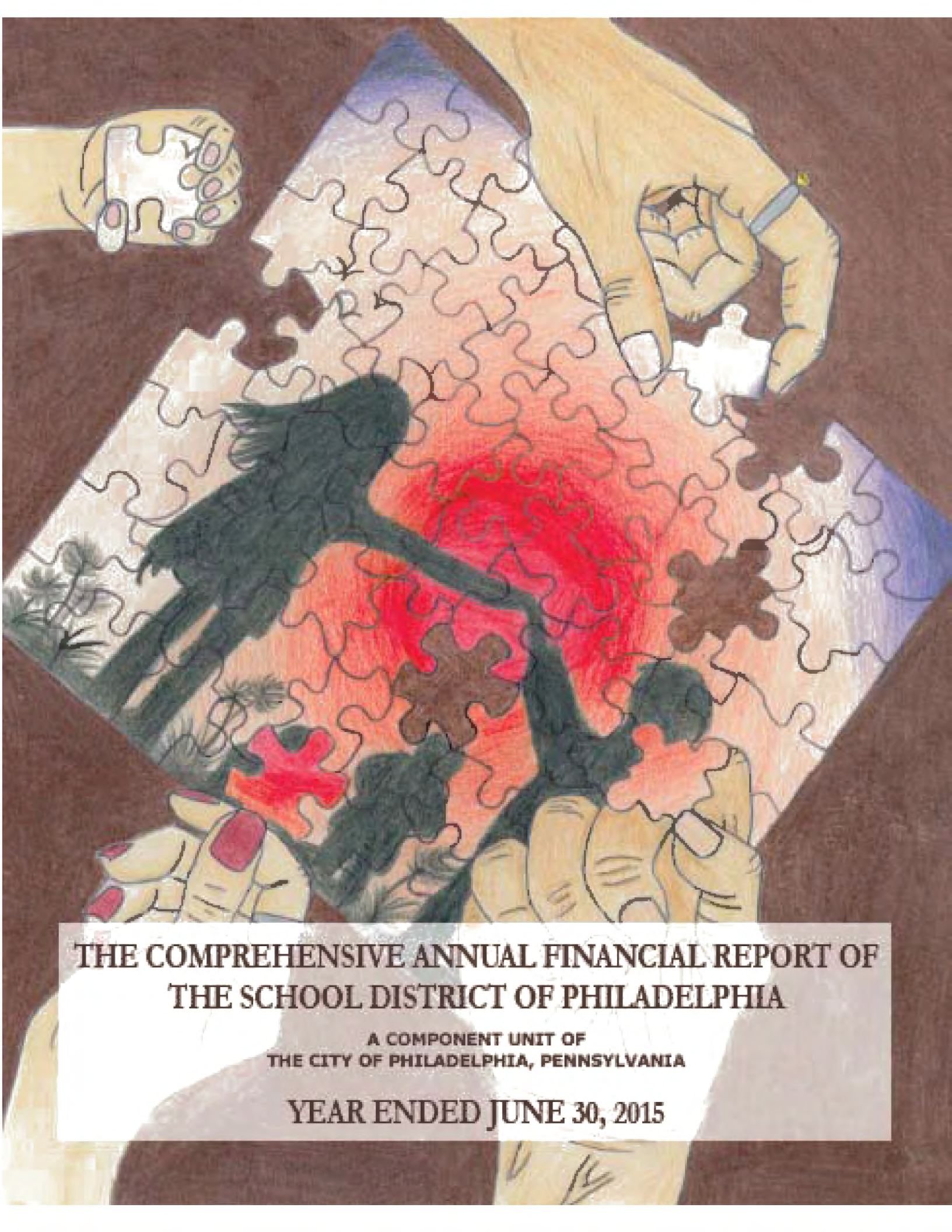


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**THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF
THE SCHOOL DISTRICT OF PHILADELPHIA**

**A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA**

YEAR ENDED JUNE 30, 2015

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, 2015



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 2015 Annual Accounting Cover Design Contest. The theme for this year is "The Look of Today's Family", commemorating the World Meeting of Families held in Philadelphia in September 2015. Since the country's inception, Philadelphia has been at the forefront advocating for life, liberty and the pursuit of happiness for all Americans. The World Meeting of Families was started in Rome by Pope Saint John Paul II in 1994 to strengthen the bonds of the family. The 2015 World Meeting of Families was lead by Pope Francis I and attended by families of many different faiths from all over the world. The theme of the meeting was: "Love is Our Mission: The Family Fully Alive." This contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, research, experience and influences to visually express the bond that makes up a family, whatever its configuration may look like to them.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Kaili Chen Northeast High School Grade 10	Mr. Sebourne
2 nd Prize Back Cover	Tre' Patillo High School of the Future Grade 12	Ms. Heeg
3 rd Prize Divider: 1 st	Michelle Vo Woodrow Wilson Middle School Grade 6	Mrs. Hill
	Alexa Gargano Academy at Palumbo Grade 9	Ms. Marzuoli
2 nd	Robert Colon Conwell Middle Magnet Grade 7	Mr. Koller
	Cianey Ponce-Scott Lowell Elementary School Grade 4	Ms. Shean
3 rd	Marlene H. Wijaya Northeast High School Grade 11	Ms. Rosenthal
	Nahsir Laroda-Merriweather Martin Luther King High School Grade 11	Mr. Blyweiss
	Ms. Deborah Klose, Director of Arts Education Office of Academic Enrichment and Support	





SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

I.	<u>INTRODUCTORY SECTION</u>	<u>Page</u>
	Letter of Transmittal	1-7
	Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association	8
	Certificate of Excellence in Financial Reporting, Association of School Business Officials	9
	Organizational Chart	10
	List of Principal Officials	11
II.	<u>FINANCIAL SECTION</u>	
	Independent Auditor's Report	13-15
A.	Management's Discussion and Analysis	16-32
B.	Basic Financial Statements	33
	District-Wide Financial Statements	
	Statement of Net Position	34
	Statement of Activities	35
	Governmental Funds Financial Statements	
	Balance Sheet	36-37
	Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	38
	Statement of Revenues, Expenditures, and Changes in Fund Balances	40-41
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42
	Proprietary Funds Financial Statements	
	Statement of Net Position	43
	Statement of Revenues, Expenses, and Changes in Fund Net Position	44
	Statement of Cash Flows	45
	Fiduciary Funds Financial Statements	
	Statement of Net Position	46
	Statement of Changes in Fiduciary Net Position	47
	Notes to the Basic Financial Statements	49-86

SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

	<u>Page</u>
II. FINANCIAL SECTION, CONT.	
C. Required Supplementary Information other than Management's Discussion & Analysis	87
Budgetary Comparison Schedules	
General and Intermediate Unit Funds	88-89
Other Postemployment and Pension	
Required Schedules	90
Notes to the Required Supplementary Information	91-92
D. Other Supplementary Information	93
Non-Major Governmental Funds	94
Combining Balance Sheet – Non-Major Governmental Funds	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	96
Governmental Funds	97
Schedule of Detailed Budgetary and Actual Revenues – General Fund	98
Schedule of Budgetary and Actual Organizational Unit Obligations	
By Object Class and Uses – General Fund	99- 105
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations	
By Object Class and Uses – Intermediate Unit Fund	106-107
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations	
By Object Class and Uses – Debt Service Fund	108
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations	
By Object Class and Uses – Capital Projects Fund	109
Fiduciary Funds	111
Combining Statement of Fiduciary Net Position - Agency Funds	112
Combining Statement of Changes in Assets and Liabilities - Agency Funds	113
Schedule of Bonds Outstanding	114-116
Capital Assets Used in the Operation of Governmental Funds	117
Comparative Schedule by Source	118
Schedule by Function and Activity	119
Schedule of Changes by Function and Activity	120

SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

III. <u>STATISTICAL SECTION</u>	<u>Page</u>
Statistical Section	121
Financial Trends:	
Table 1 Net Position by Component For the Fiscal Years 2006 through 2015	122
Table 2 Expenses, Program Revenues, and Net (Expense)/Revenue For the Fiscal Years 2006 through 2015	123
Table 3 Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position For the Fiscal Years 2006 through 2015	124
Table 4 Fund Balances of Governmental Funds For the Fiscal Years 2006 through 2015	125
Table 5 Governmental Funds Revenues For the Fiscal Years 2006 through 2015	126
Table 6 Governmental Funds Expenditures and Debt Service Ratio For the Fiscal Years 2006 through 2015	127
Table 7 Other Financing Sources and (Uses) and Net Change in Fund Balance Governmental Funds For the Fiscal Years 2006 through 2015	128
Revenue Capacity:	
Table 8 Governmental Funds Revenue By Own-Sources For the Fiscal Years 2006 through 2015	129
Table 9 Assessed and Estimated Actual Market Value of Taxable Property For the Calendar Years 2006 through 2015	130
Table 10 Property Tax Rates – All Direct and Overlapping Governments For the Calendar Years 2006 through 2015	131
Table 11 Principal Property Taxpayers Current Calendar Year and Nine Years Ago	132
Table 12 Real Estate Tax Levies and Collections For the Years 2006 through 2015	133
Debt Capacity:	
Table 13 Ratios of Outstanding Debt by Type For the Fiscal Years 2006 through 2015	134
Table 14 Ratios of Net General Bonded Debt Outstanding For the Fiscal Years 2006 through 2015	135
Table 15 Direct and Overlapping Governmental Activities Debt As of June 30, 2015	136
Table 16 Legal Debt Margin Information For the Fiscal Years 2006 through 2015	137
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 2006 through 2015	138
Demographic and Economic Information	
Table 18 Demographic and Economic Statistics For the Calendar Years 2006 through 2015	139
Table 19 Principal Employers Current Calendar Year and Ten Years Ago	140
Operating Information	
Table 20 School District Employees by Function For the Fiscal Years 2006 through 2015	141
Table 21 Operating Statistics For the Fiscal Years 2006 through 2015	142
Table 22 Miscellaneous Statistics For the Fiscal Years 2006 through 2015	143
Table 23 Teacher Base Salaries For the Calendar Years 2006 through 2015	144
Table 24 Capital Asset Information For the School Year 2014-2015	145

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THE SCHOOL DISTRICT OF PHILADELPHIA OFFICE OF THE SUPERINTENDENT

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February 17, 2016

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, 2015. 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, 2015, 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 Fiscal Services 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 500 school districts in the Commonwealth employing 16,800 full time employees as of June 15, 2015 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 for the 2014-2015 school year was over 204,500 students including 71,125 attending charter schools consisting of 64,301 attending charter school and 6,824 enrolled in cyber schools and Non-Philadelphia (brick and mortar) charter schools; and 3,324 in alternative education programs/schools. The enrollment for the School District for 2015-2016 as of December 2015 was 204,444. The enrollment in charter schools in the 2015-2016 school year as of December 2015 was 69,906, consisting of 63,441 attending charter schools and 6,526 attending cyber schools and Non-Philadelphia (brick and mortar) charter schools. The 2015-2016 cyber charter school enrollments exclude Ed Plus cyber charter school which closed at the end of November, 2015 with an enrollment of 247 students.

During Fiscal Year 2015 there were 218 schools that the School District operated, as well as 24 alternative education programs/schools and 86 charter schools managed by other entities within the city and that serve Philadelphia's children. Two charter schools closed mid-year 2015 and one additional closed by the beginning of the 2015-2016 school year, reducing the number of charter schools to 83. In Fiscal Year 2015, just over one of every three (35%) 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 2015 organizational structure for the School District includes 55 elementary schools; 93 elementary/middle schools; 17 middle schools; and 53 high schools. At the end of the 2013-2014 School Year, the School District had closed 24 schools that the District operated due to a myriad of factors including: low occupancy levels, the shift of enrollment to charter schools, academics, school climate and building conditions. There were no further school closures in Fiscal Year 2015. In Fiscal Year 2015, 6 schools were sold for proceeds of \$24.6 million. About 13% of the School District's buildings are 40 years old or less, 47% 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. Pre-K educational services are also provided on a more limited basis. 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 2015 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

Our mission states “that the School District of Philadelphia (SDP) will deliver on the civil right of every child in Philadelphia to an excellent public education and ensure all children graduate from high school ready to succeed, fully engaged as a citizen of the world.” Our vision is, “For all children, a great school, close to where they live.” The Four Anchor Goals in support of our mission and vision as set by the SRC and the Superintendent remained the same for Fiscal Year 2015 as part of the updated Strategic Action Plan v3.0 and are: Anchor Goal #1 - 100 percent of students will graduate, ready for college and career; Anchor Goal #2 - 100 percent of 8 year olds will read on grade level; Anchor Goal #3 - 100 percent of schools will have great principals and teachers and, Anchor Goal #4 - the School District will have 100 percent of the funding we need for great schools and zero deficit. All actions in Fiscal Year 2015 directly supported the attainment of one or more of the Four Anchor Goals. For the 2014-2015 School Year the District focused on core concerns of early literacy and graduation rates.

To achieve these Four Anchor Goals, the School District recognizes 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 are in place to carry out the Four Anchor 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.

In Fiscal Year 2015 there was a shift from a single focus on fiscal stability to also implementing key components of the updated Strategic Action Plan v3.0 blue print for school improvement, educational equity for all students and a focus on initiatives to lead to future educational outcomes regardless of demographics and location.

Major initiatives in support of Anchor Goal #1, College and Career Ready; were to implement the Naviance System to provide college planning and career assessment software tools and provision of additional college and career counseling supports for students. In support of Anchor Goal #2, Early Literacy, the Children’s Literacy Initiative (CLI) provided 44 reading coaches and all K-5 teachers were provided laptop computers. In addition, assessment tools were implemented to assist teachers to monitor student progress and to differentiate student learning. For Anchor Goal #3, a System of Great Schools, the numbers of seats for special admit and citywide admission schools were expanded by approximately 1,000; three new public schools which offered high quality options to children in their neighborhood were opened and three underperforming charter schools were closed. Finally, in support of Anchor Goal #4, Financial Stability, several initiatives were achieved which included: 1) local tax revenue increases through a new City of Philadelphia cigarette tax and reauthorization of a one percent sales tax; 2) debt was refunded and new debt issued to achieve savings and ensure adequate future financial resources; 3) health care savings accomplished through improved self insurance dependent verification and renegotiated pharmacy contracts; 4) validation of cyber charter enrollments was enhanced; and 5) the impacts of the savings from a contract ratification agreement reached with the Commonwealth Association of School Administration (CASA) Union in March 2014, for substantial changes to past contract provisions which included a modified wage structure and changes to the medical plan provisions and premium contributions resulted in Fiscal Year 2015 savings of approximately \$9.9 million and over \$20 million for the term of the contract from September 1, 2013 to August 31, 2016.

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 41% of the Fiscal Year 2015 overall revenues. The City and the School District have successfully focused attention on improving the collections of all taxes and expanding revenue sources.

The Fiscal Year 2015 adopted budget included \$93.0 million in revenue enhancements and obligation reductions “to be determined”. In addition, the adopted budget included \$150.0 million in new revenues: \$120.0 million from the reauthorization of the one percent sales tax and \$30.0 million from a one-time City borrowing.

After the budget adoption in June, the District addressed the \$93.0 million budget savings yet to be identified by securing an estimated \$49.0 million in revenues from a new cigarette tax, increasing other revenues by over \$19.0 million, identifying over \$10.9 million in additional expenditure cuts, and by taking advantage of a \$14.1 million improvement in the expected Fiscal Year

2014 ending fund balance from (\$28.9) million to (\$14.8) million. Together, these adjustments made up the \$93.0 million in revenue enhancements and obligation reductions that were still to be determined in the Fiscal Year 2015 adopted budget. The Fiscal Year 2015 overall Operating revenues and sources increased by \$337.9 million from the “original” adopted budget to the “final” amended budget. Most of the change was driven by higher local revenues and Special Education revenues and higher property sales revenues in addition to a debt service source increase due to a refinancing that was not in the original budget. The Fiscal Year 2015 overall Operating expenditures and other uses increased by \$251.9 million from the original to final budget primarily due to expenditure reductions in salaries and benefits and increased uses of funds due to bond defeasement that was not in the original budget.

Through a combination of revenue increases and expenditure savings, the School District was able to end the year with a positive operating fund balance of \$88.0 million as discussed below. However, the District continues to project a structural deficit in future years as expenditure growth is expected to continue to outpace revenue growth.

Budget Structure

The Operating Budget is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2015 ending Operating Fund Balance of a positive \$129.1 million compares to a positive \$3.4 million reported for Fiscal Year 2014 (the \$3.4 million Operating Fund balance was later restated to a positive \$21.3 million due to a prior period adjustment). Of the total \$129.1 million fund balance for the Operating Fund at June 30, 2015, \$20.9 million is encumbered for existing purchase commitments or inventory, and \$20.2 million is restricted for future QZAB debt service principal payments, leaving a fund balance of positive \$88.0 million. The following are the classifications of the Operating Fund balances: 1) in the General Fund, a negative (\$6.9) million unassigned (consisting of a negative (\$25.2) million of undesignated fund balance offset by a positive \$18.3 million of encumbrances), \$9.5 million of restricted for medical self-insurance and, \$1.2 million of non-spendable fund balance for inventories, 2) in the Intermediate Unit Fund, a positive \$1.4 million of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, a positive \$123.9 million is considered restricted for future debt service payments. The Fiscal Year 2015 available fund balance represents a \$102.8 million increase from the reported Fiscal Year 2014 available Operating Fund balance of a negative (\$14.8) million to the positive \$88.0 million Fiscal Year 2015 balance (the Fiscal Year 2014 available ending fund balance was later restated to a positive \$3.0 million due to a prior period adjustment, making the increase over the restated Fiscal Year 2014 ending fund balance \$85.0 million).

On June 30, 2014, the SRC adopted the Fiscal Year 2015 Operating Budget of \$2,550.0 million in revenue and other sources and \$2,614.2 million in obligations and other uses. On May 31, 2015 the SRC amended the Fiscal Year 2015 Operating Budget of \$2,888.6 million in revenues and other financing sources and obligations and other financing uses of \$2,866.9 million. Both the adopted and amended Fiscal Year 2015 Operating Budget SRC resolutions reflect other financing sources and uses net of transfers between the General Fund, Intermediate Unit Fund and Debt Service Fund. Under the GASB 54 guidelines the Fiscal Year 2015 ending operating fund balance available for future operations is an increase of \$81.2 million from the amended budget ending fund balance of \$6.8 million. The main reason for this improvement was a \$61.6 million budget surplus in obligations coupled with revenue and other uses budget surplus of \$21.9 million offset by a negative (\$2.3) million adjustment due to prior period adjustments and changes in reserves. The favorable obligations variance was driven by budget surpluses in salary and benefits, transportation, debt service, and payments to non district operated schools. The revenue surplus was driven by a \$26.7 million favorable variance in General Fund local taxes and state revenue partially offset by a (\$4.8) million unfavorable variance in the Intermediate Unit Fund revenue and sources.

The Capital Improvement Program (CIP) identifies over \$913.8 million in facility needs through Fiscal Years 2015 - 2020 to improve major infrastructure systems and buildings. The Fiscal Year 2016 Capital Budget reflects two realities: the completion of the final projects under the \$1.9 billion CIP that began in 2003 and a reduction in capital spend that prioritize the funding of deferred maintenance and life cycle replacements. On June 30, 2015, the School District adopted its 2016 Capital Budget and six-year capital improvement program for Fiscal Years 2016-2021 (“Capital Improvement Program” or “CIP”) which collectively totals approximately \$981.9million. The School District amended its Capital Budget for Fiscal Year 2015 on June 30, 2015 to total approximately \$72.8 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, 74% is spent on academic and education support services and the remaining 23% is spent on capital financing and maintenance directly benefiting the schools.

Factors Affecting Financial Conditions

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

Financial Planning:

These continue to be challenging times for The School District of Philadelphia as we continue to have higher rates of expenditure growth than revenues and an outlook of structural deficits. The District continues its practice of financial austerity and obtaining structural fiscal balance while executing our Strategic Plan v.3.0 and focusing on equity and educational outcomes. Inadequate revenues to cover 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 over the past several years and make unprecedented program sacrifices to remain fiscally sound. The School District's longer term finances continue to pose challenges as we proceed into the 2015-2016 School Year and recognize the need to enhance our programs to benefit all students regardless of physical location or ability. 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 match 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 the Fiscal Year 2016 Adopted Budget, fixed costs are expected to increase over Fiscal Year 2015 expenditures due to increases in charter/non-public school payments and pension, healthcare, and transportation costs.

The challenge in Fiscal Year 2016 and beyond, and the intent of the update to 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, balanced with the educational needs of our students. These objectives will place even greater challenges to achieve structural budget balance. Governor Wolf and Mayor Nutter proposed increases in recurring revenues totaling approximately \$264.7 million for Fiscal Year 2016, a requested \$159.4 million of additional recurring state revenues and an additional \$105.3 million in recurring revenue from the City of Philadelphia of which \$70 million was authorized in both the City and School Districts' adopted budgets. Although the \$159.4 million was included in the Fiscal Year 2016 School District Adopted Budget, \$141 million has not been allocated for expenditures since it has not been authorized by the State due to the budget impasse in Harrisburg. To date, the District has had no final commitments from the State due to the absence of a Fiscal Year 2016 Commonwealth Budget.

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 regardless of student demographics and location.

The Local Economy: During the period between 2000 and 2010 the population of the City increased from 1.517 million to 1.526 million an increase of 0.6% over the 10 years, ending six decades of population decline. In the four years following the 2010 Census, the City's population grew by an additional 2.25% to 1.56 million residents according to the 2014 U.S. Census Bureau estimates which exceeded the rate projected by the Philadelphia Planning Commission.

Although facing challenges such as underfunded pension liabilities, high rates of poverty and the public school system's on-going fiscal issues, the City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. 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 has led to a revitalization of the City. Philadelphia is experiencing a construction boom, with over 44 major projects under construction currently, representing over \$5.3 billion in combined public and private investment. Most significantly, in the summer of 2014 Comcast Corporation began construction of a 59-story, \$1.2 billion office tower. Higher education and healthcare institutions represent over \$1 billion of investment and commercial developers are currently the most actively engaged in development with over \$1.4 billion invested.

As a major urban center and the birthplace of this country, 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 3.1 million room nights were sold in Center City in 2014, a 3.0% increase over 2013. 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. Leisure demand grew in

2015 and 2016 is expected to grow by 5% and 2%, respectively, due to high profile events such as the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis and the 2016 Democratic National Convention.

Legislation passed by the Pennsylvania General Assembly authorized two stand alone casino licenses. Philadelphia's first casino, Sugarhouse, opened in 2010 and has an expansion currently underway.

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 latter part of 2013 and in 2014 have resulted in a decline in Philadelphia's unemployment rate. Data from the Bureau of Labor Statistics shows 2014's unemployment rate reached 8%, a decline of 2.4% since 2013. Preliminary data shows 2015's unemployment rate at June 2015 to be 7.4% and an average of 7.2% for 2015. Philadelphia's poverty rate is 26%, the highest of the nation's ten largest cities.

Accounting Pronouncements: Effective for Fiscal Year 2015, the School District has implemented two new Government Accounting Standards Board (GASB) Statements, GASB No. 68 & GASB No. 71. GASB Statement No. 69 was considered but found not to be applicable.

GASBS 68, Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. These changes were reflected in the preparation of the School District's financial statements for Fiscal Year 2015.

GASBS 69, Government Combinations and Disposals of Government Operations establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations are arrangements that meet the definition of a government merger, government acquisition, or transfer of operations as set forth in paragraphs 10, 11, and 12 of GASBS 69, respectively, and meet the service continuation requirement in paragraph 9 of the same. This Statement applies to all state and local governmental entities. The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. This requirement was considered in the preparation of the School District's financial statements for Fiscal Year 2015 and was not applicable.

GASBS 71, Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68, addresses an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. Specifically the issue relates to amounts associated with contributions, if any, made by a state or local government employer or non employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement requires a state or local government employer (or non employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. This requirement was incorporated in the preparation of the School District's financial statements for Fiscal Year 2015.

Long-term Debt: As of June 30, 2015, the School District's outstanding principal amount of general obligation bonds and lease rental indebtedness was \$3.1 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 for Fiscal Year 2015 are A3 and under review from Moody's, A+ with a negative outlook from Standard & Poor's and AA- with a stable outlook from Fitch. Moody's and Fitch provide underlying ratings for the School District which are Ba3 and BB-, respectively, both with negative outlooks. Standard & Poor's only provides a rating based upon the State Intercept Program for the School District.

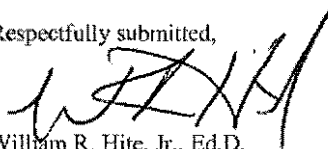
Awards and Acknowledgements

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 2014. 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 2014. 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 the GFOA and the ASBO to determine its eligibility for additional certificates for Fiscal Year 2015.

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



Frances Burns
Executive Sponsor of Finance
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, 2014

Executive Director/CFO

Association of School Business Officials International



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

School District of Philadelphia

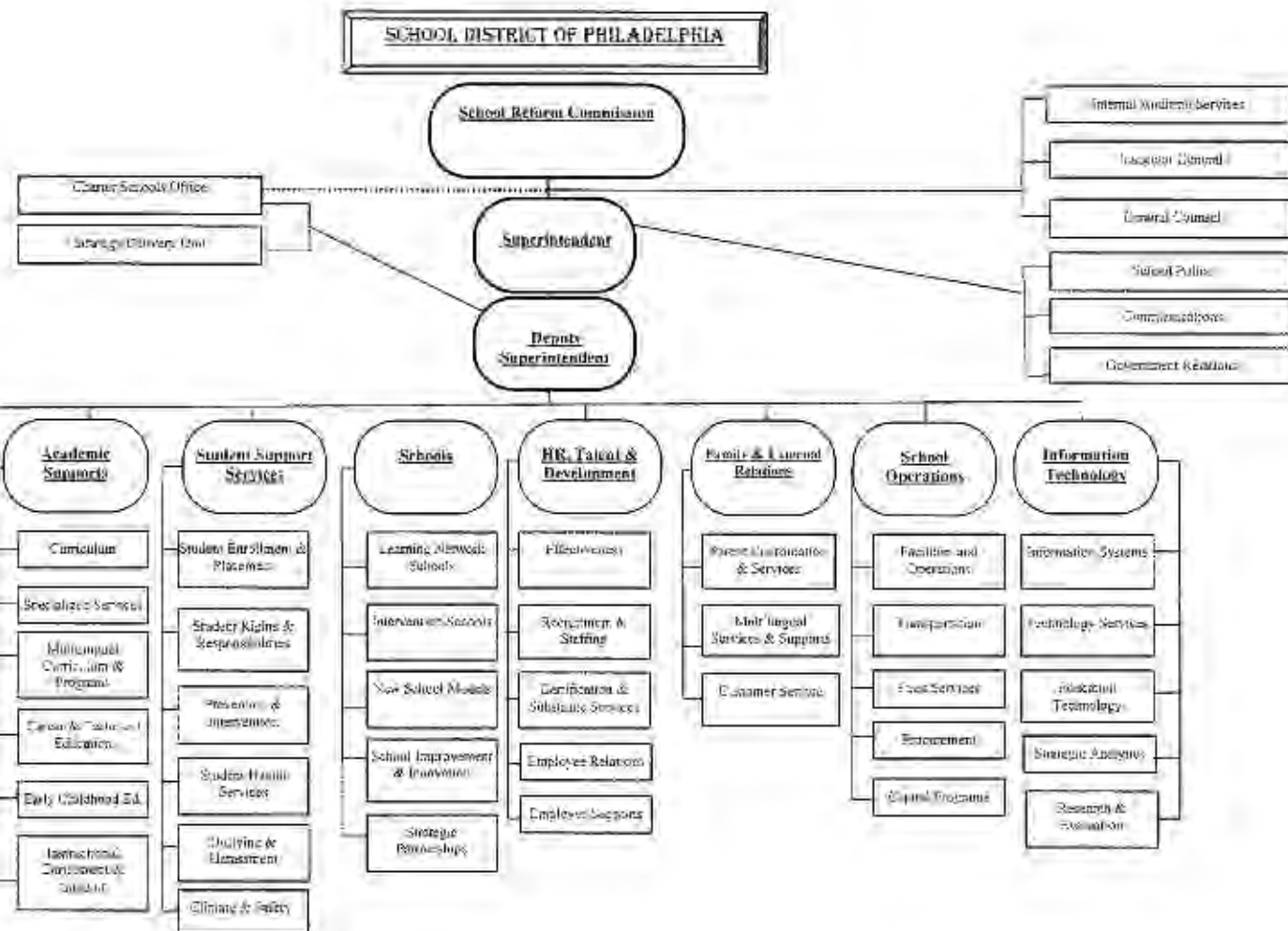
*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

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



Mark C. Pepera, MBA, RSBO, SFO
President

John D. Musso, CAE, RSBA
Executive Director



As of June 30, 2013

SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2015

List of Principal Officials of the School District

School Reform Commission

Marjorie G. Neff, Chair
Feather Houstoun, Member
William J. Green, 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

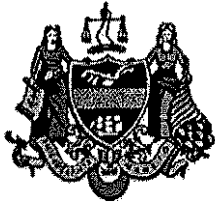
Melanie S. Harris
Chief Information Officer

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, 2015, 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 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Notes 1D, (12) and 4K to the financial statements, in 2015 the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, which represents a change in accounting principle. As of July 1, 2014, the School District's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 4N. 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 required supplementary information other than management's discussion and analysis as listed in the table of contents 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.

Other Supplementary Information

Our audit for the year ended June 30, 2015 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, 2015, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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, 2015, 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, 2015.

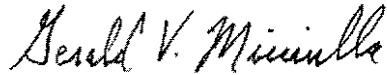
We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the School District as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated February 13, 2015, which 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 2014 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds for the year ended June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

accounting and other records used to prepare the 2014 financial statements. The 2014 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 2014 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 2014 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, 2014.

Other Information

The other information, which includes the Introductory Section and 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 them.



GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 17, 2016

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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, 2015. 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 thirteen 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 2015 include, but are not limited to, the following:

- Total revenues for the governmental funds were \$2.9 billion. About 50% of total revenues are received from the State, with PA Basic Education Subsidy (BES) representing approximately two thirds of the State revenues and subsidies and grants awarded and appropriated by the Pennsylvania State government comprising about one third. About 41% 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 9%, 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 deficit was (\$4,847.2) million resulting from an excess of liabilities and deferred inflows over assets and deferred outflows. The Fiscal Year 2015 adoption of GASB No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB 68" required the recognition of an unfunded net pension liability of (\$2,980.5) which was a major factor impacting the total net position. 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 additional long-term liabilities impacting this balance. Other liabilities

Management's Discussion and Analysis

impacting the net position include accounts payable balances, accrued salaries and overpayment of tax revenues.

- The Operating Fund is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The fiscal year 2015 ending Operating Fund balance is \$129.1 million. Of the total \$129.1 million fund balance for the Operating Fund at June 30, 2015, \$20.9 million is non-spendable or encumbered for existing purchase commitments and \$20.2 million is restricted for future debt service payments, leaving an ending budgetary fund balance of \$88.0 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 fiscal year end, the sinking funds in our fiscal agent's custody totaled \$123.0 million from the School District to pay obligations for the next fiscal year.

Financial results for Fiscal Year 2015, compared to Fiscal Year 2014, are the result of several factors and events; the most significant include, but are not limited to:

- Total revenues for the governmental funds increased by \$186.3 million compared to Fiscal Year 2014. Local revenue increases of \$130.1 million were generated mostly from \$50.2 million from the new Cigarette tax and \$120.0 million for reauthorization of the 2% City Sales tax offset by the elimination of a one-time \$45 million subsidy from the State received through the City. State grants and subsidies increased by \$42.8 million primarily due to pension plan and special education program and transportation reimbursements. There was a \$13.4 million increase in federal grants and subsidies revenues primarily due to: increased revenue in Title 1 grants of \$17.7 million and in the RACE to the Top grant of \$4.1 million; offset by decreased revenue in the IDEA and ARRA grants of \$4.3 million and \$2.5 million, respectively.
- Total expenditures for the governmental funds increased by \$19.6 million compared to Fiscal Year 2014. This increase was caused by increases in expenditures of \$35.7 million in student support services, administrative support and other support, an increase of \$9.5 million in charter school expenses, and an increase of \$8.3 million in the Capital Improvement Plan (CIP); offset by decreases in expenditures of \$29.8 million in instructional costs, pupil transportation costs and operation and maintenance of plant and maintenance of plant services and a decrease of \$4.1 million in long term debt costs.
- The Debt Service Fund is a separate governmental 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 \$5.4 million increase from Fiscal Year 2014 to Fiscal Year 2015. This change reflects: a net increase of sources of financing of \$5.9 million primarily due to \$9.7 million increase of tax revenues and state subsidies and a \$0.4 million increase of financing issuance proceeds, offset by a decrease in the sale of capital asset proceeds from the sale of buildings of \$4.2 million, an increase of \$0.4 million in interest and other revenue, a net decrease of expenditures of \$6.4 million resulting from lower principal, interest and authority obligation payments, offset by a decrease in other revenue and financing for annual bank fees and refunding proceeds of \$5.1 million, an increase in administrative and fixed swap expenses of \$1.0 million and an increase in variable rate payments and issuance costs of \$1.2 million.
- The Operating Fund balance of \$129.1 million as of June 30, 2015 reflects a \$125.7 million increase from the Fiscal Year 2014 balance (the Fiscal Year 2014 ending fund balance of \$3.4 million was restated to \$21.3 million due to a \$17.9 million prior period adjustment explained in footnote 4M on page 84). This balance, which includes \$19.7 million of encumbrances for the General and Intermediate Funds, \$1.2 million of General Fund inventories, \$9.5 million restricted for medical self insurance and \$20.2 million for future debt payments, is primarily the result of several factors: 1) higher local revenues primarily due to the new Cigarette Tax and the re-authorization of the City Sales Tax as described above, 2) continued reductions in targeted personnel, facilities management and administrative support costs as a result of ongoing cost-cutting efforts; offset by 3) an increase in charter school payments due to higher enrollments and increases in per student payments, and 4) increases in special education program and transportation costs.

