

Document Accessibility

If you have a disability and the format of any material on our web pages interferes with your ability to access the information or you have a question regarding the School District's website accessibility, please contact us via any of the following means for assistance:

The School District of Philadelphia
Office of Family and Community Engagement
440 N. Broad Street, Suite 114
Philadelphia, PA 19130-4015
Email: ask@philasd.org
Tel: (215) 400-4000
Fax: (215) 400-4181

To help us respond in a manner most helpful to you, please indicate the nature of the accessibility problem, the web address of the requested material, your preferred format in which you want to receive the material (electronic format (ASCII, etc.), standard print, large print, etc.), and your contact information (name, email, telephone, and physical mailing address).

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PHILADELPHIA

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2016



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, 2016



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 the entries submitted for the 2016 Annual Accounting Cover Design Contest. The theme for this year is "The Olympics", in recognition of the Summer 2016 Olympic Games held in Rio de Janeiro, Brazil and the upcoming 2018 Winter Olympics to be held in PyeongChang, Korea. The Olympic Games are held every four years, with the Summer and Winter Games alternating by occurring every four years but two years apart. Their creation was inspired by the ancient Olympic Games, which were held in Olympia, Greece, from the 8th century BC to the 4th century AD. The 2016 Summer Olympics, officially known as the Games of the XXXI Olympiad and commonly known as Rio 2016, was a major international multi-sport event. This contest theme provided a unique opportunity for students to challenge their intellect, imagination, creativity, express their ideas, research, experiences and influences to visually express the types of sports included in the Olympic Games, the international unity and specter of the games, the USA athletes, athletes from other countries or a stand out athlete that the student admires. The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Calder Burke J.R. Masterman School Grade 6	Mr. Peter Koller
2 nd Prize Back Cover	Kymble Clark Central High School Grade 11	Ms. Andrea Keefe
3 rd Prize Divider: 1 st	Stephanie Dang Academy at Palumbo Grade 11	Ms. Alison Marzuoli
	Christina Nguyen Woodrow Wilson Middle School Grade 7	Mrs. Kimberly Colasante
2 nd	Xinyi Dong Woodrow Wilson Middle School Grade 8	Mrs. Janis Hill
	Aulona Noka Academy at Palumbo Grade 11	Ms. Alison Marzuoli
3 rd	David Wijaya Furness High School Grade 11	Ms. Meredith McDonald
	Ryo Lindsey J.R. Masterman School Grade 8	Mr. Peter Koller

Ms. Deborah Klose, Director of Arts Education
Office of Arts and Academic Enrichment





SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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, 2016
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

SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
TABLE OF CONTENTS

III. <u>STATISTICAL SECTION</u>	<u>Page</u>
Statistical Section	117
Financial Trends:	
Table 1 Net Position by Component For the Fiscal Years 2007 through 2016	118
Table 2 Expenses, Program Revenues, and Net (Expense)/Revenue For the Fiscal Years 2007 through 2016	119
Table 3 Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position For the Fiscal Years 2007 through 2016	120
Table 4 Fund Balances of Governmental Funds For the Fiscal Years 2007 through 2016	121
Table 5 Governmental Funds Revenues For the Fiscal Years 2007 through 2016	122
Table 6 Governmental Funds Expenditures and Debt Service Ratio For the Fiscal Years 2007 through 2016	123
Table 7 Other Financing Sources and (Uses) and Net Change in Fund Balance Governmental Funds For the Fiscal Years 2007 through 2016	124
Revenue Capacity:	
Table 8 Governmental Funds Revenue By Own-Sources For the Fiscal Years 2007 through 2016	125
Table 9 Assessed and Estimated Actual Market Value of Taxable Property For the Calendar Years 2007 through 2016	126
Table 10 Property Tax Rates – All Direct and Overlapping Governments For the Calendar Years 2007 through 2016	127
Table 11 Principal Property Taxpayers Current Calendar Year and Nine Years Ago	128
Table 12 Real Estate Tax Levies and Collections For the Years 2007 through 2016	129
Debt Capacity:	
Table 13 Ratios of Outstanding Debt by Type For the Fiscal Years 2007 through 2016	130
Table 14 Ratios of Net General Bonded Debt Outstanding For the Fiscal Years 2007 through 2016	131
Table 15 Direct and Overlapping Governmental Activities Debt As of June 30, 2016	132
Table 16 Legal Debt Margin Information For the Fiscal Years 2007 through 2016	133
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 2007 through 2016	134
Demographic and Economic Information	
Table 18 Demographic and Economic Statistics For the Calendar Years 2007 through 2016	135
Table 19 Principal Employers Current Calendar Year and Nine Years Ago	136
Operating Information	
Table 20 School District Employees by Function For the Fiscal Years 2007 through 2016	137
Table 21 Operating Statistics For the Fiscal Years 2007 through 2016	138
Table 22 Miscellaneous Statistics For the Fiscal Years 2007 through 2016	139
Table 23 Teacher Base Salaries For the Calendar Years 2007 through 2016	140
Table 24 Capital Asset Information For the School Year 2015-2016	141

THIS PAGE INTENTIONALLY LEFT BLANK

THE SCHOOL DISTRICT OF PHILADELPHIA OFFICE OF THE SUPERINTENDENT

440 NORTH BROAD STREET, SUITE 301
PHILADELPHIA, PENNSYLVANIA 19130

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

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

February 15, 2017

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, 2016. 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") perform 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 unmodified opinions that the School District's financial statements, for the Fiscal Year ended June 30, 2016, 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 over 16,900 full time employees as of June 2016 and the ninth 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 11.7% of the Commonwealth's 1.7 million public school students. Total enrollment in the School District managed schools has declined over the past decade while charter school enrollment significantly increased. Enrollment for the School District for the 2015-2016 school year was 204,217 students including 69,990 attending charter schools and 2,736 in alternative education programs/schools. The enrollment for the School District for 2016-2017 as of December 2016 was 204,594 students including 70,553 attending charter schools and 4,236 in alternative education.

During Fiscal Year 2016 there were 217 schools that the School District operated, as well as 28 alternative education programs/schools and 83 charter schools managed by other entities within the city and that serve Philadelphia's children. In Fiscal Year 2016, 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 2016 organizational structure for the School District includes 55 elementary schools; 93 elementary/middle schools; 16 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 and 2016. In Fiscal Year 2016, 5 schools and 3 other properties were sold for proceeds of \$6.9 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 and have become an increasing strategic priority to expand. The School District provides limited summer school programs, in addition to pre-school 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 are assigned to one of nine geographically dispersed Neighborhood Networks and an additional four specialization Networks to include Autonomy, Turnaround, Innovation and Opportunity.

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, 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, 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. During the Fiscal Year 2016 reporting period, the Superintendent was Dr. William R. Hite, Jr. and the Executive Sponsor of Finance was Fran Burns until the new Chief Financial Officer, Uri Z. Monson, began in February 2016.

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 assignment 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 are part of the Strategic Action Plan v3.0 updated in March 2015. The Four Anchor Goals and their status are shown below (school information excludes charter schools and is based upon school year 2014-15 data):

Anchor Goal 1 – 100% of students will graduate, ready for college and career (5 Year Target of 80% graduation rate);

Graduation Rate – 65%

Students who attended college after graduating – 55%

High School students with SAT/ACT scores that meet college ready standards – 13%

Restored funding so that all 9th, 10th and 11th graders can take the PSAT’s, a leading indicator of college and career preparedness

Anchor Goal 2 – 100% of 8 year olds will read on grade level (5 Year Target 66% on grade level at age 8);

K-2 reading on grade level – 44%

Grade level 3 proficient or advanced PSSA standardized test – 33%

Anchor Goal 3 – 100% of schools will have great principals and teachers (5 Year Target – engaged and supported principals and teachers with strong instructional skills);

Percentage of formal observations completed for teachers – 87%

Percentage of formal observations completed for principals – 97%

Anchor Goal 4 – the School District will have 100% of the funding we need for great schools and zero deficit.

\$88 million budgetary operating fund balance Fiscal Year 2015

\$131.2 million budgetary operating fund balance Fiscal Year 2016

Projected positive operating fund balance fiscal years’ 2017 and 2018 and deficit Fiscal Year 2019 and beyond

All actions in Fiscal Year 2016 directly supported the attainment of one or more of the Four Anchor Goals. For the 2015-2016 School Year the District focused on core concerns of literacy, college and career readiness and talent/workforce development and continued fiscal stability.

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 and participation in the solutions for the future direction for K-12 education in Philadelphia. All District schools are now required to have a School Advisory Council (SAC) which is a collaboration of stakeholders from within the schools (principal, teacher, students), parents and the community.

A positive Fiscal Year 2015 ending fund balance coupled with increased State and Local funding allowed the District to make investments in school performance improvement with a focus on initiatives that lead to improved educational outcomes for all students regardless of demographics and location. The City provided \$70 million in new local funding consisting of real estate, use and occupancy and parking revenue increases. Additionally, the State increased the District’s Basic Education Subsidy funding by \$40 million from Fiscal Year 2015 to Fiscal Year 2016; however, the delay in passing a Fiscal Year 2016 State budget resulted in slowed spending and increased debt service short-term borrowing and interest rates.

Major initiatives for Fiscal Year 2016 included the following:

Literacy:

- New textbooks and curriculum materials (\$36 million investment).
- Additional Children’s literacy initiatives including increased Reading and Early Literacy Specialists.
- Summer reading backpack with 10 books provided to all Pre-K through 2nd grade students to reduce summer slide.

College and Career Readiness:

- IT refresh where every high school and two-thirds of elementary schools received one new computer lab, a number of schools received Chromebooks, and all Pre-K to 12 teachers, school nurses and secretaries received a new laptop/desktop.
- Increased summer school opportunities.
- One-time investment of \$7.8 million for additional supplies and educational materials for every school.

Talent/Workforce Investment:

- Reduced span of control and number of schools covered for Assistant Superintendent’s to allow more frequent and focused support to schools.

- One-on-one coaches and support tools for principals in observing, recording and delivering high quality, evidenced based feedback to teachers.
- Hired recruiters who specialize in high-needs schools.

Financial Stability and Infrastructure:

- Through both revenue increases and expenditure savings, along with a modest operating fund balance carryforward, the School District ended Fiscal Year 2016 with a positive operating fund balance.
- Identified revenue enhancement and cost savings initiatives/opportunities to offset a projected structural deficit in future years as fixed and mandated expenditure growth is expected to outpace revenue growth.
- Establishment of a Healthcare Internal Service Fund for transparency and better financial planning/analyses for a major budget component.
- Investment in hydration stations for schools for environmentally safe water supplies.

Budget Structure

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 “original” or adopted budget was passed on June 30th of the preceding fiscal year (e.g., June 30, 2015). The “amended” or final budget was passed on May 26th of the current fiscal year (e.g. May 26, 2016). 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 (CIP) require the authorization and approval of the School Reform Commission on a project by project basis. The CIP is a set of projects that construct, replace and/or modernize District facilities to offset the effects of age and use that has occurred in the school buildings and to improve the educational environment for our students. The CIP identified over \$981.9 million in facility needs through Fiscal Years 2016 - 2021 to improve major infrastructure systems and buildings. On May 26, 2016, the School District adopted its 2017 Capital Budget and six-year capital improvement program for Fiscal Years 2017-2022 which identified \$1.128 billion in facility needs. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprised of HVAC, structural, roofs, windows and doors, electrical systems, site improvements, security equipment and ongoing condition assessment. The School District also amended its Capital Budget for Fiscal Year 2016 on May 26, 2016 to total approximately \$71.7 million.

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; Cigarette Tax; and the Use & Occupancy Tax. These taxes represent about 42% of the Fiscal Year 2016 overall revenues. The City and the School District have successfully focused attention on improving the collections of all taxes and expanding revenue sources.

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

The School District currently spends approximately 3% of its budget on administrative costs (excluding re-funding costs) and approximately 97% of its budget on capital financing and other items directly benefiting the schools. Of the 97%, approximately three-quarters is spent on education and other support services and one-quarter is spent on capital financing and operating support costs directly benefiting schools. The biggest cost drivers are mandatory or contractual in nature and include personnel and related healthcare benefit and pension costs, charter school costs, and debt service costs.

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:

Although there were modest operating fund balances for the past two fiscal years (less than 3 weeks of operating revenues), expenditures outpace revenue growth rates by about two times resulting in an outlook of structural deficits beginning in Fiscal Year 2019. The primary driver of the current fiscal year's increase in fund balance was the absence of new labor agreements with certain bargaining units. The District continues its practice of striving for structural fiscal balance while executing our Strategic Action Plan v.3.0 initiatives and focusing on equity and educational outcomes within a system of great schools. 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 need to take extreme measures over the past several years and make significant program sacrifices to remain fiscally sound.

The School District's longer term finances continue to pose challenges as we proceed into the 2016-2017 School Year and fulfill 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, sustainable changes to structures and programs implemented and adequate yearly funding be obtained to provide a quality education to match the student demographics which make up our enrollment. Currently, more than 80% of the District's students are from economically disadvantaged families, over 10% are English Language Learners and over 20,000 are receiving special education services.

In Fiscal Year 2017 and beyond, expenditures are expected to increase faster than revenues due to increases in charter payments and pension, healthcare, and transportation costs. As a result, the District must work to secure permanent revenue streams that keep pace with expenditure growth. Working with its funders, the District focused on emphasizing the need for permanent revenue streams in Fiscal Year 2016 and will continue its efforts in this regard into the future. There was progress made in changes to the State Basic Education funding formula beginning in the School Year 2016-2017 based on factors including the wealth of a District, the district's current tax effort and the ability of the district to raise taxes. Even with this new formula, there continues to be a need for reforms in this area particularly as it relates to poor urban school districts and charter school funding. In addition, the State authorized the permanent City sales and use tax increase which was effective July 1, 2014. Legislation was also enacted in July 2016 providing for the establishment of a \$58 million floor for the School District Cigarette Tax and the elimination of the 2019 sunset provision. Over the District's Fiscal Year 2017 – Fiscal Year 2021 Five Year Plan, this represents additional revenues of more than \$100 million. The State also enacted the Rideshare Bill anticipated to bring \$2 million annually in revenues to the District from 2017 through 2019.

The District sought creative ways to reduce expenditures and increase local tax revenues into the future. Bonds were refunded in both Fiscal Year 2016 and Fiscal Year 2017 which reduced interest expense on outstanding debt for both years and for the next 20 years for an estimated Net Present Value of savings totaling \$94 million. In addition, the District in October 2016 initiated a three-year pilot program to identify city properties whose assessed value is at least \$1 million under-valued and file formal appeals for these properties. The District receives about 27% of its general fund revenues from local property taxes.

The District has taken and will continue to take the necessary steps to build the financial 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 contracts which fairly compensate employees while providing for 21st century learning environments; 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 five years following the 2010 Census, the City's population grew by an additional 2.56% to 1.57 million residents which exceeded the rate projected by the Philadelphia Planning Commission. Contributing to the population growth is the increase in the number of millennials remaining in Philadelphia (born between 1980 and 2000). However, this creates a potential future challenge in Philadelphia's ability to retain young families due to the perceived state of the public schools. Philadelphia continues to experience unemployment at a rate higher than the national average. Employment gains in the latter part of 2013 and in 2014 and 2015 have resulted in a decline in Philadelphia's unemployment rate. The annual 2015 unemployment rate was 6.9% compared with an average of 8.1% for 2014. Philadelphia's poverty rate is 26%, the highest of the nation's ten largest cities.

Although facing challenges such as underfunded pension liabilities, high rates of poverty, low projected General Fund balances over the next five fiscal years 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 five-county metropolitan area with approximately six million residents making it the Country's fifth largest by population and is both the largest city in the Commonwealth and the only city of the first class. 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. After nearly ten years of house price deflation and sluggish recovery, 2015 proved to be the best year for Philadelphia housing since the recession. Total vacancy rates for office space remained strong at 9.4% in 2015 compared with an average of 12.1% in selected office markets across the nation.

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 4.2 million room nights were sold in Center City in 2015, a 1.0% increase over 2014. 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 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 in November 2014, the City's second casino license was awarded.

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 had the sixth largest higher education sector among major U.S. cities in 2015. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force.

Accounting Pronouncements: Effective for Fiscal Year 2016, the School District has implemented one new Government Accounting Standards Board (GASB) Statements, GASB No. 72. GASB's Statements No. 73 and No. 75 were considered but found not to be applicable.

GASB 72, Fair Market Measurement and Application, addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were reflected in the preparation of the School District's financial statements for Fiscal Year 2016.

Long-term Debt: As of June 30, 2016, the School District's outstanding principal amount of general obligation bonds and lease rental indebtedness was \$3.0 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.

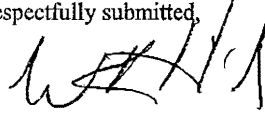
Awards and Acknowledgements

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 2015. 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 2015. 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 2016.

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,

A handwritten signature in black ink, appearing to read 'W. R. Hite, Jr.', with a stylized flourish at the end.

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

A handwritten signature in black ink, appearing to read 'Uri Z. Monson', with a long horizontal line extending to the right.

Uri Z. Monson
Chief Financial Officer
The School District of Philadelphia



Government Finance Officers Association

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

Presented to

**School District of Philadelphia
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting Award
is presented to

The School District of Philadelphia

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.

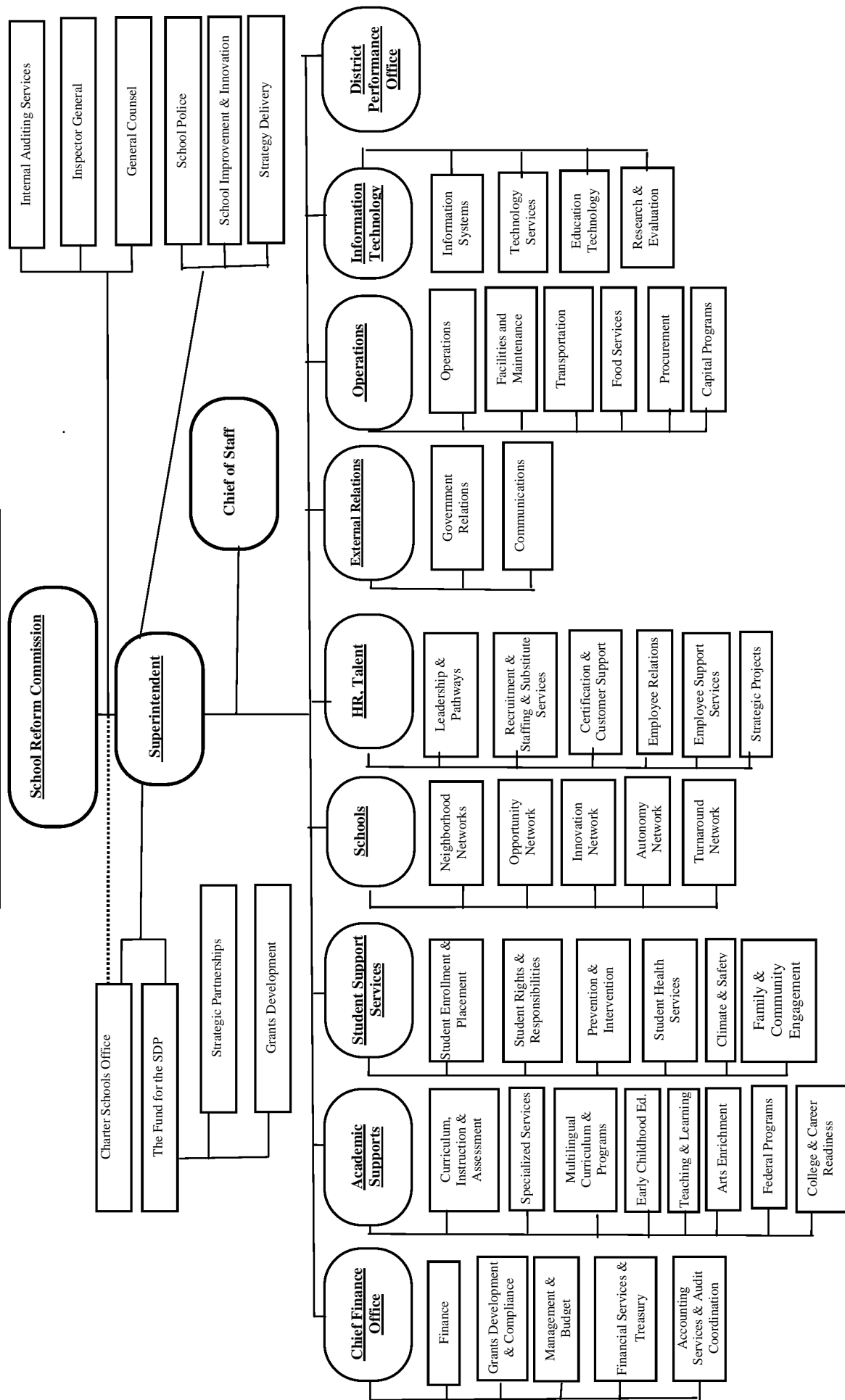
The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Brenda R. Burkett, CPA, CGMA, SPQ
President

John D. Mussel, CAE, RBB
Executive Director

SCHOOL DISTRICT OF PHILADELPHIA



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2016

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

Naomi Wyatt
Chief of Staff

Michael A. Davis
General Counsel

Louis Bellardine
Chief Talent Officer

Uri Z. Monson
Chief Financial Officer

Karyn T. Lynch
Chief of Student Services

Cheryl Logan
Chief of Academic Supports

Melanie S. Harris
Chief Information Officer

Frances Burns
Chief Operating Officer

Kevin Geary
Chief of External Relations

THIS PAGE INTENTIONALLY LEFT BLANK







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

CHRISTY BRADY
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, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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, 2016, 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 - Changes in Accounting Principle

As discussed in Note 4.A.(6) to the financial statements, in 2016 the School District adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which addresses the accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes, which represents a change in accounting principle. Additionally, as discussed in Note 4.N., the School District reclassified its Print Shop from an Internal Service Fund to an Enterprise Fund, and established a new Healthcare Internal Service Fund, which represents a change in accounting principle. As of July 1, 2015, the School District's net position was restated to reflect the impact of those changes. 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2016 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, 2016, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2016, 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, 2016.


We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the School District's basic financial statements as of and for the year ended June 30, 2015 (not presented herein), and have issued our report thereon dated February 17, 2016, 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 2015 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic

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

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 2015 financial statements. The 2015 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2015 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 2015 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2015.

Other Information

The other information, including 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 it.



Christy Brady, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 15, 2017

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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.

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, 2016. 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 fifteen 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 2016 include, but are not limited to, the following:

- Total revenues were \$3.1 billion. About half 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 40% of the District's revenues are from the collection of local taxes and local non-tax sources. The remaining, 10%, is subsidies and grants awarded and appropriated by the Federal government.

- Total expenses were \$2.9 billion. Approximately 96% of all expenses were incurred for instructional services, direct student-related costs and expenses and services directly benefitting students and schools such as transportation, utilities and debt service for school renovations and construction. A significant portion of expenses 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 (\$4,639.1) million resulting from an excess of liabilities and deferred inflows over assets and deferred outflows. The 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 which for Fiscal Year 2016 was (\$3,038.6) million and is a major factor impacting the total net deficit. 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 liabilities impacting this balance. Other liabilities impacting the net deficit 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 2016 ending Operating Fund balance is \$237.8 million. Of the total \$237.8 million fund balance for the Operating Fund at June 30, 2016, \$69.9 million is non-spendable or encumbered for existing purchase commitments and \$36.7 million is restricted for future debt service payments, leaving an ending operating fund balance of \$131.2 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 \$142.9 million from the School District to pay obligations for the next fiscal year.

Financial results for Fiscal Year 2016, compared to Fiscal Year 2015, are the result of several factors and events; the most significant include, but are not limited to:

- Total revenues increased by \$52.6 million compared to Fiscal Year 2015. Local revenue increases of \$2.9 million were generated mostly from Real Estate Tax collections, Use and Occupancy Taxes, and the Liquor and Cigarette Taxes. State grants and subsidies increased by \$82.7 million primarily due to increases in the basic education appropriation, pension plan and special education program and transportation reimbursements offset by the non-payment of the Fiscal Year 2016 debt service reimbursement. There was a \$33.0 million decrease in federal grants and subsidies revenues primarily due to a decrease in revenues from Title I and Title II of \$20.9 million and \$8.5 million, respectively. This decrease is due to the timing of receiving and spending the federal awards. Timing variances can occur from year to year between these grants because each award has a two-year contract period.
- Total expenses increased by \$13.5 million compared to Fiscal Year 2015. This increase was caused by increases in expenses of \$48.2 million primarily in instruction and benefits in Fiscal Year 2015 which were not in Fiscal Year 2016; offset by decreases in expenses of \$34.7 million primarily in student support services, operation and maintenance of plant services and food services.

- 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 net change in the debt service fund balance was a \$19.0 million increase from Fiscal Year 2015 to Fiscal Year 2016. This change resulted from: 1) expenditure decreases of \$6.4 million primarily from bond interest payments decreasing offset by administrative expenditure increases, 2) revenue increases of \$7.2 million primarily from a refund of prior year expenditures for redeemed bonds that were reinstated, and 3) other financing sources for refunding increasing by \$5.4 million.
- The Operating Fund balance of \$237.8 million as of June 30, 2016 reflects a \$108.7 million increase from the Fiscal Year 2015 balance. This balance, which includes \$68.8 million of encumbrances for the General and Intermediate Funds, \$1.0 million of General Fund inventories, and \$36.7 million for future debt payments, is primarily the result of several factors: 1) higher local and state revenues as described above, 2) savings in personnel and benefit costs due to no new labor contracts for the teachers and principals, 3) facilities management support costs savings from utilities and other cost saving measures; offset by 4) increases in expenditures for instructional services and 5) increases in special education 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 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 focus 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 which assets the School District owns, the amount of debt that 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 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 focus. 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 provides the reader with insight as to how the School District performed financially in Fiscal Year 2016. These two statements report the School District's net position and any changes in net position which are shown on Table 1 and Table 2 below. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the fiscal year as compared to the prior fiscal year.

Net Position

Table 1 provides a summary of the School District's net position as of June 30, 2016 and reflects GASB Statement No. 68 & GASB Statement No. 71. It also reflects a restatement from Fiscal Year 2015 for a change in the calculation of the "Net Investment in Capital Assets," (Refer to Note 4N), and a change in the classification of the Print Shop to an Enterprise Fund from an Internal Service Fund. 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, 2016
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 749.6	\$ 603.6	\$ 20.9	\$ 13.2	\$ 770.5	\$ 616.8
Capital Assets	1,703.9	1,727.8	2.1	1.7	1,706.0	1,729.5
Total Assets	2,453.5	2,331.4	23.0	14.9	2,476.5	2,346.3
Deferred Outflows of Resources						
Deferred Refunding Charges - Loss	117.5	130.8	0.0	0.0	117.5	130.8
Deferred Pension Contributions	213.5	177.5	3.2	2.7	216.7	180.2
Total Deferred Outflows	331.0	308.3	3.2	2.7	334.2	311.0
Liabilities						
Long-Term Liabilities	3,595.0	3,728.0	2.8	5.4	3,597.8	3,733.4
Other Liabilities	355.5	232.2	5.8	5.4	361.3	237.6
Net Pension Liability	2,993.3	2,936.0	45.3	44.4	3,038.6	2,980.4
Total Liabilities	6,943.8	6,896.2	53.9	55.2	6,997.7	6,951.4
Deferred Inflows of Resources						
Deferred Pension - Earnings/Proportions/Contributions	445.4	544.7	6.7	8.2	452.1	552.9
Deferred Refunding Charges - Gain	0.0	0.2	0.0	0.0	0.0	0.2
Total Deferred Inflows	445.4	544.9	6.7	8.2	452.1	553.1
Net Position						
Net Investment in Capital Assets	(585.0)	(569.9)	2.1	1.7	(582.9)	(568.2)
Restricted	158.1	139.4	0.0	0.0	158.1	139.4
Unrestricted (Deficit)	(4,177.8)	(4,370.9)	(36.5)	(47.5)	(4,214.3)	(4,418.4)
Total Net Position (Deficit)	\$ (4,604.7)	\$ (\$4,801.4)	\$ (\$34.4)	\$ (\$45.8)	\$ (4,639.1)	\$ (4,847.2)

For the Fiscal Year ended June 30, 2016, the School District's total net position was (\$4,639.1) million. This negative net position amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$4,214.3) million is unrestricted. This balance also reflects an increase of \$208.1 million from Fiscal Year ended June 30, 2015, as restated for the reclassification of the Print Shop from an internal service fund to an enterprise fund and the change in the calculation of the Net Investment in Capital Assets. This increase is the result of the following: 1) A net increase in assets and deferred outflows of resources of \$153.4 million, which includes an increase in cash and cash equivalents, pooled cash and investments, and restricted assets of \$148.9 million; 2) a decrease in deferred inflows of resources of \$101.0 million of deferred pension earnings/proportions/contributions, offset by; 3) an increase in liabilities of \$46.3 million, comprised of increases in accounts payable, overpaid taxes, accrued salaries and benefits, unearned revenues and net pension liability of \$193.0, offset by increases in bond related debt, derivative instrument-SWAP liability and other liabilities of \$146.7 million.

