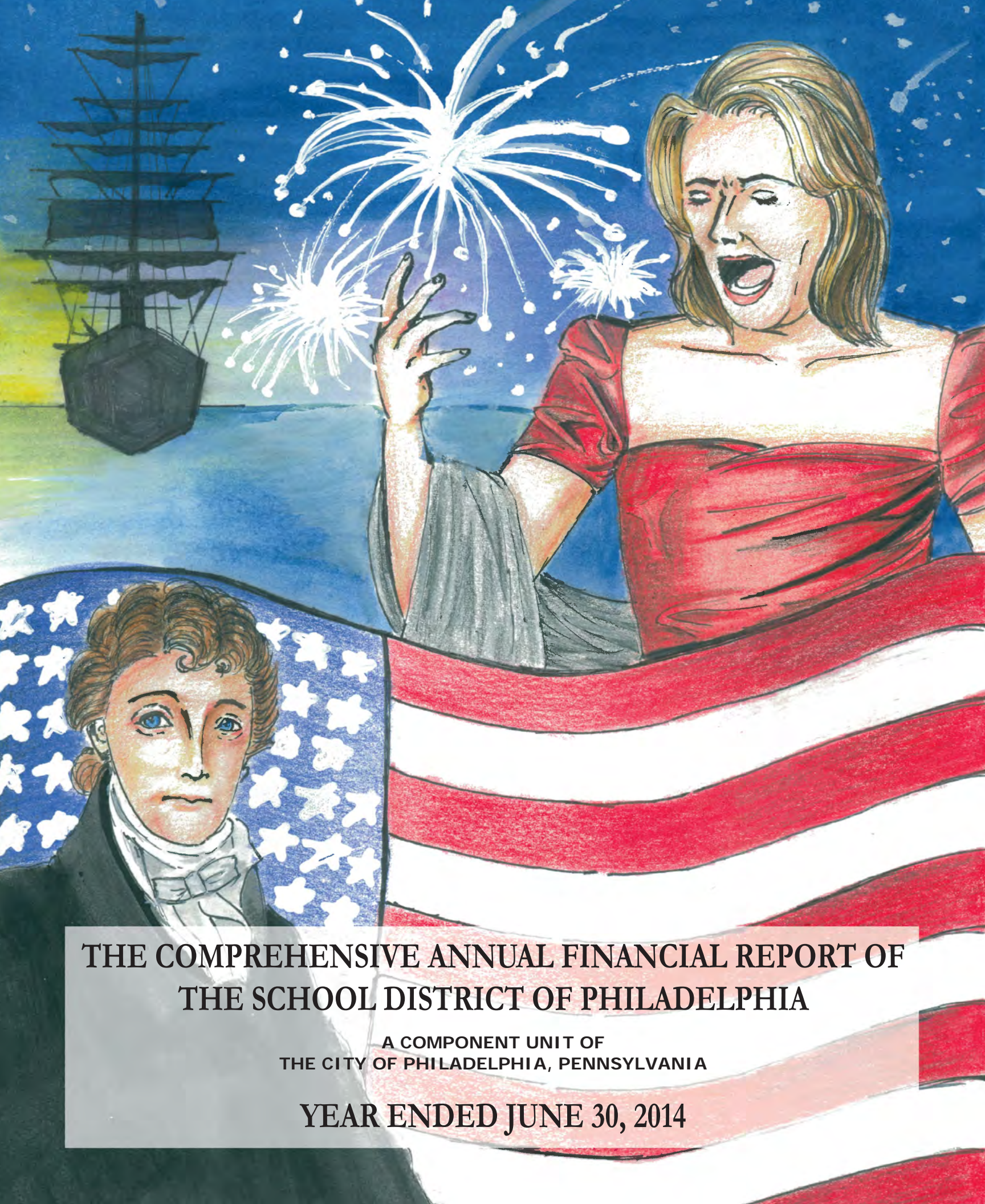


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THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PHILADELPHIA

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2014

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, 2014



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 2014 Annual Accounting Cover Design Contest. The theme for this year is "The 200th Anniversary of the "Star Spangled Banner", our National Anthem. The lyrics come from "Defence of Fort M'Henry", a poem written in 1814 by the 35-year-old lawyer and amateur poet Francis Scott Key after witnessing the bombardment of Fort McHenry by British ships of the Royal Navy in the Chesapeake Bay during the Battle of Fort McHenry in the War of 1812. This contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, research, experience and influence that Francis Scott Key's words have on all Americans and its relevance in today's society.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Marlene Wijaya Northeast High School Grade 10	Ms. Marsha Rosenthal
2 nd Prize Back Cover	Angela Myronovych Central High School Grade 10	Ms. Andrea Keefe
3 rd Prize Divider: 1 st	Quadrese Jones Philadelphia Juvenile Justice Services Ctr. Sch. Grade 10	Mr. Richard P. Holmes
	Asma Baksh Northeast High School Grade 11	Ms. Marsha Rosenthal
2 nd	Richard Spencer Central High School Grade 9	Ms. Andrea Keefe
	Azaleya Kovalsky Northeast High School Grade 12	Ms. Marsha Rosenthal
3 rd	Maria Tapia Academy at Palumbo Grade 11	Ms. Alison Marzuoli
	Howard Farquharson Martin Luther King High School Grade 11	Mr. Adam Blyweiss
	Ms. Deborah Klose, Director of Art Education Office of Academic Support	





SCHOOL DISTRICT OF PHILADELPHIA

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THE SCHOOL DISTRICT OF PHILADELPHIA

OFFICE OF THE SUPERINTENDENT

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February 13, 2015

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, 2014. 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 unmodified opinion that the School District's financial statements, for the Fiscal Year ended June 30, 2014, 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 17,332 full time employees as of June 15, 2014 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 1.8 million public school students. Total enrollment in the School District run schools has declined over the past decade while charter school enrollment significantly increased. Enrollment for the School District is over 202,990 students including 60,512 attending charter school; 6,927 enrolled in cyber schools and Non-Philadelphia (brick and mortar) charter schools; and 3,186 in alternative education programs/schools. The projected enrollment for the School District for 2014-2015 is 206,567. The continuing trend of increased enrollment in charter schools is expected to continue during this period with a projected enrollment of 64,301.

During Fiscal Year 2014 there were 213 schools that the School District operated, as well as 26 alternative education programs/schools (6 schools and 20 programs) and 86 charter schools managed by other entities within the city and that serve Philadelphia's children. In Fiscal Year 2014, about one of every three (33%) 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 2014 organizational structure for the School District includes 55 elementary schools; 93 elementary/middle schools; 17 middle schools; and 48 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 and by the end of Fiscal Year 2014, 9 of the buildings were sold for proceeds of \$32.6 million. About 14% of the School District's buildings are 40 years old or less, 46% are between 41 and 80 years old, 40% 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 reports to the SRC. The Superintendent during the Fiscal Year 2014 reporting period was Dr. William R. Hite, Jr. and the Chief Financial Officer was Matthew E. Stanski.

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 four anchor goals set by the School Reform Commission and the Superintendent for Fiscal Year 2014 as part of the Strategic Action Plan v2.0, were: Goal 1) 100 percent of students will graduate, ready for college and career, Goal 2) 100 percent of 8 year olds will read on grade level, Goal 3) 100 percent of schools will have great principals and teachers and, Goal 4) the School District will have 100 percent of the funding we need for great schools and zero deficit. To achieve these four goals, 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. Six specific strategies were identified to carry out the four goals: Strategy 1) improve student learning; Strategy 2) develop a system of excellent schools; Strategy 3) identify and develop exceptional people; Strategy 4) become a parent and family-centered organization; Strategy 5) become an innovative and accountable organization; and Strategy 6) achieve and sustain financial balance.

The School District continued its efforts to establish a position with our stakeholders and our communities that demonstrated 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 and encouraged their participation in the solutions.

The major initiatives during this fiscal year were to fully implement the efforts begun to address a projected \$304 million shortfall and proceed with the transformation plan set forth in the Strategic Action Plan v2.0. Major initiatives to close the projected Fiscal Year 2014 budget gap were: (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 second year of the Five-Year Financial Plan which provides an operating and financial road map for structural balance. Through a combination of revenue increases, a positive fund balance carry forward from Fiscal Year 2013 of \$39.5 million and significant expenditure reductions to schools and operations the School District was able to resolve a portion of the structural deficit and end the year with a negative operating fund balance of \$14.8 million as discussed below. However, lack of progress on the teacher's union negotiations and less than asked for State funding increases left a portion of the structural deficit in place.

The School District requested \$304 million in recurring (net) revenues consisting of \$120 million from the State, \$60 million from the City, \$118 million from labor and \$6 million from other sources. The School District was only able to secure \$99 million in additional revenues consisting of: 1) \$47 million from the State of which \$45 million was non-recurring, 2) \$50 million approved in August 2013 from the City through a combination of \$23 million in building sales and \$27 million in borrowing, and 3) labor contract savings of \$2 million from the Commonwealth Association of School Business Administrators (CASA) Union contract with \$0 negotiated savings from the Philadelphia Federation of Teachers (PFT) Union contract which is still in negotiations.

The major Fiscal Year 2014 expenditure reduction and operational efficiency initiatives to reach structural balance included: (a) achieving personnel related savings through the lay-off of 3,800 employees; (b) significant reductions to school-based budgets; \$30 million of which was added back in July 2013 through a focus on increasing delinquent tax collections by about \$13 million and needed economies from operations and further cuts to central office administration of \$17 million which were then redirected to schools.

Budget Structure

The Operating Budget is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2014 ending Operating Fund Balance of a positive \$3.4 million compares to a positive \$58.4 million for Fiscal Year 2013. Of the total \$3.4 million fund balance for the Operating Fund at June 30, 2014, \$18.2 million is encumbered for existing purchase commitments or inventory, leaving a fund balance of negative \$14.8 million. The following are the classifications of the Operating Fund balances: In the General Fund, a negative \$116.5 million unassigned (consisting of a negative \$132.6 million of unassigned offset by \$16.1 million of encumbrances), \$18.4 million of restricted for self-insurance and, \$1.3 million of non-spendable fund balance for inventories, 2) in the Intermediate Unit Fund, a positive \$0.8 million of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, a positive \$99.4 million is

considered restricted for future debt service payments. The Fiscal Year 2014 available fund balance represents a \$54.3 million decrease from the Fiscal Year 2013 available Operating Fund balance of a positive \$39.5 million to the negative \$14.8 million Fiscal Year 2014 balance.

The SRC on May 30, 2013 adopted the fiscal year 2014 operating budget of \$2,357.5 million in revenues and other sources and \$2,394.2 million in obligations and other uses. On May 31, 2014 the SRC amended the fiscal year 2014 operating budget of \$2,468.9 million in revenues and other financing sources and obligations and other financing uses of \$2,541.3 million. Under the GASB 54 guidelines the fiscal year 2014 ending operating fund balance available for future operations is an increase of \$14.1 million from the amended budget ending fund balance of (\$28.9) million. The main reason for this improvement was a \$12.5 million budget surplus in obligations coupled with a revenue and other uses budget surplus of \$1.6 million. The obligations favorable variance was driven by lower than budgeted costs in various administrative offices, lower than budgeted utility and benefit costs offset by unfavorable variances in charter payments and instructional functions including special education. The revenue surplus was driven by a \$55.8 million favorable variances in general fund revenues and sources partially offset by a (\$54.2) million unfavorable variances in debt service and IU revenue and sources.

The Capital Improvement Program (CIP) identifies over \$935.9 million in facilities' needs through fiscal years 2014 -2020 to improve major infrastructure systems and buildings. The Fiscal Year 2015 Capital Budget reflects two realities: the completion of the final projects under the \$1.9 CIP that began in 2003 and a reduction in capital spend that prioritize 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 June 30, 2014, the School District adopted its 2015 Capital Budget and six-year capital improvement program for Fiscal Years 2015-2020 ("Capital Improvement Program" or "CIP") which collectively totals approximately \$938.2 million. The School District amended its capital budget for fiscal year 2014 on June 30, 2014 to total approximately \$133.7 million.

The School District continues to pursue ongoing reductions of administrative costs to maximize resources for its primary educational mission. 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 capital financing and items directly benefiting the schools. Specifically, 73% is spent on academic and education support services and the remaining 24% 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 2014-2015 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 over 18,000 students are receiving special education services. In Fiscal Year 2015 fixed costs are expected to increase by nearly \$100 million due to higher pensions and healthcare costs, utility expenses, charter school payments and salaries.

The challenge in Fiscal Year 2015 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 in the Five-Year Financial Plan which was adopted in December 2014. These variances will place an even greater burden to achieve structural balance. For Fiscal Year 2015 the District asked the State for \$150 million of additional recurring revenues, \$195 million from the city (inclusive of \$120 million in sales tax), and \$95 million of additional, recurring savings from labor. These are resources above and beyond what the

District has already assumed. Of these revenues the District had commitments of \$0 from the State, \$169 million from the City (\$120 million sales tax and \$49 million cigarette tax), and \$0 savings from labor.

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; becoming a better authorizer of 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: During the period between 2000 and 2010 the population of the City increased from 1,517,550 to 1,526,006, an increase of 0.6% over the 10 years, ending six decades of population decline. In the three years following the 2010 Census, the City's population grew by an additional 1.8% to 1,553,000 residents according to the 2013 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. Since 2008, substantial private and public investment aggregating over \$8.8 billion has led to a revitalization of the City. Today, Philadelphia is experiencing a construction boom, with over 33 major projects under construction currently, representing over \$3.6 billion in combined public and private investment. Most significantly in January 2014 Comcast Corporation announced a 59-story, \$1.2 billion office tower. Higher education and healthcare institutions are currently the most actively 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 increased the City's appeal as a tourist destination. Over 3.0 million room nights were sold in Center City in 2013, a 3.1% increase over 2012. 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. In 2013, major attractions in Center City, such as the Liberty Bell Center, Reading Terminal Market, and the Philadelphia Zoo, had over 15.6 million visitors.

Legislation passed by the Pennsylvania General Assembly currently authorizes 15 casinos with both slot machines and table games, including two stand alone licenses. Philadelphia's first casino, Sugarhouse, opened in 2010 and has received approval for expansion to be completed in 2015. The Pennsylvania Gaming Control Board has recently announced the approval for a second casino license in Philadelphia County. Pennsylvania ranks only behind Nevada in terms of total gambling and slot machine revenues.

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.

Philadelphia has the fifth largest college and graduate program enrolled population of 152,500 among major U.S. cities in 2012. 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 rate higher than the national average. Employment gains in the last latter part of 2013 and in 2014 have resulted in a decline in Philadelphia's unemployment rate. Preliminary data from the Bureau of Labor Statistics shows May 2014's unemployment rate reached 7.7%, a decline of 1.2% since January.

Accounting Pronouncements: Effective for Fiscal Year 2014, the School District has implemented three new Government Accounting Standards Board (GASB) Statements, GASB Numbers (Nos.) 65, 66, and 70.

GASB 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. It primarily reclassified unamortized bond issuance costs (not related to prepayments) as a period expense; changed deferred revenue to deferred inflows of resources - unavailable revenue and unearned revenue; and change refunding losses as an adjustment to gross bond debt as deferred outflows of resources-refunding charges. These change were reflected in the preparation of the School District's comprehensive annual financial statements for Fiscal Year 2014

GASB 66 *Technical Corrections—2012 an amendment of GASB Statements No. 10 and No. 62* improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This change was considered in the preparation of the School District's financial statements for Fiscal Year 2014.

GASB 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees* requires a government that has issued an obligation guaranteed in a non-exchange transaction to report the obligation until legally released as an obligor. This requirement was considered in the preparation of the School District's financial statements for Fiscal Year 2014.

Long-term Debt: As of June 30, 2014, the School District's outstanding principal amount of general obligation bonds and lease rental indebtedness was \$3.2 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 the State Intercept Program for 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 38.9% of the Fiscal Year 2014 overall revenues. The City has focused its attention on improving the collections of all taxes. There was \$26 million more in revenues Fiscal Year 2014 compared to Fiscal Year 2013 in local delinquent tax collections, some of which can be attributed to the City initiative to improve the collection of delinquent taxes.

Awards and Acknowledgements

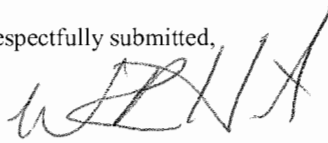
The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2013. Similarly, the Association of School Business 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 2013. 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 2014.

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
The School District of Philadelphia



Matthew E. Stanski
Chief Financial Officer
The 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, 2013

Executive Director/CEO

Association of School Business Officials International

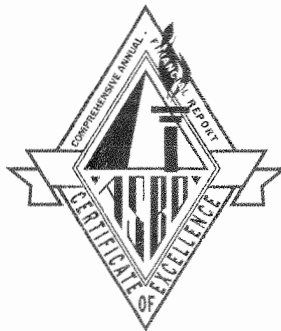


*The Certificate of Excellence in Financial Reporting Award
is presented to*

School District of Philadelphia

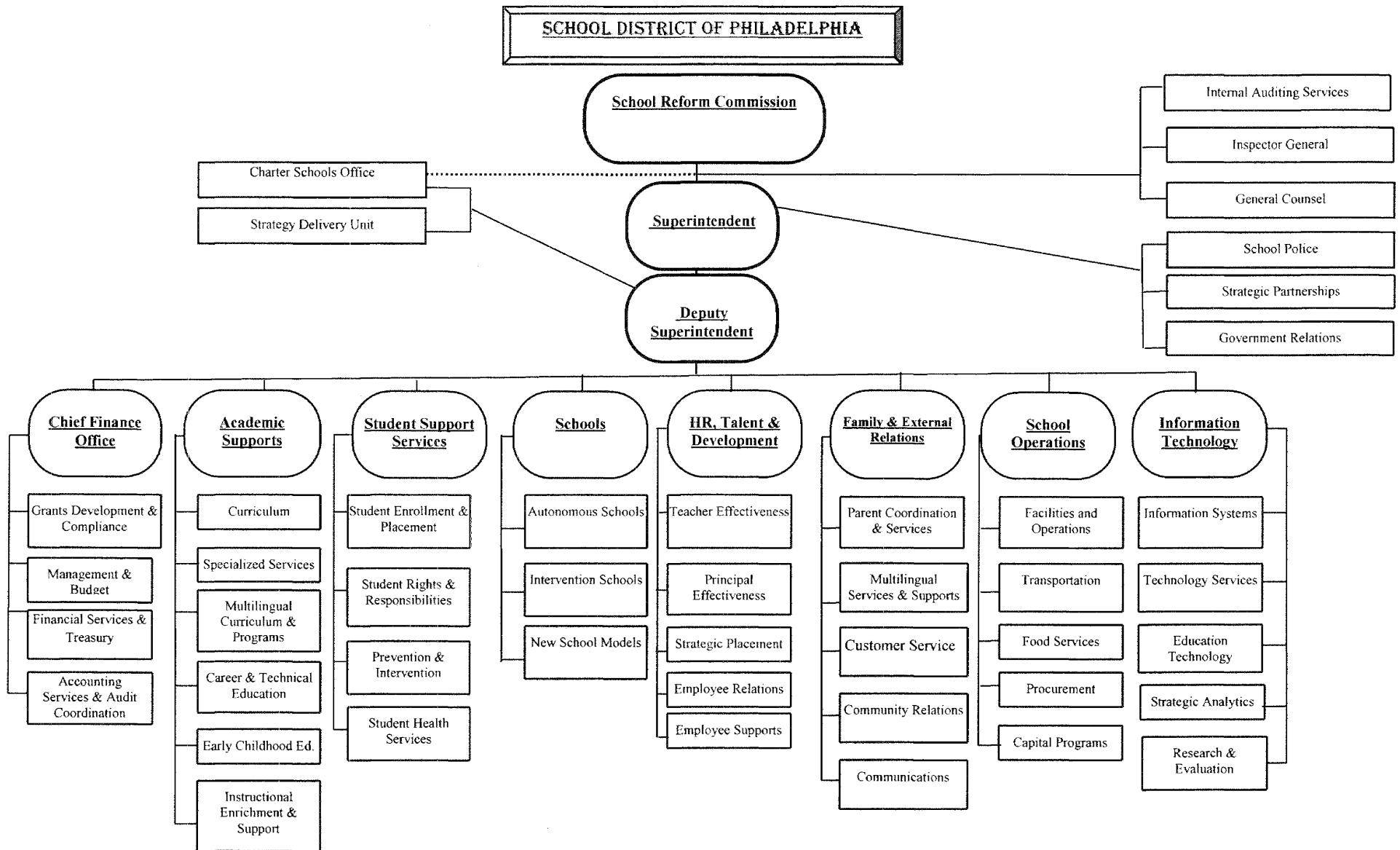
*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2013*

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



Terrie S. Simmons, RSBA, CSBO
President

John D. Musso, CAE, RSBA
Executive Director



As of June 30, 2014

SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2014

List of Principal Officials of the School District

School Reform Commission

William J. Green, Chairman
Feather Houstoun, Member
Wendell E. Pritchett, Member
Farah Jimenez, Member
Sylvia P. Simms, 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

Danyall Dickey
Chief of Academic Supports

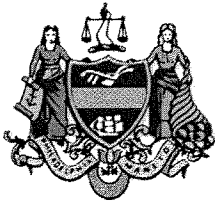
Melanie S. Harris
Chief Information Officer

Frances Burns
Chief Operating 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, 2014, 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 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.

CITY OF PHILADELPHIA
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, 2014, 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.

Change in Accounting Principle

As discussed in Note 4.M. to the financial statements, in 2014 the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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 87 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 GASB 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, 2014 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, 2014, 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 audit of the basic financial statements for the year ended June 30, 2014, 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, 2014.

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, 2013 (not presented herein), and have issued our report thereon dated February 19, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The 2013 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The 2013 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 2013 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 2013 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, 2013.



GERALD V. MICCIULLA, CPA

Deputy City Controller
Philadelphia, Pennsylvania
February 13, 2015

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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, 2014. 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 twelve 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 2014 include, but are not limited to, the following:

- Total revenues for the governmental funds were \$2.8 billion. A little over 50% of total revenues are received from the State, with PA Basic Education Subsidy (BES) representing about two thirds of the State revenues and subsidies and grants awarded and appropriated by the Pennsylvania State government comprising about one third. About 40% of the District's revenues are from the collection of local taxes and local non-tax sources whose contribution has grown over recent years. The remaining, about 10%, is subsidies and grants awarded and appropriated by the Federal government.
- Total expenditures for the governmental funds were \$2.9 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., benefits per the Collective Bargaining Agreements, mandated pension plan contributions, debt service costs, and charter school transportation and per pupil payments).
- At the end of the current fiscal year, total net position was (\$1,662.5) million resulting from an excess of liabilities over assets. Bonds payable and premiums on general obligation bonds and other unfunded liabilities, such as severance and termination pay liabilities, workers compensation and derivative instruments are the primary long-term liabilities impacting this balance. Other liabilities impacting the net position include accounts payable balances, accrued salaries and overpayment of tax revenues.

Management's Discussion and Analysis

- The Operating Fund is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The fiscal year 2014 ending Operating Fund balance is \$3.4 million, as restated for GASB 54 which became effective for fiscal year 2011. Of the total \$3.4 million fund balance for the Operating Fund at June 30, 2014, \$18.2 million is non-spendable or encumbered for existing purchase commitments, leaving an ending budgetary fund balance of (\$14.8) 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 \$93.5 million from the School District to pay obligations for the next fiscal year.

Financial results for Fiscal Year 2014, compared to Fiscal Year 2013, are the result of several factors and events; the most significant include, but are not limited to:

- Total revenues for the governmental funds decreased by \$9.2 million compared to Fiscal Year 2013. This was the result of a \$147.0 million decrease in federal grants and subsidies due to the Stimulus Funds reductions, Department of Labor Grant expiration, Title II reductions, and Federal Sequestration budget reductions. Local revenue increases of \$95.0 million were generated mostly from non recurring revenues of \$50 million related to building sales and a City borrowing and a one-time State grant which passed through the City of \$45.0 million. State grants and subsidies increased by \$42.8 million primarily due to pension plan, debt service reimbursements and a net increase for the Basic Education Supplement.
- Total expenditures for the governmental funds decreased by \$201.7 million compared to Fiscal Year 2013. These expenditures decreases were caused by decreases of \$288.3 million in instructional, student support services, administrative support, pupil transportation costs, operation and maintenance of plant services and early childhood; \$37.2 million less in expenditures in the Capital Improvement Plan (CIP); offset by a \$111.5 million increase in charter school expenses and a \$12.1 million increase in long term debt costs.
- 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 \$12.5 million increase from Fiscal Year 2013 to Fiscal Year 2014. This change reflects: a net increase of sources of financing of \$24.7 million primarily due to \$19.7 million for increased tax revenues and state subsidies, and an increase in the sale of capital asset proceeds from the sale of buildings of \$7.0 million and an operating transfer from the Food Service Fund of \$0.1million, a decrease of financing issuance costs of \$1.9 million as there were no debt issued. This was also offset by a decrease of \$0.2 in interest and other revenue and a net increase of expenditures of \$12.2 million resulting from larger authority obligation payments offsetting lower principal, interest and administrative costs
- The Operating Fund balance of \$3.4 million as of June 30, 2014 reflects a \$55.0 million decrease from the Fiscal Year 2013 balance. This balance, which includes \$17.0 million of encumbrances for the General and Intermediate Funds and \$1.3 million of General Fund inventories, is primarily the result of several factors: 1) lower revenues and other sources due to a one-time Fiscal Year 2013 deficit financing of \$301.9 million only partially made-up in Fiscal Year 2014 with one-time local and State revenues as described above, 2) a significant increase in charter school payments due to higher enrollments and increases in per student payments, and 3) steep reductions in personnel and other costs as a result of ongoing cost-cutting efforts.