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

Management's Discussion and Analysis

whole. The financial statements are then later organized to provide a detailed look at the School District's specific financial activities.

District-Wide Statements

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

The School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources 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 2015. 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.

Management's Discussion and Analysis

Net Position

Table 1 provides a summary of the School District's net position as of June 30, 2015 and has been restated to reflect the implementation of GASB Statement No. 68 & GASB Statement No. 71 and restated for a change in the Fiscal Year 2014 calculation of the "Net Investment in Capital Assets." (Refer to Note 4N). 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, 2015
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2015	2014	2015	2014	2015	2014
Current & Other Assets	\$ 603.7	\$ 472.8	\$ 13.1	\$ 8.3	\$ 616.8	\$ 481.1
Capital Assets	1,727.8	1,808.8	1.7	1.7	1,729.5	1,810.5
Total Assets	\$ 2,331.5	\$ 2,281.6	\$ 14.8	\$ 10.0	\$ 2,346.3	\$ 2,291.6
Deferred Outflows of Resources						
Deferred Refunding Charges - Loss	\$ 130.8	\$ 140.8	\$ -	\$ -	\$ 130.8	\$ 140.8
Deferred Pension Contributions	177.6	143.9	2.6	2.1	180.2	146.0
Total Deferred Outflows	\$ 308.4	\$ 284.7	\$ 2.6	\$ 2.1	\$ 311.0	\$ 286.8
Liabilities						
Long-Term Liabilities	\$ 3,728.1	\$ 3,798.4	\$ 5.3	\$ 2.7	\$ 3,733.4	\$ 3,801.1
Other Liabilities	232.3	286.6	5.3	7.2	237.6	293.8
Net Pension Liability	2,937.3	3,449.6	43.1	50.6	2,980.4	3,500.2
Total Liabilities	\$ 6,897.7	\$ 7,534.6	\$ 53.7	\$ 60.5	\$ 6,951.4	\$ 7,595.1
Deferred Inflows of Resources						
Deferred Pension - Earnings/Proportions/Contributions	\$ 544.9	\$ -	\$ 8.0	\$ -	552.9	-
Deferred Refunding Charges - Gain	0.2	-	-	-	0.2	-
Total Deferred Inflows	\$ 545.1	\$ -	\$ 8.0	\$ -	\$ 553.1	\$ -
Net Position						
Net Investment in Capital Assets	\$ (397.9)	\$ (372.5)	\$ 1.7	\$ 1.7	\$ (396.2)	\$ (370.8)
Restricted	139.4	118.4	-	-	139.4	118.4
Unrestricted (Deficit)	\$ (4,544.4)	(4,714.2)	\$ (46.0)	(50.1)	(4,590.4)	(4,764.3)
Total Net Position (Deficit)	\$ (4,802.9)	\$ (4,968.3)	\$ (44.3)	\$ (48.4)	\$ (4,847.2)	\$ (5,016.7)

For the Fiscal Year ending June 30, 2015, the School District's total net position was (\$4,847.2) million. This negative net position amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$4,590.4) million is unrestricted. This balance also reflects an increase of \$169.5 million from Fiscal Year ended June 30, 2014 as restated for GASB Statement No. 68 & GASB Statement No. 71 and for the change in the calculation of the Net Investment in Capital Assets. This increase is primarily the result of the following: 1) An increase of \$135.7 million in cash and investments, 2) an increase of \$24.2 million in deferred outflows for refunding and pension related items, and 3) a decrease of (\$643.7) million in liabilities for net pension and other liabilities; offset by 4) a decrease of (\$81.0) million in capital assets and 5) an increase of \$553.1 million in deferred inflows of resources mainly for pension related items.

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).

Management's Discussion and Analysis

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 and has been restated to reflect the implementation of GASB Statement No. 68 & GASB Statement No. 71 (Refer to Note 4N).

Changes in Net Position
Fiscal Year Ended June 30, 2015
(Dollars in Millions)
Table 2

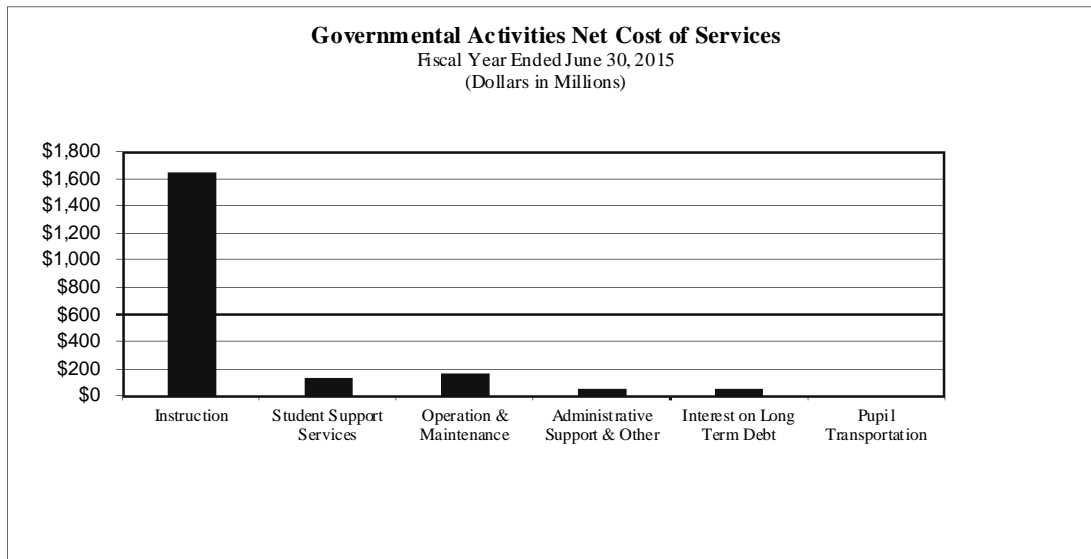
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 10.7	\$ 5.6	\$ 0.3	\$ 1.4	\$ 11.0	\$ 7.0
Operating Grants & Contributions	826.2	778.8	85.8	74.0	912.0	852.8
Capital Grants & Contributions	0.1	-	-	-	0.1	-
General Revenues						
Property Taxes	683.5	661.3	-	-	683.5	661.3
Other Taxes	404.9	238.0	-	-	404.9	238.0
Grants & Contributions Not Restricted	123.3	164.5	-	-	123.3	164.5
State & Federal Subsidies Not Restricted	925.8	912.4	-	-	925.8	912.4
Gain on Sale of Capital Assets	3.8	21.1	-	-	3.8	21.1
Investment Revenue	13.7	0.8	-	-	13.7	0.8
Total Revenues	\$ 2,992.0	\$ 2,782.5	\$ 86.1	\$ 75.4	\$ 3,078.1	\$ 2,857.9
Expenses						
Instruction	\$ 2,146.8	\$ 4,350.0	\$ -	\$ -	\$ 2,146.8	\$ 4,350.0
Student Support Services	184.5	651.2	-	-	184.5	651.2
Administrative Support & Other	88.3	293.9	-	-	88.3	293.9
Interest on Long Term Debt	145.6	153.4	-	-	145.6	153.4
Pupil Transportation	80.5	159.5	-	-	80.5	159.5
Operation & Maintenance	181.6	514.8	-	-	181.6	514.8
Early Childhood Education	0.1	0.1	-	-	0.1	0.1
Food Service	-	-	81.7	120.6	81.7	120.6
Total Expenses	\$ 2,827.4	\$ 6,122.9	\$ 81.7	\$ 120.6	\$ 2,909.1	\$ 6,243.5
Excess (Deficiency) before Transfers	\$ 164.6	\$ (3,340.4)	\$ 4.4	\$ (45.2)	\$ 169.0	\$ (3,385.6)
Transfers	\$ 0.3	\$ 0.3	\$ (0.3)	\$ (0.3)	\$ -	\$ -
Increase/(Deficit) in Net Position	\$ 164.9	\$ (3,340.1)	\$ 4.1	\$ (45.5)	\$ 169.0	\$ (3,385.6)
Net Position (Deficit) - Restated Beginning	\$ (4,968.3)	\$ (1,598.1)	\$ (48.4)	\$ (2.9)	\$ (5,016.7)	\$ (1,601.0)
Prior Period Adjustment/Restatement	0.5	(30.1)	-	-	0.5	(30.1)
Net Position (Deficit) - Ending	\$ (4,802.9)	\$ (4,968.3)	\$ (44.3)	\$ (48.4)	\$ (4,847.2)	\$ (5,016.7)

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, 2015
(Dollars in Millions)
Table 3

Functional Expense	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,146.8	\$ 1,631.0
Student Support Services	184.5	117.3
Operation & Maintenance	181.6	158.4
Administrative Support & Other	88.3	46.1
Interest on Long Term Debt	145.6	49.0
Pupil Transportation	80.5	(11.3)
Food Service	81.7	(4.4)
Early Childhood Education	0.1	-
Total Expenses	<u>\$ 2,909.1</u>	<u>\$ 1,986.1</u>



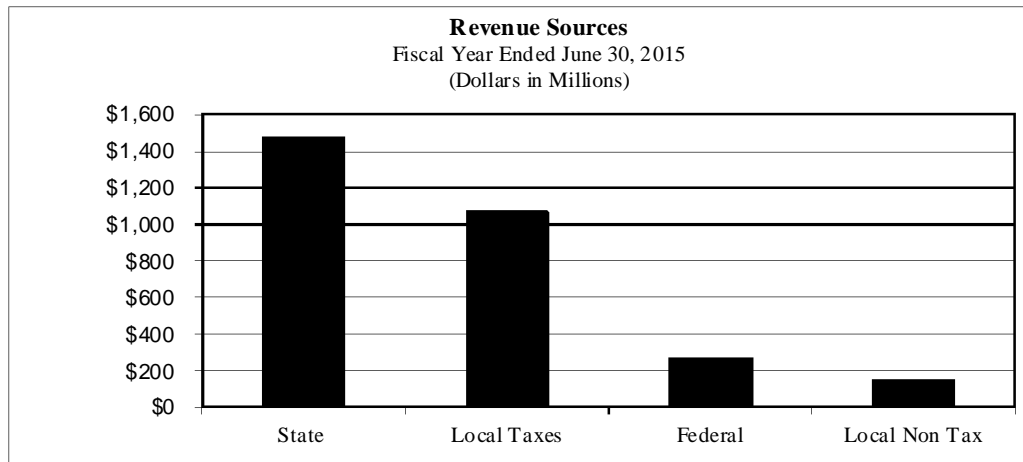
Major Sources of Revenues

The School District's overall revenues are derived primarily from three sources: (i) state grants and subsidies totaling 50.1%; (ii) local taxes and non-tax revenues totaling 40.9%; and (iii) federal grants and subsidies totaling 9.0%. 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, sales tax, cigarette tax, non-business

Management's Discussion and Analysis

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.

The following bar graph illustrates the School District's major sources of revenues for all Governmental Funds for Fiscal Year 2015:



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 \$2,947.1 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, 2015
(Dollars in Millions)
Table 4

Revenue Source	General Fund	Intermediate Unit Fund	Categorical Funds
Local Taxes	\$ 1,063.3	\$ -	\$ -
Local Non-Tax	127.5	0.8	9.2
State Grants and Subsidies	1,279.3	107.4	88.4
Federal Grants and Subsidies	11.4	-	255.1
Total Revenue	<u>\$ 2,481.5</u>	<u>\$ 108.2</u>	<u>\$ 352.7</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 positive ending fund balance of \$3.8 million on June 30, 2015. For Fiscal Year 2015, there was an excess of revenues over expenditures of \$582.2 million, \$18.1 million of capital asset proceeds and \$499.6 million of net other financing uses which together resulted in a \$100.7 million positive impact to the ending fund balance.

Management's Discussion and Analysis

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 2015, the Intermediate Unit Fund had a \$0.6 million net increase in fund balance which resulted in an ending fund balance of \$1.4 million at June 30, 2015.

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 \$0.4 million net decrease in fund balance which resulted in a negative \$4.4 million ending fund balance at June 30, 2015. The reason for the decrease in fund balance was an increase of \$0.4 million in receivables over 90 days past due that were not recorded as revenues in Fiscal Year 2015 under GASB Statement No. 33 guidelines. At June 30, 2015, there was \$4.4 million still outstanding from grantors and recorded as unavailable revenues and not yet recognized as current revenues.

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 2015, the Debt Service Fund reflects a \$24.5 million net increase in fund balance to \$123.9 million as of June 30, 2015 of which \$17.9 million is a prior period adjustment (see Note 4 M). Debt Service interfund transfers of \$272.8 million, refunding proceeds of \$295.2 million, revenues of \$2.8 million and capital asset sales of \$3.2 million were offset by expenditures of \$267.0 million and defeasement payments of \$300.4 million accounts for the remaining \$6.6 million fund balance increase.

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 2015, capital outlays resulted in a positive net change of \$17.8 million in the capital projects fund which increased the fund balance as of June 30, 2015 to \$94.1 million. This increase was the result of new debt issuance's of \$46.8 million, bond premiums of \$6.0 million and revenues and capital asset sales of \$4.5 million; offset by expenditures for capital alterations and improvements totaling \$30.7 million, new building construction totaling \$4.2 million, environmental management of \$3.9 million, transfers out totaling \$0.5 million and equipment acquisitions totaling \$0.2 million.

Enterprise Fund

The Enterprise Fund is used to account for the operation of the Food Service Division. The Enterprise Fund had a negative total net position balance of (\$44.4) million at the end of Fiscal Year 2015 which reflects a \$4.1 million increase from the previous fiscal year as restated for GASB 68 pension adjustments of (\$48.5) million.

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:

Management's Discussion and Analysis

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

Fiscal Year Ended June 30, 2015

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2015	Fiscal Year 2014
General	\$ 100.7	\$ (56.1)
Intermediate Unit	0.6	(0.2)
Categorical	(0.4)	1.8
Debt Service	6.6	1.2
Capital Projects	17.8	(27.2)
Enterprise	4.1	3.0
Non-Major Governmental	-	-
Total Change in Fund Balance/Net Position	<u>\$ 129.4</u>	<u>\$ (77.5)</u>

Total Fund Balances for Major and Non-Major Funds

As of June 30, 2015

(Dollars in Millions)

Table 6

Fund	Fiscal Year 2015	Fiscal Year 2014
General	\$ 3.8	\$ (96.8)
Intermediate Unit	1.4	0.8
Categorical	(4.4)	(4.0)
Debt Service	123.9	99.4
Capital Projects	94.1	76.2
Enterprise	(44.4)	0.1
Non-Major Governmental	<u>6.3</u>	<u>6.3</u>
Total Fund Balance/Net Position	<u>\$ 180.7</u>	<u>\$ 82.0</u>

VI. BUDGETING HIGHLIGHTS

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

The capital budget is prepared as part of a six-year capital improvement program, of which, the first year of the program is the budget for the current fiscal year. All proposed expenditures included in the School District's Capital Improvement Program require the authorization and approval of the School Reform Commission on a project by project basis.

Since the School District is a service-oriented organization, it is labor intensive. Consequently, a substantial portion of its operating expenditures involve personnel costs and related employee benefits. Personnel costs principally encompass the costs of instructional staff (teachers), school support staff, administrative staff, custodial and

Management's Discussion and Analysis

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 2015, the final budgeted General Fund revenue was \$18.7 million higher than the original Fiscal Year 2015 budget adopted in June 2014. This resulted primarily from a \$17.6 million increase in local tax revenues, a \$3.9 million increase in State revenue, and a \$0.1 million increase in Federal revenue. This was offset by local non tax revenues which decreased by \$2.9 million.

The anticipated obligations in the final General Fund budget represented a decrease of \$52.9 million over the original adopted budget. This increase resulted primarily from the following changes in budgets: an \$18.2 million decrease in salary, a \$28.0 million decrease in benefits, and a net \$6.7 million decrease in all other areas.

The anticipated Other Financing Sources/ (Uses) in the final General Fund budget were \$18.9 million favorable over the original adopted budget. This is due to a \$1.0 million reduction in uses (driven primarily by a \$2.8 million reduction in the General Fund to Debt Service transfer and a \$0.3 million reduction in transfer to the special revenue fund offset by a \$2.1 million unfavorable variance in the General Fund to IU transfer) and a \$17.9 million increase in sources (due primarily to a \$18.1 million increase in budgeted sale of property offset by a \$0.2 million decrease in transfers from categorical funds).

The actual ending General Fund balance at June 30, 2015 of a positive \$3.8 million was \$106.0 million favorable compared to the final budget ending balance of a negative \$102.2 million. Actual General Fund revenues of \$2,481.5 million are \$25.7 million higher than those estimated in the final General Fund budget of \$2,455.8 million. Actual General Fund obligations totaling \$1,901.4 million were \$51.1 million lower than estimated in the final budget of \$1,952.5 million. Other financing sources/uses of negative \$481.6 million were \$9.7 million favorable compared to the final budget and \$19.5 million of fund balance is not available for appropriation (made up of the \$17.4 million favorable difference between the final budget and actual beginning fund balance due to encumbrances and other reserves not available for appropriation and an additional \$2.1 million change in encumbrance and inventory reserves during the year).

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 the General Fund Budgetary Comparison Schedule on page 88 of the Required Supplementary Information section:

General Fund Budget Comparison

Fiscal Year Ended June 30, 2015

(Dollars in Millions)

Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,437.1	\$ 2,455.8	\$ 2,481.5	\$ 25.7
Total Obligations	2,005.4	1,952.5	1,901.4	51.1
Total Other Financing Sources/(Uses)	(510.2)	(491.3)	(481.6)	9.7
Net Change in Fund Balance	(78.5)	12.0	98.5	86.5
Fund Balance Beginning of Year	(113.9)	(114.2)	(96.8)	17.4
Change in Reserves	-	-	2.1	2.1
Fund Balance End of Year	<u>\$ (192.4)</u>	<u>\$ (102.2)</u>	<u>\$ 3.8</u>	<u>\$ 106.0</u>

Management's Discussion and Analysis

During Fiscal Year 2015, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$25.7 million favorable variance due to a \$16.9 million favorable variance in Local Tax revenues (primarily due to additional proceeds from a new cigarette tax implemented in 2015 and new proceeds received from the reauthorization of a 1% increase in city sales tax that was implemented on October 8, 2009), a \$9.8 million favorable variance in State revenues, offset by a \$(1.0) million unfavorable variance in Local Non-Tax revenues.
- Obligations were \$51.1 million less than budgeted primarily due to a \$29.8 million favorable variance in Operation and Maintenance of Plant Services and Pupil Transportation, an \$11.8 million favorable variance in Instruction and Student Support Services, and a \$9.5 million favorable variance in Administrative, Charter School payments and other functions.
- Other Financing Sources/ (Uses) were \$9.7 million favorable from the final budget This is driven primarily by a \$9.5 million reduction in the General Fund to Debt Service transfer, a \$0.2 million favorable variance in the General Fund to IU transfer, a \$0.5 million reduction in transfer to the special revenue fund offset by a \$0.5 million unfavorable variance in transfers to internal service funds.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2015, the School District had \$3,416.9 million invested in capital assets. Over the years, these assets have depreciated by \$1,687.4 million leaving a carrying value of \$1,729.5 million. This represents a decrease of \$80.9 million over the Fiscal Year 2014 ending balance. Table 8 represents Net Capital Assets. Refer to Note 4C, page 67 for additional information.

Net Capital Assets
As of June 30, 2015
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Land	\$ 130.2	\$ 131.0	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,524.6	1,611.9	-	-
Personal Property	52.4	59.1	1.7	1.7
Construction In Progress	20.6	6.7	-	-
Total Net Book Value	<u>\$ 1,727.8</u>	<u>\$ 1,808.7</u>	<u>\$ 1.7</u>	<u>\$ 1.7</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, 2015

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Total Bonded Debt	\$ 3,223.8	\$ 3,287.5	\$ -	\$ -
Employee Related Obligations	3,270.0	3,784.9	45.9	53.4
Due to Other Governments	45.3	45.3	-	-
Other	126.2	130.3	2.7	-
Total Long-Term Obligations Outstanding	<u>\$ 6,665.3</u>	<u>\$ 7,248.0</u>	<u>\$ 48.6</u>	<u>\$ 53.4</u>

The Total Long-term Obligations Outstanding for governmental activities decreased by \$582.7 million. This includes a decrease in bonded debt of \$63.7 million with a corresponding decrease in employee obligations of \$514.9 million. All other long-term obligations decreased by \$4.1 million. Refer to Note 4D(2), pages 68-75 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District ended Fiscal Year 2015 with a positive operating fund balance of \$129.1 million as defined in 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 \$129.1 million includes \$20.9 million of encumbrances and inventories for the General and Intermediate Unit Funds and \$20.2 million in funds assigned to future long-term Debt Service payments. The ending budgetary operating fund balance is a positive \$88.0 million after accounting for those items. In Fiscal Year 2015, this represents an \$81.2 million surplus over the Fiscal Year 2015 Amended Budget. The surplus can be attributed to approximately \$61.6 million in savings, primarily in the following areas: 1) full time salaries and associated benefits, 2) self-insured medical expenses, 3) termination costs for retired and other separated employees, and 4) savings in transportation, debt service, and payments to other educational entities. In addition, local tax and state debt service and social security revenues were higher than budgeted contributing to a \$21.9 million budget surplus for revenues and other financing sources. Finally, changes in reserves reduced the budgetary surplus by \$2.3 million.

The adoption of the GASB Statement No. 68 and GASB Statement No. 71, requirements for pension reporting has had and will continue to have, a profound effect on the financial statements and net position of school districts in Pennsylvania and across the nation. As described in Note 1D(12) on page 55, the District contributes to the Pennsylvania Public School Employees' Retirement System (PSERS), a defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach the District must report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. In Fiscal Year 2015, these new reporting requirements added a \$3.0 billion net pension liability to the net position on the government-wide statements and a \$43.1 million net pension liability to the food service fund proprietary fund statements, respectively. Reporting on the governmental fund statement is not affected.

The School District is projecting a balanced fiscal year ending June 30, 2016 budgetary operating fund balance. The projected balanced Fiscal Year 2016 operating fund budget was achieved primarily through the passing of \$70 million in recurring revenue from the city made up of: a) a \$35 million increase in the City Grant, b) a \$10 million increase in the Use & Occupancy tax, and c) a \$25 million increase in real estate taxes; and a higher fiscal year 2015 ending fund balance than originally projected. Increases in budgeted healthcare and pension costs, and higher charter and transportation costs, increased budgeted expenditures by almost \$100 million. A portion of the cost saving measures and other factors that contributed to lower Fiscal Year 2015 expenditures are expected to continue partially offset these increases in costs. The current budget impasse in Harrisburg prevents the District from clearly estimating commitments

Management's Discussion and Analysis

from the State and updating the revenue and expenditure assumptions required to formulate a Fiscal Year 2017 ending fund balance estimate.

Impact of No Child Left Behind and Charter Schools

One major cost driver that affected School District spending in fiscal years ended prior to December 10, 2015 was 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 2015, 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 from all funds were \$722 million representing a \$9.5 million increase over the prior fiscal year. Fiscal Year 2015 was the fourth 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 2014, 87.8% of the teachers in the School District were considered highly qualified, and 99.3% were considered fully certified. Due to recruitment and retention strategies, on-going professional development, and staffing process improvements, the percentage of highly certified teachers of core academic subjects remained at 99.3% in Fiscal Year 2015. The percentage of highly qualified teachers increased to 96.3% in Fiscal Year 2015.

Academic Achievement

A focus in the Chief Academic Support Office in School Year (SY) 2014-2015 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 Core Standards. In order to facilitate this shift, the Chief Academic Support Office focused on early childhood literacy and the alignment of the District's curriculum to the Pennsylvania Core Standards.

Early Literacy Initiative

Early literacy is a district-wide instructional focus, resulting in the placement of 40 Early Literacy Specialists in 39 state-designated priority and focus schools. Early Literacy Specialists provided professional development on The School District of Philadelphia (SDP) Literacy Framework, Developmental Reading Assessment (DRA2), and AIMSweb to K-5 classroom teachers. A summer literacy workshop series was also provided to 40 elementary schools in the summer of 2015 for the purpose of providing more targeted early literacy professional development to over 500 teachers. In support of this focus, assistant superintendents, principals, central office personnel, and community partners received training in the following areas: Early Literacy Block Lesson Plan Outline, Early Literacy instructional practices, and the SchoolNet Early Literacy monitoring tool. A K-5 local assessment plan was developed to monitor the progress of the early literacy focus. Local assessment tools, such as AIMSweb and DRA2, provide relevant quantitative and qualitative measures to ensure all students are progressing relative to grade level academic and Anchor Goal 2 – (100% of 8 year olds will read on grade level) expectations.

Management's Discussion and Analysis

Curriculum Scope & Sequence

The Office of Curriculum, Instruction, and Assessment developed a Reading/English and Mathematics (PK-12) Scope and Sequence to reflect a consistent curricular framework characterized by content aligned to the Pennsylvania Core Standards. The new Scope and Sequence contained common curricular components which include, but are not limited to: Common Core correlates, key terms and definitions, starting points documents, performance-based objectives, essential questions, Illustrative Mathematics, CK-12, PA Department of Education Standards Aligned System (SAS) resources, Universal Design for Learning (UDL) resources, as well as literary and informational texts. The teacher resources provided in the Scope and Sequence are standards specific, allowing teachers to more easily access instructional resources relative to the Pennsylvania Core Standards.

A Social Studies Scope and Sequence is being developed to align with the Pennsylvania Academic Standards for Social Studies and Pennsylvania Core Standards.

A Science Scope and Sequence has been developed to align with the Next Generation Science Standards, PA Core Standards and Common Core Standards for Literacy in History/Social Studies, Science, and Technical Subjects. In addition, PK-12 STEM content and resources are embedded within the Science Scope and Sequence. Professional development and training on the new Scope and Sequence has been provided to science teachers and principals in order to more effectively utilize the resources and information.

Community Learning Links

The City of Philadelphia is fortunate to have numerous museums, public and private institutions and organizations that offer educational programming; therefore, a repository of community based curricular resources, linked to grade level academic expectations, has been created for parents, students and teachers and is accessible through SchoolNet.

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

2015 PSSA Results

In 2015, students in grades 3 to 8 are currently administered a new core-aligned PSSA in English, Language and Arts (ELA) and Mathematics, which is given annually throughout the Commonwealth. Science is given to grades 4 and 8 only. It is important to note that the new PSSAs are based on the rigorous "PA Common Core State Standards", the knowledge and skills the State Board of Education has identified as what Pennsylvania students need to be ready for college and career, and differ significantly from the tests given in 2014. Because the new tests are based on different, more challenging content and skills, an "apples to apples" comparison with results on prior PSSA tests is not appropriate.

As discussed above, 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, 33% of our 3rd graders attained proficiency on the PSSA in English Language Arts (ELA).

Among other outcomes related to student performance, as measured by the required PSSA examination, the SDP saw the following trends in the SY 2014-15 in comparison to the previous year:

- The State experienced significant declines in proficiency on the new core-aligned PSSA and the School District's performance on the new PSSAs mirrored statewide trends.
- For all students district-wide, proficiency rates were 32 percent in English Language Arts, 17 percent in Mathematics, and 37 percent in Science.
- For all subjects, proficiency rates decreased in all grades with the exception of Grade 5 ELA and Grade 8 Science where proficiency rates increased slightly and remained constant, respectively.
- For ELA performance levels among students, 20% improved, 56% remained the same, and 24% declined.
- For Mathematics performance levels among students, 3% improved, 44% remained the same and 53% declined.
- Economically Disadvantaged, English Language Learners (ELL), and Special Education students experienced decreases in ELA and Mathematics proficiency rates.
- In Science, ELL and Special Education students increased their proficiency rates by 2 and 1 percentage points, respectively. Proficiency rates for Economically Disadvantaged students remained constant.
- All racial/ethnic subgroups experienced decreases in ELA and Mathematics proficiency rates.
- In Science, Asian students experienced increases in proficiency rates, and Hispanic/Latino students' proficiency rates remained constant. Black/African American and White Students experienced decreases in Science proficiency rates.

Management's Discussion and Analysis

- The majority of schools experienced decreases in proficiency rates; however, 4 schools increased their ELA proficiency rates.
- On average, schools decreased in ELA proficiency rates by 11 % and in Mathematics by 29%.

2015 Keystone Examination Results

Keystone Examinations were administered for the first time in the 2012-2013 school year and 2014-2015 represents the third 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 SY 2013-2014 to SY 2014-2015, proficiency rates increased in Biology but decreased in Algebra I and Literature.
 - Algebra I proficiency rates *decreased* by 1 percentage points from 39% to 38%.
 - Biology proficiency rates *increased* by 3 percentage points from 26% to 29%.
 - Literature proficiency rates *decreased* by 3 percentage points from 52% to 49%.

Economically Disadvantaged, English Language Learners, and Special Education Students

- Proficiency rates *increased* in Algebra I for Special Education (2 percentage points), were unchanged for Economically Disadvantaged and *decreased* for ELL students (6 percentage points).
- All three subgroups experienced a 3 percentage point *increase* in Biology proficiency rates.
- Proficiency rates in Literature increased for ELL (1 percentage point) and Special Education (2 percentage points) and decreased for Economically Disadvantaged Students (3 percent)

Race/Ethnicity

- Proficiency rates for Asian students increased in Algebra I by 2 percentage points, Biology by 4 percentage points and decreased by 2 percentage points for Literature.
- Proficiency rates for Hispanic/Latino students increased in Biology by 4 percentage points but decreased in Algebra I by 1 percentage points and Literature by 4 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 (2 percentage points) but *decreased* in Algebra I (1 percentage points), and Literature (4 percentage points).
 - For White students, proficiency rates *increased* in Biology (7 percentage points) and *increased* in Algebra I (1 percentage points) but *decreased* in Literature (1 percentage points).

School-Level Proficiency

- Of the 48 schools that administered the Keystone Exams in grade 11 in SY 2013-2014 and SY 2014-2015
 - 15 (31%) demonstrated an *increase* in the percentage of students scoring proficient or advanced in Algebra I, 7 (15%) demonstrated no change, and 26 (54%) *decreased*.
 - 11 (23%) demonstrated an *increase* in the percentage of students scoring proficient or advanced in Literature, 2 (4%) demonstrated no change and 35 (73%) demonstrated a *decrease*.
 - 26 (54%) demonstrated an *increase* in the percentage of students scoring proficient or advanced in Biology, 5 (10%) demonstrated no change and 17 (35%) demonstrated a *decrease*.
- On average, school-level proficiency rates decreased by 1 percentage point in Algebra I, 4 percentage points in Literature and increased by 2 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 18.0% from Fiscal Year 2014 to Fiscal Year 2015. There has been significant focus and much improvement to school safety over the past several years and in particular in Fiscal Year 2015. Much of this improvement has been due to an emphasis on de-

Management's Discussion and Analysis

escalation training and a strong collaboration between the Office of School Safety and the Philadelphia Police Department. The Office of School Safety also maintains a "focus schools list" that provided direct safety supports to high incident 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. For Fiscal Year 2015 there were no Persistently Dangerous Schools on the list. The School District continues to emphasize reporting all incidents while focusing on improving the quality of school based interventions and arrest diversion programs.

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 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, since fiscal year 2003, has overseen 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. In Fiscal Year 2013 the adopted CIP assumed a moratorium on increasing capacity through new construction or additions over the next five years. 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 \$981.9 million from Fiscal Year 2016 to Fiscal Year 2021 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.

