	642,102	110,975
Prof.,Tech. Services	2,700	287,700	285,000	2,700
Property,Transportation,Comm.	192,902	192,902	206,815	(13,913)
Materials, Supplies, Books and Equipment	30,278	30,278	13,284	16,994
Other	(686,715)	-	(110,193)	110,193
	1,751,347	2,582,782	2,153,158	429,624
Executive / Board Management				
Personal Services	4,358,641	4,815,435	4,379,367	436,068
Employee Benefits	2,079,283	2,393,126	2,120,002	273,124
Prof.,Tech. Services	4,969,876	5,129,654	5,159,364	(29,710)
Property,Transportation,Comm.	214,428	214,428	209,014	5,414
Materials, Supplies, Books and Equipment	126,360	126,360	52,891	73,469
Other	211,400	-	-	-
	11,959,988	12,679,003	11,920,638	758,365
Office of Grant Development & Compliance				
Personal Services	-	-	4,185	(4,185)
Employee Benefits	-	-	2,665	(2,665)
Prof.,Tech. Services	-	-	1,711	(1,711)
Property,Transportation,Comm.	-	-	22,464	(22,464)
Materials, Supplies, Books and Equipment	-	-	8,925	(8,925)
	-	-	39,950	(39,950)
Office of the Chief Academic Officer				
Personal Services	2,520,281	2,521,361	2,228,018	293,343
Employee Benefits	1,140,697	1,213,769	1,027,709	186,060
Prof.,Tech. Services	48,225	695,957	688,915	7,042
Property,Transportation,Comm.	33,129	54,835	37,086	17,749
Materials, Supplies, Books and Equipment	81,730	225,907	181,366	44,541
Other	1,113,233	-	(174,321)	174,321
	4,937,295	4,711,829	3,988,773	723,056
Total Administrative Support	70,494,660	71,974,474	65,718,032	6,256,442

(Continued on pages 104 through 105)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 65,422,862	\$ 64,046,114	\$ 61,085,846	\$ 2,960,268
Employee Benefits	45,914,876	46,585,830	42,408,238	4,177,592
Prof., Tech. Services	12,258,963	11,973,963	10,888,065	1,085,898
Property, Transportation, Comm.	10,796,873	10,796,873	10,677,863	119,010
Materials, Supplies, Books and Equipment	8,189,905	8,189,905	7,984,743	205,162
Other	(18,536,901)	(3,219,000)	(6,138,082)	2,919,082
	124,046,578	138,373,685	126,906,673	11,467,012
Food Services Indirect Cost				
Other	(4,043,135)	(4,043,135)	(2,439,711)	(1,603,424)
Utilities				
Prof., Tech. Services	451,020	368,020	180,536	187,484
Property, Transportation, Comm.	16,282,772	14,759,636	14,625,375	134,261
Materials, Supplies, Books and Equipment	48,619,579	46,026,082	39,226,819	6,799,263
Other	-	-	(2,730,122)	2,730,122
	65,353,371	61,153,738	51,302,608	9,851,130
Security Operations				
Personal Services	20,414,361	19,125,553	18,278,079	847,474
Employee Benefits	13,756,519	12,689,546	12,226,860	462,686
Prof., Tech. Services	67,916	67,916	10,000	57,916
Property, Transportation, Comm.	137,010	137,010	11,827	125,183
Materials, Supplies, Books and Equipment	378,067	378,067	546,450	(168,383)
Other	-	-	(1,342,479)	1,342,479
	34,753,873	32,398,092	29,730,737	2,667,355
Total Oper. & Maint. of Plant Services	220,110,687	227,882,380	205,500,307	22,382,073
Pupil Transportation				
Personal Services	23,943,709	20,841,961	20,038,239	803,722
Employee Benefits	17,892,302	16,773,229	14,773,200	2,000,029
Prof., Tech. Services	82,100	914,200	1,003,723	(89,523)
Property, Transportation, Comm.	86,140,355	88,328,760	88,407,595	(78,835)
Materials, Supplies, Books and Equipment	4,992,618	5,639,239	5,485,377	153,862
Other	(54,161,000)	(45,034,000)	(43,687,216)	(1,346,784)
Total Pupil Transportation	78,890,084	87,463,389	86,020,918	1,442,471
All Other Support Services				
Risk Management				
Personal Services	302,297	323,427	247,003	76,424
Employee Benefits	159,206	183,134	139,618	43,516
Prof., Tech. Services	18,743	18,743	16,000	2,743
Property, Transportation, Comm.	2,089,582	2,089,662	2,025,877	63,785
Materials, Supplies, Books and Equipment	3,000	3,000	-	3,000
Losses and Judgments	5,602,392	5,602,312	5,192,851	409,461
	8,175,220	8,220,278	7,621,349	598,929

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ 454,800	\$ 166,500	\$ 202,130	\$ (35,630)
Property,Transportation,Comm.	15,000	-	-	-
Interest	5,818,600	3,939,800	3,939,756	44
	<u>6,288,400</u>	<u>4,106,300</u>	<u>4,141,886</u>	<u>(35,586)</u>
Undistributed				
Personal Services	1,608,770	(7,401,806)	-	(7,401,806)
Employee Benefits	(10,010,422)	(2,414,897)	3,169,506	(5,584,403)
Prof.,Tech. Services	922,582	922,582	-	922,582
Property,Transportation,Comm.	425,000	425,000	-	425,000
Materials, Supplies, Books and Equipment	(14,628,857)	-	-	-
Other	33,259,727	(4,692,561)	18,960	(4,711,521)
Cancellation of Prior Years' Encumbrances	(4,451,952)	(7,830,012)	(5,327,253)	(2,502,759)
	<u>7,124,848</u>	<u>(20,991,694)</u>	<u>(2,138,787)</u>	<u>(18,852,907)</u>
Total All Other Support Services	<u>21,588,468</u>	<u>(8,665,116)</u>	<u>9,624,448</u>	<u>(18,289,564)</u>
Payments to Charter Schools				
Personal Services	672,014	504,548	331,270	173,278
Employee Benefits	335,551	258,359	145,236	113,123
Prof.,Tech. Services	369,253	370,253	139,028	231,225
Property,Transportation,Comm.	587,375,747	593,246,151	591,961,193	1,284,958
Materials, Supplies, Books and Equipment	8,785	57,209	3,284	53,925
	<u>588,761,350</u>	<u>594,436,520</u>	<u>592,580,011</u>	<u>1,856,509</u>
Allocated Costs	(16,943,302)	(16,995,106)	-	(16,995,106)
Total Obligations	<u>1,978,967,581</u>	<u>1,973,005,186</u>	<u>1,958,941,116</u>	<u>14,064,070</u>
OTHER FINANCING USES				
Local Share of Categorical Programs	2,369,396	2,119,335	1,810,877	308,458
Debt Service Fund	240,095,300	250,526,500	244,464,413	6,062,087
Special Education	270,954,900	231,675,100	235,625,144	(3,950,044)
Internal Service Fund	-	-	648,542	(648,542)
Total Other Financing Uses	<u>513,419,596</u>	<u>484,320,935</u>	<u>482,548,976</u>	<u>1,771,959</u>
Total General Fund	<u>\$ 2,492,387,177</u>	<u>\$ 2,457,326,121</u>	<u>\$ 2,441,490,092</u>	<u>\$ 15,836,029</u>
Fund Totals - Object Classes				
Personal Services	\$ 737,266,651	\$ 706,829,550	\$ 700,703,850	\$ 6,125,700
Employee Benefits	402,214,861	425,808,180	417,205,533	8,602,647
Prof.,Tech. Services	67,609,947	66,553,787	63,226,743	3,327,044
Property,Transportation,Comm.	763,895,149	770,541,536	767,363,888	3,177,648
Materials, Supplies, Books, and Equipment	63,658,202	78,742,441	68,247,950	10,494,491
Other	(45,702,967)	(60,187,302)	(61,612,202)	1,424,900
Interest on Temporary Borrowing	5,818,600	3,939,800	3,939,756	44
Losses and Judgments	5,602,392	5,602,312	5,192,851	409,461
Allocated Costs	(16,943,302)	(16,995,106)	-	(16,995,106)
Other Financing Uses	513,419,596	484,320,935	482,548,976	1,771,959
Cancellation of Prior Years' Encumbrances	(4,451,952)	(7,830,012)	(5,327,253)	(2,502,759)
Total General Fund	<u>\$ 2,492,387,177</u>	<u>\$ 2,457,326,121</u>	<u>\$ 2,441,490,092</u>	<u>\$ 15,836,029</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ -	\$ 7,000	\$ 6,845	\$ (155)
Non-Public School Programs	23,000	24,000	24,285	285
Tuition	350,000	350,000	471,293	121,293
Total Locally Generated Non Tax	373,000	381,000	502,423	121,423
State Grants and Subsidies				
Special Education Program	4,917,000	4,900,000	4,900,263	263
Special Education Transportation	-	58,886,000	58,162,001	(723,999)
Non-Public School Programs	14,052,000	14,792,000	14,791,682	(318)
Social Security	8,699,000	7,750,000	7,710,247	(39,753)
Retirement	11,996,000	11,952,000	9,040,090	(2,911,910)
Total State Grants and Subsidies	39,664,000	98,280,000	94,604,283	(3,675,717)
Total Revenues	\$ 40,037,000	\$ 98,661,000	\$ 95,106,706	\$ (3,554,294)
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 124,052,695	\$ 129,591,272	\$ 128,435,886	\$ 1,155,386
Employee Benefits	74,701,938	86,107,625	82,800,951	3,306,674
Prof.,Tech. Services	5,728,693	5,730,393	4,354,955	1,375,438
Property,Transportation,Comm.	38,150	4,141	46,531	(42,390)
Materials, Supplies, Books and Equipment	2,017,318	1,883,563	1,586,297	297,266
Other	(845,888)	(7,099,500)	2,594	(7,102,094)
Total Special Education	205,692,906	216,217,494	217,227,214	(1,009,720)
Services to Non-Public School Students				
Prof.,Tech. Services	13,074,326	13,671,875	13,671,885	(10)
Other	-	6,615	-	6,615
Total Services to Non-Public School Students	13,074,326	13,678,490	13,671,885	6,605
Total Instruction	218,767,232	229,895,984	230,899,099	(1,003,115)
Student Support Services				
Special Education *				
Personal Services	18,630,095	18,058,507	17,436,592	621,915
Employee Benefits	15,315,390	15,790,123	14,662,996	1,127,127
Prof.,Tech. Services	15,000	15,000	210,000	(195,000)
Property,Transportation,Comm.	5,055,300	5,055,300	6,878,468	(1,823,168)
Materials, Supplies, Books and Equipment	10,200	10,200	8,863	1,337
Allocated Costs	(12,650,000)	(7,609,500)	(7,717,804)	108,304
Total Special Education	26,375,985	31,319,630	31,479,115	(159,485)

* The consolidated budget for Special Education includes Instruction, Student Support Services and Administrative Support

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation Allocated Costs	\$ 55,811,000	\$ 58,893,000	\$ 58,168,846	\$ 724,154
Total Student Support Services	82,186,985	90,212,630	89,647,961	564,669
Services to Non-Public School Students				
Personal Services	441,788	464,882	407,027	57,855
Employee Benefits	240,756	273,817	222,554	51,263
Prof., Tech. Services	44,030	44,030	44,000	30
Property, Transportation, Comm.	40,000	40,000	32,563	7,437
Materials, Supplies, Books and Equipment	15,700	97,576	9,156	88,420
	782,274	920,305	715,300	205,005
Total Administrative Support	782,274	920,305	715,300	205,005
Allocated Costs				
Special Education	9,000,000	9,000,000	9,469,490	(469,490)
Services to Non-Public School Students	255,401	307,205	-	307,205
Total Allocated Costs	9,255,401	9,307,205	9,469,490	(162,285)
Total Obligations	310,991,892	330,336,124	330,731,850	(395,726)
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(270,954,900)	(231,675,100)	(235,625,144)	3,950,044
Total Intermediate Unit	\$ 40,036,992	\$ 98,661,024	\$ 95,106,706	\$ 3,554,318
Fund Totals - Object Classes				
Personal Services	\$ 143,124,578	\$ 148,114,661	\$ 146,279,505	\$ 1,835,156
Employee Benefits	90,258,084	102,171,565	97,686,501	4,485,064
Prof., Tech. Services	18,862,049	19,461,298	18,280,840	1,180,458
Property, Transportation, Comm.	5,133,450	5,099,441	6,957,562	(1,858,121)
Materials, Supplies, Books and Equipment	2,043,218	1,991,339	1,604,316	387,023
Other	(845,888)	(7,092,885)	2,594	(7,095,479)
Allocated Costs	52,416,401	60,590,705	59,920,532	670,173
Total Obligations	310,991,892	330,336,124	330,731,850	(395,726)
Other Financing Sources				
Operating Transfers from Other Funds	(270,954,900)	(231,675,100)	(235,625,144)	3,950,044
Total Intermediate Unit	\$ 40,036,992	\$ 98,661,024	\$ 95,106,706	\$ 3,554,318

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Debt Service Fund
For The Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non-Tax				
Interest on Investments	\$ 853,000	\$ 851,000	\$ 853,764	\$ 2,764
Basis Swap Income	-	1,302,706	1,405,895	103,189
Miscellaneous	-	355,294	356,294	1,000
Total Revenues	<u>\$ 853,000</u>	<u>2,509,000</u>	<u>2,615,953</u>	<u>106,953</u>
OBLIGATIONS				
Bonds				
Principal	\$ 108,001,738	\$ 107,664,250	\$ 107,664,250	\$ -
Interest	96,876,121	96,719,524	96,719,524	-
Authority Obligations (SPSBA)				
Principal	6,540,000	6,540,000	6,540,000	-
Interest	42,516,375	42,516,375	42,516,375	-
Variable Rate Bond Interest	3,492,000	532,766	510,218	22,548
Issuance Costs	3,365,000	1,903,312	1,872,800	30,512
Administrative Expenses	3,193,823	3,125,486	3,133,801	(8,315)
Total Obligations	<u>\$ 263,985,057</u>	<u>\$ 259,001,713</u>	<u>\$ 258,956,968</u>	<u>\$ 44,745</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 243,677,257	\$ 250,743,513	\$ 244,681,428	\$ (6,062,085)
Land Sale Proceeds	14,503,000	330,000	343,500	13,500
Total Other Financing Sources (Uses)	<u>\$ 258,180,257</u>	<u>\$ 251,073,513</u>	<u>\$ 245,024,928</u>	<u>\$ (6,048,585)</u>
Net Change in Fund Balance	(4,951,800)	(5,419,200)	(11,316,087)	(5,896,887)
Fund Balances, July 1, 2012	111,058,100	109,543,600	109,543,587	(13)
Fund Balances, June 30, 2013	<u>\$ 106,106,300</u>	<u>\$ 104,124,400</u>	<u>\$ 98,227,500</u>	<u>\$ (5,896,900)</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Capital Projects Fund
For The Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 400,000	\$ 350,000	\$ 325,262	\$ (24,738)
Miscellaneous	50,000	50,000	689,006	639,006
Total Locally Generated Non Tax	450,000	400,000	1,014,268	614,268
State Grants and Subsidies	530,000	415,000	576,001	161,001
Total Revenues	<u>\$ 980,000</u>	<u>\$ 815,000</u>	<u>\$ 1,590,269</u>	<u>\$ 775,269</u>
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (10,449,100)	\$ 10,449,100
New Buildings and Additions	32,800,071	20,119,019	12,272,440	7,846,579
Environmental Management				
Asbestos Abatement	8,259,927	6,829,285	-	6,829,285
Environmental Services	2,013,765	1,934,367	3,295,251	(1,360,884)
Total Environmental Management	10,273,692	8,763,652	3,295,251	5,468,401
Alterations and Improvements				
Various Projects	121,955,265	44,916,087	9,070,778	35,845,309
Administrative Support	12,484,490	14,290,158	6,380,611	7,909,547
Major/Building Renovations	6,620,519	3,304,820	28,325,087	(25,020,267)
Total Alterations and Improvements	141,060,274	62,511,065	43,776,476	18,734,589
Total Obligations	<u>\$ 184,134,037</u>	<u>\$ 91,393,736</u>	<u>\$ 48,895,067</u>	<u>\$ 42,498,669</u>
OTHER FINANCING SOURCES (USES)				
Debt Issuance	160,000,000	-	-	-
Gain on Sale of Capital Assets	-	-	3,080	3,080
Bond Issuance Costs	(3,437,000)	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 156,563,000</u>	<u>\$ -</u>	<u>\$ 3,080</u>	<u>\$ 3,080</u>
Net Change in Fund Balance	<u>\$ (26,591,037)</u>	<u>\$ (90,578,736)</u>	<u>\$ (47,301,718)</u>	<u>\$ 43,277,018</u>

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Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District as a trustee or agent for individuals, private organizations, and/or other governmental units. The funds included in this category are:

- Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments.