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

Changes in Net Position

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

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 reflects the reclassification of the Print Shop as an Enterprise Fund (Refer to Note 4N).

Changes in Net Position
Fiscal Year Ended June 30, 2016
(Dollars in Millions)
Table 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 8.5	\$ 10.7	\$ 0.7	\$ 1.0	\$ 9.2	\$ 11.7
Operating Grants & Contributions	857.5	826.2	86.7	85.8	944.2	912.0
Capital Grants & Contributions	1.3	0.1	-	-	1.3	0.1
General Revenues						
Property Taxes	669.4	683.5	-	-	669.4	683.5
Other Taxes	424.5	404.9	-	-	424.5	404.9
Grants & Contributions Not Restricted	128.5	123.3	-	-	128.5	123.3
State & Federal Subsidies Not Restricted	942.2	925.8	-	-	942.2	925.8
Contributed Capital	-	-	0.4	-	0.4	-
Gain on Sale of Capital Assets	2.0	3.8	-	-	2.0	3.8
Reimbursement of Insurance Deposits	1.0	-	-	-	1.0	-
Investment Revenue	8.7	13.7	-	-	8.7	13.7
Total Revenues	3,043.6	2,992.0	87.8	86.8	3,131.4	3,078.8
Expenses						
Instruction	2,155.0	2,146.4	0.0	0.8	2,155.0	2,147.2
Student Support Services	174.8	184.4	-	0.2	174.8	184.6
Administrative Support & Other	121.5	88.3	-	0.1	121.5	88.4
Interest on Long Term Debt	144.4	145.6	-	0.1	144.4	145.7
Pupil Transportation	81.9	80.5	-	-	81.9	80.5
Operation & Maintenance	169.1	181.6	-	-	169.1	181.6
Early Childhood Education	0.2	0.1	-	-	0.2	0.1
Food Service/Print Shop	-	-	76.4	81.7	76.4	81.7
Total Expenses	2,846.9	2,826.9	76.4	82.9	2,923.3	2,909.8
Excess before Transfers	196.7	165.1	11.4	3.9	208.1	169.0
Transfers	-	(0.2)	-	0.2	-	-
Increase in Net Position	196.70	164.90	11.40	4.10	208.10	169.00
Net (Deficit) - Beginning	(4,801.4)	(4,968.3)	(45.8)	(48.4)	(4,847.2)	(5,016.7)
Prior Period Adjustment/Restatement	-	2.0	-	(1.5)	-	0.5
Net (Deficit) - Ending	\$ (4,604.7)	\$ (4,801.4)	\$ (34.4)	\$ (45.8)	\$ (4,639.1)	\$ (4,847.2)

The ending Fiscal Year 2016 Net Position represents a (\$4,639.1) million, a positive \$208.1 million change from the restated Fiscal Year 2015 Net Position of (\$4,847.2) million. The Fiscal Year 2016 Net Position is comprised of: 1) revenues of \$3.1 billion with \$0.9 billion of program revenues and \$2.2 billion of general revenues, 2) \$2.9 billion of expenses mostly comprised of instruction related costs, and 3) a prior period restatement of \$0.1 million. Table 3 below provides the revenue sources in more detail and Table 4 below provides the expenses by major cost category.

Major Sources of Revenues

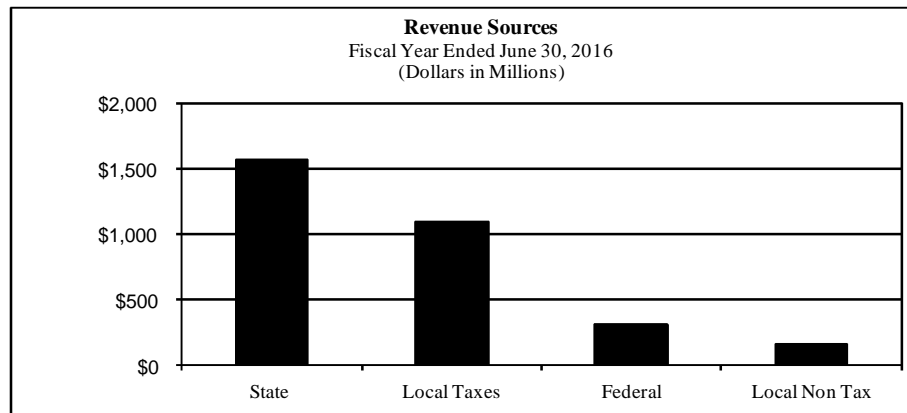
The School District's overall revenues are derived primarily from three sources: (i) state grants and subsidies; (ii) local taxes and non-tax revenues; and (iii) federal grants and subsidies. The largest component of state subsidies is the basic education funding allocation which the School District 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 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.

Revenue by Source and Type
Fiscal Year Ended June 30, 2016
(Dollars in Millions)
Table 3

Revenue Source	Program Revenues		General Revenues		Total	
	2016	2015	2016	2015	2016	2015
Taxes	\$ -	\$ -	\$ 1,093.9	\$ 1,088.4	\$ 1,093.9	\$ 1,088.4
Locally Generated NonTax	19.2	21.6	140.6	140.8	159.8	162.4
State and Federal Grants and Subsidies	935.5	902.2	942.2	925.8	1,877.7	1,828.0
Total Revenue	<u>\$ 954.7</u>	<u>\$ 923.8</u>	<u>\$ 2,176.7</u>	<u>\$ 2,155.0</u>	<u>\$ 3,131.4</u>	<u>\$ 3,078.8</u>

The following bar graph illustrates the School District's major sources of revenues for all revenue sources for Fiscal Year 2016:



As previously illustrated in Table 2, most of the School District's revenues are considered to be general as opposed to program related. Table 3, provides further detail on the School District's sources of revenues. Total revenues for all funds of \$3,131.4 million can be found on page 35 in the Statement of Activities. Total revenues for Governmental Funds of \$3,064.5 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.

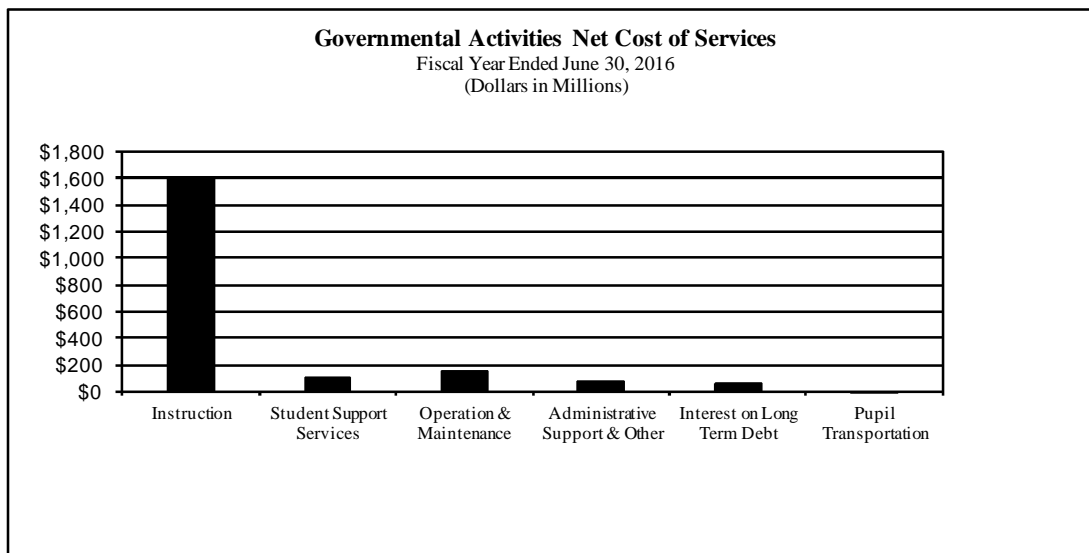
Cost of Services by Major Functional Expense Category

Table 4 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 (surplus), offset by program revenues, of each general activity. The major functional expense categories are titled: Instruction, Student Support Services, Operation and

Maintenance, Administrative Support and Other, Interest on Long Term Debt, Pupil Transportation, Food Service/Print Shop and Early Childhood Education.

**Cost of Services by
Major Functional Expense Category**
Fiscal Year Ended June 30, 2016
(Dollars in Millions)
Table 4

Functional Expense	2016		2015	
	Gross Cost of Services	Net Cost of Services	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,155.0	\$ 1,612.3	\$ 2,147.2	\$ 1,631.4
Student Support Services	174.8	102.4	184.6	117.4
Operation & Maintenance	169.1	145.1	181.6	158.4
Administrative Support & Other	121.5	75.7	88.4	46.2
Interest on Long Term Debt	144.4	55.2	145.7	49.1
Pupil Transportation	81.9	(11.1)	80.5	(11.3)
Food Service / Print Shop	76.4	(10.9)	81.7	(4.4)
Early Childhood Education	0.2	-	0.1	-
Total Expenses	<u>\$ 2,923.3</u>	<u>\$ 1,968.7</u>	<u>\$ 2,909.8</u>	<u>\$ 1,986.8</u>



V. MAJOR FUND HIGHLIGHTS

While the School District maintains and accounts for a number of funds, six of these funds are considered major funds. These funds are the General Fund, Intermediate Unit Fund, Categorical Funds, Debt Service Fund, Capital Projects Fund and Food Service 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 \$92.4 million on June 30, 2016. For Fiscal Year 2016, there was an excess of revenues over expenditures of \$583.5 million, \$1.9 million of capital asset proceeds, (\$496.6) million of net other financing uses and (\$0.2) million of a change in inventory reserves which together resulted in an \$88.6 million positive impact to the ending fund balance.

Intermediate Unit Fund

The Intermediate Unit Fund is used to account for state appropriations for special education and non-public school programs as well as certain administrative costs. Programs include Autistic Support, Blind or Visually Impaired Support, Deaf or Hearing Impaired Support, Emotional Support, Learning Support and Multiple Disabilities Support while related administrative costs include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2016, the Intermediate Unit Fund had a \$1.2 million net increase in fund balance which resulted in an ending fund balance of \$2.5 million at June 30, 2016. Revenues increased by \$13.1 million primarily due to an increase in the retirement PSERS reimbursement. Expenses increased by \$6.9 million primarily due to increased costs for benefits and contracted professional services.

Categorical Funds

Categorical Funds are used to account for specific purpose federal, state, city or private grants to cover the costs of dedicated programs and special initiatives. Categorical Funds had a \$1.8 million net decrease in fund balance which resulted in a negative \$6.2 million fund balance at June 30, 2016. The reason for the decrease in fund balance was an increase of \$1.8 million in receivables over 90 days past due that were not recorded as revenues in Fiscal Year 2016 under GASB Statement No. 33 guidelines. As of June 30, 2016, there were \$6.2 million still outstanding from grantors and recorded as unavailable revenues, 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 2016, the Debt Service Fund reflects an \$19.0 million net increase in fund balance to \$142.8 million as of June 30, 2016. The majority of the increase was due to money set aside for mandatory sinking fund payments of \$9.7 million, \$6.8 million of restoration for prior year expenditures related to the reinstatement of bonds redeemed in error and \$1.9 million for basis swap revenues.

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 2016, new building construction totaled \$10.7 million, capital alterations and improvements and environmental management totaled \$74.3 million, major renovations and equipment acquisitions totaled \$3.5 million. Revenues of \$3.2 million and refunding and capital asset sales of \$1.8 million funded some of the capital expenditures. The fund balance decreased by \$83.5 million to a Fiscal Year 2016 Capital Fund Balance of \$10.5 million.

Internal Service Fund

The Internal Service Fund is used to account for the Healthcare Self Insurance Fund. This fund was established in Fiscal Year 2016 for self-insurance medical, vision and prescription service costs (excluding Health & Welfare payments to unions) for transparency and to allow better visibility and analyses by type of medical coverage due to these costs being a major cost factor of the District's expenses. At June 30, 2016, the Healthcare Self Insurance Internal Service Fund had a total net position balance of (\$1.7) million, which included a transfer of \$9.5 million of restricted self-insurance funds for claim expenditures from the General Fund to fund incurred claim expenditures that have not yet been billed to the District.

Enterprise Funds

The Enterprise Funds are used to account for the operations of the Food Service Division and the Print Shop. In Fiscal Year 2016 the Print Shop was reclassified as a Non-Major Enterprise Fund from an Internal Service Fund, while the Food Service Fund remains a Major Fund. The Enterprise Funds had a total net deficit balance of (\$34.4) million at the end of Fiscal Year 2016 with (\$32.9) million for the Food Service Fund. This reflects an \$11.4 million increase from the previous fiscal year, all related to the Food Service Fund, for expense reductions and a decrease in the pension expense recognized.

The financial performance and position of each of the previously discussed major and non-major 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 Funds, and are summarized in Table 5 and Table 6 that immediately follows:

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

Fiscal Year Ended June 30, 2016

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2016	Fiscal Year 2015
General	\$ 88.8	\$ 100.7
Intermediate Unit	1.2	0.6
Categorical	(1.8)	(0.4)
Debt Service	19.0	6.6
Capital Projects	(83.5)	17.8
Food Service	11.4	4.1
Non-Major Enterprise	-	-
Non-Major Governmental	-	-
Total Change in Fund Balance/Net Position	<u>\$ 35.1</u>	<u>\$ 129.4</u>

Total Fund Balances for Major and Non-Major Funds

As of June 30, 2016

(Dollars in Millions)

Table 6

Fund	Fiscal Year	Fiscal Year
	2016	2015
General	\$ 92.4	\$ 3.8
Intermediate Unit	2.5	1.4
Categorical	(6.2)	(4.4)
Debt Service	142.9	123.9
Capital Projects	10.5	94.1
Food Service	11.4	(44.4)
Non-Major Enterprise	-	1.5
Non-Major Governmental	6.3	6.3
Total Fund Balance/Net Position	\$ 259.8	\$ 182.2

VI. BUDGETING HIGHLIGHTS

The Operating Budget is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2016 ending Operating Fund Balance of a positive \$237.8 million compares to a positive \$129.1 million reported for Fiscal Year 2015. Of the total \$237.8 million fund balance for the Operating Fund at June 30, 2016, \$69.9 million is encumbered for existing purchase commitments or inventory, and \$36.7 million is restricted for future QZAB and QSCB debt service principal payments, leaving a fund balance of positive \$131.2 million. The following are the classifications of the Operating Fund balances: 1) in the General Fund, a positive \$25.1 million unassigned, \$66.3 million of encumbrances assigned and, \$1.0 million of non-spendable fund balance for inventories, 2) in the Intermediate Unit Fund, a positive \$2.5 of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, a positive \$142.9 million is considered restricted for future debt service payments. The Fiscal Year 2016 available fund balance of \$131.2 million represents a \$43.2 million increase from the reported Fiscal Year 2015 available Operating Fund balance of \$88.0 million.

On June 30, 2015, the SRC adopted the Fiscal Year 2016 Operating Budget of \$2,659.2 million in revenue and other sources and \$2,684.0 million in obligations and other uses. On May 26, 2016 the SRC amended the Fiscal Year 2016 Operating Budget of \$3,083.9 million in revenues and other financing sources and obligations and other financing uses of \$3,037.5 million (which included approximately \$350 million in refunding sources and uses). Both the adopted and amended Fiscal Year 2016 Operating Budget SRC resolutions reflect other financing sources and uses net of transfers between the General Fund, Intermediate Unit Fund and Debt Service Fund. The Fiscal Year 2016 \$131.2 million ending operating fund balance available for future operations is an increase of \$13.3 million from the amended budget ending fund balance of \$117.9 million. The main reason for this improvement was a \$21.7 million budget surplus in obligations and uses offset by an (\$8.4) budget deficit in revenue and other sources. The favorable obligations variance was driven primarily by savings from unrealized labor agreements and lower debt service variable interest payments. The revenue deficit was driven primarily by lower local tax revenues and Fiscal Year 2016 State school construction and health services funding that are now projected to be received in Fiscal Year 2017. These revenue deficits were partially offset by increases in State retirement reimbursements and other revenues.

General Fund Budget

For Fiscal Year 2016, the final budgeted General Fund revenue was \$61.1 million higher than the original Fiscal Year 2016 budget adopted in June 2015. This resulted primarily from a \$14.6 million increase in local tax revenues and a \$47.5 million increase in State revenue. This was offset by local non tax revenues which decreased by \$1.0 million.

The anticipated obligations in the final General Fund budget represented an increase of \$14.8 million over the original adopted budget. This increase resulted from the following changes in budgets: a net \$20.5 million increase in Materials, Supplies, Books & Equipment and other areas offset by a \$5.2 million decrease in benefits and a \$0.5 million decrease in salaries.

The anticipated Other Financing Sources/ (Uses) in the final General Fund budget were \$20.1 million favorable over the original adopted budget. This is due to a \$18.3 million reduction in uses (driven primarily by a \$14.7 million reduction in the General Fund to Debt Service transfer and a \$3.6 million reduction in transfer to the special revenue fund) and a \$1.9 million increase in sources due to an increase in budgeted sale of property.

The actual ending General Fund balance at June 30, 2016 of a positive \$92.4 million was \$78.7 million favorable compared to the final budget ending balance of a positive \$13.7 million. Actual General Fund revenues of \$2,587.7 million are \$8.8 million lower than those estimated in the final General Fund budget of \$2,596.5 million. Actual General Fund obligations totaling \$2,051.5 million were \$14.5 million lower than estimated in the final budget of \$2,066.0 million. Other financing sources/(uses) of (\$495.4) million were \$5.7 million favorable compared to the final budget and \$67.3 million of fund balance is not available for appropriation (made up of the \$19.5 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 \$47.8 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, 2016

(Dollars in Millions)

Table 7

	Budget		Variance vs	
	Original	Final	Actual	Final Budget
Total Revenues	\$ 2,535.4	\$ 2,596.5	\$ 2,587.7	\$ (8.8)
Total Obligations	2,051.1	2,066.0	2,051.5	14.5
Total Other Financing Sources/(Uses)	(521.3)	(501.1)	(495.4)	5.7
Net Change in Fund Balance	(37.0)	29.4	40.8	11.4
Fund Balance Beginning of Year	(102.1)	(15.7)	3.8	19.5
Change in Reserves	-	-	47.8	47.8
Fund Balance End of Year	<u>\$ (139.1)</u>	<u>\$ 13.7</u>	<u>\$ 92.4</u>	<u>\$ 78.7</u>

During Fiscal Year 2016, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$8.8 million unfavorable variance due to a \$7.5 million unfavorable variance in Local Tax revenues, a \$3.5 million unfavorable variance in State revenues, offset by a \$2.2 million favorable variance in Local Non-Tax revenues.
- Obligations were \$14.5 million less than budgeted primarily due to a \$10.3 million favorable variance in Instruction, a \$9.5 million favorable variance in Total Administrative Support, offset by a \$5.3 million unfavorable variance in All Other Support Services, Pupil Transportation and other functions.
- Other Financing Sources/ (Uses) were \$5.7 million favorable from the final budget. This is driven primarily by a favorable \$2.5 million reduction in the General Fund to Debt Service transfer, a \$12.4 million favorable variance in the General Fund to IU transfer, a favorable \$0.6 million reduction in transfer to the special revenue fund offset by a \$9.8 million unfavorable variance in transfers to internal service and enterprise funds.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2016, the School District had \$3,447.7 million invested in capital assets. Over the years, these assets have depreciated by \$1,741.7 million leaving a carrying value of \$1,706.0 million. This represents a decrease of \$23.6 million over the Fiscal Year 2015 ending balance. Table 8 represents Net Capital Assets. Refer to Note 4C, page 67 for additional information.

Net Capital Assets
As of June 30, 2016
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 129.4	\$ 130.2	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,460.9	1,524.6	-	-
Personal Property	54.6	52.4	2.1	1.7
Construction In Progress	59.0	20.7	-	-
Total Net Book Value	<u>\$ 1,703.9</u>	<u>\$ 1,727.9</u>	<u>\$ 2.1</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.

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 (S&P), Moody's Investors Service (Moody's) and Fitch

IBCA (Fitch). The School District when issuing bonds, thereafter, has relied on the enhanced security that the State Intercept Program provides.

Due to the Fiscal Year 2016 State budget impasse, on December 11, 2015, Standard & Poor's 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 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.

The State intercept ratings for Fiscal Year 2016 were Baa1 with a negative outlook from Moody's and A+ with a negative outlook from Fitch. Moody's and Fitch provide underlying ratings for the School District which were Ba3 and BB-, respectively, both with negative outlooks. Standard & Poor's does not provide an underlying rating for the School District.

On August 15, 2016, as a result of the passage of Act 85, Moody's upgraded the Pennsylvania School District Enhancement Programs to A2 from Baa1. On October 7, 2016, both Moody's and Fitch revised the outlook to stable from negative citing improved fiscal management and stability at the District. As a result, the School District's outstanding 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, (ii) an enhanced rating from Moody's of A2 and a Moody's underlying rating of Ba3, and (iii) an enhanced rating from Fitch of A+ and a Fitch underlying rating of BB-.

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, 2016

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Total Bonded Debt	\$ 3,101.8	\$ 3,223.8	\$ -	\$ -
Employee Related Obligations	3,326.2	3,268.6	48.1	47.3
Due to Other Governments	45.3	45.3	-	-
Other	115.0	126.2	-	2.7
Total Long-Term Obligations Outstanding	<u>\$ 6,588.3</u>	<u>\$ 6,663.9</u>	<u>\$ 48.1</u>	<u>\$ 50.0</u>

The Total Long-term Obligations Outstanding for governmental activities decreased by \$75.6 million. This includes a decrease in bonded debt of \$122.0 million with a corresponding increase in employee obligations of \$57.6 million. All other long-term obligations increased by \$11.2 million. Refer to Note 4D (2), pages 69-75 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District ended Fiscal Year 2016 with a positive operating fund balance of \$237.8 million as defined and in accordance with GASB 54. GASB 54 requires reporting to reflect expendable and non-expendable categories and amounts which are considered restricted, committed, assigned or unassigned. The \$237.8 million includes \$69.8 million of encumbrances (including \$37 million of curriculum obligations) and inventories for the General and Intermediate Unit Funds and \$36.7 million in funds assigned to future long-term Debt Service payments. The ending budgetary operating fund balance is a positive \$131.2 million after accounting for those items. In Fiscal Year 2016, this represents an \$13.3 million surplus over the Fiscal Year 2016 Amended Budget. The main reason for this improvement was a \$21.7 million budget surplus in obligations and uses offset by an (\$8.4) budget deficit in revenue and other sources. The favorable obligations variance was driven primarily by savings from unrealized labor agreements and lower debt service variable interest payments. The revenue deficit was due to lower local tax revenues and delayed Fiscal Year 2016 State school construction and health services funding partially offset by increases in State retirement reimbursements and other revenues.

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), 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 2016, these new reporting requirements resulted in a cumulative \$3.0 billion net pension liability to the net position on the government-wide statements and a \$44.0 million and \$1.3 million net pension liability to the food service fund and print shop fund enterprise funds statements, respectively. Reporting on the governmental fund statement is not affected.

As of the end of the first quarter of Fiscal Year 2017, the School District projected a positive \$122.3 million fiscal year ending June 30, 2017 budgetary operating fund balance. The projected Fiscal Year 2017 operating fund budget was achieved primarily through a projected beginning fund balance at the time of \$130.9 million, a projected Operating surplus of \$1.1 million, and projected changes in reserves of negative (\$9.7) million.

The District is not yet in a position to formulate a Fiscal Year 2018 ending fund balance estimate based on these results.

Major Factors Driving Costs

A major cost driver that has affected the School District's spending was Federal regulations requiring school choice options. As part of these options, students in underperforming schools must be given the option to transfer to another public school that is not underperforming. As part of school choice options, the School District, in 2016, supported 83 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 with approximately 35% of the General Fund budget (\$713.7 million) going to charters in Fiscal Year 2016. A recent Pennsylvania Supreme Court Decision stated that the School Reform Commission was not able to suspend certain provisions of the Pennsylvania School Code to include caps on enrollment numbers of charter schools unless contractually agreed to by both parties. Although this has not had a financial impact in Fiscal Year 2016, future impacts of this decision cannot be determined.

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, portions 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 \$723.1 million representing a \$1.1 million increase over the prior fiscal year. Fiscal Year 2016 was the fifth 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 due to increases in Charter School costs driven by increased enrollments and per pupil costs and decreases in State Reimbursement.

Federal regulations also mandate that all teachers of core academic subjects must be considered "highly qualified". 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 2015, 96.3% of the teachers in the School District were considered highly qualified, and 99.3% were considered fully certified. Due to recruitment and retention strategies, ongoing professional development, and staffing process improvements, the percentage of highly certified teachers of core academic subjects remained at 99.3% in Fiscal Year 2016. The percentage of highly qualified teachers slightly decreased to 95.1% in Fiscal Year 2016.

The District has experienced a rising cost of personnel benefits, which is a major cost driver. Retirement benefits are State mandated expenditures of \$228.2 million (net expenditures of \$63.7 million with State reimbursement portion) in Fiscal Year 2016 and the required employer contribution rates have been growing drastically (a 21.9% increase from Fiscal Year 2015 to 2016) in recent years, causing a further drain on District resources. The District's medical, dental and vision costs have also grown significantly in recent years, as a result a growing share of the District revenues are spent on personnel. Self-Insurance related Healthcare costs in Fiscal Year 2016 were about \$171.9 million (excluding Health & Welfare payments to Unions and dental). The District spent \$260.6 million or about 8.9% of its total expenditures on debt service in Fiscal Year 2016. To manage these debt service costs, the District has been effectively managing debt issuances and refinancing bonds.

Climate and Safety

The District has had a strong focus on the climate and safety programs in its schools and has invested resources to ensure a safe and productive learning environment for all students. Federal regulations require 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 3.0% from Fiscal Year 2015 to Fiscal Year 2016. There has been significant focus and much improvement to school safety over the past several years. Much of this improvement has been due to an emphasis on de-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 2016 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 de-escalation, mediation and arrest diversion programs.

Capital Improvement Program

The School District of Philadelphia (SDP) is faced with many diverse challenges as it continues to pursue educational excellence for students throughout the city; one such difficulty is addressing the extensive physical needs of the school facilities. The District's Capital Improvement Program (CIP) is a set of projects that construct, replace and/or modernize District facilities to offset the effects of age and use that has occurred in the school buildings and to improve the educational environment for our students. The current CIP covers \$1.128 billion from Fiscal Years 2017 to 2022 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. The Capital Budget for Fiscal Year 2017 is \$172.7 million, and as of May 2016, will partially fund 57 active construction contracts at 50 locations and also partially fund 46 projects currently in the design phase. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprised of HVAC, structural, roofs, windows & doors, electrical systems, site improvements, security equipment and the ongoing condition assessment.

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 Uri Z. Monson, Chief Financial Officer or Marcy F. Blender, CPA, Comptroller, at 440 North Broad Street, Philadelphia, PA 19130.