Management's Discussion and Analysis

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 Frances Burns, Executive Sponsor of Finance 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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 156,662	\$ -	\$ 156,662
Cash and Investments with Fiscal Agent	123,882,358	-	123,882,358
Equity In Pooled Cash and Investments	63,233,488	5,362,276	68,595,764
Taxes Receivable (Net)	202,952,591	-	202,952,591
Due from Other Governments	70,731,460	6,331,550	77,063,010
Accounts Receivable (Net of Allowance)	21,699,164	-	21,699,164
Accrued Interest Receivable	678,092	-	678,092
Inventory	1,233,309	1,370,466	2,603,775
Prepaid Bond Insurance Premium Costs	6,337,030	-	6,337,030
Restricted Assets:			
Cash and Cash Equivalents	98,985,826	-	98,985,826
Cash and Investments with Fiscal Agent	4,036,720	-	4,036,720
Cash and Investments Held by Trustee	238,510	-	238,510
Funds on Deposit	9,500,000	-	9,500,000
Capital Assets:			
Land	130,164,041	-	130,164,041
Buildings and Improvements	2,974,937,090	-	2,974,937,090
Personal Property	225,912,029	14,997,600	240,909,629
Construction in Progress	20,665,629	-	20,665,629
Intangibles	50,225,190	-	50,225,190
Accumulated Depreciation	(1,674,098,820)	(13,321,432)	(1,687,420,252)
Total Assets	2,331,470,369	14,740,460	2,346,210,829
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges - Losses	130,804,726	-	130,804,726
Deferred Pension Contributions	177,580,359	2,607,256	180,187,615
Total Deferred Outflows of Resources	308,385,085	2,607,256	310,992,341
LIABILITIES			
Accounts Payable	60,582,579	4,215,720	64,798,299
Overpayment of Taxes	13,078,578	-	13,078,578
Accrued Salaries and Benefits Payable	67,286,965	916,551	68,203,516
Termination Compensation Payable	23,346,191	159,726	23,505,917
Severance Payable	7,283,717	-	7,283,717
Other Liabilities	1,565,565	-	1,565,565
Derivative Instrument - Swap Liability	9,389,228	-	9,389,228
Unearned Revenue	10,686,277	-	10,686,277
Due to Other Governments	10,889,566	-	10,889,566
Bond Interest Payable	28,197,267	-	28,197,267
Non-Current Liabilities			
Due within one year	279,556,346	2,754,463	282,310,809
Due in more than one year	6,385,800,709	45,656,261	6,431,456,970
Total Liabilities	6,897,662,988	53,702,721	6,951,365,709
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension - Earnings/Proportions/Contributions	544,870,450	7,999,853	552,870,303
Deferred Refunding Charges - Gain	205,043	-	205,043
Total Deferred Inflows of Resources	545,075,493	7,999,853	553,075,346
NET POSITION			
Net Investment in Capital Assets	(397,929,610)	1,676,168	(396,253,442)
Restricted for:			
Medical Self-Insurance	9,500,000	-	9,500,000
Debt Service	122,991,723	-	122,991,723
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	3,411,340	-	3,411,340
Non-Expendable - Scholarships	2,895,210	-	2,895,210
Arbitrage Rebate Payable	693,425	-	693,425
Unrestricted (Deficit)	(4,544,445,115)	(46,031,026)	(4,590,476,141)
Total Net Position (Deficit)	\$ (4,802,883,027)	\$ (44,354,858)	\$ (4,847,237,885)

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, 2015

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	\$ 2,146,846,707	\$ -	\$ 969,651	\$ 514,833,709	\$ -	\$ (1,631,043,347)	\$ -	\$ (1,631,043,347)
Student Support Services	184,494,848	-	-	67,212,864	-	(117,281,984)	-	(117,281,984)
Administrative Support	107,527,872	-	4,862,147	39,302,733	-	(63,362,992)	-	(63,362,992)
Operation & Maintenance of Plant Services	183,703,173	(2,077,680)	4,836,576	18,270,270	81,918	(158,436,729)	-	(158,436,729)
Pupil Transportation	80,471,473	-	-	91,739,303	-	11,267,830	-	11,267,830
All Other Support Services	(19,244,210)	-	-	(1,873,433)	-	17,370,777	-	17,370,777
Early Childhood Education	138,738	-	-	138,738	-	-	-	-
Interest on Long-Term Debt	145,607,933	-	-	96,611,616	-	(48,996,317)	-	(48,996,317)
Total Governmental Activities	2,829,546,534	(2,077,680)	10,668,374	826,235,800	81,918	(1,990,482,762)	-	(1,990,482,762)
Business-Type Activities:								
Food Service	79,554,150	2,077,680	250,098	85,788,847	-	-	4,407,115	4,407,115
Total Business-Type Activities	79,554,150	2,077,680	250,098	85,788,847	-	-	4,407,115	4,407,115
Total	\$ 2,909,100,684	\$ -	\$ 10,918,472	\$ 912,024,647	\$ 81,918	\$ (1,990,482,762)	\$ 4,407,115	\$ (1,986,075,647)

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

Property Taxes	\$ 683,471,252	\$ -	\$ 683,471,252
Use & Occupancy Taxes	127,711,238	-	127,711,238
Liquor Taxes	62,327,116	-	62,327,116
School (Non-Business) Income Taxes	43,506,681	-	43,506,681
Public Utility / PILOT Taxes	1,104,254	-	1,104,254
Cigarette Sales Tax	50,245,020	-	50,245,020
Sales Tax	120,000,000	-	120,000,000
Grants and Contributions Not Restricted to Specific Programs	123,324,590	-	123,324,590
State & Federal Subsidies Not Restricted to Specific Programs	925,824,989	-	925,824,989
Gain/(Loss) on Sale of Capital Assets	3,802,870	(57,164)	3,745,706
Transfers	289,437	(289,437)	-
Investment Revenue	13,724,311	-	13,724,311
Total General Revenues and Transfers	\$ 2,155,331,758	\$ (346,601)	\$ 2,154,985,157
Change in Net Position	164,848,996	4,060,514	168,909,510
Net Position (Deficit)- As of July 1, 2014	(1,662,570,672)	119,030	(1,662,451,642)
Prior Period Restatement	(3,305,680,596)	(48,534,402)	(3,354,214,998)
Prior Period Adjustments	519,245	-	519,245
Net Position (Deficit) - As of June 30, 2015	\$ (4,802,883,027)	\$ (44,354,858)	\$ (4,847,237,885)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 156,663	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	41,404,980	13,809,349	1,663,002
Cash and Investments Held by Trustee	-	-	-
Funds on Deposit	9,500,000	-	-
Taxes Receivable (Net)	202,952,591	-	-
Due from Other Funds	528,527	-	-
Due from Other Governments	28,843,852	5,670,006	35,505,493
Accounts Receivable (Net)	20,749,873	865,181	-
Accrued Interest Receivable	-	-	-
Inventory	1,205,883	-	-
Total Assets	\$ 305,342,369	\$ 20,344,536	\$ 37,168,495
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 28,582,918	\$ 8,490,324	\$ 14,552,601
Overpayment of Taxes	13,078,578	-	-
Accrued Salaries and Benefits Payable	45,111,439	10,466,989	11,364,435
Termination Compensation Payable	23,346,191	-	-
Severance Payable	7,283,717	-	-
Unearned Revenue	-	-	10,686,277
Due to Other Funds	-	-	-
Due to Other Governments	10,315,082	9,302	565,182
Other Liabilities	1,301,665	-	-
Total Liabilities	129,019,590	18,966,615	37,168,495
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	\$ 172,503,053	\$ -	\$ -
Unavailable Grant Revenue	-	-	4,428,254
Total Deferred Inflows of Resources	172,503,053	-	4,428,254
Fund Balances:			
Nonspendable:			
Inventories	1,205,883	-	-
Permanent Fund Principal	-	-	-
Restricted:			
Medical Self-Insurance	9,500,000	-	-
Retirement of Long Term Debt	-	-	-
Debt Service Interest	-	-	-
Arbitrage Rebate Payable	-	-	-
Trust Purposes	-	-	-
Capital Purposes	-	-	-
Assigned:			
Special Education	-	1,377,921	-
Defeasance	-	-	-
Future Capital Projects Programs	-	-	-
Unassigned (Deficit):	(6,886,157)	-	(4,428,254)
Total Fund Balances (Deficit)	3,819,726	1,377,921	(4,428,254)
Total Liabilities and Fund Balances	\$ 305,342,369	\$ 20,344,536	\$ 37,168,495

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
\$ -	\$ 98,985,825	\$ -	\$ 99,142,488
123,882,358	4,036,720	-	127,919,078
-	-	6,315,075	63,192,406
-	238,510	-	238,510
-	-	-	9,500,000
-	-	-	202,952,591
-	-	-	528,527
-	699,025	-	70,718,376
-	-	-	21,615,054
678,092	-	-	678,092
-	-	-	1,205,883
<u>\$ 124,560,450</u>	<u>\$ 103,960,080</u>	<u>\$ 6,315,075</u>	<u>\$ 597,691,005</u>
\$ 115,400	\$ 8,793,261	\$ 8,525	\$ 60,543,029
-	-	-	13,078,578
-	310,720	-	67,253,583
-	-	-	23,346,191
-	-	-	7,283,717
-	-	-	10,686,277
299,932	228,595	-	528,527
-	-	-	10,889,566
263,900	-	-	1,565,565
<u>679,232</u>	<u>9,332,576</u>	<u>8,525</u>	<u>195,175,033</u>
\$ -	\$ -	\$ -	\$ 172,503,053
-	563,150	-	4,991,404
<u>-</u>	<u>563,150</u>	<u>-</u>	<u>177,494,457</u>
-	-	-	1,205,883
-	-	1,365,405	1,365,405
-	-	-	9,500,000
98,627,444	-	-	98,627,444
24,364,279	-	-	24,364,279
-	693,425	-	693,425
-	-	4,941,145	4,941,145
-	93,319,201	-	93,319,201
-	-	-	1,377,921
889,495	-	-	889,495
-	51,728	-	51,728
-	-	-	(11,314,411)
<u>123,881,218</u>	<u>94,064,354</u>	<u>6,306,550</u>	<u>225,021,515</u>
<u>\$ 124,560,450</u>	<u>\$ 103,960,080</u>	<u>\$ 6,315,075</u>	<u>\$ 597,691,005</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Position
June 30, 2015

Fund Balance - Total Governmental Funds (page 37)	\$	225,021,515
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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.		1,727,774,544
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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.		177,494,457
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Deferred outflows and inflows of resources for refunding losses and gains are not available for the current period, therefore, are not reported in the governmental funds.		130,599,682
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Long-term liabilities, including bonds payable and unfunded net pension payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(6,685,790,799)
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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.		(9,389,228)
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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.		(367,127,208)
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Internal Service Fund (Print Shop) Net PSERs liability and fund balance are not available for current period, and therefore are not reported in the governmental funds.		(1,465,990)
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Net position (deficit) of governmental activities (page 34)	\$	(4,802,883,027)
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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, 2015

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 1,063,320,312	\$ -	\$ -
Locally Generated Non Tax	127,468,777	786,755	9,218,872
State Grants and Subsidies	1,279,352,301	107,389,894	88,337,102
Federal Grants and Subsidies	11,375,416	-	255,132,162
Total Revenues	2,481,516,806	108,176,649	352,688,136
EXPENDITURES			
Current:			
Instruction	852,212,923	223,563,885	263,527,942
Student Support Services	26,509,974	100,703,669	50,874,052
Administrative Support	61,678,795	9,445,138	32,328,212
Operation & Maintenance of Plant Services	182,079,479	-	579,182
Pupil Transportation	80,655,067	-	-
All Other Support Services	(19,281,664)	-	-
Early Childhood Education	-	-	138,738
Payments to Charter Schools	715,473,007	-	6,566,213
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	1,899,327,581	333,712,692	354,014,339
Excess (Deficiency) of Revenues over Expenditures	582,189,225	(225,536,043)	(1,326,203)
OTHER FINANCING SOURCES (USES)			
Transfers In	758,948	226,099,872	1,677,425
Transfers Out	(500,340,397)	-	(758,948)
Capital Asset Proceeds	18,062,624	-	-
Issuance of Refunding Bonds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources and (Uses)	(481,518,825)	226,099,872	918,477
Net Change in Fund Balances	100,670,400	563,829	(407,726)
Fund Balances, July 1, 2014	(96,819,946)	814,092	(4,020,528)
Change in Inventory Reserve	(30,728)	-	-
Prior Period Adjustment - Debt Service	-	-	-
Fund Balances, June 30, 2015	\$ 3,819,726	\$ 1,377,921	\$ (4,428,254)

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
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ -	\$ -	\$ -	\$ 1,063,320,312
2,767,176	1,180,466	67,854	141,489,900
-	682,370	-	1,475,761,667
-	-	-	266,507,578
<u>2,767,176</u>	<u>1,862,836</u>	<u>67,854</u>	<u>2,947,079,457</u>
-	-	54,837	1,339,359,587
-	-	-	178,087,695
-	-	-	103,452,145
-	-	-	182,658,661
-	-	-	80,655,067
-	-	-	(19,281,664)
-	-	-	138,738
-	-	-	722,039,220
101,232,596	-	-	101,232,596
91,754,792	-	-	91,754,792
69,052,063	-	-	69,052,063
2,475,931	-	-	2,475,931
2,446,842	-	-	2,446,842
-	4,211,578	-	4,211,578
-	3,902,719	-	3,902,719
-	30,689,265	-	30,689,265
-	221,525	-	221,525
<u>266,962,224</u>	<u>39,025,087</u>	<u>54,837</u>	<u>2,893,096,760</u>
<u>(264,195,048)</u>	<u>(37,162,251)</u>	<u>13,017</u>	<u>53,982,697</u>
272,832,730	-	-	501,368,975
-	(446,369)	-	(501,545,714)
3,218,871	2,660,953	-	23,942,448
266,690,000	-	-	266,690,000
-	46,770,000	-	46,770,000
28,485,270	6,011,447	-	34,496,717
(300,439,989)	-	-	(300,439,989)
<u>270,786,882</u>	<u>54,996,031</u>	<u>-</u>	<u>71,282,437</u>
6,591,834	17,833,780	13,017	125,265,134
99,425,745	76,230,574	6,293,533	81,923,470
-	-	-	(30,728)
17,863,639	-	-	17,863,639
<u>\$ 123,881,218</u>	<u>\$ 94,064,354</u>	<u>\$ 6,306,550</u>	<u>\$ 225,021,515</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, 2015

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)	\$	125,265,134
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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.		(67,119,273)
--	--	--------------

Non capitalized purchases that exceed capital outlays.		4,991,151
--	--	-----------

The net effect of miscellaneous transactions involving losses arising from disposal, donation and sale of capital assets are not reported as expenditures in the governmental funds.		(17,886,169)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		39,637,920
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.		73,786,985
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		6,237,271
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The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.		(530,199)
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Transfers In to the Internal Service Fund is reported with the governmental activities.		466,176
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Change in net position of governmental activities (page 35)	\$	164,848,996
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The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Equity in Pooled Cash and Investments	\$ 5,362,276	\$ 41,082
Due From Other Governments	6,331,550	13,084
Other Receivables	-	84,110
Inventories	1,370,466	27,426
Total Current Assets	<u>13,064,292</u>	<u>165,702</u>
Noncurrent Assets:		
Machinery & Equipment	14,997,600	614,420
Accumulated Depreciation	<u>(13,321,432)</u>	<u>(583,805)</u>
Total Noncurrent Assets	<u>1,676,168</u>	<u>30,615</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Pension Contributions	<u>2,607,256</u>	<u>78,753</u>
Total Deferred Outflows of Resources	<u>2,607,256</u>	<u>78,753</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 17,347,716</u></u>	 <u><u>\$ 275,070</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 4,215,720	\$ 39,550
Accrued Salaries and Benefits Payable	916,551	33,382
Termination Compensation Payable	<u>159,726</u>	<u>-</u>
Total Current Liabilities	<u>5,291,997</u>	<u>72,932</u>
Noncurrent Liabilities:		
Termination Compensation Payable	1,912,124	123,851
Severance Payable	713,994	-
Net Pension Liability	43,126,398	1,302,641
Other Liabilities	<u>2,658,208</u>	<u>-</u>
Total Noncurrent Liabilities	<u>48,410,724</u>	<u>1,426,492</u>
 Total Liabilities	 <u>53,702,721</u>	 <u>1,499,424</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Pension	<u>7,999,853</u>	<u>241,636</u>
Total Deferred Inflows of Resources	<u>7,999,853</u>	<u>241,636</u>
NET POSITION		
Net Investment in Capital Assets	1,676,168	30,615
Unrestricted (Deficit)	<u>(46,031,026)</u>	<u>(1,496,605)</u>
Total Net Position (Deficit)	<u>(44,354,858)</u>	<u>(1,465,990)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 17,347,716</u></u>	<u><u>\$ 275,070</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, 2015

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 250,098	\$ -
Sale of Printing Services	-	657,775
Total Operating Revenues	<u>250,098</u>	<u>657,775</u>
Operating Expenses:		
Salaries	15,525,062	439,944
Employee Benefits	13,547,008	286,254
Other Purchased Service - Food	45,852,787	-
Depreciation	351,688	7,935
Other Operating Expenses	6,355,285	453,841
Total Operating Expenses	<u>81,631,830</u>	<u>1,187,974</u>
Operating (Loss)	(81,381,732)	(530,199)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	85,788,847	64,023
Loss on Sale of Capital Assets	(57,164)	-
Income (loss) Before Contributions and Transfers	<u>4,349,951</u>	<u>(466,176)</u>
Transfers In/(Out)	(289,437)	466,176
Change in Net Position	<u>4,060,514</u>	<u>-</u>
Total Net Position July 1, 2014	119,030	-
Prior Period Restatement	(48,534,402)	(1,465,990)
Total Net Position (Deficit) Restated July 1, 2014	<u>(48,415,372)</u>	<u>(1,465,990)</u>
Total Net Position (Deficit) June 30, 2015	<u>\$ (44,354,858)</u>	<u>\$ (1,465,990)</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, 2015

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 250,098	\$ 657,775
Cash Payments to Employees for Services	(28,932,898)	(729,586)
Cash Payments to Suppliers for Goods and Services	(39,580,067)	-
Cash Payments for Other Operating Expenses	(3,697,077)	(525,718)
Net Cash (Used)/Provided by Operating Activities	<u>(71,959,944)</u>	<u>(597,529)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to/Advances from Other Funds	(2,594,549)	-
State Sources	5,517,322	47,150
Federal Sources	75,023,984	16,872
Transfers In/(Out)	(289,437)	466,177
Net Cash Provided by Non-Capital Financing Activities	<u>77,657,320</u>	<u>530,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(346,002)	-
Purchase of Equipment	-	(2,100)
Net Cash Used by Capital and Related Financing Activities	<u>(346,002)</u>	<u>(2,100)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	5,351,374	(69,430)
Cash and Cash Equivalents July 1, 2014	10,902	110,512
Cash and Cash Equivalents June 30, 2015	<u>\$ 5,362,276</u>	<u>\$ 41,082</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating (Loss)	\$ (81,381,732)	\$ (530,199)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	351,688	7,935
Donated Food Commodities	4,825,717	-
(Increase)/Decrease in Accounts Receivable	3,204,887	(84,060)
(Increase)/Decrease in Due From Other Governments	-	(2,964)
(Increase)/Decrease in Inventories	393,738	1,150
Increase/(Decrease) in Accounts Payable	(2,151,622)	14,000
(Decrease) in Accrued Salaries and Benefits Payable	167,059	13,226
Increase/(Decrease) in Termination Compensation Payable	19,155	(16,148)
Increase/(Decrease) in Other Liabilities	2,658,208	-
(Decrease) in Severance Payable	(31,636)	-
Increase/(Decrease) in Deferred Pension Contributions	(494,704)	(14,943)
Increase/(Decrease) in Net Pension Liability	(7,520,555)	(227,162)
Increase/(Decrease) in Deferred Pension	7,999,853	241,636
Total Adjustments	<u>9,421,788</u>	<u>(67,330)</u>
Net Cash Used by Operating Activities	<u>\$ (71,959,944)</u>	<u>\$ (597,529)</u>
Non cash items:		
Federal and State Grant revenue not yet received	\$ 6,331,550	\$ 13,084
Donated Commodities	4,825,717	-

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, 2015

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 4,863,964
Equity in Pooled Cash and Investments	706,051	73,531,986
Investments	200,013	-
Accounts Receivable	94	1,173,933
Total Assets	<u>906,158</u>	<u>79,569,883</u>
 LIABILITIES		
Payroll Deductions and Withholdings	-	73,560,098
Due to Student Activities	-	4,863,964
Other Liabilities	-	1,145,821
Total Liabilities	<u>-</u>	<u>79,569,883</u>
 NET POSITION		
Held in Trust for Various Purposes	<u>\$ 906,158</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, 2015

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 3,100
Interest Received	1,446
Total Additions	<u>4,546</u>
DEDUCTIONS	
Scholarships Awarded	47,335
Total Deductions	<u>47,335</u>
Change in Net Position	(42,789)
Net Position July 1, 2014	948,947
Net Position June 30, 2015	<u><u>\$ 906,158</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, 2015

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, 2015, 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 2015, the School District served over 204,500 students, including those in Charter and Alternative Schools, as well as employed over 16,800 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the "City"). The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the state Constitution to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

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

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

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

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

Although the CEO performs all duties imposed on the Superintendent of Schools by both the Charter and the Public School Code of 1949 (the "School Code") and serves as the Secretary and Treasurer of the Governing Body of the School District, the new designation was designed to provide the Governing Body with more freedom and to avoid being constrained to select a traditional "academic scholar" ignoring the business experience that is equally necessary for such a large school district. In addition, the new administrative and management structure of the School District recognized the enormity of the job of CEO of a large, urban public school system and successfully sought to implement a more corporate accountability structure and team management approach to ensure that the School District would accomplish specific objectives and overall goals. The organizational structure at June 30, 2015 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, an Inspector General, an Internal Audit Director, 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 has a dual reporting relationship to the SRC and the Superintendent/CEO. The Chief School Police Officer, Deputy Superintendent, Communications Officer, 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 No.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, 2015, 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. For the entire 2015 fiscal year, the tax rate was 13.40 mills. Of the 13.40 mills, 7.382 mills was for the School District.

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 \$1.2 million. Included are expendable supplies of \$0.9 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. The District reports 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 \$1.0 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

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

(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, 2015, the Categorical Funds reported unearned revenue of \$10.7 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, 2014 and 2015 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) Pensions

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability or, for multi-employer cost sharing plans, the entity's share of the net pension liability in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

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

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

Benefits provided: The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes- (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Members Contributions:

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

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 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:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS pension plan from the School Districts were \$180,187,615 for the year ended June 30, 2015

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2015 was 73.73 percent.

(13) 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 has two items that qualify for reporting in this category. They are: (1) deferred refunding charges and (2) deferred pension contributions both of which are reported only in the government-wide statement, Statement of Net Position. Deferred refunding charges result 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. Deferred pension contributions results from the difference between PSERS contributions made by the School District during the measurement date and subsequent to the measurement.

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.

(14) 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 nonspendable, 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.

(15) 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.

(16) Comparative Data

Comparative data from Fiscal Year 2014 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.

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	\$ 3,401,289,559
Accumulated Depreciation	(1,673,515,015)
Net Cost of Capital Assets	<u>\$ 1,727,774,544</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.

Unavailable Tax Revenue	\$ 169,910,437
Unavailable Accounts Receivable Revenue	2,592,616
Unavailable Grant Revenue	4,991,404
Total Adjustment of Other Assets	<u>\$ 177,494,457</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 (\$6,685,790,799) difference are as follows:

Bonds Payable	\$ (3,099,555,025)
Deduct: Discount on Bonds Payable	8,705,538
Deduct: Prepaid Bond Insurance Premium Cost	6,337,030
Add: Premium on Bonds Payable	(133,009,069)
Bond Interest Payable	(28,197,267)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(109,551,313)
Unemployment Compensation Payable	(5,890,589)
Compensated Absences Payable	(189,906,875)
Severance Payable	(125,715,285)
Claims and Judgments Payable	(8,216,269)
Arbitrage Rebate Payable	(693,424)
DHS Payable	(1,000,000)
OPEB Payable	(1,221,929)
NSF Payable	(762,246)
Incurred But Not Reported IBNR Payable	(15,797,000)
PSERS Pension Liability - FY 2014 Restated Prior Period	<u>(2,936,038,510)</u>

Net adjustment to reduce fund balance - total governmental funds - to arrive at net position governmental activities.

\$ (6,685,790,799)

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 (\$67,119,273) difference are as follows:

Capital outlay	\$ 39,025,087
Depreciation expense	<u>(106,144,360)</u>

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

\$ (67,119,273)

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 (\$17,886,169) difference are as follows:

Gain on Sale of Capital Assets	\$ 3,802,870
Gain on Donated Capital Assets	1,507,242
Loss on Disposal of Capital Assets	746,168
Proceeds from Sale of Capital Assets	<u>(23,942,449)</u>

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

\$ (17,886,169)

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 \$39,637,920 difference are as follows:

Deferred Inflows of Resources-Unavailable Tax Revenue	\$ 25,045,249
Deferred Inflows of Resources-Unavailable Grant Revenue	311,721
Derivative Investment Revenue	13,724,311
Miscellaneous Revenue	<u>556,639</u>

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

\$ 39,637,920

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 \$73,786,985 difference are as follows:

Principal Repayment on Bonds	\$ 100,067,513
Bond Issuance and Defeasance	(43,920,612)
Principal Repayment from Sale of Property	1,165,084
Principal Repayment on Authority Obligations	<u>16,475,000</u>

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

\$ 73,786,985

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 \$6,237,271 difference are as follows:

Change in Compensated Absences Payable	\$ 10,342,603
Change in Severance Payable	(981,128)
Change in Workers' Compensation Payable	4,425,763
Change in Unemployment Compensation Payable	454,761
Change in Claims and Judgments Payable	(2,650,388)
Change in PSERS Pension Expense	1,048,888
Change in Arbitrage Rebate Payable	(427,718)
Change in Net Accrued Bond Interest	(34,015)
Change in Bond Issuance Costs	(1,438,471)
Change in DHS Payable	1,500,000
Change in OPEB Payable	(411,024)
Change in NSF Payable	840,000
Change in IBNR Payable	<u>(6,432,000)</u>

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

\$ 6,237,271

C. Explanation of Computation of Net Investment in Capital Assets

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds. Deferred outflows of resources and depreciation, deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in this component of net position. In addition, all significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period were identified. The portion of the debt or deferred inflows of resources attributable to the unspent amount were included in the calculation of net investment in capital assets.

	Governmental Activities	Business-Type Activities
Capital Assets: (June 30th balances) Statement of Net Position-(Excludes Internal Service Fund)	\$ 3,401,289,561	\$ 1,676,168
Less: Accumulated depreciation (Excludes Internal Services Fund Assets)	(1,673,515,015)	-
Net Capital Assets -(Governmental Activities Excludes Internal Service Fund)	\$ 1,727,774,546	\$ 1,676,168
Less: Outstanding principal of related debt	\$ (3,099,555,026)	
Total Exclusion - Outstanding Bonds Not Capital Related	515,989,526	
Total Other Adjustments to Outstanding Bonds for NonCapital Related Items	19,607,346	
Debt Related To Disposed Capital Assets	52,089,910	
Undercapitalized Expenditures-Cumulative Year-to Date	292,099,734	
Unspent Bond Proceeds Governmental Activities Only	94,064,354	
Net Adjusted Outstanding Bonds Related to Capital Assets	(2,125,704,156)	
Net Investment in Capital Assets	\$ (397,929,610)	\$ 1,676,168

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).

The Fiscal Year 2015 Final Budget was adopted on June 30, 2015 due to delays in Fiscal Year 2016 funding decisions from the City and State.

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/Deficit Net Position

For governmental activities and business-type activities, the unrestricted net deficit amounts of (\$4,544,445,115) and (\$46,031,026), respectively, includes the effect of deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

The operating funds, which consist of the General Fund, Intermediate Unit Fund and Debt Service Fund, experienced a fund balance of \$129.1 million. This amount is comprised of a General Fund negative fund balance of \$3.8 million, which is offset by \$123.9 million in the Debt Service Fund and \$1.4 million in the Intermediate Unit Fund.

Categorical Funds experienced a negative fund balance of (\$4.4) 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 a negative net position of (\$44.4) million. This negative amount is due to the retroactive adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. See Note 1D(12) for details.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$78.3 million held in agency funds, at

June 30, 2015 are summarized as follows:

Cash and Cash Equivalents	\$	104,006,452
Cash and Investments with Fiscal Agent		127,919,078
Equity in Pooled Cash and Investments		142,833,801
Cash and Investments Held by Trustee		238,510
Investments		<u>200,013</u>
Total Cash and Investments	\$	<u>375,197,854</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 of Pennsylvania or any political subdivision of the Commonwealth backed by full faith and credit of the Commonwealth or the political subdivision, money market funds of U.S. 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 2015 was approximately 0.29% and total interest income was \$1.5 million. This was a \$0.3 million increase in total interest income over fiscal year 2014. The increase in interest income is a result of higher cumulative principal balances held in the sinking funds under the Quality Zone Academy Bonds (QZABs) BoA Forward Purchase Agreements (FPA).

(3) Investments

As of June 30, 2015, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Morgan Stanley Institutional Liquidity		
Fund Treasury Securities Portfolio (MUSUXX)	\$ 79,049,069	.003
Federal Home Loan Mortgage Corp. (FHLMC)	20,995,215	.608
Federal Home Loan Bank (FHLB)	19,084,161	.011

(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. Morgan Stanley Institutional Liquidity Fund Treasury Securities Portfolio investments for sinking funds as of June 30, 2015 mature in one (1) day. 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 BoA & Forward Purchase Agreements	Federal Home Loan Mortgage Corporation (FHLMC)	AAA	AA+	AAA
	Federal Home Loan Bank (FHLB)	AAA	AA+	N/R*

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

(c) *Concentration of Credit Risk* - The School District does not restrict the amount of deposits made to any particular bank or any counterparty to a repurchase agreement.

(d) *Custodial Credit Risk~Deposits* - The School District maintains all deposits in depositories which are insured by the Federal Deposit Insurance 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 102% market value of collateral requirement was not applicable to the above 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 values take 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, 2015 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notional	Curren Notional	Effective Date	Maturit Date	Rate Paid	Rate	Fair	Bank Counterparty	Counterparty Rating
Series 2003 School Lease Revenue Bonds	\$150,000,000	\$150,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$2,816,768)	Wells Fargo Bank N.A.	Aa2/AA-
Series 2003 School Lease Revenue Bonds	\$350,000,000	\$350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$6,572,459)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA
							(\$9,389,227)		

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, 2015, the net benefit to the School District has been \$13,158,207.

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, 2015, 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 swaps become positive, the School District would be exposed to credit risk.

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

Termination risk. Only the School District may terminate the two existing 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 swap's fair value.