For external reporting purposes, the School District reports one combined Private Purpose Trust Fund. However, at June 30, 2013 there were thirteen Private Purpose Trust Funds administered by the School District.

- Agency Funds - used to account for assets held by the School District as trustee or agent for others. Agency funds report only assets and liabilities and do not have a measurement focus. They use the accrual basis of accounting to recognize receivables and payables.

At June 30, 2013 there were four Agency Funds administered by the School District: Payroll Liabilities, Student Bus Token, Student Activities, and Unclaimed Monies.

School District of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 2,623	\$ 5,085,737	\$ -	\$ 5,088,360
Equity in Pooled Cash and Investments	78,081,731	-	-	849,327	78,931,058
Accounts Receivable	2,672,339	-	-	-	2,672,339
Inventories	-	101,617	-	-	101,617
Total Assets	80,754,070	104,240	5,085,737	849,327	86,793,374
LIABILITIES					
Payroll Deductions and Withholdings	80,754,070	-	-	-	80,754,070
Due to Student Activities	-	-	5,085,737	-	5,085,737
Other Liabilities	-	104,240	-	849,327	953,567
Total Liabilities	80,754,070	104,240	5,085,737	849,327	86,793,374
NET POSITION					
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2013.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 22,886,617	\$ 1,162,985,017	\$ 1,107,789,903	\$ 78,081,731
Due From Other Funds	49,289,751	-	49,289,751	-
Accounts Receivable	955,366	2,672,339	955,366	2,672,339
Total Assets	<u>\$ 73,131,734</u>	<u>\$ 1,165,657,356</u>	<u>\$ 1,158,035,020</u>	<u>\$ 80,754,070</u>
Liabilities				
Payroll Deductions and Withholdings	<u>\$ 73,131,734</u>	<u>\$ 1,165,657,356</u>	<u>\$ 1,158,035,020</u>	<u>\$ 80,754,070</u>
Total Liabilities	<u>\$ 73,131,734</u>	<u>\$ 1,165,657,356</u>	<u>\$ 1,158,035,020</u>	<u>\$ 80,754,070</u>
Student Bus Token Fund				
Assets				
Cash and Cash Equivalents	\$ 2,623	\$ -	\$ -	\$ 2,623
Inventories	101,617	-	-	101,617
Total Assets	<u>\$ 104,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,240</u>
Liabilities				
Other Liabilities	<u>\$ 104,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,240</u>
Total Liabilities	<u>\$ 104,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,240</u>
Student Activities Fund				
Assets				
Cash	<u>\$ 5,034,648</u>	<u>\$ 9,191,661</u>	<u>\$ 9,140,572</u>	<u>\$ 5,085,737</u>
Liabilities				
Due to Student Activities	<u>\$ 5,034,648</u>	<u>\$ 9,191,661</u>	<u>\$ 9,140,572</u>	<u>\$ 5,085,737</u>
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 632,206</u>	<u>\$ 797,142</u>	<u>\$ 580,021</u>	<u>\$ 849,327</u>
Liabilities				
Other Liabilities	<u>\$ 632,206</u>	<u>\$ 797,142</u>	<u>\$ 580,021</u>	<u>\$ 849,327</u>
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,037,271	\$ 9,191,661	\$ 9,140,572	\$ 5,088,360
Equity in Pooled Cash and Investments	23,518,823	1,163,782,159	1,108,369,924	78,931,058
Due From Other Funds	49,289,751	-	49,289,751	-
Accounts Receivable	955,366	2,672,339	955,366	2,672,339
Inventories	101,617	-	-	101,617
Total Assets	<u>\$ 78,902,828</u>	<u>\$ 1,175,646,159</u>	<u>\$ 1,167,755,613</u>	<u>\$ 86,793,374</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 73,131,734	\$ 1,165,657,356	\$ 1,158,035,020	\$ 80,754,070
Due to Student Activities	5,034,648	9,191,661	9,140,572	5,085,737
Other Liabilities	736,446	797,142	580,021	953,567
Total Liabilities	<u>\$ 78,902,828</u>	<u>\$ 1,175,646,159</u>	<u>\$ 1,167,755,613</u>	<u>\$ 86,793,374</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2013

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2014 Debt Service Requirements	
					Interest	Principal
NOVEMBER 30, 2000 (SERIES B) - QZAB (BQ00)	\$ 22,985,000	\$ 22,930,000	NOV 30, 2013	-	-	\$ 22,930,000
		<u>22,930,000</u>			<u>-</u>	<u>22,930,000</u>
SEPTEMBER 10, 2003 (SERIES B) (BS03) State Public School Building Authority Capital Obligation Bonds	588,140,000	43,505,000	JUNE 1, 2028	5.500	2,392,775	-
		<u>43,505,000</u>			<u>2,392,775</u>	<u>-</u>
JUNE 29, 2004 (SERIES D) (D004) GOB Fixed Rate	100,000,000	5,000 8,700,000	JUNE 1, 2014 JUNE 1, 2015	4.150 5.000	208 435,000	5,000 -
		<u>8,705,000</u>			<u>435,208</u>	<u>5,000</u>
AUGUST 1, 2004 2004 QZAB CSF P (SERIES E) (EQ04)	19,335,000	1,381,071 1,381,071 1,381,071 1,381,071 1,381,071 1,381,077	SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018	- - - - - -	- - - - - -	1,381,071 - - - - -
		<u>8,286,432</u>			<u>-</u>	<u>1,381,071</u>
MAY 25, 2005 (SERIES A) (A005) GOB-Refunding	198,140,000	15,675,000 16,480,000 17,325,000 18,215,000 19,145,000 107,410,000	AUGUST 1, 2013 AUGUST 1, 2014 AUGUST 1, 2015 AUGUST 1, 2016 AUGUST 1, 2017 AUGUST 1, 2018-22	5.000 5.000 5.000 5.000 5.000 5.000	391,875 824,000 866,250 910,750 957,250 5,370,500	15,675,000 - - - - -
		<u>194,250,000</u>			<u>9,320,625</u>	<u>15,675,000</u>
MAY 25, 2005 (SERIES B) (B005) GOB Refunding	43,415,000	6,155,000 6,485,000 6,805,000 7,165,000	APRIL 1, 2014 APRIL 1, 2015 APRIL 1, 2016 APRIL 1, 2017	5.000 5.000 5.000 5.000	307,750 324,250 340,250 358,250	6,155,000 - - -
		<u>26,610,000</u>			<u>1,330,500</u>	<u>6,155,000</u>
JUNE 16, 2005 (SERIES C) (C005) GOB-Non Refunding	71,740,000	3,045,000 3,185,000 3,335,000 3,490,000 3,670,000 21,360,000 15,700,000	JULY 1, 2013 JULY 1, 2014 JULY 1, 2015 JULY 1, 2016 JULY 1, 2017 JULY 1, 2018-22 JULY 1, 2023-25	4.610 4.660 4.700 5.090 5.090 5.178 5.310	70,187 148,421 156,745 177,641 186,803 1,107,442 833,670	3,045,000 - - - - - -
		<u>53,785,000</u>			<u>2,680,909</u>	<u>3,045,000</u>
OCTOBER 20, 2005 (SERIES D) (D005) GOB-Non Refunding	29,920,000	1,905,000 2,000,000 2,100,000 2,220,000 2,335,000 7,815,000	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019-21	5.000 5.000 5.500 5.500 5.500 5.500	95,250 100,000 115,500 122,100 128,425 429,825	1,905,000 - - - - -
		<u>18,375,000</u>			<u>991,100</u>	<u>1,905,000</u>
DECEMBER 28, 2006 (SERIES A) (AS06) GOB-Non State Public School Building Authority Capital Obligation Bonds	317,125,000	6,865,000 7,210,000 7,530,000 7,910,000 8,305,000 48,185,000 61,490,000 78,400,000 56,300,000	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019-23 JUNE 1, 2024-28 JUNE 1, 2029-33 JUNE 1, 2034-36	5.000 4.500 5.000 5.000 5.000 5.000 5.000 4.700 4.475	343,250 324,450 376,500 395,500 415,250 2,409,250 3,074,500 3,747,225 2,525,675	6,865,000 - - - - - - - -
		<u>282,195,000</u>			<u>13,611,600</u>	<u>6,865,000</u>
DECEMBER 28, 2006 (SERIES B) (BS06) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000 5,000 5,000 5,000 5,000 9,300,000 131,965,000 404,250,000	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019-23 JUNE 1, 2024-28 JUNE 1, 2029-33	3.500 3.625 3.625 3.750 3.750 4.200 4.000 4.750	175 181 180 188 188 445,988 6,598,250 19,139,925	5,000 - - - - - - -
		<u>545,540,000</u>			<u>26,185,075</u>	<u>5,000</u>
MAY 22, 2007 (SERIES A) (A007) GOB Non Refunding	146,530,000	10,000 10,000 15,000 15,000 15,000 1,610,000 64,690,000 5,640,000 74,470,000	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019-23 JUNE 1, 2024-28 JUNE 1, 2029-33 JUNE 1, 2034	4.000 4.000 4.000 4.000 5.000 5.000 5.000 5.000 4.688	400 400 600 600 750 80,500 3,234,500 282,000 3,536,000	10,000 - - - - - - - -
		<u>146,475,000</u>			<u>7,135,750</u>	<u>10,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2013

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2014 Debt Service Requirements	
					Interest	Principal
DECEMBER 28, 2007 (SERIES C) (CQ07) QZAB	13,510,000	900,667 900,667 900,667 900,667 900,667 4,503,332	DEC 28, 2013 DEC 28, 2014 DEC 28, 2015 DEC 28, 2016 DEC 28, 2017 DEC 28, 2018-22	- - - - - -	- - - - - -	900,667 - - - - -
		<u>9,006,667</u>			<u>-</u>	<u>900,667</u>
DECEMBER 28, 2007 (SERIES D) (DQ07) QZAB	28,160,000	5,000 5,000 5,000 5,000 5,000,000 23,115,000	DEC 28, 2013 DEC 28, 2014 DEC 28, 2015 DEC 28, 2016 DEC 28, 2017 DEC 28, 2018-22	1.250 1.250 1.250 1.250 1.250 1.250	63 63 63 63 62,556 289,192	5,000 - - - - -
		<u>28,135,000</u>			<u>352,000</u>	<u>5,000</u>
NOVEMBER 20, 2008 (SERIES E) (E008) GOB Non Refunding	282,365,000	4,975,000 5,205,000 5,445,000 5,725,000 6,000,000 34,940,000 45,340,000 60,265,000 81,400,000 19,420,000	SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018-22 SEPT 1, 2023-27 SEPT 1, 2028-32 SEPT 1, 2032-37 SEPT 1, 2038	5.000 4.000 5.000 5.000 4.500 5.100 5.325 5.875 6.000 6.000	124,375 208,200 272,250 286,250 270,000 1,782,806 2,416,700 3,549,494 4,884,000 1,165,200	4,975,000 - - - - - - - - -
		<u>268,715,000</u>			<u>14,959,275</u>	<u>4,975,000</u>
NOVEMBER 20, 2008 (SERIES F) (F008) GOB Refunding	114,215,000	5,000 5,000 11,380,000 10,945,000 10,505,000 46,040,000 35,315,000	SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018-22 SEPT 1, 2023-27	3.875 4.000 5.000 5.000 5.025 5.050 5.225	97 200 569,000 547,250 525,250 2,323,412 1,844,119	5,000 - - - - - -
		<u>114,195,000</u>			<u>5,809,328</u>	<u>5,000</u>
MAY 28, 2009 SERIES A (A009) GOB Refunding	20,075,000	3,070,000	JUNE 1, 2014	4.827	148,189	3,070,000
		<u>3,070,000</u>			<u>148,189</u>	<u>3,070,000</u>
MAY 28, 2009 SERIES B (B009) GOB Refunding	30,710,000	2,165,000 5,165,000 5,425,000 5,695,000 5,980,000 6,280,000	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019	3.000 5.000 5.000 5.000 5.000 4.500	64,950 258,250 271,250 284,750 289,000 283,700	2,165,000 - - - - -
		<u>30,710,000</u>			<u>1,461,900</u>	<u>2,165,000</u>
MAY 28, 2009 SERIES C (C009) GOB Refunding	49,200,000	6,255,000 6,495,000 6,750,000 7,010,000 7,280,000 15,410,000	JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025-26	1.250 1.250 1.250 1.250 1.250 1.250	78,188 81,187 84,375 87,825 91,000 192,625	- - - - - -
		<u>49,200,000</u>			<u>615,000</u>	<u>-</u>
APRIL 6, 2010 SERIES A (A010) (TAX EXEMPT)	27,820,000	4,965,000 5,210,000 5,470,000	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016	5.000 5.000 5.000	248,250 260,500 273,500	4,965,000 - -
		<u>15,645,000</u>			<u>782,250</u>	<u>4,965,000</u>
APRIL 6, 2010 SERIES B (B010) (BAB-FEDERAL SUBSIDY)	221,485,000	5,745,000 5,920,000 6,115,000 6,325,000 6,550,000 36,630,000 44,880,000 55,505,000 53,815,000	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-36 JUNE 1, 2037-40	4.735 5.139 5.289 5.419 5.589 5.739 6.645 6.765 6.765	272,026 304,229 323,422 342,752 366,080 2,242,456 2,983,429 3,754,913 3,640,585	- - - - - - - - -
		<u>221,485,000</u>			<u>14,229,892</u>	<u>-</u>
APRIL 6, 2010 SERIES C (C010) GOB Refunding	300,045,000	21,785,000 23,340,000 24,200,000 25,065,000 25,995,000 109,760,000	SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018-21	4.899 4.876 4.907 4.899 5.000 5.000	533,650 1,138,000 1,187,500 1,227,950 1,299,750 5,488,000	21,785,000 - - - - -
		<u>230,145,000</u>			<u>10,874,850</u>	<u>21,785,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2013