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 81	\$ 2,741	\$ 2,822
Cash and Investments with Fiscal Agent	142,850,499	-	142,850,499
Equity In Pooled Cash and Investments	260,266,767	12,297,649	272,564,416
Taxes Receivable (Net)	174,235,798	-	174,235,798
Due from Other Governments	104,771,508	7,787,134	112,558,642
Accounts Receivable (Net)	20,240,902	10,557	20,251,459
Accrued Interest Receivable	849,818	-	849,818
Inventory	1,022,534	846,462	1,868,996
Prepaid Bond Insurance Premium Costs	5,947,775	-	5,947,775
Restricted Assets:			
Cash and Cash Equivalents	26,165,883	-	26,165,883
Cash and Investments with Fiscal Agent	3,518,280	-	3,518,280
Cash and Investments Held by Trustee	238,989	-	238,989
Funds on Deposit	9,500,000	-	9,500,000
Capital Assets:			
Land	129,433,694	-	129,433,694
Buildings and Improvements	2,972,346,432	-	2,972,346,432
Personal Property	216,429,106	16,916,800	233,345,906
Construction in Progress	59,008,502	-	59,008,502
Intangibles	53,528,515	-	53,528,515
Accumulated Depreciation	(1,726,873,084)	(14,808,690)	(1,741,681,774)
Total Assets	2,453,481,999	23,052,653	2,476,534,652
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges - Losses	117,509,599	-	117,509,599
Deferred Pension Contributions	213,507,623	3,230,864	216,738,487
Total Deferred Outflows of Resources	331,017,222	3,230,864	334,248,086
LIABILITIES			
Accounts Payable	117,852,198	4,085,891	121,938,089
Overpayment of Taxes	18,611,588	-	18,611,588
Accrued Salaries and Benefits Payable	83,496,589	1,455,285	84,951,874
Termination Compensation Payable	22,541,450	259,097	22,800,547
Severance Payable	7,165,808	-	7,165,808
Other Liabilities	6,335,763	-	6,335,763
Derivative Instrument - Swap Liability	664,034	-	664,034
Unearned Revenue	62,183,012	-	62,183,012
Due to Other Governments	9,115,763	-	9,115,763
Bond Interest Payable	27,571,195	-	27,571,195
Non-Current Liabilities			
Due within one year	279,812,667	95,712	279,908,379
Due in more than one year	6,308,447,160	48,029,644	6,356,476,804
Total Liabilities	6,943,797,227	53,925,629	6,997,722,856
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension - Earnings/Proportions/Contributions	445,362,112	6,739,355	452,101,467
Deferred Refunding Charges - Gain	30,589	-	30,589
Total Deferred Inflows of Resources	445,392,701	6,739,355	452,132,056
NET POSITION			
Net Investment in Capital Assets	(585,038,976)	2,108,110	(582,930,866)
Restricted for:			
Medical Self-Insurance	9,500,000	-	9,500,000
Debt Service	142,049,432	-	142,049,432
Student Health	3,406,567	-	3,406,567
Scholarships	2,908,688	-	2,908,688
Arbitrage Rebate Payable	308,817	-	308,817
Unrestricted (Deficit)	(4,177,825,235)	(36,489,577)	(4,214,314,812)
Total Net Position (Deficit)	\$ (4,604,690,707)	\$ (34,381,467)	\$ (4,639,072,174)

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, 2016

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities								
Instruction	\$ 2,154,998,723	\$ -	\$ 901,999	\$ 541,842,014	\$ -	\$ (1,612,254,710)	\$ -	\$ (1,612,254,710)
Student Support Services	174,820,442	-	-	72,440,229	-	(102,380,213)	-	(102,380,213)
Administrative Support	102,474,942	-	4,743,634	38,899,877	-	(58,831,431)	-	(58,831,431)
Operation & Maintenance of Plant Services	172,125,371	(3,000,000)	2,836,245	19,957,627	1,260,304	(145,071,195)	-	(145,071,195)
Pupil Transportation	81,860,442	-	-	92,916,372	-	11,055,930	-	11,055,930
All Other Support Services	19,044,086	-	-	2,085,756	-	(16,958,330)	-	(16,958,330)
Early Childhood Education	138,034	-	-	138,034	-	-	-	-
Interest on Long-Term Debt	144,419,352	-	-	89,197,112	-	(55,222,240)	-	(55,222,240)
Total Governmental Activities	2,849,901,392	(3,000,000)	8,481,878	857,497,021	1,260,304	(1,979,662,189)	-	(1,979,662,189)
Business-Type Activities								
Food Service	72,435,850	3,000,000	162,741	86,558,964	-	-	11,285,855	11,285,855
Print Shop	984,203	-	539,435	92,923	-	-	(351,845)	(351,845)
Total Business-Type Activities	73,420,053	3,000,000	702,176	86,651,887	-	-	10,934,010	10,934,010
Total	\$ 2,923,321,445	\$ -	\$ 9,184,054	\$ 944,148,908	\$ 1,260,304	(1,979,662,189)	10,934,010	(1,968,728,179)
General Revenues Gain:								
Property Taxes						669,424,099	-	669,424,099
Use & Occupancy Taxes						137,661,801	-	137,661,801
Liquor Taxes						66,084,779	-	66,084,779
School (Non-Business) Income Taxes						40,945,891	-	40,945,891
Public Utility / PILOT Taxes						1,047,807	-	1,047,807
Cigarette Sales Tax						58,766,316	-	58,766,316
Sales Tax						120,000,000	-	120,000,000
Grants and Contributions Not Restricted to Specific Programs						128,521,612	-	128,521,612
State & Federal Subsidies Not Restricted to Specific Programs						942,152,261	-	942,152,261
Reimbursement of Insurance Deposits						1,008,215	-	1,008,215
Gain on Sale of Capital Assets						2,031,009	33,018	2,064,027
Transfers						(62,384)	62,384	-
Contributed Capital						-	409,969	409,969
Investment Revenue						8,725,194	-	8,725,194
Total General Revenues / Gain/Investment Revenue/Transfers:						2,176,306,600	505,371	2,176,811,971
Change in Net Position						196,644,411	11,439,381	208,083,792
Net Position (Deficit)- As of July 1, 2015						(4,802,883,027)	(44,354,858)	(4,847,237,885)
Prior Period Reconciliation						1,465,990	(1,465,990)	-
Prior Period Adjustments						81,919	-	81,919
Net Position (Deficit)- As of June 30, 2016						\$ (4,604,690,707)	\$ (34,381,467)	\$ (4,639,072,174)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 81	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	192,371,470	16,251,703	37,274,689
Cash and Investments Held by Trustee	-	-	-
Taxes Receivable (Net)	174,235,798	-	-
Due from Other Funds	15,190	-	-
Due from Other Governments	36,876,977	8,454,218	58,623,253
Accounts Receivable (Net)	19,045,802	1,195,100	-
Accrued Interest Receivable	-	-	-
Inventory	1,022,534	-	-
Total Assets	\$ 423,567,852	\$ 25,901,021	\$ 95,897,942
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 66,046,674	\$ 10,314,757	\$ 20,472,237
Overpayment of Taxes	18,611,588	-	-
Accrued Salaries and Benefits Payable	57,394,092	12,745,238	12,885,598
Termination Compensation Payable	22,541,450	-	-
Severance Payable	7,165,808	-	-
Unearned Revenue	-	-	62,183,012
Due to Other Funds	-	-	-
Due to Other Governments	8,467,399	291,269	357,095
Other Liabilities	5,964,089	-	-
Total Liabilities	186,191,100	23,351,264	95,897,942
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	\$ 144,980,321	\$ -	\$ -
Unavailable Grant Revenue	-	-	6,194,874
Total Deferred Inflows of Resources	144,980,321	-	6,194,874
Fund Balances:			
Nonspendable:			
Inventories	1,022,534	-	-
Permanent Fund Principal	-	-	-
Restricted:			
Retirement of Long Term Debt	-	-	-
Mandatory Deposits for Future Debt Payments	-	-	-
Debt Service Interest	-	-	-
Arbitrage Rebate Payable	-	-	-
Trust Purposes	-	-	-
Capital Purposes	-	-	-
Assigned:			
Special Education	-	2,549,757	-
Defeasance	-	-	-
Subsequent Year Expenditures	66,283,857	-	-
Unassigned (Deficit):	25,090,040	-	(6,194,874)
Total Fund Balances (Deficit)	92,396,431	2,549,757	(6,194,874)
Total Liabilities and Fund Balances	\$ 423,567,852	\$ 25,901,021	\$ 95,897,942

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
\$ -	\$ 26,165,883	\$ -	\$ 26,165,964
142,850,499	3,518,280	-	146,368,779
-	1,274,949	6,322,355	253,495,166
-	238,989	-	238,989
-	-	-	174,235,798
-	-	-	15,190
-	817,060	-	104,771,508
-	-	-	20,240,902
849,818	-	-	849,818
-	-	-	1,022,534
<u>\$ 143,700,317</u>	<u>\$ 32,015,161</u>	<u>\$ 6,322,355</u>	<u>\$ 727,404,648</u>
\$ 462,953	\$ 20,548,477	\$ 7,100	\$ 117,852,198
-	-	-	18,611,588
-	471,661	-	83,496,589
-	-	-	22,541,450
-	-	-	7,165,808
-	-	-	62,183,012
15,190	-	-	15,190
-	-	-	9,115,763
371,674	-	-	6,335,763
<u>849,817</u>	<u>21,020,138</u>	<u>7,100</u>	<u>327,317,361</u>
\$ -	\$ -	\$ -	\$ 144,980,321
-	463,150	-	6,658,024
<u>-</u>	<u>463,150</u>	<u>-</u>	<u>151,638,345</u>
-	-	-	1,022,534
-	-	1,365,405	1,365,405
80,628,472	-	-	80,628,472
36,712,114	-	-	36,712,114
24,708,846	-	-	24,708,846
-	308,817	-	308,817
-	-	4,949,850	4,949,850
-	10,223,056	-	10,223,056
-	-	-	2,549,757
801,068	-	-	801,068
-	-	-	66,283,857
-	-	-	18,895,166
<u>142,850,500</u>	<u>10,531,873</u>	<u>6,315,255</u>	<u>248,448,942</u>
<u>\$ 143,700,317</u>	<u>\$ 32,015,161</u>	<u>\$ 6,322,355</u>	<u>\$ 727,404,648</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Position
June 30, 2016

Fund Balances - Total Governmental Funds (page 37)	\$	248,448,942
--	----	-------------

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.		1,703,873,165
--	--	---------------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		151,638,345
--	--	-------------

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.		117,479,010
--	--	-------------

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.		(6,591,927,247)
--	--	-----------------

Derivative instruments, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(664,034)
---	--	-----------

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 net deferred inflows of resources in the governmental funds and are not included in fund balance.		(231,854,489)
--	--	---------------

Internal Service Fund (Self Insurance) Equity in Pooled Cash and Investments & Funds on Deposit are not available for current period, therefore are not reported in the governmental funds.		(1,684,399)
---	--	-------------

Net position (deficit) of governmental activities (page 34)	\$	(4,604,690,707)
---	----	-----------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2016

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 1,120,731,344	\$ -	\$ -
Locally Generated Non Tax	132,871,429	793,190	9,786,867
State Grants and Subsidies	1,322,690,976	120,503,371	107,325,887
Federal Grants and Subsidies	11,386,612	-	225,154,533
Total Revenues	<u>2,587,680,361</u>	<u>121,296,561</u>	<u>342,267,287</u>
EXPENDITURES			
Current:			
Instruction	923,441,473	225,383,486	244,312,812
Student Support Services	26,132,391	105,547,145	57,266,850
Administrative Support	63,927,071	9,655,106	30,806,155
Operation & Maintenance of Plant Services	176,487,448	-	644,769
Pupil Transportation	83,958,525	-	-
All Other Support Services	18,962,162	-	-
Early Childhood Education	-	-	158,034
Payments to Charter Schools	711,273,846	-	11,818,028
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Major Renovations	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>2,004,182,916</u>	<u>340,585,737</u>	<u>345,006,648</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>583,497,445</u>	<u>(219,289,176)</u>	<u>(2,739,361)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers In	689,198	220,461,012	1,661,939
Transfers Out	(497,277,140)	-	(689,198)
Capital Asset Insurance Refunds	-	-	-
Capital Asset Proceeds	1,850,550	-	-
Issuance of Refunding Bonds	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources/(Uses)	<u>(494,737,392)</u>	<u>220,461,012</u>	<u>972,741</u>
Net Change in Fund Balances	88,760,053	1,171,836	(1,766,620)
Fund Balances (Deficit), July 1, 2015	3,819,726	1,377,921	(4,428,254)
Change in Inventory Reserve	(183,348)	-	-
Fund Balances (Deficit), June 30, 2016	<u>\$ 92,396,431</u>	<u>\$ 2,549,757</u>	<u>\$ (6,194,874)</u>

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

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,120,731,344
9,891,412	2,253,903	42,194	155,638,995
-	1,034,417	-	1,551,554,651
-	-	-	236,541,145
<u>9,891,412</u>	<u>3,288,320</u>	<u>42,194</u>	<u>3,064,466,135</u>
-	-	33,489	1,393,171,260
-	-	-	188,946,386
-	-	-	104,388,332
-	-	-	177,132,217
-	-	-	83,958,525
-	-	-	18,962,162
-	-	-	158,034
-	-	-	723,091,874
100,492,513	-	-	100,492,513
81,245,985	-	-	81,245,985
71,381,933	-	-	71,381,933
1,401,534	-	-	1,401,534
6,082,452	-	-	6,082,452
-	10,707,596	-	10,707,596
-	4,134,293	-	4,134,293
-	70,231,686	-	70,231,686
-	2,784,324	-	2,784,324
-	760,983	-	760,983
<u>260,604,417</u>	<u>88,618,882</u>	<u>33,489</u>	<u>3,039,032,089</u>
<u>(250,713,005)</u>	<u>(85,330,562)</u>	<u>8,705</u>	<u>25,434,046</u>
265,591,805	-	-	488,403,954
-	-	-	(497,966,338)
-	1,008,215	-	1,008,215
3,861,431	789,866	-	6,501,847
349,960,000	-	-	349,960,000
(349,730,949)	-	-	(349,730,949)
<u>269,682,287</u>	<u>1,798,081</u>	<u>-</u>	<u>(1,823,271)</u>
18,969,282	(83,532,481)	8,705	23,610,775
123,881,218	94,064,354	6,306,550	225,021,515
-	-	-	(183,348)
<u>\$ 142,850,500</u>	<u>\$ 10,531,873</u>	<u>\$ 6,315,255</u>	<u>\$ 248,448,942</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, 2016

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)	\$ 23,610,775
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.	(13,808,358)
Non capitalized purchases that exceed capital outlays.	(4,191,815)
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.	(5,983,125)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(17,130,917)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.	117,082,513
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.	82,952,737
The change in net position of the Internal Service Fund is reported with the governmental activities.	14,112,601
Change in net position of governmental activities (page 35)	<u>\$ 196,644,411</u>

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

School District of Philadelphia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Fund			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Healthcare Self Insurance
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,741	\$ -	\$ 2,741	\$ -
Equity in Pooled Cash and Investments	12,250,406	47,243	12,297,649	6,771,601
Due From Other Governments	7,765,638	21,496	7,787,134	-
Other Receivables	-	10,557	10,557	-
Funds On Deposit	-	-	-	9,500,000
Inventories	814,656	31,806	846,462	-
Total Current Assets	<u>20,833,441</u>	<u>111,102</u>	<u>20,944,543</u>	<u>16,271,601</u>
Noncurrent Assets:				
Machinery & Equipment	16,299,815	616,985	16,916,800	-
Accumulated Depreciation	<u>(14,217,288)</u>	<u>(591,402)</u>	<u>(14,808,690)</u>	<u>-</u>
Total Noncurrent Assets	<u>2,082,527</u>	<u>25,583</u>	<u>2,108,110</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Pension Contributions	<u>3,136,136</u>	<u>94,728</u>	<u>3,230,864</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>3,136,136</u>	<u>94,728</u>	<u>3,230,864</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	<u>\$ 26,052,104</u>	<u>\$ 231,413</u>	<u>\$ 26,283,517</u>	<u>\$ 16,271,601</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 4,071,787	\$ 14,104	\$ 4,085,891	\$ -
Accrued Salaries and Benefits Payable	1,408,081	47,204	1,455,285	-
Termination Compensation Payable	227,508	31,589	259,097	-
Incurred But Not Reported Claims	-	-	-	17,956,000
Total Current Liabilities	<u>5,707,376</u>	<u>92,897</u>	<u>5,800,273</u>	<u>17,956,000</u>
Noncurrent Liabilities:				
Termination Compensation Payable	1,960,824	78,858	2,039,682	-
Severance Payable	789,891	-	789,891	-
Net Pension Liability	<u>43,967,729</u>	<u>1,328,054</u>	<u>45,295,783</u>	<u>-</u>
Total Noncurrent Liabilities	<u>46,718,444</u>	<u>1,406,912</u>	<u>48,125,356</u>	<u>-</u>
Total Liabilities	<u>52,425,820</u>	<u>1,499,809</u>	<u>53,925,629</u>	<u>17,956,000</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Pension	<u>6,541,761</u>	<u>197,594</u>	<u>6,739,355</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>6,541,761</u>	<u>197,594</u>	<u>6,739,355</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	2,082,527	25,583	2,108,110	-
Restricted for Healthcare Claims	-	-	-	9,500,000
Unrestricted (Deficit)	<u>(34,998,004)</u>	<u>(1,491,573)</u>	<u>(36,489,577)</u>	<u>(11,184,399)</u>
Total Net Position (Deficit)	<u>(32,915,477)</u>	<u>(1,465,990)</u>	<u>(34,381,467)</u>	<u>(1,684,399)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 26,052,104</u>	<u>\$ 231,413</u>	<u>\$ 26,283,517</u>	<u>\$ 16,271,601</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Healthcare Self Insurance
Operating Revenues:				
Food Service Revenue	\$ 162,741	\$ -	\$ 162,741	\$ -
Sale of Printing Services	-	539,435	539,435	-
Contributions for Services	-	-	-	176,487,566
Total Operating Revenues	<u>162,741</u>	<u>539,435</u>	<u>702,176</u>	<u>176,487,566</u>
Operating Expenses:				
Salaries	17,178,937	400,139	17,579,076	-
Employee Benefits	12,597,734	246,553	12,844,287	-
Other Purchased Service - Food	42,302,165	-	42,302,165	-
Benefit Payments	-	-	-	171,624,965
Depreciation	334,815	7,595	342,410	-
Other Operating Expenses	3,022,199	329,916	3,352,115	250,000
Total Operating Expenses	<u>75,435,850</u>	<u>984,203</u>	<u>76,420,053</u>	<u>171,874,965</u>
Operating Income/(Loss)	(75,273,109)	(444,768)	(75,717,877)	4,612,601
Non-Operating Revenues/(Expenses):				
Federal and State Grants	86,558,964	92,923	86,651,887	-
Gain on Sale of Capital Assets	33,018	-	33,018	-
Income (loss) Before Contributions and Transfers	<u>11,318,873</u>	<u>(351,845)</u>	<u>10,967,028</u>	<u>4,612,601</u>
Capital Contributions	409,969	-	409,969	-
Transfers In/(Out)	(289,461)	351,845	62,384	9,500,000
Change in Net Position	<u>11,439,381</u>	<u>-</u>	<u>11,439,381</u>	<u>14,112,601</u>
Total Net Position July 1, 2015	(44,354,858)	(1,465,990)	(45,820,848)	-
Total Net Position (Deficit) Restated July 1, 2015	-	-	-	(15,797,000)
Total Net Position (Deficit) June 30, 2016	<u>\$ (32,915,477)</u>	<u>\$ (1,465,990)</u>	<u>\$ (34,381,467)</u>	<u>\$ (1,684,399)</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, 2016

	Enterprise Fund			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Healthcare Self Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Users	\$ 162,741	\$ 612,988	\$ 775,729	\$ 176,487,566
Cash Payments to Employees for Services	(30,238,402)	(680,877)	(30,919,279)	-
Cash Payments to Suppliers for Goods and Services	(36,836,461)	-	(36,836,461)	(250,000)
Cash Payments for Other Operating Expenses	(5,680,407)	(368,153)	(6,048,560)	-
Cash Payments for Claimants	-	-	-	(169,465,965)
Net Cash (Used)/Provided by Operating Activities	<u>(72,592,529)</u>	<u>(436,042)</u>	<u>(73,028,571)</u>	<u>6,771,601</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to/Advances from Other Funds	-	-	-	-
State Sources	7,080,680	71,417	7,152,097	-
Federal Sources	72,990,367	21,506	73,011,873	-
Transfers In/(Out)	(289,461)	351,845	62,384	-
Net Cash Provided by Non-Capital Financing Activities	<u>79,781,586</u>	<u>444,768</u>	<u>80,226,354</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Facilities Acquisition, Construction, Improvements	(298,186)	-	(298,186)	-
Purchase of Equipment	-	(2,565)	(2,565)	-
Net Cash Used by Capital and Related Financing Activities	<u>(298,186)</u>	<u>(2,565)</u>	<u>(300,751)</u>	<u>-</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	6,890,871	6,161	6,897,032	6,771,601
Cash and Cash Equivalents July 1, 2015	5,362,276	41,082	5,403,358	-
Cash and Cash Equivalents June 30, 2016	<u>\$ 12,253,147</u>	<u>\$ 47,243</u>	<u>\$ 12,300,390</u>	<u>\$ 6,771,601</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating (Loss)	\$ (75,273,109)	\$ (444,768)	\$ (75,717,877)	\$ 4,612,601
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	334,815	7,595	342,410	-
Donated Food Commodities	5,053,828	-	5,053,828	-
(Increase) in Due From Other Governments	-	(8,412)	(8,412)	-
(Increase)/Decrease in Inventories	555,810	(4,379)	551,431	-
Decrease in Other Current Assets	-	73,553	73,553	-
(Decrease) in Accounts Payable	(143,933)	(25,446)	(169,379)	-
Increase in Accrued Salaries and Benefits Payable	491,530	13,822	505,352	-
Increase/(Decrease) in Termination Compensation Payable	116,482	(13,403)	103,079	-
(Decrease) in Other Liabilities	(2,658,208)	-	(2,658,208)	-
Increase in Severance Payable	75,897	-	75,897	-
(Increase) in Deferred Pension Contributions	(528,880)	(15,975)	(544,855)	-
Increase in Net Pension Liability	841,331	25,413	866,744	-
(Decrease) in Deferred Pension	(1,458,092)	(44,042)	(1,502,134)	-
Increase in Incurred But Not Reported Claims	-	-	-	2,159,000
Total Adjustments	<u>2,680,580</u>	<u>8,726</u>	<u>2,689,306</u>	<u>2,159,000</u>
Net Cash Used by Operating Activities	<u>\$ (72,592,529)</u>	<u>\$ (436,042)</u>	<u>\$ (73,028,571)</u>	<u>\$ 6,771,601</u>
Non cash items:				
Federal and State Grant revenue not yet received	\$ 7,765,638	\$ 21,496	7,787,134	\$ -
Donated Commodities	5,053,828	-	5,053,828	-

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, 2016

	Private - Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,017,610
Equity in Pooled Cash and Investments	738,223	85,586,081
Investments	200,013	-
Accounts Receivable	133	13,520
Total Assets	<u>938,369</u>	<u>90,617,211</u>
 LIABILITIES		
Payroll Deductions and Withholdings	-	85,348,394
Due to Student Activities	-	5,017,610
Other Liabilities	-	251,207
Total Liabilities	<u>-</u>	<u>90,617,211</u>
 NET POSITION		
Held in Trust for Various Purposes	<u>\$ 938,369</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, 2016

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 360,500
Interest Received	1,832
Total Additions	<u>362,332</u>
DEDUCTIONS	
Scholarships Awarded	330,121
Total Deductions	<u>330,121</u>
Change in Net Position	32,211
Net Position July 1, 2015	906,158
Net Position June 30, 2016	<u><u>\$ 938,369</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

SCHOOL DISTRICT OF PHILADELPHIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2016, 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 ninth largest public educational system in the United States according to student enrollment data. In Fiscal Year 2016, the School District served over 204,200 students, including those in Charter and Alternative Schools, as well as employed over 16,990 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, 2016 included a Superintendent/CEO, Chief of Staff, General Counsel, Chief of School Police, Chief Financial Officer, Chief Academic Supports Officer, Chief Student Support Services Officer, Chief of Schools Officer, Chief of Talent Officer, Chief of School Operations Officer, Chief of Information Technology Officer, Chief of External Relations Officer, District Performance Office, Strategic Partnerships and Grants Development Office, School Improvement and Innovation Office, Strategy Development Office, an Inspector General, an Internal Audit Office, and 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. All other Chiefs and Offices report directly 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. As required by GAAP, 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 operating relationship the IU has with the School District.

B. District-Wide and Fund Financial Statements

GASB Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" 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 as well as certain administrative costs to IU No. 26, a blended component unit of the School District, therefore it does not issue its own financial statements;
 - (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**
 - (i) **Food Service** - used to account for the operation of the Food Service Division; and
 - (ii) **Print Shop** - 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 and third-parties.
 - (b) **Internal Service Fund** – used to account for the self-insured health benefits provided to employees.
- (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, 2016, 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, Intermediate Unit (a blended component unit), Categorical, Debt Service, Capital Projects, and the Food Service 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 Funds (Food Service and 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, Investments and Investments with Fiscal Agents

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 Commonwealth and/or collateralized repurchase agreements.

Certain assets set aside for current and future repayment of debt principal and interest are classified as Cash and Investments with Fiscal Agent on both the Statement of Net Position and the Balance Sheet. These assets are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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

(2) Real Estate Taxes

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

The tax on real estate in Philadelphia for public school purposes is based on a calendar year basis. For the entire fiscal year 2016 the tax rate was 13.998 mills. Of the 13.998 mills, 7.681 mills were 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, FICA, transportation, and special education revenue recognized for current year expenditures and (2) grant revenues that are recognized when all the applicable eligibility requirements have been met and the resources are available and not received.

(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 \$1.0 million. Included are expendable supplies of \$0.8 million held for consumption by the Maintenance and Transportation Departments and Warehouse furniture and forms of \$0.2 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.

Inventory in the Food Service Fund includes \$0.5 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

Inventory in the Print Shop Fund is 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 are not in the financial statements.

(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, 2016, only the Categorical Funds reported unearned revenue of \$62.2 million.

(9) Insurance

For many years, medical benefits for nearly all of its represented and nonrepresented 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 since its full implementation beginning with Fiscal Year 2012 to-date supports 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 Windstorm, Fire, Flood and Earthquake. The general policy deductible is \$0.5 million. With the perils of Windstorm, Flood & Earthquake subject to a \$1.0 million deductible. The policy is subject to 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/expenses in the General Fund and Internal Service 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.
- (c) The School District of Philadelphia 403 (b) Plan and 457 (b) Deferred Compensation Plan - Pursuant to resolutions approved by the School Reform Commission, the School District implemented The School District of Philadelphia 403(b) Plan ("403(b) Plan") and The School District of Philadelphia 457(b) Deferred Compensation Plan (the "457(b) Plan") (collectively, the 403(b) Plan and the 457(b) Plan shall be known as the "Plans") in fiscal years 2005 and 2006. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. For employees retiring or resigning during or after the calendar year in which they attain age 55, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Termination pay contributions to the 403(b) Plan are treated as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld FICA taxes from its termination payments made to the 457(b) Plan. Employer contributions to the 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan.

(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 net adjustments against gross proceeds under the applicable fund. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. All payments made from sources other than refunding bonds proceeds are also reported as expenditures.

(12) Pensions

- (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, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS pension plan from the School District were \$216,738,487 for the year ended June 30, 2016.

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 2016 was 73.63 percent.

(13) Deferred Outflows and Inflows of Resources

The Statement of Net Position 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) 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. 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 fund balance 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.

In addition, on the Statement of Net Position the School District has deferred inflows of resources type of item, which arises on the government wide statement, Statement of Net Position, related to GASBS 68 and the recording of the change in the net pension liability and a gain on refunding charges.

(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. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that 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. resources set-aside for bond 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 2015 is provided as a key element of the MD&A section of this report to better enhance 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	\$ 3,430,746,249
Accumulated Depreciation	(1,726,873,084)
Net Cost of Capital Assets	<u>\$ 1,703,873,165</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.