(5) Depositary Investment Accounts

(a) *Depository Agreement:*

- (i) SRC-9 resolution issued on May 29, 2014 allowed the SRC to suspend requirements of the School Code and regulations of the State Board of Education which then allowed the Chief Financial Officer and his subordinates to enter into a Depository Agreement and to use the building sales proceeds for Debt Service and Capital Projects. On June 2, 2014 the School District of Philadelphia (SDP) and The Bank of New York Mellon Trust Company, N.A. (BONY) (Depository) entered into a Depository Agreement for the purpose of providing for the deposit of funds with the Depository held on behalf of SDP from the sale of buildings. This agreement required the Depository to establish two separate accounts for each building sold- (1) Property Sales Defeasance Account and (2) Property Sales Capital Funds Account.
- (ii) Deposits into these "Accounts" constitute the property of the SDP and would be on behalf of SDP by the Depository. *Depository shall have custody* of the Account, held on behalf of SDP and kept separate from other assets of the Depository. Money on deposit in the Account shall be held, invested and disbursed as directed by SDP. The Depository agreed to invest and reinvest funds in the Property Sales Defeasance Account in a 100% U.S. Treasury Money Market Fund and Property Sales Capital Funds Account in U.S. Treasury Bills.
- (iii) The agreement also authorized that moneys deposited from sales of unused and unnecessary SDP property in the "Accounts" shall be paid out from time to time by the Depository pursuant to directions provided by an authorized officer of the SDP.
- (b) Depository Investment Account: During Fiscal Year 2015, The School District sold six buildings for \$24.6 million. Of this amount, \$18.1 million was transferred into the School District general fund to be used for current expenses of the School District. Of the remaining \$6.5 million, \$5.9 million was deposited into the Depository Investment Accounts with BONY while the balance was used for ancillary costs.
- (c) Changes in the Depository Investment Accounts during Fiscal Year 2015 were as follows:

	(Dollars in thousands)			
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
SDP Depository Investment Accounts:				
Property Sale Defeasance	\$ 5,934.5	\$ 3,483.2	\$ (8,528.2)	\$ 889.5
Property Sale Capital Funds	<u>2,600.8</u>	<u>2,396.2</u>	<u>(960.3)</u>	<u>4,036.7</u>
Total	<u>\$ 8,535.3</u>	<u>\$ 5,879.4</u>	<u>\$ (9,488.5)</u>	<u>\$ 4,926.2</u>

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:

	(Dollars in Thousands)				
	General	Debt Service	Intermediate Unit	Fiduciary	Total
Receivables					
Interest	\$ -	\$ 678.1	\$ -	\$ -	\$ 678.1
Taxes	333,143.6	-	-	-	333,143.6
Accounts (net)	20,749.9	-	865.2	1,174.0	22,789.1
Gross Receivables	353,893.5	678.1	865.2	1,174.0	356,610.8
Less: Allowances for Uncollectible					
Taxes	130,191.0	-	-	-	130,191.0
Total Allowance	130,191.0	-	-	-	130,191.0
Net Total Receivables	<u>\$ 223,702.5</u>	<u>\$ 678.1</u>	<u>\$ 865.2</u>	<u>\$ 1,174.0</u>	<u>\$ 226,419.8</u>

(2) Taxes Receivable

The totals reported for taxes receivable on the Statement of Net Position, Balance Sheet and the table above have been aggregated. The following details of the components of those taxes are presented in the table below. Estimated collectible taxes at June 30, 2015 equaled \$202.9 million as follows:

	(Dollars in Millions)		
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 83.8	\$ 8.1	\$ 75.7
Prior	188.3	79.9	108.4
Total Real Estate Taxes	<u>272.1</u>	<u>88.0</u>	<u>184.1</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	23.0	18.1	4.9
School Income Tax	12.0	8.5	3.5
Liquor Sales Tax	26.0	15.6	10.4
Total Self Assessed Taxes	<u>61.0</u>	<u>42.2</u>	<u>18.8</u>
Total Taxes Receivable	<u>\$ 333.1</u>	<u>\$ 130.2</u>	<u>\$ 202.9</u>

During July and August 2015, \$21.6 million in real estate taxes receivable and \$11.5 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2015 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	\$ 16.3	\$ -	\$ -	\$ -	\$ -	\$ 5,624.8	\$ 5,641.1
State	28,827.6	5,670.0	4,482.7	135.8	13.1	706.8	39,836.0
Grantors	-	-	31,022.7	563.2	-	-	31,585.9
Total Due From Other Governments	\$ 28,843.9	\$ 5,670.0	\$ 35,505.4	\$ 699.0	\$ 13.1	\$ 6,331.6	\$ 77,063.0

Amounts due from other governments under the General Fund, Intermediate Unit Fund, and Internal Service Fund primarily include \$22.5 million for retirement and FICA reimbursements from the Commonwealth of Pennsylvania and \$3.0 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 \$31.6 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 \$4.6 million for FICA reimbursements from the Commonwealth of Pennsylvania.

The amount due from other governments under the Enterprise Funds includes \$5.6 million reimbursements from Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs, and, \$0.7 million for retirement and breakfast and lunch programs reimbursements from the Commonwealth of Pennsylvania.

(4) Unearned Revenue/Deferred Outflows of Resources and Deferred Inflows of Resources

- (a) Unearned Revenue: Governmental funds report unearned revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period and also in connection with resources that have been received but not yet earned. A summary of unearned revenues for the individual major governmental funds and nonmajor governmental funds in the aggregate at June 30, 2015 are as follows:

Categorical grant funds received prior to meeting all eligibility requirements	\$	<u>10,686,277</u>
	\$	<u>10,686,277</u>

- (b) 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 two items that qualify for reporting in this category.

- i. Deferred Refunding Charges-Losses resulted from the difference of the reacquisition price (funds required to be deposited into escrow account to refund old bonds) and the net carrying amount of the old bonds. This item is valued at \$130.8 million and has been reported as deferred outflows on the Statement of Net Position under Governmental Activities as of June 30, 2015.

<u>GOB Series</u>	<u>Refunding Charges</u>	<u>Swap Termination Refunding Charges</u>	<u>Total Amount as of June 30, 2015</u>
2005A	2,557		2,557
2006B	25,555,878		25,555,878
2007A	4,731,139		4,731,139
2008F	804,129		804,129
2009B	180,093		180,093
2009C	472,731		472,731
2010C	12,968,848		12,968,848
2010C	-	12,797,681	12,797,681
2010D	132,637		132,637
2010E	2,914,340		2,914,340
2010E	-	42,334,618	42,334,618
2010F	9,071,928		9,071,928
2010G	4,509,015		4,509,015
2010H	4,509,015		4,509,015
2011C	1,574,197		1,574,197
2011D	60,004		60,004
2015C	1,319,955		1,319,955
2015D	2,786,350		2,786,350
2015A	4,079,612		4,079,612
	<u>\$ 75,672,430</u>	<u>\$ 55,132,299</u>	<u>\$ 130,804,729</u>

- ii. For the second item, refer to Note 4K(1)(c) Pension Plan on page 82 for deferred outflows of resources for deferred pension contributions.

- (c) Deferred Inflows of Resources: 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. The School District has three items that qualify for reporting in this category.

- i. On the full accrual basis of accounting, the School District has two item that qualifies for reporting in this category.

- [a] One item valued at \$ 0.2 million has been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2015.

Deferred Refunding Charges-Gain (205,043)

- [b] For the second item, refer to Note 4K(1)(c) Pension Plan on page 82 for deferred inflows of resources for deferred pension contributions.

- ii. On the modified accrual statements the School District has one item that qualifies for reporting in this category. This item has three components which the District reported \$177.5 million as deferred inflows on the Governmental Balance Sheet as of June 30, 2015. They are as follows:

	General <u>Fund</u>	Categorical <u>Funds</u>	Capital Projects <u>Funds</u>	<u>Total</u>
Unavailable taxes revenue	\$ 169,910,437	\$ -	\$ -	\$ 169,910,437
Unavailable accounts receivable revenue	2,592,616	-	-	2,592,616
Unavailable grant revenue	-	4,428,254	563,150	4,991,404
	<u>\$ 172,503,053</u>	<u>\$ 4,428,254</u>	<u>\$ 563,150</u>	<u>\$ 177,494,457</u>

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2015 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1,2014	Additions	Deletions	Transfers	Balance June 30,2015
Governmental Activities:					
Capital Assets - Not Depreciated					
(1) Land	\$ 132.1	\$ -	\$ (1.9)	\$ -	\$ 130.2
(2) Construction in Progress	6.1	19.4	-	(4.9)	20.6
Total Capital Assets - Not Depreciated	\$ 138.2	\$ 19.4	\$ (1.9)	\$ (4.9)	\$ 150.8
Capital Assets - Depreciated					
Buildings	\$ 1,782.9	\$ 1.6	\$ (33.4)	\$ 2.1	\$ 1,753.2
Improvements	1,243.6	10.0	(34.5)	2.7	1,221.8
Intangible Assets	48.7	1.6	-	-	50.3
(3) Personal Property	230.4	13.0	(17.5)	-	225.9
Total Capital Assets - Depreciated	\$ 3,305.6	\$ 26.2	\$ (85.4)	\$ 4.8	\$ 3,251.2
Less Accumulated Depreciation					
Buildings	\$ (656.4)	\$ (31.4)	\$ 22.4	\$ -	\$ (665.4)
Improvements	(767.9)	(53.4)	27.3	-	(794.0)
Intangible Assets	(38.9)	(2.4)	-	-	(41.3)
(4) Personal Property	(171.2)	(19.0)	16.7	-	(173.5)
Total Accumulated Depreciation	\$ (1,634.4)	\$ (106.2)	\$ 66.4	\$ -	\$ (1,674.2)
Net Capital Assets Depreciated	\$ 1,671.2	\$ (80.0)	\$ (19.0)	\$ 4.8	\$ 1,577.0
Governmental Activities - Net Capital Assets	<u>\$ 1,809.4</u>	<u>\$ (60.6)</u>	<u>\$ (20.9)</u>	<u>\$ (0.1)</u>	<u>\$ 1,727.8</u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 15.7	\$ 0.4	\$ (1.1)	\$ -	\$ 15.0
Less Accumulated Depreciation	(14.0)	(0.3)	1.0	-	(13.3)
Business-Type Activities - Net Capital Assets	<u>\$ 1.7</u>	<u>\$ 0.1</u>	<u>\$ (0.1)</u>	<u>\$ -</u>	<u>\$ 1.7</u>

- (1) The beginning balance for WIP was adjusted to reflect a \$1.1 prior period adjustment to properly account for the new West Philadelphia High School.
- (2) The beginning balance for WIP was adjusted to reflect a \$0.6 prior period adjustment to remove items not deemed as able to be capitalized.
- (3) The beginning balance for Personal Property was adjusted to reflect a prior period adjustment of (\$2,746).
- (4) The beginning balance for Personal Property Accumulated Depreciation was adjusted to reflect a prior period adjustment of \$2,860.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 95.5
Student Support Services	4.4
Administrative Support	5.4
Operation & Maintenance of Plant Services	0.7
All Other Support Services	0.2
Total Depreciation Expense	<u>\$ 106.2</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 \$300.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 2, 2014 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, 2015. Changes in short-term obligations payable during Fiscal Year 2015 were as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Tax and Revenue Anticipation Note (Series A of 2013-2014)	\$ -	\$ 300.0	\$ (300.0)	\$ -
Total	<u>\$ -</u>	<u>\$ 300.0</u>	<u>\$ (300.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2015 were as follows:

	Long Term Obligations (1) (Dollars in Millions)				
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt (2)	\$ 3,177.6	\$ 331.3	\$ (409.3)	\$ 3,099.6	\$ 116.7
Bond Premium	119.2	34.5	(20.7)	133.0	12.3
Bond Discount	(9.3)	-	0.5	(8.8)	(0.5)
Total Bonded Debt	<u>\$ 3,287.5</u>	<u>\$ 365.8</u>	<u>\$ (429.5)</u>	<u>\$ 3,223.8</u>	<u>\$ 128.5</u>
Termination Compensation Payable	\$ 200.4	\$ 9.0	\$ (19.4)	\$ 190.0	\$ 34.3
Severance Payable	124.7	10.0	(9.0)	125.7	16.9
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	125.9	30.1	(32.3)	123.7	36.3
Incurred But Not Reported (IBNR) Payable	9.4	6.4	-	15.8	15.8
Early/Voluntary Retirement Incentive	-	-	-	-	-
Arbitrage Liability	0.3	0.4	-	0.7	0.7
DHS Liability	2.5	-	(1.5)	1.0	1.0
OPEB Liability	0.8	0.4	-	1.2	-
NFS Federal Liability	1.6	-	(0.8)	0.8	0.8
PSERS Pension Liability (3)	3,449.5	-	(512.2)	2,937.3	-
Governmental Activity - Long-Term Liabilities	<u>\$ 7,247.9</u>	<u>\$ 422.1</u>	<u>\$ (1,004.7)</u>	<u>\$ 6,665.3</u>	<u>\$ 279.6</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.1	\$ -	\$ -	\$ 2.1	\$ 0.2
Severance Payable	0.7	-	-	0.7	-
FMS Arbitration Payable	-	2.7	-	2.7	2.7
PSERS Pension Liability (3)	50.6	-	(7.5)	43.1	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 53.4</u>	<u>\$ 2.7</u>	<u>\$ (7.5)</u>	<u>\$ 48.6</u>	<u>\$ 2.9</u>

- (1) Termination (Compensated absences), severance, unemployment, works compensation, claims and judgments liabilities are accrued to the governmental funds to which the individual is charged. These liabilities are then liquidated by the General Fund. In addition, DHS, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.

- (2) Adjusted General Obligation Bonds for QZABs previously reported as a defeased in principal; See Prior Period Adjustment (See Note 4M).
- (3) The beginning balance of Long-Term Liabilities under both Governmental and Business Type Activities changed due to the implementation of GASB Statements No. 68 & 71. GASB Statements No. 68 & 71 required PSERS Pension Liability to be restated as of the beginning period July 1, 2004 (See Note 4N).

(a) General Obligation Bonds & Lease Rental Debt

(i) Authority to Issue

- General obligation debt is issued pursuant to the Local Government Unit Debt Act of July 12, 1972, P.L. 781 as amended and re-enacted by Act 177, approved December 1996 (the "Debt Act"). The Debt Service Fund is used to account for the accumulation of resources and the payment of principal, interest and issuance costs on general obligation bonds and lease rental debt. The School District has issued various general obligation bonds and lease rental debt throughout the years to fund budgeted capital projects and to refund higher interest rate bonds with bonds bearing lower costs, and to provide level debt service payments for the District.
- The School District is authorized, under amendments to the Debt Act enacted in September 2003, to enter into "qualified interest rate management agreements." These qualified interest rate management agreements are, defined in the Debt Act, as agreements determined in the judgment of the School District designed to manage interest rate risk or interest cost of the School District on any debt which the School District is authorized to incur under the Debt Act. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements. The School District's Debt Policy places limits on the amount of qualified interest rate management agreements the School District may enter.

General obligation bonds and lease obligations at June 30, 2015 by bond issue are summarized as follows:

(Dollars in Thousands)

<u>Issue⁽¹⁾</u>	<u>Interest Rates</u>	<u>Maturity Year Ending 30-Jun</u>	<u>Original Principal Issued</u>	<u>Principal Outstanding⁽¹²⁾⁽¹³⁾</u>	<u>Interest</u>	<u>Total</u>
2003B-SPSBA ⁽³⁾	5.500	2028	588,140	43,505	31,106	74,611
2004E-QZAB	-	2019	19,335	19,335 ⁽⁹⁾	-	19,335
2005A	5.000	2016	198,140	17,325	433	17,758
2005C	4.700	2016	71,740	3,335	78	3,413
2005D	5.500	2022	29,920	14,470	2,909	17,379
2006A-SPSBA ⁽³⁾	4.450 - 5.000	2036	317,125	182,295	130,582	312,877
2006B-SPSBA ⁽³⁾	3.625 - 5.000	2033	545,570	545,530	389,631	935,161
2007A	4.000 - 5.000	2034	146,530	146,455	107,493	253,948
2007C-QZAB	-	2023	13,510	13,510 ⁽¹⁰⁾	-	13,510
2007D-QZAB	1.250 ⁽²⁾	2023	28,160	28,160 ⁽¹⁰⁾	2,640	30,800
2008E	4.500 - 6.000	2039	282,365	256,130	217,206	473,336
2008F	5.000 - 5.250	2028	114,215	113,670	33,819	147,489
2009B	4.000 - 5.000	2019	30,710	23,380	2,873	26,253
2009C	1.250 ⁽⁴⁾	2026	49,200	48,850	4,965	53,815
2010A	5.000	2016	27,820	5,470	273 ⁽⁵⁾	5,743
2010B	4.735 - 6.765 ⁽⁶⁾	2040	221,485	220,915	225,661	446,576
2010C	2.750 - 5.000	2022	300,045	185,020	33,059 ⁽⁶⁾	218,079
2010D	3.125 - 5.000	2023	49,365	49,365	11,801	61,166
2010E	5.000 - 5.250	2025	125,880	113,425	40,504	153,929
2010F	1.250 ⁽⁴⁾	2031	150,000	150,000	23,231	173,231
2010G	1.250 ⁽⁴⁾	2031	150,000	150,000	23,231 ⁽⁵⁾	173,231
2011A-QSCB	5.995 ⁽⁷⁾	2031	144,625	137,175 ⁽¹¹⁾	134,357 ⁽⁵⁾	271,532
2011B	2.000 - 5.000	2022	16,970	12,505	1,324 ⁽⁷⁾	13,829
2011C	5.000	2022	41,185	27,735	5,130	32,865
2011D	3.000 - 5.000	2022	16,330	13,185	1,831	15,016
2012A ⁽⁸⁾	2.000	2017	35,313	14,125	424	14,549
2012B-SPSBA ⁽³⁾	5.000	2032	264,995	251,225	127,593 ⁽⁸⁾	378,818
2015A-SPSBA ⁽³⁾	2.000 - 5.000	2026	80,000	80,000	27,719 ⁽⁷⁾	107,719
2015A	3.000 - 5.000	2036	46,770	46,770	28,967	75,737
2015B	4.000 - 5.000	2017	13,505	13,505	565	14,070
2015C	1.550 - 4.038	2026	44,565	44,565	9,532	54,097
2015D	5.000	2023	128,620	128,620	28,368	156,988
Total			<u>4,292,133</u>	<u>3,099,555</u>	<u>1,647,305</u>	<u>4,746,860</u>

(1) All debt has been issued for Capital purposes, except for issues for 2005-A, 2005-C, 2012-A, 2012-B, 2015-C and 2015-D.

(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 (SPSBA).
- (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 2015, this subsidy was reduced by \$0.4 million due to the Federal Budget Sequestration.
- (7) Bonds issued as ARRA Qualified School Construction Bonds (QSCBs) 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 2015, this subsidy was reduced by \$0.5 million due to the Federal Budget Sequestration. See Subsequent Event Note 4O for changes to occur beginning October 1, 2015.
- (8) The School District issued a note to SEPTA on July 1, 2012 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.
- (9) The QZAB bond series 2004E for \$19.3 million was issued on August 1, 2014 and the aggregate principal of \$19.3 million is due September 1, 2018. The School District irrevocably places \$1.4 million in trust under a mandatory sinking fund with its fiscal agent each September 1st. These annual deposits are invested in a forward purchase agreement to be used solely for satisfying the scheduled principal payment of September 1, 2018. As of June 30, 2015, \$13.5 million had been placed under the mandatory sinking fund. The \$13.5 million had an investment value of \$15.2 million (See Note 4M).
- (10) The QZAB bond series 2007C and 2007D for \$13.5 and \$28.2 million, respectively, were issued on December 28, 2008 and the aggregate amounts of the debt is due December 28, 2022. The School District irrevocably places \$0.9 million in trust under a mandatory sinking fund with its fiscal agent each December 15th for the 2007C bonds. These annual deposits are invested in a forward purchase agreement to be used solely for satisfying the scheduled principal payment of \$13.5 million on December 28, 2022. As of June 30, 2015, \$6.3 million had been placed under the mandatory sinking fund. The \$6.3 million had an investment value of \$7.0 million (See Note 4M).
- (11) The QSCB bond series 2011A for \$144.6 million was issued on December 20, 2011. The School District has an agreement with its fiscal agent to irrevocably deposit \$7.5 million each September 1st to a mandatory sinking fund. The first deposit was required on September 1, 2014, however, the fiscal agent inadvertently paid the bondholders instead of depositing the funds into the mandatory sinking fund account. This error has been accepted by our fiscal agent as their error. The fiscal agent intends to collect the principal payments from the bondholders and restore the proceeds to the mandatory sinking fund. Going forward, the fiscal agent will irrevocably deposit \$7.5 million each September 1st to a mandatory sinking fund to be used solely for satisfying the scheduled principal payment of \$137.2 million on September 1, 2030.
- (12) The "Amount Due in One Year for each issue" is shown on Pages 114-116 Schedule of Bonds Outstanding.
- (13) The "Amount of Installments and the range of maturities" are shown on Pages 114-116 Schedule of Bonds Outstanding.

Debt service to maturity on general obligation bonds at June 30, 2015 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

Governmental Activities (Dollars in Thousands)			
Year Ending June 30	Principal	Interest ⁽¹⁾	Total
2016	\$ 99,418	\$ 85,258	\$ 184,676
2017	101,933	82,364	184,297
2018	98,025	77,670	175,695
2019	120,764	72,889	193,653
2020	104,690	67,912	172,602
2021-2025	537,070	265,983	803,053
2026-2030	416,480	180,513	596,993
2031-2035	380,950	86,080	467,030
2036-2040	137,670	22,005	159,675
Total	<u>\$ 1,997,000</u>	<u>\$ 940,674</u>	<u>\$ 2,937,674</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, 2015 is summarized as follows:

Governmental Activities (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2016	3.625-5.000	\$ 17,255	\$ 54,133	\$ 71,388
2017	2.000-5.000	18,130	52,827	70,957
2018	3.750-5.000	18,790	51,921	70,711
2019	3.875-5.000	19,650	51,062	71,712
2020	4.000-5.000	20,625	50,080	70,705
2021 – 2025	3.375-5.000	189,965	231,473	421,438
2026 – 2030	4.750-5.500	364,635	163,881	528,516
2031 – 2035	4.450-5.000	436,250	50,480	486,730
2036	4.450-4.500	17,255	774	18,029
Total		<u>\$ 1,102,555</u>	<u>\$ 706,631</u>	<u>\$ 1,809,186</u>

(ii) Sinking Fund Covenants

- Fixed Rate General Obligation Bonds: The School District has covenanted that the City will, on each business day, 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, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows (amounts in thousands; debit (credit)):

<u>Change in Fair Value</u>			<u>Fair Value at June 30, 2015</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment derivatives:					
Pays-variable	Investment				
interest rate swaps	revenue	\$13,724	Investment	\$ (9,389)	\$ 500,000
				<u>\$ (9,389)</u>	

As of June 30, 2015, 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) General Obligation Bonds, Refundings, and Defeasements

(i) *General Obligation Bonds:*

On April 20, 2015, the School District issued Series A of 2015 fixed rate general obligation bonds in the aggregate amount of \$46,770,000 with a premium of \$6.0 million for the Capital Improvement Program. Bond proceeds of \$0.4 million were utilized for underwriting fees, and other bond issuance costs.

(ii) *Refunding Bonds:*

- (a) On April 20, 2015, the School District issued General Obligation Refunding Series B of 2015 fixed rate general obligation bonds in the aggregate amount of \$13,505,000 with a premium of \$486,624 for current refunding of GOB Series 2005B. Bond proceeds of \$78,925 were utilized for underwriting fees, and other bond issuance costs.

Securities for the issue along with \$119,102 of sinking fund proceeds were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded notes.

- (b) On April 20, 2015, the School District issued General Obligation Refunding Series C of 2015 fixed rate general obligation bonds in the aggregate amount of \$44,565,000 for advance refunding of GOB Series 2005C. Securities for the issue along with \$1,152,778 of sinking fund proceeds were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded notes. Bond proceeds of \$341,840 were utilized for underwriting fees, and other bond issuance costs.

- (c) On April 20, 2015, the School District issued School Lease Revenue Refunding Bonds Series A of 2015 fixed rate general obligation bonds in the aggregate amount of \$80,000,000 through the State Public School Building Authority with a premium of \$11,838,516 which were used to advance refund certain 2006A School Lease Revenue Bonds. Bond proceeds of \$697,882 were utilized for underwriting fees, bond premium insurance, and other bond issuance costs.

Securities for the issue along with \$3,596,625 of sinking fund proceeds were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded notes.

- (d) On May 5, 2015, the School District issued General Obligation Refunding Bonds Series D of 2015 in the aggregate amount of \$128,620,000 which were used to advance refund certain General Obligation Bonds Series A of 2005 with a net premium of \$3.6 million. Bond proceeds of \$1,003,271 were utilized for underwriting fees, and other bond issuance costs.

Securities for the issue along with \$3,596,625 of sinking fund proceeds were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded notes.

The cash flow required to service the new debt for the refunding is \$32.8 million less than the cash flow required to service the old debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$25.2 million to the School District.

For accounting purposes, the current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 0.3 million the advance refunding resulted in a difference

between the reacquisition price and the net carrying amount of the old debt of \$ 16.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2022.

- (iii) *Defeasements:* As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. This includes the following:

- (a) As of June 30, 2015, \$271.5 million of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.
- (b) In addition, as of June 30, 2015, the Defeasance Accounts from the Sale of SDP Property had \$6.2 million of bonds outstanding considered to be defeased and the liability was removed from long-term liabilities.

(d) **General Obligation Bonds Refunded and Defeased with SDP Property Sales Proceeds**

- (i) Whenever School District properties sold during FY2014 and FY2015 were financed with outstanding general obligation bonds, Internal Revenue Code and the federal arbitrage rebate regulations dictated distinguishing between current and advance refundings by using the 90-day repayment threshold cited in these. Principal and interest on all callable bonds on the properties sold were defeased. A defeasance depository account was established for the use of proceeds to pay principal and interest with the 90-day period (current refunding) and for the use of proceeds to be placed with an escrow agent until they are used to pay principal and interest at a future time (advance refunding).

- (ii) During FY2015, School District of Philadelphia reported the following transaction for the defeasance accounts related to Internal Revenue Code and the federal arbitrage rebate regulations to current and advance refunding:

(a) **Current Refunding:**

- (1) On September 30, 2014, the School District used \$1,160,585 of SDP Property Sales Proceeds to current refund \$845,000 of principal under GOB Series 2004D, 2009C, 2010B, and 2011A.
- (2) On November 3, 2014, the School District used \$182,744 of SDP Property Sales Proceeds to current refund \$155,000 of principal under GOB Series 2004D, 2009C, and 2010B.
- (3) and on April 1, 2015, the School District used \$112,523 of SDP Property Sales Proceeds to current refund \$100,000 of principal under GOB Series 2004D, 2009C, and 2010B.

(b) **Advance Refunding:**

- (1) On September 30, 2014, the School District used \$4,744,605 of SDP Property Sales Proceeds to advance refund \$4,160,000 of principal under GOB Series 2005A, 2006A, 2008E, and 2008F.
- (2) On November 3, 2014, the School District used \$1,895,668 of SDP Property Sales Proceeds to advance refund \$1,710,000.00 of principal under GOB Series 2006A, 2008E, and 2008F.
- (3) and on April 1, 2015, the School District used \$421,775 of SDP Property Sales Proceeds to advance refund \$385,000 of principal under GOB Series 2005A, 2006A, 2008E, and 2008F.

(e) **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, 2015, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$1,973.4 million.

(f) **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, 2015, the arbitrage rebate calculation indicates a liability totaling \$693,425. Of this amount, \$265,947 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority while the remaining \$427,477 related to GOB Series 2010E, 2010F and 2010G. This year's liability is higher than last year's liability of \$265,706.

The School District's current liability representing 90 percent of the \$427,477 minimum payment required for the GOB Series 2010E, 2010F and 2010G debts is \$384,729 payable on August 31, 2015. The School District will continue to perform an annual rebate calculation until all funds have been expended. The actual amount payable for SPSBA debt may be less than the amount recorded as a liability as of June 30, 2015.

The School District has reserved as of June 30, 2015 \$693,425 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, 2015 amounted to \$5,212,529. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Lease Payments</u> <u>(Dollars in Millions)</u>
2016	\$ 3.2
2017	3.1
2018	<u>2.8</u>
Total	<u>\$ 9.1</u>

(4) General Obligation Bonds/Lease Rental Payable

The ending balance for bonded debt was \$3,099.6 million with net adjustment for bond premiums and discounts of \$118.3 million. As of June 30, 2015, the total bonded debt was \$3,218.0 million. See note 1D (11) which describes the District's accounting practices for long-term obligations.

(5) Termination Compensation Payable

Termination pay consists of accumulated leave not expected to be paid with available resources. It includes accumulated liabilities for unused personal illness, personal leave, and vacation balances that are payable upon termination. See note 1D (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, 2015, was \$125.7 million under the governmental activities. July and August 2015 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2016 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, 2015. 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, 2015, the Incurred But Not Reported Payable amounted to \$15.8 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, 2015, the DHS liability was \$1.0 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, 2015, the District had an OPEB obligation of \$1,221,930. 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, 2015, the remaining NSF liability was \$0.8 million.

(12) Other Liabilities

Other liabilities consist of \$109.6 million for Workers’ Compensation, \$5.9 million for Unemployment Compensation Claims and \$8.2 million for Claims & Judgments.

(13) Pension (PSERS) Liability

SDP implemented GASB 68 during fiscal year 2015. The FY2014 outstanding obligation balance was restated by \$3,449.5 million. As of June 30, 2015, the Net Pension Liability for SDP was \$2,937.3 million. Refer to Note 4K(1)(a) for further Pension Plan information.

(14) Redemption of General Obligation Bonds, Series A of 2011 in Error

On December 20, 2011, the School District issued its General Obligation Bonds, Series A of 2011 (Qualified School Construction Bonds-Federally Taxable-Direct Subsidy) (the “Bonds”) in the principal amount of \$144,625,000. The Bonds mature in the full principal amount thereof on September 1, 2030.

The Bonds were issued pursuant to a Resolution of the School Reform Commission adopted November 21, 2011 (the “Resolution”). Pursuant to the Resolution, the School District appointed The Bank of New York Mellon Trust Company, N.A. to serve as Sinking Fund Depository and Fiscal Agent for the Bonds (the “Fiscal Agent”), and on December 20, 2011, the School District and the Fiscal Agent entered into an agreement (the “Fiscal Agent Agreement”) under which the Fiscal Agent accepted the trusts created by the Resolution and the duties and obligations of the Fiscal Agent as set forth in the Resolution and the Fiscal Agent Agreement.

The Resolution provides that mandatory sinking fund installments be paid annually into the Sinking Fund for the Bonds (the “Sinking Fund”) commencing September 1, 2014, to be held to pay the principal of the Bonds at maturity. Pursuant thereto, the School District transferred to the Fiscal Agent for deposit into the Sinking Fund on or before September 1, 2014, the sum of \$7,415,000.

In violation of its duties and obligations under the Fiscal Agent Agreement and the Resolution, the Fiscal Agent caused Bonds in the principal amount of \$7,415,000 to be erroneously redeemed on September 1, 2014.

The Fiscal Agent acknowledged that the redemption of the Bonds was made in error and initiated procedures through the clearing house for the Bonds, to reverse the redemption and reinstate the Bonds as of the date of their redemption.

Holders of \$6,860,000 in principal amount of the Bonds have agreed to and have reinstated the Bonds owned by such holders, as of their date of redemption.

The School District has made claim and demand on the Fiscal Agent for the erroneous redemption of the Bonds and for all costs and expenses incurred by the School District as a result thereof.

E. Interfund Receivables, Payables and Transfers

(1) The composition of Interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 215,163
General Fund	Capital Projects Fund	13,432
General Fund	Debt Service Fund	299,932

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 \$215,163 under the Capital Projects Fund represents an accrual for cash paid on June 29, 2015 by the General Fund for General Construction Services. These services will be reimbursed through the Capital Projects Fund in Fiscal Year 2016. This amount was reclassified as an internal balance on the District-wide financial statements.

The balance of \$13,432 under the Capital Projects Fund represents a reclassification of a negative equity in pooled cash and investments.

The balance of \$299,932 under the Debt Service Fund represents a reclassification of a negative equity in pooled cash and investments.

- (2) Interfund transfers at June 30, 2015 were as follows:

<u>Interfund Transfers Out</u>					
<u>Interfund Transfers In</u>	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Enterprise Fund</u>	<u>Total</u>	<u>Total</u>
General	\$ -	\$ 758,948	\$ -	\$ -	\$ 758,948
Intermediate Unit	226,099,872	-	-	-	226,099,872
Categorical	1,677,425	-	-	-	1,677,425
Debt Service	272,096,924	-	446,369	289,437	272,832,730
Print Shop	466,176	-	-	-	466,176
Total	<u>\$ 500,340,397</u>	<u>\$ 758,948</u>	<u>\$ 446,369</u>	<u>\$ 289,437</u>	<u>\$ 501,835,151</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; (b) move receipts to the Debt Service Fund from the Enterprise Fund as a transfer to cover Fiscal Year 2015 allocations of cafeteria renovations; and (c) to move General Fund revenues to the Capital Project Fund as a transfer to cover renovations and improvements to various schools' infrastructures in accordance with the strategic plan.

F. Commitments

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

The School District's outstanding contractual commitments at June 30, 2015 are summarized as follows:

New Construction and Land	\$ 8,282,431
Environmental Management	1,017,219
Alterations and Improvements	47,488,206
Total	<u>\$ 56,787,856</u>

- (2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2015 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 18,296,706	\$ 1,377,921

- (3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$12.4 million at June 30, 2015.

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, International Education and Community Initiatives-One Bright Ray, Inc., Catapult Learning LLC, and The Fund for the School District of Philadelphia (formerly Children First Fund) are nonprofit corporations and are funded by grants, contributions and approximately \$30.7 million in contract revenue from the School District during Fiscal Year 2015. 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 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 four hundred forty-five (445) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.0 million.

Of those, four hundred twenty-seven (427) 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 fourteen (214) unfavorable outcomes are deemed probable and one hundred and eighty (180) are considered reasonably possible, in the aggregate of \$1.9 million and \$1.1 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 for two lawsuits in the aggregate amounts of approximately \$0.4 million.

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 \$27.0 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 \$4.9 million and \$11.2 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 \$3.3 million and \$4.0 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, 2015 and continuing until January 31, 2016, 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.

The U.S. Department of Education (“DOE”) 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 December 29, 2014, the Secretary affirmed the liability, although he did not adopt the standard used by the ALJ. The School District’s petition for review of the Secretary of Education’s decision was submitted to a panel of three Judges of the United States Court of Appeals for the Third Circuit on December 12, 2015.