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2014 Debt Service Requirements	
					Interest	Principal
APRIL 6, 2010	49,365,000	7,245,000	SEPT 1, 2017	4.410	319,494	-
SERIES D (D010)		7,600,000	SEPT 1, 2018	4.976	378,212	-
GOB Refunding		8,000,000	SEPT 1, 2019	4.974	397,900	-
		8,410,000	SEPT 1, 2020	4.973	418,188	-
		8,850,000	SEPT 1, 2021	4.885	432,312	-
		9,260,000	SEPT 1, 2022	4.000	370,400	-
		<u>49,365,000</u>			<u>2,316,506</u>	<u>-</u>
January 3, 2011	125,880,000	3,855,000	SEPT 1, 2013	4.000	77,100	3,855,000
SERIES E (E010)		3,555,000	SEPT 1, 2014	4.000	142,200	-
GOB Refunding		3,710,000	SEPT 1, 2015	5.000	185,500	-
		3,910,000	SEPT 1, 2016	5.000	195,500	-
		4,105,000	SEPT 1, 2017	5.000	205,250	-
		60,095,000	SEPT 1, 2018-22	5.100	3,120,888	-
		41,605,000	SEPT 1, 2023-24	5.250	2,184,262	-
		<u>120,835,000</u>			<u>6,110,700</u>	<u>3,855,000</u>
January 3, 2011	150,000,000	18,625,000	SEPT 1, 2024	1.250	232,813	-
(Series F) (F010)		20,330,000	SEPT 1, 2025	1.250	254,125	-
GOB Refunding		12,615,000	SEPT 1, 2026	1.250	157,688	-
		27,325,000	SEPT 1, 2027	1.250	341,562	-
		27,635,000	SEPT 1, 2028	1.250	345,437	-
		43,470,000	SEPT 1, 2029-30	1.250	543,375	-
		<u>150,000,000</u>			<u>1,875,000</u>	<u>-</u>
January 3, 2011	150,000,000	18,625,000	SEPT 1, 2024	1.250	232,813	-
SERIES G (G010)		20,330,000	SEPT 1, 2025	1.250	254,125	-
GOB Refunding		12,615,000	SEPT 1, 2026	1.250	157,688	-
		27,325,000	SEPT 1, 2027	1.250	341,562	-
		27,635,000	SEPT 1, 2028	1.250	345,437	-
		43,470,000	SEPT 1, 2029-30	1.250	543,375	-
		<u>150,000,000</u>			<u>1,875,000</u>	<u>-</u>
December 20, 2011	144,625,000	7,415,000	SEPT 1, 2014	5.995	444,529	-
SERIES A (QSCB) - (FEDERAL SUBSIDY)		7,415,000	SEPT 1, 2015	5.995	444,529	-
GOB (AQ11)		7,415,000	SEPT 1, 2016	5.995	444,529	-
		7,415,000	SEPT 1, 2017	5.995	444,529	-
		7,415,000	SEPT 1, 2018	5.995	444,529	-
		41,025,000	SEPT 1, 2019-23	5.995	2,459,450	-
		46,950,000	SEPT 1, 2024-28	5.995	2,814,653	-
		19,575,000	SEPT 1, 2029-30	5.995	1,173,521	-
		<u>144,625,000</u>			<u>8,670,269</u>	<u>-</u>
December 20, 2011	16,970,000	1,515,000	SEPT 1, 2013	2.500	19,975	1,515,000
SERIES B (TAX EXEMPT)		1,570,000	SEPT 1, 2014	3.500	71,000	-
GOB (B011)		1,640,000	SEPT 1, 2015	3.500	77,500	-
		1,700,000	SEPT 1, 2016	2.000	34,000	-
		1,735,000	SEPT 1, 2017	2.250	39,038	-
		7,430,000	SEPT 1, 2018-21	2.969	221,244	-
		<u>15,590,000</u>			<u>462,756</u>	<u>1,515,000</u>
December 20, 2011	41,185,000	3,100,000	SEPT 1, 2013	3.000	46,500	3,100,000
SERIES C (C011)		3,230,000	SEPT 1, 2014	5.000	161,500	-
GOB Refunding		3,395,000	SEPT 1, 2015	5.000	169,750	-
		3,565,000	SEPT 1, 2016	5.000	178,250	-
		3,750,000	SEPT 1, 2017	5.000	187,500	-
		17,025,000	SEPT 1, 2018-21	5.000	851,250	-
		<u>34,065,000</u>			<u>1,594,750</u>	<u>3,100,000</u>
December 20, 2011	16,330,000	1,550,000	SEPT 1, 2013	3.000	23,250	1,550,000
SERIES D (D011)		1,595,000	SEPT 1, 2014	3.000	47,850	-
GOB Refunding		1,655,000	SEPT 1, 2015	4.000	66,200	-
		1,725,000	SEPT 1, 2016	4.000	69,000	-
		1,800,000	SEPT 1, 2017	5.000	90,000	-
		8,005,000	SEPT 1, 2018-21	3.792	297,438	-
		<u>16,330,000</u>			<u>593,736</u>	<u>1,550,000</u>
March 29, 2012	35,312,564	7,062,513	DEC 28, 2013	2.000	167,099	7,062,513
SERIES A (A012)		7,062,513	DEC 28, 2014	2.000	167,099	-
GOB (SEPTA Loan)		7,062,513	DEC 28, 2015	2.000	167,099	-
		7,062,513	DEC 28, 2016	2.000	167,099	-
		<u>28,250,051</u>			<u>668,396</u>	<u>7,062,513</u>
November 28, 2012	264,995,000	4,510,000	April 1, 2014	5.0000	302,546	4,510,000
SERIES B (BS12)		9,260,000	April 1, 2015	5.0000	621,192	-
GOB DEFICIT FUNDING		9,720,000	April 1, 2016	5.0000	652,050	-
State Public School		10,210,000	April 1, 2017	5.0000	684,921	-
Building Authority		10,720,000	April 1, 2018	5.0000	719,133	-
		62,190,000	April 1, 2019-23	5.0000	4,171,913	-
		79,370,000	April 1, 2024-28	5.0000	5,324,405	-
		79,015,000	April 1, 2029-32	5.0000	5,300,589	-
		<u>264,995,000</u>			<u>17,776,749</u>	<u>4,510,000</u>
TOTAL BONDS OUTSTANDING	\$ 4,165,147,564	\$ 3,295,018,150			\$ 155,260,090	\$ 117,439,251
NON-ELECTORAL DEBT BONDS	\$ 2,449,317,564	\$ 2,158,783,150			\$ 95,293,891	\$ 106,059,251
CAPITAL OBLIGATION BONDS (Lease Rental)	1,715,830,000	1,136,235,000			59,966,199	11,380,000
TOTAL BONDS OUTSTANDING	\$ 4,165,147,564	\$ 3,295,018,150			\$ 155,260,090	\$ 117,439,251

Capital Assets
Used in the Operation of Governmental Funds

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of at least \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair market value on the date donated.

Capital assets acquired or constructed, for governmental fund accounting purposes, are recorded as expenditures in the fund incurring the obligation and are capitalized at cost in the District-wide Statement of Net Assets.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2013
(Dollars in Thousands)

	<u>2013</u>	<u>2012</u>
Governmental Funds Capital Assets:		
Land	\$ 132,311	\$ 131,841
Buildings	1,797,501	1,752,872
Improvements	1,229,844	1,185,064
Intangible Assets	46,060	45,598
Construction in Progress	27,909	58,167
Personal Property	248,007	263,426
Total Governmental Funds Capital Assets	<u>\$ 3,481,632</u>	<u>\$ 3,436,968</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 68,084	\$ 75,424
Capital Projects Fund	3,335,758	3,281,208
Categorical Funds	77,790	80,336
Total Governmental Funds Capital Assets	<u>\$ 3,481,632</u>	<u>\$ 3,436,968</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Fund are excluded from the above amounts. Generally, the capital assets of the Internal Service Fund are included as governmental activities in the Statement of Net Assets.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2013
(Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Intangible Assets	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 129,169	\$ 1,692,958	\$ 1,213,146	\$ -	\$ 27,909	\$ 185,166	\$ 3,248,348
Student Support Services	821	9,744	3,132	-	-	25,516	39,213
Administrative Support	2,321	94,799	13,566	46,060	-	5,479	162,225
Operation & Maintenance of Plant Services	-	-	-	-	-	8,705	8,705
Pupil Transportation	-	-	-	-	-	463	463
All Other Support Services	-	-	-	-	-	22,678	22,678
Total Governmental Funds Capital Assets	\$ 132,311	\$ 1,797,501	\$ 1,229,844	\$ 46,060	\$ 27,909	\$ 248,007	\$ 3,481,632

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Fund are excluded from the above amounts. Generally, the capital assets of the Internal Service Fund are included as governmental activities in the Statement of Net Assets.

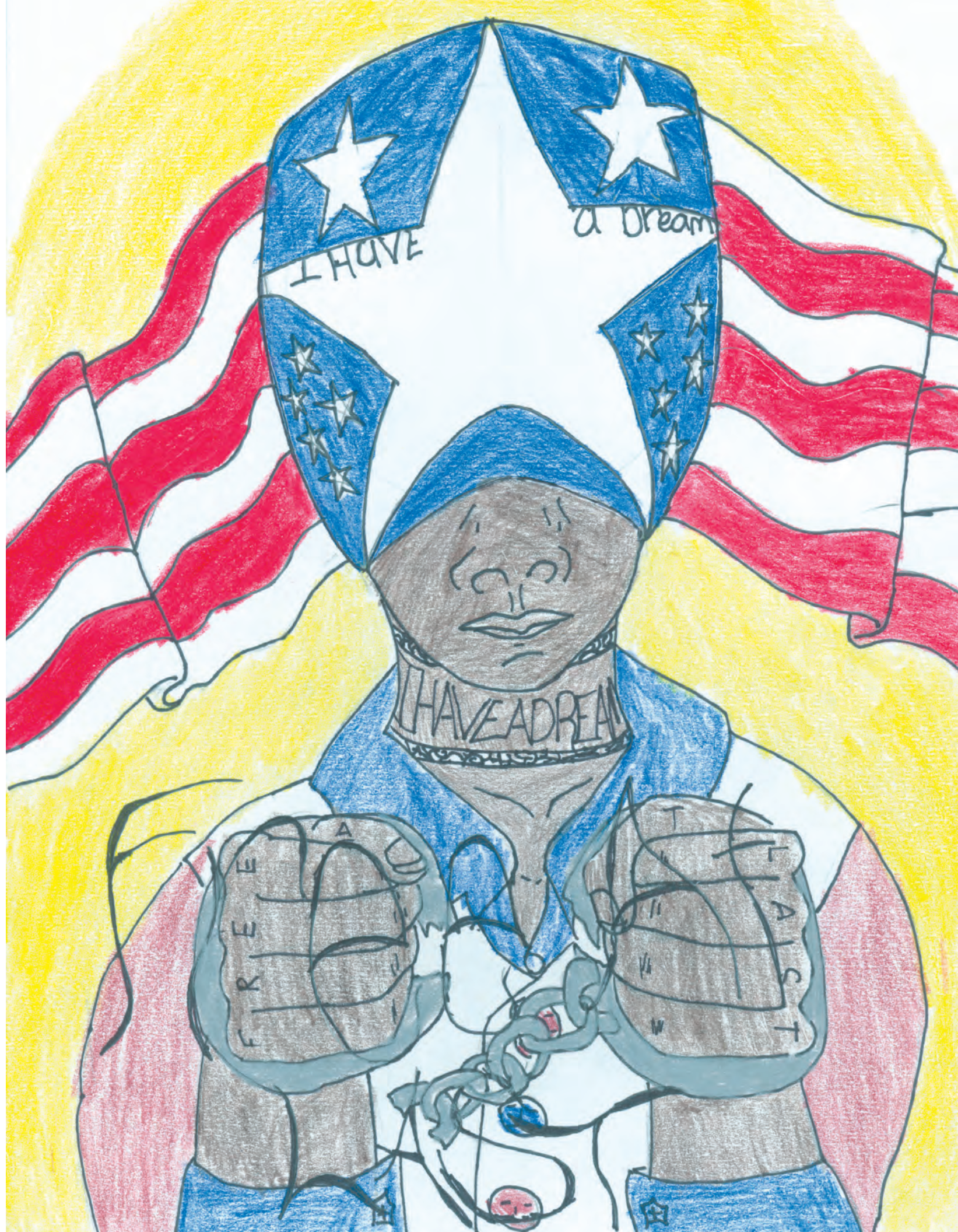
School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
June 30, 2013
(Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets (1) July 1, 2012	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2013
Instruction	\$ 3,199,060	\$ -	\$ 70,656	\$ 21,368	\$ 3,248,348
Student Support Services	40,433	-	2,340	3,560	39,213
Administrative Support	161,932	-	1,299	1,006	162,225
Operation & Maintenance of Plant Services	11,610	-	1,343	4,248	8,705
Pupil Transportation	446	-	19	2	463
All Other Support Services	23,487	-	76	885	22,678
Total	<u>\$ 3,436,968</u>	<u>\$ -</u>	<u>\$ 75,733</u>	<u>\$ 31,069</u>	<u>\$ 3,481,632</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Fund are excluded from the above amounts. Generally, the capital assets of the Internal Service Fund are included as governmental activities in the Statement of Net Assets.

(1) July 1, 2012 balances were adjusted to accurately reflect amounts by Function/Activity.





Statistical Section

This part of the School District of Philadelphia's ("School District") Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.	122
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the School District's most significant local revenue source, property taxes.	129
<u>Debt Capacity</u>	
These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and their ability to issue additional debt in the future.	134
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	139
<u>Operating Information</u>	
These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	141

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The District implemented GASB Statement No. 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that fiscal year.