III. 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

Management's Discussion and Analysis

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 2014. 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, 2014. 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, 2014
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 472.8	\$ 606.8	\$ 8.3	\$ 0.6	\$ 481.1	\$ 607.4
Capital Assets	1,808.8	1,911.1	1.7	2.1	1,810.5	1,913.2
Total Assets	\$ 2,281.6	\$ 2,517.9	\$ 10.0	\$ 2.7	\$ 2,291.6	\$ 2,520.6
Deferred Outflows of Resources						
Deferred Charge on Refunding	\$ 140.8	\$ 154.1	\$ -	\$ -	\$ 140.8	\$ 154.1
Liabilities						
Long-Term Liabilities	\$ 3,798.4	\$ 3,946.1	\$ 2.7	\$ 2.7	\$ 3,801.1	\$ 3,948.8
Other Liabilities	286.6	323.9	7.2	2.9	293.8	326.8
Total Liabilities	\$ 4,085.0	\$ 4,270.0	\$ 9.9	\$ 5.6	\$ 4,094.9	\$ 4,275.6
Net Position						
Net Investment in Capital Assets -	\$ (314.9)	\$ (238.2)	\$ 1.7	\$ 2.1	\$ (313.2)	\$ (236.1)
Restricted	118.4	123.2	-	-	118.4	123.2
Unrestricted	\$ (1,466.1)	(1,483.0)	\$ (1.6)	(5.0)	(1,467.7)	(1,488.0)
Total Net Position	\$ (1,662.6)	\$ (1,598.0)	\$ 0.1	\$ (2.9)	\$ (1,662.5)	\$ (1,600.9)

For the Fiscal Year ending June 30, 2014, the School District's total net position was (\$1,662.5) million. This negative net position amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,467.7) million is unrestricted. This balance also reflects a decrease of \$61.6 million from Fiscal Year ending June 30, 2013. This decrease was primarily caused by a decrease in capital assets of \$102.7 million and a decrease of \$126.3 million in cash and investment items, an decrease in deferred charges on debt refunding of \$13.3 million, a decrease in employee related liabilities of \$65.9 million and an increase in accounts payable and overpayment of taxes and other liabilities of \$114.8 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, 2014
(Dollars in Millions)
Table 2

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Revenues				
Program Revenues				
Charges for Services	\$ 5.6	\$ 6.5	\$ 1.4	\$ 1.6
Operating Grants & Contributions	778.8	865.6	74.0	76.1
Capital Grants & Contributions	-	1.0	-	-
General Revenues				
Property Taxes	661.3	650.6	-	-
Other Taxes	238.0	209.1	-	-
Grants & Contributions Not Restricted	164.5	100.6	-	-
State & Federal Subsidies Not Restricted	912.4	925.8	-	-
Gain on Sale of Capital Assets	21.1	-	-	-
Investment Revenue	0.8	(1.9)	-	-
Total Revenues	\$ 2,782.5	\$ 2,757.3	\$ 75.4	\$ 77.7
Expenses				
Instruction	\$ 2,149.1	\$ 2,189.7	\$ -	\$ -
Student Support Services	151.1	180.3	-	-
Administrative Support & Other	78.5	118.0	-	-
Interest on Long Term Debt	153.4	153.7	-	-
Pupil Transportation	85.1	82.0	-	-
Operation & Maintenance	200.0	198.8	-	-
Early Childhood Education	0.1	0.2	-	-
Food Service	-	-	72.1	76.1
Total Expenses	\$ 2,817.3	\$ 2,922.7	\$ 72.1	\$ 76.1
Excess (Deficiency) before Transfers	\$ (34.8)	\$ (165.4)	\$ 3.3	\$ 1.6
Transfers	\$ 0.3	\$ (0.3)	\$ (0.3)	\$ (0.2)
Increase/(Decrease) in Net Position	\$ (34.5)	\$ (165.7)	\$ 3.0	\$ 1.4
Net Position - Beginning	\$ (1,598.0)	\$ (1,432.3)	\$ (2.9)	\$ (4.3)
Prior Period Adjustment	(30.1)	-	-	-
Net Position - Ending	\$ (1,662.6)	\$ (1,598.0)	\$ 0.1	\$ (2.9)

Cost of Services by Major Functional Expense Category

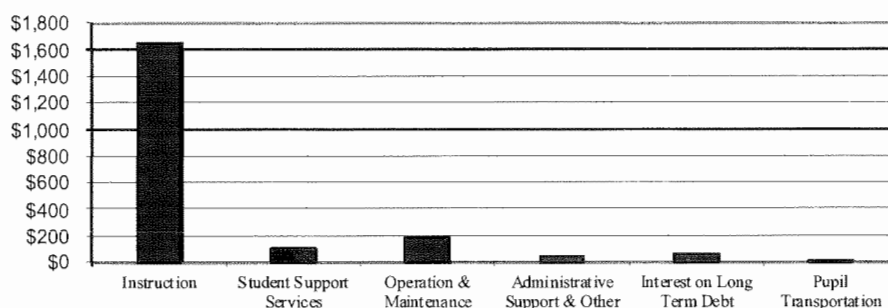
Table 3 and the accompanying graph illustrate and highlight the net costs incurred by each of the major activities presented in the School District's Statement of Activities. For each activity, the statement presents gross expenses and the resulting net cost, offset by program revenues, of each general 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, 2014
(Dollars in Millions)
Table 3

Functional Expense	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,149.1	\$ 1,653.6
Student Support Services	151.1	100.4
Operation & Maintenance	200.0	182.3
Administrative Support & Other	78.5	37.0
Interest on Long Term Debt	153.4	56.1
Pupil Transportation	85.1	3.5
Food Service	72.1	(3.3)
Early Childhood Education	0.1	-
Total Expenses	\$ 2,889.4	\$ 2,029.6

Governmental Activities Net Cost of Services

Fiscal Year Ended June 30, 2014
(Dollars in Millions)

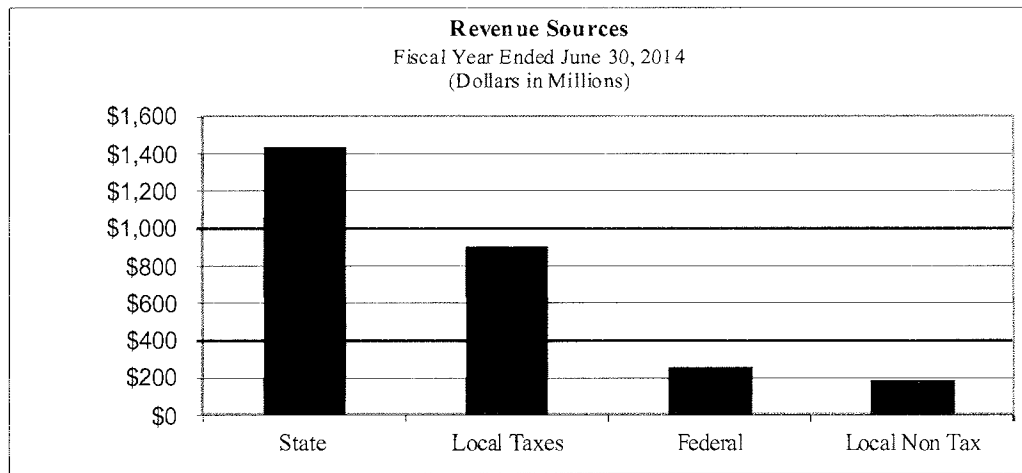


Major Sources of Revenues

The School District's overall revenues are derived primarily from three sources: (i) state grants and subsidies totaling 51.9%; (ii) local taxes and non-tax revenues totaling 38.9%; and (iii) federal grants and subsidies totaling 9.2%. 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 2014:



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 \$2,760.8 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, 2014
(Dollars in Millions)
Table 4

Revenue Source	General Fund	Intermediate Unit Fund	Categorical Funds
Local Taxes	\$ 897.6	\$ -	\$ -
Local Non-Tax	166.9	0.6	6.8
State Grants and Subsidies	1,258.2	101.9	72.4
Federal Grants and Subsidies	11.3	-	241.8
Total Revenue	<u>\$ 2,334.0</u>	<u>\$ 102.5</u>	<u>\$ 321.0</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 \$96.8 million on June 30, 2014. For Fiscal Year 2014, there was an excess of revenues over expenditures of \$413.7 million, \$22.6 million of capital asset proceeds and \$492.4 million of net other financing uses which together resulted in a \$56.1 million negative 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 2014, the Intermediate Unit Fund had a \$0.2 million net decrease in fund balance which resulted in an ending fund balance of \$0.8 million at June 30, 2014.

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 \$1.8 million net increase in fund balance which resulted in a negative \$4.0 million ending fund balance at June 30, 2014. The primary reason for this increase was that the Fiscal Year 2013 deferred inflows of resources of \$5.8 million were received during Fiscal Year 2014. At June 30, 2014, there was \$4.0 million still outstanding from grantors and recorded as unavailable 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 2014, the Debt Service Fund reflects a \$1.2 million net increase in fund balance to \$99.4 million as of June 30, 2014. Debt Service expenditures of \$271.1 million were offset by interfund transfers of \$262.5 million, revenues of \$2.4 million and capital asset sales of \$7.4 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 2014, capital outlays resulted in a negative net change of \$27.2 million in the capital projects fund which decreased the fund balance as of June 30, 2014 to \$76.2 million. New building construction totaling \$4.6 million, capital alterations and improvements totaling \$20.3 million, environmental management of \$3.0 million, equipment acquisitions totaling \$2.9 million were offset by \$3.6 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 positive total net position balance of \$0.1 million at the end of Fiscal Year 2014 which reflects a \$3.0 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 Funds

Fiscal Year Ended June 30, 2014

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2014	Fiscal Year 2013
General	\$ (56.1)	\$ 71.0
Intermediate Unit	(0.2)	(0.4)
Categorical	1.8	3.7
Debt Service	1.2	(11.3)
Capital Projects	(27.2)	(66.3)
Enterprise	3.0	1.4
Non-Major Governmental	-	-
Total Change in Fund Balance	<u>\$ (77.5)</u>	<u>\$ (1.9)</u>

Total Fund Balances for Major and Non-Major Funds

As of June 30, 2014

(Dollars in Millions)

Table 6

Fund	Fiscal Year 2014	Fiscal Year 2013
General	\$ (96.8)	\$ (40.8)
Intermediate Unit	0.8	1.0
Categorical	(4.0)	(5.8)
Debt Service	99.4	98.2
Capital Projects	76.2	103.4
Enterprise	0.1	(2.9)
Non-Major Governmental	6.3	6.3
Total Fund Balance	<u>\$ 82.0</u>	<u>\$ 159.4</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.

Management's Discussion and Analysis

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 2014, the final budgeted General Fund revenue was \$64.8 million higher than the original Fiscal Year 2014 budget adopted in May 2013. This resulted primarily from a \$45.0 million one-time state grant received from the City of Philadelphia coupled with a \$20.1 million increase in local tax revenue. State revenues also increased by \$2.6 million and net all other revenues decreased by \$2.9 million.

The anticipated obligations in the final General Fund budget represented an increase of \$159.8 million over the original adopted budget. This increase resulted primarily from the following changes in budgets: 1) \$121.2 million increase in Instructional and Instructional Support budgets, 2) a \$25.6 million increase in charter school budgets and, 3) a \$13.0 million increase in all other expenditure budgets.

The anticipated Other Financing Sources/ (Uses) in the final General Fund budget were \$68.9 million favorable over the original adopted budget. This is due primarily to a \$65.7 million reduction in the General Fund to Debt Service transfer (driven primarily by \$50.0 million in additional City revenue initiated after the adoption of the Fiscal Year 2014 budget).

Actual General Fund revenues of \$2,334.0 million are \$33.0 million higher than those estimated in the final General Fund budget of \$2,300.9 million. Actual General Fund obligations totaling \$1,923.2 million were \$13.6 million lower than estimated in the final budget of \$1,936.8 million. Other financing sources/uses of \$470.0 million were \$46.8 million higher than the final budget and the \$13.9 million favorable difference between the final budget and actual beginning fund balance is due to encumbrance and other reserves not available for appropriation.

The actual ending General Fund balance at June 30, 2014 of a negative \$96.8 million was \$17.1 million favorable from the final budget ending balance of a negative \$113.9 million. Of this amount, a net \$17.4 million is not available for appropriation because it is reserved for encumbrances and inventory reserves.

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

Management's Discussion and Analysis

General Fund Budget Comparison
Fiscal Year Ended June 30, 2014
(Dollars in Millions)
Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,236.1	\$ 2,300.9	\$ 2,334.0	\$ 33.1
Total Obligations	1,777.0	1,936.8	1,923.2	13.6
Total Other Financing Sources/(Uses)	(492.2)	(423.3)	(470.0)	(46.7)
Net Change in Fund Balance	(33.1)	(59.2)	(59.2)	(0.0)
Fund Balance Beginning of Year	(67.4)	(54.7)	(40.8)	13.9
Change in Reserves	-	-	3.2	3.2
Fund Balance End of Year	<u>\$ (100.5)</u>	<u>\$ (113.9)</u>	<u>\$ (96.8)</u>	<u>\$ 17.1</u>

During Fiscal Year 2014, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$33.1 (33.0) million favorable variance due to a \$25.8 million favorable variance in Local Non Tax revenue (primarily due to a \$27 million increase in the Grant from the City of Philadelphia), a \$4.8 million favorable variance in State revenues, a \$2.4 million favorable variance Local Taxes.
- Obligations were \$13.6 million less than budgeted primarily due to \$8.5 million unfavorable variance in Instructional and Instructional Support functions, \$1.4 million unfavorable variance in charter schools, offset by an \$12.0 million favorable variance in Operating support and a \$10.5 million favorable variance in Administrative and other functions.
- Other Financing Sources/ (Uses) were \$46.7 million unfavorable from the final budget. Uses of funds were \$69.5 million unfavorable to the final budget (driven primarily from a \$54.1 million higher than budgeted General Fund to Debt Service fund transfer) offset by general fund sources that were \$22.7 million higher than budgeted.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2014, the School District had \$3,458.7 million invested in capital assets. Over the years, these assets have depreciated by \$1,648.3 million leaving a carrying value of \$1,810.4 million. This represents a decrease of \$102.7 million over the Fiscal Year 2013 ending balance. Table 8 represents Net Capital Assets. Refer to Note 4C, page 68 for additional information.

Net Capital Assets
As of June 30, 2014
(Dollars in Millions)
Table 8

Capital Asset Category	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Land	\$ 131.0	\$ 132.3	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,611.9	1,667.1	-	-
Personal Property	59.1	83.6	1.7	2.1
Construction In Progress	6.7	28.0	-	-
Total Net Book Value	<u>\$ 1,808.7</u>	<u>\$ 1,911.0</u>	<u>\$ 1.7</u>	<u>\$ 2.1</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.

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

Long-Term Obligations Outstanding

As of June 30, 2014

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2014	2013	2014	2013
Total Bonded Debt	\$ 3,287.5	\$ 3,260.0	\$ -	\$ -
Employee Related Obligations	335.3	348.0	2.8	2.7
Due to Other Governments	45.3	45.3	-	-
Other	130.3	138.7	-	4.1
Total Long-Term Obligations Outstanding	<u>\$ 3,798.4</u>	<u>\$ 3,792.0</u>	<u>\$ 2.8</u>	<u>\$ 6.8</u>

The Total Long-term Obligations Outstanding for governmental activities increased by \$6.4 million. This includes an increase in bonded debt of \$27.5 million with a corresponding decrease in employee obligations of \$12.7 million. All other long-term obligations decreased by \$8.4 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 2014 with a positive operating fund balance of \$3.4 million as defined and in accordance with GASB 54. GASB 54 requires reporting to reflect expendable and non-expendable categories and amounts which are considered restricted, committed, assigned or unassigned. The \$3.4 million includes \$18.2 million of encumbrances and inventories for the General and Intermediate Unit Funds. The ending budgetary operating fund balance is a negative \$14.8 million once those items are accounted for. In Fiscal Year 2014 the one-time gap closing measures and discretionary spending cuts made in the previous three 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, public and non public transportation costs and health care benefits costs. In addition, the reserve budgetary fund balance from fiscal year 2013 of \$39.5 million was used as well as non recurring City and State revenues which were explained previously in the Transmittal Letter and in Footnote 1. E. Significant Matters Impacting Operations starting on page 57.

As of December 18, 2014, the School District is projecting a balanced fiscal year ended June 30, 2015 budgetary ending operating fund balance and a budgetary ending operating fund balance for the fiscal year ended June 30, 2016 of a negative \$31.0 million. The projected balanced Fiscal Year 2015 operating fund budget was achieved primarily through: the passing of a \$2 per pack cigarette tax (but with charter school risks associated with it); authorization by statute for the City to re-impose an extension of the 1% sales tax; one time building sales of \$15.0 million; a \$12.9 million Ready to Learn State grant; and, a lower fiscal year 2014 operating deficit than originally projected. On the expenditure side, cost saving measures that closed the budget gap was further cuts to operations and services which were not mandated by contracts and statutes.

Management's Discussion and Analysis

The School District is in negotiations for new contracts with its largest unions which are anticipated to provide personnel cost savings in future fiscal years. One of the unions has filed numerous grievances and legal proceedings, some related to the suspension of the School Code and the Labor Contract, 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 2014 supported 86 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, a not insignificant portion of Charter School students have come from private or parochial schools for which the School District did not provide education previously. The current funding formula is based upon the School District of Philadelphia's expenditures in the previous fiscal year which does not realistically reflect the true costs to Charter Schools to deliver regular education and special education services. Various recent studies have shown that Philadelphia Charter Schools are being overfunded for special education services because Philadelphia's traditional public schools educate the vast majority of students with greater special education needs while the majority of special education students in charter schools have lesser needs, yet it is a flat funding formula which does not take into consideration these differences. The School District's Charter School expenditures increased about \$109.3 million over the prior fiscal year. Fiscal Year 2014 was the third 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 2013, 93.9% of the teachers in the School District were considered highly qualified, and 98.9% 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 99.3% in Fiscal Year 2014. However, due to changes in the way teacher data was reported to the Pennsylvania Department of Education and the addition of Pennsylvania Value Added Assessment System (PVASS) data, the percentage of highly qualified teachers decreased to 87.8% in Fiscal Year 2014.

Academic Achievement

The major focus for the district in fiscal year 2014 was to promote a shift in instructional practice in order to improve academic outcomes of all students. This shift was fostered by the demands of the internationally benchmarked Pennsylvania Common Core State Standards. The importance of mastering reading by the end of 3rd grade is widely known and accepted as a key indicator of success in the later grades. Students who fail to reach this critical milestone often falter in the later grades and drop out before earning a high school diploma. In The School District of Philadelphia, 39.9% of our 3rd graders attained proficiency on the Pennsylvania State School Assessment (PSSA) in Reading/English. Moreover, proficiency rates for subgroups such as English Language Learners, African-Americans, and Latinos were 13.5%, 35.5% and 34.8% respectively.

Among other outcomes related to student performance, we saw the following trends:

- Several of our struggling schools led the district in academic gains
- Eighth graders across the district performed better than the previous year.
- 40% of our schools saw increases in PA School Performance Profile (SPP) scores.
- A third of our schools improved their Developmental Reading Assessment (DRA) proficiency over the previous year.
- Based on our average growth index (AGI), there was significant evidence that the district exceeded the State's standard for academic growth in both mathematics and reading.

The Superintendent's Office in collaboration with the Assistant Superintendents launched the yearlong professional learning series in August in anticipation of the upcoming school year to set the pace for summer planning and informed decision-making. The Professional Development Plan was the District's response to the demands of the Common Core

Management's Discussion and Analysis

Shifts for English/Language Arts, Mathematics, Social Studies, Science, and the Technical Subjects and was central to the success of the broader plan to improve student outcomes in both the early and secondary grades.

The Professional Development Plan focused on building school leaders' knowledge and practice germane to a finite and manageable set of district-wide instructional practices. This successful initiative was reflective of the District's collaborative attempt to promote a finite set of theory-based instructional practices across content areas and grades. The District's leadership was exposed to eight proven best practices for planning and facilitating quality initial and needs-based re-teaching in Reading/English, Mathematics, Social Studies, Science, and the Technical Subjects with a focus on higher-order thinking, gradual release, general and domain specific vocabulary development, and lesson planning linked to the Common Core Shifts and the Danielson Framework for Teaching. Professional learning germane to each focus area included tools and protocols for effective implementation. Each implementation tool and protocol was made available to school leaders in online, shared folders to efficient access. Assistant Superintendents linked Principal Evaluations to evidence of implementation and student outcomes in Reading/English and Mathematics.

Concurrently the Professional Development Plan focused on building school leaders' knowledge and practice relative to implementation of the Common Core State Standards. This component of the professional learning initiative was reflective of the District's formal intent to ensure that all students had equal access to quality instruction aligned with the rigorous demands of the internationally benchmarked standards. The District's school leaders were strategically exposed to standardized interpretation of the literacy standards and interdisciplinary implications; the complexity of the mathematics standards and their interrelation to build teacher capacity and ultimately conceptual understanding among our students.

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

2014 PSSA Results

In 2014, students in grades 3 to 8 are currently administered the PSSA in reading, math, science and writing which is given annually throughout the Commonwealth. Science is offered to grades 4 and 8 only and writing to grades 5 and 8 only. A summary of the 2013-2014 school year PSSA results is provided below.

All Students

- From 2013 to 2014, proficiency rates increased in Science but decreased in Mathematics, Reading, and Writing.¹
 - Mathematics proficiency rates *decreased* by 1.7 percentage points from 46.9% to 45.2%.
 - Reading proficiency rates *decreased* by 0.3 percentage points from 42.3% to 42.0%.
 - Science proficiency rates *increased* by 0.7 percentage points from 36.6% to 37.2%.
 - Writing proficiency rates *decreased* by 0.4 percentage points from 41.5% to 41.2%.

Grade Levels

- Proficiency rates increased in Reading, Science, and Writing for certain grades.
 - In Reading, the proficiency rate *increased* for 4th graders (2.3 percentage points), 7th graders (3.2 percentage points) and 8th graders (3.5 percentage points).
 - In Science, the proficiency rate *increased* for 8th graders by 1.5 percentage points.
 - In Writing, the proficiency rate *increased* for 8th graders by 2.0 percentage points.
- In all other subjects and grade levels, proficiency rates decreased.

Economically Disadvantaged, English Language Learners, and Special Education Students²

- In most cases, proficiency rates for these subgroups decreased from 2013 to 2014.
 - Proficiency rates for Special Education students increased in Science by 1.4 percentage points but decreased in all other subjects by the following percentage points: Mathematics by 1.4, Reading by 0.2, and Writing 1.9.
 - Changes in proficiency rates for English Language Learners varied by subject. In Mathematics and Writing they increased by 0.1 and 0.2 percentage points while in Reading and Science they decreased by 1.1 percentage points respectively.

¹ Differentials are calculated using unrounded proficiency rates. For this reason, differentials may not be equivalent to the difference between the rounded percentages presented here.

² Students are identified as economically disadvantaged if they qualify for public assistance, qualify for free or reduced-price lunch, or attend universal feeding schools.

Management's Discussion and Analysis

- Proficiency rates for Economically Disadvantaged students increased in Science by 0.4 percentage points but decreased in all other subjects as follows: Mathematics by 2.0, Reading by 0.5, and Writing by 0.4.
- Following historical trends, proficiency rates for these subgroups were lower than those for all students across all subjects.

Race/Ethnicity

- Proficiency rates for Asian students increased in all subjects except for Mathematics which decreased by 0.1 percentage points. The increases by percentage points were: Reading by 0.3 percentage points, Science by 0.1, and Writing by 1.2.
- Proficiency rates for Black/African American students varied by subject. They decreased in Mathematics by 2.5 percentage points, Reading by 0.4, and Writing by 0.7 while Science increased by 0.9 percentage points.
- Proficiency rates for Hispanic/Latino students increased in Science by 0.3 percentage points but decreased in all other subjects as follows: Mathematics by 1.6, Reading by 1.4, and Writing by 0.6 percentage points.
- Proficiency rates for White students decreased in Mathematics by 1.3 percentage points, Science by 1.3, Writing by 1.3 percentage points and increased only in Reading by 0.3 percentage points.

School-Level Proficiency

- Of the 168 schools that administered the PSSA in grades 3-8 in School Year 2012-2013 and School Year 2013-2014:
 - 120 (71.4%) demonstrated a decrease in the percentage of students scoring proficient or advanced in Mathematics and 48 (28.6%) demonstrated an increase.
 - 113 (67.3%) demonstrated a decrease in the percentage of students scoring proficient or advanced in Reading and 55 (32.7%) demonstrated an increase.
- On average, school-level proficiency rates declined by 3.4 percentage points in Mathematics and by 1.7 percentage points in Reading.

2014 Keystone Examination Results

Keystone Examinations were administered for the first time in the 2012-2013 school year after a pilot administration the previous spring and 2013-2014 represents the second year of testing. 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.

District-Level Proficiency

All Students

- From 2013 to 2014, proficiency rates increased in Biology but decreased in Algebra I and Literature³.
 - Algebra I proficiency rates *decreased* by 1.2 percentage points from 39.8% to 38.6%.
 - Biology proficiency rates *increased* by 5.3 percentage points from 20.3% to 25.6 %.
 - Literature proficiency rates *decreased* by 1.9 percentage points from 53.4% to 51.5%.

Economically Disadvantaged, English Language Learners, and Special Education Students⁴

- Proficiency rates in Algebra I increased for these subgroups from 2013 to 2014.
 - Changes in proficiency rates for Economically Disadvantaged students varied by subject. Proficiency rates *increased* in Algebra I (0.1 percentage points) and Biology (5.7 percentage points) but *decreased* in Literature (0.7 percentage points).
 - Changes in proficiency rates for English Language Learners varied by subject. Proficiency rates *increased* in Algebra I (1.2 percentage points) but *decreased* in Literature (3.7 percentage points) and Biology (0.1 percentage points).

³ Differentials are calculated using unrounded proficiency rates. For this reason, differentials may not be equivalent to the difference between the rounded percentages presented here.

⁴ Students are identified as economically disadvantaged if they qualify for public assistance, qualify for free or reduced-price lunch, or attend universal feeding schools.

Management's Discussion and Analysis

- Proficiency rates for Special Education students increased in all subjects: Algebra I by 0.4 percentage points, Biology by 1.0 and Literature by 0.7.
- Following historical trends, proficiency rates for these subgroups were lower than those for all students across all subjects.

Race/Ethnicity

- Proficiency rates for Asian students increased in Algebra I by 0.6 percentage points, Biology by 0.9 percentage points and decreased by 0.3 percentage points for Literature.
- Proficiency rates for Hispanic/Latino students increased in Biology by 3.0 percentage points but decreased in Algebra I by 2.1 percentage points and Literature by 5.0 percentage points.
- For Black/African American and White students, changes in proficiency rates varied by subject.
 - For Black/African American students, proficiency rates *increased* in Biology (5.1 percentage points) but *decreased* in Algebra I (0.9 percentage points, and Literature (1.0 percentage points).
 - For White students, proficiency rates *increased* in Biology (5.6 percentage points) but *decreased* in Algebra I (1.6 percentage points) and Literature (2.4 percentage points).

School-Level Proficiency

- Of the 44 schools that administered the Keystone Exams in grade 11 in School Year 2012-2013 and School Year 2013-2014
 - 26 (59.1%) demonstrated a *decrease* in the percentage of students scoring proficient or advanced in Algebra I, 17 (38.6%) demonstrated an *increase* and 1 (2.3%) demonstrated no change.
 - 27 (61.4%) demonstrated a *decrease* in the percentage of students scoring proficient or advanced in Literature, 16 (36.4%) demonstrated an *increase* and 1 (2.3%) demonstrated no change.
 - 10 (22.7%) demonstrated a *decrease* in the percentage of students scoring proficient or advanced in Biology, and 34 (77.3%) demonstrated an *increase*.
- On average, school-level proficiency rates decreased by 1.2 percentage points in Algebra I and in Literature and increased by 5.6 percentage points in Biology.

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 10.0% from Fiscal Year 2013 to Fiscal Year 2014.

There has been significant focus and much improvement to school safety over the past several years and in particular in Fiscal Year 2014. 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 two years data. The two Philadelphia schools designated Persistently Dangerous in Fiscal Year 2014 have made significant progress over the past two years and they are no longer designated as PDS. The School District continues to emphasize 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 District is currently implementing, with the assistance of grant funding, evidenced-based school climate initiatives in several elementary and high schools and expects to grow these initiatives in the next few years. 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

Management's Discussion and Analysis

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"), is a modified transition program that is a 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. The current CIP covers \$938.2 million from Fiscal Year 2015 to Fiscal Year 2020 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 E. 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, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 184,961	\$ 10,902	\$ 195,863
Cash and Investments with Fiscal Agent	99,274,605	-	99,274,605
Equity in Pooled Cash and Investments	27,491,545	-	27,491,545
Taxes Receivable (Net)	175,651,002	-	175,651,002
Due from Other Governments	52,766,406	5,909,961	58,676,367
Accounts Receivable (Net of Allowance)	8,127,404	3,204,887	11,332,291
Accrued Interest Receivable	600,678	-	600,678
Internal Balances	2,594,547	(2,594,547)	-
Inventory	1,285,461	1,764,204	3,049,665
Prepaid Bond Insurance Premium Costs	7,831,686	-	7,831,686
Restricted Assets:			
Cash and Cash Equivalents	78,426,117	-	78,426,117
Cash and Investments Held by Trustee	238,034	-	238,034
Funds on Deposit	18,375,000	-	18,375,000
Capital Assets:			
Land	130,922,021	-	130,922,021
Buildings and Improvements	3,026,434,637	-	3,026,434,637
Personal Property	230,420,934	15,732,384	246,153,318
Construction in Progress	6,725,704	-	6,725,704
Intangibles	48,629,076	-	48,629,076
Accumulated Depreciation	(1,634,333,998)	(13,993,603)	(1,648,327,601)
Total Assets	2,281,645,820	10,034,188	2,291,680,008
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	140,846,087	-	140,846,087
 LIABILITIES			
Accounts Payable	92,760,322	6,367,342	99,127,664
Overpayment of Taxes	16,760,982	-	16,760,982
Accrued Salaries and Benefits Payable	60,929,532	749,492	61,679,024
Termination Compensation Payable	23,758,223	137,660	23,895,883
Severance Payable	6,620,865	-	6,620,865
Other Liabilities	121,187	-	121,187
Payable to External Parties	14,656,093	-	14,656,093
Derivative Instrument - Swap Liability	23,113,539	-	23,113,539
Unearned Revenue	12,447,134	-	12,447,134
Due to Other Governments	3,289,530	-	3,289,530
Bond Interest Payable	32,232,819	-	32,232,819
Non-Current Liabilities			
Due within one year	274,701,285	-	274,701,285
Due in more than one year	3,523,671,068	2,660,664	3,526,331,732
Total Liabilities	4,085,062,579	9,915,158	4,094,977,737
 NET POSITION			
Net Investment in Capital Assets	(314,889,535)	1,738,781	(313,150,754)
Restricted for:			
Medical Self-Insurance	18,375,000	-	18,375,000
Debt Service	93,491,234	-	93,491,234
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	3,427,773	-	3,427,773
Non-Expendable - Scholarships	2,865,760	-	2,865,760
Arbitrage Rebate Payable	265,706	-	265,706
Unrestricted (Deficit)	(1,466,106,610)	(1,619,751)	(1,467,726,361)
Total Net Position	\$ (1,662,570,672)	\$ 119,030	\$ (1,662,451,642)

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, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities								
Instruction	\$ 2,149,121,999	\$ -	\$ 820,181	\$ 494,732,272	\$ -	\$ (1,653,569,546)	\$ -	\$ (1,653,569,546)
Student Support Services	151,133,843	-	-	50,715,085	-	(100,418,758)	-	(100,418,758)
Administrative Support	103,666,314	-	4,512,315	39,088,737	-	(60,065,262)	-	(60,065,262)
Operation & Maintenance of Plant Services	200,838,933	(817,628)	225,045	17,448,976	-	(182,347,284)	-	(182,347,284)
Pupil Transportation	85,102,246	-	-	81,562,514	-	(3,539,732)	-	(3,539,732)
All Other Support Services	(25,223,580)	-	-	(2,179,186)	-	23,044,394	-	23,044,394
Early Childhood Education	137,625	-	-	137,625	-	-	-	-
Interest on Long-Term Debt	153,380,712	-	-	97,260,175	-	(56,120,537)	-	(56,120,537)
Total Governmental Activities	2,818,158,092	(817,628)	5,557,541	778,766,198	-	(2,033,016,725)	-	(2,033,016,725)
Business-Type Activities:								
Food Service	71,340,178	817,628	1,408,509	74,038,754	-	-	3,289,457	3,289,457
Total Business-Type Activities	71,340,178	817,628	1,408,509	74,038,754	-	-	3,289,457	3,289,457
Total	\$ 2,889,498,270	\$ -	\$ 6,966,050	\$ 852,804,952	\$ -	\$ (2,033,016,725)	\$ 3,289,457	\$ (2,029,727,268)

General Revenues/Gain/(Loss)/Investment Revenue/Transfers:

Property Taxes	\$ 661,262,818	\$ -	\$ 661,262,818
Use & Occupancy Taxes	137,677,100	-	137,677,100
Liquor Taxes	62,105,157	-	62,105,157
School (Non-Business) Income Taxes	37,274,316	-	37,274,316
Public Utility / PILOT Taxes	1,070,893	-	1,070,893
Grants and Contributions Not Restricted to Specific Programs	164,523,806	-	164,523,806
State & Federal Subsidies Not Restricted to Specific Programs	912,421,435	-	912,421,435
Gain/(Loss) on Sale of Capital Assets	21,115,975	-	21,115,975
Transfers	289,457	(289,457)	-
Investment Revenue	837,598	-	837,598
Total General Revenues and Transfers	\$ 1,998,578,555	\$ (289,457)	\$ 1,998,289,098
Change in Net Position	(34,438,170)	3,000,000	(31,438,170)
Net Position - As of July 1, 2013	(1,598,063,255)	(2,880,970)	(1,600,944,225)
Prior Period Adjustments	(30,069,247)	-	(30,069,247)
Net Position - As of June 30, 2014	\$ (1,662,570,672)	\$ 119,030	\$ (1,662,451,642)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 184,961	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	-	13,683,999	7,045,219
Cash and Investments Held by Trustee	-	-	-
Funds on Deposit	18,375,000	-	-
Taxes Receivable (Net)	175,651,002	-	-
Due from Other Funds	2,594,547	-	-
Due from Other Governments	16,017,014	6,604,461	29,360,966
Accounts Receivable (Net)	9,079,957	420,766	-
Accrued Interest Receivable	-	-	-
Inventory	1,256,884	-	-
Total Assets	\$ 223,159,365	\$ 20,709,226	\$ 36,406,185
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 63,454,734	\$ 12,019,217	\$ 14,641,762
Overpayment of Taxes	16,760,982	-	-
Accrued Salaries and Benefits Payable	45,703,750	7,856,643	7,111,876
Termination Compensation Payable	23,758,223	-	-
Severance Payable	6,620,865	-	-
Unearned Revenue	-	-	12,447,134
Due to Other Funds	14,314,109	-	-
Due to Other Governments	1,014,459	19,274	2,205,413
Other Liabilities	13,633	-	-
Total Liabilities	171,640,755	19,895,134	36,406,185
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	\$ 148,338,556	\$ -	\$ -
Unavailable Grant Revenue	-	-	4,020,528
Total Deferred Inflows of Resources	148,338,556	-	4,020,528
Fund Balances:			
Nonspendable:			
Inventories	1,256,884	-	-
Permanent Fund Principal	-	-	-
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	-	814,092	-
Defeasance	-	-	-
Future Capital Projects Programs	-	-	-
Unassigned:	(116,451,830)	-	(4,020,528)
Total Fund Balances	(96,819,946)	814,092	(4,020,528)
Total Liabilities and Fund Balances	\$ 223,159,365	\$ 20,709,226	\$ 36,406,185

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
\$ -	\$ 78,426,117	\$ -	\$ 78,611,078
99,274,605	-	-	99,274,605
-	351,697	6,300,118	27,381,033
-	238,034	-	238,034
-	-	-	18,375,000
-	-	-	175,651,002
-	-	-	2,594,547
-	773,846	-	52,756,287
-	-	-	9,500,723
600,678	-	-	600,678
-	-	-	1,256,884
<u>\$ 99,875,283</u>	<u>\$ 79,789,694</u>	<u>\$ 6,300,118</u>	<u>\$ 466,239,871</u>
\$ -	\$ 2,612,474	\$ 6,585	\$ 92,734,772
-	-	-	16,760,982
-	237,107	-	60,909,376
-	-	-	23,758,223
-	-	-	6,620,865
-	-	-	12,447,134
341,984	-	-	14,656,093
-	50,384	-	3,289,530
107,554	-	-	121,187
<u>449,538</u>	<u>2,899,965</u>	<u>6,585</u>	<u>231,298,162</u>
\$ -	\$ -	\$ -	\$ 148,338,556
-	659,155	-	4,679,683
<u>-</u>	<u>659,155</u>	<u>-</u>	<u>153,018,239</u>
-	-	-	1,256,884
-	-	1,365,405	1,365,405
-	-	-	18,375,000
65,169,807	-	-	65,169,807
28,321,427	-	-	28,321,427
-	265,706	-	265,706
-	-	4,928,128	4,928,128
-	73,364,043	-	73,364,043
-	-	-	814,092
5,934,511	-	-	5,934,511
-	2,600,825	-	2,600,825
-	-	-	(120,472,358)
<u>99,425,745</u>	<u>76,230,574</u>	<u>6,293,533</u>	<u>81,923,470</u>
<u>\$ 99,875,283</u>	<u>\$ 79,789,694</u>	<u>\$ 6,300,118</u>	<u>\$ 466,239,871</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Position
June 30, 2014

Fund Balance - Total Governmental Funds (page 37)	\$	81,923,470
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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.		1,808,761,927
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		151,644,870
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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.		(3,822,633,487)
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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.		(23,113,539)
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Deferred outflows of resources, including deferred refunding charges, are not reported in the governmental funds.		140,846,087
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Net position of governmental activities (page 34)	\$	<u>(1,662,570,672)</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, 2014

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 897,596,570	\$ -	\$ -
Locally Generated Non Tax	166,929,950	582,325	6,778,366
State Grants and Subsidies	1,258,151,837	101,881,034	72,365,707
Federal Grants and Subsidies	11,286,321	-	241,777,243
Total Revenues	<u>2,333,964,678</u>	<u>102,463,359</u>	<u>320,921,316</u>
EXPENDITURES			
Current:			
Instruction	878,223,203	229,582,035	238,286,117
Student Support Services	23,165,614	92,479,208	36,196,590
Administrative Support	57,167,695	9,555,275	33,411,078
Operation & Maintenance of Plant Services	200,342,429	-	401,237
Pupil Transportation	85,520,002	-	-
All Other Support Services	(25,449,466)	-	-
Early Childhood Education	-	-	137,625
Payments to Charter Schools	701,273,623	-	11,238,422
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>1,920,243,100</u>	<u>331,616,518</u>	<u>319,671,069</u>
Excess (Deficiency) of Revenues over Expenditures	<u>413,721,578</u>	<u>(229,153,159)</u>	<u>1,250,247</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,417,351	228,999,479	1,961,673
Transfers Out	(493,824,415)	-	(1,417,351)
Capital Asset Proceeds	22,581,503	-	-
Total Other Financing Sources and (Uses)	<u>(469,825,561)</u>	<u>228,999,479</u>	<u>544,322</u>
Net Change in Fund Balances	(56,103,983)	(153,680)	1,794,569
Fund Balances, July 1, 2013	(40,788,429)	967,772	(5,815,097)
Change in Inventory Reserve	72,466	-	-
Fund Balances, June 30, 2014	<u>\$ (96,819,946)</u>	<u>\$ 814,092</u>	<u>\$ (4,020,528)</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
\$ -	\$ -	\$ -	\$ 897,596,570
2,389,482	346,366	63,856	177,090,345
-	641,694	-	1,433,040,272
-	-	-	253,063,564
<u>2,389,482</u>	<u>988,060</u>	<u>63,856</u>	<u>2,760,790,751</u>
-	-	52,937	1,346,144,292
-	-	-	151,841,412
-	-	-	100,134,048
-	-	-	200,743,666
-	-	-	85,520,002
-	-	-	(25,449,466)
-	-	-	137,625
-	-	-	712,512,045
106,059,250	-	-	106,059,250
91,113,719	-	-	91,113,719
71,346,198	-	-	71,346,198
2,630,637	-	-	2,630,637
-	4,648,171	-	4,648,171
-	2,973,389	-	2,973,389
-	20,251,881	-	20,251,881
-	2,892,284	-	2,892,284
<u>271,149,804</u>	<u>30,765,725</u>	<u>52,937</u>	<u>2,873,499,153</u>
<u>(268,760,322)</u>	<u>(29,777,665)</u>	<u>10,919</u>	<u>(112,708,402)</u>
262,579,296	-	-	494,957,799
-	-	-	(495,241,766)
7,379,271	2,605,093	-	32,565,867
<u>269,958,567</u>	<u>2,605,093</u>	<u>-</u>	<u>32,281,900</u>
1,198,245	(27,172,572)	10,919	(80,426,502)
98,227,500	103,403,146	6,282,614	162,277,506
-	-	-	72,466
<u>\$ 99,425,745</u>	<u>\$ 76,230,574</u>	<u>\$ 6,293,533</u>	<u>\$ 81,923,470</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, 2014

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)	\$ (80,426,502)
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.	(81,554,715)
Non capitalized purchases that exceed capital outlays.	1,462,847
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.	(12,753,693)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	81,945
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.	117,439,250
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.	21,387,330
The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.	(648,056)
Transfers In to the Internal Service Fund is reported with the governmental activities.	573,424
Change in net position of governmental activities (page 35)	<u>\$ (34,438,170)</u>

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, 2014

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,902	\$ -
Equity in Pooled Cash and Investments	-	110,512
Due From Other Governments	5,909,961	10,119
Other Receivables	3,204,887	50
Inventories	1,764,204	28,577
Total Current Assets	<u>10,889,954</u>	<u>149,258</u>
Noncurrent Assets:		
Machinery & Equipment	15,732,384	613,530
Accumulated Depreciation	<u>(13,993,603)</u>	<u>(577,083)</u>
Total Noncurrent Assets	<u>1,738,781</u>	<u>36,447</u>
Total Assets	<u><u>\$ 12,628,735</u></u>	<u><u>\$ 185,705</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 6,367,342	\$ 25,550
Accrued Salaries and Benefits Payable	749,492	20,156
Termination Compensation Payable	137,660	-
Due to Other Funds	<u>2,594,547</u>	<u>-</u>
Total Current Liabilities	<u>9,849,041</u>	<u>45,706</u>
Noncurrent Liabilities:		
Termination Compensation Payable	1,915,035	139,999
Severance Payable	<u>745,629</u>	<u>-</u>
Total Noncurrent Liabilities	<u>2,660,664</u>	<u>139,999</u>
Total Liabilities	<u>12,509,705</u>	<u>185,705</u>
NET POSITION		
Net Investment in Capital Assets	1,738,781	36,447
Unrestricted	<u>(1,619,751)</u>	<u>(36,447)</u>
Total Net Position	<u>119,030</u>	<u>-</u>
Total Liabilities and Net Position	<u><u>\$ 12,628,735</u></u>	<u><u>\$ 185,705</u></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, 2014

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 1,408,509	\$ -
Sale of Printing Services	-	523,665
Total Operating Revenues	<u>1,408,509</u>	<u>523,665</u>
Operating Expenses:		
Salaries	15,322,575	442,886
Employee Benefits	13,406,878	296,529
Other Purchased Service - Food	40,390,369	-
Other Purchased Service - Supplies	652,333	-
Depreciation	387,279	8,119
Other Operating Expenses	1,998,372	424,187
Total Operating Expenses	<u>72,157,806</u>	<u>1,171,721</u>
Operating Gain/(Loss)	(70,749,297)	(648,056)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	74,038,754	54,479
Gain on Sale of Capital Assets	-	20,153
Income (loss) Before Contributions and Transfers	<u>3,289,457</u>	<u>(573,424)</u>
Transfers In	-	573,424
Transfers In/(Out)	(289,457)	-
Change in Net Position	<u>3,000,000</u>	<u>-</u>
Total Net Position July 1, 2013	(2,880,970)	-
Total Net Position June 30, 2014	<u><u>\$ 119,030</u></u>	<u><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, 2014

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 1,408,509	\$ 523,665
Cash Payments to Employees for Services	(29,271,257)	(754,034)
Cash Payments to Suppliers for Goods and Services	(31,400,540)	-
Cash Payments for Other Operating Expenses	(1,998,372)	(444,141)
Net Cash (Used)/Provided by Operating Activities	<u>(61,261,660)</u>	<u>(674,510)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to/Advances from Other Funds	(8,527,910)	-
State Sources	5,110,579	37,490
Federal Sources	64,965,234	16,988
Transfers In/(Out)	(289,457)	573,424
Net Cash Provided by Non-Capital Financing Activities	<u>61,258,446</u>	<u>627,902</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(10,296)	-
Gain on disposal of Assets	6,019	7,454
Net Cash Used by Capital and Related Financing Activities	<u>(4,277)</u>	<u>7,454</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(7,491)	(39,154)
Cash and Cash Equivalents July 1, 2013	18,393	149,666
Cash and Cash Equivalents June 30, 2014	<u>\$ 10,902</u>	<u>\$ 110,512</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating (Loss)	\$ (70,749,297)	\$ (648,056)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	387,279	8,119
Donated Food Commodities	4,446,288	-
(Increase)/Decrease in Accounts Receivable	(204,887)	16,521
(Increase)/Decrease in Inventories	510,618	(912)
(Increase) in Other Current Assets	-	(50)
Increase/(Decrease) in Accounts Payable	4,890,143	(35,513)
(Decrease) in Accrued Salaries and Benefits Payable	(519,867)	(14,564)
Increase/(Decrease) in Termination Compensation Payable	45,111	(55)
(Decrease) in Severance Payable	(67,048)	-
Total Adjustments	<u>9,487,637</u>	<u>(26,454)</u>
Net Cash Used by Operating Activities	<u>\$ (61,261,660)</u>	<u>\$ (674,510)</u>
Non cash items:		
Federal and State Grant revenue not yet received	\$ 5,909,961	\$ 10,119
Donated Commodities	4,446,288	-

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, 2014

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,195,485
Equity in Pooled Cash and Investments	748,875	64,570,113
Investments	200,013	-
Accounts Receivable	59	1,371,152
Due From Other Funds	-	14,656,092
Total Assets	<u>948,947</u>	<u>85,792,842</u>
LIABILITIES		
Payroll Deductions and Withholdings	-	79,480,460
Due to Student Activities	-	5,195,485
Other Liabilities	-	1,116,897
Total Liabilities	<u>-</u>	<u>85,792,842</u>
NET POSITION		
Held in Trust for Various Purposes	<u>\$ 948,947</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, 2014

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 123,338
Interest Received	1,333
Total Additions	<u>124,671</u>
DEDUCTIONS	
Scholarships Awarded	-
Total Deductions	<u>-</u>
Change in Net Position	124,671
Net Position July 1, 2013	824,276
Net Position June 30, 2014	<u><u>\$ 948,947</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, 2014

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.

1. 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, 2014, 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 2014, the School District served over 202,990 students, including those in Charter and Alternative Schools, as well as employed over 17,300 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, 2014 included a Superintendent/CEO, Deputy Superintendent, General Counsel, Chief School Police Officer, Chief Financial Officer, Chief Academic Supports Officer, Chief Student Support Services Officer, Chief of Schools Officer (vacant), Chief of Talent Officer, Chief of School Operations Officer, Chief of Information Technology Officer, Chief of Family and External Relations Officer, Government Relations Officer, Strategic Partnerships Officer, Inspector General, Internal Audit Director (vacant) and a Charter School Office. Internal Audit and the Inspector General report to the School Reform Commission (SRC). The General Counsel and Charter School Office have a dual reporting relationship to

the SRC and the Superintendent/CEO. The Chief School Police Officer, Deputy Superintendent, Strategic Partnerships Officer and Government Relations Officer directly report to the Superintendent/CEO. All others report through the Deputy Superintendent to the Superintendent/CEO.

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. This statement was specifically developed to make annual reports easier to understand and more useful to other people who use governmental financial information to make decisions.

The financial reporting model includes a requirement that 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, 2014, the School District administered the Payroll Liabilities, Student Activities and Unclaimed Monies Funds.

During the course of operations the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column on the Statement of Net Position. Similarly, balances between the funds included in business-type activities (enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column of the Statement of Net Position.

The School District reports the General Fund, Intermediate Unit Fund (a blended component unit), Categorical Funds, Debt Service Fund, Capital Projects Fund and Enterprise Fund as its major 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 & 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.

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. Beginning July 2013 through December 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. Starting in January of 2014, the tax rate was 7.382 mills. In calendar year 2014 the City of Philadelphia implemented full assessed value (AVI) which accounts for the decrease in the millage.

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

This refers to amounts due from Federal, State, City and Grantors for entitlements, subsidies, taxes, and grants. It represents primarily receivables for (1) retirement and FICA revenue recognized for current year expenditures and (2) grant revenues are recognized when all the applicable eligibility requirements are met and the resources are available.

(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

Inventories in the General Fund are valued at an average cost of \$1.3 million. Included are expendable supplies of \$1.0 million held for consumption by the Maintenance and Transportation Departments and Warehouse furniture and forms of \$0.3 million. The cost is recorded as an expenditure at the time expendable inventories are purchased and as an expense at the time the warehouse inventories are issued. In Fiscal Year 2014 the District began to report non expendable inventory along with the expendable supplies as an offset to the nonspendable fund balance reserve, which indicates that, although they are a component of net current position, they do not constitute available resources.

Enterprise Fund (or Food Service) inventories include \$1.5 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.

(6) Artwork

Collections of art and historical treasures (artwork) meet the definition of a capital asset and normally should be reported in the financial statements at lower of cost or market value at the time of donation. Due to the lack of historical records to establish a proper carrying value, and the immateriality of the previously reported value of \$8.1 million (0.3 percent of total assets for Governmental Activities), the artwork asset values were removed from the financial statements as a prior period adjustment beginning in Fiscal Year 2014.

(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 capitalizes 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.

With regards to sale of School District real property, on August 15, 2013, School Reform Commission ("SRC") suspended that portion of Section 707(3) of the Public School Code (the "School Code") requiring court approval of any private sale and the portion of Section 7-709 of the School Code which provides that the School District may lease unused and unnecessary lands and buildings for any lawful purpose, other than educational use, by suspending the limitations on leasing for educational use.

Since only Section 707(3) of the School Code had been suspended, the remaining provisions of Section 707, including the provision which requires the School District to use the proceeds from the sale of property only for the payment of debt service or for capital projects remained in effect.

By suspending portions of the School Code The District is allowed to use sales proceeds for operating purposes after all callable bonds on the property are defeased, the funds are set aside for capital purposes in an amount equal to the non-callable bonds, and transaction costs are paid.

(8) Unearned Revenues

Unearned revenues represent monies received in advance of being earned. The School District has one fund that has unearned revenue reported on the Balance Sheet, Governmental Funds. In Categorical Funds, unearned revenue represents grant funds received prior to expenditure and prior to meeting all eligibility requirements. As of June 30, 2014, the Categorical Funds reported unearned revenue of \$12.4 million.

(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, 2013 and 2014 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 per occurrence with a limit of \$25.0 million. 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 \$1.0 million and a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Certain insurance coverage's, 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 some 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, prepaid bond insurance premium 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 while prepaid bond insurance premium costs are reported as assets and deferred refunding charges are reported as deferred outflows of resources on the Statement of Net Position.

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

The Balance Sheet Governmental Funds reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District only has one item that qualifies for reporting in this category. It is deferred refunding charges, which is only reported in the government-wide statement, Statement of Net Position. Deferred refunding charges results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt as a deduction against the related outstanding long-term debt.

In addition, to liabilities, the Balance Sheet, Governmental Funds, report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. As such, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two major sources: taxes and categorical grants.

In the General Fund, deferred inflows of resources 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 and Capital Projects Funds, deferred inflows of resources represents grant funds which were earned but for which resources are not considered to be available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(13) Fund Equity

In accordance with GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", 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 2013 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, 2014, the School District continued to experience a number of negative trends that deeply impacted District operations. These trends included: (1) a negative operating fund balance of \$14.8 million which would have been even more severe if not achieved through a positive fund balance carry-over from the previous fiscal year, one-time actions, staff lay-offs, significant cuts to school and administrative operations, non-recurring savings and cost deferrals for three consecutive years; (2) significantly declining federal revenues offset by moderate increases in State operating revenues related to one-time grant revenues of \$45 million and increases in the State's employer portion for pension costs, and moderate local non recurring revenue increases from building sales and city borrowing; and (3) mandated and non-discretionary cost increases including: (a) 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 2014 reflects a fourth consecutive year of a negative ending General Fund balance. The negative General Fund balances for June 30, 2011, June 30, 2012, June 30 2013 and June 30, 2014 were a negative \$43.4 million, a negative \$111.6 million, a negative \$40.8 million and a negative \$96.8 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, June 30, 2013, and June 30, 2014 an operating funds surplus of \$30.8 million, a negative operating funds balance of \$20.5 million, a positive operating funds balance of \$39.5 million and a positive operating fund balance of \$3.4 million, respectively. The combined operating funds surplus at June 30, 2014 includes a negative General Fund balance of \$96.8 million, a positive Debt Service Fund balance of \$99.4 million which is appropriated and restricted to pay for debt service costs in Fiscal Year 2015 and a positive Intermediate Fund Balance of \$0.8 million.

Due to a significant budget gap projected for Fiscal Year 2014 based on the trends discussed above, the School District at the end of the previous fiscal year completed a Facilities Master Plan (FMP) to close 24 schools in order to right size the District building capacity and sell the unused buildings to generate additional one-time revenues and laid-off 3,800 employees. However, because asked for funding to structurally balance the budget was not fully obtained from the State and no negotiated labor savings were achieved from the largest union, despite all the drastic measures described above, the District ended the fiscal year with an operating fund budget deficit of \$14.8 million.

Facing the potential for an operating budget shortfall for Fiscal Year 2015 projected at \$216 million to just maintain the status quo and the need to adopt a balanced budget, the District asked for additional revenues from the State and the City and asked the labor unions to negotiate contract savings. Of the \$216 million needed, \$120 million in 1% sales tax revenues were assumed leaving a \$96 million gap. Additional severe measures were taken for Fiscal Year 2015, including further cuts to educational programs and more cuts to administrative functions including transportation services and facilities cleaning and maintenance. 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 largest labor union 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 2015 budget on June 30, 2014.

The School District prepared a new Five-Year Financial Plan 2015-2019 which includes an updated Fiscal Year 2015 operating fund budget as of December 18, 2014 which reflects a balanced operating fund budget consisting of a Fiscal Year 2015 surplus of \$14.8 million which will be used to cover the Fiscal Year 2014 deficit of the same amount. The current estimate for the Fiscal Year 2015 Operating Budget includes the following revenue items which were not included in the adopted Fiscal Year 2015 Operating Budget: 1) \$49 million in additional City funding for a Philadelphia cigarette tax; and, 2) \$15 million in building sales. These additional revenues were primarily used to restore essential services to schools. Additionally the District's deficit for Fiscal Year 2014 improved from an estimated negative \$28 million at the time of adoption to an actual \$14.8 million, thus lessening the Fiscal Year 2015 beginning fund deficit impact.

The adopted Fiscal Year 2015 State budget included a \$12.9 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 re-impose an extension of the 1% Sales Tax was approved for Fiscal Year 2015 as well as a \$2 per pack cigarette tax was approved in September 2014 but with charter school authorization risks associated with it.

The new Five-Year Financial Plan also contains a projection for the Fiscal Year 2016 Operating Budget. The projected Fiscal Year 2016 Operating Budget has estimated revenues of \$2,662 million and estimated expenditures of \$2,631 million with a budgetary gap of \$31 million. This reflects the loss of \$45 million in one-time State revenues from Fiscal Year 2015 to Fiscal Year 2016. The largest expenditure increases will come from charter schools, PSERS contributions and debt service. To close the gap the District will need to have new revenues of \$30 million and if the revenues are not provided the District will seek additional expenditure savings to close the gap and achieve a balanced Fiscal Year 2016 budget as required by the Philadelphia Home Rule Charter and take every measure available to ensure spending is not beyond available resources.

The Commonwealth has announced and began 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 2016 and thereafter. The District continues 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. In addition, the District supports a more equitable formula for funding charter schools in Pennsylvania which reflects actual costs for special education services and will benefit the District.

The District is currently in contract negotiations and legal proceedings with its major union to change work rules and contract terms to contribute towards future savings.

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 2015; in particular, to pay salaries and debt service when due. For Fiscal Year 2016 the School District will continue to closely monitor the cash flow to ensure continued operations.

School District of Philadelphia

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 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.

On January 22, 2015, the Commonwealth Court of Pennsylvania affirmed the decision of the Court of Common Pleas of Philadelphia County, which permanently enjoined the School District from taking any unilateral action to implement changes or modifications to the benefits of bargaining unit employees represented by the Philadelphia Federation of Teachers injunction. The School District intends to petition the Pennsylvania Supreme Court to allow an appeal; the deadline to file a petition is February 20, 2015. This decision, if not reversed on appeal, will eliminate a projected savings in labor costs for Fiscal Year 2015-2016 of \$49.1 million and additional projected savings in future years.

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 Position

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	\$ 3,442,518,842
Accumulated Depreciation	(1,633,756,915)
Net Cost of Capital Assets	<u>\$ 1,808,761,927</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 inflows of resources 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	\$ 144,865,187
Grants & Subsidies	4,679,683
SEPTA Administrative Fee	2,100,000
Total Adjustment of Other Assets	<u>\$ 151,644,870</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 (\$3,822,633,487) difference are as follows:

School District of Philadelphia

Bonds Payable	\$ (3,177,578,899)
Deduct: Discount on Bonds Payable	9,244,113
Add: Premium on Bonds Payable	(119,203,203)
Deduct: Prepaid Bond Insurance Premium Cost	7,831,686
Bond Interest Payable	(32,232,819)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(113,977,076)
Unemployment Compensation Payable	(6,345,350)
Compensated Absences Payable	(200,249,478)
Severance Payable	(124,734,157)
Claims and Judgments Payable	(5,565,881)
Arbitrage Rebate Payable	(265,706)
DHS Payable	(2,500,000)
OPEB Payable	(810,905)
NSF Payable	(1,602,246)
Incurred But Not Reported IBNR Payable	<u>(9,365,000)</u>
<i>Net adjustment to reduce fund balance - total governmental funds - to arrive at net position governmental activities.</i>	<u><u>\$ (3,822,633,487)</u></u>

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 (\$81,554,715) difference are as follows:

Capital outlay	\$ 30,765,725
Depreciation expense	<u>(112,320,440)</u>

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

\$ (81,554,715)

Another element of that reconciliation states that “The net effect of miscellaneous transactions involving capital asset disposals and sales is an increase to net position.” 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 (\$12,753,693) difference are as follows:

Gain on Sale of Capital Assets	\$ 21,115,975
Gain on Donated Capital Assets	624,166
Loss on Disposal of Capital Assets	(1,927,967)
Proceeds from Sale of Capital Assets	<u>(32,565,867)</u>

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

\$ (12,753,693)

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 \$81,945 difference are as follows:

School District of Philadelphia

Deferred Inflows of Resources-Unavailable Tax Revenue	\$ 1,793,714
Deferred Inflows of Resources-Unavailable Grant Revenue	(1,898,569)
Derivative Investment Revenue	837,598
Adjustment Operating Grants and Contributions	(700,000)
Miscellaneous Revenue	<u>49,202</u>

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

\$ 81,945

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 (\$117,439,250) difference are as follows:

Principal Repayment on Bonds	\$ 106,059,250
Principal Repayment on Authority Obligations	<u>11,380,000</u>

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

\$ 117,439,250

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 \$21,387,330 difference are as follows:

Change in Compensated Absences Payable	\$ 2,970,820
Change in Severance Payable	6,922,812
Change in Workers' Compensation Payable	8,959,598
Change in Unemployment Compensation Payable	(2,357,363)
Change in Claims and Judgments Payable	12,301
Change in Arbitrage Rebate Payable	(204)
Change in Net Accrued Bond Interest	329,842
Change in DHS Payable	1,000,000
Change in OPEB Payable	(422,476)
Change in NSF Payable	840,000
Change in IBNR Payable	<u>3,132,000</u>

*Net adjustment to increase/(decrease) net changes in fund balance -
total governmental funds to arrive at changes in net position of
governmental activities.*

\$ 21,387,330

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;
- (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 7.382 mills of real estate taxes adopted June 27, 2013 under the Ordinance of the Council of the City of Philadelphia.

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 \$3.4 million. This amount is comprised of a General Fund negative fund balance of \$96.8 million, which is offset by \$99.4 million in the Debt Service Fund and \$0.8 million in the Intermediate Unit Fund.

Categorical Funds experienced a negative fund balance of \$4.0 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 \$0.1 million.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$69.8 million held in agency funds, at June 30, 2014 are summarized as follows:

Cash and Cash Equivalents	\$	83,817,465
Cash and Investments with Fiscal Agent		99,274,605
Equity in Pooled Cash and Investments		92,810,533
Cash and Investments Held by Trustee		238,034
Investments		200,013
Total Cash and Investments	\$	<u>276,340,650</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 2014 was approximately 0.29% and total interest income was \$1.2 million. This was a \$ 0.8 million adjusted decrease in total income over Fiscal Year 2013 primarily due to continuation of lower average interest rates.

(3) Investments

As of June 30, 2014, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 93,232,523	.003
Discounted Notes	12,611,160	.663
U.S. Treasury Bills	5,403,620	.257

- (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, 2014 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. U.S. Treasury Bills relating to forward purchase agreements purchased by the School District for sinking fund deposits mature in three months.

- (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 Home Loan Mortgage Corporation (FHLMC)	Aaa	AA+	AAA

- (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 Corporation (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) Investment Derivative 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 expense.
- (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, 2014 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%	(\$6,934,062)	Wells Fargo Bank N.A.	Aa3/AA-/Aa-
Series 2003 School Lease Revenue Bonds	\$350,000,000	\$350,000,000	11/30/06	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$16,179,477)	JPMorgan Chase Bank, N.A.	Aa3/A+/A+
							(\$23,113,539)		

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, 2014, the net benefit to the School District has been \$11,417,796.