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.

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 eliminated based on the application of the statute of limitations and equitable offset. In the opinion of the School District, with regard to the March PDL and the September PDL, the likelihood of a recovery by DOE in the amount of \$9.7 million is remote.

(5) **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.

(6) **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. This matter has now been resolved at a total cost to the School District of \$7.8 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 occurs, rather than in the future when it 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 year.

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 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.

The following table shows the elements of the School District's annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the School District's net OPEB obligation to the plan:

Normal Cost	\$ 82,021
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	916,182
Annual Required Contribution (ARC)	998,203
Interest on Net OPEB Obligation	26,354
Adjustment to the ARC	(42,720)
Annual OPEB Cost	<u>\$ 981,837</u>
Net OPEB Obligation as of June 30, 2014	\$ 810,906
Annual OPEB Cost	981,837
Employer Contributions	(570,813)
Increase/(Decrease) in net OPEB Obligation	<u>\$ 411,024</u>
Net OPEB Obligation as of June 30, 2015	<u>\$ 1,221,930</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, 2015 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
2015	981,837	58.2%	1,221,930

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.
- Special Data Adjustments: None

K. Pension Plan

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

- (a) At June 30, 2015, the District reported a liability of \$2,980,467,547 for its proportionate share of the net pension liability of which \$2,937,341,151 was recognized under the Government-wide Statements including Internal Service (Print Shop) Fund while the remaining amount was included in the Proprietary Fund- Enterprise (Food). The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 7.5301 percent, which was a decrease of 1.0203 percent from its proportion measured as of June 30, 2013.
- (b) For the year ended June 30, 2015, the District recognized pension expense of \$180,187,615 of which \$177,580,359 was recognized under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$2,607,256 was under the Business-type Activity section of the Government-wide Statements.
- (c) At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars Amounts in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 213,070
Change in proportions	-	336,571
Difference between employer contributions and proportionate share of total contributions	-	3,229
Contributions subsequent to the measurement date	180,188	-
	<u>\$ 180,188</u>	<u>\$ 552,870</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$180,187,615, and will be recognized as a reduction of net pension liability in the *actuarially* year ended June 30, 2015.

The \$552,870,304 reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$135,147,091
2017	135,147,091
2018	135,147,091
2019	135,147,091
2020	<u>12,281,940</u>
Total	<u>\$552,870,304</u>

Of the \$552,870,304 reported as deferred inflows, \$544,628,814 was reported under the Government-wide statements while the remaining amount was reported under the Enterprise (Food) Service and Internal (Print Shop) at \$7,999,854 and \$241,636 respectively.

Actuarial assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

(Dollars in Thousands)			
	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
District's proportionate share of the net pension liability	3,717,720	2,980,468	2,351,056

Pension plan fiduciary net position:

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

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, and Weekly Indemnity (salary continuation during employee illness) 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 \$0.5 million except for losses incurred from windstorm, fire, flood and earthquake which has 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. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

The School District reported the long-term portion of its risk management obligations totaling \$139.5 million 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 when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

At June 30, 2015, the amount of these liabilities totaled \$139.5 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 2014	\$ 176.4	\$ 208.6	\$ 226.6	\$ 158.4	\$ 68.9
Fiscal Year 2015	\$ 158.4	\$ 205.4	\$ 224.3	\$ 139.5	\$ 52.1

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 year for any risk category. The School District has not entered into any annuity contracts as part of claims settlements.

M. Prior Period Adjustment

Government-wide statements: District-wide net position beginning balances were increased by \$519,245. The \$519,245 capital assets adjustment involved: (1) an increase in Land for the new West Philadelphia High School by \$1,133,681, (2) a decrease in Construction of Progress by \$614,550 for items deemed not capitalizable, (3) a decrease in the value of personal property by \$2,746 and (4) the removal of depreciation of \$2,860 for personal property.

Governmental Funds Statements: Adjustment of Mandatory Sinking Fund Deposits for Quality Zone Academy Bonds increase the investment and liabilities under the Debt Service Fund and restored the prior years' QZABs principal expenditure of \$17,863,639 as a prior period adjustment.

The School District of Philadelphia (SDP) issued Quality Zone Academy Bonds (QZABs) under GOB Series 2004, 2007C, and 2007D which required annual mandatory sinking fund deposits or cash to be held in trust with its fiscal agent until the debt under these instruments was fully matured at the end of the depository period. The liability under: (1) QZAB bond Series 2004E of \$19.3 million was due September 1, 2018, (2) QZAB bond Series 2007C of \$13.5 million was due December 28, 2022 and (3) QZAB bond Series 2007D of \$28.2 million was due December 28, 2022.

Beginning in Fiscal Year 2006 through Fiscal Year 2014, the SDP applied the accounting and financial reporting practice of considering these types of transactions as "partially defeased in substance" under Government Accounting Standard Board Statement (GASBS) 7, par.4.

In Fiscal Year 2015, in determining the accounting and financial reporting for GOB Series for Quality Zone Academy Bonds and Qualified School Construction Bonds-Federally Taxable-Direct Subsidy (QSCBs) 2011A, which also required that annual deposits to a mandatory sinking fund be held in trust until maturity, it was determined that the deposit of funds into a mandatory sinking fund until the debt becomes fully matured did not qualify as a "partially defeased in substance" transaction for accounting and financial reporting purposes under GASBS 7, par.4 because it did not relate to a refunding.

In order to correct this accounting practice, a prior period adjustment for Fiscal Year 2015 was established. The adjustment under the Debt Service Fund: (1) increased the asset values for the investments and cash defeased on the Balance Sheet; (2) increased the reported principal fund balance for the adjustments of the cumulative deposits* held by fiscal agent on the Balance Sheet; and (3) reported a Prior Period Adjustment to the Fiscal Year 2014 Debt Service Fund Balance on the Income Statement for the mandatory deposits of \$17,863,639* that

were previously reported as expenditures. In addition, the outstanding bond liability for these QZABs that had been defeased in substance was re-established. The increase to the outstanding liability for the QZABs is reflected in our Fiscal Year 2015 Note 4D Obligations, Schedule of Bonds Outstanding as of June 30, 2015, and Statistical pages related to applicable debt capacity retro-actively restated when necessary.

The following schedule identifies the prior period amounts partially defeased in substance for accounting and financial reporting purposes under GASBS 7, par.4 which were adjusted as discussed above:

<u>Fiscal Year</u>	<u>2004E September 1st</u>	<u>2007C December 28th</u>	<u>2007D June 30th</u>	<u>Total *</u>
2006	1,381,071.00	-	-	1,381,071.00
2007	1,381,071.00	-	-	1,381,071.00
2008	1,381,071.00	-	-	1,381,071.00
2009	1,381,071.00	900,666.67	5,000.00	2,286,737.67
2010	1,381,071.00	900,666.67	5,000.00	2,286,737.67
2011	1,381,071.00	900,666.67	5,000.00	2,286,737.67
2012	1,381,071.00	900,666.67	5,000.00	2,286,737.67
2013	1,381,071.00	900,666.67	5,000.00	2,286,737.67
2014	<u>1,381,071.00</u>	<u>900,666.67</u>	<u>5,000.00</u>	<u>2,286,737.67</u>
Total	<u>\$12,429,639.00</u>	<u>\$5,404,000.02</u>	<u>\$30,000.00</u>	<u>\$ 17,863,639.02</u>

The QZABs additions to the Restricted Debt Service Fund Balance can only be used upon maturity of the bonds to pay the accumulated principal amount due. For operating fund balance available determination, the QZABs Restricted Debt Service Fund Balance is not reported as part of the budgetary unrestricted operating fund balance.

N. Prior Period Restatement

The District has restated its July 1, 2014 net position in its governmental activities to record the net pension liability and deferred outflows at June 30, 2015 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71 as discussed in Note 1D (12). The net result of this change is a decrease of \$3,305,680,596 in governmental activities net position and a decrease of \$48,534,402 in business-type activities net position.

The District restated the long-term obligation balances as of July 1, 2014 under Note 4D (2) Long-term Obligations related to this pension liability recognition.

O. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred subsequent to June 30, 2015 to and including February 17, 2016. Other than as described below, there were no subsequent material events affecting the District:

(1) Commonwealth of Pennsylvania State Operating Budget Impasse

The District receives approximately 49% of its governmental and proprietary funds revenues from state and federal sources which are subject to annual appropriation by the Pennsylvania Legislature. Prior to December 24, 2015 an operating budget (known as the General Appropriations Act) for the Commonwealth's 2016 fiscal year was not in effect and as a result, those governmental and proprietary funds were not appropriated or paid to school districts, including the District. In late December, 2015, the Pennsylvania Legislature enacted and sent to the Governor, a general appropriations act for fiscal year 2016. On December 29, 2015, the Governor signed the act but also exercised his line item veto power to veto in whole or in part certain appropriations made in that act. Among those line item vetoes was a veto of approximately 55% of the basic education subsidy paid to school districts. In his veto message, the Governor requested that the Pennsylvania Legislature take further action to adopt an operating budget for the full 2016 fiscal year, which included full year appropriations of the basic education subsidy and additional appropriations for public education. As a result of the Governor's action, the District has or will receive approximately 45% of the basic education subsidy which it received in the District's 2015 fiscal year and has or will receive various other amounts equal to the sums it received in fiscal year 2015. Amounts of basic education subsidy, in excess of the 45% will not be paid to the District unless and until further action is taken by the Pennsylvania Legislature on appropriations legislations which are approved by the Governor and funding is released to school districts. Under the current appropriations act for Fiscal Year 2016, the District estimates that it has or will receive \$825.2 operating fund appropriations and \$104.7 million in state grant appropriations (including \$62.1 million for the Ready to Learn grant and \$5.8 million for ACCESS reimbursements).

As a result of the budget impasse, the School District of Philadelphia took the following actions:

- To ensure consistency and comparability in financial reporting, receivables from the Commonwealth which would normally have been received within 60 days of fiscal year end, but have not yet been received due to the budget impasse, are considered available under the modified accrual basis of accounting as permitted by GASB. Revenues of approximately \$3.1 million and \$22.6 million, representing delayed State reimbursements for nursing, medical and dental costs and PSERS retirement costs respectively, have been accrued using this criterion.

- In July 2015 as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the District borrowed up to \$575,000,000, consisting of \$275,000,000 at a fixed rate of interest (Series A Notes) and \$300,000,000 at a variable rate of interest (Series B notes). The Series A Notes and the Series B Notes mature on June 30, 2016, but the Series B Notes may be prepaid by the School District at par at its option prior to maturity. The Series B Notes were structured as a draw down facility, to be advanced, as needed, if funding from the Commonwealth was not forthcoming. Interest on the Series A Notes was fixed at .77%. Interest on the Series B Notes is a variable rate calculated at 70% of 1 month LIBOR plus a spread of 33 basis points. Interest on the Series A Notes to maturity on June 30, 2016 will be \$2.11 million. The Series B Notes were drawn in three (3) installments. The initial interest rate on the first \$25 million of the Series B Notes, drawn was .46%, on the second draw of \$150,000 was .47%, and the third draw of \$125,000 was .47%. The School District has estimated that the interest cost of the Series B Notes, if outstanding to maturity, will be \$1.41 million. All of the Series A and B Notes were issued privately to one bank.
- In November 2015 the District issued additional TRANS of \$250,000,000 (Series C Notes) privately to two (2) banks. The Series C Notes mature on June 30, 2016, but may be prepaid by the School District at par at its option prior to maturity. The Series C Notes were structured as a draw down facility, to be advanced, as needed, if funding from the Commonwealth was not forthcoming. Interest on the Series C Notes is a variable rate calculated at 67% of 1-month LIBOR + 76 basis points. The Series C Notes were drawn in two (2) installments. The initial interest rate on the first \$125,000,000 of Series C Notes drawn was .894%. The initial interest rate on the second \$125,000,000 of Series C Notes drawn was .894%. The School District prepaid the Series C Notes, in full, on February 1, 2016. The interest cost of the Series C Notes was \$483,000.

(2) Rating Agency Actions Due to Budget Impasse

On December 11, 2015, Standard & Poor's Ratings Services ("S&P") withdrew its ratings on Pennsylvania school districts and community colleges that are based on Pennsylvania's State Aid Intercept Program and on December 22, 2015, Moody's Investors Service ("Moody's") downgraded the ratings on Pennsylvania School District Enhancement Programs to the underlying rating of the school district plus one notch, with a floor of B1 and a ceiling of Baa1. As a result, the School District's bonds (including bonds issued by the State Public School Building Authority for the benefit of the School District) have (i) no rating from S&P (the School District's bonds do not have an unenhanced underlying rating from S&P), and (ii) an enhanced rating from Moody's of Baa2 and a Moody's underlying rating of Baa3.

The School District has approximately \$350,000,000 of bonds outstanding in four series which bear interest at variable rates. Each series of bonds is supported by a direct pay Letter of Credit issued by a bank in the stated amount equal to the principal of the bonds plus interest for a specified number of days, and each Letter of Credit provides for the direct draw thereon for payment of principal and interest on the bonds and for the purchase price of any bonds which are tendered by the holders thereof for purchase. The obligations of the School District to each of the letter of credit banks are set forth in separate Letter of Credit Reimbursement Agreements between the School District and each bank. In addition, the School District pays quarterly fees to each of the letter of credit banks in connection with the respective bank's Letter of Credit, and the amount of those fees is subject to adjustment when ratings are reduced or withdrawn, as is the case with the actions that were taken by S&P and Moody's.

The actions taken by S&P and Moody's constitute an event of default under each of the Letter of Credit Reimbursement Agreements. Upon the occurrence of an event of default, the respective bank is entitled to exercise certain remedies, which include directing the Fiscal Agent for the related bonds to call the bonds for mandatory tender and make drawings on the Letters of Credit, with the School District having an obligation to immediately reimburse the bank for the full amounts of those draws for principal and interest on the bonds. No bank has exercised any remedies which it has under its Letter of Credit Reimbursement Agreement.

The School District requested that each of the banks waive the event of default occasioned by the actions of S&P and Moody's and the School District has entered into a waiver agreement with each bank with respect to its Letter of Credit Reimbursement Agreement, which waives the event of default which occurred as a result of the actions taken by S&P and Moody's through June 1, 2016. Each of the waivers requires the School District to pay fees for the Letters of Credit which are significantly higher than the fees which were being paid by the School District prior to the occurrence of the actions of S&P and Moody's which gave rise to the event of default. The School District estimates that the annual increase in fees, based upon the waiver agreements with the banks, will result in an estimated additional \$5,091,430 in Fiscal Year 2016. All payments on the related bonds have been timely made in full by the School District and no event of default has occurred with respect to the bonds.

(3) Petition of West Philadelphia Achievement Charter Elementary School

On February 16, 2016, a majority of the Supreme Court of Pennsylvania (4-2) held that Section 696(i)(3) of the Public School Code, which authorized the School Reform Commission to suspend the requirements of the Public School Code "... is unconstitutional as it violates the non-delegation rule of Article II, Section 1 of the Pennsylvania Constitution. The Court held that the SRC's actions taken pursuant to that provision, including its suspension in Resolution SRC-20 of February 16, 2011 of the "corrective action" requirement in Section 1729-A(a.1) of the Public School Code as it applies to West Philadelphia, and its suspension in Resolution SRC-1 of August 15, 2013 of: (a) provisions in Section 1729-A regarding charter revocations (including provisions relating to appeals to the Charter Appeals Board and relating to continuation of a charter while an appeal is ongoing), (b) the "corrective action" requirement of Section 1729-A(a.1), and (c) the charter cap provision in Section 1723-A(d), are null and void. The School District and the SRC are permanently enjoined from taking further action under the authority it confers. Two Justices dissented from the Decision, stating that Section 696(i)(3) "does not delegate legislative power, but rather delegates the authority to suspend legislation that affects the economic stability of a school district in financial distress, which is constitutionally permissible under Article I, Section 12," and that the statute contained adequate standards and safeguards to be constitutional. The financial impact of this Decision cannot be estimated at this time.

**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, 2015

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local Taxes	\$ 1,028,785,000	\$ 1,046,400,000	\$ 1,063,320,312	\$ 16,920,312
Locally Generated Non Tax	131,442,000	128,546,000	127,468,777	(1,077,223)
State Grants and Subsidies	1,265,620,000	1,269,541,000	1,279,352,301	9,811,301
Federal Grants and Subsidies	11,258,000	11,355,000	11,375,416	20,416
Total Revenues	2,437,105,000	2,455,842,000	2,481,516,806	25,674,806
OBLIGATIONS				
Current Operating				
Instruction	888,884,754	869,444,471	858,915,869	10,528,602
Student Support Services	28,080,509	27,990,486	26,696,925	1,293,561
Administrative Support	62,651,893	66,137,629	62,457,234	3,680,395
Operation & Maintenance of Plant Services	215,094,215	203,032,805	180,546,750	22,486,055
Pupil Transportation	95,616,297	90,432,380	83,106,914	7,325,466
All Other Support Services	2,559,226	(7,653,491)	(25,746,329)	18,092,838
Payments to Charter Schools	731,449,436	716,085,402	715,428,470	656,932
Allocated Costs	(18,938,331)	(12,957,512)	-	(12,957,512)
Total Obligations	2,005,397,999	1,952,512,170	1,901,405,833	51,106,337
Excess of Revenues Over (Under) Obligations	431,707,001	503,329,830	580,110,973	76,781,143
OTHER FINANCING SOURCES (USES)				
Transfers In	900,000	759,000	758,948	(52)
Transfers Out	(511,116,500)	(510,073,500)	(500,388,878)	9,684,622
Capital Asset Proceeds	-	18,063,000	18,062,624	(376)
Total Other Financing Sources (Uses)	(510,216,500)	(491,251,500)	(481,567,306)	9,684,194
Net Change in Fund Balances	(78,509,499)	12,078,330	98,543,667	86,465,337
Fund Balances, July 1, 2014	(113,873,700)	(114,246,800)	(96,819,946)	17,426,854
Change in Inventory Reserve	-	-	(30,728)	(30,728)
Change in Encumbrance Reserve	-	-	2,126,733	2,126,733
Fund Balances, June 30, 2015	\$ (192,383,199)	\$ (102,168,470)	\$ 3,819,726	\$ 105,988,196

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
410,000	430,000	786,755	356,755
107,581,000	112,183,000	107,389,894	(4,793,106)
-	-	-	-
107,991,000	112,613,000	108,176,649	(4,436,351)
227,481,848	225,577,767	223,676,197	1,901,570
95,048,197	103,766,654	100,925,233	2,841,421
591,695	605,779	501,440	104,339
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,050,430	9,000,000	9,222,131	(222,131)
332,172,170	338,950,200	334,325,001	4,625,199
(224,181,170)	(226,337,200)	(226,148,352)	188,848
224,181,200	226,337,200	226,148,352	(188,848)
-	-	-	-
-	-	-	-
224,181,200	226,337,200	226,148,352	(188,848)
30	-	-	-
-	-	814,092	814,092
-	-	-	-
-	-	563,829	563,829
\$ 30	\$ -	\$ 1,377,921	\$ 1,377,921

Refer to notes to the required supplementary information

SCHOOL DISTRICT OF PHILADELPHIA
REQUIRED SUPPLEMENTARY INFORMATION
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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (1)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	<u>June 30, 2014</u>
District's proportion of the net pension liability	7.5301%
District's proportion of the net pension liability – dollar value	\$ 2,980,467,548
District's covered payroll	\$ 960,902,694
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.17%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

SCHOOL DISTRICT OF PHILADELPHIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS (1)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	<u>June 30, 2015</u>
Contractually required contribution	\$ 180,187,615
Contributions in relation to the contractually required Contribution	<u>180,187,615</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 909,130,906
Contributions as a percentage of covered-employee payroll	19.82%

- (1) In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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	<u>\$ 2,481,517</u>	<u>\$ 108,177</u>
Revenue - GAAP Basis	<u>\$ 2,481,517</u>	<u>\$ 108,177</u>
Obligations – Basis of Budgeting	\$ 1,901,406	\$ 334,325
Current Year Encumbrances	(18,354)	(1,378)
Prior Year Encumbrance Payments	9,173	765
Prior Year Encumbrance Cancellations and Other Adjustments	7,103	-
Expenditures - GAAP Basis	<u>\$ 1,899,328</u>	<u>\$ 333,713</u>
Other Financing Sources (Uses) -		
Basis of Budgeting	\$ (481,567)	\$ 226,148
Prior Year Encumbrance Cancellations	<u>48</u>	<u>(48)</u>
Other Financing Sources (Uses) - GAAP Basis	<u>\$ (481,519)</u>	<u>\$ 226,100</u>

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2015:

A. General Fund

(1). Allocated Costs \$ 12,957,512

B. Intermediate Unit Fund

(1). Allocated Costs \$ 222,131

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$12,957,512 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 \$222,131 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 \$ 18,938,331 and \$ 12,957,512, 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, 2015 there were thirty-five 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, 2015 there were eighty-seven Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,202,170	\$ 2,112,905	\$ 6,315,075
Total Assets	<u>\$ 4,202,170</u>	<u>\$ 2,112,905</u>	<u>\$ 6,315,075</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	<u>\$ 5,735</u>	<u>\$ 2,790</u>	<u>\$ 8,525</u>
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,365,405	1,365,405
Restricted:			
Trust Purposes	4,196,435	744,710	4,941,145
Total Fund Balances	<u>4,196,435</u>	<u>2,110,115</u>	<u>6,306,550</u>
Total Liabilities and Fund Balances	<u>\$ 4,202,170</u>	<u>\$ 2,112,905</u>	<u>\$ 6,315,075</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, 2015

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 63,722	\$ 4,132	\$ 67,854
EXPENDITURES			
Instruction	34,272	20,565	54,837
Excess (Deficiency) of Revenues Over Expenditures	29,450	(16,433)	13,017
Fund Balances, July 1, 2014	4,166,985	2,126,548	6,293,533
Fund Balances, June 30, 2015	\$ 4,196,435	\$ 2,110,115	\$ 6,306,550

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 617,238,000	\$ 590,800,000	\$ 604,940,462	\$ 14,140,462
Prior Years	62,330,000	57,000,000	57,152,743	152,743
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	134,850,000	126,800,000	127,808,115	1,008,115
School (Non-Business) Income	34,400,000	41,300,000	40,357,976	(942,024)
Liquor Sales	58,900,000	59,900,000	61,711,742	1,811,742
Cigarette Sales	-	49,500,000	50,245,020	745,020
Sales Tax	120,000,000	120,000,000	120,000,000	-
Public Utility Realty	1,067,000	1,100,000	1,099,635	(365)
Total Local Taxes	1,028,785,000	1,046,400,000	1,063,320,312	16,920,312
Locally Generated Non Tax				
Interest on Investments	255,000	360,000	330,919	(29,081)
City Contributions	99,110,000	99,110,000	99,110,300	300
Casino Settlement	-	3,872,000	3,872,158	158
Stadium Agreements	2,755,000	2,755,000	2,754,500	(500)
Voluntary Contributions	372,000	372,000	423,307	51,307
Parking Authority Contributions	16,500,000	11,063,000	11,062,997	(3)
Gaming Revenue	5,000,000	5,000,000	5,132,338	132,338
Reimbursement from Other Funds	-	14,000	13,860	(140)
Miscellaneous	7,450,000	6,000,000	4,768,398	(1,231,602)
Total Locally Generated Non Tax	131,442,000	128,546,000	127,468,777	(1,077,223)
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	984,001,000	984,119,000	984,119,966	966
Less: Reimbursement of Prior Years IU Advances	47,750,000	47,404,000	47,401,666	(2,334)
Net Instruction	936,251,000	936,715,000	936,718,300	3,300
Debt Service	11,636,000	11,636,000	14,120,800	2,484,800
School Health Program				
Nurse Services	1,123,000	1,154,000	1,131,207	(22,793)
Medical and Dental	1,868,000	1,968,000	1,951,724	(16,276)
Tuition	532,000	418,000	415,386	(2,614)
Area Vocational Technical Education	4,641,000	5,285,000	5,285,413	413
Transportation	64,457,000	63,975,000	63,077,448	(897,552)
District Special Education	130,230,000	131,164,000	131,163,995	(5)
Retirement	84,170,000	85,785,000	91,850,911	6,065,911
Social Security	30,712,000	31,441,000	33,637,117	2,196,117
Total State Grants and Subsidies	1,265,620,000	1,269,541,000	1,279,352,301	9,811,301
Federal Grants and Subsidies				
Federal Debt Service Subsidy	11,105,000	11,140,000	11,144,617	4,617
Impacted Area Aid	153,000	215,000	230,799	15,799
Total Federal Grants and Subsidies	11,258,000	11,355,000	11,375,416	20,416
Total Other Governments	1,276,878,000	1,280,896,000	1,290,727,717	9,831,717
Total Revenues	\$ 2,437,105,000	\$ 2,455,842,000	\$ 2,481,516,806	\$ 25,674,806

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 1,266,569	\$ 365,137	\$ 537,619	\$ (172,482)
Employee Benefits	830,732	232,954	336,388	(103,434)
Prof.,Tech. Services	194,880	190,698	144,264	46,434
Property,Transportation,Comm.	66,758	24,000	24,414	(414)
Materials, Supplies, Books and Equipment	118,057	96,239	110,111	(13,872)
	<u>2,476,996</u>	<u>909,028</u>	<u>1,152,796</u>	<u>(243,768)</u>
Elementary Education				
Personal Services	257,126,058	251,963,269	251,077,203	886,066
Employee Benefits	160,874,017	155,460,361	157,566,593	(2,106,232)
Prof.,Tech. Services	92,998	366,068	350,260	15,808
Property,Transportation,Comm.	-	5,000	127,768	(122,768)
Materials, Supplies, Books and Equipment	5,463,526	9,522,097	7,604,654	1,917,443
	<u>423,556,599</u>	<u>417,316,795</u>	<u>416,726,478</u>	<u>590,317</u>
Middle School Education				
Personal Services	37,153,083	35,532,894	35,971,950	(439,056)
Employee Benefits	22,960,239	21,921,345	22,357,154	(435,809)
Prof.,Tech. Services	2,010,826	2,069,826	2,050,646	19,180
Property,Transportation,Comm.	-	90,153	212,026	(121,873)
Materials, Supplies, Books and Equipment	737,521	896,020	731,264	164,756
	<u>62,861,669</u>	<u>60,510,238</u>	<u>61,323,040</u>	<u>(812,802)</u>
Senior High School Education				
Personal Services	110,688,952	109,384,052	109,629,376	(245,324)
Employee Benefits	67,708,354	65,878,446	66,666,661	(788,215)
Prof.,Tech. Services	2,382,333	2,746,712	1,714,307	1,032,405
Property,Transportation,Comm.	235,165	354,446	416,078	(61,632)
Materials, Supplies, Books and Equipment	2,314,924	2,810,866	2,140,622	670,244
	<u>183,329,728</u>	<u>181,174,522</u>	<u>180,567,044</u>	<u>607,478</u>
Special Education				
Personal Services	7,276,853	7,452,159	7,260,717	191,442
Employee Benefits	4,627,776	4,659,596	4,704,751	(45,155)
Property,Transportation,Comm.	-	-	90	(90)
Materials, Supplies, Books and Equipment	10,760	10,760	9,675	1,085
	<u>11,915,389</u>	<u>12,122,515</u>	<u>11,975,233</u>	<u>147,282</u>

(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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 19,182,000	\$ 14,109,886	\$ 14,218,960	\$ (109,074)
Employee Benefits	11,928,420	8,693,282	8,821,174	(127,892)
Prof., Tech. Services	393,373	494,027	426,027	68,000
Property, Transportation, Comm.	149,659	153,779	236,446	(82,667)
Materials, Supplies, Books and Equipment	690,883	773,895	672,808	101,087
Other	72,106	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	32,416,441	24,224,869	24,375,415	(150,546)
	<hr/>	<hr/>	<hr/>	<hr/>
Promise Academies				
Personal Services	4,516,942	3,056,939	2,625,594	431,345
Employee Benefits	2,580,712	1,743,447	1,581,270	162,177
Prof., Tech. Services	-	4,440	2,000	2,440
Property, Transportation, Comm.	-	-	8,055	(8,055)
Materials, Supplies, Books and Equipment	1,557,621	884,608	797,524	87,084
	<hr/>	<hr/>	<hr/>	<hr/>
	8,655,275	5,689,434	5,014,443	674,991
	<hr/>	<hr/>	<hr/>	<hr/>
School Support Services				
Personal Services	41,580,275	44,822,391	42,544,770	2,277,621
Employee Benefits	23,251,947	23,846,916	21,756,970	2,089,946
Prof., Tech. Services	3,391,910	3,169,590	2,851,398	318,192
Property, Transportation, Comm.	9,689	9,689	56,969	(47,280)
Materials, Supplies, Books and Equipment	649,258	871,578	959,979	(88,401)
	<hr/>	<hr/>	<hr/>	<hr/>
	68,883,079	72,720,164	68,170,086	4,550,078
	<hr/>	<hr/>	<hr/>	<hr/>
Payment to Other Educational Entities				
Prof., Tech. Services	32,652,480	30,747,480	30,270,173	477,307
Property, Transportation, Comm.	62,054,692	63,947,592	59,341,161	4,606,431
	<hr/>	<hr/>	<hr/>	<hr/>
	94,707,172	94,695,072	89,611,334	5,083,738
	<hr/>	<hr/>	<hr/>	<hr/>
Adult Education				
Personal Services	59,380	59,380	-	59,380
Employee Benefits	23,026	22,454	-	22,454
	<hr/>	<hr/>	<hr/>	<hr/>
	82,406	81,834	-	81,834
	<hr/>	<hr/>	<hr/>	<hr/>
Total Instruction	888,884,754	869,444,471	858,915,869	10,528,602
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 16,515,700	\$ 16,194,675	\$ 15,829,087	\$ 365,588
Employee Benefits	10,042,142	10,298,249	9,886,786	411,463
Prof.,Tech. Services	542,143	622,198	281,132	341,066
Property,Transportation,Comm.	166,322	172,657	68,584	104,073
Materials, Supplies, Books and Equipment	294,659	270,546	228,065	42,481
	27,560,966	27,558,325	26,293,654	1,264,671
Office of Specialized Services				
Personal Services	249,311	189,222	170,201	19,021
Employee Benefits	129,057	101,764	96,439	5,325
Prof.,Tech. Services	134,200	132,700	130,800	1,900
Property,Transportation,Comm.	4,775	3,275	4,230	(955)
Materials, Supplies, Books and Equipment	2,200	5,200	1,601	3,599
	519,543	432,161	403,271	28,890
Total Student Support Services	28,080,509	27,990,486	26,696,925	1,293,561
Administrative Support				
Regional Offices/Learning Networks				
Personal Services	1,160,938	1,067,357	1,016,579	50,778
Employee Benefits	570,280	514,845	513,876	969
Prof.,Tech. Services	-	450	450	-
Property,Transportation,Comm.	-	-	6,903	(6,903)
Materials, Supplies, Books and Equipment	-	39,550	25,958	13,592
	1,731,218	1,622,202	1,563,766	58,436
Financial Services				
Personal Services	3,032,263	3,295,442	3,823,178	(527,736)
Employee Benefits	1,788,723	1,924,728	2,236,856	(312,128)
Prof.,Tech. Services	1,000,449	1,025,257	954,079	71,178
Property,Transportation,Comm.	68,470	74,383	68,242	6,141
Materials, Supplies, Books and Equipment	55,766	60,186	39,806	20,380
Other	840,000	840,000	392,973	447,027
	6,785,671	7,219,996	7,515,134	(295,138)
Office of Procurement Services				
Personal Services	578,391	686,759	691,241	(4,482)
Employee Benefits	373,535	428,935	435,760	(6,825)
Prof.,Tech. Services	68,221	68,221	3,528	64,693
Property,Transportation,Comm.	16,081	16,081	5,158	10,923
Materials, Supplies, Books and Equipment	14,579	14,579	383,847	(369,268)
Other	-	-	(96,407)	96,407
	1,050,807	1,214,575	1,423,127	(208,552)