School District of Philadelphia
Table 1
Net Position by Component
For the Fiscal Years 2004 through 2013
(accrual basis of accounting)
(dollars in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ (76,702)	\$ 15,075 (1)	\$ 10,345	\$ 1,183	\$ 27,119	\$ 17,712	\$ (27,665)	\$ (125,999)	\$ (210,988)	\$ (238,240)
Restricted										
Medical Self-Insurance	-	-	-	-	-	-	-	18,375	18,375	18,375
Debt Service	55,071	50,380	64,613	70,056	74,032	71,650	76,811	94,901	109,544	98,228
Special Revenue & Permanent Funds	5,256	5,331	-	-	-	-	-	-	-	-
Expendable	-	-	1,969	2,667	2,814	2,109	2,166	3,495	3,466	3,447
Non-Expendable	-	-	3,622	3,329	3,393	4,121	4,149	2,891	2,838	2,836
Arbitrage Rebate Payable	-	-	-	-	3,767	4,286	4,286	3,646	286	265
Workers' Compensation/Termination/Other	19,624	23,889	2,354	-	-	-	-	-	-	-
Unrestricted (Deficit)	(696,786)	(1,031,304)	(1,199,787)	(1,303,264)	(1,308,420)	(1,275,930)	(1,302,757)	(1,344,779)	(1,355,846)	(1,482,974)
Total Governmental Activities Net Position	(693,537)	(936,629)	(1,116,884)	(1,226,029)	(1,197,295)	(1,176,052)	(1,243,010)	(1,347,470)	(1,432,325)	(1,598,063)
Business-type Activities										
Net Investment in Capital Assets	3,459	3,449	3,188	3,133	4,005	3,281	3,247	2,927	2,466	2,122
Unrestricted (Deficit)	7,474	7,855	2,442	(5,613)	(7,346)	(11,196)	(11,162)	(9,342)	(6,747)	(5,003)
Total Business-type Activities Net Position	10,933	11,304	5,630	(2,480)	(3,341)	(7,915)	(7,915)	(6,415)	(4,281)	(2,881)
Total School District										
Net Investment in Capital Assets	(73,243)	18,524	13,533	4,316	31,124	20,993	(24,418)	(123,072)	(208,522)	(236,118)
Restricted	79,951	79,600	72,558	76,052	84,006	82,166	87,412	123,308	134,509	123,151
Unrestricted (Deficit)	(689,312)	(1,023,449)	(1,197,345)	(1,308,877)	(1,315,766)	(1,287,126)	(1,313,919)	(1,354,121)	(1,362,593)	(1,487,977)
Total School District Net Position	\$ (682,604)	\$ (925,325)	\$ (1,111,254)	\$ (1,228,509)	\$ (1,200,636)	\$ (1,183,967)	\$ (1,250,925)	\$ (1,353,885)	\$ (1,436,606)	\$ (1,600,944)

Notes:

(1) The School District refined the computation for Net Investment in Capital Assets for Governmental Activities for Fiscal Year 2005 and thereafter. This change reflects inclusion of deferred charges, bond premiums and discounts, and uncapitalized expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2004 through 2013.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2004 through 2013
(accrual basis of accounting)
(dollars in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental Activities										
Instruction	\$ 1,382,087	\$ 1,458,022	\$ 1,696,973	\$ 1,706,310	\$ 1,733,663	\$ 1,869,789	\$ 2,033,799	\$ 2,268,293	\$ 2,087,983	\$ 2,189,735
Student Support Services	352,299	412,991	247,845	262,044	210,458	205,374	240,883	254,991	181,595	180,348
Administrative Support	114,931	117,811	112,435	114,397	92,100	122,523	135,193	147,661	106,120	102,855
Operation & Maintenance of Plant Services (6)	243,485	238,985	263,163	270,163	273,335	261,750	236,291	241,486	197,205	198,762
Pupil Transportation	76,382	84,170	88,867	89,079	107,050	73,636	76,175	81,154	81,983	82,015
All Other Support Services	26,868	15,815	38,422	19,654	32,047	1,591	(3,362)	(21,283)	(10,373)	15,123
Early Childhood Education	21,628	20,952	18,005	20,448	22,816	24,157	20,515	1,487	189	197
Interest on Long-Term Debt	88,732	114,535	128,245	138,286	137,906	139,061	142,337	147,505	139,023	153,707
Loss on Sale of Capital Assets (1)	6,323 (2)	3,818	-	-	-	-	-	-	-	-
Loss on Sale of Real Property	-	57,150	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses (3)	<u>2,312,735</u>	<u>2,544,669</u>	<u>2,593,975</u>	<u>2,620,381</u>	<u>2,609,375</u>	<u>2,697,821</u>	<u>2,901,831</u>	<u>3,121,294</u>	<u>2,785,725</u>	<u>2,922,742</u>
Business-type Activities										
Food Service (6)	80,638	77,595	79,851	81,798	78,189	81,008	80,638	81,035	77,246	76,036
Loss on Disposal of Capital Assets (4)	-	-	-	-	-	-	-	-	-	-
Total Business-type Activities Expenses	<u>80,638</u>	<u>77,603</u>	<u>79,857</u>	<u>81,798</u>	<u>78,189</u>	<u>81,008</u>	<u>80,638</u>	<u>81,035</u>	<u>77,246</u>	<u>76,036</u>
Total School District Expenses	<u>\$ 2,393,373</u>	<u>\$ 2,622,272</u>	<u>\$ 2,673,832</u>	<u>\$ 2,702,179</u>	<u>\$ 2,687,564</u>	<u>\$ 2,778,829</u>	<u>\$ 2,982,469</u>	<u>\$ 3,202,329</u>	<u>\$ 2,862,971</u>	<u>\$ 2,998,778</u>
Program Revenues										
Governmental Activities										
Charges for Services (5)										
Instruction	\$ 1,280	\$ 447	\$ 599	\$ 773	\$ 686	\$ 1,037	\$ 664	\$ 745	\$ 642	\$ 847
Student Support Services	274	260	90	103	65	69	2	-	-	-
Administrative Support	340	358	477	313	3,843	3,963	3,882	3,922	322	4,752
Operation & Maintenance of Plant Services	2,885	1,342	1,325	991	959	1,213	1,114	1,171	872	894
Pupil Transportation	-	-	-	-	-	-	-	-	-	-
Early Childhood Education	2,942	2,629	485	349	218	536	60	-	28	-
Operating grants and contributions	657,783	743,746	778,978	804,980	853,660	904,656	1,001,353	1,046,867	788,546	865,562
Capital grants and contributions	7,565	200	-	123	22	506	92	1,200	(211)	1,000
Total Governmental Activities Program Revenues	<u>668,069</u>	<u>748,982</u>	<u>781,934</u>	<u>807,632</u>	<u>859,453</u>	<u>911,874</u>	<u>1,007,167</u>	<u>1,053,905</u>	<u>790,199</u>	<u>873,055</u>
Business-type Activities										
Charges for Services:										
Food Service	8,219	6,695	4,834	5,086	3,709	3,089	3,237	2,675	2,094	1,582
Operating grants and contributions	71,660	71,456	69,527	68,530	69,445	72,063	76,870	79,553	77,291	76,071
Capital grants and contributions	-	-	-	-	-	-	-	-	211	-
Total Business-type Activities Program Revenues	<u>79,879</u>	<u>78,151</u>	<u>74,361</u>	<u>73,616</u>	<u>73,154</u>	<u>75,152</u>	<u>80,107</u>	<u>82,228</u>	<u>79,596</u>	<u>77,653</u>
Total School District Program Revenues	<u>\$ 747,948</u>	<u>\$ 827,133</u>	<u>\$ 856,315</u>	<u>\$ 881,248</u>	<u>\$ 932,607</u>	<u>\$ 987,026</u>	<u>\$ 1,087,274</u>	<u>\$ 1,136,133</u>	<u>\$ 869,795</u>	<u>\$ 950,708</u>
Net (Expense)/Revenue										
Governmental Activities	(1,644,666)	(1,795,687)	(1,812,021)	(1,812,749)	(1,749,922)	(1,785,847)	(1,894,664)	(2,067,389)	(1,995,526)	(2,049,687)
Business-type Activities	(759)	48	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193	2,350	1,617
Total School District Net (Expense)/Revenue	<u>\$ (1,645,425)</u>	<u>\$ (1,795,339)</u>	<u>\$ (1,817,517)</u>	<u>\$ (1,820,931)</u>	<u>\$ (1,754,957)</u>	<u>\$ (1,791,703)</u>	<u>\$ (1,895,195)</u>	<u>\$ (2,066,196)</u>	<u>\$ (1,993,176)</u>	<u>\$ (2,048,070)</u>

Notes:

- (1) With the initial implementation of GASB Statement No. 34, the School District identified and reported fully depreciated personal property assets that were scrapped. Beginning in Fiscal Year 2004, the School District refined the procedures for identifying depreciable scrapped personal property. The new method identified scrapped assets into two categories: (a) fully depreciated and (b) not fully depreciated. Dollars reported, for Fiscal Years 2004 and thereafter, represent the value of net personal property exclusive of depreciation that had not been fully depreciated.
- (2) During Fiscal Year 2004, the net value of the personal property not fully depreciated was reported as an adjustment after computing the change in net assets. This practice was discontinued after suggestions were made by accounting review authorities and a thorough review of the OAAFR concerning "Losses on the sale of capital assets" used in governmental activities. The School District began to report material losses as an expense in the general government function of the "Statement of Activities". As such, we re-stated the Fiscal Year 2004 disposal of personal property as an expense in the general government function.
- (3) Expenses for instruction, student support services, pupil transportation, operation & maintenance of plant services, and interest on long-term debt have progressively increased primarily due to implementing the "No Child Left Behind" requirements and the capital improvement initiative.
- (4) Change accounting procedure for reporting "Loss on Disposal of Capital Assets" during Fiscal Year 2007. Began allocating losses to functional activities.
- (5) Reclassified Charges for Services, under Program Revenues, by functional activities.
- (6) Direct and Indirect Expenses were combined starting in Fiscal Year 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2004 through 2013.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2004 through 2013
(accrual basis of accounting)
(dollars in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental Activities	\$ (1,644,666)	\$ (1,795,687)	\$ (1,812,021)	\$ (1,812,749)	\$ (1,749,922)	\$ (1,785,847)	\$ (1,894,664)	\$ (2,067,389)	\$ (1,995,526)	\$ (2,049,687)
Business-type Activities	(759)	548	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193	2,330	1,617
Total School District Net (Expense)/Revenue	<u>(1,645,425)</u>	<u>(1,795,139)</u>	<u>(1,817,517)</u>	<u>(1,820,931)</u>	<u>(1,754,957)</u>	<u>(1,791,703)</u>	<u>(1,895,195)</u>	<u>(2,066,196)</u>	<u>(1,993,196)</u>	<u>(2,048,070)</u>
General Revenues/Contributed Capital/Transfers:										
Governmental Activities										
Property Taxes	516,385	540,322	540,241	549,519	598,556	604,962	608,377	605,249	658,540	650,633
Other Taxes (1)										
Use & Occupancy Taxes	89,005	97,908	97,940	104,147	108,298	112,225	111,801	115,361	113,843	130,142
Liquor Taxes	28,824	33,381	37,181	39,733	41,616	42,787	42,787	45,185	52,314	50,780
School (Non-Business) Income Taxes	15,436	16,278	20,901	23,902	26,650	25,240	21,590	24,738	29,691	27,225
Public Utility/PILOT Taxes	998	844	1,441	702	1,054	965	1,098	1,115	1,103	1,053
Grants and Contributions Not Restricted to Specific Programs	83,595	81,872	112,958	142,927	133,801	102,249	63,462	69,057	87,921	100,580
State & Federal Subsidies	760,743	783,947	804,829	843,647	870,686	922,965	1,018,811	1,089,698	969,264	925,831
Gain on Sale of Capital Assets	-	222	-	-	-	-	(6)	-	-	-
Transfers	76	178	178	178	(4,112)	(1,283)	(534)	(308)	217	(431)
Investment Revenue/(Expense)	-	-	-	-	-	-	2,261	13,348	4,170	(1,864)
Total Governmental Activities	<u>1,495,062</u>	<u>1,554,952</u>	<u>1,615,669</u>	<u>1,704,755</u>	<u>1,776,549</u>	<u>1,808,459</u>	<u>1,869,647</u>	<u>1,963,443</u>	<u>1,917,063</u>	<u>1,883,949</u>
Business-type Activities										
Contributed Capital	-	-	-	250	63	-	(3)	-	-	-
Transfers	(76)	(178)	(178)	(178)	4,112	1,283	524	308	(217)	(217)
Total Business-type Activities	<u>(76)</u>	<u>(178)</u>	<u>(178)</u>	<u>72</u>	<u>4,175</u>	<u>1,283</u>	<u>531</u>	<u>308</u>	<u>(217)</u>	<u>(217)</u>
Total School District General Revenues/Contributed Capital/Transfers	<u>1,494,986</u>	<u>1,554,774</u>	<u>1,615,491</u>	<u>1,704,827</u>	<u>1,780,724</u>	<u>1,809,742</u>	<u>1,870,178</u>	<u>1,963,751</u>	<u>1,916,846</u>	<u>1,883,732</u>
Changes in Net Position:										
Governmental Activities	(149,604)	(240,735)	(196,352)	(107,994)	26,627	22,612	(25,017)	(103,946)	(78,463)	(165,738)
Business-type Activities	(835)	270	(5,674)	(8,110)	(860)	(4,573)	(1)	1,501	2,133	1,400
Total School District Change in Net Position	<u>\$ (150,439)</u>	<u>\$ (240,465)</u>	<u>\$ (202,026)</u>	<u>\$ (116,104)</u>	<u>\$ 25,767</u>	<u>\$ 18,039</u>	<u>\$ (25,018)</u>	<u>\$ (102,446)</u>	<u>\$ (76,330)</u>	<u>\$ (164,338)</u>

Notes:

(1) Reclassified other taxes previously reported into its' various components, U&O, Liquor, School etc.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2004 through 2013.