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, 2014, 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, Enterprise Fund and Fiduciary Funds in the aggregate, including the applicable allowances for uncollectible accounts, as of the fiscal year end are as follows:

School District of Philadelphia

(Dollars in Thousands)

	General	Debt Service	Intermediate Unit	Enterprise	Fiduciary	Total
Receivables						
Interest	\$ -	\$ 600.7	\$ -	\$ -	\$ -	\$ 600.7
Taxes	279,035.6	-	-	-	-	279,035.6
Accounts (net)	9,080.0	-	420.8	3,204.9	1,371.2	14,076.9
Gross Receivables	288,115.6	600.7	420.8	3,204.9	1,371.2	293,713.2
Less: Allowances for Uncollectible						
Taxes	103,384.6	-	-	-	-	103,384.6
Total Allowance	103,384.6	-	-	-	-	103,384.6
Net Total Receivables	\$ 184,731.0	\$ 600.7	\$ 420.8	\$ 3,204.9	\$ 1,371.2	\$ 190,328.6

(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, 2014 equaled \$175.6 million as follows:

(Dollars in Millions)

	Taxes Receivable	Estimated Uncollectible	Estimated Collectible
<u>Real Estate Taxes</u>			
Current	\$ 89.5	\$ 8.6	\$ 80.9
Prior	135.1	56.4	78.7
Total Real Estate Taxes	224.6	65.0	159.6
<u>Self Assessed Taxes</u>			
Use and Occupancy	16.5	12.7	3.8
School Income Tax	14.9	11.2	3.7
Liquor Sales Tax	23.0	14.5	8.5
Total Self Assessed Taxes	54.4	38.4	16.0
Total Taxes Receivable	\$ 279.0	\$ 103.4	\$ 175.6

During July and August 2014, \$18.3 million in real estate taxes receivable and \$12.5 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2014 revenues.

(3) Due From Other Governments

Due From Other Governments as of the year end for the School District's individual Major and Non-Major, Internal Service and Enterprise Funds in the aggregate are as follows:

(Dollars in Thousands)

	General	Intermediate Unit	Categorical	Capital Projects	Internal Service	Enterprise	Total
Due From Other Governments:							
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,314.2	\$ 5,314.2
State	16,478.7	6,604.5	3,078.6	114.7	10.1	595.8	26,882.4
City	(461.7)	-	-	-	-	-	(461.7)
Grantors	-	-	26,282.4	659.1	-	-	26,941.5
Total Due From Other Governments	\$ 16,017.0	\$ 6,604.5	\$ 29,361.0	\$ 773.8	\$ 10.1	\$ 5,910.0	\$ 58,676.4

Amounts due from other governments under the General Fund, Intermediate Unit Fund, and Internal Service Fund primarily include \$19.8 million for retirement and FICA reimbursements from the Commonwealth of Pennsylvania and \$3.3 million for transportation and special education reimbursements from other miscellaneous governments.

Amounts due from other governments under the Categorical Funds and Capital Projects Funds include \$26.9 million grant revenues which are recognized when all the applicable eligibility requirements are met and the resources are available to pay the current expenditures (or the excess of grant expenditures over funds collected) and \$3.2 million for FICA reimbursements from the Commonwealth of Pennsylvania.

The amount due from other governments under the Enterprise Funds includes \$5.3 million reimbursements from Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs, and, \$0.6 million for retirement and breakfast and lunch programs reimbursements from the Commonwealth of Pennsylvania.

(4) Deferred Outflows of Resources and Deferred Inflows of Resources

- (a) Deferred Outflows of Resources: Represent consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. On the full accrual basis of accounting, the School District has one item that qualifies for reporting in this category. Deferred refunding results from the difference of debt and its reacquisition price. This item valued at \$140.8 million has been reported as deferred outflows on the Statement of Net Position under Governmental Activities as of June 30, 2014.

<u>GOB Series</u>	<u>Refunding Charges</u>	<u>Swap Termination Refunding Charges</u>	<u>Total Amount as of June 30, 2014</u>
2005A	5,418,374		5,418,374
2005B	410,007		410,007
2006B	26,980,419		26,980,419
2007A	4,980,939		4,980,939
2008D	870,130		870,130
2009B	225,965		225,965
2009C	515,976		515,976
2010C	15,068,019		15,068,019
2010C	-	14,869,146	14,869,146
2010D	151,108		151,108
2010E	3,231,683		3,231,683
2010E	-	46,944,444	46,944,444
2010F	9,669,304		9,669,304
2010G	4,805,928		4,805,928
2010H	4,805,928		4,805,928
2011C	1,829,001		1,829,001
2011D	69,716		69,716
	<u>79,032,497</u>	<u>61,813,590</u>	<u>140,846,087</u>

- (b) Deferred Inflows of Resources: Represent an acquisition of net position that applies to future period(s) and will not be reported in the District-Wide Statements. They are reported as unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. On the modified accrual statements, the School District has three items that are reported in the Governmental Balance Sheet as deferred inflows as of June 30, 2014. They are as follows:

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	General Fund	Categorical Funds	Capital Projects Funds	Total
Unavailable taxes revenue	\$ 144,865,187	\$ -	\$ -	\$ 144,865,187
Unavailable accounts receivable revenue	3,473,369	-	-	3,473,369
Unavailable grant revenue	-	4,020,528	659,155	4,679,683
	<u>\$ 148,338,556</u>	<u>\$ 4,020,528</u>	<u>\$ 659,155</u>	<u>\$ 153,018,239</u>

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2014 are summarized as follows:

(Dollars in Millions)

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 132.4	\$ -	\$ (1.4)	\$ -	\$ 131.0
(1) Construction in Progress	26.5	3.6	-	(23.4)	6.7
(2) Artwork	-	-	-	-	-
Total Capital Assets - Not Depreciated	\$ 158.9	\$ 3.6	\$ (1.4)	\$ (23.4)	\$ 137.7
Capital Assets - Depreciated					
Buildings	\$ 1,797.5	\$ 3.7	\$ (20.0)	\$ 1.6	\$ 1,782.8
Improvements	1,229.9	14.2	(22.3)	21.8	1,243.6
Intangible Assets	46.1	2.6	-	-	48.7
(3) Personal Property	240.3	8.9	(18.9)	-	230.3
Total Capital Assets - Depreciated	\$ 3,313.8	\$ 29.4	\$ (61.2)	\$ 23.4	\$ 3,305.4
Less Accumulated Depreciation					
Buildings	\$ (641.9)	\$ (32.1)	\$ 17.6	\$ -	\$ (656.4)
Improvements	(727.9)	(54.7)	14.7	-	(767.9)
Intangible Assets	(36.6)	(2.3)	-	-	(38.9)
Personal Property	(164.8)	(23.4)	17.0	-	(171.2)
Total Accumulated Depreciation	\$ (1,571.2)	\$ (112.5)	\$ 49.3	\$ -	\$ (1,634.4)
Net Capital Assets Depreciated	\$ 1,742.6	\$ (83.1)	\$ (11.9)	\$ 23.4	\$ 1,671.0
Governmental Activities - Net Capital Assets	<u>\$ 1,901.5</u>	<u>\$ (79.5)</u>	<u>\$ (13.3)</u>	<u>\$ -</u>	<u>\$ 1,808.7</u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 16.5	\$ -	\$ (0.8)	\$ -	\$ 15.7
Less Accumulated Depreciation	(14.4)	(0.4)	0.8	-	(14.0)
Business-Type Activities - Net Capital Assets	<u>\$ 2.1</u>	<u>\$ (0.4)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1.7</u>

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- (1) The beginning balance for WIP was adjusted to reflect a \$1.4 prior period adjustment to remove items not deemed capitalizable.
- (2) The beginning balance for Artwork was adjusted to reflect an \$8.1 prior period adjustment to remove the replacement value of artwork. The determination has been made that the District's Artwork will no longer be reported on the financial statements for the following reasons:
 - a. The historical cost/value of the District's artwork cannot be determined and replacement value is inappropriate for use as the carrying value.
 - b. The replacement value of artwork is accounts for 0.3% of total assets for Government Activities and is deemed immaterial.
 - c. Per GASB 34, Par. 27, the District's artwork is considered a collection and therefore should not be reported on the financial statements.
- (3) The value, as well as depreciation, of Print Shop assets have been consolidated in the Personal Property line item and will no longer be shown separately.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 101.9
Student Support Services	4.3
Administrative Support	5.4
Operation & Maintenance of Plant Services	0.7
All Other Support Services	0.2
Total Depreciation Expense	<u>\$ 112.5</u>

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 \$125.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 2, 2013 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 30, 2014. Changes in short-term obligations payable during Fiscal Year 2014 were as follows:

	(Dollars in Millions)			
	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
<u>Governmental Activities:</u>				
Tax and Revenue Anticipation Note (Series A of 2013-2014)	\$ -	\$ 125.0	\$ (125.0)	\$ -
Total	<u>\$ -</u>	<u>\$ 125.0</u>	<u>\$ (125.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2014 were as follows:

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	(Dollars in Millions)				
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 3,295.0	\$ -	\$ (117.4)	\$ 3,177.6	\$ 119.0
Bond Premium	128.9	-	(9.7)	119.2	9.7
Bond Discount	(9.8)	-	0.5	(9.3)	(0.5)
Total Bonded Debt (A)	\$ 3,414.1	\$ -	\$ (126.6)	\$ 3,287.5	\$ 128.2
Termination Compensation Payable	\$ 203.4	\$ 7.5	\$ (10.5)	\$ 200.4	\$ 35.6
Severance Payable	131.7	1.3	(8.3)	124.7	17.3
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	132.5	40.8	(47.4)	125.9	36.4
Incurred But Not Reported (IBNR) Payable	12.5	-	(3.1)	9.4	9.4
Arbitrage Liability	0.3	-	-	0.3	0.3
DHS Liability	3.5	-	(1.0)	2.5	1.5
OPEB Liability	0.4	0.4	-	0.8	-
NFS Federal Liability	2.4	-	(0.8)	1.6	0.7
Governmental Activity - Long-Term Liabilities	<u>\$ 3,946.1</u>	<u>\$ 50.0</u>	<u>\$ (197.7)</u>	<u>\$ 3,798.4</u>	<u>\$ 274.7</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 1.9	\$ 0.3	\$ (0.1)	\$ 2.1	\$ 0.1
Severance Payable	0.8	0.3	(0.4)	0.7	0.1
Interfund Loan	4.1	-	(4.1)	-	-
Other Liabilities	-	-	-	-	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 6.8</u>	<u>\$ 0.6</u>	<u>\$ (4.6)</u>	<u>\$ 2.8</u>	<u>\$ 0.2</u>

- (A) The beginning balance of General Obligation Bonds changed due to the implementation of GASB Statement No. 65 which reclassified bond refunding losses as deferred outflows of resources.

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.

(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.

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General obligation bonds and lease obligations at June 30, 2014 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
2003 - B	5.500 ⁽³⁾	2028	588,140	43,505	33,498	77,003
2004 - D	5.000	2015	100,000	8,700	435	9,135
2004 - E	QZABS ⁽²⁾	2019	19,335	6,905	-	6,905
2005 - A	5.000	2023	198,140	178,575	42,395	220,970
2005 - B	5.000	2017	43,415	20,455	2,080	22,535
2005 - C	4.6600 - 5.310	2026	71,740	50,740	17,527	68,267
2005 - D	5.000 - 5.500	2021	29,920	16,470	3,805	20,275
2006 - A	4.450 - 5.000 ⁽³⁾	2036	317,125	275,330	175,146	450,476
2006 - B	3.625 - 5.000 ⁽³⁾	2033	545,570	545,535	415,816	961,351
2007 - A	4.000 - 5.000	2034	146,530	146,465	114,629	261,094
2007 - C	QZABS ⁽²⁾	2023	13,510	8,106	-	8,106
2007 - D	QZABS ⁽²⁾	2023	28,160	28,130	2,992	31,122
2008 - E	4.000 - 6.000	2039	282,365	263,740	235,328	499,068
2008 - F	4.000 - 5.250	2028	114,215	114,190	39,966	154,156
2009 - B	4.000 - 5.000	2019	30,710	28,545	4,270	32,815
2009 - C	Variable Rate ⁽⁴⁾	2026	49,200	49,200	5,628 ⁽⁵⁾	54,828
2010 - A	5.000	2016	27,820	10,680	807	11,487
2010 - B	4.735 - 6.765	2040	221,485	221,485	240,855 ⁽⁶⁾	462,340
2010 - C	2.500 - 5.000	2022	300,045	208,360	42,831	251,191
2010 - D	3.125 - 5.000	2023	49,365	49,365	14,118	63,483
2010 - E	4.000 - 5.250	2025	125,880	116,980	46,467	163,447
2010 - F	Variable Rate ⁽⁴⁾	2031	150,000	150,000	25,106 ⁽⁵⁾	175,106
2010 - G	Variable Rate ⁽⁴⁾	2031	150,000	150,000	25,106 ⁽⁵⁾	175,106
2011 - A	5.995	2031	144,625	144,625	143,059 ⁽⁷⁾	287,684
2011 - B	2.000 - 5.000	2022	16,970	14,075	1,731	15,806
2011 - C	5.000	2022	41,185	30,965	6,598	37,563
2011 - D	3.000 - 5.000	2022	16,330	14,780	2,377	17,157
2012 - A	2.000	2017	35,313	21,188	847 ⁽⁸⁾	22,035
2012 - B	5.000 ⁽³⁾	2032	264,995	260,485	140,617	401,102
			<u>4,122,088</u>	<u>3,177,579</u>	<u>1,784,034</u>	<u>4,961,613</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 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 expires January 3, 2017. All variable rate bonds are trading at or below SIFMA. For LOC administrative purposes, Series G Bonds of 2010 was divided into Series G & H of 2010.

(5) The School District budgets its variable rate debt at 1.25%.

(6) Bonds issued as ARRA Federal Taxable Build American Bonds receive a cash subsidy from United States Treasury equal to 35% of interest payable. In Fiscal Year 2014, this subsidy was reduced by \$0.4 million due to the Federal Budget Sequestration.

(7) Bonds issued as ARRA Qualified School Construction Bonds 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 2014, this subsidy was reduced by \$0.6 million due to the Federal Budget Sequestration.

(8) The School District issued a note to SEPTA 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.

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Debt service to maturity on general obligation bonds at June 30, 2014 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

<u>Governmental Activities</u> (Dollars in Thousands)			
Year Ending June 30	Principal	Interest ⁽¹⁾	Total
2015	\$ 102,499	\$ 91,527	\$ 194,026
2016	108,664	86,861	195,525
2017	111,944	82,130	194,074
2018	112,897	77,097	189,994
2019	116,442	72,176	188,618
2020-2024	574,953	283,991	858,944
2025-2029	462,040	188,184	650,224
2030-2034	299,400	104,411	403,811
2035-2039	149,555	31,610	181,165
2040	14,330	969	15,299
Total	<u>\$ 2,052,724</u>	<u>\$ 1,018,956</u>	<u>\$ 3,071,680</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, 2017. Currently, 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, 2014 is summarized as follows:

<u>Governmental Activities</u> (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2015	3.625-5.000	\$ 16,475	\$ 54,870	\$ 71,345
2016	3.625-5.000	17,255	54,083	71,338
2017	3.750-5.000	18,125	53,220	71,345
2018	3.750-5.000	19,030	52,314	71,344
2019	3.875-5.000	19,980	51,362	71,342
2020 – 2024	4.000-5.000	154,560	240,258	394,818
2025 – 2029	5.000-5.500	340,550	181,677	522,227
2030 – 2034	4.450-5.000	500,530	74,695	575,225
2035 – 2036	4.450-4.500	38,350	2,599	40,949
Total		<u>\$ 1,124,855</u>	<u>\$ 765,078</u>	<u>\$ 1,889,933</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, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows (amounts in thousands; debit (credit)):

<u>Change in Fair Value</u>			<u>Fair Value at June 30, 2014</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 revenue	\$ 837	Investment	\$ (23,114)	\$ 500,000
				<u>\$ (23,114)</u>	

As of June 30, 2014, 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) Defeasements

As of June 30, 2014, \$17.9 million of bonds outstanding are considered to be partially defeased and the liability has been removed from long-term liabilities. This includes:

- The QZAB bond Series 2004E of \$19.3 million, issued September 2004, and due September 1, 2018 which 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 scheduled payments of the defeased debt. As of June 30, 2014, \$12.4 million is considered partially defeased in substance for accounting and financial reporting purposes.

- (ii) The QZABs bond Series 2007C and 2007D of \$13.5 and \$28.2 million, respectively, were issued December 28, 2008, and due December 28, 2022 which 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, 2014, \$5.4 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, 2014, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$1,698.8 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, 2014, the arbitrage rebate calculation indicates a liability totaling \$265,706 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. 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, 2014.

The School District has reserved \$265,706 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, 2014 amounted to \$7,116,693. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2015	\$ 3.4
2016	2.5
Total	\$ 5.9

(4) General Obligation Bonds/Lease Rental Payable

The ending balance for bonded debt was \$3,177.6 million with net adjustment for bond premiums and discounts of \$109.9 million. As of June 30, 2014, the total bonded debt was \$3,287.5 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) 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, 2014, was \$124.7 million under the governmental activities. July and August 2014 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2015 appropriations.

(7) 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, 2014. 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, 2014, the Incurred But Not Reported Payable amounted to \$9.4 million.

(8) 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, 2014, the DHS liability was \$2.5 million.

(9) 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, 2014, the District had an OPEB obligation of \$810,906. See Note 4J Other Post Employment Life Insurance Benefits for details.

(10) 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.

(11) 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, 2014, the remaining NSF liability was \$1.6 million.

(12) Other Liabilities

Other liabilities consist of \$114.0 million for Workers' Compensation, \$6.3 million for Unemployment Compensation Claims and \$5.6 million for Claims & Judgments.

E. Interfund Receivables, Payables and Transfers

- (1) The composition of Interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 2,594,547
Payroll Liabilities Fund	General Fund	14,314,109
Payroll Liabilities Fund	Debt Service Fund	341,984

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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 \$2,594,547 under the Enterprise Fund represents a reclassification of a negative equity in pooled cash and investments. This amount was reclassified as an internal balance on the District-wide financial statements.

The balance of \$14,314,109 payable under the General Fund primarily represents accrued fringe benefits payable in the final payroll for Fiscal Year 2014. The payable was satisfied on July 3, 2014.

The balance of \$341,984 under the Debt Service Fund represents a reclassification of a negative equity in pooled cash and investments.

- (2) Interfund transfers at June 30, 2014 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	\$ -	\$ 1,417,351	\$ -	\$ 1,417,351
Intermediate Unit	228,999,479	-	-	228,999,479
Categorical	1,961,673	-	-	1,961,673
Debt Service	262,289,839	-	289,457	262,579,296
Print Shop	573,424	-	-	573,424
Total	<u>\$ 493,824,415</u>	<u>\$ 1,417,351</u>	<u>\$ 289,457</u>	<u>\$ 495,531,223</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 2014 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, 2014 are summarized as follows:

New Construction and Land	\$ 4,156,528
Environmental Management	649,722
Alterations and Improvements	19,652,999
Equipment Acquisition	64,686
Total	<u>\$ 24,523,935</u>

- (2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2014 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 16,169,973	\$ 814,092

- (3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$5.0 million at June 30, 2014.

G. Affiliated Organizations

The Philadelphia Education Fund, Philadelphia Academies, Inc., Foundations, Inc., Aspira, Inc., Cora Services, Inc., Elwyn, Inc., Philadelphia Youth Network, Inc., Education Works, Inc., International Education and Community Initiatives-One Bright Ray, Inc., Catapult Learning, LLC and Philadelphia's Children First Fund are nonprofit corporations and are funded by grants, contributions and approximately \$28.7 million in contract revenue from the School District during Fiscal Year 2014. 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 three hundred sixty-eight (368) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.3 million.

Of those, three hundred fifty (350) 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, two hundred and ten (210) unfavorable outcomes are deemed probable and one hundred and five (105) are considered reasonably possible, in the aggregate of \$1.5 million and \$0.4 million respectively.

There are six (6) 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 are deemed probable and reasonably possible in the aggregate amounts of approximately \$1.3 million and \$0.4 million respectively.

There are twelve (12) 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 in the aggregate amounts of approximately \$0.4 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 \$24.7 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 \$0.3 million and \$9.0 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 \$2.1 million and \$1.5 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 enrollment. 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 enrollment 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 enrollment figures, an audit of reported enrollment 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 enrollment 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. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing. Because no final determination of forgiveness has been made, however, there remains a possible loss in this category in 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, 2014 and continuing until January 30, 2015, 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 two additional PDLs on the remaining findings that required corrective actions, but did not result in monetary exposure. All of the corrective actions have already been implemented as part of the corrective action plan agreed upon with the PDE and DOE.

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. PDE raised two primary arguments against the recovery of the remaining liability: (1) the statute of limitations bars an additional \$5.3 million in costs; and (2) equitable offset extinguishes the remaining liability. The administrative law judge (ALJ) issued a decision on February 28, 2014 rejecting these arguments and sustaining the full amount of disputed liabilities. On March 31, 2014, PDE and the School District appealed the initial decision to the Secretary. On May 5, 2014, the Secretary provided notice that a decision will be forthcoming based on his review of the ALJ decision. On December 29, 2014, the Secretary issued a decision affirming the liability in the ALJ decision, although he did not adopt the ALJ’s proposed standard for denying equitable offset. The Secretary’s final decision may be appealed to the U.S. Court of Appeals for the Third Circuit by February 27, 2015. In the opinion of the School District, the liability for \$7.2 million is reasonably possible.

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.

With regard to the March PDL, the case involves new and novel interpretations of law so it is not possible to predict with any reliability the likelihood of a recovery in the amount of \$7.2 million. Although DOE has applied a differing statute of limitations analysis, the September PDL liability arguably falls within the standard statute of limitations defense as well as the DOE’s new analysis; therefore in the opinion of the School District, the recovery by the DOE in the amount of \$2.5 million is remote. Because of the long appeal process, no assurance can be given by outside counsel at this time 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 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 the liability included on the PDLs will be reduced based on the application of the statute of limitations and equitable offset.

- (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 July 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 the 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 the School District's 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, 2014, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2014.

(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 Form 363, used to calculate charter school tuition, contains an allowance for improper deductions in the calculation of the regular education expenditure. The issue is 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 in more than 200 subsidy withholding requests submitted to PDE seeking subsidy from many school districts in Pennsylvania.

Because there are more than 200 appeals pending, PDE selected four cases involving Pittsburgh School District and charter schools as example cases on the legal issues involved. PDE had assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. However, prior to the hearing, the dispute between Pittsburgh School District and the charter schools was settled.

It is expected that PDE will select a different representative case to decide the legal question involved. However, no hearing is currently scheduled. The School District of Philadelphia intends to file a Petition to Intervene in the chosen 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 stayed pending the outcome of the example case.

The School District intends to vigorously defend its position, 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 PDE's 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 legal claims, in the opinion of the School District's outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately \$5.7 million for the pending withholding requests of which we are aware, assuming that the charter schools successfully argue that they are entitled to a portion of the School District's federal funding. The exposure 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.

(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 next year. 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. To date, about 857 taxpayers with property collectively valued at about \$814 million filed assessment appeals with the BRT. The School District filed cross appeals in cases deemed appropriate. The deadline to file an assessment appeal for 2013 expired on October 1, 2012 for all but about 5,000 taxpayers. The City believes a prudent yet reasonable estimate of the amount of total amount of the potential loss on the 800 cases for 2013 would be less than \$5 million and therefore the loss to the School District would be approximately \$2.7 million.

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. Based upon the requirements of GASB Statement No. 45, 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. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the life insurance benefit plan can be obtained by writing to 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 numbers of eligible participants enrolled to receive such benefits as of June 30, 2014, the effective date of the biennial OPEB valuation, follows. 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	12,213	46.0
Non-represented	787	48.5
Retirees	10,357	76.8
Disabled	91	59.4
Total	23,448	59.4

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

School District of Philadelphia

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, 2014. There was a change in actuarial assumptions since the last biennial actuarial valuation. The payroll growth assumption was eliminated as the District is now using level dollar amortization of the unfunded liability.

Normal Cost	\$ 82,021
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	916,182
Annual Required Contribution (ARC)	998,203
Interest on Net OPEB Obligation	12,624
Adjustment to the ARC	(20,463)
Annual OPEB Cost	<u>\$ 990,364</u>
Net OPEB Obligation as of June 30, 2013	\$ 388,430
Annual OPEB Cost	990,364
Employer Contributions	(567,888)
Increase/(Decrease) in net OPEB Obligation	<u>\$ 422,476</u>
Net OPEB Obligation as of June 30, 2014	<u>\$ 810,906</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, 2014 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2012	\$810,749	83.9%	\$130,344
2013	810,749	68.2%	388,430
2014	990,364	57.3%	810,906

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, 2014, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$18.0 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.0 million.

Active	\$3,280,989
Inactive	14,675,072
Total	\$17,956,061

Covered Payroll (annual payroll of active
employees covered by the plan) \$751,086,581

UAAL as a percentage of covered payroll .02390%

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2014 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.
- 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, 2013 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, 2013 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, 2014 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.

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. 8101-8535) 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 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive employees as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with 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 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and 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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions -Contributions required of employers are based upon an actuarial valuation. For Fiscal Year ended June 30, 2014 the rate of employer contribution was 16.93 % of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00 % for pension benefits and .93 % for health insurance premium assistance. The School District's contributions to PSERS for the years ending June 30, 2012, 2013, and 2014 were \$93,833,216, \$129,407,591 and \$165,411,871 respectively.

Commonwealth Contributions - The Commonwealth pays the School District 50 % of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 % 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 2014 was 72.62 %.

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 \$1.0 million 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 \$23.1 million in the General Fund and the long-term portion of its risk management obligations totaling \$135.3 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, 2014, the amount of these liabilities totaled \$158.4 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

	Beginning <u>Liability</u>	Claims & <u>Adjustments</u>	Claim <u>Payments</u>	Ending <u>Liability</u>	Due Within <u>One Year</u>
Fiscal Year 2013	\$ 180.5	\$ 243.3	\$ 247.4	\$ 176.4	\$ 81.7
Fiscal Year 2014	\$ 176.4	\$ 208.6	\$ 226.6	\$ 158.4	\$ 68.9

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. Prior Period Adjustment

District-wide net position beginning balances were decreased by \$30,069,247. These adjustments involved a correction of \$9,417,845 for capital assets and an accounting change of \$20,651,402.

The \$9,417,845 capital assets adjustment involved: (1) an increase to Land of \$40,050 which was previously not recorded, (2) the removal of Construction of Progress of \$1,393,595 for items deemed not capitalizable, and (3) the removal of \$8,064,300 for Artwork no longer capitalized per GASBS 34, par 27. (See Note 4C)

The accounting change adjustment was the result of the District implementing GASBS 65, Items Previously Reported as Assets and Liabilities. GASBS 65 amended the accounting and financial reporting guidance for certain items previously reported as assets and liabilities. As a result of this accounting change, the beginning District-wide net position as of July 1, 2013 was decreased by \$20,651,402 in Governmental Activities. GASBS 65 requires bond issuance costs to be expensed, except for those costs related to prepayments. Prior unamortized costs were retroactively written off as reflected in the effect of restating prior periods.

N. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that occurred subsequent to June 30, 2014 through and including February 13, 2015. During this period, the School District did not have any material subsequent events other than those described below:

(1) Tax and Revenue Anticipation Notes

On July 3, 2014 the School District issued its annual tax and revenue anticipation notes for cyclical cash flow purposes in the aggregate principal amount of \$300.0 million (the "FY 2015 Notes"). The notes will be paid off by June 30, 2015.

(2) Credit and Bond Ratings

On July 21, 2014, Moody's Investors Service ("Moody's") downgraded its rating of "Aa2" to "Aa3" on the Commonwealth of Pennsylvania's ("Commonwealth") outstanding general obligation bonds. At the same time Moody also downgraded all ratings based on the intercept provisions of the Pennsylvania Public School code of 1949, as amended. The specific rating changes which affect the above-referenced general obligation bonds and lease rental debt ("Bonds") issued by or on behalf of The School District of Philadelphia, Pennsylvania ("School District"), based on the intercept provisions were announced on July 22, 2014. The ratings assigned to Bonds based on what Moody's describes as the Pennsylvania School District Fiscal Agent Agreement Intercept Program (Sec. 633) and the State Public School Building Authority Lease Revenue Intercept Program have been downgraded from "Aa3" to "A1" with a stable outlook.

On August 15, 2014, Moody downgraded the District's underlying credit from "Ba2" to "Ba3".

School District of Philadelphia

On September 23, 2014 Fitch Ratings (“Fitch”) downgraded from “AA” to “AA-” its rating on the Commonwealth of Pennsylvania’s (“Commonwealth”) outstanding general obligation bonds. At the same time Fitch also downgraded all ratings assigned to the general obligation bonds, revenue bonds and lease rental debt (“Bonds”) issued by or on behalf of the School District based on what Fitch describes as the Pennsylvania School Credit Enhancement Intercept Program and the Pennsylvania School Credit Enhancement Direct-Pay Intercept Program from “AA-” to “A+” with a stable outlook.

On October 02, 2014 Fitch downgraded the district's underlying bond rating to “BB-”.

(3) Sale of School District Property

Between September 5, 2014 and January 9, 2015, the District sold three school district properties for a net of \$17.8 million. Of this amount, \$13.0 million will be used during Fiscal Year 2015 for operating purposes while the remaining will be used for defeasance costs of approximately \$2.7 million and for future capital projects of approximately \$2.1million.