Unavailable Tax Revenue	\$ 143,109,785
Unavailable Accounts Receivable Revenue	1,870,536
Unavailable Grant Revenue	6,658,024
Total Adjustment of Other Assets	<u>\$ 151,638,345</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 (\$6,591,927,247) difference are as follows:

Bonds Payable	\$ (2,989,332,513)
Deduct: Discount on Bonds Payable	8,189,454
Deduct: Prepaid Bond Insurance Premium Cost	5,947,775
Add: Premium on Bonds Payable	(120,735,627)
Bond Interest Payable	(27,571,195)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(103,002,673)
Unemployment Compensation Payable	(4,464,467)
Compensated Absences Payable	(187,444,298)
Severance Payable	(125,802,923)
Claims and Judgments Payable	(7,090,018)
Arbitrage Rebate Payable	(308,817)
OPEB Payable	(1,654,915)
NSF Payable	(62,246)
PSERS Pension Liability - FY 2014 Restated Prior Period	<u>(2,993,316,218)</u>
<i>Net adjustment to reduce fund balance - total governmental funds - to arrive at net position governmental activities.</i>	<u>\$ (6,591,927,247)</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 net deferred inflows of resources in the governmental funds and are not included in fund balance.

Other Deferred Inflows/Outflows of Resources:

Deferred Pension Beginning Balance 7/1/2015	\$	(367,290,091)
Prior Period Restatement		162,883
Contributions During the Measurement Period		(178,250,580)
Contributions During/Subsequent to Measurement Date		312,756,753
Current Year Amortization		<u>766,546</u>
<i>Adjustment of net Deferred Inflows of Resources not available to pay for current period expenditures</i>	\$	<u><u>(231,854,489)</u></u>

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the district-wide Statement of Activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the (\$13,808,358) difference are as follows:

Capital outlay	\$	88,618,882
Depreciation expense		<u>(102,427,240)</u>

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

\$ (13,808,358)

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 (\$5,983,125) difference are as follows:

Gain on Sale of Capital Assets	\$	2,031,009
Gain on Donated Capital Assets		93,745
Loss on Disposal of Capital Assets		(1,606,032)
Proceeds from Sale of Capital Assets		<u>(6,501,847)</u>

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

\$ (5,983,125)

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 (\$17,130,917) difference are as follows:

Deferred Inflows of Resources-Unavailable Tax Revenue	\$	(26,800,651)
Deferred Inflows of Resources-Unavailable Grant Revenue		1,666,620
Derivative Investment Revenue		8,725,194
Miscellaneous Revenue		<u>(722,080)</u>

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

\$ (17,130,917)

Another element of the reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.” The details of this \$117,082,513 difference are as follows:

Principal Repayment on Bonds	\$ 99,422,513
Bond Issuance and Defeasance	(665,000)
Principal Repayment from Sale of Property	1,070,000
Principal Repayment on Authority Obligations	<u>17,255,000</u>

<i>Net effect of differences in the treatment of long-term debt</i>	<u><u>\$ 117,082,513</u></u>
---	------------------------------

Another element of the reconciliation states that, "Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds." The details of the \$82,952,737 difference are as follows:

Change in Compensated Absences Payable	\$ 2,462,576
Change in Severance Payable	(87,638)
Change in Workers' Compensation Payable	6,548,640
Change in Unemployment Compensation Payable	1,426,122
Change in Claims and Judgments Payable	1,126,251
Change in PSERS Pension Expense	77,995,011
Change in Arbitrage Rebate Payable	384,607
Change in Net Accrued Bond Interest	626,072
Change in Bond Issuance Costs	(8,612,571)
Change in DHS Payable	1,000,000
Change in OPEB Payable	(432,985)
Change in NSF Payable	700,000
Change in Inventory Reserve	<u>(183,348)</u>

<i>Net adjustment to increase/(decrease) net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities.</i>	<u><u>\$ 82,952,737</u></u>
--	-----------------------------

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)	\$ 3,430,746,249	\$ 16,916,800
Less: Accumulated depreciation	<u>(1,726,873,084)</u>	<u>(14,808,690)</u>
Net Capital Assets	\$ 1,703,873,165	\$ 2,108,110
Less: Outstanding principal of related debt	\$ (2,989,332,513)	
Deduct: Outstanding Bonds Not Capital Related	476,062,013	
Other Adjustments to Outstanding Bonds for NonCapital Related Items	17,944,167	
Undercapitalized Expenditures-Cumulative Year-to Date	289,571,656	
Adjustment for Undercapitalized Expenditures - Expired	(93,689,340)	
Unspent Bond Proceeds Governmental Activities Only	10,531,876	
Net Adjusted Outstanding Bonds Related to Capital Assets	(2,288,912,141)	
Net Investment in Capital Assets	<u><u>\$ (585,038,976)</u></u>	<u><u>\$ 2,108,110</u></u>

3. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. **Budgetary Information**

(1) **General Budget Policies**

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

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

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

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

A statement of estimated receipts and expenditures is submitted to the Mayor of the City and the President of City Council on or before March 31st of each fiscal year. Since the School District has limited taxing power, the City Council must approve the continuance of, or changes in, the levy of local taxes for school purposes required to fund the estimated expenditures of the School District after taking into account the estimated revenues from the Commonwealth and the 7.681 mills of real estate taxes, adopted June 18, 2015, 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 were 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 Print Shop) and Internal Service (or Self Insurance) 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 (Enterprise Funds), the unrestricted net deficit amounts of (\$4,177.8) million and (\$36.5), respectively, include 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 \$237.8 million. This amount is comprised of a \$92.4 million fund balance in the General Fund, a \$142.9 million fund balance in the Debt Service Fund and \$2.5 million fund balance in the Intermediate Unit Fund.

Categorical Funds experienced a negative fund balance of (\$6.2) million. The deficit in the Categorical Funds is due to the GASB Statement No. 33 provision which states 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.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$90.6 million held in agency funds, at June 30, 2016 are summarized as follows:

Cash and Cash Equivalents	\$	31,186,315
Cash and Investments with Fiscal Agent		146,368,779
Equity in Pooled Cash and Investments		358,888,720
Cash and Investments Held by Trustee		238,989
Investments		200,013
Total Cash and Investments	\$	<u>536,882,816</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. During the year ended June 30, 2016, permitted investments were expanded to include highly rated commercial paper, banker's acceptance and negotiable certificates of deposit.

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 2016 was approximately 0.25% and total interest income was \$1.6 million. This was a \$0.1 million increase in total interest income over fiscal year 2015. 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) and Quality School Construction Bonds (QSCBs) investment instruments.

(3) Investments

As of June 30, 2016, 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)	\$ 115,583,032	.003
Federal Home Loan Bank (FHLB)	16,374,333	.406
Federal National Mortgage Association (FNMA)	8,999,364	.146

(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, 2016 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 Bank (FHLB)	AAA	AA+	N/R*
	Federal National Mortgage Association (FNMA)	AAA	AA+	AAA

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).

(4) Investment Derivative Instruments

(a) *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. Fair values reflect the effect of non-performance risk, which includes The School District's credit risk.

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, 2016 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notational	Current Notational	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2003 School Lease Revenue Bonds	\$ 150,000,000	\$ 150,000,000	11/30/2006	5/15/2033	SIFMA Swap 67% of USD-LIBOR Index	+2788%	(\$ 199,210)	Wells Fargo Bank, N.A.	Aa2/AA-/AA
Series 2003 School Lease Revenue Bonds	\$ 350,000,000	\$ 350,000,000	11/30/2006	5/15/2033	SIFMA Swap 67% of USD-LIBOR Index	+2788%	(\$ 464,823)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA-
							<u>(\$ 664,033)</u>		

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, 2016, the net benefit to the School District has been \$15,079,433.

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) Depository 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 2016, The School District sold seven buildings and other capital properties for \$6.5 million. Of this amount, \$1.8 million was transferred into the School District general fund to be used for current expenses of the School District. Of the remaining \$4.7 million, \$1.3 million was deposited into the District Debt Service Fund, \$3.4 million deposited into the Depository Investment Accounts with BONY.

(c) Changes in the Depository Investment Accounts during Fiscal Year 2016 were as follows:

	(Dollars in thousands)			
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Governmental Activities:</u>				
SDP Depository Investment Accounts:				
Property Sale Defeasance	\$ 889.5	\$ 2,674.4	\$ (2,762.9)	\$ 801.0
Property Sale Capital Funds	4,036.7	789.9	(1,308.3)	3,518.3
Total	<u>\$ 4,926.2</u>	<u>\$ 3,464.3</u>	<u>\$ (4,071.2)</u>	<u>\$ 4,319.3</u>

(6) Fair Value of Investments

In February 2015, the GASB issued Statement 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The School District adopted GASB 72 beginning Fiscal Year ended 2016.

The District's investments are valued at fair value using the following hierarchy:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

The lowest available level of valuation available is used for all investments.

Fixed income securities are valued based on the values for similar assets in an active market. Equity securities are valued based on published values for identical assets in an active market.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps.

Given the observability of inputs that are significant to the entire measurement, the fair values of the School District investments are categorized as follows:

	Level 1	Level 2	Level 3
Morgan Stanley Institutional			
Liquidity Fund Treasury			
Securities Portfolio	\$ 115,583,032	\$ -	\$ -
Federal Home Loan Bank	-	16,374,333	-
Federal National Mortgage			
Association	-	8,999,364	-
SIFMA Swap	-	(644,033)	-
Total	<u>\$ 115,583,032</u>	<u>\$ 24,729,664</u>	<u>\$ -</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 ended are as follows:

(Dollars in Thousands)						
	General	Debt Service	Intermediate Unit	Enterprise	Fiduciary	Total
Receivables						
Interest	\$ -	\$ 849.8	\$ -	\$ -	\$ -	\$ 849.8
Taxes	291,517.1	-	-	-	-	291,517.1
Accounts (net)	19,045.8	-	1,195.1	10.6	13.6	20,265.1
Gross Receivables	310,562.9	849.8	1,195.1	10.6	13.6	312,632.0
Less: Allowances for Uncollectible						
Taxes	117,281.3	-	-	-	-	117,281.3
Total Allowance	117,281.3	-	-	-	-	117,281.3
Net Total Receivables	<u>\$ 193,281.6</u>	<u>\$ 849.8</u>	<u>\$ 1,195.1</u>	<u>\$ 10.6</u>	<u>\$ 13.6</u>	<u>\$ 195,350.7</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, 2016 equaled \$174.2 million as follows:

(Dollars in Millions)			
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 70.7	\$ 6.8	\$ 63.9
Prior	163.7	71.7	92.0
Total Real Estate Taxes	234.4	78.5	155.9
<u>Self Assessed Taxes</u>			
Use and Occupancy	18.5	14.9	3.6
School Income Tax	11.9	7.8	4.1
Liquor Sales Tax	26.7	16.1	10.6
Total Self Assessed Taxes	57.1	38.8	18.3
Total Taxes Receivable	<u>\$ 291.5</u>	<u>\$ 117.3</u>	<u>\$ 174.2</u>

During July and August 2016, \$21.2 million in real estate taxes receivable and \$9.9 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2016 revenues.

(3) Due From Other Governments

Due From Other Governments as of the fiscal year ended for the School District's individual Major and Non-Major Funds in the aggregate are as follows:

(Dollars in Thousands)						
	General	Intermediate Unit	Categorical	Capital Projects	Enterprise	Total
Due From Other Governments:						
Federal	\$ -	\$ -	\$ -	\$ -	\$ 6,436.4	\$ 6,436.4
State	36,877.0	8,454.2	7,423.9	240.1	1,350.7	54,345.9
Grantors	-	-	51,199.4	577.0	-	51,776.4
Total Due From Other Governments	<u>\$ 36,877.0</u>	<u>\$ 8,454.2</u>	<u>\$ 58,623.3</u>	<u>\$ 817.1</u>	<u>\$ 7,787.1</u>	<u>\$ 112,558.7</u>

Amounts due from other governments under the General Fund and Intermediate Unit Fund primarily include \$35.8 million for retirement and FICA reimbursements from the Commonwealth of Pennsylvania and \$1.0 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 \$51.8 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 \$7.6 million for FICA reimbursements from the Commonwealth of Pennsylvania.

The amount due from other governments under the Enterprise Funds includes \$6.4 million reimbursements from Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs and \$1.4 million for retirement, an equipment grant, and breakfast and lunch program 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 non-major governmental funds in the aggregate at June 30, 2016 are as follows:

Categorical grant funds received prior to meeting all eligibility requirements \$ 62,183,102

- (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 \$117.5 million and has been reported as deferred outflows on the Statement of Net Position under Governmental Activities as of June 30, 2016.

<u>GOB Series</u>	<u>Refunding Charges</u>	<u>Swap Termination Refunding Charges</u>	<u>Total Amount as of June 30, 2016</u>
2006B	24,131,337		24,131,337
2007A	4,481,339		4,481,339
2008F	738,127		738,127
2009B	134,222		134,222
2010C	10,869,678		10,869,678
2010C	-	10,726,216	10,726,216
2010D	114,166	-	114,166
2010E	2,596,996		2,596,996
2010E	-	37,724,792	37,724,792
2011C	1,319,393		1,319,393
2011D	50,292		50,292
2015C	1,190,303		1,190,303
2015D	2,398,176		2,398,176
2015A	3,706,321		3,706,321
2016A	429,486		429,486
2016B	8,474,552		8,474,552
2016C	8,424,203		8,424,203
	<u>\$ 69,058,591</u>	<u>\$ 48,451,008</u>	<u>\$ 117,509,599</u>

- ii. For the second item, refer to Note 4K(1)(c) Pension Plan on page 83 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 items that qualify for reporting in this category.

- [a] One item valued at \$ (30,589) has been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2016.

Deferred Refunding Charges-Gain \$ (30,589)

- [b] For the second item, refer to Note 4K(1)(c) Pension Plan on page 83 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 \$151.6 million as deferred inflows on the Governmental Balance Sheet as of June 30, 2016. They are as follows:

	General <u>Fund</u>	Categorical <u>Funds</u>	Capital Projects <u>Funds</u>	<u>Total</u>
Unavailable taxes revenue	\$ 143,109,785	\$ -	\$ -	\$ 143,109,785
Unavailable accounts receivable revenue	1,870,536	-	-	1,870,536
Unavailable grant revenue	-	6,194,874	463,150	6,658,024
	<u>\$ 144,980,321</u>	<u>\$ 6,194,874</u>	<u>\$ 463,150</u>	<u>\$ 151,638,345</u>

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2016 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1,2015	Additions	Deletions	Transfers	Balance June 30,2016
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 130.2	\$ 0.1	\$ (1.0)	\$ 0.1	\$ 129.4
(1) Construction in Progress	20.7	44.2	-	(5.9)	59.0
Total Capital Assets - Not Depreciated	<u>\$ 150.9</u>	<u>\$ 44.3</u>	<u>\$ (1.0)</u>	<u>\$ (5.8)</u>	<u>\$ 188.4</u>
Capital Assets - Depreciated					
Buildings	\$ 1,753.2	\$ 3.4	\$ (9.0)	\$ 1.1	\$ 1,748.7
Improvements	1,221.8	12.7	(15.5)	4.6	1,223.6
Intangible Assets	50.3	3.3	-	-	53.6
(2) Personal Property	225.3	20.8	(29.7)	-	216.4
Total Capital Assets - Depreciated	<u>\$ 3,250.6</u>	<u>\$ 40.2</u>	<u>\$ (54.2)</u>	<u>\$ 5.7</u>	<u>\$ 3,242.3</u>
Less Accumulated Depreciation					
Buildings	\$ (665.4)	\$ (31.1)	\$ 8.4	\$ -	\$ (688.1)
Improvements	(794.0)	(51.9)	12.7	-	(833.2)
Intangible Assets	(41.3)	(2.4)	-	-	(43.7)
(2) Personal Property	(172.9)	(17.0)	28.1	-	(161.8)
Total Accumulated Depreciation	<u>\$ (1,673.6)</u>	<u>\$ (102.4)</u>	<u>\$ 49.2</u>	<u>\$ -</u>	<u>\$ (1,726.8)</u>
Net Capital Assets Depreciated	<u>\$ 1,577.0</u>	<u>\$ (62.2)</u>	<u>\$ (5.0)</u>	<u>\$ 5.7</u>	<u>\$ 1,515.5</u>
Governmental Activities - Net Capital Assets	<u>\$ 1,727.9</u>	<u>\$ (17.9)</u>	<u>\$ (6.0)</u>	<u>\$ (0.1)</u>	<u>\$ 1,703.9</u>
Business-Type Activities:					
Capital Assets - Depreciated					
(2)(3) Machinery and Equipment	\$ 16.4	\$ 0.7	\$ (0.2)	\$ -	\$ 16.9
(2)(3) Less Accumulated Depreciation	(14.7)	(0.3)	0.2	-	(14.8)
Business-Type Activities - Net Capital Assets	<u>\$ 1.7</u>	<u>\$ 0.4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2.1</u>

- (1) The beginning balance for CIP was adjusted to reflect a \$0.1 million prior period adjustment to include FY 2015 capital grant expenditures.
- (2) The beginning balances for Personal Property and related Accumulated Depreciation have been adjusted by (\$0.6) and \$0.6 respectively to reflect the reclassification of Print Shop Personal Property and Accumulated Depreciation from Governmental Activities to Business-Type Activities. Refer to Note 4N.
- (3) The beginning balances for Machinery & Equipment and related Accumulated Depreciation have been adjusted by \$0.8 and (\$0.8) respectively to reflect reestablishment of items erroneously deleted in Fiscal Year 2015.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 91.7
Student Support Services	4.4
Administrative Support	5.5
Operation & Maintenance of Plant Services	0.7
All Other Support Services	0.1
Total Depreciation Expense	<u>\$ 102.4</u>
Business-Type Activities:	
Food Service	\$ 0.3
Print Shop	-
Total Depreciation Expense	<u>\$ 0.3</u>

D. Obligations

(1) Short-Term Obligations

The School District issued \$825.0 million of Tax and Revenue Anticipation Notes (TRANS) during fiscal year 2016 as authorized by the SRC. The proceeds of the Notes were used to address the School District's routine cyclical cash flow needs, in addition to the Commonwealth's budget impasse. All of the Notes were repaid as of June 30, 2016. Total interest expense on the TRAN was \$3.7 million. Changes in short-term obligations payable during Fiscal Year 2016 were as follows:

	Balance July 1, 2015	(Dollars in Millions)		Balance June 30, 2016
		Additions	Deletions	
<u>Governmental Activities:</u>				
Tax and Revenue Anticipation Note (Series A of 2015-2016-Fixed Rate Interest)	\$ -	\$ 275.0	\$ (275.0)	\$ -
Tax and Revenue Anticipation Note (Series B of 2015-2016*)	-	300.0	(300.0)	-
Tax and Revenue Anticipation Note (Series C of 2015-2016*)	-	250.0	(250.0)	-
Total	<u>\$ -</u>	<u>\$ 825.0</u>	<u>\$ (825.0)</u>	<u>\$ -</u>

*These series were structured as draw down facilities, to be advanced as needed, if funding from the Commonwealth was not forthcoming.

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2016 were as follows:

Long Term Obligations (1)					
(Dollars in Millions)					
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 3,099.6	\$ 356.8	\$ (467.1)	\$ 2,989.3	\$ 120.1
Bond Premium	133.0	-	(12.3)	120.7	12.0
Bond Discount	(8.8)	-	0.6	(8.2)	(0.5)
Total Bonded Debt	3,223.8	356.8	(478.8)	3,101.8	131.6
Termination Compensation Payable (2)	189.9	12.6	(15.1)	187.4	33.8
Severance Payable	125.7	8.2	(8.1)	125.8	15.2
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	123.7	28.9	(37.9)	114.7	35.7
Incurred But Not Reported (IBNR) Payable (3)	15.8	2.2	-	18.0	18.0
Arbitrage Liability	0.7	-	(0.4)	0.3	0.3
DHS Liability	1.0	-	(1.0)	-	-
OPEB Liability	1.2	0.5	-	1.7	-
NFS Federal Liability	0.8	-	(0.8)	-	-
PSERS Pension Liability (2)	2,936.0	235.7	(178.4)	2,993.3	-
Governmental Activity - Long-Term Liabilities	<u>\$ 6,663.9</u>	<u>\$ 644.9</u>	<u>\$ (720.5)</u>	<u>\$ 6,588.3</u>	<u>\$ 279.9</u>
Business-Type Activities:					
Termination Compensation Payable (2)	\$ 2.2	\$ 0.1	\$ (0.3)	\$ 2.0	\$ 0.4
Severance Payable	0.7	0.1	-	0.8	-
FMS Arbitration Payable	2.7	-	(2.7)	-	-
PSERS Pension Liability (2)	44.4	3.6	(2.7)	45.3	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 50.0</u>	<u>\$ 3.8</u>	<u>\$ (5.7)</u>	<u>\$ 48.1</u>	<u>\$ 0.4</u>

(1) Termination (Compensated absences), severance, unemployment, workers' 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) Restated beginning balance which was previously included in Print Shop as part of Governmental Activities; Beginning in fiscal year 2016, the District reclassified the Print Shop as a Business-Type Activities.

(3) This liability was previously considered a long-term debt under Governmental Activities; Beginning in fiscal year 2016, the District reclassified this liability as part of the new Self Insurance Health Care Internal Service Fund.

(a) General Obligation Bonds & Lease Rental Debt

(i) Authority to Issue

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

General obligation bonds and lease obligations at June 30, 2016 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue ⁽¹⁾	Interest Rates	Maturity Year Ending 30-Jun	Original Principal Issued	Principal Outstanding ⁽¹²⁾	Interest	Total
2003B-SPSBA ⁽³⁾	5.500	2028	\$ 588,140	\$ 43,505	\$ 28,713	\$ 72,218
2004E-QZAB	-	2019	19,335	19,335 ⁽⁹⁾	-	19,335
2005D	5.500	2022	29,920	12,370	2,113	14,483
2006A-SPSBA ⁽³⁾	4.450 - 5.000	2036	317,125	174,350	121,549	295,899
2006B-SPSBA ⁽³⁾	3.625 - 5.000	2033	545,570	545,525	363,446	908,971
2007A	4.000 - 5.000	2034	146,530	146,440	100,359	246,799
2007C-QZAB	-	2023	13,510	13,510 ⁽¹⁰⁾	-	13,510
2007D-QZAB	1.250 ⁽²⁾	2023	28,160	28,160 ⁽¹⁰⁾	2,288	30,448
2008E	4.500 - 6.000	2039	282,365	250,445	202,536	452,981
2008F	5.000 - 5.250	2028	114,215	101,940	28,110	130,050
2009B	4.000 - 5.000	2019	30,710	17,955	1,734	19,689
2010B	4.735 - 6.765 ⁽⁶⁾	2040	221,485	220,400	210,634 ⁽⁶⁾	431,034
2010C	2.750 - 5.000	2022	300,045	160,820	24,449	185,269
2010D	3.125 - 5.000	2023	49,365	49,365	9,485	58,850
2010E	5.000 - 5.250	2025	125,880	109,715	34,705	144,420
2011A-QSCB	5.995 ⁽⁷⁾	2031	144,625	144,035 ⁽¹¹⁾	125,206	269,241
2011B	2.000 - 5.000	2022	16,970	10,865	991	11,856
2011C	5.000	2022	41,185	24,340	3,828	28,168
2011D	3.000 - 5.000	2022	16,330	11,530	1,341	12,871
2012A ⁽⁸⁾	2.000	2017	35,313	7,063	141	7,204
2012B-SPSBA ⁽³⁾	5.000	2032	264,995	241,505	115,032	356,537
2015A-SPSBA ⁽³⁾	2.000 - 5.000	2026	80,000	80,000	23,390 ⁽⁷⁾	103,390
2015A	3.000 - 5.000	2036	46,770	46,770	27,012	73,782
2015B	4.000 - 5.000	2017	13,505	6,875	172	7,047
2015C	1.550 - 4.038	2026	44,565	43,935	8,312	52,247
2015D	5.000	2023	128,620	128,620	23,080	151,700
2016A	1.500 ⁽⁴⁾	2026	48,520	48,520	5,165 ⁽⁵⁾	53,685
2016B	1.500 ⁽⁴⁾	2031	150,720	150,720	26,314 ⁽⁵⁾	177,034
2016C	1.500 ⁽⁴⁾	2031	150,720	150,720	26,314 ⁽⁵⁾	177,034
Total			<u>\$ 3,995,193</u>	<u>\$ 2,989,333</u>	<u>\$ 1,516,419</u>	<u>\$ 4,505,752</u>

(1) All debt has been issued for Capital purposes, except for issues for 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 A, B, and C of 2016 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 A, B, and C Bonds are secured by letters of credit which expire March 31, 2018. All variable rate bonds are trading at or below SIFMA.

(5) The School District budgets its variable rate debt at 1.50%.

(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 2016, this subsidy was reduced by \$0.2 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 2016, this subsidy was reduced by \$0.3 million due to the Federal Budget Sequestration.

(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, 2016, \$14.9 million had been placed under the mandatory sinking fund. The \$13.5 million had an investment value of \$16.4 million.

(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 are 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, 2016, \$7.2 million had been placed under the mandatory sinking fund. The \$7.2 million had an investment value of \$7.9 million.

(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. In an effort to correct the error, the fiscal agent collected the principal payments of \$6,860,000 from the bondholders and restored the proceeds to the mandatory sinking fund. The remaining \$555,000 was not restored. For each subsequent deposit due date, the fiscal agent irrevocably will deposit \$7.5 million each

September 1st to a mandatory sinking fund to be used solely for satisfying the scheduled principal payment of \$144.0 million on September 1, 2030. Our Fiscal Agent may be still liable for any future claims against the District if bondholders prove damages as a result of the unrestored principal of \$555,000. As of June 30, 2016, \$14.3 million had been deposited in the mandatory sinking fund. The \$14.3 million had an investment value of \$14.3 million. (See Note 4D(12) for details).

(12) 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, 2016 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

Year Ending June 30	<u>Governmental Activities</u> (Dollars in Thousands)		
	Principal	Interest ⁽¹⁾	Total
2017	\$ 101,933	\$ 83,153	\$ 185,086
2018	98,030	78,458	176,488
2019	120,770	73,676	194,446
2020	104,715	68,699	173,414
2021	108,655	63,716	172,371
2022-2026	520,295	248,369	768,664
2027-2031	526,520	165,347	691,867
2032-2036	218,510	69,189	287,699
2037-2040	105,020	13,682	118,702
Total	<u>\$ 1,904,448</u>	<u>\$ 864,289</u>	<u>\$ 2,768,737</u>

(1) Maximum interest rate on the Series A, B, and C of 2016 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 A, B, & C bonds are secured by letters of credit which expire on March 31, 2018. Currently, all variable rate bonds are trading on or below SIFMA.

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2016 is summarized as follows:

Year Ending June 30	<u>Governmental Activities</u> (Dollars in Thousands)		
	Interest Rates	Principal	Interest
2017	2.000-5.000	\$ 18,130	\$ 52,815
2018	3.750-5.000	18,790	51,902
2019	3.875-5.000	19,650	51,043
2020	4.000-5.000	20,625	50,061
2021	4.000-5.000	21,675	49,030
2022 – 2026	4.000-5.000	229,985	221,933
2027 – 2031	4.500-5.500	415,250	145,460
2032 – 2036	4.450-5.000	340,780	29,886
Total		<u>\$ 1,084,885</u>	<u>\$ 652,130</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, 2016, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows (amounts in thousands; debit (credit)):

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.

In February 2015, the GASB issued Statement 72, addressing the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015.

The School District adopted GASB 72 beginning Fiscal Year ended 2016. The fair values balances as defined by GASB 72 and notional amounts of derivative instruments outstanding at June 30, 2016, classified by type, and the change in fair value per GASB 72 of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows (amounts in thousands; debit (credit)):

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2016</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment derivatives:					
Pays-variable interest rate swaps	Investment revenue	(\$8,725)	Investment	\$ (664)	\$ 500,000

As of June 30, 2016, 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 Refunding Bonds and Defeasements

(i) *General Obligation Refunding Bonds:*

- (a) On June 1, 2016, the School District issued three series of General Obligation Refunding Bonds in the aggregate principal of \$349.9 million. The refunding bonds consisted of:

{1} Variable Rate General Obligation Refunding Demand Bonds Series A of 2016 in the aggregate amount of \$48.5 million for advance refunding of Variable Rate Refunding of GOB Series 2009C. Bond proceeds of \$197,045 were utilized for underwriting fees, and other bond issuance costs. Securities for the issue along with \$5,000 of property sales investment 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. In addition, sinking fund proceeds under the refunded debt GOB 2009C of \$112,000 for were transferred to the GOB Series 2016A sinking fund.