(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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personal Services	\$ 3,976,659	\$ 3,675,449	\$ 3,385,578	\$ 289,871
Employee Benefits	2,457,150	2,172,489	2,009,519	162,970
Prof.,Tech. Services	382,326	509,726	393,673	116,053
Property,Transportation,Comm.	4,179	10,629	48,187	(37,558)
Materials, Supplies, Books and Equipment	87,433	163,512	110,646	52,866
Other	-	74,892	(246,530)	321,422
	<u>6,907,747</u>	<u>6,606,697</u>	<u>5,701,073</u>	<u>905,624</u>
Information Technology				
Personal Services	6,186,916	5,603,135	5,748,949	(145,814)
Employee Benefits	3,607,057	3,279,176	3,413,798	(134,622)
Prof.,Tech. Services	3,434,534	3,662,134	3,946,117	(283,983)
Property,Transportation,Comm.	2,311,665	2,198,732	2,165,440	33,292
Materials, Supplies, Books and Equipment	3,802,282	3,800,682	3,689,944	110,738
Other	(3,550,000)	(3,200,000)	(3,980,896)	780,896
	<u>15,792,454</u>	<u>15,343,859</u>	<u>14,983,352</u>	<u>360,507</u>
Alternative Education				
Personal Services	1,109,685	901,902	848,845	53,057
Employee Benefits	694,946	587,198	523,507	63,691
Property,Transportation,Comm.	3,219	3,219	5,727	(2,508)
Materials, Supplies, Books and Equipment	51,006	51,006	47,329	3,677
	<u>1,858,856</u>	<u>1,543,325</u>	<u>1,425,408</u>	<u>117,917</u>
School Reform Commission				
Personal Services	1,264,359	1,235,640	1,092,271	143,369
Employee Benefits	762,868	734,687	623,572	111,115
Prof.,Tech. Services	615,737	616,137	428,591	187,546
Property,Transportation,Comm.	70,476	151,799	31,469	120,330
Materials, Supplies, Books and Equipment	67,213	72,213	16,691	55,522
	<u>2,780,653</u>	<u>2,810,476</u>	<u>2,192,594</u>	<u>617,882</u>
Chief of Schools				
Personal Services	328,661	475,947	237,412	238,535
Employee Benefits	187,496	277,305	142,664	134,641
Property,Transportation,Comm.	-	-	1,443	(1,443)
Materials, Supplies, Books and Equipment	-	1,000	-	1,000
	<u>516,157</u>	<u>754,252</u>	<u>381,519</u>	<u>372,733</u>
Office of School Management				
Personal Services	1,626,504	2,215,682	1,742,721	472,961
Employee Benefits	949,816	1,320,096	1,061,660	258,436
Prof.,Tech. Services	-	195,000	195,803	(803)
Property,Transportation,Comm.	2,890	190,858	126,249	64,609
Materials, Supplies, Books and Equipment	15,962	73,540	34,173	39,367
Other	-	-	(156,305)	156,305
	<u>2,595,172</u>	<u>3,995,176</u>	<u>3,004,301</u>	<u>990,875</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Office of Secondary Education				
Personal Services	\$ 148,667	\$ 151,766	\$ 163,551	\$ (11,785)
Employee Benefits	72,662	71,294	85,272	(13,978)
Prof.,Tech. Services	426,201	241,261	220,490	20,771
Property,Transportation,Comm.	63,531	96,331	133,754	(37,423)
Materials, Supplies, Books and Equipment	29,898	182,038	100,930	81,108
Other	-	-	(3,890)	3,890
	<u>740,959</u>	<u>742,690</u>	<u>700,107</u>	<u>42,583</u>
Curriculum, Instruction & Professional Development				
Personal Services	2,216,360	2,845,819	2,613,775	232,044
Employee Benefits	1,252,501	1,687,659	1,453,947	233,712
Prof.,Tech. Services	5,500	25,500	23,100	2,400
Property,Transportation,Comm.	1,931	5,079	7,714	(2,635)
Materials, Supplies, Books and Equipment	30,766	26,804	17,371	9,433
	<u>3,507,058</u>	<u>4,590,861</u>	<u>4,115,907</u>	<u>474,954</u>
Office of the Chief Operations Officer				
Personal Services	1,538,019	814,698	631,326	183,372
Employee Benefits	927,809	456,891	372,149	84,742
Prof.,Tech. Services	25,000	20,000	20,000	-
Property,Transportation,Comm.	193,302	5,334	3,106	2,228
Materials, Supplies, Books and Equipment	32,578	10,000	9,568	432
Other	-	-	(65,739)	65,739
	<u>2,716,708</u>	<u>1,306,923</u>	<u>970,410</u>	<u>336,513</u>
Executive / Board Management				
Personal Services	3,554,123	3,181,705	3,031,530	150,175
Employee Benefits	1,963,683	1,745,280	1,650,471	94,809
Prof.,Tech. Services	4,753,058	8,513,058	8,478,385	34,673
Property,Transportation,Comm.	141,933	141,933	124,014	17,919
Materials, Supplies, Books and Equipment	61,485	72,885	45,201	27,684
Other	(88,462)	-	-	-
	<u>10,385,820</u>	<u>13,654,861</u>	<u>13,329,601</u>	<u>325,260</u>
Office of Grant Development & Compliance				
Personal Services	-	-	557,476	(557,476)
Employee Benefits	-	-	319,091	(319,091)
Prof.,Tech. Services	-	-	1,661	(1,661)
Property,Transportation,Comm.	-	-	30,228	(30,228)
Materials, Supplies, Books and Equipment	-	-	72,214	(72,214)
Other	551,290	-	-	-
	<u>551,290</u>	<u>-</u>	<u>980,670</u>	<u>(980,670)</u>
Office of the Chief Academic Officer				
Personal Services	2,799,955	2,824,447	2,595,772	228,675
Employee Benefits	1,515,609	1,480,567	1,392,947	87,620
Prof.,Tech. Services	62,500	86,000	57,701	28,299
Property,Transportation,Comm.	87,218	96,181	121,028	(24,847)
Materials, Supplies, Books and Equipment	266,041	244,541	215,755	28,786
Other	-	-	(212,938)	212,938
	<u>4,731,323</u>	<u>4,731,736</u>	<u>4,170,265</u>	<u>561,471</u>
Total Administrative Support	<u>62,651,893</u>	<u>66,137,629</u>	<u>62,457,234</u>	<u>3,680,395</u>

(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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 55,074,072	\$ 52,416,293	\$ 50,581,861	\$ 1,834,432
Employee Benefits	47,883,832	45,631,624	39,654,956	5,976,668
Prof.,Tech. Services	9,610,690	8,089,507	8,168,820	(79,313)
Property,Transportation,Comm.	8,002,705	8,740,205	8,760,011	(19,806)
Materials, Supplies, Books and Equipment	6,546,217	5,543,346	5,533,468	9,878
Other	(3,219,000)	(3,229,000)	(6,802,004)	3,573,004
	<hr/>	<hr/>	<hr/>	<hr/>
	123,898,516	117,191,975	105,897,112	11,294,863
	<hr/>	<hr/>	<hr/>	<hr/>
Food Services Indirect Cost				
Other	(1,756,463)	-	(2,077,680)	2,077,680
	<hr/>	<hr/>	<hr/>	<hr/>
Utilities				
Prof.,Tech. Services	368,020	10,020	10,020	-
Property,Transportation,Comm.	13,744,950	13,209,089	12,544,468	664,621
Materials, Supplies, Books and Equipment	44,866,044	42,380,773	40,231,978	2,148,795
Other	-	-	(3,347,202)	3,347,202
	<hr/>	<hr/>	<hr/>	<hr/>
	58,979,014	55,599,882	49,439,264	6,160,618
	<hr/>	<hr/>	<hr/>	<hr/>
Security Operations				
Personal Services	19,140,788	17,334,872	16,530,913	803,959
Employee Benefits	14,251,167	12,304,595	11,867,916	436,679
Prof.,Tech. Services	67,916	67,916	21,000	46,916
Property,Transportation,Comm.	137,010	135,910	12,363	123,547
Materials, Supplies, Books and Equipment	376,267	397,655	489,172	(91,517)
Other	-	-	(1,633,310)	1,633,310
	<hr/>	<hr/>	<hr/>	<hr/>
	33,973,148	30,240,948	27,288,054	2,952,894
	<hr/>	<hr/>	<hr/>	<hr/>
Total Oper. & Maint. of Plant Services	215,094,215	203,032,805	180,546,750	22,486,055
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Pupil Transportation				
Personal Services	18,191,071	17,593,659	17,289,384	304,275
Employee Benefits	15,702,855	15,200,350	13,447,644	1,752,706
Prof.,Tech. Services	274,106	426,106	253,770	172,336
Property,Transportation,Comm.	102,496,026	102,632,460	97,183,735	5,448,725
Materials, Supplies, Books and Equipment	5,789,239	5,500,805	4,612,200	888,605
Other	(46,837,000)	(50,921,000)	(49,679,819)	(1,241,181)
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Total Pupil Transportation	95,616,297	90,432,380	83,106,914	7,325,466
	<hr/>	<hr/>	<hr/>	<hr/>
All Other Support Services				
Risk Management				
Personal Services	293,518	213,298	172,055	41,243
Employee Benefits	178,581	128,888	109,382	19,506
Prof.,Tech. Services	18,743	18,743	-	18,743
Property,Transportation,Comm.	2,219,862	2,219,862	1,922,118	297,744
Materials, Supplies, Books and Equipment	1,000	1,000	-	1,000
Losses and Judgments	5,341,312	6,304,992	6,179,634	125,358
	<hr/>	<hr/>	<hr/>	<hr/>
	8,053,016	8,886,783	8,383,189	503,594
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Temporary Borrowing				
Prof.,Tech. Services	\$ 453,700	\$ 168,000	\$ 208,000	\$ (40,000)
Property,Transportation,Comm.	15,000	-	-	-
Interest	2,231,500	1,666,200	1,666,192	8
	2,700,200	1,834,200	1,874,192	(39,992)
Undistributed				
Personal Services	1,445,086	1,445,086	-	1,445,086
Employee Benefits	(724,173)	(11,395,690)	(28,968,333)	17,572,643
Prof.,Tech. Services	868,201	156,594	-	156,594
Property,Transportation,Comm.	426,500	-	78	(78)
Other	(5,209,604)	(4,142,030)	67,668	(4,209,698)
Cancellation of Prior Years' Encumbrances	(5,000,000)	(4,438,434)	(7,103,123)	2,664,689
	(8,193,990)	(18,374,474)	(36,003,710)	17,629,236
Total All Other Support Services	2,559,226	(7,653,491)	(25,746,329)	18,092,838
Payments to Charter Schools				
Property,Transportation,Comm.	731,449,436	716,085,402	715,428,470	656,932
	731,449,436	716,085,402	715,428,470	656,932
Allocated Costs	(18,938,331)	(12,957,512)	-	(12,957,512)
Total Obligations	2,005,397,999	1,952,512,170	1,901,405,833	51,106,337
OTHER FINANCING USES				
Local Share of Categorical Programs	2,518,300	2,155,800	1,677,425	478,375
Debt Service Fund	284,417,000	281,580,500	272,096,924	9,483,576
Special Education	224,181,200	226,337,200	226,148,352	188,848
Internal Service Fund	-	-	466,177	(466,177)
Total Other Financing Uses	511,116,500	510,073,500	500,388,878	9,684,622
Total General Fund	<u>\$ 2,516,514,499</u>	<u>\$ 2,462,585,670</u>	<u>\$ 2,401,794,711</u>	<u>\$ 60,790,959</u>
Fund Totals - Object Classes				
Personal Services	\$ 619,281,158	\$ 601,108,960	\$ 592,619,894	\$ 8,489,066
Employee Benefits	399,372,819	371,409,731	346,120,840	25,288,891
Prof.,Tech. Services	64,230,045	64,443,369	61,606,195	2,837,174
Property,Transportation,Comm.	924,143,444	910,774,078	899,225,726	11,548,352
Materials, Supplies, Books, and Equipment	73,933,185	74,777,924	68,932,554	5,845,370
Other	(59,197,133)	(60,577,138)	(67,842,079)	7,264,941
Interest on Temporary Borrowing	2,231,500	1,666,200	1,666,192	8
Losses and Judgments	5,341,312	6,304,992	6,179,634	125,358
Allocated Costs	(18,938,331)	(12,957,512)	-	(12,957,512)
Other Financing Uses	511,116,500	510,073,500	500,388,878	9,684,622
Cancellation of Prior Years' Encumbrances	(5,000,000)	(4,438,434)	(7,103,123)	2,664,689
Total General Fund	<u>\$ 2,516,514,499</u>	<u>\$ 2,462,585,670</u>	<u>\$ 2,401,794,711</u>	<u>\$ 60,790,959</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 12,000	\$ 3,000	\$ 2,009	\$ (991)
Non-Public School Programs	18,000	17,000	17,114	114
Tuition	380,000	410,000	767,632	357,632
Total Locally Generated Non Tax	410,000	430,000	786,755	356,755
State Grants and Subsidies				
Special Education Program	4,921,000	4,923,000	4,922,925	(75)
Special Education Transportation	62,354,000	66,435,000	66,956,893	521,893
Non-Public School Programs	14,238,000	14,226,000	14,226,253	253
Social Security	7,037,000	7,181,000	7,381,040	200,040
Retirement	19,031,000	19,418,000	13,902,783	(5,515,217)
Total State Grants and Subsidies	107,581,000	112,183,000	107,389,894	(4,793,106)
Total Revenues	<u>\$ 107,991,000</u>	<u>\$ 112,613,000</u>	<u>\$ 108,176,649</u>	<u>\$ (4,436,351)</u>
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 120,476,471	\$ 114,985,376	\$ 115,753,978	\$ (768,602)
Employee Benefits	90,696,041	88,337,988	84,125,654	4,212,334
Prof.,Tech. Services	8,915,348	9,914,113	9,569,871	344,242
Property,Transportation,Comm.	3,451	3,451	11,546	(8,095)
Materials, Supplies, Books and Equipment	818,662	818,618	655,394	163,224
Other	(7,100,000)	(2,200,000)	-	(2,200,000)
Total Special Education	213,809,973	211,859,546	210,116,443	1,743,103
Services to Non-Public School Students				
Prof.,Tech. Services	13,671,875	13,718,221	13,559,754	158,467
Total Services to Non-Public School Students	13,671,875	13,718,221	13,559,754	158,467
Total Instruction	<u>227,481,848</u>	<u>225,577,767</u>	<u>223,676,197</u>	<u>1,901,570</u>
Student Support Services				
Special Education *				
Personal Services	17,039,718	16,962,988	16,438,846	524,142
Employee Benefits	16,705,803	16,506,572	14,593,651	1,912,921
Prof.,Tech. Services	15,000	15,000	6,500	8,500
Property,Transportation,Comm.	8,190,976	11,101,394	10,160,782	940,612
Materials, Supplies, Books and Equipment	10,200	10,200	16,600	(6,400)
Allocated Costs	(9,279,500)	(7,267,500)	(7,250,048)	(17,452)
Total Special Education	32,682,197	37,328,654	33,966,331	3,362,323

* 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation				
Allocated Costs	\$ 62,366,000	\$ 66,438,000	\$ 66,958,902	\$ (520,902)
Total Student Support Services	95,048,197	103,766,654	100,925,233	2,841,421
Services to Non-Public School Students				
Personal Services	294,767	304,267	298,857	5,410
Employee Benefits	199,943	204,527	152,324	52,203
Prof.,Tech. Services	21,021	21,021	2,000	19,021
Property,Transportation,Comm.	40,000	40,000	30,379	9,621
Materials, Supplies, Books and Equipment	35,964	35,964	17,880	18,084
	591,695	605,779	501,440	104,339
Total Administrative Support	591,695	605,779	501,440	104,339
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	50,430	-	222,131	(222,131)
Total Allocated Costs	9,050,430	9,000,000	9,222,131	(222,131)
Total Obligations	332,172,170	338,950,200	334,325,001	4,625,199
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(224,181,200)	(226,337,200)	(226,148,352)	(188,848)
Total Intermediate Unit	\$ 107,990,970	\$ 112,613,000	\$ 108,176,649	\$ 4,436,351
Fund Totals - Object Classes				
Personal Services	\$ 137,810,956	\$ 132,252,631	\$ 132,491,681	\$ (239,050)
Employee Benefits	107,601,787	105,049,087	98,871,629	6,177,458
Prof.,Tech. Services	22,623,244	23,668,355	23,138,125	530,230
Property,Transportation,Comm.	8,234,427	11,144,845	10,202,707	942,138
Materials, Supplies, Books and Equipment	864,826	864,782	689,874	174,908
Other	(7,100,000)	(2,200,000)	-	(2,200,000)
Allocated Costs	62,136,930	68,170,500	68,930,985	(760,485)
Total Obligations	332,172,170	338,950,200	334,325,001	4,625,199
Other Financing Sources				
Operating Transfers from Other Funds	(224,181,200)	(226,337,200)	(226,148,352)	(188,848)
Total Intermediate Unit	\$ 107,990,970	\$ 112,613,000	\$ 108,176,649	\$ 4,436,351

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 920,739	\$ 920,235	\$ 936,285	\$ 16,050
Basis Swap Income	-	1,473,000	1,740,411	267,411
Miscellaneous	-	-	90,480	90,480
Total Revenues	<u>\$ 920,739</u>	<u>2,393,235</u>	<u>2,767,176</u>	<u>373,941</u>
OBLIGATIONS				
Bonds				
Principal	\$ 102,499,250	\$ 102,354,250	\$ 101,232,596	\$ 1,121,654
Interest	90,761,554	87,015,773	91,609,307	(4,593,534)
Authority Obligations (SPSBA)				
Principal	16,475,000	16,475,000	16,475,000	-
Interest	54,870,275	54,768,688	52,577,063	2,191,625
Variable Rate Bond Interest	4,365,000	827,246	145,485	681,761
Issuance Costs	2,800,000	2,523,382	2,475,931	47,451
Administrative Expenses	2,426,900	2,424,833	2,446,842	(22,009)
Total Obligations	<u>\$ 274,197,979</u>	<u>\$ 266,389,172</u>	<u>\$ 266,962,224</u>	<u>\$ (573,052)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 287,506,000	\$ 282,251,500	\$ 272,832,730	\$ (9,418,770)
Capital Asset Proceeds	-	3,043,000	3,218,871	175,871
Issuance of Refunding Bonds	-	266,690,000	266,690,000	-
Bond Premium	-	28,485,000	28,485,270	270
Bond Defeasement	-	(306,880,059)	(300,439,989)	6,440,070
Total Other Financing Sources (Uses)	<u>\$ 287,506,000</u>	<u>\$ 273,589,441</u>	<u>\$ 270,786,882</u>	<u>\$ (2,802,559)</u>
Net Change in Fund Balance	14,228,760	9,593,504	6,591,834	(3,001,670)
Fund Balances, July 1, 2014	85,002,000	99,425,000	99,425,745	745
Prior Period Adjustment	-	-	17,863,639	17,863,639
Fund Balances, June 30, 2015	<u>\$ 99,230,760</u>	<u>\$ 109,018,504</u>	<u>\$ 123,881,218</u>	<u>\$ 14,862,714</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Capital Projects Fund
For The Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 400,000	\$ 100,000	\$ 108,332	\$ 8,332
Miscellaneous	-	-	1,072,134	1,072,134
Total Locally Generated Non Tax	400,000	100,000	1,180,466	1,080,466
State Grants and Subsidies	425,000	425,000	682,370	257,370
Total Revenues	\$ 825,000	\$ 525,000	\$ 1,862,836	\$ 1,337,836
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (1,388,889)	\$ 1,388,889
New Buildings and Additions	11,405,538	2,756,801	14,772,008	(12,015,207)
Environmental Management				
Asbestos Abatement	2,520,950	817,292	-	817,292
Environmental Services	8,509,342	4,855,175	4,444,635	410,540
Total Environmental Management	11,030,292	5,672,467	4,444,635	1,227,832
Alterations and Improvements				
Various Projects	118,003,298	50,963,247	932,392	50,030,855
Administrative Support	11,063,872	10,372,724	11,275,050	(902,326)
Major/Building Renovations	11,418,807	3,055,863	41,253,812	(38,197,949)
Total Alterations and Improvements	140,485,977	64,391,834	53,461,254	10,930,580
Total Obligations	\$ 162,921,807	\$ 72,821,102	\$ 71,289,008	\$ 1,532,094
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	\$ -	\$ -	\$ (446,369)	\$ (446,369)
Debt Issuance	-	-	46,770,000	46,770,000
Bond Premium	-	-	6,011,447	6,011,447
Bond Discount	-	-	-	-
Capital Asset Proceeds	160,000,000	52,400,000	2,660,953	(49,739,047)
Bond Issuance Costs	(3,437,000)	-	-	-
Total Other Financing Sources (Uses)	\$ 156,563,000	\$ 52,400,000	\$ 54,996,031	\$ 2,596,031
Net Change in Fund Balance	\$ (5,533,807)	\$ (19,896,102)	\$ (14,430,141)	\$ 5,465,961

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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, 2015 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, 2015 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, 2015

	<u>Payroll Liabilities</u>	<u>Student Activities Fund (1)</u>	<u>Unclaimed Monies Fund</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 4,863,964	\$ -	\$ 4,863,964
Equity in Pooled Cash and Investments	72,981,883	-	550,103	73,531,986
Accounts Receivable	1,173,933	-	-	1,173,933
	<u>74,155,816</u>	<u>4,863,964</u>	<u>550,103</u>	<u>79,569,883</u>
Total Assets				
	<u>74,155,816</u>	<u>4,863,964</u>	<u>550,103</u>	<u>79,569,883</u>
LIABILITIES				
Payroll Deductions and Withholdings	73,560,098	-	-	73,560,098
Due to Student Activities	-	4,863,964	-	4,863,964
Other Liabilities	595,718	-	550,103	1,145,821
	<u>74,155,816</u>	<u>4,863,964</u>	<u>550,103</u>	<u>79,569,883</u>
Total Liabilities				
	<u>74,155,816</u>	<u>4,863,964</u>	<u>550,103</u>	<u>79,569,883</u>
NET POSITION				
Held in Trust for Various Purposes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Amounts reflect balances as of May 31, 2015.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 63,453,216	\$ 685,311,717	\$ 675,783,050	\$ 72,981,883
Due From Other Funds	14,656,092	-	14,656,092	-
Accounts Receivable	1,371,152	1,173,933	1,371,152	1,173,933
Total Assets	<u>\$ 79,480,460</u>	<u>\$ 686,485,650</u>	<u>\$ 691,810,294</u>	<u>\$ 74,155,816</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 79,480,460	\$ 685,889,932	\$ 691,810,294	\$ 73,560,098
Other Liabilities	-	595,718	-	595,718
Total Liabilities	<u>\$ 79,480,460</u>	<u>\$ 686,485,650</u>	<u>\$ 691,810,294</u>	<u>\$ 74,155,816</u>
Student Activities Fund				
Assets				
Cash	<u>\$ 5,195,485</u>	<u>\$ 8,450,567</u>	<u>\$ 8,782,088</u>	<u>\$ 4,863,964</u>
Liabilities				
Due to Student Activities	<u>\$ 5,195,485</u>	<u>\$ 8,450,567</u>	<u>\$ 8,782,088</u>	<u>\$ 4,863,964</u>
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 1,116,897</u>	<u>\$ 333,383</u>	<u>\$ 900,177</u>	<u>\$ 550,103</u>
Liabilities				
Other Liabilities	<u>\$ 1,116,897</u>	<u>\$ 333,383</u>	<u>\$ 900,177</u>	<u>\$ 550,103</u>
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,195,485	\$ 8,450,567	\$ 8,782,088	\$ 4,863,964
Equity in Pooled Cash and Investments	64,570,113	685,645,100	676,683,227	73,531,986
Due From Other Funds	14,656,092	-	14,656,092	-
Accounts Receivable	1,371,152	1,173,933	1,371,152	1,173,933
Total Assets	<u>\$ 85,792,842</u>	<u>\$ 695,269,600</u>	<u>\$ 701,492,559</u>	<u>\$ 79,569,883</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 79,480,460	\$ 685,889,932	\$ 691,810,294	\$ 73,560,098
Due to Student Activities	5,195,485	8,450,567	8,782,088	4,863,964
Other Liabilities	1,116,897	929,101	900,177	1,145,821
Total Liabilities	<u>\$ 85,792,842</u>	<u>\$ 695,269,600</u>	<u>\$ 701,492,559</u>	<u>\$ 79,569,883</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2015

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2016 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>
AUGUST 1, 2004 2004 QZAB CSF P (SERIES E) (EQ04)	19,335,000	19,335,000	SEPT 1, 2018	-	-	-
		<u>19,335,000</u> A			<u>-</u>	<u>-</u>
MAY 25, 2005 (SERIES A) (A005) GOB-Refunding	198,140,000	17,325,000	AUGUST 1, 2015	5.000	433,125	17,325,000
		<u>17,325,000</u>			<u>433,125</u>	<u>17,325,000</u>
JUNE 16, 2005 (SERIES C) (C005) GOB-Non Refunding	71,740,000	3,335,000	JULY 1, 2015	4.700	78,373	3,335,000
		<u>3,335,000</u>			<u>78,373</u>	<u>3,335,000</u>
OCTOBER 20, 2005 (SERIES D) (D005) GOB-Non Refunding	29,920,000	2,100,000	JUNE 1, 2016	5.500	115,500	2,100,000
		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	-
		2,600,000	JUNE 1, 2020	5.500	143,000	-
		2,745,000	JUNE 1, 2021	5.500	150,975	-
		<u>14,470,000</u>			<u>795,850</u>	<u>2,100,000</u>
DECEMBER 28, 2006 (SERIES A) (AS06) GOB-Non Refunding State Public School Building Authority Capital Obligation Bonds	317,125,000	7,530,000	JUNE 1, 2016	5.000	376,500	7,530,000
		7,910,000	JUNE 1, 2017	5.000	395,500	-
		8,090,000	JUNE 1, 2026	5.000	404,500	-
		12,880,000	JUNE 1, 2027	5.000	644,000	-
		13,525,000	JUNE 1, 2028	5.000	676,250	-
		78,400,000	JUNE 1, 2029-33	4.794	3,747,225	-
		53,960,000	JUNE 1, 2034-36	4.486	2,420,458	-
		<u>182,295,000</u>			<u>8,664,433</u>	<u>7,530,000</u>
DECEMBER 28, 2006 (SERIES B) (BS06) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000	JUNE 1, 2016	3.625	181	5,000
		5,000	JUNE 1, 2017	3.750	188	-
		5,000	JUNE 1, 2018	3.750	188	-
		5,000	JUNE 1, 2019	3.875	194	-
		5,000	JUNE 1, 2020	4.000	200	-
		70,345,000	JUNE 1, 2021-25	4.625	3,498,344	-
		242,765,000	JUNE 1, 2026-31	4.850	11,633,875	-
		232,395,000	JUNE 1, 2032-33	4.750	11,051,549	-
		<u>545,530,000</u>			<u>26,184,719</u>	<u>5,000</u>
MAY 22, 2007 (SERIES A) (A007) GOB Non Refunding	146,530,000	15,000	JUNE 1, 2016	4.000	600	15,000
		15,000	JUNE 1, 2017	4.000	600	-
		15,000	JUNE 1, 2018	5.000	750	-
		15,000	JUNE 1, 2019	5.000	750	-
		15,000	JUNE 1, 2020	5.000	750	-
		23,215,000	JUNE 1, 2021-25	5.000	1,160,750	-
		47,120,000	JUNE 1, 2026-30	5.000	2,356,000	-
		76,045,000	JUNE 1, 2031-34	4.875	3,614,750	-
		<u>146,455,000</u>			<u>7,134,950</u>	<u>15,000</u>
DECEMBER 28, 2007 (SERIES C) (CQ07) QZAB	13,510,000	13,510,000	DEC 28, 2022		-	-
		<u>13,510,000</u> A			<u>-</u>	<u>-</u>
DECEMBER 28, 2007 (SERIES D) (DQ07) QZAB	28,160,000	28,160,000	DEC 28, 2022	1.250 B	63	-
				1.250 B	63	-
				1.250 B	62,578	-
				1.250 B	62,578	-
				1.250 B	62,578	-
				1.250 B	164,140	-
		<u>28,160,000</u> A			<u>352,000</u> B	<u>-</u>
NOVEMBER 20, 2008 (SERIES E) (E008) GOB Non Refunding	282,365,000	5,445,000	SEPT 1, 2015	5.000	136,125	5,445,000
		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	-
		6,620,000	SEPT 1, 2019	5.125	339,275	-
		38,720,000	SEPT 1, 2020-24	5.175	2,005,812	-
		50,585,000	SEPT 1, 2025-29	5.500	2,789,663	-
		67,990,000	SEPT 1, 2030-34	6.000	4,079,400	-
		68,750,000	SEPT 1, 2035-38	6.000	4,125,000	-
		<u>256,130,000</u>			<u>14,346,275</u>	<u>5,445,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2015

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2016 Debt Service Requirements	
					Interest	Principal
NOVEMBER 20, 2008 (SERIES F) (F008) GOB Refunding	114,215,000	11,380,000	SEPT 1, 2015	5.000	284,500	11,380,000
		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	-
		9,635,000	SEPT 1, 2019	5.000	481,750	-
		41,790,000	SEPT 1, 2020-24	5.125	2,139,631	-
		19,345,000	SEPT 1, 2025-27	5.250	1,015,613	-
		<u>113,670,000</u>			<u>5,497,494</u>	<u>11,380,000</u>
MAY 28, 2009 SERIES B (B009) GOB Refunding	30,710,000	5,425,000	JUNE 1, 2016	5.000	271,250	5,425,000
		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	4.518	283,700	-
		<u>23,380,000</u>			<u>1,138,700</u>	<u>5,425,000</u>
MAY 28, 2009 SERIES C (C009) GOB Refunding	49,200,000	6,255,000	JUNE 1, 2020	1.250	78,188	-
		6,495,000	JUNE 1, 2021	1.250	81,188	-
		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	-
		15,060,000	JUNE 1, 2025-26	1.250	188,249	-
		<u>48,850,000</u>			<u>610,625</u>	<u>-</u>
APRIL 6, 2010 SERIES A (A010) (Tax Exempt)	27,820,000	5,470,000	JUNE 1, 2016	5.000	273,500	5,470,000
		<u>5,470,000</u>			<u>273,500</u>	<u>5,470,000</u>
APRIL 6, 2010 SERIES B (B010) (BAB-Federal Subsidy)	221,485,000	5,745,000	JUNE 1, 2017	4.735	272,026	-
		5,920,000	JUNE 1, 2018	5.139	304,229	-
		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	2,983,429	-
		55,505,000	JUNE 1, 2032-36	6.765	3,754,913	-
		53,245,000	JUNE 1, 2037-40	6.765	3,602,024	-
		<u>220,915,000</u>			<u>14,191,331</u>	<u>-</u>
APRIL 6, 2010 SERIES C (C010) GOB Refunding	300,045,000	24,200,000	SEPT 1, 2015	4.907	593,750	24,200,000
		25,065,000	SEPT 1, 2016	4.899	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	-
		27,995,000	SEPT 1, 2019	5.000	1,399,750	-
		54,785,000	SEPT 1, 2020-21	5.000	2,739,250	-
		<u>185,020,000</u>			<u>8,609,450</u>	<u>24,200,000</u>
APRIL 6, 2010 SERIES D (D010) GOB Refunding	49,365,000	7,245,000	SEPT 1, 2017	4.410	319,494	-
		7,600,000	SEPT 1, 2018	4.976	378,212	-
		8,000,000	SEPT 1, 2019	4.974	397,900	-
		8,410,000	SEPT 1, 2020	4.973	418,187	-
		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>
JANUARY 3, 2011 SERIES E (E010) GOB Refunding	125,880,000	3,710,000	SEPT 1, 2015	5.000	92,750	3,710,000
		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	-
		4,540,000	SEPT 1, 2019	5.000	227,000	-
		92,835,000	SEPT 1, 2020-24	5.200	4,861,900	-
		<u>113,425,000</u>			<u>5,798,650</u>	<u>3,710,000</u>
JANUARY 3, 2011 (Series F) (F010) GOB Refunding	150,000,000	18,625,000	SEPT 1, 2024	1.250	232,813	-
		20,330,000	SEPT 1, 2025	1.250	254,125	-
		12,615,000	SEPT 1, 2026	1.250	157,688	-
		27,325,000	SEPT 1, 2027	1.250	341,562	-
		27,635,000	SEPT 1, 2028	1.250	345,437	-
		43,470,000	SEPT 1, 2029-30	1.250	543,375	-
		<u>150,000,000</u>			<u>1,875,000</u>	<u>-</u>
JANUARY 3, 2011 SERIES G (G010) GOB Refunding	150,000,000	18,625,000	SEPT 1, 2024	1.250	232,813	-
		20,330,000	SEPT 1, 2025	1.250	254,125	-
		12,615,000	SEPT 1, 2026	1.250	157,688	-
		27,325,000	SEPT 1, 2027	1.250	341,562	-
		27,635,000	SEPT 1, 2028	1.250	345,437	-
		43,470,000	SEPT 1, 2029-30	1.250	543,375	-
		<u>150,000,000</u>			<u>1,875,000</u>	<u>-</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2015