**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, 2014

General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local Taxes	\$ 875,107,000	\$ 895,163,000	\$ 897,596,570	\$ 2,433,570
Locally Generated Non Tax	98,382,000	141,145,000	166,929,950	25,784,950
State Grants and Subsidies	1,250,711,000	1,253,331,000	1,258,151,837	4,820,837
Federal Grants and Subsidies	11,881,000	11,284,000	11,286,321	2,321
Total Revenues	2,236,081,000	2,300,923,000	2,333,964,678	33,041,678
OBLIGATIONS				
Current Operating				
Instruction	745,087,499	877,862,760	879,015,348	(1,152,588)
Student Support Services	24,730,040	23,659,534	22,810,467	849,067
Administrative Support	49,868,292	63,791,889	59,552,597	4,239,292
Operation & Maintenance of Plant Services	216,048,111	219,763,010	204,640,888	15,122,122
Pupil Transportation	85,985,306	92,753,068	86,555,856	6,197,212
All Other Support Services	(3,957,167)	(24,533,434)	(31,301,543)	6,768,109
Payments to Charter Schools	676,156,744	700,434,108	701,929,787	(1,495,679)
Allocated Costs	(16,936,105)	(16,904,390)	-	(16,904,390)
Total Obligations	1,776,982,720	1,936,826,545	1,923,203,400	13,623,145
Excess of Revenues Over (Under) Obligations	459,098,280	364,096,455	410,761,278	46,664,823
OTHER FINANCING SOURCES (USES)				
Transfers In	1,550,000	1,255,000	1,417,351	162,351
Transfers Out	(493,736,900)	(424,520,400)	(494,021,721)	(69,501,321)
Capital Asset Proceeds	-	-	22,581,503	22,581,503
Total Other Financing Sources (Uses)	(492,186,900)	(423,265,400)	(470,022,867)	(46,757,467)
Net Change in Fund Balances	(33,088,620)	(59,168,945)	(59,261,589)	(92,644)
Fund Balances, July 1, 2013	(67,405,600)	(54,704,700)	(40,788,429)	13,916,271
Change in Inventory Reserve	-	-	72,466	72,466
Change in Encumbrance Reserve	-	-	3,157,606	3,157,606
Fund Balances, June 30, 2014	\$ (100,494,220)	\$ (113,873,645)	\$ (96,819,946)	\$ 17,053,699

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
371,000	409,000	582,325	173,325
103,441,000	102,333,000	101,881,034	(451,966)
-	-	-	-
103,812,000	102,742,000	102,463,359	(278,641)
232,925,836	227,709,669	229,206,633	(1,496,964)
92,515,249	93,179,831	92,617,334	562,497
977,921	555,636	479,462	76,174
-	-	-	-
-	-	-	-
-	-	-	-
8,840,204	9,216,489	9,356,715	(140,226)
335,259,210	330,661,625	331,660,144	(998,519)
(231,447,210)	(227,919,625)	(229,196,785)	(1,277,160)
231,447,200	227,919,600	229,196,785	1,277,185
-	-	-	-
-	-	-	-
231,447,200	227,919,600	229,196,785	1,277,185
(10)	(25)	-	25
-	-	967,772	967,772
-	-	-	-
-	-	(153,680)	(153,680)
\$ (10)	\$ (25)	\$ 814,092	\$ 814,117

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
06/30/2010	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
06/30/2014	0	17,956,061	17,956,061	0.0%	751,086,581	.02390

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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	\$ 2,333,964	\$ 102,463
Revenue - GAAP Basis	\$ 2,333,964	\$ 102,463
Obligations – Basis of Budgeting	\$ 1,923,203	\$ 331,660
Current Year Encumbrances	(15,614)	(800)
Prior Year Encumbrance Payments	5,908	756
Prior Year Encumbrance Cancellations and Other Adjustments	6,745	-
Expenditures - GAAP Basis	\$ 1,920,243	\$ 331,616
Other Financing Sources (Uses) -		
Basis of Budgeting	\$ (470,023)	\$ 229,197
Prior Year Encumbrance Cancellations	197	(197)
Other Financing Sources (Uses) - GAAP Basis	\$ (469,826)	\$ 229,000

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

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2014:

A. General Fund

(1). Payments to Charter Schools	\$	1,495,679
(2). Allocated Costs		16,904,390

B. Intermediate Unit Fund

(1). Instruction	\$	1,496,964
(2). Allocated Costs		140,226

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$1,495,679 in “Payments to Charter Schools” results from higher than budgeted expenditures for cyber charter schools. Unlike other charter schools, cyber charters have not been required to enter their enrolled students into a District information system on a monthly basis; they often send their invoices to the District only after a significant delay, making accurate budgeting more difficult.

The negative variance of \$16,904,390 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 \$1,496,964 in “Instruction” is due to fewer extraordinary special education costs being funded through ACCESS/Medicaid fee-for-service grant funds than budgeted; Intermediate Unit funds beyond the budgeted amounts were required to fund these extraordinary expenditures.

The negative variance of \$140,226 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 \$ 16,936,105 and \$ 16,904,390, 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 2010, 2012, and 2014. 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, 2010, June 30, 2012, and June 30, 2014, the plan is not funded and therefore there are no assets. Life insurance benefit is not based upon payroll.

The June 30, 2014 OPEB valuation report for the life insurance benefits liability of the District was prepared by an outside actuary. This report reflects a change in actuarial assumptions since the prior biennial valuation. The payroll growth assumption was eliminated as the District is now using an open 30-year level dollar amortization of the unfunded liability in determining the Annual Required Contribution. This change was necessary due to the projected negative growth of our payroll dollars over the next 5 years and the anticipated future 0% growth thereafter.

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, 2014 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, 2014 there were eighty-nine Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,169,970	\$ 2,130,148	\$ 6,300,118
Total Assets	<u>\$ 4,169,970</u>	<u>\$ 2,130,148</u>	<u>\$ 6,300,118</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 2,985	\$ 3,600	\$ 6,585
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,365,405	1,365,405
Restricted:			
Trust Purposes	4,166,985	761,143	4,928,128
Total Fund Balances	<u>4,166,985</u>	<u>2,126,548</u>	<u>6,293,533</u>
Total Liabilities and Fund Balances	<u>\$ 4,169,970</u>	<u>\$ 2,130,148</u>	<u>\$ 6,300,118</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, 2014

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 59,714	\$ 4,142	\$ 63,856
EXPENDITURES			
Instruction	29,696	23,241	52,937
Excess (Deficiency) of Revenues Over Expenditures	30,018	(19,099)	10,919
Fund Balances, July 1, 2013	4,136,967	2,145,647	6,282,614
Fund Balances, June 30, 2014	\$ 4,166,985	\$ 2,126,548	\$ 6,293,533

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 604,275,000	\$ 599,216,000	\$ 592,906,317	\$ (6,309,683)
Prior Years	53,633,000	66,730,000	64,512,002	(2,217,998)
Payment in Lieu of Taxes	-	-	3,489	3,489
Use and Occupancy	133,300,000	134,850,000	138,079,800	3,229,800
School (Non-Business) Income	28,750,000	34,400,000	40,500,878	6,100,878
Liquor Sales	54,100,000	58,900,000	60,526,680	1,626,680
Public Utility Realty	1,049,000	1,067,000	1,067,404	404
Total Local Taxes	875,107,000	895,163,000	897,596,570	2,433,570
Locally Generated Non Tax				
Interest on Investments	503,000	304,000	299,902	(4,098)
City Contributions	69,050,000	69,050,000	96,050,100	27,000,100
Legal Settlements	1,572,000	-	-	-
Stadium Agreements	2,716,000	2,755,000	2,754,500	(500)
Voluntary Contributions	338,000	372,000	370,928	(1,072)
Parking Authority Contributions	9,914,000	10,000,000	9,722,797	(277,203)
Gaming Revenue	5,000,000	5,000,000	4,829,407	(170,593)
One Time State Grant Received from City of Philadelphia	-	45,000,000	45,000,000	-
Reimbursement from Other Funds	14,000	14,000	13,860	(140)
Miscellaneous	9,275,000	8,650,000	7,888,456	(761,544)
Total Locally Generated Non Tax	98,382,000	141,145,000	166,929,950	25,784,950
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	982,424,000	984,007,000	984,007,247	247
Less: Reimbursement of Prior Years IU Advances	49,950,000	49,307,000	49,303,636	(3,364)
Net Instruction	932,474,000	934,700,000	934,703,611	3,611
Debt Service	20,949,000	20,949,000	14,808,808	(6,140,192)
School Health Program				
Nurse Services	733,000	1,174,000	1,188,075	14,075
Medical and Dental	1,800,000	1,952,000	2,036,700	84,700
Tuition	81,000	615,000	625,305	10,305
Area Vocational Technical Education	3,775,000	5,359,000	5,446,790	87,790
Transportation	60,001,000	60,181,000	60,205,341	24,341
District Special Education	126,882,000	127,544,000	127,543,847	(153)
Retirement	70,869,000	68,803,000	75,672,682	6,869,682
Social Security	33,147,000	32,054,000	35,920,678	3,866,678
Total State Grants and Subsidies	1,250,711,000	1,253,331,000	1,258,151,837	4,820,837
Federal Grants and Subsidies				
Federal Debt Service Subsidy	11,717,000	11,105,000	11,105,169	169
Impacted Area Aid	164,000	179,000	181,152	2,152
Total Federal Grants and Subsidies	11,881,000	11,284,000	11,286,321	2,321
Total Other Governments	1,262,592,000	1,264,615,000	1,269,438,158	4,823,158
Total Revenues	\$ 2,236,081,000	\$ 2,300,923,000	\$ 2,333,964,678	\$ 33,041,678

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 247,291	\$ 1,411,077	\$ 999,637	\$ 411,440
Employee Benefits	162,439	865,878	596,836	269,042
Prof.,Tech. Services	40,000	145,000	94,884	50,116
Property,Transportation,Comm.	50,000	30,000	13,668	16,332
Materials, Supplies, Books and Equipment	15,000	107,500	109,756	(2,256)
	514,730	2,559,455	1,814,781	744,674
Elementary Education				
Personal Services	194,520,480	260,802,576	266,581,852	(5,779,276)
Employee Benefits	116,766,604	155,874,459	159,966,175	(4,091,716)
Prof.,Tech. Services	-	92,998	75,205	17,793
Property,Transportation,Comm.	-	-	80,601	(80,601)
Materials, Supplies, Books and Equipment	417,903	4,333,392	3,551,001	782,391
Other	12,382,113	-	-	-
	324,087,100	421,103,425	430,254,834	(9,151,409)
Middle School Education				
Personal Services	39,841,977	38,387,197	38,640,205	(253,008)
Employee Benefits	24,522,066	22,346,796	22,928,389	(581,593)
Prof.,Tech. Services	6,859,018	2,010,826	2,008,426	2,400
Property,Transportation,Comm.	-	-	187,901	(187,901)
Materials, Supplies, Books and Equipment	49,921	737,521	352,133	385,388
	71,272,982	63,482,340	64,117,054	(634,714)
Senior High School Education				
Personal Services	98,971,415	110,692,239	113,243,235	(2,550,996)
Employee Benefits	61,148,149	64,288,350	64,074,470	213,880
Prof.,Tech. Services	589,565	2,382,333	1,862,029	520,304
Property,Transportation,Comm.	10,165	235,165	693,128	(457,963)
Materials, Supplies, Books and Equipment	878,251	2,428,674	1,603,285	825,389
Other	(1,000,000)	-	-	-
	160,597,545	180,026,761	181,476,147	(1,449,386)
Special Education				
Personal Services	7,987,844	7,498,940	7,280,621	218,319
Employee Benefits	4,936,100	4,569,396	4,550,854	18,542
Materials, Supplies, Books and Equipment	10,660	10,760	10,421	339
	12,934,604	12,079,096	11,841,896	237,200

(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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Area Vocational Technical Education				
Personal Services	\$ 16,922,646	\$ 19,907,508	\$ 19,804,041	\$ 103,467
Employee Benefits	10,307,332	11,614,976	11,899,004	(284,028)
Prof.,Tech. Services	300,073	393,373	391,395	1,978
Property,Transportation,Comm.	147,659	149,659	302,522	(152,863)
Materials, Supplies, Books and Equipment	488,441	775,883	659,221	116,662
Other	154,906	73,356	-	73,356
	28,321,057	32,914,755	33,056,183	(141,428)
Desegregation				
Personal Services	-	-	75,651	(75,651)
Employee Benefits	-	-	47,734	(47,734)
Property,Transportation,Comm.	-	-	4,855	(4,855)
	-	-	128,240	(128,240)
Promise Academies				
Personal Services	-	3,712,247	2,781,631	930,616
Employee Benefits	-	2,012,100	1,540,346	471,754
Prof.,Tech. Services	-	-	31,000	(31,000)
Property,Transportation,Comm.	-	-	5,522	(5,522)
Materials, Supplies, Books and Equipment	-	1,380,271	787,791	592,480
	-	7,104,618	5,146,290	1,958,328
School Support Services				
Personal Services	37,254,063	42,039,096	40,599,354	1,439,742
Employee Benefits	19,886,930	22,068,071	19,572,776	2,495,295
Prof.,Tech. Services	730,225	2,961,508	2,942,754	18,754
Property,Transportation,Comm.	261	9,689	7,559	2,130
Materials, Supplies, Books and Equipment	818,657	566,118	58,737	507,381
Other	1,310,322	-	-	-
	60,000,458	67,644,482	63,181,180	4,463,302
Payment to Other Educational Entities				
Prof.,Tech. Services	29,978,282	32,011,633	30,025,344	1,986,289
Property,Transportation,Comm.	57,298,666	58,856,543	57,929,921	926,622
	87,276,948	90,868,176	87,955,265	2,912,911
Adult Education				
Personal Services	59,380	59,380	34,018	25,362
Employee Benefits	22,695	20,272	9,460	10,812
	82,075	79,652	43,478	36,174
Total Instruction	745,087,499	877,862,760	879,015,348	(1,152,588)

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 15,255,997	\$ 14,368,860	\$ 14,207,694	\$ 161,166
Employee Benefits	9,138,808	8,269,400	8,545,244	(275,844)
Prof.,Tech. Services	325,000	325,000	-	325,000
Property,Transportation,Comm.	80,446	80,446	12,739	67,707
Materials, Supplies, Books and Equipment	191,997	163,174	155,277	7,897
Other	(722,663)	-	-	-
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	24,269,585	23,206,880	22,920,954	285,926
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Office of Specialized Services				
Personal Services	208,549	206,841	138,000	68,841
Employee Benefits	110,731	104,638	72,549	32,089
Prof.,Tech. Services	134,200	134,200	129,200	5,000
Property,Transportation,Comm.	4,775	4,775	(452,150)	456,925
Materials, Supplies, Books and Equipment	2,200	2,200	1,914	286
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	460,455	452,654	(110,487)	563,141
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Total Student Support Services	24,730,040	23,659,534	22,810,467	849,067
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Administrative Support				
Regional Offices/Learning Networks				
Personal Services	-	1,142,653	1,017,783	124,870
Employee Benefits	-	513,336	452,073	61,263
Property,Transportation,Comm.	-	-	655	(655)
Other	-	-	(315)	315
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	-	1,655,989	1,470,196	185,793
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Financial Services				
Personal Services	4,040,045	3,034,557	3,415,371	(380,814)
Employee Benefits	2,454,535	1,679,187	1,903,057	(223,870)
Prof.,Tech. Services	1,342,207	843,449	829,745	13,704
Property,Transportation,Comm.	46,187	68,470	69,706	(1,236)
Materials, Supplies, Books and Equipment	73,355	62,215	31,371	30,844
Other	(1,643,554)	840,000	458,129	381,871
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	6,312,775	6,527,878	6,707,379	(179,501)
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Office of Procurement Services				
Personal Services	602,963	582,999	546,469	36,530
Employee Benefits	397,108	356,960	358,273	(1,313)
Prof.,Tech. Services	68,221	68,221	3,167	65,054
Property,Transportation,Comm.	16,745	16,081	6,917	9,164
Materials, Supplies, Books and Equipment	14,579	14,579	(49,902)	64,481
Other	-	-	(55,356)	55,356
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	1,099,616	1,038,840	809,568	229,272
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(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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 4,227,880	\$ 3,876,900	\$ 3,580,077	\$ 296,823
Employee Benefits	2,605,137	2,267,820	2,096,658	171,162
Prof.,Tech. Services	344,900	382,326	309,781	72,545
Property,Transportation,Comm.	4,179	4,179	30,170	(25,991)
Materials, Supplies, Books and Equipment	87,433	87,433	45,688	41,745
Other	(2,533,409)	-	(633)	633
	4,736,120	6,618,658	6,061,741	556,917
Information Technology				
Personal Services	4,877,565	5,102,624	4,852,558	250,066
Employee Benefits	2,871,399	2,812,729	2,806,621	6,108
Prof.,Tech. Services	3,401,954	3,327,034	2,930,360	396,674
Property,Transportation,Comm.	2,169,153	2,169,732	2,147,525	22,207
Materials, Supplies, Books and Equipment	3,796,319	3,800,931	2,354,943	1,445,988
Other	(4,954,338)	(3,200,000)	(2,562,466)	(637,534)
	12,162,052	14,013,050	12,529,541	1,483,509
Alternative Education				
Personal Services	1,031,730	891,589	1,135,908	(244,319)
Employee Benefits	626,507	526,484	685,152	(158,668)
Prof.,Tech. Services	10,000	-	-	-
Property,Transportation,Comm.	3,219	3,219	6,016	(2,797)
Materials, Supplies, Books and Equipment	99,703	51,006	44,112	6,894
	1,771,159	1,472,298	1,871,188	(398,890)
Accountability, Assessment & Intervention				
Personal Services	6,232,955	2,441,009	605,331	1,835,678
Employee Benefits	4,125,932	1,362,929	299,386	1,063,543
Prof.,Tech. Services	2,989,835	68,000	50,000	18,000
Property,Transportation,Comm.	116,545	2,890	346	2,544
Materials, Supplies, Books and Equipment	132,717	17,313	583	16,730
Other	(1,120,280)	(350,000)	(4,473)	(345,527)
	12,477,704	3,542,141	951,173	2,590,968
Office of School Management				
Personal Services	-	2,055,555	4,520,870	(2,465,315)
Employee Benefits	-	1,230,643	2,827,167	(1,596,524)
Prof.,Tech. Services	-	326,143	188,098	138,045
Property,Transportation,Comm.	-	85,876	36,181	49,695
Materials, Supplies, Books and Equipment	-	131,485	99,925	31,560
Other	-	-	(231,660)	231,660
	-	3,829,702	7,440,581	(3,610,879)

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Secondary Education				
Personal Services	\$ 257,177	\$ 152,737	\$ 165,241	\$ (12,504)
Employee Benefits	125,669	67,549	91,408	(23,859)
Prof.,Tech. Services	411,941	424,951	319,221	105,730
Property,Transportation,Comm.	148,151	110,731	149,772	(39,041)
Materials, Supplies, Books and Equipment	220,715	29,898	83,815	(53,917)
Other	(12,279)	-	(4,298)	4,298
	1,151,374	785,866	805,159	(19,293)
Curriculum, Instruction & Professional Development				
Personal Services	2,117,852	699,704	605,088	94,616
Employee Benefits	1,144,621	375,594	313,974	61,620
Prof.,Tech. Services	-	5,500	7,332	(1,832)
Property,Transportation,Comm.	16,450	1,931	79,704	(77,773)
Materials, Supplies, Books and Equipment	270,930	30,766	33,478	(2,712)
Other	21,688	-	(16,750)	16,750
	3,571,541	1,113,495	1,022,826	90,669
Office of the Chief Operations Officer				
Personal Services	1,167,557	1,429,688	1,047,336	382,352
Employee Benefits	748,342	829,610	652,965	176,645
Prof.,Tech. Services	287,700	25,000	20,000	5,000
Property,Transportation,Comm.	192,902	193,302	200,500	(7,198)
Materials, Supplies, Books and Equipment	30,278	32,578	8,051	24,527
Other	(4,507,476)	-	(123,449)	123,449
	(2,080,697)	2,510,178	1,805,403	704,775
Executive / Board Management				
Personal Services	4,930,791	4,729,200	3,948,932	780,268
Employee Benefits	2,657,878	2,465,019	2,037,339	427,680
Prof.,Tech. Services	5,024,654	7,937,637	7,275,726	661,911
Property,Transportation,Comm.	214,428	202,409	156,194	46,215
Materials, Supplies, Books and Equipment	126,360	118,698	42,611	76,087
Other	(1,090,877)	-	-	-
	11,863,234	15,452,963	13,460,802	1,992,161
Office of Grant Development & Compliance				
Personal Services	-	-	899,127	(899,127)
Employee Benefits	-	-	455,612	(455,612)
Prof.,Tech. Services	-	-	47,679	(47,679)
Property,Transportation,Comm.	-	-	4,982	(4,982)
Materials, Supplies, Books and Equipment	-	-	14,885	(14,885)
Other	-	551,290	-	551,290
	-	551,290	1,422,285	(870,995)
Office of the Chief Academic Officer				
Personal Services	2,590,724	2,788,193	2,024,044	764,149
Employee Benefits	1,358,759	1,422,129	1,085,786	336,343
Prof.,Tech. Services	798,457	62,500	57,026	5,474
Property,Transportation,Comm.	54,835	112,218	44,420	67,798
Materials, Supplies, Books and Equipment	225,907	294,501	116,242	178,259
Other	(8,225,268)	-	(132,763)	132,763
	(3,196,586)	4,679,541	3,194,755	1,484,786
Total Administrative Support	49,868,292	63,791,889	59,552,597	4,239,292

(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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 56,827,992	\$ 57,694,487	\$ 58,287,089	\$ (592,602)
Employee Benefits	47,556,899	45,147,666	41,169,606	3,978,060
Prof., Tech. Services	8,850,690	9,066,690	8,928,319	138,371
Property, Transportation, Comm.	12,711,535	14,855,535	14,387,942	467,593
Materials, Supplies, Books and Equipment	8,914,043	5,912,138	7,054,415	(1,142,277)
Other	(3,219,000)	(3,219,000)	(7,194,666)	3,975,666
	131,642,159	129,457,516	122,632,705	6,824,811
Food Services Indirect Cost				
Other	(4,043,135)	(3,033,935)	(817,628)	(2,216,307)
Utilities				
Prof., Tech. Services	368,020	268,020	250,000	18,020
Property, Transportation, Comm.	11,088,135	13,401,361	12,904,133	497,228
Materials, Supplies, Books and Equipment	43,884,780	45,820,514	42,205,870	3,614,644
Other	-	-	(3,424,996)	3,424,996
	55,340,935	59,489,895	51,935,007	7,554,888
Security Operations				
Personal Services	19,062,821	19,643,534	19,178,777	464,757
Employee Benefits	13,462,338	13,662,007	13,111,796	550,211
Prof., Tech. Services	67,916	67,916	25,600	42,316
Property, Transportation, Comm.	137,010	99,810	19,164	80,646
Materials, Supplies, Books and Equipment	378,067	376,267	445,680	(69,413)
Other	-	-	(1,890,213)	1,890,213
	33,108,152	33,849,534	30,890,804	2,958,730
Total Oper. & Maint. of Plant Services	216,048,111	219,763,010	204,640,888	15,122,122
Pupil Transportation				
Personal Services	17,650,478	19,343,957	18,378,967	964,990
Employee Benefits	15,599,229	15,608,046	13,517,575	2,090,471
Prof., Tech. Services	914,200	874,771	1,075,804	(201,033)
Property, Transportation, Comm.	92,284,160	97,283,660	96,592,497	691,163
Materials, Supplies, Books and Equipment	5,789,239	5,127,634	4,445,708	681,926
Other	(46,252,000)	(45,485,000)	(47,454,695)	1,969,695
Total Pupil Transportation	85,985,306	92,753,068	86,555,856	6,197,212
All Other Support Services				
Risk Management				
Personal Services	318,227	268,351	195,016	73,335
Employee Benefits	198,558	159,661	115,867	43,794
Prof., Tech. Services	18,743	18,743	-	18,743
Property, Transportation, Comm.	2,089,662	2,089,662	1,830,707	258,955
Materials, Supplies, Books and Equipment	3,000	1,000	-	1,000
Losses and Judgments	5,341,312	7,203,879	6,004,651	1,199,228
	7,969,502	9,741,296	8,146,241	1,595,055

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ 454,800	\$ 174,000	\$ 171,151	\$ 2,849
Property,Transportation,Comm.	15,000	15,000	-	15,000
Interest	2,906,900	793,400	793,425	(25)
	3,376,700	982,400	964,576	17,824
Undistributed				
Personal Services	1,608,770	1,445,086	-	1,445,086
Employee Benefits	(1,834,722)	(18,588,579)	(33,706,452)	15,117,873
Prof.,Tech. Services	922,582	857,982	-	857,982
Property,Transportation,Comm.	425,000	-	-	-
Other	(8,594,987)	(11,141,607)	38,617	(11,180,224)
Cancellation of Prior Years' Encumbrances	(7,830,012)	(7,830,012)	(6,744,525)	(1,085,487)
	(15,303,369)	(35,257,130)	(40,412,360)	5,155,230
Total All Other Support Services	(3,957,167)	(24,533,434)	(31,301,543)	6,768,109
Payments to Charter Schools				
Personal Services	559,383	-	-	-
Employee Benefits	309,607	-	-	-
Prof.,Tech. Services	369,253	577,500	107,800	469,700
Property,Transportation,Comm.	674,861,292	699,856,608	701,821,615	(1,965,007)
Materials, Supplies, Books and Equipment	57,209	-	372	(372)
	676,156,744	700,434,108	701,929,787	(1,495,679)
Allocated Costs	(16,936,105)	(16,904,390)	-	(16,904,390)
Total Obligations	1,776,982,720	1,936,826,545	1,923,203,400	13,623,145
OTHER FINANCING USES				
Local Share of Categorical Programs	2,228,762	2,263,537	1,961,673	301,864
Debt Service Fund	260,060,900	194,337,300	262,289,839	(67,952,539)
Special Education	231,447,200	227,919,600	229,196,785	(1,277,185)
Internal Service Fund	-	-	573,424	(573,424)
Total Other Financing Uses	493,736,862	424,520,437	494,021,721	(69,501,284)
Total General Fund	\$ 2,270,719,582	\$ 2,361,346,982	\$ 2,417,225,121	\$ (55,878,139)
Fund Totals - Object Classes				
Personal Services	\$ 539,374,552	\$ 626,408,784	\$ 628,789,923	\$ (2,381,139)
Employee Benefits	341,409,650	363,933,126	344,077,700	19,855,426
Prof.,Tech. Services	65,602,436	65,833,254	60,157,046	5,676,208
Property,Transportation,Comm.	854,186,560	889,938,951	889,275,412	663,539
Materials, Supplies, Books, and Equipment	66,977,664	72,414,449	64,267,383	8,147,066
Other	(74,050,237)	(64,964,896)	(63,417,615)	(1,547,281)
Interest on Temporary Borrowing	2,906,900	793,400	793,425	(25)
Losses and Judgments	5,341,312	7,203,879	6,004,651	1,199,228
Allocated Costs	(16,936,105)	(16,904,390)	-	(16,904,390)
Other Financing Uses	493,736,862	424,520,437	494,021,721	(69,501,284)
Cancellation of Prior Years' Encumbrances	(7,830,012)	(7,830,012)	(6,744,525)	(1,085,487)
Total General Fund	\$ 2,270,719,582	\$ 2,361,346,982	\$ 2,417,225,121	\$ (55,878,139)

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 5,000	\$ 11,000	\$ 9,211	\$ (1,789)
Non-Public School Programs	16,000	18,000	18,289	289
Tuition	350,000	380,000	554,825	174,825
Total Locally Generated Non Tax	371,000	409,000	582,325	173,325
State Grants and Subsidies				
Special Education Program	4,402,000	4,923,000	4,922,925	(75)
Special Education Transportation	60,369,000	60,492,000	62,962,890	2,470,890
Non-Public School Programs	14,384,000	14,380,000	14,379,529	(471)
Social Security	7,794,000	7,238,000	7,750,645	512,645
Retirement	16,492,000	15,300,000	11,865,045	(3,434,955)
Total State Grants and Subsidies	103,441,000	102,333,000	101,881,034	(451,966)
Total Revenues	<u>\$ 103,812,000</u>	<u>\$ 102,742,000</u>	<u>\$ 102,463,359</u>	<u>\$ (278,641)</u>
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 129,469,943	\$ 122,657,981	\$ 123,133,049	\$ (475,068)
Employee Benefits	90,554,262	91,731,572	84,042,508	7,689,064
Prof.,Tech. Services	5,725,223	8,915,348	7,753,546	1,161,802
Property,Transportation,Comm.	3,451	3,451	18,750	(15,299)
Materials, Supplies, Books and Equipment	1,202,447	877,442	711,700	165,742
Other	(7,701,365)	(10,148,000)	(49,622)	(10,098,378)
Total Special Education	219,253,961	214,037,794	215,609,931	(1,572,137)
Services to Non-Public School Students				
Prof.,Tech. Services	13,671,875	13,671,875	13,596,702	75,173
Total Services to Non-Public School Students	13,671,875	13,671,875	13,596,702	75,173
Total Instruction	232,925,836	227,709,669	229,206,633	(1,496,964)
Student Support Services				
Special Education *				
Personal Services	18,244,439	16,969,566	16,748,502	221,064
Employee Benefits	16,688,810	15,559,589	13,749,535	1,810,054
Prof.,Tech. Services	15,000	15,000	2,950	12,050
Property,Transportation,Comm.	5,055,300	8,190,976	8,791,996	(601,020)
Materials, Supplies, Books and Equipment	10,200	10,200	10,700	(500)
Allocated Costs	(7,872,500)	(8,068,500)	(9,658,449)	1,589,949
Total Special Education	32,141,249	32,676,831	29,645,234	3,031,597