{2} Variable Rate General Obligation Refunding Demand Bonds Series B of 2016 in the aggregate amount of \$150.7 million advance refunding of Variable Rate Refunding of GOB Series 2010F. Bond proceeds of \$604,400 were utilized for underwriting fees, and other bond issuance costs. Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded notes.

In addition, sinking fund proceeds under the refunded debt GOB 2010F of \$356,000 were transferred to the GOB Series 2016B sinking fund.

{3} Variable Rate General Obligation Refunding Demand Bonds Series C of 2016 in the aggregate amount of \$150.7 million for advance refunding of Variable Rate Refunding of GOB Series 2010G. Bond proceeds of \$600,000 were utilized for underwriting fees, and other bond issuance costs. Securities were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded notes.

In addition, sinking fund proceeds for GOB Series 2010G of \$180,351 and 2010H of \$178,541 during June 2016 were transferred to the GOB Series 2016C sinking fund.

(b) Previously, the School District obtained letters of credit supporting the Variable Rate Refunding refunded debt under GOB Series 2009C, 2010F, and 2010G. The letter of credits was obtained to facilitate the issuance and sale of, and to enhance the marketability of and provide additional security to holders of these bonds. With the refunding of these issues, the letter of credits was modified and extended to the refunding debt.

(c) The cash flow required to service the new debt for the refunding is \$0.2 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 \$0.4 million to the School District.

(d) For accounting purposes, the advance refunding resulted in a zero net difference between the reacquisition price and the net carrying amount of the old debt. The refunding charges of the debt are being amortized through the operations in the District-wide statements until the year 2031.

(ii) *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, 2016, \$83.4 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, 2016, the Defeasance Accounts from the Sale of SDP Property had \$6.3 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 FY2015 and FY2016 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 FY2016, 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 July 30, 2015, the School District used \$108,883 of SDP Property Sales Proceeds to current refund \$100,000 of principal under GOB Series 2009C and 2010B.

(2) On August 31, 2015, the School District used \$1,012,128 of SDP Property Sales Proceeds to current refund \$700,000 of principal under GOB Series 2009C, and 2010B.

(3) On December 31, 2015, the School District used \$272,224 of SDP Property Sales Proceeds to current refund \$260,000 of principal under GOB Series 2009C, and 2010B

- (4) and on June 20, 2016, the School District used \$10,000 of SDP Property Sales Proceeds to current refund \$100,000 of principal under GOB Series 2010B.

(b) Advance Refunding:

- (1) On July 30, 2015, the School District used \$430,639 of SDP Property Sales Proceeds to advance refund \$280,000 of principal under GOB Series 2006A, 2008E, and 2008F.
- (2) On December 31, 2015, the School District used \$716,492 of SDP Property Sales Proceeds to advance refund \$395,000 of principal under GOB Series 2006A, 2008E, and 2008F.
- (3) and on June 20, 2016, the School District used \$359,905 of SDP Property Sales Proceeds to advance refund \$330,000 of principal under GOB Series 2006A, 2008E, and 2008F.

- (c) SDP Property Sales Defeasance Escrow Accounts: As of June 30, 2016, the Bank of New York Mellon, SDP's Escrow Agent, maintained 18 escrow sinking fund accounts valued at \$6.7 million.

(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, 2016, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$2,341.4 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, 2016, the arbitrage rebate calculation indicates a liability totaling \$308,817. Of this amount, \$266,070 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority is due payable on 60 days after December 28, 2016 while the remaining \$42,748 related to GOB Series 2010E, 2010F and 2010G. This year's liability is lower than last year's liability of \$693,425. The School District received a final rebate calculation for the GOB Series A and B Bonds of 2006 on January 11, 2017 in the amount of \$264,479 payable by February 28, 2017.

The School District has reserved as of June 30, 2016 \$308,817 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, 2016 amounted to \$6,107,926. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2017	\$ 6.5
2018	3.9
2019	1.1
2020	1.0
2021	1.0
2022-2031	14.5
Total	<u>\$ 28.0</u>

These amounts include gross expenditures for the District's lease for Metropolitan Fiber-Optic Network during July 2016 through June 30, 2031; The District is eligible for reimbursement through the Universal Service Program for Schools and Libraries (E-Rate) of approximately 90 percent of monthly recurring leasing costs. Estimated reimbursement based on the lease agreement would be \$17.6 million over the life of the agreement.

(4) 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.

(5) 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, 2016, was \$125.8 million under the governmental activities. July and August 2016 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2017 appropriations.

(6) 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, 2016. 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.

Beginning in fiscal year 2016, this liability was transferred to SDP's new Self Insurance Healthcare Internal Service Fund. As of June 30, 2016, the Incurred But Not Reported Payable amounted to \$18.0 million.

(7) 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, 2016, the District had an OPEB obligation of \$1,654,915. See Note 4J Other Post Employment Life Insurance Benefits for details.

(8) 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.

(9) 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, 2016, the remaining NSF liability was \$62,246.

(10) Other Liabilities

Other liabilities consist of \$103.1 million for Workers' Compensation, \$4.5 million for Unemployment Compensation Claims and \$7.1 million for Claims & Judgments.

(11) Pension (PSERS) Liability

SDP implemented GASB 68 during fiscal year 2015. As of June 30, 2016, the Net Pension Liability for SDP was \$2,993.3 million. Refer to Note 4K(1)(a) for further Pension Plan information.

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

The Resolution provides that mandatory sinking fund installments be paid annually into the sinking fund for the Bonds ("Sinking Fund"), commencing September 1, 2014, to be held to pay the principal of the Bonds in full on September 1, 2030, the maturity date of the Bonds. Pursuant thereto, the School District transferred to the Fiscal Agent for deposit into the Sinking Fund on or before September 1, 2014, the amount of the required mandatory sinking fund installment of \$7,415,000.

In violation of its duties and obligations under the Fiscal Agent Agreement dated December 20, 2011, between the School District and the Fiscal Agent and under the Resolution, the Fiscal Agent caused Bonds in the principal amount of \$7,415,000 to be erroneously redeemed, by lot, on September 1, 2014. On June 22, 2015, the Fiscal Agent for the first time, advised the School District that the redemption of the Bonds had taken place and was made by the Fiscal Agent in error. Pursuant to procedures in existence established by the Depository Trust Company ("DTC"), the clearing facility for the Bonds, the Fiscal

Agent initiated steps to reverse the redemption, and requested that the bondholders whose Bonds were redeemed agree to reverse the redemption and reinstate their Bonds as of the date of their redemption (September 1, 2014).

Holders of \$555,000 principal amount of the Bonds elected not to reverse the redemption of their Bonds, and therefore, such amount of Bonds was redeemed on and as of September 1, 2014. All other holders of Bonds which were redeemed in error elected to reverse the redemption and reinstate the Bonds and returned to the Fiscal Agent the moneys representing the principal amount of the Bonds redeemed which had been received by them.

On May 10, 2016 the School District received notice from the Internal Revenue Service (IRS) of a routine audit of the Series A of 2011 Bonds the outcome of which cannot be determined. The audit has included inquiry from the IRS concerning the erroneous redemption. The School District believes that the cost of any adverse outcome with respect to the redemption will ultimately be the responsibility of the Fiscal Agent responsible for the error.

E. Interfund Receivables, Payables and Transfers

- (1) The composition of Interfund balances as of June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 15,190

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 \$15,190 under the Debt Service Fund represents a reclassification of a negative equity in pooled cash and investments.

- (2) Interfund transfers at June 30, 2016 were as follows:

<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Food Service Fund</u>	
General	\$ -	\$ 689,198	\$ -	\$ 689,198
Intermediate Unit	220,461,012	-	-	220,461,012
Categorical	1,661,939	-	-	1,661,939
Debt Service	265,302,344	-	289,461	265,591,805
Print Shop	351,845	-	-	351,845
Self Insurance	9,500,000	-	-	9,500,000
Total	<u>\$ 497,277,140</u>	<u>\$ 689,198</u>	<u>\$ 289,461</u>	<u>\$ 498,255,799</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 2016 allocations of cafeteria renovations; and (c) to move a General Fund asset related to the funds on deposit for health insurance to the Internal Service Fund – Self Insurance.

F. Commitments

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

The School District's outstanding contractual commitments at June 30, 2016 are summarized as follows:

New Construction and Land	\$ 372,881
Environmental Management	369,720
Alterations and Improvements	4,857,525
Major Renovations	1,766
Total	<u>\$ 5,601,892</u>

- (2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 66,274,486	\$ 2,549,757

- (3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$12.5 million at June 30, 2016.

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 \$26.7 million in contract revenue from the School District during Fiscal Year 2016. 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 thirty-six (436) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$3.4 million.

Of those, four hundred twenty-six (426) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, one hundred and ninety-five (195) unfavorable outcomes are deemed probable and two hundred and six (206) are considered reasonably possible, in the aggregate of \$0.9 million and \$0.8 million respectively.

There are four (4) 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 these lawsuits in the aggregate amounts of approximately \$0.5 million.

There are six (6) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable in the aggregate amounts of approximately \$0.7 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 \$28.7 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$0.6 million and \$10.8 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 \$4.4 million and \$2.6 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 remote likelihood in the amount of \$40 million.

- (4) ***Federal Audits*** - 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, 2016 and continuing until the date of this letter, in the opinion of outside counsel, the School District has potential material liability related to the OIG audit issued in January 2010. The OIG issued an audit report to the School District assessing the School District’s management of federal grant funds during the 2006 fiscal year.

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 (four PDLs total) on the remaining findings that required corrective actions, but did not result in monetary exposure. All of the corrective actions have already been implemented part of the corrective action plan as 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, PFE and the District appealed the initial decision to the Secretary. 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 Secretary’s final decision was appealed to the U.S. Court of Appeals for Third Circuit on February 17, 2015. A panel of the Third Circuit issued its decision and sustaining the \$7.2 million liability. PDE and the District filed a petition for certiorari with the Supreme Court of the United States on July 18, 2016, which was denied on October 3, 2016. With no further appeals pending, DOE may demand payment from PDE, which in turn may seek to recover the liability from the District. To date, no such demands have been made. The likelihood of liability is probable.

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. After PDE and the School District presented documentation demonstrating the application of the statute of limitations to DOE on April 4, 2016, DOE’s attorney advised that DOE will not seek recovery of this amount and that a second PDL will be issued to that effect.

- (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.

J. Other Post Employment Life Insurance Benefits

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when 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 years.

Plan Description:

The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the single-employer 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, 2016, 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	12,075	45.8
Non-represented	817	47.4
Retirees	10,328	77.2
Disabled	69	60.3
Total	23,289	57.7

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, 2016. 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	\$ 84,875
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	913,395
Annual Required Contribution (ARC)	998,270
Interest on Net OPEB Obligation	36,658
Adjustment to the ARC	(62,342)
Annual OPEB Cost	<u>\$ 972,586</u>
Net OPEB Obligation as of June 30, 2015	\$ 1,221,930
Annual OPEB Cost	972,586
Employer Contributions	(539,601)
Increase/(Decrease) in net OPEB Obligation	<u>\$ 432,985</u>
Net OPEB Obligation as of June 30, 2016	<u>\$ 1,654,915</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, 2016 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net OPEB Obligation
2016	\$972,586	\$539,601	55.5%	\$1,654,915
2015	981,837	570,813	58.1%	1,221,930
2014	990,364	567,888	57.3%	810,906

Basis of Accounting:

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

Funded Status and Funding Progress:

As of June 30, 2016, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$18.4 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.4 million.

Most Recent Actuarial Valuation Date	Active Covered Payroll	Unfunded Actuarial Accrued Liability (UAAL)	UAAL as a Percentage of Covered Payroll
6/30/2016	\$722,662,580	\$18,440,073	0.02552%
6/30/2014	871,663,661	18,114,395	0.02078%
6/30/2012	751,086,581	17,956,061	0.02391%

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2016 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:** 3.00% per year, compounded annually. Based on anticipated investment returns on short-term investments as of June 30, 2016.
- **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>
< 1	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, 2015 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, 2015 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, 2016 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

- At June 30, 2016, the District reported a liability of \$3,038,612,001 for its proportionate share of the net pension liability of which \$2,993,316,218 was recognized under the Government-wide while the remaining amount was included in the Proprietary Funds - Enterprise (Food Services and Print Shop). The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the District's proportion was 7.0151 percent, which was a decrease of 0.5150 percent from its proportion measured as of June 30, 2014.
- For the year ended June 30, 2016, the District recognized pension expense of \$216,738,487 of which \$213,507,623 was recognized under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$3,230,864 was under the Business-type Activity section of the Government-wide Statements.
- At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars Amounts in Thousands)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 12,539
Net difference between projected and actual investment earnings	-	6,150
Change in proportions	-	430,201
Difference between employer contributions and proportionate share of total contributions	-	3,211
Contributions subsequent to the measurement date	216,738	-
	<u>\$ 216,738</u>	<u>\$ 452,101</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$216,738,487, and will be recognized as a reduction of net pension liability in the *actuarially* year ended June 30, 2016.

The \$452,101,467 reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$142,831,148
2018	142,831,148
2019	142,831,148
2020	<u>23,608,023</u>
Total	<u>\$452,101,467</u>

Of the \$452,101,467 reported as deferred inflows, \$445,362,112 was reported under the Government-wide statements while the remaining amount was reported under the Food Service and Print Shop Funds at \$6,541,761 and \$197,594, respectively.

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of June 30, 2014 actuarial valuation to June 30, 2015 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, 2014 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.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	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, 2015.

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	\$3,745,382	\$3,038,612	\$2,444,571

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, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains 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 \$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 Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling \$132.5 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, 2016, the amount of these liabilities totaled \$132.5 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

	(Dollars in Millions)				
	Beginning Liability	Claims & Adjustments	Claim Payments	Ending Liability	Due Within One Year
Fiscal Year 2015	\$ 158.4	\$ 205.4	\$ 224.3	\$ 139.5	\$ 52.1
Fiscal Year 2016	\$ 139.5	\$ 220.1	\$ 227.1	\$ 132.5	\$ 53.6

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 \$81,919. The capital assets adjustment involved: (1) an increase in Construction in Progress under the Governmental Activities to record capital grants for Fiscal Year 2015 of \$81,918 and (2) an increase under the Governmental Activities in Land by \$1 to record the 1967 acquisition cost of the Elverson lot.

N. Prior Period Restatement

- (1) For Fiscal Year 2016, the District changed its computation and restated its July 1, 2015 "Net Investment in Capital Assets" and "Unrestricted (Deficit)" for Governmental Activities based on a reevaluation of the accounting practices used to compute it.
 - (a) "Net Investment in Capital Assets" increased by \$172.0 million which was offset by a decrease of the same amount to "Unrestricted (Deficit)". This adjustment related to Net Debt Related to Disposed Capital Assets (\$52.1) million and Adjustment to Cumulative Undercapitalized Expenditures for Non-Capitalized Amounts (\$119.9) million. These adjustments increased the negative Fiscal Year 2015 "Net Investment in Capital Assets" for Governmental Activities from (\$397.9) million to (\$569.9) million and decreased the negative "Unrestricted (Deficit)" of (\$4,544.4) million for Governmental activities to (\$4,372.5) million.
- (2) Beginning in Fiscal Year 2016, the District reclassified the "Print Shop" from an "Internal Service Fund" to an "Enterprise Fund" based on an updated review of the activity accounted for in the fund. In prior years, the "Internal Service Fund-Print Shop" had been consolidated with governmental activities in the government-wide statements. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net investment in capital assets, and the unrestricted (deficit) under the Print Shop were reclassified from an "Internal Service Fund" to an "Enterprise Fund" which were reported as Business-type Activities under the government-wide statements. This change reduced the same assets, deferred outflows, liabilities, and deferred inflows under the Governmental Activities for Fiscal Year 2015.
 - (a) As a result, assets and deferred outflows of resources increased by \$275,070 while liabilities and deferred inflows of resources increased by \$1,761,060 with an offset of \$(1,465,990) increase in Net Position under the Business-type Activities for Fiscal Year 2015. These changes had the opposite effect under the Governmental Activities for Fiscal Year 2015.
- (3) In addition to the above, the District established a Health Care Internal Service Fund in Fiscal Year 2016. This included a transfer of \$9.5 million of restricted self-insurance funds for claim expenditures from the General Fund to fund incurred claim expenditures not as yet billed to the District and included a beginning balance July 1, 2015 restatement of (\$15.8) million for IBNR healthcare claims.

O. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred subsequent to June 30, 2016 to and including February 15, 2017. Other than as described below, there were no subsequent material events affecting the District:

- (1) Commonwealth of Pennsylvania Legislative Actions
 - Cigarette Tax Bill – Legislation enacted by the Commonwealth State Senate in July 2016 provided for the establishment of a \$58 million annual floor on the School District of Philadelphia Cigarette Tax of \$2 per pack and the elimination of the 2019 sunset

provision for this tax. These changes are projected to provide an additional \$125 million in revenues over the period Fiscal Year 2017 to Fiscal Year 2021.

- Fiscal Code Amendments – The enactment of Act 85 in July 2016 by the Pennsylvania General Assembly effected new state intercept provisions to be used during a Commonwealth Budget impasse designed to mitigate exposure to the Commonwealth’s budget process. The new intercept provisions appropriate General Fund monies to be used to make intercept payments if no education appropriations have been enacted. This was in response to the Fiscal Year 2016 State budget impasse which left Pennsylvania School District’s and other entities receiving State funding without General Fund budget appropriations and impacted bond ratings and debt service borrowing rates for short-term borrowing. The passing of Act 85 had a positive impact on the School District of Philadelphia’s bond ratings for Fitch and Moody’s.
- Bi-Partisan Funding Formula – Act 35 established in July 2016 a Basic Education Funding formula for school districts in Pennsylvania based upon factors including wealth of the district, the district’s current tax effort and the ability of the district to raise revenue. As a result of the application of Act 35 formula in the education appropriations for Fiscal Year 2017, the District receives 23% of new funding as compared to 18% of existing basic education subsidies.
- Ride Share Bill – On October 2016 the Commonwealth State Senate passed legislation authorizing ride-sharing in Pennsylvania. The legislation provides a long-term solution for ride sharing companies such as Lyft and Uber to operate everywhere in Pennsylvania, including in Philadelphia, PA. Two-thirds of the revenue derived from ride sharing in the City of Philadelphia will go to the School District of Philadelphia. The 66.67% of the assessment of 1.4% of the gross receipts from all fares that originate in the City will expire December 31, 2019. If an assessment is imposed after the expiration date, it may not be less than the 66.67%. The fully-approved program is anticipated to generate annual revenues of approximately \$2 million.

(2) Rating Agency Actions Due

In October 2016 both Fitch and Moody’s upgraded the School District of Philadelphia’s credit rating to “stable”. Both Fitch and Moody’s released a Credit Opinion that revised the credit outlook for the District from “negative” to “stable”. Fitch affirmed the current rating for the School District’s Bonds at BB- underlying and A+ enhanced. The upgrade was based upon improved fiscal management and revenue support from the City and Commonwealth. Moody’s affirmed the current rating for the School District’s Bonds at Ba3 underlying and A2 enhanced. This upgrade was based upon the Districts improved financial position and long term fiscal plan. These changes represent the first positive movement in the School District’s credit outlook since 2010.

(3) General Obligation Bonds, General Obligation Refunding Bonds, and State Public School Building Authority Lease Revenue Refunding Bonds

- General Obligation Bonds: On October 20, 2016, the School Reform Commission authorized the issuance of General Obligation Bonds (GOB) Series D of 2016 and Series E of 2016. In November 2016, GOB Series 2016D was issued in the aggregate amount of \$92.3 million while GOB Series E was issued as Federally Taxable Qualified School Construction Bonds in the aggregate amount of \$147.2 million. Both series of bonds will fund the Capital Improvement Program. Bond provisions of GOB Series 2016E require the District to make periodic mandatory sinking fund installments through the maturity date of September 1, 2042.
- General Obligation Refunding Bonds: On October 20, 2016, the School Reform Commission authorized the issuance of General Obligation Refunding Bonds (GOB) Series F of 2016 in the aggregate amount of \$582.2 million for the purpose of refinancing General Obligation Refunding Bonds Series 2016A, 2016B and 2016C to achieve debt service savings, eliminate the related covenant, and restructure its variable rate debt by refunding all of the 2015 refunding bonds issued June 1, 2016.
- State Public Building Authority Lease Rental Revenue Refunding Bonds: On October 20, 2016, the School Reform Commission authorized the issuance of General Obligation Refunding Bonds (GOB) Series A of 2016 in the aggregate amount of \$570.0 million for the purpose of refinancing a portion GOB Series 2006A in the aggregate amount of \$174.3 million and refinancing a portion General Obligation Refunding Bonds Series 2006B in the aggregate amount of \$462.2 million.

(4) Tax Anticipation Revenue Notes (TRAN)

In July 2016 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 School Reform Commission, through a resolution, authorized the issuance and sale of TRAN Note Series of 2016-2017 which was issued as fixed and variable rate notes in the aggregate of \$375 million which matures on June 30, 2017. The District maintains authority and ability, through the same School Reform Commission resolution, to issue additional notes and has access to \$200 million additional capacity which totals \$575 million if cash flow needs require it to do so.

On July 1, 2016, the District issued Series 2016-2017 TRAN under four separate subseries and sold them to two separate private banks. The District issued and sold (1) Series A-1 of 2016-2017 as a fixed rate mode for \$125 million; Series A-2 of 2016-2017 as a variable rate mode for \$125 million; Series B-1 of 2016-2017 as a fixed rate mode for \$62.5 million; and Series B-2 of 2016-2017 as a variable rate mode for \$62.5 million. All series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2017.

**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, 2016

	General Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Local Taxes	\$ 1,113,692,000	\$ 1,128,271,000	\$ 1,120,731,344	\$ (7,539,656)
Locally Generated Non Tax	131,693,000	130,694,000	132,871,429	2,177,429
State Grants and Subsidies	1,278,763,000	1,326,174,000	1,322,690,976	(3,483,024)
Federal Grants and Subsidies	11,275,000	11,358,000	11,386,612	28,612
Total Revenues	2,535,423,000	2,596,497,000	2,587,680,361	(8,816,639)
OBLIGATIONS				
Current Operating				
Instruction	896,031,935	980,410,391	970,145,951	10,264,440
Student Support Services	27,686,859	26,554,626	26,428,881	125,745
Administrative Support	78,212,437	80,998,513	74,175,331	6,823,182
Operation & Maintenance of Plant Services	204,239,817	189,307,117	172,124,586	17,182,531
Pupil Transportation	93,001,132	85,074,492	87,004,752	(1,930,260)
All Other Support Services	8,877,419	3,546,336	10,334,346	(6,788,010)
Payments to Charter Schools	756,708,630	713,708,630	711,273,846	2,434,784
Allocated Costs	(13,633,470)	(13,633,470)	-	(13,633,470)
Total Obligations	2,051,124,759	2,065,966,635	2,051,487,693	14,478,942
Excess of Revenues Over (Under) Obligations	484,298,241	530,530,365	536,192,668	5,662,303
OTHER FINANCING SOURCES (USES)				
Transfers In	700,000	700,000	689,198	(10,802)
Transfers Out	(521,957,500)	(503,689,400)	(497,959,514)	5,729,886
Capital Asset Proceeds	-	1,851,000	1,850,550	(450)
Total Other Financing Sources (Uses)	(521,257,500)	(501,138,400)	(495,419,766)	5,718,634
Net Change in Fund Balances	(36,959,259)	29,391,965	40,772,902	11,380,937
Fund Balances, July 1, 2015	(102,168,500)	(15,682,900)	3,819,726	19,502,626
Change in Inventory Reserve	-	-	(183,348)	(183,348)
Change in Encumbrance Reserve	-	-	47,987,151	47,987,151
Fund Balances, June 30, 2016	\$ (139,127,759)	\$ 13,709,065	\$ 92,396,431	\$ 78,687,366

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
430,000	490,000	793,190	303,190
118,477,000	120,934,000	120,503,371	(430,629)
-	-	-	-
118,907,000	121,424,000	121,296,561	(127,439)
238,827,536	234,324,513	226,145,824	8,178,689
107,282,972	110,723,396	106,332,093	4,391,303
284,334	306,682	209,044	97,638
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,675,958	9,659,858	9,752,986	(93,128)
356,070,800	355,014,449	342,439,947	12,574,502
(237,163,800)	(233,590,449)	(221,143,386)	12,447,063
237,163,800	233,590,400	221,143,386	(12,447,014)
-	-	-	-
-	-	-	-
237,163,800	233,590,400	221,143,386	(12,447,014)
-	(49)	-	49
-	-	1,377,921	1,377,921
-	-	-	-
-	-	1,171,836	1,171,836
\$ -	\$ (49)	\$ 2,549,757	\$ 2,549,806

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	Active Covered Payroll	UAAL Percentage of Covered Payroll
06/30/2016	0	18,440,073	18,440,073	0.0%	722,662,580	.02552
06/30/2014	0	17,956,061	17,956,061	0.0%	751,086,581	.02390
06/30/2012	0	18,114,395	18,114,395	0.0%	871,663,661	.02078

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)

	Measurement Date	
	June 30, 2014	June 30, 2015
District's proportion of the net pension liability	7.5301%	7.0151%
District's proportion of the net pension liability – dollar value	\$ 2,980,467,548	\$ 3,038,612,000
District's covered payroll	\$ 960,902,694	\$ 902,602,996
District's proportionate share of the net pension liability		
as a percentage of its covered employee payroll	310.17%	336.65%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.36%

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

	June 30, 2015	June 30, 2016
Contractually required contribution	\$ 180,187,615	\$ 216,738,487
Contributions in relation to the contractually required Contribution	180,187,615	216,738,487
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 909,130,906	\$ 890,257,792
Contributions as a percentage of covered-employee payroll	19.82%	24.35%

- (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, 2016

1. BASIS OF BUDGETING

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

2. RECONCILIATION BETWEEN THE BASIS OF BUDGETING AND GAAP

Statements prepared on a GAAP basis can be reconciled to those prepared on the basis of budgeting as follows:
(Dollars in Thousands)

	General Fund	Intermediate Unit Fund
Revenue – Basis of Budgeting	\$ 2,587,680	\$ 121,297
Revenue - GAAP Basis	\$ 2,587,680	\$ 121,297
Obligations – Basis of Budgeting	\$ 2,051,488	\$ 342,440
Current Year Encumbrances	(64,733)	(2,537)
Prior Year Encumbrance Payments	8,933	683
Prior Year Encumbrance		
Cancellations and Other Adjustments	8,495	-
Expenditures - GAAP Basis	\$ 2,004,183	\$ 340,586
Other Financing Sources (Uses) -		
Basis of Budgeting	\$ (495,420)	\$ 221,143
Prior Year Encumbrance Cancellations	682	(682)
Other Financing Sources		
(Uses) - GAAP Basis	\$ (494,738)	\$ 220,461

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2016:

A. General Fund

(1). Pupil Transportation	\$ 1,930,260
(2). All Other Support Services	\$ 6,788,010
(2). Allocated Costs	\$ 13,633,470

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$1,931,260 in Pupil Transportation is due to a lower than anticipated credit for transportation allocated costs. Projected transportation costs related to special education students were anticipated to be a larger

share of total transportation costs than actually occurred. As a result, there is a positive budget variance in the Intermediate Unit transportation allocated costs and an offsetting negative variance in the General Fund transportation allocated cost.

The negative variance of All Other Support Services of \$6,788,010 results from increased losses and judgements obligations not anticipated at the time of the budget amendment and an unanticipated liability to the City of Philadelphia related to tax revenue received during the year.

The negative variance of \$13,633,470 in Allocated Costs results from the required distribution of actual expenditures across agencies in the Administrative Support and Operation & 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.

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 \$13,633,470.

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 2012, 2014, and 2016. 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, 2012, June 30, 2014, and June 30, 2016, the plan is not funded and therefore there are no assets. Life insurance benefit is not based upon payroll.