School District of Philadelphia
Table 4
Fund Balances of Governmental Funds (1)
For the Fiscal Years 2004 through 2013
(modified accrual basis of accounting)
(dollars in thousands)

General Fund	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nonspendable										
Inventories	\$ 1,657	\$ 1,227	\$ 1,116	\$ 1,284	\$ 1,204	\$ 1,306	\$ 1,232	\$ 1,154	\$ 1,102	\$ 904
Long-term Interfund Loan	-	-	-	-	-	-	10,561	9,061	7,061	4,061
Restricted										
Medical Self-Insurance	-	-	-	-	-	-	-	18,375	18,375	18,375
Workers' Compensation	19,624	14,298	2,354	-	-	-	-	-	-	-
Termination/Incentive Compensation	-	9,591	-	-	-	-	-	-	-	-
Committed	-	20,000	15,000	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	22,325	11,423	(84,603)	(52,430)	(44,608)	8,368	(9,866)	(71,967)	(138,150)	(64,128)
Total General Fund	\$ 43,606	\$ 56,539	\$ (66,133)	\$ (51,146)	\$ (43,404)	\$ 9,674	\$ 1,927	\$ (43,377)	\$ (111,612)	\$ (40,788)
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,178	\$ 1,219	\$ 1,222	\$ 1,291	\$ 1,291	\$ 1,291	\$ 1,336	\$ 1,366	\$ 1,366	\$ 1,368
Restricted	20,318	28,048	39,960	46,895	48,741	49,138	47,944	59,126	62,208	69,059
Retirement of Long-term Debt	34,753	22,332	24,653	23,161	25,291	22,512	28,867	35,775	47,335	29,169
Debt Service Interest	-	-	-	-	-	-	-	-	-	-
Debt Service - Other	-	-	-	-	-	-	-	-	-	-
Arbitrage Rebate Payable	-	-	-	-	3,767	4,286	4,286	3,646	286	265
Trust purposes	4,094	4,123	4,377	4,705	4,918	4,960	4,982	5,021	4,939	4,915
Capital Purposes	752,549	603,204	425,649	437,883	117,876	165,315	257,067	82,591	169,653	103,138
Committed	-	-	-	-	-	9,886	19,886	-	-	-
Assigned	534	534	534	-	-	2,383	1,220	2,645	1,359	967
Unassigned	(30,648)	(22,775)	(17,156)	(18,454)	(12,266)	(18,972)	(15,620)	(54,588)	(9,467)	(5,815)
Total All Other Governmental Funds	\$ 782,778	\$ 636,685	\$ 479,239	\$ 492,481	\$ 189,618	\$ 240,799	\$ 349,968	\$ 135,582	\$ 277,679	\$ 203,066
Total Fund Balance	\$ 826,384	\$ 693,224	\$ 413,106	\$ 444,335	\$ 146,214	\$ 250,473	\$ 351,895	\$ 92,205	\$ 166,067	\$ 162,278

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2004 through 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2004 through 2013.

School District of Philadelphia

Table 5

Governmental Funds Revenues
For the Fiscal Years 2004 through 2013
(modified accrual basis of accounting)
(dollars in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Federal Sources										
Grants and Subsidies	\$ 306,669	\$ 339,280	\$ 335,727	\$ 293,012	\$ 297,128	\$ 301,723	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086
Total Federal Sources	306,669	339,280	335,727	293,012	297,128	301,723	557,950	632,055	444,504	400,086
State Sources										
Grants and Subsidies	1,099,758	1,201,528	1,256,808	1,357,462	1,438,752	1,526,794	1,456,916	1,458,468	1,349,514	1,390,157
Total State Sources	1,099,758	1,201,528	1,256,808	1,357,462	1,438,752	1,526,794	1,456,916	1,458,468	1,349,514	1,390,157
Local Sources										
Local Taxes										
Real Estate										
Current	458,085	486,815	493,147	501,282	547,580	548,166	546,352	549,717	597,788	601,533
Prior Years	55,438	49,459	53,862	49,357	51,814	50,662	55,684	39,555	51,606	52,028
Payment in Lieu of Taxes	5	5	5	5	5	5	5	5	5	5
Use and Occupancy	96,154	99,050	103,762	103,757	108,614	112,266	117,295	109,273	112,540	132,689
School (Non-Business) Income	14,605	17,617	20,013	24,035	26,938	25,335	22,175	24,011	27,744	28,105
Liquor Sales	33,082	33,930	38,241	39,331	41,586	41,016	43,280	43,892	50,122	54,238
Public Utility Realty	1,055	857	1,096	1,123	1,049	960	1,093	1,115	1,099	1,048
Total Local Taxes	658,424	687,733	710,126	718,890	777,586	778,410	785,884	767,563	840,904	869,646
Locally Generated Non Tax										
Interest and other income	25,641	39,939	39,687	56,614	49,952	20,771	9,101	5,986	7,903	7,838
City Contributions	35,000	35,000	35,000	35,000	37,000	38,490	38,540	38,600	48,930	68,990
Legal Settlements	2,650	2,501	2,819	2,590	2,555	2,710	2,735	2,613	2,485	2,744
Stadium Agreements	1,159	1,159	1,159	2,898	3,000	3,000	3,000	3,000	2,815	2,717
Parking Authority	-	-	-	-	2,221	3,801	7,284	7,789	13,956	13,264
Gaming Revenue	-	-	-	-	-	-	-	5,793	5,894	4,791
Reimbursements from Other Funds	-	-	-	-	-	-	-	14	14	14
Variable Rate Income/Basis Swap Income	7,668	7,221	6,503	7,462	7,233	7,576	14	14	14	14
Other Miscellaneous/Voluntary Contributions	-	11,383	20,001	23,765	20,697	8,471	2,656	1,445	1,492	1,406
Total Locally Generated Non Tax	72,118	97,203	105,169	128,329	122,658	84,819	71,305	72,773	94,698	110,132
Total Local Sources	730,542	784,936	815,295	847,219	900,244	863,229	857,189	840,336	935,602	979,778
Total Revenues	\$ 2,136,969	\$ 2,325,744	\$ 2,407,830	\$ 2,497,693	\$ 2,636,124	\$ 2,691,746	\$ 2,872,055	\$ 2,930,859	\$ 2,729,620	\$ 2,770,021

(1) In Fiscal Year 2010, "Reimbursements from Other Funds" reflects a change in policy that reports these amounts as a reduction in expenditures rather than a revenue.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2004 through 2013.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2004 through 2013
(modified accrual basis of accounting)
(dollars in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXPENDITURES										
Current:										
Instruction	\$ 1,322,323	\$ 1,369,961	\$ 1,372,403	\$ 1,322,219	\$ 1,368,042	\$ 1,456,534	\$ 1,601,033	\$ 1,707,424	\$ 1,487,078	\$ 1,538,187
Student Support Services	201,879	221,853	233,336	230,955	226,504	199,912	232,525	250,554	200,466	201,931
Administrative Support	108,318	111,021	106,691	102,197	82,101	109,777	131,064	140,202	107,487	102,787
Operation & Maintenance of Plant Services	241,579	256,029	261,984	262,181	271,003	257,910	254,114	237,243	200,893	205,317
Pupil Transportation	76,523	82,228	88,502	87,071	107,666	73,437	76,068	80,279	83,396	84,104
All Other Support Services	26,380	15,302	36,822	18,877	31,473	1,462	(3,647)	(21,612)	(10,661)	14,858
Early Childhood Education	21,628	20,952	17,994	20,448	22,814	24,157	20,505	1,487	189	197
Payments to Charter Schools	153,410	184,084	220,930	240,377	269,695	308,305	338,320	411,713	539,741	600,963
Debt Service:										
Principal	45,000	21,131	37,437	63,122	66,417	71,159	70,762	65,454	31,577	107,664
Loans	369	369	215	34	7	3	-	-	-	-
Interest	74,044	71,023	91,726	99,242	99,625	82,157	110,433	155,797	87,040	97,230
Principal & Interest - Authority	22,908	33,615	29,953	33,805	49,062	49,058	49,058	49,060	42,522	49,056
Insurance Costs	26,593	4,749	1,449	15,235	3,370	10,281	4,133	2,248	1,836	1,873
Administrative Expenses	-	2,346	2,820	2,436	2,901	8,786	6,306	3,459	3,684	3,134
Capital Outlay: (1)										
New Buildings and Additions	44,753	100,986	52,702	73,734	147,024	88,048	42,641	88,339	7,923	13,105
Environmental Management	3,355	2,994	3,837	3,824	3,504	3,521	3,367	3,335	2,997	2,893
Alterations and Equipment	79,590	87,304	154,603	226,794	213,146	111,638	90,969	71,323	61,291	49,082
Major Renovations	1,317	1,216	297	-	-	-	-	-	-	-
Equipment Acquisitions	5,619	5,766	14,509	20,184	10,682	23,075	24,124	15,952	6,191	2,849
Total Expenditures	\$ 2,455,588	\$ 2,592,929	\$ 2,728,210	\$ 2,822,735	\$ 2,975,036	\$ 2,879,420	\$ 3,051,775	\$ 3,261,757	\$ 2,833,650	\$ 3,075,230
Debt Service as a percentage of noncapital expenditures (2)	6.1%	5.3%	6.4%	7.9%	8.3%	7.6%	8.0%	8.8%	5.8%	8.4%

Notes:

(1) The School District launched its comprehensive Capital Improvement Program (CIP) in Fiscal Year 2004. The CIP supports initiatives to make schools more equitable, provide space for reduced class size, enhance academic reform efforts by providing state-of-the-art facilities.

(2) Total expenditures less capital outlays equal non-capital expenditures. Non-capital expenditures were divided by debt service principal and interest for bonds and authority obligations to arrive at debt service as a percentage of non-capital expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2004 through 2013.

School District of Philadelphia
Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2004 through 2013
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excess (Deficiency) of Revenues over Expenditures	\$ (318,619,908)	\$ (267,184,027)	\$ (320,380,341)	\$ (325,041,866)	\$ (338,912,254)	\$ (187,673,270)	\$ (179,719,620)	\$ (330,898,060)	\$ (124,029,429)	\$ (305,209,423)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	1,587,760,523	(1)	29,920,000	1,008,348,549	724,300,000	496,565,000	598,715,000	425,880,000	280,410,000	264,995,000
Land Sale Proceeds	-	27,754,440	-	-	-	-	-	-	-	-
Capital Asset Proceeds	-	221,507	207,071	2,461,045	5,644,893	11,390,163	276,989	5,764,807	211,481	346,580
SEPTA Loan Proceeds	-	-	-	-	-	-	-	-	35,312,564	-
Swap Net Proceeds	16,641,000	-	-	-	-	-	-	-	-	-
Basis Swap Proceeds	-	-	7,235,000	10,740,000	-	-	-	-	-	-
Bond Premium	4,884,867	(1)	2,833,532	62,356,553	-	3,809,411	35,336,224	7,724,600	4,636,559	36,908,311
Bond Discounts	(10,513,043)	(1)	-	-	-	(9,657,934)	-	-	(265,965)	-
Bond Defeasement	(691,989,393)	(256,746,398)	-	(727,979,601)	(681,892,949)	(208,995,106)	(353,329,003)	(368,301,151)	(122,578,020)	-
Transfers In	340,421,880	288,138,801	347,924,848	373,071,792	397,861,227	400,368,761	428,883,276	459,497,642	384,489,440	482,334,321
Transfers Out	(340,346,151)	(287,960,801)	(347,746,807)	(372,893,770)	(405,042,208)	(401,651,694)	(428,666,212)	(459,280,627)	(384,272,425)	(482,765,848)
Total Other Financing Sources and (Uses)	906,859,783	122,549,674	40,373,644	356,104,568	40,870,963	291,828,601	281,216,274	71,285,271	197,943,634	301,818,364
Net Change in Fund Balance	\$ 588,239,875	\$ (144,634,353)	\$ (280,006,697)	\$ 31,062,702	\$ (298,041,291)	\$ 104,155,331	\$ 101,496,654	\$ (259,612,789)	\$ 73,914,205	\$ (3,391,059)

Note:

(1) Restated bond proceeds reported on Fiscal Year 2004 CAFR by identifying proceeds, premiums, and original issue discounts for each year. Information initially was not presented in this format.

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2004 through 2013.

School District of Philadelphia

Table 8

Governmental Funds Revenue By Own-Sources (3)
For the Fiscal Years 2004 through 2013
(modified accrual accounting)
(dollars in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Percentage Change 2004 - 2013
Local Taxes											
Real Estate	\$ 513.5	\$ 536.3	\$ 547.0	\$ 550.6	\$ 599.4	\$ 598.8	\$ 602.0	\$ 589.3	\$ 649.4	\$ 653.6	27.3 %
Use and Occupancy	96.2	99.0	103.8	103.8	108.6	112.3	117.3	109.3	112.5	132.7	37.9
Other	48.7	52.4	59.3	64.5	69.6	67.3	66.6	69.0	79.0	83.3	71.0
Total Taxes	658.4	687.7	710.1	718.9	777.6	778.4	785.9	767.6	840.9	869.6	32.1
Locally Generated Non Tax											
City Contributions	35.0	35.0	35.0	35.0	37.0	38.5	38.5	38.6	48.9	69.0	97.1
Other	37.1	62.2	70.2	93.3	85.6	46.3	32.8	34.2	45.8	41.1	10.9
Total Local	72.1	97.2	105.2	128.3	122.6	84.8	71.3	72.8	94.7	110.1	52.7
Total Own-Source Revenues (1)	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	\$ 979.7	34.1 %

Summary of Own-Source
Revenues by Fund:

General (4)	\$ 712.3	\$ 744.6	\$ 767.9	\$ 790.0	\$ 852.7	\$ 842.8	\$ 847.2	\$ 833.7	\$ 927.0	\$ 970.9	36.3 %
Intermediate	0.2	0.4	0.7	1.3	1.0	0.6	0.4	0.5	0.4	0.5	150.0
Categorical	6.4	9.7	6.4	6.2	7.0	4.2	3.3	2.8	4.6	4.7	(26.6)
Debt Service (1) (4) (5)	1.5	12.6	23.1	28.5	23.7	9.9	3.8	2.1	2.6	2.6	73.3
Capital Projects	9.9	17.4	16.9	20.8	15.5	5.6	2.4	1.2	0.9	1.0	(89.9)
Non-Major	0.2	0.2	0.3	0.4	0.3	0.1	0.1	0.1	0.1	0.0	100.0
Total Own-Source Revenues	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	\$ 979.7	34.1 %
Totals Restated on a Constant Dollar Basis: (2)											
2004 as base year	\$ 730.5	\$ 759.1	\$ 754.6	\$ 772.1	\$ 780.3	\$ 763.6	\$ 744.2	\$ 709.7	\$ 780.3	\$ 804.9	10.2 %
2013 as base year	\$ 889.2	\$ 923.9	\$ 918.4	\$ 939.8	\$ 949.8	\$ 929.5	\$ 905.7	\$ 863.8	\$ 949.8	\$ 979.7	10.2 %

Notes:

- (1) Revenues include cash with fiscal agent and its related activities.
- (2) Source: United States Department of Labor, Bureau of Labor Statistics.
- (3) The School District's own-source revenues are local taxes and locally generated non tax revenues.
- (4) Tax revenues posted as revenue under the Debt Service Fund during Fiscal Year 2004 were reclassified as other financing sources under the Debt Service Fund and Tax Revenue under the General.
- (5) New financing derivatives, variable rate and basis swaps, were issued during Fiscal Year 2004 through Fiscal Year 2008. As a result, these derivatives increased revenue under the Debt Service Fund.