* 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation				
Allocated Costs	\$ 60,374,000	\$ 60,503,000	\$ 62,972,100	\$ (2,469,100)
 Total Student Support Services	 92,515,249	 93,179,831	 92,617,334	 562,497
 Services to Non-Public School Students				
Personal Services	532,840	278,362	285,111	(6,749)
Employee Benefits	325,087	180,289	150,601	29,688
Prof.,Tech. Services	44,030	21,021	2,000	19,021
Property,Transportation,Comm.	40,000	40,000	30,279	9,721
Materials, Supplies, Books and Equipment	35,964	35,964	11,471	24,493
	977,921	555,636	479,462	76,174
 Total Administrative Support	 977,921	 555,636	 479,462	 76,174
 Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	(159,796)	216,489	356,715	(140,226)
 Total Allocated Costs	 8,840,204	 9,216,489	 9,356,715	 (140,226)
 Total Obligations	 335,259,210	 330,661,625	 331,660,144	 (998,519)
 OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(231,447,200)	(227,919,600)	(229,196,785)	1,277,185
 Total Intermediate Unit	 <u>\$ 103,812,010</u>	 <u>\$ 102,742,025</u>	 <u>\$ 102,463,359</u>	 <u>\$ 278,666</u>
 Fund Totals - Object Classes				
Personal Services	\$ 148,247,222	\$ 139,905,909	\$ 140,166,662	\$ (260,753)
Employee Benefits	107,568,159	107,471,450	97,942,644	9,528,806
Prof.,Tech. Services	19,456,128	22,623,244	21,355,198	1,268,046
Property,Transportation,Comm.	5,098,751	8,234,427	8,841,025	(606,598)
Materials, Supplies, Books and Equipment	1,248,611	923,606	733,871	189,735
Other	(7,701,365)	(10,148,000)	(49,622)	(10,098,378)
Allocated Costs	61,341,704	61,650,989	62,670,366	(1,019,377)
 Total Obligations	 335,259,210	 330,661,625	 331,660,144	 (998,519)
 Other Financing Sources				
Operating Transfers from Other Funds	(231,447,200)	(227,919,600)	(229,196,785)	1,277,185
 Total Intermediate Unit	 <u>\$ 103,812,010</u>	 <u>\$ 102,742,025</u>	 <u>\$ 102,463,359</u>	 <u>\$ 278,666</u>

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 942,000	\$ 811,000	\$ 702,616	\$ (108,384)
Basis Swap Income	-	1,433,000	1,685,866	252,866
Miscellaneous	-	-	1,000	1,000
Total Revenues	\$ 942,000	2,244,000	2,389,482	145,482
OBLIGATIONS				
Bonds				
Principal	\$ 106,059,250	\$ 106,059,250	\$ 106,059,250	\$ -
Interest	90,928,890	90,916,507	90,916,507	-
Authority Obligations (SPSBA)				
Principal	11,380,000	11,380,000	11,380,000	-
Interest	59,966,198	59,966,198	59,966,198	-
Variable Rate Bond Interest	4,365,000	537,838	197,212	340,626
Issuance Costs	3,365,000	-	-	-
Administrative Expenses	3,668,262	2,681,007	2,630,637	50,370
Total Obligations	\$ 279,732,600	\$ 271,540,800	\$ 271,149,804	\$ 390,996
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 263,714,900	\$ 194,626,300	\$ 262,579,296	\$ 67,952,996
Capital Asset Proceeds	11,445,000	61,445,000	7,379,271	(54,065,729)
Total Other Financing Sources (Uses)	\$ 275,159,900	\$ 256,071,300	\$ 269,958,567	\$ 13,887,267
Net Change in Fund Balance	(3,630,700)	(13,225,500)	1,198,245	14,423,745
Fund Balances, July 1, 2013	104,286,000	98,227,500	98,227,500	-
Fund Balances, June 30, 2014	\$ 100,655,300	\$ 85,002,000	\$ 99,425,745	\$ 14,423,745

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 400,000	\$ 400,000	\$ 134,351	\$ (265,649)
Miscellaneous	-	-	212,015	212,015
Total Locally Generated Non Tax	400,000	400,000	346,366	(53,634)
State Grants and Subsidies	425,000	425,000	641,694	216,694
Total Revenues	<u>\$ 825,000</u>	<u>\$ 825,000</u>	<u>\$ 988,060</u>	<u>\$ 163,060</u>
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (1,820,294)	\$ 1,820,294
New Buildings and Additions	6,906,891	5,354,391	5,492,108	(137,717)
Environmental Management				
Asbestos Abatement	7,031,085	8,232,810	-	8,232,810
Environmental Services	9,535,284	1,094,346	3,058,568	(1,964,222)
Total Environmental Management	16,566,369	9,327,156	3,058,568	6,268,588
Alterations and Improvements				
Various Projects	90,590,298	94,356,435	2,128,395	92,228,040
Administrative Support	12,924,908	11,063,907	6,173,386	4,890,521
Major/Building Renovations	3,853,173	10,209,648	13,923,057	(3,713,409)
Total Alterations and Improvements	107,368,379	115,629,990	22,224,838	93,405,152
Total Obligations	<u>\$ 130,841,639</u>	<u>\$ 130,311,537</u>	<u>\$ 28,955,220</u>	<u>\$ 101,356,317</u>
OTHER FINANCING SOURCES (USES)				
Debt Issuance	\$ 160,000,000	\$ -	\$ -	\$ -
Capital Asset Proceeds	-	-	2,605,093	2,605,093
Bond Issuance Costs	(3,437,000)	(3,437,000)	-	3,437,000
Total Other Financing Sources (Uses)	<u>\$ 156,563,000</u>	<u>\$ (3,437,000)</u>	<u>\$ 2,605,093</u>	<u>\$ 6,042,093</u>
Net Change in Fund Balance	<u>\$ 26,546,361</u>	<u>\$ (132,923,537)</u>	<u>\$ (25,362,067)</u>	<u>\$ 107,561,470</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, 2014 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, 2014 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, 2014

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ 5,195,485	\$ -	\$ 5,195,485
Equity in Pooled Cash and Investments	63,453,216	-	-	1,116,897	64,570,113
Due From Other Funds	14,656,092	-	-	-	14,656,092
Accounts Receivable	1,371,152	-	-	-	1,371,152
Inventories	-	-	-	-	-
Total Assets	<u>79,480,460</u>	<u>-</u>	<u>5,195,485</u>	<u>1,116,897</u>	<u>85,792,842</u>
LIABILITIES					
Payroll Deductions and Withholdings	79,480,460	-	-	-	79,480,460
Due to Student Activities	-	-	5,195,485	-	5,195,485
Other Liabilities	-	-	-	1,116,897	1,116,897
Total Liabilities	<u>79,480,460</u>	<u>-</u>	<u>5,195,485</u>	<u>1,116,897</u>	<u>85,792,842</u>
NET POSITION					
Held in Trust for Various Purposes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Amounts reflect balances as of May 31, 2014.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 78,081,731	\$ 894,583,139	\$ 909,211,654	\$ 63,453,216
Due From Other Funds	-	14,656,092	-	14,656,092
Accounts Receivable	2,672,339	1,371,152	2,672,339	1,371,152
Total Assets	<u>\$ 80,754,070</u>	<u>\$ 910,610,383</u>	<u>\$ 911,883,993</u>	<u>\$ 79,480,460</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 80,754,070	\$ 910,610,383	\$ 911,883,993	\$ 79,480,460
Total Liabilities	<u>\$ 80,754,070</u>	<u>\$ 910,610,383</u>	<u>\$ 911,883,993</u>	<u>\$ 79,480,460</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>\$ 104,240</u>	<u>\$ -</u>
Liabilities				
Other Liabilities	\$ 104,240	\$ -	\$ 104,240	\$ -
Total Liabilities	<u>\$ 104,240</u>	<u>\$ -</u>	<u>\$ 104,240</u>	<u>\$ -</u>
Student Activities Fund				
Assets				
Cash	\$ 5,085,737	\$ 8,805,904	\$ 8,696,156	\$ 5,195,485
Liabilities				
Due to Student Activities	\$ 5,085,737	\$ 8,805,904	\$ 8,696,156	\$ 5,195,485
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 849,327	\$ 1,347,687	\$ 1,080,117	\$ 1,116,897
Liabilities				
Other Liabilities	\$ 849,327	\$ 1,347,687	\$ 1,080,117	\$ 1,116,897
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,088,360	\$ 8,805,904	\$ 8,698,779	\$ 5,195,485
Equity in Pooled Cash and Investments	78,931,058	895,930,826	910,291,771	64,570,113
Due From Other Funds	-	14,656,092	-	14,656,092
Accounts Receivable	2,672,339	1,371,152	2,672,339	1,371,152
Inventories	101,617	-	101,617	-
Total Assets	<u>\$ 86,793,374</u>	<u>\$ 920,763,974</u>	<u>\$ 921,764,506</u>	<u>\$ 85,792,842</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 80,754,070	\$ 910,610,383	\$ 911,883,993	\$ 79,480,460
Due to Student Activities	5,085,737	8,805,904	8,696,156	5,195,485
Other Liabilities	953,567	1,347,687	1,184,357	1,116,897
Total Liabilities	<u>\$ 86,793,374</u>	<u>\$ 920,763,974</u>	<u>\$ 921,764,506</u>	<u>\$ 85,792,842</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2014

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2015 Debt Service Requirements	
					Interest	Principal
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) CSF GOB Fixed Rate	100,000,000	8,700,000	JUNE 1, 2015	5.000	435,000	8,700,000
		<u>8,700,000</u>			<u>435,000</u>	<u>8,700,000</u>
AUGUST 1, 2004 2004 QZAB CSF P SERIES E (EQ04)	19,335,000	1,381,071	SEPT 1, 2014	-	-	1,381,071
		1,381,071	SEPT 1, 2015	-	-	-
		1,381,071	SEPT 1, 2016	-	-	-
		1,381,071	SEPT 1, 2017	-	-	-
		1,381,077	SEPT 1, 2018	-	-	-
		<u>6,905,361</u>			<u>-</u>	<u>1,381,071</u>
MAY 25, 2005 SERIES A (A005) CSF GOB-Refunding	198,140,000	16,480,000	AUGUST 1, 2014	5.000	412,000	16,480,000
		17,325,000	AUGUST 1, 2015	5.000	866,250	-
		18,215,000	AUGUST 1, 2016	5.000	910,750	-
		19,145,000	AUGUST 1, 2017	5.000	957,250	-
		20,130,000	AUGUST 1, 2018	5.000	1,006,500	-
		87,280,000	AUGUST 1, 2019-22	5.000	4,364,000	-
		<u>176,575,000</u>			<u>8,516,750</u>	<u>16,480,000</u>
MAY 25, 2005 SERIES B (B005) CSF GOB-Refunding	43,415,000	6,485,000	APRIL 1, 2015	5.000	324,250	6,485,000
		6,805,000	APRIL 1, 2016	5.000	340,250	-
		7,165,000	APRIL 1, 2017	5.000	358,250	-
		<u>20,455,000</u>			<u>1,022,750</u>	<u>6,485,000</u>
JUNE 16, 2005 SERIES C (C005) CSF GOB-Non Refunding	71,740,000	3,185,000	JULY 1, 2014	4.660	74,211	3,185,000
		3,335,000	JULY 1, 2015	4.700	156,745	-
		3,490,000	JULY 1, 2016	5.090	177,641	-
		3,670,000	JULY 1, 2017	5.090	186,803	-
		3,855,000	JULY 1, 2018	5.090	196,220	-
		22,470,000	JULY 1, 2019-23	5.222	1,174,864	-
		10,735,000	JULY 1, 2024-25	5.310	570,029	-
		<u>50,740,000</u>			<u>2,536,512</u>	<u>3,185,000</u>
OCTOBER 20, 2005 SERIES D (D005) CSF GOB-Non Refunding	29,920,000	2,000,000	JUNE 1, 2015	5.000	100,000	2,000,000
		2,100,000	JUNE 1, 2016	5.500	115,500	-
		2,220,000	JUNE 1, 2017	5.500	122,100	-
		2,335,000	JUNE 1, 2018	5.500	128,425	-
		2,470,000	JUNE 1, 2019	5.500	135,850	-
		5,345,000	JUNE 1, 2020-21	5.500	293,975	-
		<u>16,470,000</u>			<u>895,850</u>	<u>2,000,000</u>
DECEMBER 28, 2006 SERIES A (AS06) GOB-Non Refunding State Public School Building Authority Capital Obligation Bonds	317,125,000	7,210,000	JUNE 1, 2015	4.500	324,450	7,210,000
		7,530,000	JUNE 1, 2016	5.000	376,500	-
		7,910,000	JUNE 1, 2017	5.000	395,500	-
		8,305,000	JUNE 1, 2018	5.000	415,250	-
		8,720,000	JUNE 1, 2019	5.000	436,000	-
		50,595,000	JUNE 1, 2020-24	5.000	2,529,750	-
		64,565,000	JUNE 1, 2025-29	5.000	3,228,250	-
		82,145,000	JUNE 1, 2030-34	4.606	3,842,230	-
		38,350,000	JUNE 1, 2035-36	4.475	1,720,420	-
		<u>275,330,000</u>			<u>13,268,350</u>	<u>7,210,000</u>
DECEMBER 28, 2006 SERIES B (BS06) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000	JUNE 1, 2015	3.625	181	5,000
		5,000	JUNE 1, 2016	3.625	181	-
		5,000	JUNE 1, 2017	3.750	188	-
		5,000	JUNE 1, 2018	3.750	188	-
		5,000	JUNE 1, 2019	3.875	194	-
		38,665,000	JUNE 1, 2020-24	4.951	1,914,294	-
		198,010,000	JUNE 1, 2025-29	4.950	9,778,325	-
		308,835,000	JUNE 1, 2030-33	4.667	14,491,350	-
		<u>545,535,000</u>			<u>26,184,900</u>	<u>5,000</u>
MAY 22, 2007 SERIES A (A007) CSF GOB Non Refunding	146,530,000	10,000	JUNE 1, 2015	4.000	400	10,000
		15,000	JUNE 1, 2016	4.000	600	-
		15,000	JUNE 1, 2017	4.000	600	-
		15,000	JUNE 1, 2018	5.000	750	-
		15,000	JUNE 1, 2019	5.000	750	-
		11,985,000	JUNE 1, 2020-24	5.000	599,250	-
		56,510,000	JUNE 1, 2025-29	5.000	2,825,500	-
		77,900,000	JUNE 1, 2030-34	4.759	3,707,500	-
		<u>146,465,000</u>			<u>7,135,350</u>	<u>10,000</u>
DECEMBER 28, 2007 SERIES C (CQ07) CSF QZAB	13,510,000	900,667	DEC 28, 2014	-	-	900,667
		900,667	DEC 28, 2015	-	-	-
		900,667	DEC 28, 2016	-	-	-
		900,667	DEC 28, 2017	-	-	-
		900,667	DEC 28, 2018	-	-	-
		3,602,667	DEC 28, 2019-22	-	-	-
		<u>8,106,000</u>			<u>-</u>	<u>900,667</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2014

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2015 Debt Service Requirements	
					Interest	Principal
DECEMBER 28, 2007	28,160,000	5,000	DEC 28, 2014	1.250	63	5,000
SERIES D (DQ07) CSF		5,000	DEC 28, 2015	1.250	63	-
QZAB		5,000	DEC 28, 2016	1.250	63	-
		5,000,000	DEC 28, 2017	1.250	62,567	-
		5,000,000	DEC 28, 2018	1.250	62,567	-
		18,115,000	DEC 28, 2019-22	1.250	226,679	-
		<u>28,130,000</u>			<u>352,000</u>	<u>5,000</u>
NOVEMBER 20, 2008	282,365,000	5,205,000	SEPT 1, 2014	4.000	104,100	5,205,000
SERIES E (E008) CSF		5,445,000	SEPT 1, 2015	5.000	272,250	-
GOB Non Refunding		5,725,000	SEPT 1, 2016	5.000	286,250	-
		6,000,000	SEPT 1, 2017	4.500	270,000	-
		6,295,000	SEPT 1, 2018	5.000	314,750	-
		36,775,000	SEPT 1, 2019-23	5.125	1,884,719	-
		47,835,000	SEPT 1, 2024-28	5.375	2,571,131	-
		64,030,000	SEPT 1, 2029-33	6.000	3,841,800	-
		86,430,000	SEPT 1, 2033-38	6.000	5,185,800	-
		<u>263,740,000</u>			<u>14,730,800</u>	<u>5,205,000</u>
NOVEMBER 20, 2008	114,215,000	5,000	SEPT 1, 2014	4.000	100	5,000
SERIES F (F008) CSF		11,380,000	SEPT 1, 2015	5.000	569,000	-
GOB Refunding		10,945,000	SEPT 1, 2016	5.000	547,250	-
		10,505,000	SEPT 1, 2017	5.000	525,250	-
		10,070,000	SEPT 1, 2018	5.000	503,500	-
		43,905,000	SEPT 1, 2019-23	5.075	2,226,581	-
		27,380,000	SEPT 1, 2024-27	5.250	1,437,450	-
		<u>114,190,000</u>			<u>5,809,131</u>	<u>5,000</u>
MAY 28, 2009	30,710,000	5,165,000	JUNE 1, 2015	5.000	258,250	5,165,000
SERIES B (B009) CSF		5,425,000	JUNE 1, 2016	5.000	271,250	-
GOB Refunding		5,695,000	JUNE 1, 2017	5.000	284,750	-
		5,980,000	JUNE 1, 2018	5.000	299,000	-
		6,280,000	JUNE 1, 2019	4.500	283,700	-
		<u>28,545,000</u>			<u>1,396,950</u>	<u>5,165,000</u>
MAY 28, 2009	49,200,000	6,255,000	JUNE 1, 2020	1.250	78,188	-
SERIES C (C009) VAR		6,495,000	JUNE 1, 2021	1.250	81,188	-
GOB Refunding		6,750,000	JUNE 1, 2022	1.250	84,375	-
		7,010,000	JUNE 1, 2023	1.250	87,625	-
		7,280,000	JUNE 1, 2024	1.250	91,000	-
		15,410,000	JUNE 1, 2025-26	1.250	192,625	-
		<u>49,200,000</u>			<u>615,000</u>	<u>-</u>
APRIL 6, 2010	27,820,000	5,210,000	JUNE 1, 2015	5.000	260,500	5,210,000
SERIES A (A010) CSF		5,470,000	JUNE 1, 2016	5.000	273,500	-
(TAX EXEMPT)		<u>10,680,000</u>			<u>534,000</u>	<u>5,210,000</u>
APRIL 6, 2010	221,485,000	5,745,000	JUNE 1, 2017	4.735	272,026	-
SERIES B (B010) CSF		5,920,000	JUNE 1, 2018	5.139	304,229	-
(BAB-FEDERAL SUBSIDY)		6,115,000	JUNE 1, 2019	5.289	323,422	-
		6,325,000	JUNE 1, 2020	5.419	342,752	-
		6,550,000	JUNE 1, 2021	5.589	366,080	-
		36,630,000	JUNE 1, 2022-26	6.106	2,242,456	-
		44,880,000	JUNE 1, 2027-31	6.645	2,983,430	-
		55,505,000	JUNE 1, 2032-36	6.765	3,754,913	-
		53,815,000	JUNE 1, 2037-40	6.765	3,640,585	-
		<u>221,485,000</u>			<u>14,229,892</u>	<u>-</u>
APRIL 6, 2010	300,045,000	23,340,000	SEPT 1, 2014	3.750	569,000	23,340,000
SERIES C (C010) CSF		24,200,000	SEPT 1, 2015	3.875	1,187,500	-
GOB Refunding		25,065,000	SEPT 1, 2016	4.000	1,227,950	-
		25,995,000	SEPT 1, 2017	5.000	1,299,750	-
		26,980,000	SEPT 1, 2018	5.000	1,349,000	-
		82,780,000	SEPT 1, 2019-21	5.000	4,139,000	-
		<u>208,360,000</u>			<u>9,772,200</u>	<u>23,340,000</u>
APRIL 6, 2010	49,365,000	7,245,000	SEPT 1, 2017	4.410	319,494	-
SERIES D (D010) CSF		7,600,000	SEPT 1, 2018	4.976	378,213	-
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	432,313	-
		9,260,000	SEPT 1, 2022	4.000	370,400	-
		<u>49,365,000</u>			<u>2,316,506</u>	<u>-</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2014

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2015 Debt Service Requirements	
					Interest	Principal
January 3, 2011	125,880,000	3,555,000	SEPT 1, 2014	4.000	71,100	3,555,000
SERIES E (E010) CSF		3,710,000	SEPT 1, 2015	5.000	185,500	-
GOB Refunding		3,910,000	SEPT 1, 2016	5.000	195,500	-
		4,105,000	SEPT 1, 2017	5.000	205,250	-
		4,325,000	SEPT 1, 2018	5.000	216,250	-
		94,500,000	SEPT 1, 2019-23	5.150	4,937,963	-
		2,875,000	SEPT 1, 2024	5.250	150,938	-
		<u>116,980,000</u>			<u>5,962,500</u>	<u>3,555,000</u>
January 3, 2011	150,000,000	18,625,000	SEPT 1, 2024	1.250	232,813	-
SERIES F (F010) VAR		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	341,563	-
		27,635,000	SEPT 1, 2028	1.250	345,438	-
		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)(H010) VAR		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	341,563	-
		27,635,000	SEPT 1, 2028	1.250	345,438	-
		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	7,415,000
SERIES A (QSCB) - CSF (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	2,459,449	-
		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>7,415,000.00</u>
December 20, 2011	16,970,000	1,570,000	SEPT 1, 2014	4.522	35,500	1,570,000
SERIES B (TAX EXEMPT) CSF		1,640,000	SEPT 1, 2015	4.726	77,500	-
GOB (B011)		1,700,000	SEPT 1, 2016	2.000	34,000	-
		1,735,000	SEPT 1, 2017	2.250	39,038	-
		1,775,000	SEPT 1, 2018	2.500	44,375	-
		5,655,000	SEPT 1, 2019-21	3.125	176,869	-
		<u>14,075,000</u>			<u>407,281</u>	<u>1,570,000</u>
December 20, 2011	41,185,000	3,230,000	SEPT 1, 2014	5.000	80,750	3,230,000
SERIES C (C011) CSF		3,395,000	SEPT 1, 2015	5.000	169,750	-
GOB Refunding		3,565,000	SEPT 1, 2016	5.000	178,250	-
		3,750,000	SEPT 1, 2017	5.000	187,500	-
		3,945,000	SEPT 1, 2018	5.000	197,250	-
		13,080,000	SEPT 1, 2019-21	5.000	654,000	-
		<u>30,965,000</u>			<u>1,467,500</u>	<u>3,230,000</u>
December 20, 2011	16,330,000	1,595,000	SEPT 1, 2014	3.000	23,925	1,595,000
SERIES D (D011) CSF		1,655,000	SEPT 1, 2015	4.000	66,200	-
GOB Refunding		1,725,000	SEPT 1, 2016	4.000	69,000	-
		1,800,000	SEPT 1, 2017	5.000	90,000	-
		1,890,000	SEPT 1, 2018	4.807	90,850	-
		6,115,000	SEPT 1, 2019-21	3.438	206,588	-
		<u>14,780,000</u>			<u>546,563</u>	<u>1,595,000</u>
March 29, 2012	35,312,564	7,062,513	DEC 28, 2014	2.000	141,250	7,062,513
SERIES A (A012)		7,062,513	DEC 28, 2015	2.000	141,250	-
GOB (SEPTA Loan)		7,062,513	DEC 28, 2016	2.000	141,250	-
		<u>21,187,538</u>			<u>423,750</u>	<u>7,062,513</u>
November 28, 2012	264,995,000	9,260,000	April 1, 2015	5.000	463,000	9,260,000
SERIES B (BS12)		9,720,000	April 1, 2016	5.000	486,000	-
GOB DEFICIT FUNDING		10,210,000	April 1, 2017	5.000	510,500	-
State Public School		10,720,000	April 1, 2018	5.000	536,000	-
Building Authority		11,255,000	April 1, 2019	5.000	562,750	-
		65,300,000	April 1, 2020-24	5.000	3,265,000	-
		83,340,000	April 1, 2025-29	5.000	4,167,000	-
		60,680,000	April 1, 2030-32	5.000	3,034,000	-
		<u>260,485,000</u>			<u>13,024,250</u>	<u>9,260,000</u>
TOTAL BONDS OUTSTANDING	\$ 4,122,087,564	\$ 3,177,576,899			\$ 146,396,829	\$ 118,974,250
NON-ELECTORAL DEBT BONDS	\$ 2,406,257,564	\$ 2,052,723,899			\$ 91,526,554	\$ 102,499,250
CAPITAL OBLIGATION BONDS (Lease Rental)	1,715,830,000	1,124,855,000			54,870,275	16,475,000
TOTAL BONDS OUTSTANDING	\$ 4,122,087,564	\$ 3,177,576,899			\$ 146,396,829	\$ 118,974,250

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, 2014
(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
Governmental Funds Capital Assets:		
Land	\$ 130,922	\$ 132,311
Buildings	1,782,842	1,797,501
Improvements	1,243,593	1,229,844
Intangible Assets	48,629	46,060
Construction in Progress	6,726	27,909
Personal Property	229,807	248,007
Total Governmental Funds Capital Assets	<u>\$ 3,442,519</u>	<u>\$ 3,481,632</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 57,976	\$ 68,084
Capital Projects Fund	3,309,530	3,335,758
Categorical Funds	75,013	77,790
Total Governmental Funds Capital Assets	<u>\$ 3,442,519</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 Position.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2014
(Dollars in Thousands)

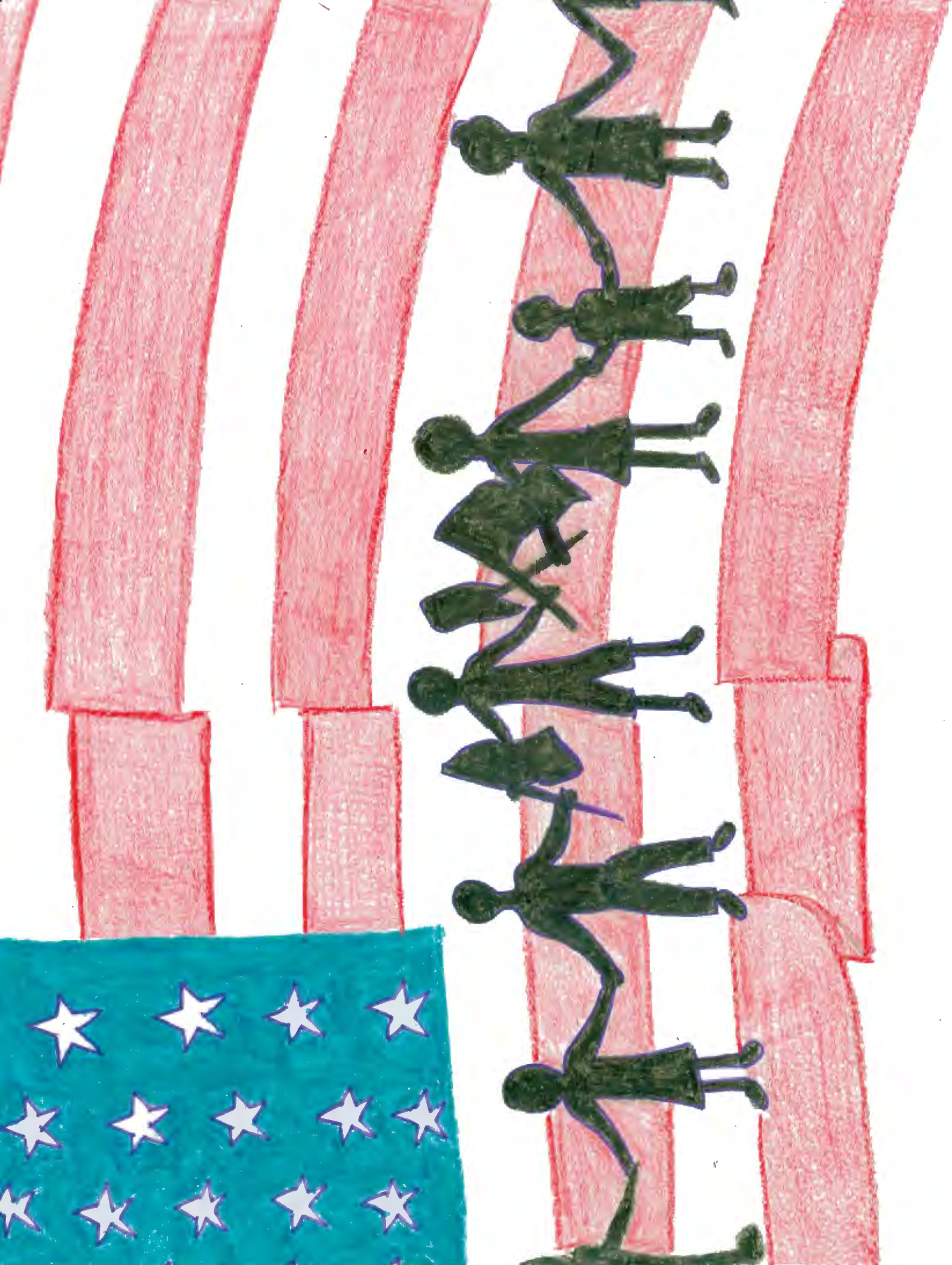
Function/Activity	Land	Buildings	Improvements	Intangible Assets	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 127,859	\$ 1,678,705	\$ 1,227,098	\$ -	\$ 6,726	\$ 171,321	\$ 3,211,709
Student Support Services	821	9,744	3,133	-	-	23,310	37,008
Administrative Support	2,242	94,393	13,362	48,629	-	5,235	163,861
Operation & Maintenance of Plant Services	-	-	-	-	-	7,674	7,674
Pupil Transportation	-	-	-	-	-	465	465
All Other Support Services	-	-	-	-	-	21,802	21,802
Total Governmental Funds Capital Assets	<u>\$ 130,922</u>	<u>\$ 1,782,842</u>	<u>\$ 1,243,593</u>	<u>\$ 48,629</u>	<u>\$ 6,726</u>	<u>\$ 229,807</u>	<u>\$ 3,442,519</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 Position.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
June 30, 2014
(Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets July 1, 2013	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2014
Instruction	\$ 3,248,348	\$ (9,418)	\$ 29,110	\$ 56,296	\$ 3,211,744
Student Support Services	39,213	-	754	2,960	37,007
Administrative Support	162,225	-	2,906	1,304	163,827
Operation & Maintenance of Plant Services	8,705	-	51	1,082	7,674
Pupil Transportation	463	-	4	2	465
All Other Support Services	22,678	-	27	903	21,802
Total	<u>\$ 3,481,632</u>	<u>\$ (9,418)</u>	<u>\$ 32,852</u>	<u>\$ 62,547</u>	<u>\$ 3,442,519</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 Position.