The June 30, 2016 OPEB valuation report for the life insurance benefits liability of the District was prepared by an outside actuary. There is no payroll growth assumption as the District is using an open 30-year level dollar amortization of the unfunded liability in determining the Annual Required Contribution. The discount rate was decreased from 3.25% as of June 30, 2014 to 3% as of June 30, 2016 to better reflect anticipated future short-term investment returns which increased the actuarial liability as of June 30, 2016.

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, 2016 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, 2016 there were eighty-seven Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,216,623	\$ 2,105,732	\$ 6,322,355
Total Assets	<u>\$ 4,216,623</u>	<u>\$ 2,105,732</u>	<u>\$ 6,322,355</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 6,710	\$ 390	\$ 7,100
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,365,405	1,365,405
Restricted:			
Trust Purposes	4,209,913	739,937	4,949,850
Total Fund Balances	<u>4,209,913</u>	<u>2,105,342</u>	<u>6,315,255</u>
Total Liabilities and Fund Balances	<u>\$ 4,216,623</u>	<u>\$ 2,105,732</u>	<u>\$ 6,322,355</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, 2016

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 38,067	\$ 4,127	\$ 42,194
EXPENDITURES			
Instruction	24,589	8,900	33,489
Excess (Deficiency) of Revenues Over Expenditures	13,478	(4,773)	8,705
Fund Balances, July 1, 2015	4,196,435	2,110,115	6,306,550
Fund Balances, June 30, 2016	\$ 4,209,913	\$ 2,105,342	\$ 6,315,255

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 636,232,000	\$ 645,190,000	\$ 633,998,515	\$ (11,191,485)
Prior Years	57,000,000	60,928,000	63,409,950	2,481,950
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	136,800,000	139,500,000	137,333,346	(2,166,654)
School (Non-Business) Income	41,300,000	39,800,000	40,344,731	544,731
Liquor Sales	61,200,000	63,950,000	65,830,679	1,880,679
Cigarette Sales	60,060,000	57,860,000	58,766,316	906,316
Sales Tax	120,000,000	120,000,000	120,000,000	-
Public Utility Realty	1,100,000	1,043,000	1,043,188	188
Total Local Taxes	1,113,692,000	1,128,271,000	1,120,731,344	(7,539,656)
Locally Generated Non Tax				
Interest on Investments	365,000	500,000	583,204	83,204
City Contributions	104,170,000	104,185,000	104,184,673	(327)
Casino Settlement	1,928,000	1,928,000	1,928,437	437
Stadium Agreements	2,744,000	2,744,000	2,743,500	(500)
Voluntary Contributions	372,000	373,000	442,492	69,492
Parking Authority Contributions	11,100,000	11,100,000	10,279,437	(820,563)
Gaming Revenue	5,000,000	4,650,000	4,810,097	160,097
Reimbursement from Other Funds	14,000	14,000	13,860	(140)
Miscellaneous	6,000,000	5,200,000	7,885,729	2,685,729
Total Locally Generated Non Tax	131,693,000	130,694,000	132,871,429	2,177,429
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	984,001,000	1,020,075,000	1,019,962,761	(112,239)
Less: Reimbursement of Prior Years IU Advances	56,343,000	55,376,000	53,385,249	(1,990,751)
Net Instruction	927,658,000	964,699,000	966,577,512	1,878,512
Debt Service	11,782,000	12,138,000	-	(12,138,000)
School Health Program				
Nurse Services	1,112,000	1,101,000	-	(1,101,000)
Medical and Dental	1,898,000	1,890,000	-	(1,890,000)
Tuition	430,000	665,000	658,689	(6,311)
Area Vocational Technical Education	5,257,000	5,184,000	5,157,398	(26,602)
Transportation	63,629,000	65,381,000	65,706,342	325,342
District Special Education	131,384,000	135,434,000	135,435,122	1,122
Retirement	104,023,000	107,448,000	115,259,347	7,811,347
Social Security	31,590,000	32,234,000	33,896,566	1,662,566
Total State Grants and Subsidies	1,278,763,000	1,326,174,000	1,322,690,976	(3,483,024)
Federal Grants and Subsidies				
Federal Debt Service Subsidy	11,132,000	11,129,000	11,158,002	29,002
Impacted Area Aid	143,000	229,000	228,610	(390)
Total Federal Grants and Subsidies	11,275,000	11,358,000	11,386,612	28,612
Total Other Governments	1,290,038,000	1,337,532,000	1,334,077,588	(3,454,412)
Total Revenues	\$ 2,535,423,000	\$ 2,596,497,000	\$ 2,587,680,361	\$ (8,816,639)

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 364,060	\$ 384,324	\$ 310,361	\$ 73,963
Employee Benefits	235,802	234,314	186,659	47,655
Prof.,Tech. Services	127,813	7,500	6,227	1,273
Property,Transportation,Comm.	57,000	30,000	2,761	27,239
Materials, Supplies, Books and Equipment	177,627	88,627	118,088	(29,461)
	<u>962,302</u>	<u>744,765</u>	<u>624,096</u>	<u>120,669</u>
Elementary Education				
Personal Services	260,040,116	273,906,953	275,641,550	(1,734,597)
Employee Benefits	172,805,159	175,357,889	185,111,782	(9,753,893)
Prof.,Tech. Services	517,193	1,246,623	770,509	476,114
Property,Transportation,Comm.	5,000	8,450	151,072	(142,622)
Materials, Supplies, Books and Equipment	9,992,992	9,489,559	11,317,323	(1,827,764)
Other	-	16,053,738	-	16,053,738
	<u>443,360,460</u>	<u>476,063,212</u>	<u>472,992,236</u>	<u>3,070,976</u>
Middle School Education				
Personal Services	34,471,711	35,637,386	34,718,818	918,568
Employee Benefits	22,564,108	22,365,341	23,106,391	(741,050)
Prof.,Tech. Services	2,107,826	3,048,522	3,021,396	27,126
Property,Transportation,Comm.	90,153	86,039	28,181	57,858
Materials, Supplies, Books and Equipment	921,120	1,052,085	1,121,680	(69,595)
	<u>60,154,918</u>	<u>62,189,373</u>	<u>61,996,466</u>	<u>192,907</u>
Senior High School Education				
Personal Services	107,528,018	109,910,779	107,145,448	2,765,331
Employee Benefits	69,771,725	68,452,614	69,511,255	(1,058,641)
Prof.,Tech. Services	2,746,712	2,937,982	2,506,037	431,945
Property,Transportation,Comm.	354,446	114,330	487,204	(372,874)
Materials, Supplies, Books and Equipment	2,810,866	3,749,558	3,609,645	139,913
Other	-	110,739	-	110,739
	<u>183,211,767</u>	<u>185,276,002</u>	<u>183,259,589</u>	<u>2,016,413</u>
Special Education				
Personal Services	7,480,676	7,483,487	7,188,381	295,106
Employee Benefits	5,023,576	4,909,534	4,939,420	(29,886)
Materials, Supplies, Books and Equipment	10,760	10,760	9,795	965
	<u>12,515,012</u>	<u>12,403,781</u>	<u>12,137,596</u>	<u>266,185</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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 12,161,338	\$ 14,300,065	\$ 13,918,262	\$ 381,803
Employee Benefits	7,927,772	8,876,357	9,222,253	(345,896)
Prof., Tech. Services	305,565	259,765	256,964	2,801
Property, Transportation, Comm.	8,839	7,124	184,457	(177,333)
Materials, Supplies, Books and Equipment	592,720	775,610	797,589	(21,979)
Other	200,000	-	-	-
	<u>21,196,234</u>	<u>24,218,921</u>	<u>24,379,525</u>	<u>(160,604)</u>
Promise Academies				
Personal Services	3,038,227	2,885,046	2,484,236	400,810
Employee Benefits	1,860,476	1,765,720	1,603,695	162,025
Prof., Tech. Services	4,440	22,140	21,500	640
Property, Transportation, Comm.	-	-	398	(398)
Materials, Supplies, Books and Equipment	884,608	1,213,104	758,132	454,972
	<u>5,787,751</u>	<u>5,886,010</u>	<u>4,867,961</u>	<u>1,018,049</u>
School Support Services				
Personal Services	43,674,651	36,108,880	33,635,063	2,473,817
Employee Benefits	25,163,825	21,299,151	21,858,690	(559,539)
Prof., Tech. Services	3,504,140	11,825,603	12,420,112	(594,509)
Property, Transportation, Comm.	9,689	9,689	12,060	(2,371)
Materials, Supplies, Books and Equipment	649,258	48,494,946	50,569,374	(2,074,428)
	<u>73,001,563</u>	<u>117,738,269</u>	<u>118,495,299</u>	<u>(757,030)</u>
Payment to Other Educational Entities				
Prof., Tech. Services	30,747,480	30,733,104	30,127,792	605,312
Property, Transportation, Comm.	65,010,020	65,010,020	61,197,390	3,812,630
Materials, Supplies, Books and Equipment	-	63,000	62,250	750
	<u>95,757,500</u>	<u>95,806,124</u>	<u>91,387,432</u>	<u>4,418,692</u>
Adult Education				
Personal Services	59,380	59,380	4,192	55,188
Employee Benefits	25,048	24,554	1,559	22,995
	<u>84,428</u>	<u>83,934</u>	<u>5,751</u>	<u>78,183</u>
Total Instruction	<u>896,031,935</u>	<u>980,410,391</u>	<u>970,145,951</u>	<u>10,264,440</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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 15,618,172	\$ 15,657,993	\$ 15,268,157	\$ 389,836
Employee Benefits	10,766,095	9,781,361	10,130,821	(349,460)
Prof.,Tech. Services	496,459	446,757	416,443	30,314
Property,Transportation,Comm.	89,099	67,707	38,826	28,881
Materials, Supplies, Books and Equipment	232,232	228,065	211,305	16,760
	<hr/>	<hr/>	<hr/>	<hr/>
	27,202,057	26,181,883	26,065,552	116,331
	<hr/>	<hr/>	<hr/>	<hr/>
Office of Specialized Services				
Personal Services	220,080	130,455	144,242	(13,787)
Employee Benefits	123,547	84,551	69,404	15,147
Prof.,Tech. Services	134,200	150,762	139,775	10,987
Property,Transportation,Comm.	4,775	4,775	5,952	(1,177)
Materials, Supplies, Books and Equipment	2,200	2,200	3,956	(1,756)
	<hr/>	<hr/>	<hr/>	<hr/>
	484,802	372,743	363,329	9,414
	<hr/>	<hr/>	<hr/>	<hr/>
Total Student Support Services	27,686,859	26,554,626	26,428,881	125,745
	<hr/>	<hr/>	<hr/>	<hr/>
Administrative Support				
Regional Offices/Learning Networks				
Personal Services	1,278,609	1,348,227	1,219,423	128,804
Employee Benefits	666,819	698,686	644,786	53,900
Prof.,Tech. Services	75,450	79,399	20,000	59,399
Property,Transportation,Comm.	-	1,500	17,972	(16,472)
Materials, Supplies, Books and Equipment	44,550	60,850	28,676	32,174
	<hr/>	<hr/>	<hr/>	<hr/>
	2,065,428	2,188,662	1,930,857	257,805
	<hr/>	<hr/>	<hr/>	<hr/>
Financial Services				
Personal Services	3,418,225	3,157,369	3,616,107	(458,738)
Employee Benefits	2,132,119	1,989,647	2,284,251	(294,604)
Prof.,Tech. Services	959,849	1,108,670	1,089,658	19,012
Property,Transportation,Comm.	68,470	234,982	57,235	177,747
Materials, Supplies, Books and Equipment	54,345	70,573	63,324	7,249
Other	840,000	770,000	291,897	478,103
	<hr/>	<hr/>	<hr/>	<hr/>
	7,473,008	7,331,241	7,402,472	(71,231)
	<hr/>	<hr/>	<hr/>	<hr/>
Office of Procurement Services & Other Central Support Services				
Personal Services	760,662	722,230	769,206	(46,976)
Employee Benefits	489,607	461,869	482,009	(20,140)
Prof.,Tech. Services	114,302	85,105	36,580	48,525
Property,Transportation,Comm.	1,868,124	1,860,712	1,843,526	17,186
Materials, Supplies, Books and Equipment	33,031	56,734	40,472	16,262
Other	-	-	(125)	125
	<hr/>	<hr/>	<hr/>	<hr/>
	3,265,726	3,186,650	3,171,668	14,982
	<hr/>	<hr/>	<hr/>	<hr/>

(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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 3,618,857	\$ 4,034,055	\$ 4,792,374	\$ (758,319)
Employee Benefits	2,336,837	2,541,335	2,743,985	(202,650)
Prof.,Tech. Services	475,326	614,509	400,882	213,627
Property,Transportation,Comm.	4,179	67,217	130,292	(63,075)
Materials, Supplies, Books and Equipment	157,412	325,681	179,876	145,805
Other	74,892	900,211	(304,657)	1,204,868
	<u>6,667,503</u>	<u>8,483,008</u>	<u>7,942,752</u>	<u>540,256</u>
Information Technology				
Personal Services	5,875,046	5,769,913	5,516,687	253,226
Employee Benefits	3,615,588	3,591,228	3,526,764	64,464
Prof.,Tech. Services	3,815,174	3,723,333	3,409,097	314,236
Property,Transportation,Comm.	2,199,732	2,304,422	2,102,961	201,461
Materials, Supplies, Books and Equipment	3,802,282	4,091,603	3,717,058	374,545
Other	(3,200,000)	(3,200,000)	(3,591,692)	391,692
	<u>16,107,822</u>	<u>16,280,499</u>	<u>14,680,875</u>	<u>1,599,624</u>
School Reform Commission				
Personal Services	1,427,378	1,506,596	1,336,379	170,217
Employee Benefits	909,246	926,580	771,151	155,429
Prof.,Tech. Services	405,737	334,379	228,814	105,565
Property,Transportation,Comm.	133,199	132,399	90,466	41,933
Materials, Supplies, Books and Equipment	68,213	120,398	23,271	97,127
	<u>2,943,773</u>	<u>3,020,352</u>	<u>2,450,081</u>	<u>570,271</u>
Chief of Schools				
Personal Services	1,412,945	1,420,382	1,361,124	59,258
Employee Benefits	917,322	919,164	867,543	51,621
Prof.,Tech. Services	110,000	110,000	4,700	105,300
Property,Transportation,Comm.	3,219	9,619	2,890	6,729
Materials, Supplies, Books and Equipment	47,006	48,462	54,204	(5,742)
Other	59,639	51,783	-	51,783
	<u>2,550,131</u>	<u>2,559,410</u>	<u>2,290,461</u>	<u>268,949</u>
Office of School Management				
Personal Services	2,271,681	2,303,582	1,775,468	528,114
Employee Benefits	1,458,398	1,458,445	1,132,296	326,149
Prof.,Tech. Services	195,000	202,500	202,500	-
Property,Transportation,Comm.	190,858	193,458	130,669	62,789
Materials, Supplies, Books and Equipment	73,540	33,299	14,193	19,106
Other	-	-	(180,584)	180,584
	<u>4,189,477</u>	<u>4,191,284</u>	<u>3,074,542</u>	<u>1,116,742</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Secondary Education				
Personal Services	\$ 149,611	\$ 166,676	\$ 158,009	\$ 8,667
Employee Benefits	77,273	83,040	83,024	16
Prof.,Tech. Services	393,401	219,106	184,267	34,839
Property,Transportation,Comm.	96,331	118,105	155,688	(37,583)
Materials, Supplies, Books and Equipment	29,898	144,926	117,990	26,936
Other	-	-	(2,637)	2,637
	746,514	731,853	696,341	35,512
Curriculum, Instruction & Professional Development				
Personal Services	3,772,852	3,387,891	2,968,924	418,967
Employee Benefits	2,241,135	1,998,448	1,727,598	270,850
Prof.,Tech. Services	15,500	39,300	39,292	8
Property,Transportation,Comm.	1,931	1,931	17,709	(15,778)
Materials, Supplies, Books and Equipment	30,766	25,190	20,297	4,893
Other	-	-	(410)	410
	6,062,184	5,452,760	4,773,410	679,350
Professional Growth Trust Fund				
Employee Benefits	232,000	234,500	218,000	16,500
Office of the Chief Operations Officer				
Personal Services	3,644,428	3,800,789	3,278,111	522,678
Employee Benefits	2,274,146	2,335,831	1,998,588	337,243
Prof.,Tech. Services	462,022	462,022	551,155	(89,133)
Property,Transportation,Comm.	90,334	90,334	125,693	(35,359)
Materials, Supplies, Books and Equipment	131,056	236,540	175,672	60,868
Other	-	-	(346,452)	346,452
	6,601,986	6,925,516	5,782,767	1,142,749
Executive / Board Management				
Personal Services	3,897,642	4,523,527	3,917,741	605,786
Employee Benefits	2,285,392	2,652,201	2,207,058	445,143
Prof.,Tech. Services	7,218,592	7,584,854	7,514,311	70,543
Property,Transportation,Comm.	175,001	178,946	224,636	(45,690)
Materials, Supplies, Books and Equipment	133,589	140,479	79,710	60,769
Other	-	19,568	526	19,042
	13,710,216	15,099,575	13,943,982	1,155,593
Office of Grant Development & Compliance				
Personal Services	-	-	488,634	(488,634)
Employee Benefits	-	-	304,572	(304,572)
Prof.,Tech. Services	-	-	88,243	(88,243)
Property,Transportation,Comm.	-	-	40,572	(40,572)
Materials, Supplies, Books and Equipment	-	-	20,201	(20,201)
	-	-	942,222	(942,222)
Office of the Chief Academic Officer				
Personal Services	3,291,299	3,059,026	2,937,620	121,406
Employee Benefits	1,884,711	1,773,403	1,716,211	57,192
Prof.,Tech. Services	80,000	78,748	70,162	8,586
Property,Transportation,Comm.	99,618	104,618	121,265	(16,647)
Materials, Supplies, Books and Equipment	241,041	297,408	286,178	11,230
Other	-	-	(256,535)	256,535
	5,596,669	5,313,203	4,874,901	438,302
Total Administrative Support	78,212,437	80,998,513	74,175,331	6,823,182

(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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 55,152,251	\$ 50,527,864	\$ 48,929,048	\$ 1,598,816
Employee Benefits	50,025,497	42,648,144	42,066,329	581,815
Prof.,Tech. Services	7,680,404	8,028,924	8,018,117	10,807
Property,Transportation,Comm.	5,757,662	8,853,915	8,271,634	582,281
Materials, Supplies, Books and Equipment	5,325,838	9,643,552	10,998,811	(1,355,259)
Other	(3,219,000)	(241,408)	(8,192,196)	7,950,788
	120,722,652	119,460,991	110,091,743	9,369,248
Food Services Indirect Cost				
Other	(3,000,000)	(3,000,000)	(3,000,000)	-
Utilities				
Personal Services	-	25,065	8,564	16,501
Employee Benefits	-	10,365	3,539	6,826
Prof.,Tech. Services	368,020	313,596	151,000	162,596
Property,Transportation,Comm.	14,330,275	14,346,211	12,319,516	2,026,695
Materials, Supplies, Books and Equipment	41,108,794	32,072,398	29,282,773	2,789,625
Other	-	(2,795,915)	(2,855,757)	59,842
	55,807,089	43,971,720	38,909,635	5,062,085
Security Operations				
Personal Services	17,056,425	16,265,160	15,462,339	802,821
Employee Benefits	13,052,170	12,016,953	11,814,358	202,595
Prof.,Tech. Services	67,916	67,916	16,900	51,016
Property,Transportation,Comm.	135,910	125,610	15,204	110,406
Materials, Supplies, Books and Equipment	397,655	398,767	456,413	(57,646)
Other	-	-	(1,642,006)	1,642,006
	30,710,076	28,874,406	26,123,208	2,751,198
Total Oper. & Maint. of Plant Services	204,239,817	189,307,117	172,124,586	17,182,531
Pupil Transportation				
Personal Services	16,294,130	16,471,798	16,737,455	(265,657)
Employee Benefits	14,871,758	13,111,257	13,664,854	(553,597)
Prof.,Tech. Services	274,106	274,106	367,360	(93,254)
Property,Transportation,Comm.	107,376,411	102,998,931	102,362,658	636,273
Materials, Supplies, Books and Equipment	5,789,239	5,286,400	5,099,577	186,823
Other	(51,604,512)	(53,068,000)	(51,227,152)	(1,840,848)
Total Pupil Transportation	93,001,132	85,074,492	87,004,752	(1,930,260)
All Other Support Services				
Risk Management				
Personal Services	209,766	222,609	195,480	27,129
Employee Benefits	137,446	139,146	155,111	(15,965)
Prof.,Tech. Services	18,743	18,743	-	18,743
Property,Transportation,Comm.	2,219,862	2,219,462	2,059,904	159,558
Materials, Supplies, Books and Equipment	1,000	1,000	860	140
Losses and Judgments	5,341,312	12,541,534	19,960,776	(7,419,242)
	7,928,129	15,142,494	22,372,131	(7,229,637)

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Temporary Borrowing				
Prof.,Tech. Services	\$ 454,800	\$ 400,000	\$ 284,000	\$ 116,000
Property,Transportation,Comm.	15,000	15,000	2,271	12,729
Interest	2,906,900	3,759,312	3,699,520	59,792
	3,376,700	4,174,312	3,985,791	188,521
Undistributed				
Personal Services	1,445,086	(6,052,953)	(14,160)	(6,038,793)
Employee Benefits	(3,094,173)	4,840,495	(7,513,918)	12,354,413
Prof.,Tech. Services	457,603	324,063	-	324,063
Property,Transportation,Comm.	426,500	-	-	-
Other	915,456	(6,605,152)	-	(6,605,152)
Cancellation of Prior Years' Encumbrances	(2,577,882)	(8,276,923)	(8,495,498)	218,575
	(2,427,410)	(15,770,470)	(16,023,576)	253,106
Total All Other Support Services	8,877,419	3,546,336	10,334,346	(6,788,010)
Payments to Charter Schools				
Property,Transportation,Comm.	756,708,630	713,708,630	711,273,846	2,434,784
	756,708,630	713,708,630	711,273,846	2,434,784
Allocated Costs	(13,633,470)	(13,633,470)	-	(13,633,470)
Total Obligations	2,051,124,759	2,065,966,635	2,051,487,693	14,478,942
OTHER FINANCING USES				
Local Share of Categorical Programs	2,252,300	2,252,300	1,661,939	590,361
Debt Service Fund	282,541,400	267,846,700	265,302,344	2,544,356
Special Education	237,163,800	233,590,400	221,143,386	12,447,014
Internal Service Fund	-	-	9,500,000	(9,500,000)
Enterprise Fund - Print Shop	-	-	351,845	(351,845)
Total Other Financing Uses	521,957,500	503,689,400	497,959,514	5,729,886
Total General Fund	\$ 2,573,082,259	\$ 2,569,656,035	\$ 2,549,447,207	\$ 20,208,828
Fund Totals - Object Classes				
Personal Services	\$ 609,633,322	\$ 609,124,554	\$ 605,913,243	\$ 3,211,311
Employee Benefits	412,780,424	407,582,123	406,640,038	942,085
Prof.,Tech. Services	64,333,773	74,748,031	72,363,793	2,384,238
Property,Transportation,Comm.	957,530,267	912,904,136	903,474,908	9,429,228
Materials, Supplies, Books, and Equipment	73,743,638	118,221,774	119,238,693	(1,016,919)
Other	(58,933,525)	(51,004,436)	(71,307,780)	20,303,344
Interest on Temporary Borrowing	2,906,900	3,759,312	3,699,520	59,792
Losses and Judgments	5,341,312	12,541,534	19,960,776	(7,419,242)
Allocated Costs	(13,633,470)	(13,633,470)	-	(13,633,470)
Other Financing Uses	521,957,500	503,689,400	497,959,514	5,729,886
Cancellation of Prior Years' Encumbrances	(2,577,882)	(8,276,923)	(8,495,498)	218,575
Total General Fund	\$ 2,573,082,259	\$ 2,569,656,035	\$ 2,549,447,207	\$ 20,208,828

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Non-Public School Programs	17,000	17,000	5,684	(11,316)
Tuition	410,000	470,000	787,506	317,506
Total Locally Generated Non Tax	430,000	490,000	793,190	303,190
State Grants and Subsidies				
Special Education Program	4,923,000	4,923,000	5,245,101	322,101
Special Education Transportation	67,511,000	72,543,000	71,360,204	(1,182,796)
Non-Public School Programs	15,138,000	14,407,000	14,407,334	334
Social Security	7,243,000	6,786,000	7,069,560	283,560
Retirement	23,662,000	22,275,000	22,421,172	146,172
Total State Grants and Subsidies	118,477,000	120,934,000	120,503,371	(430,629)
Total Revenues	<u>\$ 118,907,000</u>	<u>\$ 121,424,000</u>	<u>\$ 121,296,561</u>	<u>\$ (127,439)</u>
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 120,504,564	\$ 117,179,297	\$ 113,241,254	\$ 3,938,043
Employee Benefits	95,907,021	93,524,223	86,991,208	6,533,015
Prof.,Tech. Services	9,564,177	11,451,055	11,662,535	(211,480)
Property,Transportation,Comm.	3,451	3,451	34,734	(31,283)
Materials, Supplies, Books and Equipment	818,615	871,027	736,733	134,294
Other	(2,200,000)	(2,200,000)	-	(2,200,000)
Total Special Education	224,597,828	220,829,053	212,666,464	8,162,589
Services to Non-Public School Students				
Prof.,Tech. Services	14,229,708	13,495,460	13,479,360	16,100
Total Services to Non-Public School Students	14,229,708	13,495,460	13,479,360	16,100
Total Instruction	238,827,536	234,324,513	226,145,824	8,178,689
Student Support Services				
Special Education *				
Personal Services	16,857,272	16,493,889	15,797,704	696,185
Employee Benefits	17,721,405	15,703,712	14,804,388	899,324
Prof.,Tech. Services	15,000	15,000	8,473	6,527
Property,Transportation,Comm.	12,432,595	13,432,595	13,432,459	136
Materials, Supplies, Books and Equipment	10,200	10,200	270,805	(260,605)
Allocated Costs	(7,267,500)	(7,478,000)	(8,153,639)	675,639
Total Special Education	39,768,972	38,177,396	36,160,190	2,017,206

* 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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation				
Allocated Costs	\$ 67,514,000	\$ 72,546,000	\$ 70,171,903	\$ 2,374,097
Total Student Support Services	107,282,972	110,723,396	106,332,093	4,391,303
Services to Non-Public School Students				
Personal Services	156,459	176,375	116,121	60,254
Employee Benefits	107,875	110,598	62,333	48,265
Prof.,Tech. Services	-	-	18,100	(18,100)
Property,Transportation,Comm.	-	-	454	(454)
Materials, Supplies, Books and Equipment	20,000	19,709	12,036	7,673
	284,334	306,682	209,044	97,638
Total Administrative Support	284,334	306,682	209,044	97,638
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	675,958	659,858	752,986	(93,128)
Total Allocated Costs	9,675,958	9,659,858	9,752,986	(93,128)
Total Obligations	356,070,800	355,014,449	342,439,947	12,574,502
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(237,163,800)	(233,590,400)	(221,143,386)	(12,447,014)
Total Intermediate Unit	\$ 118,907,000	\$ 121,424,049	\$ 121,296,561	\$ 127,488
Fund Totals - Object Classes				
Personal Services	\$ 137,518,295	\$ 133,849,561	\$ 129,155,079	\$ 4,694,482
Employee Benefits	113,736,301	109,338,533	101,857,929	7,480,604
Prof.,Tech. Services	23,808,885	24,961,515	25,168,468	(206,953)
Property,Transportation,Comm.	12,436,046	13,436,046	13,467,647	(31,601)
Materials, Supplies, Books and Equipment	848,815	900,936	1,019,574	(118,638)
Other	(2,200,000)	(2,200,000)	-	(2,200,000)
Allocated Costs	69,922,458	74,727,858	71,771,250	2,956,608
Total Obligations	356,070,800	355,014,449	342,439,947	12,574,502
Other Financing Sources				
Operating Transfers from Other Funds	(237,163,800)	(233,590,400)	(221,143,386)	(12,447,014)
Total Intermediate Unit	\$ 118,907,000	\$ 121,424,049	\$ 121,296,561	\$ 127,488

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 1,031,000	\$ 971,000	\$ 824,435	\$ (146,565)
Basis Swap Income	-	1,843,000	1,921,225	78,225
Miscellaneous	-	6,860,000	7,145,752	285,752
Total Revenues	<u>\$ 1,031,000</u>	<u>9,674,000</u>	<u>9,891,412</u>	<u>217,412</u>
OBLIGATIONS				
Bonds				
Principal	\$ 109,119,250	\$ 99,417,512	\$ 100,492,513	\$ (1,075,001)
Interest	84,497,812	80,887,087	81,024,189	(137,102)
Authority Obligations (SPSBA)				
Principal	17,255,000	17,255,000	17,255,000	-
Interest	54,132,529	54,127,271	54,126,933	338
Variable Rate Bond Interest	4,360,625	4,209,536	221,796	3,987,740
Issuance Costs	2,800,000	1,284,002	1,401,534	(117,532)
Administrative Expenses	2,428,175	6,529,092	6,082,452	446,640
Total Obligations	<u>\$ 274,593,391</u>	<u>\$ 263,709,500</u>	<u>\$ 260,604,417</u>	<u>\$ 3,105,083</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 285,630,000	\$ 268,135,700	\$ 265,591,805	\$ (2,543,895)
Capital Asset Proceeds	-	3,504,000	3,861,431	357,431
Issuance of Refunding Bonds	-	349,965,000	349,960,000	(5,000)
Bond Defeasement	-	(350,544,000)	(349,730,949)	813,051
Total Other Financing Sources (Uses)	<u>\$ 285,630,000</u>	<u>\$ 271,060,700</u>	<u>\$ 269,682,287</u>	<u>\$ (1,378,413)</u>
Net Change in Fund Balance	12,067,609	17,025,200	18,969,282	1,944,082
Fund Balances, July 1, 2015	109,019,000	103,730,800	123,881,218	20,150,418
Fund Balances, June 30, 2016	<u>\$ 121,086,609</u>	<u>\$ 120,756,000</u>	<u>\$ 142,850,500</u>	<u>\$ 22,094,500</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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 100,000	\$ 100,000	\$ 100,010	\$ 10
Miscellaneous	-	-	2,153,893	2,153,893
Total Locally Generated Non Tax	100,000	100,000	2,253,903	2,153,903
State Grants and Subsidies	425,000	425,000	1,034,417	609,417
Total Revenues	\$ 525,000	\$ 525,000	\$ 3,288,320	\$ 2,763,320
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (26,290,642)	\$ 26,290,642
New Buildings and Additions	9,400,956	7,739,556	10,858,685	(3,119,129)
Environmental Management				
Asbestos Abatement	4,814,595	1,559,362	-	1,559,362
Environmental Services	6,605,125	1,898,734	4,065,911	(2,167,177)
Total Environmental Management	11,419,720	3,458,096	4,065,911	(607,815)
Alterations and Improvements				
Various Projects	84,661,207	46,428,130	1,760,401	44,667,729
Administrative Support	10,712,571	9,618,867	7,078,826	2,540,041
Major/Building Renovations	10,424,516	4,488,108	39,959,736	(35,471,628)
Total Alterations and Improvements	105,798,294	60,535,105	48,798,963	11,736,142
Total Obligations	\$ 126,618,970	\$ 71,732,757	\$ 37,432,917	\$ 34,299,840
OTHER FINANCING SOURCES (USES)				
Insurance Refunds	\$ -	\$ -	\$ 1,008,215	\$ 1,008,215
Capital Asset Proceeds	160,000,000	-	789,866	789,866
Bond Issuance Costs	(3,437,000)	-	-	-
Total Other Financing Sources (Uses)	\$ 156,563,000	\$ -	\$ 1,798,081	\$ 1,798,081
Net Change in Fund Balance	\$ 30,469,030	\$ (71,207,757)	\$ (32,346,516)	\$ 38,861,241

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2016 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, 2016 there were three Agency Funds administered by the School District: Payroll Liabilities, Student Activities, and Unclaimed Monies.