School District of Philadelphia

Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2004 through 2013
(dollars in millions)

Calendar Year of Levy (1)	Certified Assessed Values (2)											Estimated Actual Taxable Value	
	Major Assessment Categories							Total Taxable Assessed Value of Property	Total Direct Tax Rate (6)	Total Taxable Assessed Value of Property	Certified Assessed Value Ratio (4)		
	Residential	Hotels and Apartments	Store with Dwelling	Commercial		Industrial	Vacant Land						
2004	\$ 6,287	\$ 1,641	\$ 229	\$ 5,740	\$ 620	\$ 296	\$ 3,867	\$ 10,946	4.790	%	\$ 10,946	0.3002	\$ 36,462
2005	6,356	1,669	236	5,850	651	310	4,040	11,032	4.790		11,032	0.2970	37,145
2006	6,486	1,826	261	6,167	703	360	4,372	11,431	4.790		11,431	0.2969	38,501
2007	6,724	1,810	282	6,299	721	407	4,628	11,615	4.790		11,615	0.2924	39,723
2008	7,236	1,865	316	6,412	749	396	4,799	12,175	4.959		12,175	0.2922	41,667
2009	7,440	1,896	314	6,543	746	413	5,146	12,206	4.959		12,206	0.2886	42,294
2010	7,580	1,944	326	6,534	807	424	5,339	12,276	4.959		12,276	0.2846	43,134
2011	7,695	1,958	327	6,787	789	384	5,593	12,347	4.959		12,347	0.2673	46,192
2012	7,776	1,964	324	6,799	781	378	5,685	12,337	5.309		12,337	0.2805	43,982
2013	7,831	2,021	324	6,854	758	393	5,765	12,416	5.309		12,416	0.2887 (3)	43,007

NOTES:

- (1) Real property tax bills are sent out in November and are payable at a one percent (1%) discount until February 28th, otherwise the face amount is due March 31 without penalty or interest.
 - (2) Source: The City of Philadelphia, Department of Finance Statistics via Board of Revision of Taxes and Office of Property Assessment for Major Assessment Categories.
 - (3) Source: The City of Philadelphia, Department of Finance via The State Tax Equalization Board (STEB).
 - (4) The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, STEB annually determines for each municipality in the commonwealth a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions. Source: Obtained from City of Philadelphia Statistical Table #7.
 - (5) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments
- Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years, Bill #982, approved July 9, 1990, changed the exemption period from five years to three years.
- Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.
- Bill #1456A, approved January 28, 1983, provides for a maximum three years tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.
- Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.
- Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.
- Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.
- (6) Represents real estate tax rates for the School District of Philadelphia which was obtained from the City of Philadelphia, Finance Department. See Table 10 for details.

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Governments
For the Calendar Years 2004 through 2013
(Per \$100 Assessed Value)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
2004	3.474 %	4.790 %	8.264 %
2005	3.474	4.790	8.264
2006	3.474	4.790	8.264
2007	3.474	4.790	8.264
2008	3.305	4.959	8.264
2009	3.305	4.959	8.264
2010	3.305	4.959	8.264
2011	4.123	4.959	9.082
2012	4.123	5.309	9.432
2013	4.462	5.309	9.771

Note:

(1) The City of Philadelphia and the School District of Philadelphia impose a tax on all real estate.

Source: The City of Philadelphia, Department of Finance.

School District of Philadelphia
Table 11
Principal Property Taxpayers
Current Calendar Year and Nine Years Ago
(dollars in millions)

Taxpayer	2013			2004		
	Rank	Assessment Value (1)	Percentage of Total Assessments	Rank	Assessment Value (1)	Percentage of Total Assessments
Franklin Mills Associates	1	\$ 57.6	0.46%	5	\$ 48.4	0.44%
Philadelphia Liberty Place LP	2	54.4	0.44%	1	64.3	0.59%
Nine Penn Center Associates	3	54.1	0.44%	2	57.4	0.52%
HUB Properties Trust	4	43.8	0.35%	4	52.3	0.48%
PRU 1901 Market LLC	5	35.2	0.28%	7	32.9	0.30%
Maguire/Thomas	6	33.9	0.27%	9	32.0	0.29%
Commerce Square Partners	7	33.3	0.27%	8	32.3	0.30%
Brandywine Operating Part (Bell Atlantic)	8	33.1	0.27%	6	45.1	0.41%
Philadelphia Shipyard Development Corp.	9	30.3	0.24%	-	-	-
The Philadelphia Market Street (Marriott)	10	28.8	0.23%	10	30.4	0.28%
Two Liberty Place	-	-	-	3	56.0	0.51%
Total of the Ten Largest Real Estate Assessments		<u>\$ 404.5</u>	<u>3.25%</u>		<u>\$ 451.1</u>	<u>4.12%</u>
Total Taxable Assessments		<u>\$ 12,416.2</u>	<u>100.00%</u>		<u>\$ 10,945.9</u>	<u>100.00%</u>

Note:

(1) Represents total taxable assessed value of property. See Table 9 for gross assessed value of property.

Source: Board of Revision of Taxes, The City of Philadelphia.

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2004 through 2013

Calendar Year	Calendar Years 2004 through 2013					
	Collected within the					Ratio of Total Tax Collections to Adjusted Total Tax Levy
	Adjusted Total Tax Levy (a)	Current Tax Collections (b)	Percent of Current Taxes Collected	Delinquent Tax Collections (b)	Total Tax Collections	
2004	\$ 502,838,785	\$ 463,323,859	92.14%	\$ 33,678,384	\$ 497,002,243	98.84%
2005	511,193,660	473,681,165	92.66%	31,328,560	505,009,725	98.79%
2006	529,044,095	490,407,195	92.70%	31,512,386	521,919,581	98.65%
2007	540,723,643	498,522,166	92.20%	33,047,869	531,570,035	98.31%
2008	589,438,814	541,177,021	91.81%	38,414,210	579,591,231	98.33%
2009	596,223,097	543,170,566	91.10%	40,757,561	583,928,127	97.94%
2010	587,536,703	540,772,590	92.04%	47,898,765	588,671,355	100.19%
2011	595,724,756	551,328,336	92.55%	51,479,188	602,807,524	101.19%
2012	636,956,173	598,409,315	93.95%	17,976,041	616,385,356	96.77%
2013	639,952,720 (c)	607,908,257 (c)	94.99%	N/A	607,908,257	94.99%

Notes:

- (a) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.
 (b) Source: City of Philadelphia, Revenue Department Reports-Taxes Collected for Tax Years 2004 through 2013-Gross Principal Only.
 (c) Memorandum City of Philadelphia Department of Revenue 2013 Monthly Real Estate Billed/Balance Due dated 1/16/2014 as of December 30, 2013

N/A = Data Not Available

Fiscal Year	Fiscal Years 2004 through 2013		
	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
	\$	\$	\$
2004	458,085,281	55,437,680	513,522,961
2005	486,814,775	49,459,199	536,273,974
2006	493,146,748	53,862,637	547,009,385
2007	501,282,361	49,357,210	550,639,571
2008	547,620,741	51,418,561	599,039,302
2009	548,166,501	50,662,332	598,828,833
2010	546,351,751	55,684,401	602,036,152
2011	549,717,468	39,704,621	589,422,089
2012	597,788,247	51,605,746	649,393,993
2013	601,533,418	52,028,211	653,561,629

Source: The School District of Philadelphia - Accounting System fiscal year records as of January 06, 2014.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2004 through 2013
(dollars in thousands)

Fiscal Year	Governmental Activities (1)						Per Capita (4)	
	General Obligation Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease	Total Governmental Activities	Percentage of Personal Income (3)	Actual	In Constant Dollars - 2004 as Base Year (2) (3)
2004	\$ 1,726,595	\$ 588,135	\$ 628	\$ 3,856	\$ 2,319,214	5.50 %	\$ 1,536	\$ 1,536
2005	1,805,490	588,130	259	3,125	2,397,004	5.52	1,583	1,530
2006	1,798,724	588,125	44	2,375	2,389,268	5.32	1,574	1,457
2007	1,732,258	906,200	10	1,604	2,640,072	5.55	1,737	1,583
2008	1,712,357	901,025	3	813	2,614,198	5.16	1,709	1,481
2009	1,929,620	895,570	-	-	2,825,190	5.21	1,834	1,623
2010	2,104,498	889,955	-	-	2,994,453	5.54	1,935	1,680
2011	2,096,912	884,010	-	-	2,980,922	5.23	1,953	1,650
2012	2,266,447	877,780	-	-	3,144,227	5.24	2,046	1,707
2013	2,158,783	1,136,235	-	-	3,295,018	5.22	2,129	1,749

Notes:

- (1) Includes all long-term debt instruments, including bonds, loans, and capital leases. Details of the School District's outstanding debt can be found in the notes to the financial statements. The School District's business-type activities did not have any long-term debt instruments. Business-type obligations relate to compensated absences and severance payable only.
- (2) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (3) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year.
- (4) Per Capita Income values based on population multiplied by Per Capital Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.

School District of Philadelphia
Table 14
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Years 2004 through 2013
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)										Per Capita (5)	
	General Obligation Bonds	QZAB & QSCAB Bonds	Deficit Bonds (2)	Dauphin County General Authority (DCGA)	State Public School Building Authority (SPSBA)	Gross General Bonded Debt Outstanding	Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Personal Income (3)	Percentage of Estimated Actual Taxable Value of Property (6)	Actual	In Constant Dollars - 2004 as Base Year (3) (4)
2004	\$ 1,203,425	\$ 22,975	\$ 291,195	\$ 209,000	\$ 588,135	\$ 2,314,730	\$ 20,318	\$ 2,294,412	5.44	6.29	1,519	1,519
2005	1,262,915	42,305	291,280	208,990	588,130	2,393,620	28,048	2,365,572	5.44	6.37	1,562	1,510
2006	1,267,141	40,918	281,685	208,980	588,125	2,386,849	39,960	2,346,889	5.22	6.10	1,546	1,431
2007	1,212,170	39,533	271,585	208,970	906,200	2,638,458	46,895	2,591,563	5.45	6.52	1,705	1,554
2008	1,162,645	79,817	260,935	208,960	901,025	2,613,382	48,741	2,564,641	5.06	6.16	1,676	1,453
2009	1,602,860	77,525	249,235	-	895,570	2,825,190	49,138	2,776,052	5.12	6.56	1,802	1,594
2010	1,792,685	75,233	236,580	-	889,955	2,994,453	47,944	2,946,509	5.45	6.83	1,904	1,653
2011	1,800,745	72,942	223,225	-	884,010	2,980,922	59,126	2,921,796	5.13	6.33	1,915	1,617
2012	1,842,043	215,275	209,130	-	877,780	3,144,227	62,208	3,082,019	5.14	7.01	2,006	1,673
2013	1,751,550	212,983	459,245	-	871,240	3,295,018	69,059	3,225,959	5.11	7.50	2,084	1,712

Notes:

- (1) Includes all long-term general obligation bonded debt payable. Details of the School District's outstanding debt can be found in the notes to the financial statements. Deficit Bonds and Lease Revenue Bonds are deducted to determine borrowing capacity (debt limit).
- (2) Includes Deficit Bond Series 2005B which partially refunded GOB Series 2002B and State Public Building Authority Series 2012B.
- (3) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.
- (4) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (5) Per Capita Income values based on population multiplied by Per Capita Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.
- (6) See Table 9. Assessed and Estimated Actual Market Value of Taxable Property for "estimated actual taxable values".

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013
(dollars in millions)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (2)</u>
School District of Philadelphia	\$ 3,226.0	100.0%	\$ 3,226.0
City of Philadelphia Direct Debt			4,279.8
Total Direct and Overlapping Debt			<u>\$ 7,505.8</u>

Notes:

(1) To identify debt outstanding, refer to notes to the financial statements.

The definition of overlapping governments are those that coincide, at least in part with the geographic boundaries of the city. Real property tax is levied on behalf of both the City of Philadelphia and the School District at a combined rate of 9.771 percent of the assessed value of residential and commercial property. The City's share currently is 4.462 percent while the remainder of 5.309 percent is for the School District. The School District meets the requirement of an overlapping government.

This schedule estimates the portion of the outstanding debt of the School District that is borne by the residents and businesses of the City of Philadelphia. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of the School District.

(2) All long-term obligations of the School District of Philadelphia are overlapping, or 100%.

School District of Philadelphia
Table 16
Legal Debt Margin Information
For the Fiscal Years 2004 through 2013
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2013											
	2014	2015	2016	2017	2018	2019	2010	2011	2012	2013	
Debt Limit: (1)											
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 1,688.5	\$ 1,782.7	\$ 1,857.6	\$ 1,943.0	\$ 2,035.8	\$ 2,128.6	\$ 2,208.0	\$ 2,272.0	\$ 2,277.4	\$ 2,285.4	
General Obligation Bonds	2,314.7	2,393.6	2,386.8	2,638.5	2,613.4	2,825.2	2,994.5	2,980.9	3,144.2	3,295.0	
Lease (Schedule of Bonds) (3)	(588.1)	(588.1)	(588.1)	(906.2)	(901.0)	(895.6)	(890.0)	(884.0)	(877.8)	(1,136.2)	
Capital Appreciation Bonds - Non-electoral Debt	(3.6)	(2.5)	(1.3)	(21.6)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	
Electoral Debt	1,723.0	1,803.0	1,797.4	1,732.3	1,712.4	1,929.6	2,104.5	2,096.9	2,266.4	2,158.8	
Exclusions:											
Deficit Bonds	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.3)	
Termination Bonds	-	(70.5)	(69.6)	(67.2)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	
Stadium Bonds	-	-	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	
GRB Series A of 2009	1,431.8	1,441.2	1,415.5	1,362.9	1,357.5	1,590.5	1,782.2	1,792.3	1,980.4	1,892.3	
Non-electoral Debt Outstanding applicable to Debt Limit	1,688.5	1,782.7	1,857.6	1,943.0	2,035.8	2,128.6	2,208.0	2,272.0	2,277.4	2,285.4	
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	1,431.8	1,441.2	1,415.5	1,362.9	1,357.5	1,590.5	1,782.2	1,792.3	1,980.4	1,892.3	
Lease: Non-electoral Debt Outstanding applicable to Debt Limit	\$ 286.7	\$ 341.5	\$ 442.1	\$ 580.1	\$ 678.3	\$ 538.2	\$ 425.8	\$ 479.7	\$ 297.0	\$ 393.1	
Non-electoral Debt Capacity (2)	% 84.8	% 80.8	% 76.2	% 70.1	% 66.7	% 74.7	% 80.7	% 78.9	% 87.0	% 82.8	
Debt Limit: (1)											
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 3,376.9	\$ 3,565.5	\$ 3,715.2	\$ 3,886.1	\$ 4,071.5	\$ 4,257.3	\$ 4,415.9	\$ 4,544.1	\$ 4,554.9	\$ 4,570.9	
General Obligation Bonds	2,314.7	2,393.6	2,386.8	2,638.5	2,613.4	2,825.2	2,994.5	2,980.9	3,144.2	3,295.0	
Lease:	(3.6)	(2.5)	(1.3)	(21.6)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	
Capital Appreciation Bonds - Non-electoral Debt	2,311.1	2,391.1	2,385.5	2,638.5	2,613.4	2,825.2	2,994.5	2,980.9	3,144.2	3,295.0	
Electoral Debt	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.2)	
Exclusions:	-	(70.5)	(69.6)	(67.2)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	
Termination Bonds	-	(29.7)	(28.2)	(26.7)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	
Stadium Bonds	2,019.9	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1	2,672.2	2,676.3	2,838.2	3,028.6	
GRB Series A of 2009	1,357.0	1,536.2	1,711.6	1,617.0	1,813.0	1,771.2	1,743.7	1,867.8	1,696.7	1,542.3	
Net Non-electoral Debt and Lease Rental Outstanding	\$ 59.8	% 56.9	% 53.9	% 58.4	% 55.5	% 58.4	% 60.5	% 58.9	% 62.8	% 66.3	
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)											
Lease: Net Non-electoral Debt and Lease Rental Outstanding											
Non-electoral Debt and Lease Rental Borrowing Capacity											
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)											

Notes:

- (1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit). Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.
- (2) Debt Capacity represents borrowing base less the amount of outstanding Non-electoral debt less certain exclusions. It is the maximum allowable debt that does not exceed the average revenue for the three preceding fiscal years.
- (3) Borrowing Capacity represents 200% of the borrowing base (from debt capacity) less Non-electoral debt and lease rentals less certain exclusions. It is the maximum amount the District could borrow without exceeding twice the borrowing base amounts.