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.

School District of Philadelphia
Table 1
Net Position by Component
For the Fiscal Years 2005 through 2014
(accrual basis of accounting)
(dollars in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets	\$ 15,075 (1)	\$ 10,345	\$ 1,183	\$ 27,119	\$ 17,712	\$ (27,665)	\$ (125,999)	\$ (210,988)	\$ (238,240)	\$ (314,890)
Restricted										
Medical Self-Insurance	-	-	-	-	-	-	18,375	18,375	18,375	18,375
Debt Service	50,380	64,613	70,056	74,032	71,650	76,811	94,901	109,544	98,228	93,491
Special Revenue & Permanent Funds	5,331	-	-	-	-	-	-	-	-	-
Expendable	-	1,969	2,667	2,814	2,109	2,166	3,495	3,466	3,447	3,428
Non-Expendable	-	3,622	3,329	3,393	4,121	4,149	2,891	2,838	2,836	2,866
Arbitrage Rebate Payable	-	-	-	3,767	4,286	4,286	3,646	286	265	265
Workers' Compensation/Termination/Other	23,889	2,354	-	-	-	-	-	-	-	-
Unrestricted (Deficit)	(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)	(1,466,107)
Total Governmental Activities Net Position	(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)	(1,662,571)
Business-type Activities										
Net Investment in Capital Assets	3,449	3,188	3,133	4,005	3,281	3,247	2,927	2,466	2,122	1,739
Unrestricted (Deficit)	7,855	2,442	(3,613)	(7,346)	(11,196)	(11,162)	(9,342)	(6,747)	(5,003)	(1,620)
Total Business-type Activities Net Position	11,304	5,630	(2,480)	(3,341)	(7,915)	(7,915)	(6,415)	(4,281)	(2,881)	179
Total School District										
Net Investment in Capital Assets	18,524	13,533	4,316	31,124	20,993	(24,418)	(123,072)	(208,522)	(236,118)	(313,151)
Restricted	79,600	72,558	76,052	84,006	82,166	87,412	123,308	134,509	123,151	118,426
Unrestricted (Deficit)	(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)	(1,467,726)
Total School District Net Position	\$ (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)	\$ (1,662,452)

Notes:

(1) The Net Investment in Capital Assets for Governmental Activities include deferred inflows of resources for refunding charges, bond premiums and discounts, and undercapitalized expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2005 through 2014.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2005 through 2014
(accrual basis of accounting)
(dollars in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental Activities										
Instruction	\$ 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	\$ 2,149,122
Student Support Services	412,591	247,845	262,044	210,458	205,374	240,883	254,991	181,595	180,348	151,134
Administrative Support	117,811	112,455	114,397	92,100	122,523	135,193	147,661	108,120	102,855	103,666
Operation & Maintenance of Plant Services (5)	258,985	263,163	270,163	273,335	261,750	256,291	241,486	197,205	198,762	200,021
Pupil Transportation	84,170	88,867	89,079	107,050	73,636	76,175	81,154	81,983	82,015	85,102
All Other Support Services	15,815	38,422	19,654	32,047	1,591	(3,362)	(21,283)	(10,373)	15,123	(25,224)
Early Childhood Education	20,952	18,005	20,448	22,816	24,157	20,515	1,487	189	197	138
Interest on Long-Term Debt	114,535	128,245	138,286	137,906	139,001	142,337	147,505	139,023	153,707	153,381
Loss on Disposal of Capital Assets (1)	3,838	-	-	-	-	-	-	-	-	-
Loss on Sale of Real Property	57,550	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses (2)	<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>	<u>\$ 2,817,340</u>
Business-type Activities:										
Food Service (5)	77,595	79,851	81,798	78,189	81,008	80,638	81,035	77,246	76,036	72,158
Loss on Disposal of Capital Assets (3)	8	6	-	-	-	-	-	-	-	-
Total Business-type Activities Expenses	<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>	<u>72,158</u>
Total School District Expenses	<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>	<u>\$ 2,889,498</u>
Program Revenues										
Governmental Activities										
Charges for Services (4)										
Instruction	\$ 447	\$ 599	\$ 773	\$ 686	\$ 1,037	\$ 664	\$ 745	\$ 642	\$ 847	\$ 820
Student Support Services	260	90	103	65	69	2	-	-	-	-
Administrative Support	358	477	313	3,843	3,963	3,882	3,922	322	4,752	4,512
Operation & Maintenance of Plant Services	1,342	1,325	991	959	1,213	1,114	1,171	872	894	225
Pupil Transportation	-	-	-	-	-	-	-	-	-	-
Early Childhood Education	2,629	485	349	218	536	60	-	28	-	-
Operating grants and contributions	743,746	778,978	804,980	853,660	904,656	1,001,353	1,046,867	788,546	865,562	778,766
Capital grants and contributions	200	-	123	22	500	92	1,200	(211)	1,000	-
Total Governmental Activities Program Revenues	<u>748,982</u>	<u>781,954</u>	<u>807,632</u>	<u>859,453</u>	<u>911,974</u>	<u>1,007,167</u>	<u>1,053,905</u>	<u>790,199</u>	<u>873,035</u>	<u>784,324</u>
Business-type Activities										
Charges for Services:										
Food Service	6,695	4,834	5,086	3,709	3,089	3,237	2,675	2,094	1,582	1,409
Operating grants and contributions	71,456	69,527	68,530	69,445	72,063	76,870	79,553	77,291	76,071	74,039
Capital grants and contributions	-	-	-	-	-	-	-	211	-	-
Total Business-type Activities Program Revenues	<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>77,853</u>	<u>75,447</u>
Total School District Program Revenues	<u>\$ 827,133</u>	<u>\$ 856,315</u>	<u>\$ 881,248</u>	<u>\$ 932,607</u>	<u>\$ 987,126</u>	<u>\$ 1,087,274</u>	<u>\$ 1,136,133</u>	<u>\$ 869,795</u>	<u>\$ 950,708</u>	<u>\$ 859,771</u>
Net (Expense)/Revenue										
Governmental Activities	(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)	(2,033,017)
Business-type Activities	548	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193	2,350	1,617	2,290
Total School District Net (Expense)/Revenue	<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>\$ (1,993,176)</u>	<u>\$ (2,048,070)</u>	<u>\$ (2,030,727)</u>

Notes:

- (1) The School District identified depreciated personal property assets that were scrapped into two categories: (a) fully depreciated and (b) not fully depreciated.
- (2) 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.
- (3) Change accounting procedure for reporting "Loss on Disposal of Capital Assets" during Fiscal Year 2007. Began allocating losses to functional activities.
- (4) Reclassified Charges for Services, under Program Revenues, by functional activities.
- (5) 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 2005 through 2014.

School District of Philadelphia
Table 3
Net (Expense)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2005 through 2014
(accrual basis of accounting)
(dollars in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (2,033,017)
Business-type Activities	548	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193	2,350	1,617	3,290
Total School District Net (Expense)/Revenue	<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>(1,993,176)</u>	<u>(2,048,070)</u>	<u>(2,029,727)</u>
General Revenues/Contributed Capital/Transfers:										
Governmental Activities										
Property Taxes	540,322	540,241	549,519	598,556	604,962	608,377	605,349	658,540	650,633	661,263
Other Taxes (1)										
Use & Occupancy Taxes	97,908	97,940	104,147	108,298	112,225	111,801	115,361	113,843	130,142	137,677
Liquor Taxes	33,381	37,181	39,733	41,616	41,136	42,787	45,185	52,314	50,780	62,105
School (Non-Business) Income Taxes	16,278	20,901	23,902	26,650	25,240	21,590	24,738	29,691	27,225	37,274
Public Utility/PILOT Taxes	844	1,441	702	1,054	965	1,098	1,115	1,103	1,053	1,071
Grants and Contributions Not Restricted to Specific Programs	81,872	112,958	142,927	133,801	102,249	63,462	69,057	87,921	100,580	164,524
State & Federal Subsidies	783,947	804,829	843,647	870,686	922,963	1,018,811	1,089,698	969,264	925,831	912,421
Gain on Sale of Capital Assets	222	-	-	-	-	(6)	-	-	-	21,116
Transfers	178	178	178	(4,112)	(1,283)	(534)	(308)	217	(431)	290
Investment Revenue/(Expense)	-	-	-	-	-	2,261	13,348	4,170	(1,864)	838
Total Governmental Activities	<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>	<u>1,998,579</u>
Business-type Activities										
Contributed Capital	-	-	250	63	-	(3)	-	-	-	-
Transfers	(178)	(178)	(178)	4,112	1,283	534	308	(217)	(217)	(290)
Total Business-type Activities	<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>	<u>(290)</u>
Total School District General Revenues/Contributed Capital/Transfers	<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>	<u>1,998,289</u>
Changes in Net Position:										
Governmental Activities	(240,735)	(196,352)	(107,994)	26,627	22,612	(25,017)	(103,946)	(78,463)	(165,738)	(34,438)
Business-type Activities	370	(5,674)	(8,110)	(860)	(4,573)	(1)	1,501	2,133	1,400	3,000
Total School District Change in Net Position	<u>\$ (240,365)</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>	<u>\$ (31,438)</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 2005 through 2014.

School District of Philadelphia
Table 4
Fund Balances of Governmental Funds (1)
For the Fiscal Years 2005 through 2014
(modified accrual basis of accounting)
(dollars in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable										
Inventories	\$ 1,227	\$ 1,116	\$ 1,284	\$ 1,204	\$ 1,306	\$ 1,232	\$ 1,154	\$ 1,102	\$ 904	\$ 1,257
Long-term Interfund Loan	-	-	-	-	-	10,561	9,061	7,061	4,061	-
Restricted										
Medical Self-Insurance	-	-	-	-	-	-	18,375	18,375	18,375	18,375
Workers' Compensation	14,298	2,354	-	-	-	-	-	-	-	-
Termination/Incentive Compensation	9,591	-	-	-	-	-	-	-	-	-
Committed	20,000	15,000	-	-	-	-	-	-	-	-
Unassigned	11,423	(84,603)	(52,430)	(44,608)	8,368	(9,866)	(71,967)	(138,150)	(64,128)	(116,452)
Total General Fund	<u>\$ 56,539</u>	<u>\$ (66,133)</u>	<u>\$ (51,146)</u>	<u>\$ (43,404)</u>	<u>\$ 9,674</u>	<u>\$ 1,927</u>	<u>\$ (43,377)</u>	<u>\$ (111,612)</u>	<u>\$ (40,788)</u>	<u>\$ (96,820)</u>
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,219	\$ 1,222	\$ 1,291	\$ 1,291	\$ 1,291	\$ 1,336	\$ 1,366	\$ 1,366	\$ 1,368	\$ 1,365
Restricted										
Retirement of Long-term Debt	28,048	39,960	46,895	48,741	49,138	47,944	59,126	62,208	69,059	65,170
Debt Service Interest	22,332	24,653	23,161	25,291	22,512	28,867	35,775	47,335	29,169	28,321
Arbitrage Rebate Payable	-	-	-	3,767	4,286	4,286	3,646	286	265	266
Trust purposes	4,123	4,377	4,705	4,918	4,960	4,982	5,021	4,939	4,915	4,928
Capital Purposes	603,204	425,649	437,883	117,876	165,315	257,067	82,591	169,653	103,138	73,364
Committed	-	-	-	-	9,886	19,886	-	-	-	-
Assigned	534	534	-	-	2,383	1,220	2,645	1,359	967	9,349
Unassigned	(22,775)	(17,156)	(18,454)	(12,266)	(18,972)	(15,620)	(54,588)	(9,467)	(5,815)	(4,021)
Total All Other Governmental Funds	<u>\$ 636,685</u>	<u>\$ 479,239</u>	<u>\$ 495,481</u>	<u>\$ 189,618</u>	<u>\$ 240,799</u>	<u>\$ 349,968</u>	<u>\$ 135,582</u>	<u>\$ 277,679</u>	<u>\$ 203,066</u>	<u>\$ 178,743</u>
Total Fund Balance	<u>\$ 693,224</u>	<u>\$ 413,106</u>	<u>\$ 444,335</u>	<u>\$ 146,214</u>	<u>\$ 250,473</u>	<u>\$ 351,895</u>	<u>\$ 92,205</u>	<u>\$ 166,067</u>	<u>\$ 162,278</u>	<u>\$ 81,923</u>

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2005 through 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2005 through 2014.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2005 through 2014
(modified accrual basis of accounting)
(dollars in thousands)

REVENUES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Federal Sources										
Grants and Subsidies	\$ 339,280	\$ 335,727	\$ 293,012	\$ 297,128	\$ 301,723	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064
Total Federal Sources	339,280	335,727	293,012	297,128	301,723	557,950	632,055	444,504	400,086	253,064
State Sources										
Grants and Subsidies	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	1,433,040
Total State Sources	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	1,433,040
Local Sources										
Local Taxes										
Real Estate										
Current	486,815	493,147	501,282	547,580	548,166	546,352	549,717	597,788	601,533	592,906
Prior Years	49,459	53,862	49,357	51,814	50,662	55,684	39,555	51,606	52,028	64,512
Payment in Lieu of Taxes	5	5	5	5	5	5	-	5	5	3
Use and Occupancy	99,050	103,762	103,757	108,614	112,266	117,295	109,273	112,540	132,689	138,080
School (Non-Business) Income	17,617	20,013	24,035	26,938	25,335	22,175	24,011	27,744	28,105	40,501
Liquor Sales	33,930	38,241	39,331	41,586	41,016	43,280	43,892	50,122	54,238	60,527
Public Utility Realty	857	1,096	1,123	1,049	960	1,093	1,115	1,099	1,048	1,067
Total Local Taxes	687,733	710,126	718,890	777,586	778,410	785,884	767,563	840,904	869,646	897,597
Locally Generated Non Tax										
Interest and other income	39,939	39,687	56,614	49,952	20,771	9,101	5,986	7,903	7,838	8,773
City Contributions	35,000	35,000	35,000	37,000	38,490	38,540	38,600	48,930	68,990	96,050
Legal Settlements	2,501	2,819	2,590	2,555	2,710	2,735	2,613	2,485	2,744	-
Stadium Agreements	1,159	1,159	2,898	3,000	3,000	3,000	3,000	2,815	2,717	2,755
Parking Authority	-	-	-	2,221	3,801	7,284	7,789	13,956	13,264	9,723
Gaming Revenue	-	-	-	-	-	-	5,793	5,894	4,791	4,829
One Time State Grant Received from City of Philadelphia	-	-	-	-	-	-	-	-	-	45,000
Reimbursements from Other Funds	7,221	6,503	7,462	7,233	7,576	14 (1)	14	14	14	14
Variable Rate Income/Basis Swap Income	11,383	20,001	23,765	20,697	8,471	2,656	1,445	1,492	1,406	1,686
Other Miscellaneous/Voluntary Contributions	-	-	-	-	-	7,975	7,533	11,209	8,368	8,260
Total Local Generated Non Tax	97,203	105,169	128,329	122,658	84,819	71,305	72,773	94,698	110,132	177,090
Total Local Sources	784,936	815,295	847,219	900,244	863,229	857,189	840,336	935,602	979,778	1,074,687
Total Revenues	<u>\$ 2,325,744</u>	<u>\$ 2,407,830</u>	<u>\$ 2,497,693</u>	<u>\$ 2,636,124</u>	<u>\$ 2,691,746</u>	<u>\$ 2,872,055</u>	<u>\$ 2,930,859</u>	<u>\$ 2,729,620</u>	<u>\$ 2,770,021</u>	<u>\$ 2,760,791</u>

(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 2005 through 2014.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2005 through 2014
(modified accrual basis of accounting)
(dollars in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXPENDITURES										
Current:										
Instruction	\$ 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	\$ 1,346,144
Student Support Services	221,853	233,336	230,955	226,504	199,912	232,525	250,054	200,466	201,931	151,841
Administrative Support	111,021	106,691	102,197	82,101	109,777	131,064	140,202	107,487	102,787	100,134
Operation & Maintenance of Plant Services	256,029	261,984	262,181	271,003	257,910	254,114	237,243	200,893	205,317	200,744
Pupil Transportation	82,228	88,502	87,071	107,666	73,437	76,068	80,279	83,396	84,104	85,520
All Other Support Services	15,302	36,822	18,877	31,473	1,462	(3,647)	(21,612)	(10,661)	14,858	(25,449)
Early Childhood Education	20,952	17,994	20,448	22,814	24,157	20,505	1,487	189	197	138
Payments to Charter Schools	184,084	220,930	240,377	269,695	308,505	338,320	411,713	539,741	600,963	712,512
Debt Service:										
Principal	21,131	37,437	63,122	66,417	71,159	70,762	65,454	31,577	107,664	106,059
Loans	369	215	34	7	3	-	-	-	-	-
Interest	71,023	91,726	99,242	99,625	82,157	110,433	155,797	87,040	97,230	91,114
Principal & Interest - Authority	33,615	29,953	33,805	49,062	49,058	49,060	49,060	42,522	49,056	71,346
Issuance Costs	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	2,631
Capital Outlay: (1)										
New Buildings and Additions	100,986	52,702	73,734	147,024	88,048	42,641	88,339	7,923	13,105	4,648
Environmental Management	2,994	3,837	3,824	3,504	3,521	3,367	3,335	2,997	2,893	2,973
Alterations and Equipment	87,304	154,603	226,794	213,146	111,638	90,969	71,323	61,291	49,082	20,252
Major Renovations	1,216	297	-	-	-	-	-	-	-	-
Equipment Acquisitions	5,766	14,509	20,184	10,682	23,075	24,124	15,952	6,191	2,849	2,892
Total Expenditures	\$ 2,592,929	\$ 2,728,210	\$ 2,822,735	\$ 2,975,036	\$ 2,879,420	\$ 3,051,775	\$ 3,261,757	\$ 2,853,650	\$ 3,075,230	\$ 2,873,499
 Debt Service as a percentage of noncapital expenditures (2)	 5.3%	 6.4%	 7.9%	 8.3%	 7.6%	 8.0%	 8.8%	 5.8%	 8.4%	 9.4%

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 2005 through 2014.

School District of Philadelphia
Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2005 through 2014
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Excess (Deficiency) of Revenues over Expenditures	\$ (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)	\$ (112,708,402)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	332,630,000	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	32,565,867
SEPTA Loan Proceeds	-	-	-	-	-	-	-	35,312,564	-	-
Swaption Net Proceeds	-	-	-	-	-	-	-	-	-	-
Basis Swap Proceeds	-	7,235,000	10,740,000	-	-	-	-	-	-	-
Bond Premium	18,512,125	2,833,532	62,356,553	-	3,809,411	35,336,224	7,724,600	4,636,559	36,908,311	-
Bond Discounts	-	-	-	-	(9,657,934)	-	-	(265,965)	-	-
Bond Defeasement	(256,746,398)	-	(727,979,601)	(681,892,949)	(208,995,106)	(353,329,003)	(368,301,151)	(122,578,020)	-	-
Transfers In	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	494,957,799
Transfers Out	(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)	(495,241,766)
Total Other Financing Sources and (Uses)	<u>122,549,674</u>	<u>40,373,644</u>	<u>356,104,568</u>	<u>40,870,963</u>	<u>291,828,601</u>	<u>281,216,274</u>	<u>71,285,271</u>	<u>197,943,634</u>	<u>301,818,364</u>	<u>32,281,900</u>
Net Change in Fund Balance	<u>\$ (144,634,353)</u>	<u>\$ (280,006,697)</u>	<u>\$ 31,062,702</u>	<u>\$ (298,041,291)</u>	<u>\$ 104,155,331</u>	<u>\$ 101,496,654</u>	<u>\$ (259,612,789)</u>	<u>\$ 73,914,205</u>	<u>\$ (3,391,059)</u>	<u>\$ (80,426,502)</u>

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2005 through 2014.

School District of Philadelphia
Table 8
Governmental Funds Revenue By Own-Sources (3)
For the Fiscal Years 2005 through 2014
(modified accrual accounting)
(dollars in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Percentage Change 2005 - 2014
Local											
Taxes											
Real Estate	\$ 536.3	\$ 547.0	\$ 550.6	\$ 599.4	\$ 598.8	\$ 602.0	\$ 589.3	\$ 649.4	\$ 653.6	\$ 657.4	22.6 %
Use and Occupancy	99.0	103.8	103.8	108.6	112.3	117.3	109.3	112.5	132.7	138.1	39.5
Other	52.4	59.3	64.5	69.6	67.3	66.6	69.0	79.0	83.3	102.1	94.8
Total Taxes	687.7	710.1	718.9	777.6	778.4	785.9	767.6	840.9	869.6	897.6	30.5
Locally Generated Non Tax											
City Contributions	35.0	35.0	35.0	37.0	38.5	38.5	38.6	48.9	69.0	96.1	174.4
Other	62.2	70.2	93.3	85.6	46.3	32.8	34.2	45.8	41.1	81.0	30.3
Total Local	97.2	105.2	128.3	122.6	84.8	71.3	72.8	94.7	110.1	177.1	82.2
Total Own-Source Revenues (1)	<u>\$ 784.9</u>	<u>\$ 815.3</u>	<u>\$ 847.2</u>	<u>\$ 900.2</u>	<u>\$ 863.2</u>	<u>\$ 857.2</u>	<u>\$ 840.4</u>	<u>\$ 935.6</u>	<u>\$ 979.7</u>	<u>\$ 1,074.7</u>	36.9 %
Summary of Own-Source Revenues by Fund:											
General	\$ 744.6	\$ 767.9	\$ 790.0	\$ 852.7	\$ 842.8	\$ 847.2	\$ 833.7	\$ 927.0	\$ 970.9	\$ 1,064.5	43.0 %
Intermediate	0.4	0.7	1.3	1.0	0.6	0.4	0.5	0.4	0.5	0.6	49.4
Categorical	9.7	6.4	6.2	7.0	4.2	3.3	2.8	4.6	4.7	6.8	(30.5)
Debt Service (1) (4)	12.6	23.1	28.5	23.7	9.9	3.8	2.1	2.6	2.6	2.4	(81.0)
Capital Projects	17.4	16.9	20.8	15.5	5.6	2.4	1.2	0.9	1.0	0.3	(98.0)
Non-Major	0.2	0.3	0.4	0.3	0.1	0.1	0.1	0.1	0.0	0.1	(68.2)
Total Own-Source Revenues	<u>\$ 784.9</u>	<u>\$ 815.3</u>	<u>\$ 847.2</u>	<u>\$ 900.2</u>	<u>\$ 863.2</u>	<u>\$ 857.2</u>	<u>\$ 840.4</u>	<u>\$ 935.6</u>	<u>\$ 979.7</u>	<u>\$ 1,074.7</u>	36.9 %
Totals Restated on a Constant Dollar Basis: (2)											
2005 as base year	<u>\$ 784.9</u>	<u>\$ 780.3</u>	<u>\$ 798.4</u>	<u>\$ 806.9</u>	<u>\$ 789.7</u>	<u>\$ 769.5</u>	<u>\$ 733.9</u>	<u>\$ 806.9</u>	<u>\$ 832.4</u>	<u>\$ 897.2</u>	14.3 %
2014 as base year	<u>\$ 940.2</u>	<u>\$ 934.7</u>	<u>\$ 956.3</u>	<u>\$ 966.6</u>	<u>\$ 945.9</u>	<u>\$ 921.7</u>	<u>\$ 879.1</u>	<u>\$ 966.5</u>	<u>\$ 997.0</u>	<u>\$ 1,074.7</u>	14.3 %

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) New financing derivatives, variable rate and basis swaps, were issued during Fiscal Year 2005 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 2005 through 2014
(dollars in millions)

Calendar Year of Levy (1)	Major Assessment Categories (2)						Certified Assessed Values (2)				Total Direct Tax Rate (6)	Total Taxable Assessed Value of Property	Certified Assessed Value Ratio (7)	Estimated Actual Taxable Value
	Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land	Assessed Value of Property on Certification Date (8)	Less: Tax-Exempt Property (3) (8)	Less: Homestead Exempt and Other Adjustments (4) (5)	Total Taxable Assessed Value on Billing Date				
2005	\$ 6,356	\$ 1,669	\$ 236	\$ 5,850	\$ 651	\$ 310	\$ 15,072	\$ 4,040	\$ -	\$ 11,032	4.790 %	\$ 11,032	0.2969	\$ 37,157
2006	6,486	1,826	261	6,167	703	360	15,803	4,372	-	11,431	4.790	11,431	0.2924	39,094
2007	6,724	1,810	282	6,299	721	407	16,243	4,628	-	11,615	4.790	11,615	0.2922	39,750
2008	7,236	1,865	316	6,412	749	396	16,974	4,799	-	12,175	4.959	12,175	0.2857	42,615
2009	7,440	1,896	314	6,543	746	413	17,352	5,146	-	12,206	4.959	12,206	0.2856	42,738
2010	7,580	1,944	326	6,534	807	424	17,615	5,339	-	12,276	4.959	12,276	0.2805	43,765
2011	7,695	1,958	327	6,787	789	384	17,940	5,593	-	12,347	4.959	12,347	0.2805	44,018
2012	7,776	1,964	324	6,799	781	378	18,022	5,685	-	12,337	5.309	12,337	0.2887	42,733
2013	7,831	2,021	324	6,854	758	393	18,181	5,765	-	12,416	5.309	12,416	0.2868	43,291
2014	67,031	16,022	3,448	43,594	3,536	3,773	137,404 (5)	37,462	8,019	91,923	0.738	91,923	1.0000 (5b)	91,923

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) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.
- (4) Source: The City of Philadelphia, Department of Finance, Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners. The City granted \$5,429 million in homestead exemption. In addition, beginning in 2014: (a) the Assessed Value Certification Date was moved up to March 31, 2013; and (b) \$5,429 million was granted as Homestead Exemptions as of March 31, 2014 (This amount could change.).
- (5) Beginning in 2014: (a) the Assessed value Certification Date was moved up to March 31, 2013, and (b) the City re-evaluated all real property at its current value, based upon the Actual Value Initiative (AVI). An adjustment after the certification date of March 31, 2013 of \$2,590 million was made.
- (6) Represents real estate tax rates for the School District of Philadelphia which was obtained from the City of Philadelphia, Finance Department per \$1,000.00 of assessed value. See Table 10 for details.
- (7) 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 and STEB website.
- (8) 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.

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Governments
For the Calendar Years 2005 through 2014
(Per \$100 Assessed Value) (1)

Calendar Year	City of Philadelphia	School District of Philadelphia	Total
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
2014	0.6018	0.738	1.340 (2)

Note:

- (1) The City of Philadelphia and the School District of Philadelphia impose a tax on all real estate. Prior to calendar year 2014, the tax rate was based on mills, a fixed (16.75 mills) portion was levied pursuant to legislative authorization by the General Assembly of the Commonwealth of PA while the remaining 36.34 mills (portion) was levied pursuant to legislative authorization and approval by ordinance of the City Council of Philadelphia.
- (2) In calendar year 2014, the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI) which represents total taxable assessed value of property. See Table 9 for gross assessed value of property.

Source: The City of Philadelphia, Department of Finance and Office of Property Assessment websites

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

Taxpayer	2014 (1)			2005 (2)		
	Rank	Assessment Value	Percentage of Total Assessments	Rank	Assessment Value	Percentage of Total Assessments
Franklin Mills Associates	9	\$ 163.2	0.16%	5	\$ 48.4	0.44%
Phila Liberty Place LP	4	207.7	0.21%	1	57.6	0.52%
Nine Penn Center Associates	2	232.6	0.23%	2	54.1	0.49%
HUB Properties Trust	1	265.7	0.27%	4	51.2	0.46%
PRU 1901 Market LLC				7	32.9	0.30%
Maguire/Thomas	7	170.1	0.17%	8	32.0	0.29%
Commerce Square Partners	6	178.2	0.18%	9	30.5	0.28%
Brandywine Operating Part (Bell Atlantic)	10	159.4	0.16%	6	44.2	0.40%
Philadelphia Shipyard Development Corporation				10	30.3	0.27%
Philadelphia Market Street (Marriot)	5	203.7	0.20%			
Two Liberty Place	-	-	-	3	53.1	0.48%
NNN 1818 Market Street	8	170.0	0.17%			
Liberty Property Phila	3	212.5	0.21%			
Total of the Ten Largest Real Estate Assessments		<u>\$ 1,963.1</u>	<u>1.96%</u>		<u>\$ 434.3</u>	<u>3.94%</u>
Total Taxable Assessments		<u>\$ 99,942.0</u>	<u>100.00%</u>		<u>\$ 11,031.8</u>	<u>100.00%</u>

Note:

(1) In calendar year 2014, the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI). Represents total taxable assessed value of property. See Table 9 for gross assessed value of property.