School District of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2016

	Payroll Liabilities	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 5,017,610	\$ -	\$ 5,017,610
Equity in Pooled Cash and Investments	85,334,874	-	251,207	85,586,081
Accounts Receivable	13,520	-	-	13,520
Total Assets	85,348,394	5,017,610	251,207	90,617,211
LIABILITIES				
Payroll Deductions and Withholdings	85,348,394	-	-	85,348,394
Due to Student Activities	-	5,017,610	-	5,017,610
Other Liabilities	-	-	251,207	251,207
Total Liabilities	85,348,394	5,017,610	251,207	90,617,211
NET POSITION				
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2016.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 72,981,883	\$ 712,506,266	\$ 700,153,275	\$ 85,334,874
Accounts Receivable	1,173,933	13,520	1,173,933	13,520
Total Assets	<u>\$ 74,155,816</u>	<u>\$ 712,519,786</u>	<u>\$ 701,327,208</u>	<u>\$ 85,348,394</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 73,560,098	\$ 712,519,786	\$ 700,731,490	\$ 85,348,394
Other Liabilities	595,718	-	595,718	-
Total Liabilities	<u>\$ 74,155,816</u>	<u>\$ 712,519,786</u>	<u>\$ 701,327,208</u>	<u>\$ 85,348,394</u>
Student Activities Fund				
Assets				
Cash	<u>\$ 4,863,964</u>	<u>\$ 8,900,528</u>	<u>\$ 8,746,882</u>	<u>\$ 5,017,610</u>
Liabilities				
Due to Student Activities	<u>\$ 4,863,964</u>	<u>\$ 8,900,528</u>	<u>\$ 8,746,882</u>	<u>\$ 5,017,610</u>
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 550,103</u>	<u>\$ 285,483</u>	<u>\$ 584,379</u>	<u>\$ 251,207</u>
Liabilities				
Other Liabilities	<u>\$ 550,103</u>	<u>\$ 285,483</u>	<u>\$ 584,379</u>	<u>\$ 251,207</u>
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 4,863,964	\$ 8,900,528	\$ 8,746,882	\$ 5,017,610
Equity in Pooled Cash and Investments	73,531,986	712,791,749	700,737,654	85,586,081
Accounts Receivable	<u>1,173,933</u>	<u>13,520</u>	<u>1,173,933</u>	<u>13,520</u>
Total Assets	<u>\$ 79,569,883</u>	<u>\$ 721,705,797</u>	<u>\$ 710,658,469</u>	<u>\$ 90,617,211</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 73,560,098	\$ 712,519,786	\$ 700,731,490	\$ 85,348,394
Due to Student Activities	4,863,964	8,900,528	8,746,882	5,017,610
Other Liabilities	<u>1,145,821</u>	<u>285,483</u>	<u>1,180,097</u>	<u>251,207</u>
Total Liabilities	<u>\$ 79,569,883</u>	<u>\$ 721,705,797</u>	<u>\$ 710,658,469</u>	<u>\$ 90,617,211</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2016

Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2017 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, 2027-32	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>			<u>-</u>	<u>-</u>
OCTOBER 20, 2005 (SERIES D) (D005) GOB-Non Refunding	29,920,000	2,220,000 2,335,000 2,470,000 2,600,000 2,745,000	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021	5.500 5.500 5.500 5.500 5.500	122,100 128,425 135,850 143,000 150,975	2,220,000 - - - -
		<u>12,370,000</u>			<u>680,350</u>	<u>2,220,000</u>
DECEMBER 28, 2006 (SERIES A) (AS06) GOB-Non Refunding State Public School Building Authority Capital Obligation Bonds	317,125,000	7,910,000 8,090,000 71,185,000 87,165,000	JUNE 1, 2017 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-36	5.000 5.000 5.000 4.486	395,500 404,500 3,559,250 3,909,926	7,910,000 - - -
		<u>174,350,000</u>			<u>8,269,176</u>	<u>7,910,000</u>
DECEMBER 28, 2006 (SERIES B) (BS06) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000 5,000 5,000 5,000 5,000 104,430,000 208,675,000 232,395,000	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-36	3.750 3.750 3.875 4.000 4.000 4.825 4.813 4.750	188 188 194 200 200 5,202,644 9,929,375 11,051,550	5,000 - - - - - - -
		<u>545,525,000</u>			<u>26,184,539</u>	<u>5,000</u>
MAY 22, 2007 (SERIES A) (A007) GOB Non Refunding	146,530,000	15,000 15,000 15,000 15,000 215,000 35,360,000 36,315,000 74,490,000	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-34	4.000 5.000 5.000 5.000 5.000 5.000 5.000 4.916	600 750 750 750 10,750 1,768,000 1,815,750 3,537,000	15,000 - - - - - - -
		<u>146,440,000</u>			<u>7,134,350</u>	<u>15,000</u>
DECEMBER 28, 2007 (SERIES C) (CQ07) QZAB	13,510,000	13,510,000	DEC 28, 2022-26		-	-
		<u>13,510,000</u>			<u>-</u>	<u>-</u>
DECEMBER 28, 2007 (SERIES D) (DQ07) QZAB	28,160,000	28,160,000	DEC 28, 2022-26	1.250 1.250 1.250 1.250 1.250 1.250	63 62,589 62,589 62,589 62,589 101,581	- - - - - -
		<u>28,160,000</u>			<u>352,000</u>	<u>-</u>
NOVEMBER 20, 2008 (SERIES E) (E008) GOB Non Refunding	282,365,000	5,725,000 6,000,000 6,295,000 6,620,000 6,970,000 40,790,000 53,560,000 72,195,000 52,290,000	SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021-25 SEPT 1, 2026-30 SEPT 1, 2031-35 SEPT 1, 2036-40	5.000 4.500 5.000 5.125 5.125 5.225 5.625 6.000 6.000	143,125 270,000 314,750 339,275 357,213 2,134,500 3,024,662 4,331,700 3,137,400	5,725,000 - - - - - - - -
		<u>250,445,000</u>			<u>14,052,625</u>	<u>5,725,000</u>
NOVEMBER 20, 2008 (SERIES F) (F008) GOB Refunding	114,215,000	10,945,000 10,505,000 10,070,000 9,635,000 9,205,000 39,695,000 11,885,000	SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021-25 SEPT 1, 2026-30	5.000 5.000 5.000 5.000 5.000 5.175 5.250	273,625 525,250 503,500 481,750 460,250 2,052,656 623,963	10,945,000 - - - - - -
		<u>101,940,000</u>			<u>4,920,994</u>	<u>10,945,000</u>
MAY 28, 2009 SERIES B (B009) GOB Refunding	30,710,000	5,695,000 5,980,000 6,280,000	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019	5.000 5.000 4.500	284,750 299,000 283,700	5,695,000 - -
		<u>17,955,000</u>			<u>867,450</u>	<u>5,695,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2016

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2017 Debt Service Requirements	
					Interest	Principal
APRIL 6, 2010	221,485,000	5,745,000	JUNE 1, 2017	4.735	272,026	5,745,000
SERIES B (B010)		5,920,000	JUNE 1, 2018	5.139	304,229	-
(BAB-Federal Subsidy)		6,115,000	JUNE 1, 2019	5.289	323,422	-
		6,325,000	JUNE 1, 2020	5.419	342,752	-
		6,550,000	JUNE 1, 2021	5.589	366,080	-
		36,630,000	JUNE 1, 2022-26	6.106	2,242,456	-
		44,880,000	JUNE 1, 2027-31	6.645	2,983,430	-
		55,505,000	JUNE 1, 2032-36	6.765	3,754,913	-
		52,730,000	JUNE 1, 2037-40	6.765	3,567,184	-
		<u>220,400,000</u>			<u>14,156,492</u>	<u>5,745,000</u>
APRIL 6, 2010	300,045,000	25,065,000	SEPT 1, 2016	4.899	613,975	25,065,000
SERIES C (C010)		25,995,000	SEPT 1, 2017	5.000	1,299,750	-
GOB Refunding		26,980,000	SEPT 1, 2018	5.000	1,349,000	-
		27,995,000	SEPT 1, 2019	5.000	1,399,750	-
		29,040,000	SEPT 1, 2020	5.000	1,452,000	-
		25,745,000	SEPT 1, 2021	5.000	1,287,250	-
		<u>160,820,000</u>			<u>7,401,725</u>	<u>25,065,000</u>
APRIL 6, 2010	49,365,000	7,245,000	SEPT 1, 2017	4.410	319,494	-
SERIES D (D010)		7,600,000	SEPT 1, 2018	4.976	378,213	-
GOB Refunding		8,000,000	SEPT 1, 2019	4.974	397,900	-
		8,410,000	SEPT 1, 2020	4.973	418,187	-
		18,110,000	SEPT 1, 2021-25	4.885	802,711	-
		<u>49,365,000</u>			<u>2,316,504</u>	<u>-</u>
JANUARY 3, 2011	125,880,000	3,910,000	SEPT 1, 2016	5.000	97,750	3,910,000
SERIES E (E010)		4,105,000	SEPT 1, 2017	5.000	205,250	-
GOB Refunding		4,325,000	SEPT 1, 2018	5.000	216,250	-
		4,540,000	SEPT 1, 2019	5.000	227,000	-
		4,775,000	SEPT 1, 2020	5.000	238,750	-
		88,060,000	SEPT 1, 2021-25	5.250	4,623,150	-
		<u>109,715,000</u>			<u>5,608,150</u>	<u>3,910,000</u>
DECEMBER 20, 2011	144,625,000	144,035,000	SEPT 1, 2026-30	5.995	493,432	-
SERIES A (QSCB) - (Federal Subsidy)				5.995	493,432	-
GOB (AQ11)				5.995	493,432	-
				5.995	493,432	-
				5.995	493,432	-
				5.995	2,992,869	-
				5.995	3,174,870	-
		<u>144,035,000</u>			<u>8,634,899</u>	<u>-</u>
DECEMBER 20, 2011	16,970,000	1,700,000	SEPT 1, 2016	2.000	17,000	1,700,000
SERIES B (Tax Exempt)		1,735,000	SEPT 1, 2017	2.250	39,038	-
GOB (B011)		1,775,000	SEPT 1, 2018	2.500	44,375	-
		1,825,000	SEPT 1, 2019	3.000	54,750	-
		1,885,000	SEPT 1, 2020	3.125	58,906	-
		1,945,000	SEPT 1, 2021-25	3.250	63,212	-
		<u>10,865,000</u>			<u>277,281</u>	<u>1,700,000</u>
DECEMBER 20, 2011	41,185,000	3,565,000	SEPT 1, 2016	5.000	89,125	3,565,000
SERIES C (C011)		3,750,000	SEPT 1, 2017	5.000	187,500	-
GOB Refunding		3,945,000	SEPT 1, 2018	5.000	197,250	-
		4,145,000	SEPT 1, 2019	5.000	207,250	-
		4,355,000	SEPT 1, 2020	5.000	217,750	-
		4,580,000	SEPT 1, 2021-25	5.000	229,000	-
		<u>24,340,000</u>			<u>1,127,875</u>	<u>3,565,000</u>
DECEMBER 20, 2011	16,330,000	1,725,000	SEPT 1, 2016	4.000	34,500	1,725,000
SERIES D (D011)		1,800,000	SEPT 1, 2017	5.000	90,000	-
GOB Refunding		1,890,000	SEPT 1, 2018	4.807	90,850	-
		1,970,000	SEPT 1, 2019	3.000	59,100	-
		2,035,000	SEPT 1, 2020	3.619	73,638	-
		2,110,000	SEPT 1, 2021-25	3.500	73,850	-
		<u>11,530,000</u>			<u>421,938</u>	<u>1,725,000</u>
MARCH 29, 2012	35,312,564	7,062,513	DEC 24, 2016	2.000	141,250	7,062,513
SERIES A (A012)						
GOB (SEPTA Loan)		<u>7,062,513</u>			<u>141,250</u>	<u>7,062,513</u>
NOVEMBER 28, 2012	264,995,000	10,210,000	APRIL 1, 2017	5.000	510,500	10,210,000
SERIES B (BS12)		10,720,000	APRIL 1, 2018	5.000	536,000	-
GOB Deficit Funding		11,255,000	APRIL 1, 2019	5.000	562,750	-
State Public School		11,815,000	APRIL 1, 2020	5.000	590,750	-
Building Authority		12,410,000	APRIL 1, 2021	5.000	620,500	-
		71,990,000	APRIL 1, 2022-26	5.000	3,599,500	-
		91,885,000	APRIL 1, 2027-31	5.000	4,594,250	-
		21,220,000	APRIL 1, 2032-36	5.000	1,061,000	-
		<u>241,505,000</u>			<u>12,075,250</u>	<u>10,210,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2016

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2017 Debt Service Requirements	
					Interest	Principal
APRIL 20, 2015 SERIES A (AS15) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	80,000,000	5,000 8,065,000 8,390,000 8,805,000 9,260,000 45,475,000	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022-26	2.000 4.000 5.000 5.000 5.000 4.768	100 322,600 419,500 440,250 463,000 2,241,250	5,000 - - - - -
		<u>80,000,000</u>			<u>3,886,700</u>	<u>5,000</u>
APRIL 20, 2015 (SERIES A) (A015) GOB Non Refunding	46,770,000	1,450,000 1,500,000 1,560,000 1,625,000 1,700,000 9,900,000 12,715,000 16,320,000	SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021-25 SEPT 1, 2026-30 SEPT 1, 2031-35	3.000 4.000 4.000 4.000 5.000 5.000 5.000 5.000	21,750 60,000 62,400 65,000 85,000 495,000 635,750 816,000	1,450,000 - - - - - - -
		<u>46,770,000</u>			<u>2,240,900</u>	<u>1,450,000</u>
APRIL 20, 2015 (SERIES B) (B015) GOB-Refunding	13,505,000	6,875,000	SEPT 1, 2016	5.000	171,875	6,875,000
		<u>6,875,000</u>			<u>171,875</u>	<u>6,875,000</u>
APRIL 20, 2015 (SERIES C) (C015) GOB-Refunding	44,565,000	3,875,000 3,945,000 4,030,000 4,140,000 4,265,000 23,680,000	SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021-25	1.787 2.009 2.512 2.973 3.273 3.777	34,623 79,255 101,234 123,082 139,593 896,438	3,875,000 - - - - -
		<u>43,935,000</u>			<u>1,374,225</u>	<u>3,875,000</u>
May 5, 2015 (SERIES D) (D015) GOB-Refunding	128,620,000	16,360,000 17,195,000 18,080,000 19,000,000 19,980,000 38,005,000	SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021-25	5.000 5.000 5.000 5.000 5.000 5.000	409,000 859,750 904,000 950,000 999,000 1,900,250	16,360,000 - - - - -
		<u>128,620,000</u>			<u>6,022,000</u>	<u>16,360,000</u>
JUNE 1, 2016 SERIES A (A016) GOB Refunding	48,520,000	5,000 5,000 6,280,000 6,525,000 35,705,000	JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022-26	1.500 1.500 1.500 1.500 1.500	75 75 94,200 97,875 535,575	- - - - -
		<u>48,520,000</u>			<u>727,800</u>	<u>-</u>
JUNE 1, 2016 SERIES B (B016) GOB Refunding	150,720,000	39,155,000 111,565,000	SEPT 1, 2021-25 SEPT 1, 2026-30	1.500 1.500	587,325 1,673,475	- -
		<u>150,720,000</u>			<u>2,260,800</u>	<u>-</u>
JUNE 1, 2016 SERIES C (C016) GOB Refunding	150,720,000	39,155,000 111,565,000	SEPT 1, 2021-25 SEPT 1, 2026-30	1.500 1.500	587,325 1,673,475	- -
		<u>150,720,000</u>			<u>2,260,800</u>	<u>-</u>
TOTAL BONDS OUTSTANDING	\$ <u>3,995,192,564</u>	\$ <u>2,989,332,513</u>			\$ <u>135,960,723</u>	\$ <u>120,062,513</u>
NON-ELECTORAL DEBT BONDS	\$ 2,199,362,564	\$ 1,904,447,513			\$ 83,152,283	\$ 101,932,513
CAPITAL OBLIGATION BONDS (Lease Rental)	1,795,830,000	1,084,885,000			52,808,440	18,130,000
TOTAL BONDS OUTSTANDING	\$ <u>3,995,192,564</u>	\$ <u>2,989,332,513</u>			\$ <u>135,960,723</u>	\$ <u>120,062,513</u>





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.	118
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the School District's most significant local revenue source, property taxes.	125
<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.	130
<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.	135
<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.	137

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 2007 through 2016

(accrual basis of accounting)

(dollars in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 1,183	\$ 27,119	\$ 17,712	\$ (27,665)	\$ (125,999)	\$ (210,988)	\$ (238,240)	\$ (372,517)	\$ (569,899)	\$ (585,039)
Restricted										
Medical Self-Insurance	-	-	-	-	18,375	18,375	18,375	18,375	9,500	-
Debt Service	70,056	74,032	71,650	76,811	94,901	109,544	98,228	93,491	122,992	142,049
Student Health	2,667	2,814	2,109	2,166	3,495	3,466	3,447	3,428	3,411	3,407
Scholarships	3,329	3,393	4,121	4,149	2,891	2,838	2,836	2,866	2,895	2,909
Arbitrage Rebate Payable	-	3,767	4,286	4,286	3,646	286	265	266	694	309
Workers' Compensation/Termination/Other	-	-	-	-	-	-	-	-	-	-
Unrestricted Deficit	(1,303,264)	(1,308,420)	(1,275,930)	(1,302,757)	(1,344,779)	(1,355,846)	(1,482,974)	(4,714,160)	(4,371,010)	(4,168,325)
Total Governmental Activities Net Deficit	(1,226,029)	(1,197,295)	(1,176,052)	(1,243,010)	(1,347,470)	(1,432,325)	(1,598,063)	(4,968,251)	(4,801,417)	(4,604,690)
Business-type Activities										
Net Investment in Capital Assets	3,133	4,005	3,281	3,247	2,927	2,466	2,122	1,739	1,676	2,108
Unrestricted Deficit	(5,613)	(7,346)	(11,196)	(11,162)	(9,342)	(6,747)	(5,003)	(50,154)	(47,497)	(36,490)
Total Business-type Activities Net Deficit	(2,480)	(3,341)	(7,915)	(7,915)	(6,415)	(4,281)	(2,881)	(48,415)	(45,821)	(34,382)
Total School District										
Net Investment in Capital Assets	4,316	31,124	20,993	(24,418)	(123,072)	(208,522)	(236,118)	(370,778)	(568,223)	(582,931)
Restricted	76,052	84,006	82,166	87,412	123,308	134,509	123,151	118,426	139,492	148,674
Unrestricted Deficit	(1,308,877)	(1,315,766)	(1,287,126)	(1,313,919)	(1,354,121)	(1,362,593)	(1,487,977)	(4,764,314)	(4,418,507)	(4,204,815)
Total School District Net Deficit	(1,228,509)	(1,200,636)	(1,183,967)	(1,250,925)	(1,353,885)	(1,436,606)	(1,600,944)	(5,016,666)	(4,847,238)	(4,639,072)

Notes:

(1) Restated for change in calculation of Net Investment in Capital Assets and for the reclassification of the Print Shop from an internal service fund to an enterprise fund. See Note 4N for details.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2007 through 2016.

School District of Philadelphia
Table 2

Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2007 through 2016
(accrual basis of accounting)
(dollars in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ⁽⁵⁾	2016
<u>Expenses</u>										
Governmental Activities										
Instruction	\$ 1,706,310	\$ 1,733,663	\$ 1,869,789	\$ 2,033,799	\$ 2,268,293	\$ 2,087,983	\$ 2,189,735	\$ 4,349,968	\$ 2,146,447	\$ 2,154,999
Student Support Services	262,044	210,458	205,374	240,883	254,991	181,595	180,348	651,187	184,429	174,820
Administrative Support	114,397	92,100	122,523	135,194	147,661	108,120	102,855	418,487	107,528	102,475
Operation & Maintenance of Plant Services (3)	270,163	273,335	261,750	256,291	241,486	197,205	198,762	415,568	181,625	169,125
Pupil Transportation	89,079	107,050	73,636	76,175	81,154	81,983	82,015	159,516	80,471	81,860
All Other Support Services	19,654	32,047	1,591	(3,362)	(21,283)	(10,373)	15,123	(25,224)	(19,244)	19,045
Early Childhood Education	20,448	22,816	24,157	20,515	1,487	189	197	138	139	158
Interest on Long-Term Debt	138,286	137,906	139,001	142,337	147,505	139,023	153,707	153,381	145,608	144,419
Total Governmental Activities Expenses (1)	2,620,381	2,609,375	2,697,821	2,901,832	3,121,294	2,785,725	2,922,742	6,123,021	2,827,003	2,846,491
Business-type Activities: (4)										
Food Service	81,798	78,189	81,008	80,638	81,035	77,246	76,036	120,692	81,633	75,436
Print Shop	-	-	-	-	-	-	-	-	1,188	984
Total Business-type Activities Expenses	81,798	78,189	81,008	80,638	81,035	77,246	76,036	120,692	82,821	76,420
Total School District Expenses	\$ 2,702,179	\$ 2,687,564	\$ 2,778,829	\$ 2,982,470	\$ 3,202,329	\$ 2,862,971	\$ 2,998,778	\$ 6,243,713	\$ 2,909,824	\$ 2,923,321
<u>Program Revenues</u>										
Governmental Activities										
Charges for Services (2)										
Instruction	\$ 773	\$ 686	\$ 1,037	\$ 664	\$ 745	\$ 642	\$ 847	\$ 820	\$ 970	\$ 902
Student Support Services	103	65	69	2	-	-	-	-	-	-
Administrative Support	313	3,843	3,963	3,882	3,922	322	4,752	4,512	4,862	4,744
Operation & Maintenance of Plant Services	991	959	1,213	1,114	1,171	872	894	225	4,837	2,836
Early Childhood Education	349	218	536	60	-	28	-	-	-	-
Operating grants and contributions	804,980	853,660	904,656	1,001,353	1,046,867	788,546	865,562	778,766	826,236	857,497
Capital grants and contributions	123	22	500	92	1,200	(211)	1,000	-	82	1,260
Total Governmental Activities Program Revenues	807,632	859,453	911,974	1,007,167	1,053,905	790,199	873,055	784,323	836,987	867,239
Business-type Activities: (4)										
Charges for Services:										
Food Service	5,086	3,709	3,089	3,237	2,674	2,094	1,582	1,409	251	163
Print Shop	-	-	-	-	-	-	-	-	657	539
Operating grants and contributions	68,530	69,445	72,063	76,870	79,553	77,291	76,071	74,039	85,789	86,559
Capital grants and contributions	-	-	-	-	-	211	-	-	-	93
Total Business-type Activities Program Revenues	73,616	73,154	75,152	80,107	82,227	79,596	77,653	75,448	86,761	87,354
Total School District Program Revenues	\$ 881,248	\$ 932,607	\$ 987,126	\$ 1,087,274	\$ 1,136,132	\$ 869,795	\$ 950,708	\$ 859,771	\$ 923,748	\$ 954,593
<u>Net (Expense)/Revenue</u>										
Governmental Activities	(1,812,749)	(1,749,922)	(1,785,847)	(1,894,665)	(2,067,389)	(1,995,526)	(2,049,687)	(5,338,698)	(1,990,016)	(1,979,662)
Business-type Activities	(8,182)	(5,035)	(5,856)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934
Total School District Net (Expense)/Revenue	\$ (1,820,931)	\$ (1,754,957)	\$ (1,791,703)	\$ (1,895,196)	\$ (2,066,197)	\$ (1,993,176)	\$ (2,048,070)	\$ (5,383,942)	\$ (1,986,076)	\$ (1,968,728)

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" requirements and the capital improvement initiative.
- (2) Reclassified Charges for Services, under Program Revenues, by functional activities.
- (3) Direct and indirect expenses were combined starting in Fiscal Year 2010.
- (4) Business Activities from Fiscal Year 2007 - 2014 included only the Food Service Fund. Business Activities in Fiscal Years 2015 and 2016 included the Food Service Fund and Print Shop Fund.
- (5) Restated for the reclassification of the Print Shop from an internal service fund to an enterprise fund. See Note 4N for Details.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2007 through 2016.