School District of Philadelphia
Table 17
Ratio of Annual Debt Service
For General Bonded Debt and Authority Payments
To Total Governmental Funds Expenditures Excluding Categorical Funds
For the Fiscal Years 2004 through 2013
(dollars in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Bonded Debt Principal	\$ 45,000	\$ 20,410	\$ 36,686	\$ 62,352	\$ 65,626	\$ 70,347	\$ 70,762	\$ 65,454	\$ 31,577	\$ 107,664
General Bonded Debt Interest	74,044	74,572	91,643	99,178	99,582	82,134	83,864	85,332	86,593	96,720
Loans	369	369	215	34	7	3	0	0	0	0
State Public School Building Authority (1)	21,717	29,952	29,953	33,805	49,062	49,058	49,058	49,060	42,522	49,056
Total Debt Service Expenditures (2)	<u>\$ 141,130</u>	<u>\$ 125,303</u>	<u>\$ 158,497</u>	<u>\$ 195,369</u>	<u>\$ 214,277</u>	<u>\$ 201,542</u>	<u>\$ 203,684</u>	<u>\$ 199,846</u>	<u>\$ 160,692</u>	<u>\$ 253,440</u>
Total General Expenditures Excluding Categorical	<u>\$ 2,066,101</u>	<u>\$ 2,146,065</u>	<u>\$ 2,269,236</u>	<u>\$ 2,379,051</u>	<u>\$ 2,520,229</u>	<u>\$ 2,409,218</u>	<u>\$ 2,466,869</u>	<u>\$ 2,637,062</u>	<u>\$ 2,403,089</u>	<u>\$ 2,614,165</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical	<u>6.83</u>	<u>5.84</u>	<u>6.98</u>	<u>8.21</u>	<u>8.50</u>	<u>8.37</u>	<u>8.26</u>	<u>7.58</u>	<u>6.69</u>	<u>9.69</u>
Total General Expenditures (2) (3)	<u>\$ 2,455,588</u>	<u>\$ 2,592,929</u>	<u>\$ 2,728,210</u>	<u>\$ 2,822,734</u>	<u>\$ 2,975,037</u>	<u>\$ 2,879,420</u>	<u>\$ 3,051,775</u>	<u>\$ 3,261,757</u>	<u>\$ 2,853,650</u>	<u>\$ 3,075,230</u>
Ratio of Debt Service to Total General Expenditures	<u>5.75</u>	<u>4.83</u>	<u>5.81</u>	<u>6.92</u>	<u>7.20</u>	<u>7.00</u>	<u>6.67</u>	<u>6.13</u>	<u>5.63</u>	<u>8.24</u>

Notes:

(1) Includes both principal and interest payments.

(2) Does not include bond issuance costs, defeasement costs, or authority obligation program expenses.

(3) Includes General, Intermediate Unit, Categorical, Debt Service and Capital Projects Funds expenditures.

School District of Philadelphia
Table 18
Demographic and Economic Statistics
For the Calendar Years 2004 through 2013

Calendar Year	City of Philadelphia					Property Values (4)			Bank Deposits (6)	
	Estimated Population (1) (in thousands)	Per Capita Personal Income (2)	Personal Income (dollars in thousands)	Unemployment Rate (3)	Civilian Labor Force (in thousands) (3)	Total Market (dollars in millions) (5)	Original Assessed (dollars in millions) (5)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)	
2004	1,515	\$ 29,774	\$ 44,448,754	7.3	% 618.3	\$ 46,292	\$ 11,141	\$ 19,883	\$ 9,636	
2005	1,518	30,879	46,036,093	6.7	619.0	47,099	11,283	22,325	13,199	
2006	1,520	32,450	48,308,739	6.2	617.1	49,384	11,904	23,376	18,504	
2007	1,530	34,274	51,182,371	6.0	619.2	50,759	11,615	26,609	18,150	
2008	1,540	37,112	55,657,711	7.1	630.4	53,045	12,175	28,306	16,719	
2009	1,547	37,587	56,932,082	9.6	652.7	54,224	12,206	31,624	16,673	
2010	1,526	39,000	59,610,253	10.8	644.0	55,047	12,276	34,669	11,504	
2011	1,536	40,708	62,632,520	10.8	643.5	56,062	12,347	35,594	15,244	
2012	1,548	41,452	64,151,742	10.8	656.2	56,320	12,337	32,267	12,311	
2013	N/A	N/A	67,547,732 (7)	10.1	651.3	56,816	12,416	33,453	11,901	

Notes:

(1) Data for calendar years 2004 through 2012 obtained from U.S. Census Bureau - Annual Estimates as of July 1st of each year.

(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis

(3) Source: U.S. Department of Labor, Bureau of Labor Statistics

(4) Data provided by the City of Philadelphia Revenue Department. Represents original billings plus tax abatements.

(5) Source: The City of Philadelphia, Board of Revision of Taxes.

(6) Source: Federal Deposit Insurance Corporation Summary of Deposits by County for years ending June 30th.

(7) Source: SDP applied an estimated growth rate to the previous years amount.

N/A = Data Not Available

School District of Philadelphia
Table 19
Principal Employers
Current Calendar Year and Ten Years Ago

2013 (1)			2004 (2)		
<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total of Employment (3)</u>	<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total of Employment (3)</u>
University of Pennsylvania/University of Pennsylvania Hospital	37,633	6.43	City of Philadelphia	28,895	5.04
City of Philadelphia	26,839	4.58	School District of Philadelphia	25,850	4.51
School District of Philadelphia	19,846	3.39	Albert Einstein Medical	N/A	N/A
Children's Hospital of Philadelphia	11,388	1.95	Hospital of the University of Pennsylvania	N/A	N/A
Temple University/Temple University Health System	11,000	1.88	Southeastern Pennsylvania Transportation Authority	N/A	N/A
Southeastern Pennsylvania Transportation Authority	9,000	1.54	Temple University	N/A	N/A
Thomas Jefferson University Hospitals Inc.	8,600	1.47	Tenet Healthcare Systems, Inc	N/A	N/A
Independence Blue Cross	6,533	1.12	Thomas Jefferson University Hospitals	N/A	N/A
PNC	6,500	1.11	United States Postal Service	N/A	N/A
Allied Barton Security Services	5,322	0.91	University of Pennsylvania	N/A	N/A
Drexel University	5,300	0.91			
Aria Health	4,200	0.72			

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2013, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2013; (c) and Greater Philadelphia Chamber of Commerce Website.
- (2) N/A= Number of employee for each principal employer is not available.
- (3) Based on annual 2004 and 2013 (Oct 13) Civilian Labor Employed in Philadelphia, PA per U.S. Department of Commerce, Bureau of Economic Analysis.

School District of Philadelphia
Table 20
School District Employees by Function
For the Fiscal Years 2004 through 2013

	PROFESSIONAL/NON-PROFESSIONAL EMPLOYEES as of June 15th (1)										Percentage Change 2004 - 2013
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Instruction:											
<i>Classroom Teachers</i>											
Operating	11,033	10,347	9,509	8,884	8,648	8,696	8,561	8,313	7,591	7,571	(31.4) %
Grants	1,146	1,286	1,438	1,612	1,640	1,681	2,720	2,900	1,954	1,927	68.2
<i>Total Classroom Teachers</i>	12,179	11,633	10,947	10,496	10,288	10,377	11,281	11,213	9,545	9,498	(22.0)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	365	384	239	241	245	294	278	258	232	226	(38.1)
Classroom Assistants	778	715	663	672	658	639	693	779	782	1,218	56.6
Counselor/Librarians	89	83	84	88	69	40	86	13	85	74	(16.9)
Psychologists/Therapists	39	41	37	38	36	32	38	41	36	40	2.6
Supportive Service Assistant	1,356	1,210	1,471	1,197	1,156	1,206	1,252	1,422	1,111	1,100	(18.9)
Other Paraprofessionals	237	203	172	152	146	100	97	102	164	175	(26.2)
<i>Total Non-Teaching</i>	2,864	2,636	2,666	2,388	2,310	2,311	2,444	2,615	2,410	2,833	(1.1)
Total Instruction	15,043	14,269	13,613	12,884	12,598	12,688	13,725	13,828	11,955	12,331	(18.0)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	532	522	515	510	478	475	465	479	445	419	(21.2)
Department Heads/Program Mgrs. & Coord.	63	59	35	31	34	35	35	33	1	2	(96.8)
Secretarial	597	580	540	497	495	487	472	453	346	333	(44.2)
Other Clerical	84	87	80	83	3	6	2	5	1	1	(98.8)
<i>Total In-school Instruction Leadership & Support</i>	1,276	1,248	1,170	1,121	1,010	1,003	974	970	793	755	(40.8)
<i>Professional Development & Training</i>											
Director	2	1	3	2	3	4	8	5	-	-	(100.0)
Non-Teaching Professionals	418	391	431	350	325	333	240	246	124	111	(73.4)
Secretarial	4	4	5	4	4	1	1	1	-	-	(100.0)
<i>Total Professional Development & Training</i>	424	396	439	356	332	338	249	252	124	111	(73.8)
<i>Student Support Services</i>											
Other Technical Staff	30	33	27	31	26	27	36	49	1	1	(96.7)
Non-professional supervisory	116	114	113	107	94	92	90	76	5	5	(95.7)
Counselor/Librarians	339	340	347	327	338	344	471	469	379	290	(14.5)
Psychologists/Therapists	99	100	106	102	97	100	96	113	108	110	11.1
Other Paraprofessionals	146	167	198	194	146	449	536	537	320	243	66.4
Bus Drivers/Attendants	1,129	1,126	1,125	1,127	1,084	1,047	1,072	1,053	1,044	908	(19.6)
Health Providers	340	320	310	326	317	325	331	325	221	220	(35.3)
Food Service	908	902	890	931	810	820	868	854	764	772	(15.0)
Other (includes Noon Time Aides)	1,381	1,458	1,431	1,400	1,429	1,498	1,574	1,608	1,288	1,339	(3.0)
<i>Total Student Support Services</i>	4,488	4,560	4,547	4,545	4,341	4,702	5,074	5,084	4,130	3,888	(13.4)
<i>Basic Building Services</i>											
Non-Teaching Assistants	471	421	311	248	196	187	161	120	48	18	(96.2)
Maintenance	400	416	428	410	416	376	365	368	342	315	(21.3)
Custodial	1,868	1,810	1,663	1,583	1,508	1,453	1,415	1,409	1,228	1,119	(40.1)
Warehouse/Distribution	34	33	34	28	21	27	29	27	23	22	(35.3)
Security	491	554	489	540	540	592	594	592	401	399	(18.7)
<i>Total Basic Building Services</i>	3,264	3,234	2,925	2,809	2,681	2,635	2,564	2,516	2,042	1,873	(42.6)
Total Classroom Support	9,452	9,438	9,081	8,831	8,364	8,678	8,861	8,822	7,089	6,627	(29.9)
Administrative Support											
Executive Management	26	27	33	28	26	32	37	46	-	-	(100.0)
Regional Superintendent	11	11	12	12	8	12	11	6	-	-	(100.0)
Management/Administrative	-	-	-	-	-	-	-	-	642	666	3.7
Directors	65	65	69	70	64	78	82	91	-	1	(98.5)
Asst. Directors/Admin Asst.	81	71	61	55	46	25	54	56	-	-	(100.0)
Prog. & Mgmt. Supervisors	112	126	178	147	154	167	185	164	4	6	(94.6)
Mgmt. Level Technicians	128	126	114	152	157	143	147	171	6	8	(93.8)
Other Technical Staff	359	350	398	288	273	316	362	335	15	11	(96.9)
Non-Professional Supervisory	114	118	116	111	90	107	106	103	-	2	(98.2)
Secretarial	166	165	151	141	102	109	101	97	65	63	(62.0)
Other Clerical	195	183	182	158	226	230	238	224	154	131	(32.8)
Other (2)	3	2	1	-	-	-	-	-	-	-	(100.0)
Total Administrative Support	1,260	1,244	1,315	1,162	1,146	1,219	1,323	1,293	886	888	(29.5)
Total School District	25,755	24,951	24,009	22,877	22,108	22,585	23,909	23,943	19,930	19,846	(22.9)
Add: Municipal Services (3)	95	96	92	93	82	86	75	26	4	-	(100.0)
Total School District Wide	25,850	25,047	24,101	22,970	22,190	22,671	23,984	23,969	19,934	19,846	(23.2) %

Notes:

(1) Data represents the School District's active employees, for each fiscal year, in the School District's payroll system as of June 15th.

(2) Represents positions that could not be identified to a specific function between FY2004 and FY2006.

(3) Represents positions paid by the School District on behalf of the City of Philadelphia.