(2) Obtained from City of Philadelphia 2005 CAFR Table 14 and School District of Philadelphia 2005 CAFR page 131. (Rounding).

Source: Office of Property Assessment, The City of Philadelphia website.

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2005 through 2014

For the Calendar Years 2005 through 2014								
Collected within the Calendar Year of the Original Tax						Total Collected to Date		
Calendar Year	Tax Levy for the Calendar Year (Original Levy)(a)	Adjustments (b)	Adjusted Total Levied Tax (c)	Amount (\$) (d)	Percent of Original Levy (%)	Delinquent Taxes Collections in Subsequent Years (d)	Amount (\$)	Percentage of Adjusted Tax Levy (%)
2005	\$ 540,434,759	\$ (29,241,099)	\$ 511,193,660	\$ 473,676,539	87.65%	\$ 31,845,421	\$ 505,521,960	98.89%
2006	570,172,040	(41,127,945)	529,044,095	490,400,721	86.01%	32,397,555	522,798,276	98.82%
2007	556,335,693	(15,612,050)	540,723,643	498,506,124	89.61%	34,494,517	533,000,641	98.57%
2008	583,170,112	6,268,702	589,438,814	541,097,383	92.79%	38,440,123	579,537,506	98.32%
2009	605,206,705	(8,983,608)	596,223,097	543,104,746	89.74%	41,896,034	585,000,780	98.12%
2010	608,707,615	(21,170,912)	587,536,703	540,287,600	88.76%	45,582,660	585,870,260	99.72%
2011	612,265,808	(16,541,052)	595,724,756	549,036,079	89.67%	35,720,241	584,756,320	98.16%
2012	655,005,955	(18,049,782)	636,956,173	549,558,020	83.90%	35,802,731	585,360,751	91.90%
2013	659,127,013	(19,166,892)	639,960,121	595,637,192	90.37%	43,228,654	638,865,846	99.83%
2014	737,777,950 (e)	(28,060,172)	709,717,778 (e)	598,375,175 (e)	81.11%	N/A	598,375,175	84.31%

Notes:

- (a) Represents original billings as of the calendar year (December 31st) for current year real estate taxes only.
- (b) Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.
- (c) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.
- (d) Source: City of Philadelphia, Revenue Department Reports-Taxes Collected for Tax Years 2005 through 2013-Gross Principal Only.
- (e) Memorandum City of Philadelphia Department of Revenue 2014 Monthly Real Estate Billed/Balance Due dated 01/16/2015 as of December 31, 2014
- N/A = Data Not Available

Fiscal Years 2005 through 2014			
Fiscal Year	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
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
2014	592,906,317	64,512,002	657,418,319

Source: The School District of Philadelphia - Accounting System fiscal year records as of 02/04/2015.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2005 through 2014
(dollars in thousands)

Fiscal Year	Governmental Activities (1)							Per Capita (4)		
	Gross General Obligation Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease	Add/(Deduct): Premiums/(Discounts) (Adjustments)	Total Governmental Activities	Percentage of Personal Income (3)	Actual	In Constant Dollars - 2005 as Base Year (2) (3)	
2005	\$ 1,805,490	\$ 588,130	\$ 259	\$ 3,125	\$ (78,821)	\$ 2,318,182	5.24 %	\$ 1,530	\$	1,530
2006	1,798,724	588,125	44	2,375	(74,054)	2,315,214	5.05	1,526		1,460
2007	1,732,258	906,200	10	1,604	(52,636)	2,587,436	5.38	1,702		1,604
2008	1,712,357	901,025	3	813	(57,565)	2,556,633	5.02	1,671		1,498
2009	1,929,620	895,570	-	-	(69,704)	2,755,486	4.97	1,789		1,637
2010	2,104,498	889,955	-	-	(62,002)	2,932,451	5.16	1,895		1,701
2011	2,096,912	884,010	-	-	(114,678)	2,866,244	4.83	1,878		1,640
2012	2,266,447	877,780	-	-	(105,720)	3,038,507	4.90	1,978		1,706
2013	2,158,783	1,136,235	-	-	(63,975)	3,231,043	5.05	2,088		1,774
2014	2,052,724	1,124,855	-	-	(38,719)	3,138,860	4.79	2,021		1,687

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 2005 through 2014
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)											Percentage of Estimated Actual Taxable Value of Property (6)	Per Capita (5)	
	Gross 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	Add/(Deduct) Premiums/ (Discounts) (Adjustments)	Total Governmental Activities	Less: Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Personal Income (3)		Actual	In Constant Dollars - 2005 as Base Year (3) (4)
2005	\$ 1,262,915	\$ 42,305	\$ 291,280	\$ 208,990	\$ 588,130	\$ 2,393,620	\$ (78,821)	\$ 2,314,799	\$ (28,048)	\$ 2,286,751	5.17 %	6.16	1,510	1,510
2006	1,267,141	40,918	281,683	208,980	588,125	2,386,849	(74,054)	2,312,795	(39,960)	2,272,835	4.96	5.90	1,498	1,433
2007	1,212,170	39,533	271,583	208,970	906,200	2,638,458	(52,636)	2,585,822	(46,895)	2,538,927	5.28	6.39	1,670	1,574
2008	1,162,645	79,817	260,935	208,960	901,025	2,613,382	(57,565)	2,555,817	(48,741)	2,507,076	4.92	6.02	1,639	1,469
2009	1,602,860	77,525	249,235	-	895,570	2,825,190	(69,704)	2,755,486	(49,138)	2,706,348	4.88	6.40	1,757	1,607
2010	1,792,685	75,233	236,580	-	889,955	2,994,453	(62,902)	2,932,451	(47,944)	2,884,507	5.07	6.69	1,864	1,674
2011	1,800,745	72,942	223,225	-	884,010	2,980,922	(114,678)	2,866,244	(59,126)	2,807,118	4.73	6.08	1,840	1,606
2012	1,842,043	215,275	209,130	-	877,780	3,144,227	(105,720)	3,038,507	(62,208)	2,976,299	4.80	6.77	1,937	1,671
2013	1,751,550	212,983	459,245	-	871,240	3,295,018	(63,975)	3,231,043	(69,059)	3,161,984	4.94	7.35	2,043	1,736
2014	1,686,383	187,766	439,060	-	864,370	3,177,579	(38,719)	3,138,860	(65,170)	3,073,690	4.69	3.08	1,979	1,652

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 Capital 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, 2014
(dollars in millions)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	\$ 3,073.7	100.0%	\$ 3,073.7
City of Philadelphia Direct Debt			4,277.1
Total Direct and Overlapping Debt			<u>\$ 7,350.8</u>

Notes:

- (1) To identify debt outstanding-Net Bonded debt-tax supported, refer to notes to the financial statements. This represents the amount of outstanding general obligation debt reduced by the amounts available under the Debt Service Fund sinking fund to repay the outstanding debt. See Table #14

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 on a calendar year basis of the assessed value of residential and commercial property. For the first six months of Fiscal Year 2014 the tax rate was at a combined rate of 9.771 percent. The City's share was 4.462 percent while the remainder of 5.309 percent was for the School District. For the last six months of Fiscal Year 2014 the tax rate was 13.40 mills. The City's share is 6.018 mills while the remainder of 7.382 mills 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 2005 through 2014
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 99,942.0
Debt Limit (1)	
Non-electoral Debt Capacity (2)	508.5
Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 1,698.8

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 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	\$ 2,315.3
General Obligation Bonds	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	3,177.6
Less: (Schedule of Bonds O/S)										
Lease Rental - SPSBA	(588.1)	(588.1)	(906.2)	(901.0)	(895.6)	(890.0)	(884.0)	(877.8)	(1,136.2)	(1,124.9)
Capital Appreciation Bonds - Non-electoral Debt	-	-	-	-	-	-	-	-	-	-
Electoral Debt	(2.5)	(1.3)	-	-	-	-	-	-	-	-
Non-electoral Debt Outstanding	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	2,052.7
Exclusions:										
Deficit Bonds	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.3)	(178.6)
Termination Bonds	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)
Stadium Bonds	-	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)
GOB Series A of 2009	-	-	-	-	-	-	-	-	-	-
Non-electoral Debt Outstanding applicable to Debt Limit	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	1,806.8
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	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	2,315.3
Less: Non-electoral Debt Outstanding applicable to Debt Limit	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	1,806.8
Non-electoral Debt Capacity (2)	\$ 341.5	\$ 442.1	\$ 580.1	\$ 678.3	\$ 538.1	\$ 425.8	\$ 479.7	\$ 297.0	\$ 393.1	\$ 508.5
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	% 80.8	% 76.2	% 70.1	% 66.7	% 74.7	% 80.7	% 78.9	% 87.0	% 82.8	% 78.0
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 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	\$ 4,630.6
General Obligation Bonds	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	3,177.6
Less:										
Capital Appreciation Bonds - Non-electoral Debt	-	-	-	-	-	-	-	-	-	-
Electoral Debt	(2.5)	(1.3)	-	-	-	-	-	-	-	-
Non-electoral Debt and Lease Rental Outstanding	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	3,177.6
Exclusions:										
Deficit Bonds	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.2)	(178.6)
Termination Bonds	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)
Stadium Bonds	-	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)
GOB Series A of 2009	-	-	-	-	-	-	-	-	-	-
Net Non-electoral Debt and Lease Rental Outstanding	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1	2,672.2	2,676.3	2,858.2	3,028.6	2,931.8
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	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	4,630.6
Less: Net Non-electoral Debt and Lease Rental Outstanding	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1	2,672.2	2,676.3	2,858.2	3,028.6	2,931.8
Non-electoral Debt and Lease Rental Borrowing Capacity	\$ 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	\$ 1,698.8
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	56.9 %	53.9 %	58.4 %	55.5 %	58.4 %	60.5 %	58.9 %	62.8 %	66.3 %	63.3 %

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 2005 through 2014
(dollars in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Bonded Debt Principal	\$ 20,410	\$ 36,686	\$ 62,352	\$ 65,626	\$ 70,347	\$ 70,762	\$ 65,454	\$ 31,577	\$ 107,664	\$ 106,059
General Bonded Debt Interest	74,572	91,643	99,178	99,582	82,134	83,864	85,332	86,593	96,720	91,114
Loans	369	215	34	7	3	-	-	-	-	-
State Public School Building Authority (1)	29,952	29,953	33,805	49,062	49,058	49,058	49,060	42,522	49,056	71,346
Total Debt Service Expenditures (2)	<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>	<u>\$ 268,519</u>
Total General Expenditures Excluding Categorical	<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>	<u>\$ 2,553,775</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical	<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>	<u>10.51</u>
Total General Expenditures (2) (3)	<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>	<u>\$ 2,873,499</u>
Ratio of Debt Service to Total General Expenditures	<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>	<u>9.34</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 2005 through 2014

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) (2)	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)
2005	1,518	\$ 30,752	\$ 45,847,308	6.7 %	\$ 619.0	\$ 47,099	\$ 11,283	\$ 22,325	\$ 13,199
2006	1,520	32,300	48,086,063	6.2	617.1	49,384	11,904	23,376	18,504
2007	1,530	34,125	50,958,558	6.0	619.2	50,759	11,615	26,609	18,150
2008	1,540	36,960	55,429,571	7.1	630.6	53,045	12,175	28,306	16,719
2009	1,547	37,555	56,884,856	9.6	652.9	54,224	12,206	31,624	16,673
2010	1,529	38,824	59,343,466	10.8	644.1	55,047	12,276	34,669	11,504
2011	1,538	40,305	62,008,654	10.9	646.3	56,062	12,347	35,594	15,244
2012	1,549	41,309	63,973,820	10.8	655.9	56,320	12,337	32,267	12,311
2013	1,553	42,155	65,473,002	10.0	656.5	56,816	12,416	33,453	11,901
2014	N/A	N/A	67,007,316 (7)	6.4 (8)	639.2 (8)	137,404	99,942	31,925	9,108

Notes:

- (1) Data for calendar years 2005 through 2013 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-updated November 20, 2014
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated April 2014
- (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/Office of Property Assessment
- (6) Source: Federal Deposit Insurance Corporation Summary of Deposits by County for years ending June 30th.
- (7) Source: SDP applied an estimated growth rate based on the previous years amount.
- (8) Source: U.S. Bureau of Labor-Labor Force Data By County, not seasonally adjusted latest 14 months (Oct 13 to Nov 14)

N/A = Data Not Available

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

2014 (1)			2005 (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	32,825	5.49	City of Philadelphia	28,146	4.87
City of Philadelphia (Need Table 19 2014 CAFR)	26,870	4.49	School District of Philadelphia	25,850	4.48
School District of Philadelphia	19,846	3.32	Albert Einstein Medical	N/A	
Thomas Jefferson University/Thomas Jefferson University Hospitals Inc.	13,462	2.25	Children's Hospital of Philadelphia	N/A	
Comcast Corporation	11,968	2.00	Comcast Corporation	N/A	
Children's Hospital of Philadelphia	11,584	1.94	Hospital of the University of Pennsylvania/University of Pennsylvania	N/A	
Drexel University	9,927	1.66	Smith Kline Beecham Corporation	N/A	
Einstein Healthcare Network	9,000	1.51	Southeastern Pennsylvania Transportation Authority	N/A	
Temple University	8,252	1.38	Temple University/Temple University Hospital, Inc.	N/A	
Wells Fargo	7,584	1.27	Tenet Healthcare Systems, Inc	N/A	
Independence Blue Cross	6,880	1.15	Thomas Jefferson University Hospitals/Thomas Jefferson University	N/A	
Allied Barton Security Services	5,246	0.88	University of Pennsylvania	N/A	
Verizon	5,100	0.85	Verizon Services Corporation	N/A	
Aria Health	4,000	0.67	Wachovia	N/A	

Notes:

(1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2014, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2014; (c) and Philadelphia Business Journal dated August 1, 2014 page 13-19 Employers Ranked By Number of Local Employees.

(2) N/A= Number of employee for each principal employer is not available. Identified by name from the 2005 CAFR for City of Philadelphia and School District.

(3) Based on annual 2005 and 2014 (Nov 14) Civilian Labor Employed in Philadelphia, PA per U.S. Bureau of Labor Statistics.

School District of Philadelphia
Table 20
School District Employees by Function
For the Fiscal Years 2005 through 2014

	PROFESSIONAL/NON-PROFESSIONAL EMPLOYEES as of June 15th (1)										Percentage Change 2005 - 2014
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Instruction:											
<i>Classroom Teachers</i>											
Operating	10,347	9,509	8,884	8,648	8,696	8,561	8,313	7,591	7,571	7,100	(31.4) %
Grants	1,286	1,438	1,612	1,640	1,681	2,720	2,900	1,954	1,927	1,247	(3.0)
<i>Total Classroom Teachers</i>	11,633	10,947	10,496	10,288	10,377	11,281	11,213	9,545	9,498	8,347	(28.2)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	384	239	241	245	294	278	258	232	226	101	(73.7)
Classroom Assistants	715	663	672	658	639	693	779	782	1,218	1,415	97.9
Counselor/Librarians	83	84	88	69	40	86	13	85	74	5	(94.0)
Psychologists/Therapists	41	37	38	36	32	38	41	36	40	35	(14.6)
Supportive Service Assistant	1,210	1,471	1,197	1,156	1,206	1,252	1,422	1,111	1,100	550	(54.5)
Other Paraprofessionals	203	172	152	146	100	97	102	164	175	100	(50.7)
<i>Total Non-Teaching</i>	2,636	2,666	2,388	2,310	2,311	2,444	2,615	2,410	2,833	2,206	(16.3)
Total Instruction	14,269	13,613	12,884	12,598	12,688	13,725	13,828	11,955	12,331	10,553	(26.0)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	522	515	510	478	475	465	479	445	419	289	(44.6)
Department Heads/Program Mgrs. & Coord.	59	35	31	34	35	35	33	1	2	1	(98.3)
Secretarial	580	540	497	495	487	472	453	346	333	237	(59.1)
Other Clerical	87	80	83	3	6	2	5	1	1	-	(100.0)
<i>Total In-school Instruction Leadership & Support</i>	1,248	1,170	1,121	1,010	1,003	974	970	793	755	527	(57.8)
<i>Professional Development & Training</i>											
Director	1	3	2	3	4	8	5	-	-	-	(100.0)
Non-Teaching Professionals	391	431	350	325	333	240	246	124	111	89	(77.2)
Secretarial	4	5	4	4	1	1	1	-	-	-	(100.0)
<i>Total Professional Development & Training</i>	396	439	356	332	338	249	252	124	111	89	(77.5)
<i>Student Support Services</i>											
Other Technical Staff	33	27	31	26	27	36	49	1	1	1	(97.0)
Non-professional supervisory	114	113	107	94	92	90	76	5	5	-	(100.0)
Counselor/Librarians	340	347	327	338	344	471	469	379	290	216	(36.5)
Psychologists/Therapists	100	106	102	97	100	96	113	108	110	111	11.0
Other Paraprofessionals	167	198	194	146	449	536	537	320	243	147	(12.0)
Bus Drivers/Attendants	1,126	1,125	1,127	1,084	1,047	1,072	1,053	1,044	908	841	(25.3)
Health Providers	320	310	326	317	325	331	325	221	220	201	(37.2)
Food Service	902	890	931	810	820	868	854	764	772	762	(15.5)
Other (includes Noon Time Aides)	1,458	1,431	1,400	1,429	1,498	1,574	1,608	1,288	1,339	1,365	(6.4)
<i>Total Student Support Services</i>	4,560	4,547	4,545	4,341	4,702	5,074	5,084	4,130	3,888	3,644	(20.1)
<i>Basic Building Services</i>											
Non-Teaching Assistants	421	311	248	196	187	161	120	48	18	-	(100.0)
Maintenance	416	428	410	416	376	365	368	342	315	285	(31.5)
Custodial	1,810	1,663	1,583	1,508	1,453	1,415	1,409	1,228	1,119	1,029	(43.1)
Warehouse/Distribution	33	34	28	21	27	29	27	23	22	19	(42.4)
Security	554	489	540	540	592	594	592	401	399	397	(28.3)
<i>Total Basic Building Services</i>	3,234	2,925	2,809	2,681	2,635	2,564	2,516	2,042	1,873	1,730	(46.5)
Total Classroom Support	9,438	9,081	8,831	8,364	8,678	8,861	8,822	7,089	6,627	5,990	(36.5)
Administrative Support											
Executive Management	27	33	28	26	32	37	46	-	-	-	(100.0)
Regional Superintendent	11	12	12	8	12	11	6	-	-	-	(100.0)
Management/Administrative	-	-	-	-	-	-	-	642	666	645	0.5
Directors	65	69	70	64	78	82	91	-	1	1	(98.5)
Asst. Directors/Admin Asst.	71	61	55	46	25	54	56	-	-	-	(100.0)
Prog. & Mgmt. Supervisors	126	178	147	154	167	185	164	4	6	5	(96.0)
Mgmt. Level Technicians	126	114	152	157	143	147	171	6	8	4	(96.8)
Other Technical Staff	350	398	288	273	316	362	335	15	11	11	(96.9)
Non-Professional Supervisory	118	116	111	90	107	106	103	-	2	1	(99.2)
Secretarial	165	151	141	102	109	101	97	65	63	53	(67.9)
Other Clerical	183	182	158	226	230	238	224	154	131	69	(62.3)
Other (2)	2	1	-	-	-	-	-	-	-	-	(100.0)
Total Administrative Support	1,244	1,315	1,162	1,146	1,219	1,323	1,293	886	888	789	(36.6)
Total School District	24,951	24,009	22,877	22,108	22,585	23,909	23,943	19,930	19,846	17,332	(30.5)
Add: Municipal Services (3)	96	92	93	82	86	75	26	4	-	-	(100.0)
Total School District Wide	25,047	24,101	22,970	22,190	22,671	23,984	23,969	19,934	19,846	17,332	(30.8) %

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 FY2005 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 - FY2005 to FY2006

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia - FY2007 through FY2014

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2005 through 2014

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Accrual) (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
2005	184,264	\$ 2,078,049	\$ 11,278	6.46 %	\$ 2,544,669	\$ 13,810	12.80 %	N/A	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	N/A	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	N/A	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	N/A	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	N/A	22.3	35.9	10,377	15.6
2010	160,659	2,311,605	14,388	9.91	2,901,832	18,062	8.63	76.7	23.6	36.1	11,281	14.2
2011	154,482	2,395,041	15,504	7.75	3,121,294	20,205	11.86	77.2	24.4	38.7	11,213	13.8
2012	146,819	2,068,734	14,090	(9.12)	2,785,725	18,974	(6.09)	79.2	25.4	40.2	9,545	15.4
2013	141,094	2,147,313	15,219	8.01	2,922,742	20,715	9.18	81.0	27.9	41.8	9,498	14.9
2014	135,107	1,859,019	13,760	(9.59)	2,817,340	20,853	0.67	80.8	30.8	44.6	8,347	16.2

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, includes deduction of indirect expenses for Food Service Fund
- (4) Source: Food Services Administration Support, The School District of Philadelphia; Eligible student totals include charter and private schools Food Services operates as independent School Food Authority (SFA) under PDE/USDA regulations which enables individual charter/private schools, which are distinct and separate Local Education Authority's (LEA) under state law, to receive free/reduced meal program benefits should they choose to have District provide student meal services. Data source for eligible, free, and reduced students is the October claim month for each school year which is consistent with PDE standards. Data source for meal volume is aggregation of monthly PDE/USDA National School Lunch Program (NSLP) claim for each school year.
- (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

N/A = Data source for eligible, free, and reduced students is not available.

School District of Philadelphia
Table 22
Miscellaneous Statistics
For the Fiscal Years 2005 through 2014
12/30/2014

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 2005	Fiscal 2006 (3)	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of Schools (1)										
Elementary	176	177	178	175	175	175	170	168	162	55
Elementary/Middle	-	-	-	-	-	-	-	-	-	93
Middle	38	32	30	31	30	28	26	23	23	17
Special	11	17	21	21	21	22	21	23	22	18
High (8)	38	30	31	30	32	32	32	27	25	22
Vocational/Technical	7	9	9	9	9	8	8	8	8	8
Total Public Schools	270	265	269	266	267	265	257	249	240	213
Charter Schools (2)	52	54	56	61	63	67	67	67	67	66
Renaissance Schools (2)	N/A	N/A	N/A	N/A	N/A	N/A	7	13	17	20
Alternative Schools (6)	N/A	13	15	16	17	27	32	26	26	26
Cyber Charter Schools (7)	9	11	11	11	11	11	11	13	15	15
Brick & Mortar Charter Schools (7)	5	7	9	9	9	9	4	6	5	6
Total Schools	336	350	360	363	367	379	378	374	370	346
School Enrollment (2)										
Elementary	91,932	99,157	97,429	93,387	93,618	93,476	90,620	90,411	88,398	32,813
Elementary/Middle	-	-	-	-	-	-	-	-	-	52,551
Middle	25,572	22,455	19,380	18,724	14,834	14,848	12,914	11,700	10,349	9,481
Special (3) (4)	-	8,829	9,208	9,762	10,979	11,590	11,499	12,671	12,902	12,321
High (3) (4) (8)	-	35,861	35,329	32,505	31,113	29,714	27,949	22,163	19,735	20,521
Vocational/Technical (3)	-	8,961	8,351	8,230	7,136	6,792	6,594	6,062	5,545	4,234
Special/High/Vocational Technical (3)	64,222	-	-	-	-	-	-	-	-	-
Total Public Schools	181,726	175,263	169,697	162,608	157,680	156,420	149,576	143,007	136,929	131,921
Charter Schools (2)	25,055	26,938	28,220	30,326	32,637	34,019	36,190	38,148	42,813	45,726
Renaissance Schools (2)	-	-	-	-	-	-	4,293	9,314	12,930	15,236
Alternative Schools (6)	2,538	5,790	4,399	4,703	4,568	4,239	4,906	3,812	4,165	3,186
Cyber Charter Schools (7)	1,047	1,220	1,880	2,180	2,616	2,935	3,627	4,787	5,961	6,752
Brick & Mortar Charter Schools (7)	258	248	250	223	205	188	191	164	152	175
Total	210,624	209,459	204,446	200,040	197,706	197,801	198,783	199,232	202,950	202,996
Number of Public High School Graduates (1)	10,800	10,132	9,694	9,570	9,515	10,285	10,235	9,416	9,429	8,374
Number of Charter High School Graduates (5)	1,167	1,424	1,651	1,928	1,996	2,115	2,513	3,220	2,744	3,242
Total of High School Graduates	11,967	11,556	11,345	11,498	11,511	12,400	12,748	12,636	12,173	11,616

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data for FY2005 through FY2008. Office of Strategic Analytics (OSA) provided FY2014 number of schools and enrollment data. OSA also updated the number of high school graduates for FY2009 through FY2013.
- (2) School District of Philadelphia, Budget Document - Fiscal Year 2005. Data for Fiscal Years 2006 through 2008 was obtained from the Office of Accountability and Assessment-Performance Targets and Data, School District of Philadelphia. The Office of Strategic Analytics provided data for Fiscal Years 2009 to FY2014.
- (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 Twi-light schools.
- (5) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2005 through 2008. School District of Philadelphia, Office of Strategic Analytics for Fiscal Year 2009 to Fiscal Year 2014.
- (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. Number of schools and enrollment data obtain from SDP Special Finance Department which was also updated for previous years.
- (8) Beginning in FY2014, includes School of Philadelphia Virtual Academy

N/A = Data Not Available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 2005 through 2014

Calendar Year	School District (1) (3)			Percent Change Average Salary	State Average Salary (2) (4) (5)	National Average Salary (5)
	Minimum Salary	Average Salary	Maximum Salary			
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	55,389
2013	45,359	71,459	90,051	-0.14%	62,994	56,103
2014	45,359	70,653	90,051	-1.13%	64,072 (E1)	56,689 (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 2005 represent averages for school year 2004/05. 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 1.71 percent increase over 2012-13

(E2) =Estimated a 1.0 percent increase over 2012-13

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year (Years) 2013-2014

<u>Schools</u>	<u># of Buildings (1)</u>	<u>Range of Buildings Ages</u>	<u>Square Footage</u>	<u>Official Capacity (10)(12)</u>	<u>Percentage of Capacity Used</u>
Elementary	47	41 yrs to 125 yrs	3,086,073	27,606	88.8 %
Elementary/Primary Education Center (PEC)	6	5 yrs to 85 yrs	294,866	3,200	111.8
Elementary/Little School Houses	8	13 yrs to 83 yrs	386,087	3,977	100.0
Elementary With Annexes	6	4 yrs to 107 yrs	235,608	2,623	72.7
Elementary/Middle	80	6 yrs to 116 yrs	6,241,118	54,335	82.5
Elementary/Middle with LSH	13	13 yrs to 104 yrs	598,003	5,824	82.4
Elementary/Middle with Annex Different Location	4	77 yrs to 108 yrs	184,800	1,709	53.8
Elementary/Middle and Alternative High Schools	1	77 yrs	94,000	894	53.0
Middle	11	9 yrs to 90 yrs	1,564,647	12,621	57.5
Special (Elementary) With Annexes	2	54 yrs and 99 yrs	69,364	616	35.6
Special (Middle) With Annexes	2	42 yrs and 88 yrs	106,992	903	66.6
High	20	2 yr to 102 yrs	4,069,437	26,878	67.6
High/Alternative (2)	3	56 yrs and 88 yrs	897,049	6,500	49.7
High (3)	1	97 yrs	108,000	929	73.3
Special	15	17 yrs to 120 yrs	1,812,878	13,103	75.0
Special/Elementary (5)	2	81 yrs and 100 yrs	188,460	1,422	119.0
Special/Middle (6)	1	61 yrs	168,259	1,126	58.5
Special (7)	1	90 yrs	120,000	1,202	51.3
Special/Charter (8)	1	45 yrs	190,000	1,512	39.6
Vocational	5	38 yrs to 85 yrs	930,914	4,397	71.8
Alternative-include six different schools/programs	2	9 yrs and 51 yrs	220,265	950	59.2
Alternative	3	46 yrs to 105 yrs	106,696	976	56.1
Charter (9)	6	44 yrs to 93 yrs	663,773	4,790	105.1
Renaissance (4)	18	5 yrs to 106 yrs	2,172,375	18,372	76.1
Two Renaissance School (4) with LSH/Annex Leased	4	15 yrs to 84 yrs	170,204	1,988	63.2
<u>Other</u>					
Early Childhood Centers (10) (Community Centers)	10	N/A	287,945	N/A	
<u>Closed/Vacant Property (11)</u>					
Without Enrollment	43	43 yrs to 113 yrs	5,033,048	32,394	
<u>Administration</u>					
Administration	2	46 yrs and 87 yrs	843,610		
<u>Transportation</u>					
Administration Garages	5	N/A	175,133		
Repair Garages	1	N/A	10,663		
<u>Athletics</u>					
Fields	11	8 yrs to 74 yrs	147,227		
Pools	3	36 yrs to 45 yrs	43,968		

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) Three High Schools Franklin South Philadelphia, and Overbrook have alternative education programs and alternative schools in their buildings
- (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) One Special School, Parkway Northwest HS and Leeds Middle School use the same buildings.
- (7) Two Special 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". See Note 4N Subsequent Events
- (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 Marvin Lee, Equal Opportunity Compliance Officer, Procurement Department, 440 N. Broad Street, Philadelphia, PA 19130, (215) 400-4380.