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2016 Debt Service Requirements	
					Interest	Principal
DECEMBER 20, 2011	144,625,000	137,175,000	SEPT 1, 2030	5.995 B	468,558	-
SERIES A (QSCB) - (Federal Subsidy)		-		5.995 B	468,558	-
GOB (AQ11)		-		5.995 B	468,558	-
		-		5.995 B	468,558	-
		-		5.995 B	468,558	-
		-		5.995 B	2,717,196	-
		-		5.995 B	2,966,799	-
		-		5.995 B	641,386	-
		<u>137,175,000</u>			<u>8,668,171</u>	<u>-</u>
DECEMBER 20, 2011	16,970,000	1,640,000	SEPT 1, 2015	4.726	38,750	1,640,000
SERIES B (Tax Exempt)		1,700,000	SEPT 1, 2016	2.000	34,000	-
GOB (B011)		1,735,000	SEPT 1, 2017	2.250	39,037	-
		1,775,000	SEPT 1, 2018	2.500	44,375	-
		1,825,000	SEPT 1, 2019	3.000	54,750	-
		3,830,000	SEPT 1, 2020-21	3.188	122,119	-
		<u>12,505,000</u>			<u>333,031</u>	<u>1,640,000</u>
DECEMBER 20, 2011	41,185,000	3,395,000	SEPT 1, 2015	5.000	84,875	3,395,000
SERIES C (C011)		3,565,000	SEPT 1, 2016	5.000	178,250	-
GOB Refunding		3,750,000	SEPT 1, 2017	5.000	187,500	-
		3,945,000	SEPT 1, 2018	5.000	197,250	-
		4,145,000	SEPT 1, 2019	5.000	207,250	-
		8,935,000	SEPT 1, 2020-21	5.000	446,750	-
		<u>27,735,000</u>			<u>1,301,875</u>	<u>3,395,000</u>
DECEMBER 20, 2011	16,330,000	1,655,000	SEPT 1, 2015	4.000	33,100	1,655,000
SERIES D (D011)		1,725,000	SEPT 1, 2016	4.000	69,000	-
GOB Refunding		1,800,000	SEPT 1, 2017	5.000	90,000	-
		1,890,000	SEPT 1, 2018	4.807	90,850	-
		1,970,000	SEPT 1, 2019	3.000	59,100	-
		4,145,000	SEPT 1, 2020-21	3.559	147,488	-
		<u>13,185,000</u>			<u>489,538</u>	<u>1,655,000</u>
MARCH 29, 2012	35,312,564	7,062,513	DEC 18, 2015	2.000	141,250	7,062,513
SERIES A (A012)		7,062,513	DEC 24, 2016	2.000	141,250	-
GOB (SEPTA Loan)						
		<u>14,125,026</u>			<u>282,500</u>	<u>7,062,513</u>
NOVEMBER 28, 2012	264,995,000	9,720,000	April 1, 2016	5.000	486,000	9,720,000
SERIES B (BS12)		10,210,000	April 1, 2017	5.000	510,500	-
GOB Deficit Funding		10,720,000	April 1, 2018	5.000	536,000	-
State Public School		11,255,000	April 1, 2019	5.000	562,750	-
Building Authority		11,815,000	April 1, 2020	5.000	590,750	-
		68,565,000	April 1, 2021-25	5.000	3,428,250	-
		87,510,000	April 1, 2026-30	5.000	4,375,500	-
		41,430,000	April 1, 2031-32	5.000	2,071,500	-
		<u>251,225,000</u>			<u>12,561,250</u>	<u>9,720,000</u>
APRIL 20, 2015	80,000,000	5,000	JUNE 1, 2017	2.000	111	-
SERIES A (AS15)		8,065,000	JUNE 1, 2018	4.000	359,340	-
GOB-Refunding		8,390,000	JUNE 1, 2019	5.000	467,276	-
State Public School		8,805,000	JUNE 1, 2020	5.000	490,390	-
Building Authority		9,260,000	JUNE 1, 2021	5.000	515,731	-
Capital Obligation Bonds		45,475,000	June 1, 2022-26	4.936	2,496,504	-
		<u>80,000,000</u>			<u>4,329,352</u>	<u>-</u>
APRIL 20, 2015	46,770,000	1,450,000	SEPT 1, 2016	3.000	37,579	-
(SERIES A) (A015)		1,500,000	SEPT 1, 2017	4.000	51,833	-
GOB Non Refunding		1,560,000	SEPT 1, 2018	4.000	53,907	-
		1,625,000	SEPT 1, 2019	4.000	56,153	-
		1,700,000	SEPT 1, 2020	5.000	73,431	-
		9,900,000	SEPT 1, 2021-25	5.000	427,625	-
		12,715,000	SEPT 1, 2026-30	5.000	549,217	-
		16,320,000	SEPT 1, 2031-35	5.000	704,933	-
		<u>46,770,000</u>			<u>1,954,678</u>	<u>-</u>
APRIL 20, 2015	13,505,000	6,630,000	SEPT 1, 2015	4.000	96,503	6,630,000
(SERIES B) (B015)		6,875,000	SEPT 1, 2016	5.000	296,962	-
GOB-Refunding						
		<u>13,505,000</u>			<u>393,465</u>	<u>6,630,000</u>
APRIL 20, 2015	44,565,000	630,000	SEPT 1, 2015	1.550	3,553	630,000
(SERIES C) (C015)		3,875,000	SEPT 1, 2016	1.787	59,821	-
GOB-Refunding		3,945,000	SEPT 1, 2017	2.009	68,467	-
		4,030,000	SEPT 1, 2018	2.512	87,455	-
		4,140,000	SEPT 1, 2019	2.973	106,329	-
		22,855,000	SEPT 1, 2020-24	3.624	717,457	-
		5,090,000	SEPT 1, 2025	4.038	177,558	-
		<u>44,565,000</u>			<u>1,220,640</u>	<u>630,000</u>
May 5, 2015	128,620,000	16,360,000	SEPT 1, 2016	5.000	672,578	-
(SERIES D) (D015)		17,195,000	SEPT 1, 2017	5.000	706,905	-
GOB-Refunding		18,080,000	SEPT 1, 2018	5.000	743,289	-
		19,000,000	SEPT 1, 2019	5.000	781,111	-
		19,980,000	SEPT 1, 2020	5.000	821,400	-
		38,005,000	SEPT 1, 2021-22	5.000	1,562,428	-
		<u>128,620,000</u>			<u>5,287,711</u>	<u>-</u>
TOTAL BONDS OUTSTANDING	\$ 4,292,132,564	\$ 3,099,555,026			\$ 139,390,967	\$ 116,672,513
NON-ELECTORAL DEBT BONDS	\$ 2,496,302,564	\$ 1,997,000,026			\$ 85,258,438	\$ 99,417,513
CAPITAL OBLIGATION BONDS (Lease Rental)	1,795,830,000	1,102,555,000			54,132,529	17,255,000
TOTAL BONDS OUTSTANDING	\$ 4,292,132,564	\$ 3,099,555,026			\$ 139,390,967	\$ 116,672,513

Notes:

A--Previously reported mandatory sinking fund deposits as defeased in substance and removed as OS; Restated OS principal see Prior Period Adjustment Note 4M.

B--Interest under 2007D QZAB and 2011A QSCB are based on mandatory sinking fund deposits.

C--Fiscal Agent inadvertently paid bondholders prior to maturity on first year of mandatory S/F deposit; A portion of amount paid will be restored in FY2016-See Fiscal Agent Error Note 4F(14).

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, 2015
(Dollars in Thousands)

	<u>2015</u>	<u>2014</u>
Governmental Funds Capital Assets:		
Land	\$ 130,164	\$ 130,922
Buildings	1,753,161	1,782,842
Improvements	1,221,776	1,243,593
Intangible Assets	50,225	48,629
Construction in Progress	20,666	6,726
Personal Property	225,298	229,807
Total Governmental Funds Capital Assets	<u>\$ 3,401,290</u>	<u>\$ 3,442,519</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 60,029	\$ 57,976
Capital Projects Fund	3,263,286	3,309,530
Categorical Funds	77,975	75,013
Total Governmental Funds Capital Assets	<u>\$ 3,401,290</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 by Function and Activity
June 30, 2015
(Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Intangible Assets	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 127,101	\$ 1,649,024	\$ 1,205,281	\$ -	\$ 20,666	\$ 162,371	\$ 3,164,443
Student Support Services	821	9,744	3,133	-	-	26,930	40,628
Administrative Support	2,242	94,393	13,362	50,225	-	5,413	165,635
Operation & Maintenance of Plant Services	-	-	-	-	-	8,522	8,522
Pupil Transportation	-	-	-	-	-	499	499
All Other Support Services	-	-	-	-	-	21,563	21,563
Total Governmental Funds Capital Assets	<u>\$ 130,164</u>	<u>\$ 1,753,161</u>	<u>\$ 1,221,776</u>	<u>\$ 50,225</u>	<u>\$ 20,666</u>	<u>\$ 225,298</u>	<u>\$ 3,401,290</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, 2015
(Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets (1) July 1, 2014	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2015
Instruction	\$ 3,211,709	\$ 516	\$ 36,926	\$ 84,708	\$ 3,164,443
Student Support Services	37,008	-	5,308	1,688	40,628
Administrative Support	163,861	-	2,209	435	165,635
Operation & Maintenance of Plant Services	7,674	-	921	73	8,522
Pupil Transportation	465	-	43	9	499
All Other Support Services	21,802	-	116	355	21,563
Total	<u>\$ 3,442,519</u>	<u>\$ 516</u>	<u>\$ 45,523</u>	<u>\$ 87,268</u>	<u>\$ 3,401,290</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.

(1) July 1, 2014 balances were adjusted to accurately reflect amounts by Function/Activity.





Statistical Section

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

School District of Philadelphia
Table 1
Net Position by Component
For the Fiscal Years 2006 through 2015
(accrual basis of accounting)
(dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net Investment in Capital Assets	\$ 10,345	\$ 1,183	\$ 27,119	\$ 17,712	\$ (27,665)	\$ (125,999)	\$ (210,988)	\$ (238,240)	\$ (372,517)	\$ (397,930)
Restricted										
Medical Self-Insurance	-	-	-	-	-	18,375	18,375	18,375	18,375	9,500
Debt Service	64,613	70,056	74,032	71,650	76,811	94,901	109,544	98,228	93,491	122,992
Special Revenue & Permanent Funds										
Expendable	1,969	2,667	2,814	2,109	2,166	3,495	3,466	3,447	3,428	3,411
Non-Expendable	3,622	3,329	3,393	4,121	4,149	2,891	2,838	2,836	2,866	2,895
Arbitrage Rebate Payable	-	-	3,767	4,286	4,286	3,646	286	265	266	694
Workers' Compensation/Termination/Other	2,354	-	-	-	-	-	-	-	-	-
Unrestricted (Deficit)	(1,199,787)	(1,303,264)	(1,308,420)	(1,275,930)	(1,302,757)	(1,344,779)	(1,355,846)	(1,482,974)	(4,714,160)	(4,544,445)
Total Governmental Activities Net Position (Deficit)	<u>(1,116,884)</u>	<u>(1,226,029)</u>	<u>(1,197,295)</u>	<u>(1,176,052)</u>	<u>(1,243,010)</u>	<u>(1,347,470)</u>	<u>(1,432,325)</u>	<u>(1,598,063)</u>	<u>(4,968,251)</u>	<u>(4,802,883)</u>
Business-type Activities										
Net Investment in Capital Assets	3,188	3,133	4,005	3,281	3,247	2,927	2,466	2,122	1,739	1,676
Unrestricted (Deficit)	2,442	(5,613)	(7,346)	(11,196)	(11,162)	(9,342)	(6,747)	(5,003)	(50,154)	(46,031)
Total Business-type Activities Net Position (Deficit)	<u>5,630</u>	<u>(2,480)</u>	<u>(3,341)</u>	<u>(7,915)</u>	<u>(7,915)</u>	<u>(6,415)</u>	<u>(4,281)</u>	<u>(2,881)</u>	<u>(48,415)</u>	<u>(44,355)</u>
Total School District										
Net Investment in Capital Assets	13,533	4,316	31,124	20,993	(24,418)	(123,072)	(208,522)	(236,118)	(313,151)	(396,254)
Restricted	72,558	76,052	84,006	82,166	87,412	123,308	134,509	123,151	118,425	139,492
Unrestricted (Deficit)	(1,197,345)	(1,308,877)	(1,315,766)	(1,287,126)	(1,313,919)	(1,354,121)	(1,362,593)	(1,487,977)	(4,821,941)	(4,590,476)
Total School District Net Position (Deficit)	<u>\$ (1,111,254)</u>	<u>\$ (1,228,509)</u>	<u>\$ (1,200,636)</u>	<u>\$ (1,183,967)</u>	<u>\$ (1,250,925)</u>	<u>\$ (1,353,885)</u>	<u>\$ (1,436,606)</u>	<u>\$ (1,600,944)</u>	<u>\$ (5,016,667)</u>	<u>\$ (4,847,238)</u>

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2006 through 2015.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2006 through 2015
(accrual basis of accounting)
(dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Expenses:</u>										
Governmental Activities										
Instruction	\$ 1,696,973	\$ 1,706,310	\$ 1,733,663	\$ 1,869,789	\$ 2,033,799	\$ 2,268,293	\$ 2,087,983	\$ 2,189,735	\$ 4,349,968	\$ 2,146,847
Student Support Services	247,845	262,044	210,458	205,374	240,883	254,991	181,595	180,348	651,187	184,495
Administrative Support	112,455	114,397	92,100	122,523	135,193	147,661	108,120	102,855	418,487	107,528
Operation & Maintenance of Plant Services (4)	263,163	270,163	273,335	261,750	256,291	241,486	197,205	198,762	415,568	181,625
Pupil Transportation	88,867	89,079	107,050	73,636	76,175	81,154	81,983	82,015	159,516	80,471
All Other Support Services	38,422	19,654	32,047	1,591	(3,362)	(21,283)	(10,373)	15,123	(25,224)	(19,244)
Early Childhood Education	18,005	20,448	22,816	24,157	20,515	1,487	189	197	138	139
Interest on Long-Term Debt	128,245	138,286	137,906	139,001	142,337	147,505	139,023	153,707	153,381	145,608
Total Governmental Activities Expenses (1)	<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>6,123,021</u>	<u>2,827,469</u>
Business-type Activities:										
Food Service (5)	79,851	81,798	78,189	81,008	80,638	81,035	77,246	76,036	120,692	81,632
Loss on Disposal of Capital Assets (2)	6	-	-	-	-	-	-	-	-	-
Total Business-type Activities Expenses	<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>120,692</u>	<u>81,632</u>
Total School District Expenses	<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>\$ 6,243,713</u>	<u>\$ 2,909,101</u>
<u>Program Revenues</u>										
Governmental Activities										
Charges for Services (3)										
Instruction	\$ 599	\$ 773	\$ 686	\$ 1,037	\$ 664	\$ 745	\$ 642	\$ 847	\$ 820	\$ 970
Student Support Services	90	103	65	69	2	-	-	-	-	-
Administrative Support	477	313	3,843	3,963	3,882	3,922	322	4,752	4,512	4,862
Operation & Maintenance of Plant Services	1,325	991	959	1,213	1,114	1,171	872	894	225	4,836
Early Childhood Education	485	349	218	536	60	-	28	-	-	-
Operating grants and contributions	778,978	804,980	853,660	904,656	1,001,353	1,046,867	788,546	865,562	778,766	826,236
Capital grants and contributions	-	123	22	500	92	1,200	(211)	1,000	-	82
Total Governmental Activities Program Revenues	<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>873,055</u>	<u>784,323</u>	<u>836,986</u>
Business-type Activities										
Charges for Services:										
Food Service	4,834	5,086	3,709	3,089	3,237	2,675	2,094	1,582	1,409	250
Operating grants and contributions	69,527	68,530	69,445	72,063	76,870	79,553	77,291	76,071	74,039	85,789
Capital grants and contributions	-	-	-	-	-	-	211	-	-	-
Total Business-type Activities Program Revenues	<u>74,361</u>	<u>73,616</u>	<u>73,154</u>	<u>75,152</u>	<u>80,107</u>	<u>82,228</u>	<u>79,596</u>	<u>77,653</u>	<u>75,448</u>	<u>86,039</u>
Total School District Program Revenues	<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>	<u>\$ 923,025</u>
<u>Net (Expense)/Revenue</u>										
Governmental Activities	(1,812,021)	(1,812,749)	(1,749,922)	(1,785,847)	(1,894,664)	(2,067,389)	(1,995,526)	(2,049,687)	(5,338,698)	(1,990,483)
Business-type Activities	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193	2,350	1,617	(45,244)	4,407
Total School District Net (Expense)/Revenue	<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>\$ (5,383,942)</u>	<u>\$ (1,986,076)</u>

Notes:

- (1) 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" requirement and the capital improvement initiative.
- (2) Change accounting procedure for reporting "Loss on Disposal of Capital Assets" during Fiscal Year 2007. Began allocating losses to functional activities.
- (3) Reclassified Charges for Services, under Program Revenues, by functional activities.
- (4) 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 2006 through 2015.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2006 through 2015
(accrual basis of accounting)
(dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Net (Expense)/Revenue</u>										
Governmental Activities	\$ (1,812,021)	\$ (1,812,749)	\$ (1,749,922)	\$ (1,785,847)	\$ (1,894,664)	\$ (2,067,389)	\$ (1,995,526)	\$ (2,049,687)	\$ (5,338,698)	\$ (1,990,483)
Business-type Activities	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193	2,350	1,617	(45,244)	4,407
Total School District Net (Expense)/Revenue	<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>(5,383,942)</u>	<u>(1,986,076)</u>
<u>General Revenues/Contributed Capital/Transfers:</u>										
Governmental Activities										
Property Taxes	540,241	549,519	598,556	604,962	608,377	605,249	658,540	650,633	661,263	683,471
Other Taxes										
Use & Occupancy Taxes	97,940	104,147	108,298	112,225	111,801	115,361	113,843	130,142	137,677	127,711
Liquor Taxes	37,181	39,733	41,616	41,136	42,787	45,185	52,314	50,780	62,105	62,327
School (Non-Business) Income Taxes	20,901	23,902	26,650	25,240	21,590	24,738	29,691	27,225	37,274	43,507
Public Utility/PILOT Taxes	1,441	702	1,054	965	1,098	1,115	1,103	1,053	1,071	1,104
Cigarette Sales Tax	-	-	-	-	-	-	-	-	-	50,245
Sales Tax	-	-	-	-	-	-	-	-	-	120,000
Grants and Contributions Not Restricted to Specific Programs	112,958	142,927	133,801	102,249	63,462	69,057	87,921	100,580	164,524	123,325
State & Federal Subsidies	804,829	843,647	870,686	922,965	1,018,811	1,089,698	969,264	925,831	912,421	925,825
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	(6)	-	-	-	21,116	3,803
Transfers	178	178	(4,112)	(1,283)	(534)	(308)	217	(431)	290	290
Investment Revenue/(Expense)	-	-	-	-	2,261	13,348	4,170	(1,864)	838	13,724
Total Governmental Activities	<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>	<u>2,155,332</u>
Business-type Activities										
Contributed Capital	-	250	63	-	(3)	-	-	-	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	(57)
Transfers	(178)	(178)	4,112	1,283	534	308	(217)	(217)	(290)	(290)
Total Business-type Activities	<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>	<u>(347)</u>
Total School District General Revenues/Contributed Capital/Transfers	<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>	<u>2,154,985</u>
<u>Changes in Net Position:</u>										
Governmental Activities	(196,352)	(107,994)	26,627	22,612	(25,017)	(103,946)	(78,463)	(165,738)	(3,340,119)	164,849
Business-type Activities	(5,674)	(8,110)	(860)	(4,573)	(1)	1,501	2,133	1,400	(45,534)	4,060
Total School District Change in Net Position	<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>\$ (3,385,653)</u>	<u>\$ 168,909</u>

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2006 through 2015.

School District of Philadelphia
Table 4
Fund Balances of Governmental Funds (1)
For the Fiscal Years 2006 through 2015
(modified accrual basis of accounting)
(dollars in thousands)

	2006	2007	2008	2009	2010	2010	2011	2012	2013	2014	2015
General Fund											
Nonspendable											
Inventories	\$ 1,116	\$ 1,284	\$ 1,204	\$ 1,306	\$ 1,232	\$ 1,154	\$ 1,102	\$ 904	\$ 1,257	\$ 1,206	
Long-term Interfund Loan	-	-	-	-	10,561	9,061	7,061	4,061	-	-	
Restricted											
Medical Self-Insurance	-	-	-	-	-	18,375	18,375	18,375	18,375	9,500	
Workers' Compensation	2,354	-	-	-	-	-	-	-	-	-	
Committed	15,000	-	-	-	-	-	-	-	-	-	
Unassigned	(84,603)	(52,430)	(44,608)	8,368	(9,866)	(71,967)	(138,150)	(64,128)	(116,452)	(6,886)	
Total General Fund	<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>	<u>\$ 3,820</u>	
All Other Governmental Funds											
Nonspendable											
Permanent Fund Principal	\$ 1,222	\$ 1,291	\$ 1,291	\$ 1,291	\$ 1,336	\$ 1,366	\$ 1,366	\$ 1,368	\$ 1,365	\$ 1,365	
Restricted											
Retirement of Long-term Debt	39,960	46,895	48,741	49,138	47,944	59,126	62,208	69,059	65,170	98,627	
Debt Service Interest	24,653	23,161	25,291	22,512	28,867	35,775	47,335	29,169	28,321	24,364	
Arbitrage Rebate Payable	-	-	3,767	4,286	4,286	3,646	286	265	266	693	
Trust purposes	4,377	4,705	4,918	4,960	4,982	5,021	4,939	4,915	4,928	4,941	
Capital Purposes	425,649	437,883	117,876	165,315	257,067	82,591	169,653	103,138	73,364	93,319	
Committed	-	-	-	9,886	19,886	-	-	-	-	-	
Assigned	534	-	-	2,383	1,220	2,645	1,359	967	9,349	2,321	
Unassigned	(17,156)	(18,454)	(12,266)	(18,972)	(15,620)	(54,588)	(9,467)	(5,815)	(4,021)	(4,428)	
Total All Other Governmental Funds	<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>	<u>\$ 221,202</u>	
Total Fund Balance	<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>	<u>\$ 225,021</u>	

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2006 through 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2006 through 2015.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2006 through 2015
(modified accrual basis of accounting)
(dollars in thousands)

REVENUES	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Federal Sources										
Grants and Subsidies	\$ 335,727	\$ 293,012	\$ 297,128	\$ 301,723	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064	\$ 266,508
Total Federal Sources	335,727	293,012	297,128	301,723	557,950	632,055	444,504	400,086	253,064	266,508
State Sources										
Grants and Subsidies	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	1,475,762
Total State Sources	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	1,475,762
Local Sources										
Local Taxes										
Real Estate										
Current	493,147	501,282	547,580	548,166	546,352	549,717	597,788	601,533	592,906	604,940
Prior Years	53,862	49,357	51,814	50,662	55,684	39,555	51,606	52,028	64,512	57,153
Payment in Lieu of Taxes	5	5	5	5	5	-	5	5	3	5
Use and Occupancy	103,762	103,757	108,614	112,266	117,295	109,273	112,540	132,689	138,080	127,808
School (Non-Business) Income	20,013	24,035	26,938	25,335	22,175	24,011	27,744	28,105	40,501	40,358
Liquor Sales	38,241	39,331	41,586	41,016	43,280	43,892	50,122	54,238	60,527	61,712
Cigarette Sales Tax	-	-	-	-	-	-	-	-	-	50,245
Sales Tax	-	-	-	-	-	-	-	-	-	120,000
Public Utility Realty	1,096	1,123	1,049	960	1,093	1,115	1,099	1,048	1,067	1,100
Total Local Taxes	710,126	718,890	777,586	778,410	785,884	767,563	840,904	869,646	897,597	1,063,320
Locally Generated Non Tax										
Interest and other income	39,687	56,614	49,952	20,771	9,101	5,986	7,903	7,838	8,773	11,449
City Contributions	35,000	35,000	37,000	38,490	38,540	38,600	48,930	68,990	96,050	99,110
Legal Settlements	2,819	2,590	2,555	2,710	2,735	2,613	2,485	2,744	-	-
Casino Settlement	-	-	-	-	-	-	-	-	-	3,872
Stadium Agreements	1,159	2,898	3,000	3,000	3,000	3,000	2,815	2,717	2,755	2,755
Parking Authority	-	-	2,221	3,801	7,284	7,789	13,956	13,264	9,723	11,063
Gaming Revenue	-	-	-	-	-	5,793	5,894	4,791	4,829	5,132
One Time State Grant Received from City of Philadelphia	-	-	-	-	-	-	-	-	45,000	-
Reimbursements from Other Funds	6,503	7,462	7,233	7,576	14 (1)	14	14	14	14	14
Variable Rate Income/Basis Swap Income	20,001	23,765	20,697	8,471	2,656	1,445	1,492	1,406	1,686	1,740
Private Grants and Foundations	-	-	-	-	-	-	-	-	-	-
Other Miscellaneous/Voluntary Contributions	-	-	-	-	7,975	7,533	11,209	8,368	8,260	6,354
Total Local Generated Non Tax	105,169	128,329	122,658	84,819	71,305	72,773	94,698	110,132	177,090	141,490
Total Local Sources	815,295	847,219	900,244	863,229	857,189	840,336	935,602	979,778	1,074,687	1,204,810
Total Revenues	<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>	<u>\$ 2,947,079</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 2006 through 2015.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2006 through 2015
(modified accrual basis of accounting)
(dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>EXPENDITURES</u>										
Current:										
Instruction	\$ 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	\$ 1,339,360
Student Support Services	233,336	230,955	226,504	199,912	232,525	250,054	200,466	201,931	151,841	178,087
Administrative Support	106,691	102,197	82,101	109,777	131,064	140,202	107,487	102,787	100,134	103,452
Operation & Maintenance of Plant Services	261,984	262,181	271,003	257,910	254,114	237,243	200,893	205,317	200,744	182,658
Pupil Transportation	88,502	87,071	107,666	73,437	76,068	80,279	83,396	84,104	85,520	80,655
All Other Support Services	36,822	18,877	31,473	1,462	(3,647)	(21,612)	(10,661)	14,858	(25,449)	(19,282)
Early Childhood Education	17,994	20,448	22,814	24,157	20,505	1,487	189	197	138	139
Payments to Charter Schools	220,930	240,377	269,695	308,505	338,320	411,713	539,741	600,963	712,512	722,039
Debt Service:										
Principal	37,437	63,122	66,417	71,159	70,762	65,454	31,577	107,664	106,059	101,233
Loans	215	34	7	3	-	-	-	-	-	-
Interest	91,726	99,242	99,625	82,157	110,433	155,797	87,040	97,230	91,114	91,755
Principal & Interest - Authority	29,953	33,805	49,062	49,058	49,058	49,060	42,522	49,056	71,346	69,052
Issuance Costs	1,449	15,235	3,370	10,281	4,133	2,248	1,836	1,873	-	2,476
Administrative Expenses	2,820	2,436	2,901	8,786	6,306	3,459	3,684	3,134	2,631	2,447
Capital Outlay: (1)										
New Buildings and Additions	52,702	73,734	147,024	88,048	42,641	88,339	7,923	13,105	4,648	4,212
Environmental Management	3,837	3,824	3,504	3,521	3,367	3,335	2,997	2,893	2,973	3,903
Alterations and Equipment	154,603	226,794	213,146	111,638	90,969	71,323	61,291	49,082	20,252	30,689
Major Renovations	297	-	-	-	-	-	-	-	-	-
Equipment Acquisitions	14,509	20,184	10,682	23,075	24,124	15,952	6,191	2,849	2,892	222
Total Expenditures	\$ 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	\$ 2,893,097
 Debt Service as a percentage of noncapital expenditures (2)	 6.4%	 7.9%	 8.3%	 7.6%	 8.0%	 8.8%	 5.8%	 8.4%	 9.4%	 9.2%

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 2006 through 2015.

School District of Philadelphia
Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2006 through 2015
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Excess (Deficiency) of Revenues over Expenditures	\$ (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)	\$ 53,982,697
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	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	-	46,770,000
Land Sale Proceeds	-	-	-	-	-	-	-	-	-	-
Capital Asset Proceeds	207,071	2,461,045	5,644,893	11,390,163	276,989	5,764,807	211,481	346,580	32,565,867	23,942,448
SEPTA Loan Proceeds	-	-	-	-	-	-	35,312,564	-	-	-
Swaption Net Proceeds	-	-	-	-	-	-	-	-	-	-
Basis Swap Proceeds	7,235,000	10,740,000	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	266,690,000
Bond Premium	2,833,532	62,356,553	-	3,809,411	35,336,224	7,724,600	4,636,559	36,908,311	-	34,496,717
Bond Discounts	-	-	-	(9,657,934)	-	-	(265,965)	-	-	-
Bond Defeasement	-	(727,979,601)	(681,892,949)	(208,995,106)	(353,329,003)	(368,301,151)	(122,578,020)	-	-	(300,439,989)
Transfers In	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	501,368,975
Transfers Out	(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)	(501,545,714)
Total Other Financing Sources and (Uses)	<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>	<u>71,282,437</u>
Net Change in Fund Balance	<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>	<u>\$ 125,265,134</u>

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2006 through 2015.

School District of Philadelphia
Table 8
Governmental Funds Revenue By Own-Sources (3)
For the Fiscal Years 2006 through 2015
(modified accrual accounting)
(dollars in millions)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Percentage Change 2006 - 2015
Local Taxes											
Real Estate	\$ 547.0	\$ 550.6	\$ 599.4	\$ 598.8	\$ 602.0	\$ 589.3	\$ 649.4	\$ 653.6	\$ 657.4	\$ 662.1	21.0 %
Use and Occupancy	103.8	103.8	108.6	112.3	117.3	109.3	112.5	132.7	138.1	127.8	23.1
Other	59.3	64.5	69.6	67.3	66.6	69.0	79.0	83.3	102.1	273.4	361.1
Total Taxes	710.1	718.9	777.6	778.4	785.9	767.6	840.9	869.6	897.6	1,063.3	49.7
Locally Generated Non Tax											
City Contributions	35.0	35.0	37.0	38.5	38.5	38.6	48.9	69.0	96.1	99.1	183.2
Other	70.2	93.3	85.6	46.3	32.8	34.2	45.8	41.1	81.0	42.4	(39.6)
Total Local	105.2	128.3	122.6	84.8	71.3	72.8	94.7	110.1	177.1	141.5	34.5
Total Own-Source Revenues (1)	<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>	<u>\$ 1,204.8</u>	47.8 %
Summary of Own-Source Revenues by Fund:											
General	\$ 767.9	\$ 790.0	\$ 852.7	\$ 842.8	\$ 847.2	\$ 833.7	\$ 927.0	\$ 970.9	\$ 1,064.5	\$ 1,190.8	55.1 %
Intermediate	0.7	1.3	1.0	0.6	0.4	0.5	0.4	0.5	0.6	0.8	12.4
Categorical	6.4	6.2	7.0	4.2	3.3	2.8	4.6	4.7	6.8	9.2	44.0
Debt Service (1) (4)	23.1	28.5	23.7	9.9	3.8	2.1	2.6	2.6	2.4	2.8	(88.0)
Capital Projects	16.9	20.8	15.5	5.6	2.4	1.2	0.9	1.0	0.3	1.2	(93.0)
Non-Major	0.3	0.4	0.3	0.1	0.1	0.1	0.1	0.0	0.1	0.1	(66.7)
Total Own-Source Revenues	<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>	<u>\$ 1,204.8</u>	47.8 %
Totals Restated on a Constant Dollar Basis: (2)											
2006 as base year	<u>\$ 815.3</u>	<u>\$ 834.2</u>	<u>\$ 843.1</u>	<u>\$ 825.1</u>	<u>\$ 804.0</u>	<u>\$ 766.8</u>	<u>\$ 843.0</u>	<u>\$ 869.6</u>	<u>\$ 937.4</u>	<u>\$ 1,049.1</u>	28.7 %
2015 as base year	<u>\$ 936.4</u>	<u>\$ 958.0</u>	<u>\$ 968.3</u>	<u>\$ 947.5</u>	<u>\$ 923.3</u>	<u>\$ 880.6</u>	<u>\$ 968.2</u>	<u>\$ 998.8</u>	<u>\$ 1,076.5</u>	<u>\$ 1,204.8</u>	28.7 %

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 2006 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 2006 through 2015
(dollars in millions)

Calendar Year of Levy (1)	Certified Assessed Values															
	Major Assessment Categories (2)						Total Assessed Value of Property (2)	Less: Tax-Exempt Property (2)(3)(5)	Less: Homestead Exempt (3)	Less: Adjustments Between Certification and Billing Date (3)	Total Taxable Assessed Value of Property (2)	Total Direct Tax Rate (6)	Total Taxable Assessed Value of Property (2)	STEB Certified Assessed Value Ratio (4)	Estimated Actual Taxable Value (7)	
	Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land										
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	37,462	5,429	2,590	91,923	0.738	91,923	2.2440	40,964	
2015	66,956	16,213	3,305	42,795	3,484	3,588	136,341	37,223	6,411	2,793	89,914	0.738	89,914	N/A	N/A	

NOTES:

- (1) Real property tax bills are sent out in December 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: Board of Revision of Taxes and Office of Property Assessment (OPA) for Major Assessment Categories and City of Philadelphia, Department of Finance (Table 9) for Assessed Value on Certification Date, Tax-Exempt Property, Homestead Exemption, and Adjustments between Certification Date and Billing Date.
- (3) Source: The City of Philadelphia Department of Finance-Table 9 starting in 2014: the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners. In addition, beginning in 2014: the Assessed Value Certification Date was moved up to March 31, 2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in date November); henceforth, the Certification Date will be March 31st. will be March 31st.
- (4) The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, STEB annually determines for each municipality in the Commonwealth of Pennsylvania a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions. Obtained from STEB website-Market Value.
- (5) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.

 Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years, Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

 Bill #1456A, approved January 28, 1983, provides for a maximum three years tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

 Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

 Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

 Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.
- (6) Represents real estate tax rates for the School District of Philadelphia (SDP) which was obtained from the City of Philadelphia, Revenue Department Website -Tax Rate Table and SDP 2015 CAFR Statistical Table 10.
- (7) Estimated Actual Taxable value equals "Total Taxable Assessed Value of Property" divided by "STEB Certified Assessed Value Ratio".

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Government:
For the Calendar Years 2006 through 2015
(Per \$100 Assessed Value) (1)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
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 (2)	0.6018	0.738	1.340
2015	0.6018	0.738	1.340

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 portion was levied pursuant to legislative authorization by the General Assembly of the Commonwealth of PA while the remaining 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 assessed value of property.

Source: The City of Philadelphia, Department of Revenue website - Summary Schedule of Real Estate 1952 Tax Rates Since 1952 City and School District of Philadelphia and The School Reform Commission Resolution Summary June 30, 2014.

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

Taxpayer	2015 (1)			2006 (2)		
	Rank	Assessment Value	Percentage of Total Assessments (3)	Rank	Assessment Value	Percentage of Total Assessments
HUB Properties Trust	1	\$ 265.7	0.29%	4	\$ 49.6	0.43%
Nine Penn Center Assoc	2	232.6	0.25%	2	54.1	0.47%
Phila Liberty Pla E Lp	3	207.7	0.22%	3	52.3	0.46%
Philadelphia Market Street	4	203.7	0.22%			
Tenet Healthsystem Hanem	5	192.1	0.21%			
Brandywine Operating PART	6	182.7	0.20%			
Commerce Square Partners	7	178.2	0.19%	9	30.5	0.27%
Maguire / Thomas Ptns	8	170.1	0.18%	8	32.0	0.28%
NNN 1818 Market Street	9	170.0	0.18%			
Franklin Mills Assoc Limited	10	163.2	0.18%	5	48.4	0.42%
Two Liberty Place				1	57.6	0.50%
Philadelphia Shipyard Development Corporation				10	30.3	0.27%
Bell Atlantic				6	43.3	0.38%
Pru 1901 Market LLC				7	32.9	0.29%
Total of the Ten Largest Real Estate Assessments		<u>\$ 1,966.0</u>	<u>1.98%</u>		<u>\$ 431.0</u>	<u>3.77%</u>
Total Taxable Assessments (before Homestead Exemption)		<u>\$ 99,117.7</u>	<u>100.00%</u>		<u>\$ 11,430.6</u>	<u>100.00%</u>
Total Taxable Assessments (before Homestead Exemption)		\$ 99,117.7			\$ 11,430.6	
Less: Homestead Exemption (4)		6,411.0			0.0	
Total Taxable Assessments		<u>\$ 92,706.7</u>			<u>\$ 11,430.6</u>	

Note:

(1) Obtained from City of Philadelphia Finance Department via Office of Property Assessment (OPA) and OPA's website.

(2) Obtained from City of Philadelphia 2006 CAFR Table 14 and School District of Philadelphia 2006 CAFR page 132.

(3) CY 2015 Percentage of Total Taxable Assessments uses amount after Homestaed Exemption was deducted.

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2006 through 2015

For the Calendar Years 2006 through 2015								
Calendar Year	Tax Levy for the Calendar Year (Original Levy)(a)	Adjustments (b)	Adjusted Total Levied Tax (c)	Collected within the Calendar Year of the Original Tax		Delinquent Taxes Collections in Subsequent Years (d)	Total Collected to Date	
				Amount (\$)	Percent of Original Levy (%)		Amount (\$)	Percentage of Original Tax Levy (%)
2006	570,172,040	(41,127,945)	529,044,095	490,400,721	86.01%	33,096,307	523,497,028	91.81%
2007	556,335,693	(15,612,050)	540,723,643	498,506,124	89.61%	35,360,593	533,866,717	95.96%
2008	583,170,112	6,268,702	589,438,814	541,097,383	92.79%	39,668,101	580,765,484	99.59%
2009	605,206,705	(8,983,608)	596,223,097	543,104,746	89.74%	43,490,595	586,595,341	96.92%
2010	608,707,615	(21,170,912)	587,536,703	540,287,600	88.76%	48,086,712	588,374,312	96.66%
2011	612,265,808	(16,541,052)	595,724,756	549,036,079	89.67%	39,436,296	588,472,375	96.11%
2012	655,005,955	(18,049,782)	636,956,173	549,558,020	83.90%	42,224,728	591,782,748	90.35%
2013	659,127,013	(19,166,892)	639,960,121	595,637,192	90.37%	52,979,888	648,617,080	98.41%
2014	737,777,950	(28,060,172)	709,717,778	605,454,814	82.06%	26,658,870	632,113,684	85.68%
2015	731,692,538 (e)	(30,560,730)	701,131,808 (e)	607,462,012 (e)	83.02%	N/A	607,462,012	83.02%

Notes:

Represents original billings as of the calendar year (December 31st) for current year real estate taxes only.

- (a) 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.

Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.

- (c) Source: City of Philadelphia, Revenue Department Reports-Taxes Collected for Tax Years 2005 through 2015-Gross Principal Only.

- (d) Memorandum City of Philadelphia Department of Revenue 2015 Monthly Real Estate Billed/Balance Due dated 01/21/2015 as of December 31, 2015

- (e)

N/A = Data Not Available

Fiscal Years 2006 through 2015			
Fiscal Year	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
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
2015	604,940,462	57,152,743	662,093,205

Source: The School District of Philadelphia - Accounting System fiscal year records as of 01/22/2016.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2006 through 2015
(dollars in thousands)

Fiscal Year	Governmental Activities (1)						Per Capita (4)		
	Gross General Obligation Bonds (2)	Lease Revenue Bonds	Loans Payable	Capital Lease	Add/(Deduct): Premiums/ (Discounts)	Total Governmental Activities	Percentage of Personal Income (5)	Actual	In Constant Dollars - 2006 as Base Year (3) (4)
2006	1,800,105	588,125	44	2,375	22,072	2,412,721	5.37	1,590	1,590
2007	1,735,020	906,200	10	1,604	25,817	2,668,651	5.67	1,793	1,765
2008	1,716,500	901,025	3	813	20,333	2,638,674	5.29	1,767	1,655
2009	1,936,050	895,615	-	-	67,562	2,899,227	5.30	1,933	1,848
2010	2,113,215	889,955	-	-	98,026	3,101,196	5.66	2,047	1,920
2011	2,107,915	884,010	-	-	97,407	3,089,332	5.41	2,021	1,844
2012	2,279,738	877,780	-	-	90,628	3,248,146	5.43	2,110	1,901
2013	2,439,355	871,240	-	-	119,112	3,429,707	5.52	2,212	1,964
2014	2,331,073	864,370	-	-	109,959	3,305,402	5.17	2,124	1,853
2015	1,997,000	1,102,555	-	-	124,304	3,223,859	4.85	2,066	1,799

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) Adjusted based on Prior Period Adjustment for QZABs previously defeased; See Note 4M-Period Period Adjustment.
- (3) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (4) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year.
- (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.

School District of Philadelphia
Table 14
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Years 2006 through 2015
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)											Percentage of Estimated Actual Taxable Value of Property (7)	Per Capita (6)	
	Gross General Obligation Bonds (2)	QZAB & QSCB Bonds	Deficit Termination and Stadium Bonds (3)	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 (4)		Actual	In Constant Dollars - 2006 as Base Year (4) (5)
2006	\$ 1,267,141	\$ 42,299	\$ 281,685	\$ 208,980	\$ 588,125	\$ 2,388,230	\$ 22,072	\$ 2,410,302	\$ (39,960)	\$ 2,370,342	5.27	6.06	1,562	1,562
2007	1,212,170	42,295	271,585	208,970	906,200	2,641,220	25,816	2,667,036	(46,895)	2,620,141	5.57	6.59	1,760	1,733
2008	1,162,645	83,960	260,935	208,960	901,025	2,617,525	20,334	2,637,859	(48,741)	2,589,118	5.19	6.08	1,734	1,624
2009	1,602,860	83,955	249,235	-	895,615	2,831,665	67,561	2,899,226	(49,138)	2,850,088	5.21	6.67	1,900	1,816
2010	1,792,685	83,950	236,580	-	889,955	3,003,170	98,026	3,101,196	(47,944)	3,053,252	5.57	6.98	2,016	1,891
2011	1,800,745	83,945	223,225	-	884,010	2,991,925	97,407	3,089,332	(59,126)	3,030,206	5.30	6.99	1,982	1,808
2012	1,842,043	228,565	209,130	-	877,780	3,157,518	90,628	3,248,146	(62,208)	3,185,938	5.33	7.46	2,070	1,865
2013	1,751,550	228,560	459,245	-	871,240	3,310,595	119,112	3,429,707	(69,059)	3,360,648	5.41	7.76	2,168	1,924
2014	1,686,383	205,630	439,060	-	864,370	3,195,443	109,959	3,305,402	(65,170)	3,240,232	5.07	7.28	2,082	1,816
2015	1,604,975	198,180	193,845	-	1,102,555	3,099,555	124,303	3,223,858	(98,627)	3,125,230	4.70	0.00	2,003	1,744

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) Adjusted based on Prior Period Adjustment for QZABs previously defeased; See Note 4M-Prior Period Adjustment
- (3) Includes Deficit Bond Series 2005B which partially refunded GOB Series 2002B and State Public Building Authority Series 2012B.
- (4) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.
- (5) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (6) 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.
- (7) 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, 2015
(dollars in millions)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	\$ 3,125.2	100.0%	\$ 3,125.2
City of Philadelphia Direct Debt			4,066.4
Total Direct and Overlapping Debt			<u>\$ 7,191.6</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. The tax rate for calendar year 2015 is 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 2006 through 2015
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 99,117.7
Debt Limit (1)	
Non-electoral Debt Capacity (2)	643.6
Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 1,973.4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 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	\$ 2,432.3
General Obligation Bonds	2,388.2	2,641.2	2,617.5	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.4	3,099.6
Less: (Schedule of Bonds O/S)										
Lease Rental -SPSBA	(588.1)	(906.2)	(901.0)	(895.6)	(890.0)	(884.0)	(877.8)	(1,136.2)	(1,124.9)	(1,102.6)
Capital Appreciation Bonds - Non-electoral Debt	-	-	-	-	-	-	-	-	-	-
Electoral Debt	(1.3)	-	-	-	-	-	-	-	-	-
Non-electoral Debt Outstanding	1,798.8	1,735.0	1,716.5	1,936.1	2,113.2	2,107.9	2,279.7	2,174.4	2,070.6	1,997.0
Exclusions:										
Deficit Bonds	(281.7)	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.3)	(178.6)	(17.3)
Termination Bonds	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)
Stadium Bonds	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)
Deficit Bonds-2015D					-	-	-	-	-	(128.6)
Termination Bonds outstanding -2015C										(44.6)
Non-electoral Debt Outstanding applicable to Debt Limit	1,416.9	1,365.6	1,361.6	1,597.0	1,790.9	1,803.3	1,993.7	1,907.9	1,824.8	1,788.7
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	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	2,432.3
Less: Non-electoral Debt Outstanding applicable to Debt Limit	1,416.9	1,365.6	1,361.6	1,597.0	1,790.9	1,803.3	1,993.7	1,907.9	1,824.8	1,788.7
Non-electoral Debt Capacity (2)	\$ 440.7	\$ 577.4	\$ 674.2	\$ 531.5	\$ 417.1	\$ 468.7	\$ 283.7	\$ 377.5	\$ 490.5	\$ 643.6
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	% 76.3	% 70.3	% 66.9	% 75.0	% 81.1	% 79.4	% 87.5	% 83.5	% 78.8	% 73.5
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 3,715.2	\$ 3,886.1	\$ 4,071.6	\$ 4,257.3	\$ 4,415.9	\$ 4,544.1	\$ 4,554.9	\$ 4,570.9	\$ 4,630.6	\$ 4,864.6
General Obligation Bonds	2,388.2	2,641.2	2,617.5	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.4	3,099.6
Less:										
Capital Appreciation Bonds - Non-electoral Debt	-	-	-	-	-	-	-	-	-	-
Electoral Debt	(1.3)	-	-	-	-	-	-	-	-	-
Non-electoral Debt and Lease Rental Outstanding	2,386.9	2,641.2	2,617.5	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.4	3,099.6
Exclusions:										
Deficit Bonds	(281.7)	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.2)	(178.6)	(17.3)
Termination Bonds	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)
Stadium Bonds	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)
Deficit Bonds outstanding -2015D					-	-	-	-	-	(128.6)
Termination Bonds outstanding -2015C										(44.6)
Net Non-electoral Debt and Lease Rental Outstanding	2,005.0	2,271.8	2,262.6	2,492.6	2,680.9	2,687.3	2,871.5	3,044.2	2,949.6	2,891.3
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	3,715.2	3,886.1	4,071.6	4,257.3	4,415.9	4,544.1	4,554.9	4,570.9	4,630.6	4,864.6
Less: Net Non-electoral Debt and Lease Rental Outstanding	2,005.0	2,271.8	2,262.6	2,492.6	2,680.9	2,687.3	2,871.5	3,044.2	2,949.6	2,891.3
Non-electoral Debt and Lease Rental Borrowing Capacity	\$ 1,710.2	\$ 1,614.3	\$ 1,809.0	\$ 1,764.7	\$ 1,735.0	\$ 1,856.8	\$ 1,683.4	\$ 1,526.7	\$ 1,681.0	\$ 1,973.3
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	% 54.0	% 58.5	% 55.6	% 58.5	% 60.7	% 59.1	% 63.0	% 66.6	% 63.7	% 59.4

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 amount.

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 2006 through 2015
(dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Bonded Debt Principal (1)	\$ 35,305	\$ 60,970	\$ 63,339	\$ 68,060	\$ 68,475	\$ 63,168	\$ 29,290	\$ 105,378	\$ 103,773	\$ 101,233
General Bonded Debt Interest	91,643	99,178	99,582	82,135	83,864	92,775	87,041	97,230	91,114	91,755
Loans	215	34	7	3	-	-	-	-	-	-
State Public School Building Authority (2)	29,953	33,805	49,062	49,058	49,058	49,060	42,522	49,056	71,346	69,052
Total Debt Service Expenditures (3)	<u>\$ 157,116</u>	<u>\$ 193,987</u>	<u>\$ 211,990</u>	<u>\$ 199,256</u>	<u>\$ 201,397</u>	<u>\$ 205,003</u>	<u>\$ 158,853</u>	<u>\$ 251,664</u>	<u>\$ 266,233</u>	<u>\$ 262,040</u>
Total General Expenditures Excluding Categorical/NonMajor	<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>	<u>\$ 2,539,028</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical/NonMajor	<u>6.92</u>	<u>8.15</u>	<u>8.41</u>	<u>8.27</u>	<u>8.16</u>	<u>7.77</u>	<u>6.61</u>	<u>9.63</u>	<u>10.43</u>	<u>10.32</u>
Total General Expenditures (3) (4)	<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>	<u>\$ 2,893,097</u>
Ratio of Debt Service to Total General Expenditures	<u>5.76</u>	<u>6.87</u>	<u>7.13</u>	<u>6.92</u>	<u>6.60</u>	<u>6.29</u>	<u>5.57</u>	<u>8.18</u>	<u>9.27</u>	<u>9.06</u>

Notes:

- (1) Restated prior year principal payments for QZABs previously defeased in-substance. See prior period adjustment note.
- (2) Includes both principal and interest payments-fixed and variable interest payments.
- (3) Does not include bond issuance costs, defeasement costs, or authority obligation program expenses.
- (4) 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 2006 through 2015

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)
2006	1,489	\$ 31,598	\$ 47,039,779	6.2 %	\$ 617.1	\$ 49,384	\$ 11,904	\$ 23,376	\$ 18,504
2007	1,493	33,429	49,919,928	6.1	619.2	50,759	11,615	26,609	18,150
2008	1,500	36,469	54,693,288	7.1	630.6	53,045	12,175	28,306	16,719
2009	1,515	36,182	54,804,068	9.7	652.9	54,224	12,206	31,624	16,673
2010	1,529	37,374	57,127,349	10.6	644.1	55,047	12,276	34,669	11,504
2011	1,539	38,862	59,820,786	10.7	646.3	56,062	12,347	35,594	15,244
2012	1,550	40,063	62,113,984	10.9	655.9	56,320	12,337	32,267	12,311
2013	1,556	41,109	63,967,770	10.4	656.5	56,816	12,416	33,453	11,901
2014	1,560	42,617	66,495,223	8.0	639.2	137,404	99,942	31,925	9,108
2015	N/A	N/A	69,155,032 (7)	5.9 (8)	691.0 (8)	136,341	99,118	40,241	10,766

Notes:

- (1) Data for calendar years 2006 through 2014 obtained from Bureau of Economic Analysis.
- (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis-updated November 19, 2015
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated November 2015
- (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 of four percent based on the change between the previous years amount.
- (8) Source: U.S. Bureau of Labor-Labor Force Data By County, not seasonally adjusted latest 14 months (Oct 14 to Nov 15)

N/A = Data Not Available

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

2015 (1)			2006 (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	33,814	4.89	University of Pennsylvania/ University of Pennsylvania Hospitals	40,219	6.52
City of Philadelphia	27,309	3.95	City of Philadelphia	27,978	4.53
Thomas Jefferson University/Thomas Jefferson University Hospitals Inc	19,187	2.78	School District of Philadelphia	24,000	3.89
School District of Philadelphia	16,833	2.44	Temple University/Temple University Hospital, Inc.	13,227	2.14
Children's Hospital of Philadelphia	11,779	1.70	Thomas Jefferson University Hospitals/Thomas Jefferson University	11,438	1.85
Comcast Corporation	11,529	1.67	Children's Hospital of Philadelphia	7,885	1.28
Drexel University	9,785	1.42	Albert Einstein Medical	6,482	1.05
Einstein Healthcare Network	9,000	1.30	Tenet Health System	6,021	0.98
Temple University	8,945	1.29	Urban Outfitters Inc.	6,000	0.97
Wells Fargo	7,300	1.06	Comcast/Spectacor	5,955	0.97
Independence Blue Cross	7,082	1.02	U.S. Airways	5,300	0.86
Allied Barton Security Services	5,750	0.83	Drexel University	5,160	0.84
Aria Health	3,900	0.56	Wachovia	5,000	0.81

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2015, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2015; (c) and Philadelphia Business Journal The List dated August 1, 2015 page 108-111 Employers Ranked By Number of Local Employees.
- (2) Philadelphia Business Journal The List dated July 21, 2006 page 141 Philadelphia county private-sector employers (Ranked by number of county employees).
- (3) Based on annual 2006 and 2015 (Nov 15) 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 2006 through 2015

	2006	2007	PROFESSIONAL/NON-PROFESSIONAL EMPLOYEES as of June 15th (1)							2014	2015	Percentage Change 2006 - 2015
Instruction:												
<i>Classroom Teachers</i>												
Operating	9,509	8,884	8,648	8,696	8,561	8,313	7,591	7,571	7,100	6,808		(28.4) %
Grants	1,438	1,612	1,640	1,681	2,720	2,900	1,954	1,927	1,247	1,396		(2.9)
<i>Total Classroom Teachers</i>	10,947	10,496	10,288	10,377	11,281	11,213	9,545	9,498	8,347	8,204		(25.1)
<i>Non-Teaching</i>												
Assistant (Asst.) Teachers	239	241	245	294	278	258	232	226	101	1		(99.6)
Classroom Assistants	663	672	658	639	693	779	782	1,218	1,415	1,263		90.5
Counselor/Librarians	84	88	69	40	86	13	85	74	5	11		(86.9)
Psychologists/Therapists	37	38	36	32	38	41	36	40	35	35		(5.4)
Supportive Service Assistant	1,471	1,197	1,156	1,206	1,252	1,422	1,111	1,100	550	646		(56.1)
Other Paraprofessionals	172	152	146	100	97	102	164	175	100	85		(50.6)
<i>Total Non-Teaching</i>	2,666	2,388	2,310	2,311	2,444	2,615	2,410	2,833	2,206	2,041		(23.4)
Total Instruction	13,613	12,884	12,598	12,688	13,725	13,828	11,955	12,331	10,553	10,245		(24.7)
Classroom Support:												
<i>In-school Instruction Leadership & Support</i>												
Principals/Assistant Principals	515	510	478	475	465	479	445	419	289	308		(40.2)
Department Heads/Program Mgrs. & Coord.	35	31	34	35	35	33	1	2	1	1		(97.1)
Secretarial	540	497	495	487	472	453	346	333	237	234		(56.7)
Other Clerical	80	83	3	6	2	5	1	1	-	-		(100.0)
<i>Total In-school Instruction Leadership & Support</i>	1,170	1,121	1,010	1,003	974	970	793	755	527	543		(53.6)
<i>Professional Development & Training</i>												
Director	3	2	3	4	8	5	-	-	-	-		(100.0)
Non-Teaching Professionals	431	350	325	333	240	246	124	111	89	97		(77.5)
Secretarial	5	4	4	1	1	1	-	-	-	-		(100.0)
<i>Total Professional Development & Training</i>	439	356	332	338	249	252	124	111	89	97		(77.9)
<i>Student Support Services</i>												
Other Technical Staff	27	31	26	27	36	49	1	1	1	1		(96.3)
Non-professional supervisory	113	107	94	92	90	76	5	5	-	-		(100.0)
Counselor/Librarians	347	327	338	344	471	469	379	290	216	233		(32.9)
Psychologists/Therapists	106	102	97	100	96	113	108	110	111	109		2.8
Other Paraprofessionals	198	194	146	449	536	537	320	243	147	127		(35.9)
Bus Drivers/Attendants	1,125	1,127	1,084	1,047	1,072	1,053	1,044	908	841	702		(37.6)
Health Providers	310	326	317	325	331	325	221	220	201	212		(31.6)
Food Service	890	931	810	820	868	854	764	772	762	777		(12.7)
Other (includes Noon Time Aides)	1,431	1,400	1,429	1,498	1,574	1,608	1,288	1,339	1,365	1,289		(9.9)
<i>Total Student Support Services</i>	4,547	4,545	4,341	4,702	5,074	5,084	4,130	3,888	3,644	3,450		(24.1)
<i>Basic Building Services</i>												
Non-Teaching Assistants	311	248	196	187	161	120	48	18	-	-		(100.0)
Maintenance	428	410	416	376	365	368	342	315	285	272		(36.4)
Custodial	1,663	1,583	1,508	1,453	1,415	1,409	1,228	1,119	1,029	1,009		(39.3)
Warehouse/Distribution	34	28	21	27	29	27	23	22	19	147		332.4
Security	489	540	540	592	594	592	401	399	397	338		(30.9)
<i>Total Basic Building Services</i>	2,925	2,809	2,681	2,635	2,564	2,516	2,042	1,873	1,730	1,766		(39.6)
Total Classroom Support	9,081	8,831	8,364	8,678	8,861	8,822	7,089	6,627	5,990	5,856		(35.5)
Administrative Support												
Executive Management	33	28	26	32	37	46	-	-	-	-		(100.0)
Regional Superintendent	12	12	8	12	11	6	-	-	-	-		(100.0)
Management/Administrative	-	-	-	-	-	-	642	666	645	649		101.1
Directors	69	70	64	78	82	91	-	1	1	2		(97.1)
Asst. Directors/Admin Asst.	61	55	46	25	54	56	-	-	-	-		(100.0)
Prog. & Mgmt. Supervisors	178	147	154	167	185	164	4	6	5	3		(98.3)
Mgmt. Level Technicians	114	152	157	143	147	171	6	8	4	-		(100.0)
Other Technical Staff	398	288	273	316	362	335	15	11	11	19		(95.2)
Non-Professional Supervisory	116	111	90	107	106	103	-	2	1	12		(89.7)
Secretarial	151	141	102	109	101	97	65	63	53	47		(68.9)
Other Clerical	182	158	226	230	238	224	154	131	69	-		(100.0)
Other (2)	1	-	-	-	-	-	-	-	-	-		(100.0)
Total Administrative Support	1,315	1,162	1,146	1,219	1,323	1,293	886	888	789	732		(44.3)
Total School District	24,009	22,877	22,108	22,585	23,909	23,943	19,930	19,846	17,332	16,833		(29.9)
Add: Municipal Services (3)	92	93	82	86	75	26	4	-	-	-		(100.0)
Total School District Wide	24,101	22,970	22,190	22,671	23,984	23,969	19,934	19,846	17,332	16,833		(30.2) %

Notes:

- (1) Data represents the School District's active employees, for each fiscal year, in the School District's payroll system as of June 15th.
- (2) Represents positions that could not be identified to a specific function during 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.- FY2006

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia.- FY2007 through FY2015

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2006 through 2015

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
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
2015	131,921	1,865,015	14,137	1.61	2,827,469	21,433	1.64	100.0	44.6	46.0	8,204	16.1

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 2006 through 2015

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 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Number of Schools (1)										
Elementary	177	178	175	175	175	170	168	162	55	55
Elementary/Middle	-	-	-	-	-	-	-	-	93	93
Middle	32	30	31	30	28	26	23	23	17	17
Special	17	21	21	21	22	21	23	22	18	19
High (7)	30	31	30	32	32	32	27	25	22	25
Vocational/Technical	9	9	9	9	8	8	8	8	8	8
Total Public Schools	265	269	266	267	265	257	249	240	213	217
Charter Schools (2)	54	56	61	63	67	67	67	67	67	66
Renaissance Schools (2)	N/A	N/A	N/A	N/A	N/A	7	13	17	20	20
Alternative Schools (5)	13	15	16	17	27	32	26	26	26	25
Cyber Charter Schools (6)	11	11	11	11	11	11	13	15	15	13
Brick & Mortar Charter Schools (6)	7	9	9	9	9	4	6	5	6	7
Total Schools	350	360	363	367	379	378	374	370	347	348
School Enrollment (2)										
Elementary	99,157	97,429	93,387	93,618	93,476	90,620	90,411	88,398	32,813	32,665
Elementary/Middle	-	-	-	-	-	-	-	-	52,551	52,923
Middle	22,455	19,380	18,724	14,834	14,848	12,914	11,700	10,349	9,481	8,747
Special (4)	8,829	9,208	9,762	10,979	11,590	11,499	12,671	12,902	12,321	12,196
High (3) (7)	35,861	35,329	32,505	31,113	29,714	27,949	22,163	19,735	20,521	19,599
Vocational/Technical	8,961	8,351	8,230	7,136	6,792	6,594	6,062	5,545	4,234	3,791
Total Public Schools	175,263	169,697	162,608	157,680	156,420	149,576	143,007	136,929	131,921	129,921
Charter Schools (2)	26,938	28,220	30,326	32,637	34,019	36,190	38,148	42,813	45,726	48,771
Renaissance Schools (2)	-	-	-	-	-	4,293	9,314	12,930	15,236	15,530
Alternative Schools (5)	5,790	4,399	4,703	4,568	4,239	4,906	3,812	4,165	3,186	3,478
Cyber Charter Schools (6)	1,220	1,880	2,180	2,616	2,935	3,627	4,787	5,961	6,752	6,584
Brick & Mortar Charter Schools (6)	248	250	223	205	188	191	164	152	175	240
Total	209,459	204,446	200,040	197,706	197,801	198,783	199,232	202,950	202,996	204,524
Number of Public High School Graduates (1)	10,132	9,694	9,570	9,515	10,285	10,235	9,416	9,429	8,374	6,876
Number of Charter High School Graduates (4)	1,424	1,651	1,928	1,996	2,115	2,513	3,220	2,744	3,242	3,572
Total of High School Graduates	11,556	11,345	11,498	11,511	12,400	12,748	12,636	12,173	11,616	10,448

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data for FY 2006 through FY 2008. Office of Strategic Analytics (OSA) provided FY 2014 and FY 2015 number of schools and enrollment data. OSA also updated the number of high school graduates for FY2009 through FY2013.
- (2) 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 2015.
- (3) Beginning in Fiscal Year 2008, the School District revised the reporting requirements for Educational Opportunities Program (EOP) which include four high schools and alternative education programs. The Educational Opportunities Program is for students who attend designated high schools after core hours, formally called Twi-light schools. The Educational Opportunities Program is for students who attend designated high schools after core hours, formally called Twi-light schools.
- (4) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2006 through 2008. School District of Philadelphia, Office of Strategic Analytics for Fiscal Year 2009 to Fiscal Year 2015.
- (5) 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.
- (6) 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.
- (7) Beginning in Fiscal Year 2015, three new schools were added, The Workshop, The U School and The LINC .

N/A = Data Not Available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 2006 through 2015

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			
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	55,225
2011	44,038	66,372	87,428	4.30%	60,760	55,586
2012	45,359	71,561	90,051	7.82%	61,934	55,522
2013	45,359	71,459	90,051	-0.14%	62,994	56,065
2014	45,359	70,653	90,051	-1.13%	63,701	56,610
2015	45,359	69,652	90,051	-1.42%	64,717 (E1)	57,379 (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 2007 represent averages for school year 2007/08, 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 1.59 percent increase over 2013-14
- (E2) =Estimated a 1.36 percent increase over 2013-14

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year (Years) 2014-2015

Schools	# of Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (10)(12)	Percentage of Capacity Used
Elementary	47	42 yrs to 126 yrs	3,129,380	27,606	88.0 %
Elementary/Primary Education Center (PEC)	6	6 yrs to 86 yrs	294,866	3,200	114.1
Elementary/Little School Houses	8	14 yrs to 84 yrs	386,087	3,977	101.6
Elementary With Annexes	6	5 yrs to 108 yrs	235,608	2,623	102.4
ElementaryMiddle	80	7 yrs to 117 yrs	6,241,118	54,335	82.8
ElementaryMiddle with LSH	13	14 yrs to 105 yrs	598,003	5,824	81.3
ElementaryMiddle with Annex Different Location	4	78 yrs to 109 yrs	184,800	1,709	60.5
ElementaryMiddle and Alternative High Schools	1	78 yrs	94,000	894	40.9
Middle	10	10 yrs to 91 yrs	1,331,832	11,109	56.3
Middle High	1	10 yrs to 91 yrs	232,815	1,512	36.9
Special (Elementary) With Annexes	2	55 yrs and 100 yrs	69,364	616	39.4
Special (Middle) With Annexes	4	43 yrs and 89 yrs	243,151	1,755	48.6
High	20	3 yr to 103 yrs	4,069,437	26,878	64.3
High/Alternative (2)	3	57 yrs and 89 yrs	897,049	6,500	34.6
High (3)	2	98 yrs	207,864	1,923	49.6
Special	14	18 yrs to 121 yrs	1,765,919	12,887	73.1
Special/Elementary (5)	2	82 yrs and 101 yrs	188,460	1,422	118.6
Special/Middle (6)	1	62 yrs	168,259	1,126	43.3
Special (7)	1	91 yrs	120,000	1,202	45.3
Special/Charter (8)	1	46 yrs	190,000	1,512	42.9
Vocational	5	39 yrs to 86 yrs	930,914	4,397	62.7
Alternative-include six different schools/programs	2	10 yrs and 52 yrs	220,265	950	52.3
Alternative	3	47 yrs to 106 yrs	106,696	976	53.1
Charter (9)	4	43 yrs to 94 yrs	488,604	3,314	90.8
Renaissance (4)	18	6 yrs to 107 yrs	2,242,013	18,372	77.6
Two Renaissance School (4) with LSH/Annex Leased	4	16 yrs to 85 yrs	170,204	1,988	64.3
Other					
Early Childhood Centers (10) (Community Centers)	10	N/A	287,945	N/A	
Closed/Vacant Property (11)					
Without Enrollment	28	44 yrs to 114 yrs	3,115,046	19,407	
Administration					
Administration	2	47 yrs and 88 yrs	843,610		
Transportation					
Administration Garages	5	N/A	175,133		
Repair Garages	1	N/A	10,663		
Athletics					
Fields	11	9 yrs to 75 yrs	147,227		
Pools	3	37 yrs to 46 yrs	43,968		
NA	2		137,023		

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) Special Middle Schools, 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.