Source: Office of Management and Budget, Finance Office, The School District of Philadelphia.- FY2004 to FY2006

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia.- FY2007 through FY2013

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2004 through 2013

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Actual) (dollars in thousands) (3)	Cost per Pupil Expenses	Percentage Change of Cost per Pupil Expenses	Percentage of Students Receiving Free or Reduced Price Meals (4)	Percentage of Students Using Bus/Cab (5)	Percentage of Students Using Free/ Subsidized Tokens (5)	Teaching Staff (6)	Pupil-Teacher Ratio
2004	188,397	\$ 1,995,652	\$ 10,593	12.24 %	\$ 2,306,412	\$ 12,242	11.74 %	54.9 %	20.6 %	17.7 %	12,179	15.5
2005	184,264	2,078,049	11,278	6.46	2,544,669	13,810	12.80	56.5	21.5	18.0	11,633	15.8
2006	181,053	2,118,524	11,701	3.76	2,593,976	14,327	3.75	53.8	22.0	17.8	10,947	16.5
2007	174,096	2,044,739	11,745	0.37	2,620,381	15,051	5.05	53.8	21.9	17.6	10,496	16.6
2008	167,311	2,110,375	12,613	7.40	2,609,375	15,596	3.62	54.9	22.0	33.9	10,288	16.3
2009	162,248	2,123,955	13,091	3.78	2,697,821	16,628	6.62	54.7	22.3	35.9	10,377	15.6
2010	160,659	2,311,605	14,388	9.91	2,906,375	18,090	8.80	55.4	23.6	36.1	11,281	14.2
2011	154,482	2,395,041	15,504	7.75	3,125,745	20,234	11.85	58.2	24.4	38.7	11,213	13.8
2012	146,819	2,068,734	14,090	(9.12)	2,791,718	19,015	(6.02)	59.7	25.4	40.2	9,545	15.4
2013	140,593	2,147,313	15,273	8.39	2,925,182	20,806	9.42	58.8	28.0	41.9	9,498	14.8

Notes:

- (1) See Table 22- Miscellaneous Statistics for details; Includes public school and alternative education students only.
- (2) Represents total expenditures under governmental funds less Debt Service, Capital Projects and Non-Major Funds, as well as charter school payments.
- (3) Data obtained from GASB Statement No. 34 Statement of Activities.
- (4) Food Services Administration Support, The School District of Philadelphia.
- (5) Transportation Department - The School District of Philadelphia. Beginning in FY2008 students were provided SEPTA transpasses and the data was changed from average usage for tokens to approved students for transpasses.
- (6) See Table 20- School District Employees by Function for details

School District of Philadelphia
Table 22
Miscellaneous Statistics
For the Fiscal Years 2004 through 2013

The School District is a separate and independent home rule school district of the first class established in 1965 by the Philadelphia Home Rule Charter.

The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The School District of Philadelphia operates at present under a five member School Reform Commission. The School Reform Commission exercises all powers and has all the duties of the Board of Education. The Board of Education continues in office performing only duties assigned by the School Reform Commission. The Governor of Pennsylvania appointed the chairman who has full power and authority of the School Reform Commission and two other members, while the Mayor of Philadelphia appointed the two remaining members.

The School District also serves as the agent for Intermediate Unit No. 26 (the "I.U."), an entity established by the Commonwealth to provide programs in special education, special education transportation, non-public school services and related management services. The School Reform Commission constitutes the Board of Directors of the I.U.; the boundaries of the I.U. are coterminous with those of the City and School District. All I.U. services are performed by the School District pursuant to contracts between the School District and the I.U.

	Fiscal 2004	Fiscal 2005	Fiscal 2006 (3)	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of Schools (1)										
Elementary	175	176	177	178	175	175	175	170	168	162
Middle	42	38	32	30	31	30	28	26	23	23
Special	11	11	17	21	21	21	22	21	23	22
High	35	38	30	31	30	32	32	32	27	25
Vocational/Technical	5	7	9	9	9	9	8	8	8	8
Total Public Schools	268	270	265	269	266	267	265	257	249	240
Charter Schools (2)	48	52	54	56	61	63	67	67	67	67
Renaissance Schools (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	13	17
Alternative Schools (6)	N/A	N/A	13	15	16	17	27	32	26	26
Cyber Charter Schools (7)	6	9	11	11	11	11	11	11	13	15
Brick & Mortar Charter Schools (7)	6	5	7	9	9	9	9	4	6	5
Total Schools	328	336	350	360	363	367	379	378	374	370
School Enrollment (2)										
Elementary	94,247	91,932	99,157	97,429	93,387	93,618	93,476	90,620	90,411	88,398
Middle	29,380	25,572	22,455	19,380	18,724	14,834	14,848	12,914	11,700	10,349
Special (3) (4)	-	-	8,829	9,208	9,762	10,979	11,590	11,499	12,671	12,902
High (3) (4)	-	-	35,861	35,329	32,505	31,113	29,714	27,949	22,163	19,735
Vocational/Technical (3)	-	-	8,961	8,351	8,230	7,136	6,792	6,594	6,062	5,545
Special/Senior/Vocational Technical (3)	64,770	64,222	-	-	-	-	-	-	-	-
Total Public Schools	188,397	181,726	175,263	169,697	162,608	157,680	156,420	149,576	143,007	136,929
Charter Schools (2)	21,695	25,055	26,938	28,220	30,326	32,637	34,019	36,190	38,148	42,813
Renaissance Schools (2)	-	-	-	-	-	-	-	4,293	9,314	12,930
Alternative Schools (6)	-	2,538	5,790	4,399	4,703	4,568	4,239	4,906	3,812	4,165
Cyber Charter Schools (7)	462	1,047	1,220	1,880	2,180	2,616	2,935	3,627	4,787	5,825
Brick & Mortar Charter Schools (7)	268	258	248	250	223	205	188	191	164	172
Total	210,822	210,624	209,459	204,446	200,040	197,706	197,801	198,783	199,232	202,834
Number of Public High School Graduates (1)	10,331	10,800	10,132	9,694	9,570	9,967	9,976	10,191	9,392	9,513
Number of Charter High School Graduates (5)	919	1,167	1,424	1,651	1,928	2,126	2,181	2,355	3,219	2,615
Total of High School Graduates	11,250	11,967	11,556	11,345	11,498	12,093	12,157	12,546	12,611	12,128

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data.
- (2) School District of Philadelphia, Budget Document - Fiscal Years 2004 through 2005. Data for Fiscal Years 2006 through 2013 was obtained from the Office of Accountability and Assessment-Performance Targets and Data, School District of Philadelphia.
- (3) School District of Philadelphia, Office of Management and Budget - School Services. Beginning in Fiscal Year 2006, the School District revised the reporting requirements for special, senior, vocational, and technical school enrollment. These types of schools were reported separately.
- (4) Beginning in Fiscal Year 2008, the School District revised the reporting requirements for Educational Opportunities Program (EOP) which include nine high schools. Of the nine high schools, eight were identified as senior high schools and one as a vocational school. The Educational Opportunities Program is for students who attend designated high schools after core hours, formally called Two-light schools.
- (5) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2004 through 2008. School District of Philadelphia, Office of Accountability and Assessment - School Innovation and Best - for Fiscal Year 2009 & Fiscal Year 2013.
- (6) During Fiscal Year 2010, the School District realigned its Alternative Education functions into schools and programs to include: Accelerated High School Programs, an Education Options Program, Oasis Program and other District Schools and Programs.
- (7) Represents the average daily membership for entire year for students enrolled in these Non Philadelphia Charter Schools.

N/A - Data Not Available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 2004 through 2013

Calendar Year	School District (1) (3)			Percent Change Average Salary	State Average Salary (2) (4)	National Average Salary (5)
	Minimum Salary	Average Salary	Maximum Salary			
2004	\$ 35,963	\$ 55,977	\$ 74,691	3.56%	\$ 52,640	\$ 46,542
2005	37,622	58,187	74,691	3.95%	53,281	47,516
2006	37,042	58,689	76,932	0.86%	54,043	49,088
2007	38,153	60,361	79,240	2.85%	54,970	51,142
2008	39,298	62,524	81,617	3.58%	56,092	52,963
2009	40,870	65,066	84,882	4.07%	57,237	54,354
2010	44,038	63,638	87,428	-2.20%	59,156	55,224
2011	44,038	66,372	87,428	4.30%	60,760	55,489
2012	45,359	71,561	90,051	7.82%	61,934	55,418
2013	45,359	71,459	90,051	-0.14%	63,521 (E1)	56,383 (E2)

Notes:

- (1) Amounts exclude additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, etc.
- (2) Averages for State are based on school year which corresponded to ending fiscal years; For example, data for Calendar Year 2004 represent averages for school year 2003/04. etc.,
- (3) Obtained from the Human Resources Data Team, School District of Philadelphia
- (4) Obtained from the Pennsylvania Department of Education
- (5) Obtained from the National Education Association
- (E1) =Estimated a 2.4 percent increase over 2012-13
- (E2) =Estimated a 1.7 percent increase over 2012-13

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year (Years) 2012-2013

Schools	# of Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (10)(12)	Percentage of Capacity Used
Elementary	125	5 yrs to 124 yrs	9,006,972	79,584	81.8 %
Elementary With Annexes	22	3 yrs to 107 yrs	980,111	9,322	63.8
Elementary/Little School Houses	18	4 yrs to 103 yrs	1,143,605	11,678	83.5
Middle	17	8 yrs to 119 yrs	2,202,647	17,466	48.0
Middle With Annexes	2	41 yrs and 87 yrs	106,992	903	75.3
High	18	1 yr to 101 yrs	4,253,617	28,100	61.1
High/Elementary (2)	1	13 yrs and 64 yrs	135,351	1,323	55.5
High (3)	1	96 yrs	108,000	929	64.6
Special	14	7 yrs to 105 yrs	1,872,961	13,525	69.5
Special/Elementary (5)	2	80 yrs and 99 yrs	188,460	1,422	119.2
Special/Middle (6)	1	60 yrs	168,259	1,126	69.9
Special/Middle (7)	1	89 yrs	120,000	1,202	48.3
Special/Middle (8)	1	44 yrs	190,000	1,512	16.1
Vocational	6	28 yrs to 84 yrs	1,246,914	6,615	67.3
Alternative	4	45 yrs to 104 yrs	162,961	1,480	61.5
Alternative-No Enrollment Data	1	8 yrs	164,000	446	N/A
Charter (9)	5	43 yrs to 92 yrs	608,604	4,385	79.6
Renaissance (4)	17	4 yrs to 105 yrs	2,092,029	17,697	72.5
<u>Other</u>					
High-Auto Academy	1	45 yrs	31,270	256	N/A
Early Childhood Centers (10)	6	N/A	185,060	N/A	N/A
<u>Closed/Vacant Property (11)</u>					
With 2012-13 Enrollment	20	42 yrs to 111 yrs	2,584,374	17,454	44.5
Without 2012-13 Enrollment	24	N/A	N/A	N/A	N/A
<u>Administration</u>					
Administration	2	45 yrs to 65 yrs	843,610	N/A	N/A
<u>Transportation</u>					
Administration Garages	5	N/A	175,133	N/A	N/A
Repair Garages	1	N/A	10,663	N/A	N/A
<u>Athletics</u>					
Fields	11	7 yrs to 73 yrs	147,227	N/A	N/A
Pools	3	35 yrs to 44 yrs	43,968	N/A	N/A

Source: The School District of Philadelphia Records Office of Capital Programs
N/A = Data Not Available

NOTES:

- (1) Only School District owned buildings were identified and recorded.
- (2) Two Schools use the same building - Lamberton H.S. and Lamberton Elementary School.
- (3) Two High Schools, Kensington Business, Finance & ENT and Kensington Urban Education Academy used the same building.
- (4) School District buildings being leased to (used by) Renaissance Schools.
- (5) Two Special Schools, Masterman and Girard Music Program start at the 5th grade through the 12th grade, used the same buildings.
- (6) Two Special Schools, Parkway Northwest HS and Philadelphia Military Academy, and Leeds Middle School use the same buildings.
- (7) One Special School and one Middle school, Parkway West and MYA, used the same building.
- (8) One Special School, Motivation HS and one Charter School used the same building.
- (9) School District buildings being leased to Charter Schools.
- (10) Used in conjunction with public schools.
- (11) School District is in process of determining disposition based on the "Facility Master Plan".
- (12) Presently the State uses 25 students per classrooms for official capacity. The capacity enrollment number has varied from 25 to 35 over the years, therefore official capacities of schools have been adjusted accordingly as allowed by the State.



The School District of Philadelphia, an equal opportunity employer, will not discriminate in employment or education programs or activities based on race, color, religion, age, national origin, ancestry, handicap, sex, sexual orientation, union membership, or limited English proficiency. This policy of non-discrimination extends to all other legally protected classifications. Publication of this policy in this document is in accordance with state and federal laws including Title IX of the Education Amendments of 1972 and Sections 503 and 504 of the Rehabilitation Act of 1973. Inquiries should be directed to Joseph Rischow, Equal Opportunity Compliance Officer, Procurement Department, 440 N. Broad Street, Philadelphia, PA 19130, (215) 400-4380.

HIGH COURT BANS SCHOOL SEGREGATION; 9-TO-0 DECISION GRANTS TIME TO COMPLY

McCarthy Hearing Off a Week as Eisenhower Bars Report

SENATOR IS IRATE Communist Arms Unlocked in Guatemala, U. S. Learns
By Vessel From Port of U. S. Leave

President Orders Aide
Not to Disclose Details
of Top-Level Meeting

Previously, trial and hearing
from Washington, D.C.

By H. H. LAWRENCE

WASHINGTON, May 17

The Supreme Court today

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decision to ban school

segregation, granting

time to comply.

The 9-to-0 decision

was handed down by

Chief Justice Earl Warren.

The court ruled that

segregation in public

schools is unconstitutional.

The decision is a

major step toward

ending racial discrimination.

The court's decision

is based on the

14th Amendment to the

Constitution.

The court said that

segregation in schools

is a denial of equal

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The court's decision

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LEADERS IN SEGREGATION FIGHT. Leaders who led battle before U. S. Supreme Court for abolition of segregation in public schools. (Clockwise from left) Thurgood Marshall, NAACP lawyer; Charles L. Houston, NAACP lawyer; and George E. Brown, NAACP lawyer.

1896 RULING UPSET

'Separate but Equal'
Doctrine Held Out of
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INDO-CHINA PARLEY WEIGHS TWO PLANS

French and U.S. Plans for
Joint U. S. Policy in
Indo-China

By H. H. LAWRENCE

WASHINGTON, May 17

The French government today

announced a new plan

for dealing with the

Indo-China situation.

The plan is a

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The court's decision

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Castello Is Sentenced to 5 Years, Fined \$20,000 in U. S.

By H. H. LAWRENCE

WASHINGTON, May 17

The Supreme Court today

decided in a landmark

decision to ban school

segregation, granting

time to comply.

The 9-to-0 decision

was handed down by

Chief Justice Earl Warren.

The court ruled that

segregation in public

schools is unconstitutional.

The decision is a

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