School District of Philadelphia

Table 3

Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2007 through 2016
(accrual basis of accounting)
(dollars in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016
Net (Expense)/Revenue										
Governmental Activities	\$ (1,812,749)	\$ (1,749,922)	\$ (1,785,847)	\$ (1,894,665)	\$ (2,067,389)	\$ (1,995,526)	\$ (2,049,687)	\$ (5,338,698)	\$ (1,990,016)	\$ (1,975,662)
Business-type Activities	(8,182)	(5,035)	(3,856)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934
Total School District Net (Expense)/Revenue	<u>(1,820,931)</u>	<u>(1,754,957)</u>	<u>(1,791,703)</u>	<u>(1,895,196)</u>	<u>(2,066,197)</u>	<u>(1,993,176)</u>	<u>(2,048,070)</u>	<u>(5,383,942)</u>	<u>(1,986,076)</u>	<u>(1,968,728)</u>
General Revenues/Contributed Capital/Transfers:										
Governmental Activities	549,519	598,556	604,962	608,377	605,249	658,540	650,633	661,263	683,471	669,424
Property Taxes	104,147	108,298	112,225	111,801	115,361	113,843	130,142	137,677	127,711	137,662
Other Taxes	39,733	41,616	41,136	42,787	45,185	52,314	50,780	62,105	62,327	66,085
Use & Occupancy Taxes	23,902	26,650	25,240	21,590	24,738	29,691	27,225	37,274	43,507	40,946
Liquor Taxes	702	1,054	965	1,098	1,115	1,103	1,053	1,071	1,104	1,048
School (Non-Business) Income Taxes	-	-	-	-	-	-	-	-	50,245	58,766
Public Utility/PILOT Taxes	-	-	-	-	-	-	-	-	120,000	120,000
Cigarette Sales Tax	-	-	-	-	-	-	-	-	123,325	128,522
Sales Tax	-	-	-	-	-	-	-	-	925,825	942,152
Grants and Contributions Not Restricted to Specific Programs	142,927	133,801	102,249	63,462	69,057	87,921	100,580	164,524	-	1,008
State & Federal Subsidies	843,647	870,686	922,965	1,018,811	1,089,698	969,264	925,831	912,421	3,803	2,031
Reimbursements of Insurance Deposits	-	-	-	-	-	-	-	-	(177)	(62)
Gain/(Loss) on Sale of Capital Assets	-	-	-	(6)	-	-	-	21,116	13,724	8,725
Transfers	178	(4,112)	(1,283)	(534)	(308)	217	(431)	290	-	-
Investment Revenue/(Expense)	-	-	-	2,261	13,348	4,170	(1,864)	838	2,154,865	2,176,307
Total Governmental Activities	<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>2,154,865</u>	<u>2,176,307</u>
Business-type Activities	250	63	-	(3)	-	-	-	-	-	410
Contributed Capital	-	-	-	-	-	-	-	-	(57)	33
Gain/(Loss) on Sale of Capital Assets	(178)	4,112	1,283	534	308	(217)	(217)	(290)	177	62
Transfers	72	4,175	1,283	531	308	(217)	(217)	(290)	120	505
Total Business-type Activities	<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>2,176,812</u>
Total School District General Revenues/Contributed Capital/Transfers										
Changes in Net Position:										
Governmental Activities	(107,994)	26,627	22,612	(25,018)	(103,946)	(78,463)	(165,738)	(3,340,119)	164,849	196,645
Business-type Activities	(8,110)	(860)	(4,573)	-	1,500	2,133	1,400	(45,534)	4,060	11,439
Total School District Change in Net Position	<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>	<u>\$ 208,084</u>

Notes:

(1) Restated for the reclassification of the Print Shop from an internal service fund to an enterprise fund. See Note 4N for details.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2007 through 201

School District of Philadelphia

Table 4

Fund Balances of Governmental Funds⁽¹⁾
For the Fiscal Years 2007 through 2016
(modified accrual basis of accounting)
(dollars in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable										
Inventories	\$ 1,284	\$ 1,204	\$ 1,306	\$ 1,232	\$ 1,154	\$ 1,102	\$ 904	\$ 1,257	\$ 1,206	\$ 1,022
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	-
Assigned	-	-	-	-	-	-	-	-	-	66,284
Unassigned	(52,430)	(44,608)	8,368	(9,866)	(71,967)	(138,150)	(64,128)	(116,452)	(6,886)	25,090
Total General Fund	<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>	<u>\$ 92,396</u>
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,291	\$ 1,291	\$ 1,291	\$ 1,336	\$ 1,366	\$ 1,366	\$ 1,368	\$ 1,365	\$ 1,365	\$ 1,365
Restricted										
Retirement of Long-term Debt	46,895	48,741	49,138	47,944	59,126	62,208	69,059	65,170	98,627	80,629
Debt Service Interest	23,161	25,291	22,512	28,867	35,775	47,335	29,169	28,321	24,364	24,709
Mandatory Deposits for Future Debt Payments	-	-	-	-	-	-	-	-	-	36,712
Arbitrage Rebate Payable	-	3,767	4,286	4,286	3,646	286	265	266	693	309
Trust purposes	4,705	4,918	4,960	4,982	5,021	4,939	4,915	4,928	4,941	4,950
Capital Purposes	437,883	117,876	165,315	257,067	82,591	169,653	103,138	73,364	93,319	10,223
Committed	-	-	9,886	19,886	-	-	-	-	-	-
Assigned	-	-	2,383	1,220	2,645	1,359	967	9,350	2,320	3,351
Unassigned	(18,454)	(12,266)	(18,972)	(15,620)	(54,588)	(9,467)	(5,815)	(4,021)	(4,428)	(6,195)
Total All Other Governmental Funds	<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>\$ 221,201</u>	<u>\$ 156,053</u>
Total Fund Balance	<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>	<u>\$ 248,449</u>

Notes:

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2007 through 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2007 through 2016.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2007 through 2016
(modified accrual basis of accounting)
(dollars in thousands)

REVENUES

Federal Sources

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Grants and Subsidies										
Total Federal Sources	\$ 293,012	\$ 297,128	\$ 301,723	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064	\$ 266,508	\$ 236,541
	<u>293,012</u>	<u>297,128</u>	<u>301,723</u>	<u>557,950</u>	<u>632,055</u>	<u>444,504</u>	<u>400,086</u>	<u>253,064</u>	<u>266,508</u>	<u>236,541</u>

State Sources

Grants and Subsidies	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	1,551,555
Total State Sources	<u>1,357,462</u>	<u>1,438,752</u>	<u>1,526,794</u>	<u>1,456,916</u>	<u>1,458,468</u>	<u>1,349,514</u>	<u>1,390,157</u>	<u>1,433,040</u>	<u>1,475,762</u>	<u>1,551,555</u>

Local Sources

Local Taxes										
Real Estate										
Current	501,282	547,580	548,166	546,352	549,717	597,788	601,533	592,906	604,940	633,998
Prior Years	49,357	51,814	50,662	55,684	39,555	51,606	52,028	64,512	57,153	63,410
Payment in Lieu of Taxes	5	5	5	5	-	5	5	4	5	5
Use and Occupancy	103,757	108,614	112,266	117,295	109,273	112,540	132,689	138,080	127,808	137,333
School (Non-Business) Income	24,035	26,938	25,335	22,175	24,011	27,744	28,105	40,501	40,358	40,345
Liquor Sales	39,331	41,586	41,016	43,280	43,892	50,122	54,238	60,527	61,712	65,831
Cigarette Sales Tax	-	-	-	-	-	-	-	-	50,245	58,766
Sales Tax	-	-	-	-	-	-	-	-	120,000	120,000
Public Utility Realty	1,123	1,049	960	1,093	1,115	1,099	1,048	1,067	1,099	1,043
Total Local Taxes	<u>718,890</u>	<u>777,586</u>	<u>778,410</u>	<u>785,884</u>	<u>767,563</u>	<u>840,904</u>	<u>869,646</u>	<u>897,597</u>	<u>1,063,320</u>	<u>1,120,731</u>

Locally Generated Non Tax

Interest and other income	56,614	49,952	20,771	9,101	5,986	7,903	7,838	8,773	11,449	12,130
City Contributions	35,000	37,000	38,490	38,540	38,600	48,930	68,990	96,050	99,110	104,185
Legal Settlements	2,590	2,555	2,710	2,735	2,613	2,485	2,744	-	-	-
Casino Settlement	-	-	-	-	-	-	-	-	3,872	1,928
Stadium Agreements	2,898	3,000	3,000	3,000	3,000	2,815	2,717	2,755	2,755	2,744
Parking Authority	-	2,221	3,801	7,284	7,789	13,956	13,264	9,723	11,063	10,279
Gaming Revenue	-	-	-	-	5,793	5,894	4,791	4,829	5,132	4,810
One Time State Grant Received from City of Philadelphia	-	-	-	-	-	-	-	45,000	-	-
Reimbursements from Other Funds	7,462	7,233	7,576	14	14	14	14	14	14	14
Variable Rate Income/Basis Swap Income	23,765	20,697	8,471	2,656	1,445	1,492	1,406	1,686	1,740	1,921
Other Miscellaneous/Voluntary Contributions	-	-	-	7,975	7,533	11,209	8,368	8,260	6,354	17,628
Total Local Generated Non Tax	<u>128,329</u>	<u>122,658</u>	<u>84,819</u>	<u>71,305</u>	<u>72,773</u>	<u>94,698</u>	<u>110,132</u>	<u>177,090</u>	<u>141,489</u>	<u>155,639</u>
Total Local Sources	<u>847,219</u>	<u>900,244</u>	<u>863,229</u>	<u>857,189</u>	<u>840,336</u>	<u>935,602</u>	<u>979,778</u>	<u>1,074,687</u>	<u>1,204,809</u>	<u>1,276,370</u>
Total Revenues	<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>	<u>\$ 3,064,466</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 2007 through 2016.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2007 through 2016
(modified accrual basis of accounting)
(dollars in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>EXPENDITURES</u>										
Current:										
Instruction	\$ 1,322,219	\$ 1,368,042	\$ 1,456,534	\$ 1,601,033	\$ 1,707,424	\$ 1,487,078	\$ 1,538,187	\$ 1,346,144	\$ 1,339,359	\$ 1,393,171
Student Support Services	230,955	226,504	199,912	232,526	250,054	200,466	201,931	151,841	178,088	188,946
Administrative Support	102,197	82,101	109,777	131,064	140,202	107,487	102,787	100,134	103,452	104,388
Operation & Maintenance of Plant Services	262,181	271,003	257,910	254,114	237,243	200,893	205,317	200,744	182,659	177,132
Pupil Transportation	87,071	107,666	73,437	76,068	80,279	83,396	84,104	85,520	80,655	83,959
All Other Support Services	18,877	31,473	1,462	(3,647)	(21,612)	(10,661)	14,858	(25,449)	(19,282)	18,962
Early Childhood Education	20,448	22,814	24,157	20,505	1,487	189	197	138	139	158
Payments to Charter Schools	240,377	269,695	308,505	338,320	411,713	539,741	600,963	712,512	722,039	723,092
Debt Service:										
Loans	34	7	3	-	-	-	-	-	-	-
Bonds										
Principal	63,122	66,417	71,159	70,762	65,454	31,577	107,664	106,059	101,233	100,493
Interest	99,242	99,625	82,157	110,433	155,797	87,040	97,230	91,114	91,755	81,246
Authority Obligations (SPSBA)										
Principal & Interest	33,805	49,062	49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382
Issuance Costs	15,235	3,370	10,281	4,132	2,248	1,836	1,873	-	2,476	1,402
Administrative Expenses	2,436	2,901	8,786	6,306	3,459	3,684	3,134	2,631	2,447	6,082
Capital Outlay: (1)										
New Buildings and Additions	73,734	147,024	88,048	42,641	88,339	7,923	13,105	4,648	4,212	10,708
Environmental Management	3,824	3,504	3,521	3,367	3,335	2,997	2,893	2,973	3,903	4,134
Alterations and Equipment	226,794	213,146	111,638	90,969	71,323	61,291	49,082	20,252	30,689	70,232
Major Renovations	-	-	-	-	-	-	-	-	-	2,784
Equipment Acquisitions	20,184	10,682	23,075	24,124	15,952	6,191	2,849	2,892	222	761
Total Expenditures	\$ 2,822,735	\$ 2,975,036	\$ 2,879,420	\$ 3,051,775	\$ 3,261,757	\$ 2,853,650	\$ 3,075,230	\$ 2,873,499	\$ 2,893,096	\$ 3,039,032
Computation of Debt Service as a percentage of noncapital expenditures (2):										
Total Expenditures	2,822,735	2,975,036	2,879,420	3,051,775	3,261,757	2,853,650	3,075,230	2,873,499	2,893,096	3,039,032
Less: Capital Outlay: (1)	(324,536)	(374,356)	(226,282)	(161,101)	(178,948)	(78,402)	(67,929)	(30,766)	(39,025)	(88,619)
Noncapitalized Expenditures (Excludes Depreciation)	2,498,199	2,600,680	2,653,138	2,890,674	3,082,808	2,775,248	3,007,301	2,842,733	2,854,071	2,950,413
Divide into	/									
Debt Service (Principal/Interest) (2a and 2b)	196,169	215,104	202,374	230,253	270,311	161,139	253,950	268,519	262,039	253,120
Debt Service as a percentage of noncapital expenditures (2)	=									
	7.9%	8.3%	7.6%	8.0%	8.3%	5.8%	8.4%	9.4%	9.2%	8.6%

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 expenditure. Non-capital expenditures were divided by debt service principal and interest for bonds and authority obligations to arrive at the debt service as a percentage of non-capital expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2007 through 2016.

School District of Philadelphia

Table 7
Other Financing Sources/(Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2007 through 2016
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (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	\$ 25,434,046
Other Financing Sources/(Uses)										
Debt Issuance (Bond Proceeds)	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	-
Capital Asset Insurance Refunds	-	-	-	-	-	-	-	-	-	1,008,215
Capital Asset Proceeds	2,461,045	5,644,893	11,390,163	276,989	5,764,807	211,481	346,580	32,565,867	23,942,448	6,501,847
SEPTA Loan Proceeds	-	-	-	-	-	35,312,564	-	-	-	-
Basis Swap Proceeds	10,740,000	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	266,690,000	349,960,000
Bond Premium	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)	(349,730,949)
Transfers In	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	488,403,954
Transfers Out	(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)	(497,966,338)
Total Other Financing Sources/(Uses)	356,104,568	40,870,963	291,828,601	281,216,274	71,285,271	197,943,634	301,818,364	32,281,900	71,282,437	(1,823,271)
Net Change in Fund Balance	\$ 31,062,702	\$ (298,041,291)	\$ 104,155,331	\$ 101,496,654	\$ (259,612,789)	\$ 73,914,205	\$ (3,391,059)	\$ (80,426,502)	\$ 125,265,134	\$ 23,610,775

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2007 through 2016.

School District of Philadelphia
Table 8
Governmental Funds Revenue By Own-Sources (1)
For the Fiscal Years 2007 through 2016
(modified accrual accounting)
(dollars in millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Percentage Change 2007 - 2016
Local Taxes											
Real Estate	\$ 550.6	\$ 599.4	\$ 598.8	\$ 602.0	\$ 589.3	\$ 649.4	\$ 653.6	\$ 657.4	\$ 662.1	\$ 697.4	26.7 %
Use and Occupancy	103.8	108.6	112.3	117.3	109.3	112.5	132.7	138.1	127.8	137.3	32.3
Other	64.5	69.6	67.3	66.6	69.0	79.0	83.3	102.1	273.4	286.0	343.4
Total Taxes	718.9	777.6	778.4	785.9	767.6	840.9	869.6	897.6	1,063.3	1,120.7	55.9
Locally Generated Non Tax											
City Contributions	35.0	37.0	38.5	38.5	38.6	48.9	69.0	96.1	99.1	104.2	197.7
Other	93.3	85.6	46.3	32.8	34.2	45.8	41.1	81.0	42.4	51.5	(44.8)
Total Local	128.3	122.6	84.8	71.3	72.8	94.7	110.1	177.1	141.5	155.7	21.4
Total Own-Source Revenues (2)	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	\$ 979.7	\$ 1,074.7	\$ 1,204.8	\$ 1,276.4	50.7 %

Summary of Own-Source Revenues by Fund:

General	\$ 790.0	\$ 852.7	\$ 842.8	\$ 847.2	\$ 833.7	\$ 927.0	\$ 970.9	\$ 1,064.5	\$ 1,190.7	\$ 1,253.6	58.7 %
Intermediate	1.3	1.0	0.6	0.4	0.5	0.4	0.5	0.6	0.8	0.8	(38.5)
Categorical	6.2	7.0	4.2	3.3	2.8	4.6	4.7	6.8	9.2	9.8	58.1
Debt Service (2) (4)	28.5	23.7	9.9	3.8	2.1	2.6	2.6	2.4	2.8	9.9	(65.3)
Capital Projects	20.8	15.5	5.6	2.4	1.2	0.9	1.0	0.3	1.2	2.3	(88.9)
Non-Major	0.4	0.3	0.1	0.1	0.1	0.1	0.0	0.1	0.1	-	(100.0)
Total Own-Source Revenues	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	\$ 979.7	\$ 1,074.7	\$ 1,204.8	\$ 1,276.4	50.7 %
Totals Restated on a Constant Dollar Basis: (3)											
2007 as base year	\$ 847.2	\$ 857.2	\$ 833.8	\$ 819.4	\$ 775.7	\$ 849.5	\$ 874.2	\$ 939.5	\$ 1,051.9	\$ 1,103.4	30.2 %
2016 as base year	\$ 980.0	\$ 991.5	\$ 964.6	\$ 947.8	\$ 897.4	\$ 982.7	\$ 1,011.3	\$ 1,086.8	\$ 1,216.8	\$ 1,276.4	30.2 %

Notes:

- (1) The School District's own-source revenues are local taxes and locally generated non-tax revenues.
- (2) Revenues include cash with fiscal agent and its related activities.
- (3) Source: United States Department of Labor, Bureau of Labor Statistics.
- (4) New financing derivatives, variable rate and basis swaps, were issued during Fiscal Year 2007 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 2007 through 2016
(dollars in millions)

Calendar Year of Levy (1)	Major Assessment Categories (2)					Certified Assessed Values					Total Tax Assessed Value of Property (2)	Total Direct Tax Rate (6)	STEB Certified Assessed Value Ratio (4) (7)	Estimated Actual Taxable Value (7)
	Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land	Total Assessed Value of Property (2)	Less: Tax- Exempt Property (2) (5)	Less: Homestead Exempt (3)	Less: Adjustments Between Certification and Billing Date (3)				
2007	\$ 6,724	\$ 1,810	\$ 282	\$ 6,299	\$ 721	\$ 407	\$ 16,243	\$ 4,628	\$ -	\$ -	\$ 11,615	4.7900	% 0.2922	% \$ 39,750
2008	7,236	1,865	316	6,412	749	396	16,974	4,799	-	-	12,175	4.9590	0.2857	42,615
2009	7,440	1,896	314	6,543	746	413	17,352	5,146	-	-	12,206	4.9590	0.2856	42,738
2010	7,580	1,944	326	6,534	807	424	17,615	5,339	-	-	12,276	4.9590	0.2805	43,765
2011	7,695	1,958	327	6,787	789	384	17,940	5,593	-	-	12,347	4.9590	0.2805	44,018
2012	7,776	1,964	324	6,799	781	378	18,022	5,685	-	-	12,337	5.3090	0.2887	42,733
2013	7,831	2,021	324	6,854	758	393	18,181	5,765	-	-	12,416	5.3090	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	0.7382	2.2440	40,964
2015	66,956	16,213	3,305	42,795	3,484	3,588	136,341	37,223	6,411	1,777	90,930	0.7681	2.1395	42,501
2016	67,227	16,735	3,232	42,173	3,462	3,466	136,295	38,386	6,372	1,369	90,168	0.7681	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: The City of Philadelphia, Department of Finance Statistics via Board of Revision of Taxes (Calendar Years 2007-2010) and the Office of Property Assessment (Calendar Years 2011-2016). 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; henceforth, the Certification Date was changed to March 31st
- (3) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments. Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners and additional adjustments after the March 31st certification date.
- (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. Source: DCED website - Market Value
- (5) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments
Bill #130, 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 year
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 Zor
- (6) Total Direct Tax Rate represents only the District's portion of the tax. It excludes the City's portion. (See Statistical Table 10 for breakdown between District and City)
- (7) Source: DCED website. Estimated Actual Taxable Value represents the total taxable assessed value divided by the STEB ratio for calendar years 2007 through 2015.

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Governments
For the Calendar Years 2007 through 2016
(Per \$100 Assessed Value) ⁽¹⁾

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
2007	3.4740	4.7900	8.2640
2008	3.3050	4.9590	8.2640
2009	3.3050	4.9590	8.2640
2010	3.3050	4.9590	8.2640
2011	4.1230	4.9590	9.0820
2012	4.1230	5.3090	9.4320
2013	4.4620	5.3090	9.7710
2014 ⁽²⁾	0.6018	0.7382	1.3400
2015	0.6317	0.7681	1.3998
2016	0.6317	0.7681	1.3998

Notes:

- (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 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	2016 (1)			2007 (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	48.0	0.41%
Nine Penn Center Associates	2	232.6	0.25%	2	\$ 54.1	0.47%
Phila Liberty Place East LP	4	207.7	0.23%	10	28.8	0.25%
Philadelphia Market Street	5	203.7	0.22%			
Tenet Healthsystem Hahnem	6	192.1	0.21%			
Commerce Square Partners	7	178.2	0.19%	7	33.3	0.29%
Maquire/Thomas PTNS Phila Plaza Phase II	8	170.1	0.19%	6	33.9	0.29%
SRI Eleven 1818 Market	9	170.0	0.19%			
Franklin Mills Associate	10	163.2	0.18%	3	48.4	0.42%
Brandywine Cira LP	11	160.7	0.18%			
Two Liberty Place				1	54.4	0.47%
Philadelphia Shipyard Development Corporation				9	30.3	0.26%
Bell Atlantic				5	43.3	0.37%
PRU 1901 Market LLC				8	32.9	0.28%
Total of the Ten Largest Real Estate Assessments		<u>\$ 1,944.0</u>	<u>2.12%</u>		<u>\$ 407.4</u>	<u>3.51%</u>
Taxable Assessments (before Homestead Exemption & Adjustments)		<u>\$ 97,909.0</u>	<u>100.00%</u>		<u>\$ 11,615.0</u>	<u>100.00%</u>
Taxable Assessments (before Homestead Exemption)		\$ 97,909.0			\$ 11,615.0	
Less: Homestead Exemption (3)		6,372.5			0.0	
Total Taxable Assessments		<u>\$ 91,536.5</u>			<u>\$ 11,615.0</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 2007 CAFR Table 14 and School District of Philadelphia 2007 CAFR page 132.
- (3) CY 2016 Percentage of Total Taxable Assessments uses amount after Homestead Exemption was deducted.

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2007 through 2016

Calendar Year	For the Calendar Years 2007 through 2016					
	Collected within the					Total Collected to Date
	Tax Levy for the Calendar Year (Original Levy)(a)	Adjustments (b)	Adjusted Total Levied Tax (c)	Amount (\$) (d)	Percent of Original Levy (%)	Delinquent Taxes Collections in Subsequent Years (d)
2007	556,335,693	(15,612,050)	540,723,643	498,506,124	89.61%	36,008,977
2008	583,170,112	6,268,702	589,438,814	541,097,383	92.79%	40,508,866
2009	605,206,705	(8,983,608)	596,223,097	543,104,746	89.74%	44,534,810
2010	608,707,615	(21,170,912)	587,536,703	540,287,600	88.76%	49,544,388
2011	612,265,808	(16,541,052)	595,724,756	549,036,079	89.67%	41,335,758
2012	655,005,955	(18,049,782)	636,956,173	549,558,020	83.90%	45,060,418
2013	659,127,013	(19,166,892)	639,960,121	595,637,192	90.37%	57,746,748
2014	737,777,950	(28,060,172)	709,717,778	605,454,814	82.06%	38,482,090
2015	731,692,538	(30,560,730)	701,131,808	607,462,012	83.02%	24,027,882
2016	703,064,816 (e)	(17,962,527)	685,102,289 (e)	641,567,436 (e)	91.25%	N/A
						534,515,102
						581,606,249
						587,639,556
						589,831,988
						590,371,837
						594,618,438
						653,383,940
						643,936,904
						607,462,012
						641,567,436
						96.08%
						99.73%
						97.10%
						96.90%
						96.42%
						90.78%
						99.13%
						87.28%
						83.02%
						91.25%

Notes:

- (a) Represents original billings as of the calendar year (December 31st) for current year real estate taxes only.
- (b) Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.
- (c) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.
- (d) Source: City of Philadelphia, Revenue Department Reports-Taxes Collected for Tax Years 2005 through 2016-Gross Principal Only.
- (e) Memorandum City of Philadelphia Department of Revenue 2016 Monthly Real Estate Billed/Balance Due dated 1/25/2017 as of December 30, 2016

N/A = Data Not Available

Fiscal Year	Fiscal Years 2007 through 2016		
	Current Tax		Total Tax
	Collections	Prior Year Tax Collections	
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
2016	633,998,515	63,409,950	697,408,465

Source: The School District of Philadelphia - Accounting System fiscal year records as of 01/09/2017.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2007 through 2016
(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 - 2007 as Base Year (3) (4)
2007	1,735,020	906,200	10	1,604	25,817	2,668,651	1,755
2008	1,716,500	901,025	3	813	20,333	2,638,674	1,725
2009	1,936,050	895,615	-	-	67,562	2,899,227	1,882
2010	2,113,215	889,955	-	-	98,026	3,101,196	2,004
2011	2,107,915	884,010	-	-	97,407	3,089,332	2,024
2012	2,279,738	877,780	-	-	90,628	3,248,146	2,111
2013	2,439,355	871,240	-	-	119,112	3,429,707	2,216
2014	2,331,073	864,370	-	-	109,959	3,305,402	2,128
2015	2,248,225	851,330	-	-	124,304	3,223,859	2,066
2016	2,145,953	843,380	-	-	112,546	3,101,879	2,066

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 Outstanding Debt for QZABs previously defeased; Restored during Fiscal Year 2015
- (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 2007 through 2016
(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 (includes Trapped Funds)	Net General Bonded Debt Outstanding	Percentage of Personal Income (4)	Actual	In Constant Dollars - 2007 as Base Year (4) (5)
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	5.51	6.59	1,723
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	5.11	6.08	1,611
2009	1,602,860	83,955	249,235	-	895,615	2,831,665	67,561	2,899,226	(49,138)	2,850,088	5.25	6.67	1,787
2010	1,792,685	83,950	236,580	-	889,955	3,003,170	98,026	3,101,196	(47,944)	3,053,252	5.65	6.98	1,886
2011	1,800,745	83,945	223,225	-	884,010	2,991,925	97,407	3,089,332	(59,126)	3,030,206	5.32	6.99	1,833
2012	1,842,043	228,565	209,130	-	877,780	3,157,518	90,628	3,248,145	(62,208)	3,185,937	5.09	7.46	1,880
2013	1,751,550	228,560	459,245	-	871,240	3,310,595	119,112	3,429,707	(69,059)	3,360,648	5.24	7.76	1,938
2014	1,686,383	205,630	439,060	-	864,370	3,195,443	109,959	3,305,402	(65,170)	3,240,232	4.95	3.24	1,825
2015	1,604,975	198,180	445,070	-	851,330	3,099,555	124,303	3,223,859	(98,627)	3,125,232	4.70	3.15	1,751
2016	1,538,695	205,040	402,218	-	843,380	2,989,333	112,546	3,101,879	(117,341)	2,984,538	3.83	N/A	1,646

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 Fiscal Year 2007 through Fiscal Year 2014 for Defeasance in Substance Error.
- (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 Capita 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".

N/A = Data not available

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
(dollars in millions)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	\$ 2,984.5	100.0%	\$ 2,984.5
City of Philadelphia Direct Debt			4,041.9
Total Direct and Overlapping Debt			<u>\$ 7,026.4</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 2016 is 13.998 mills. The City's share is 6.317 mills while the remainder of 7.681 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 2007 through 2016
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2016												
Assessed value												\$ 91,536.5
Debt Limit (1)												745.5
Non-electoral Debt Capacity (2)												2,233.5
Non-electoral Debt and Lease Rental Borrowing Capacity (3)												2,233.5
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
Debt Limit: (1)												
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 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	\$ 2,572.9		
General Obligation Bonds	2,641.2	2,617.5	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.5	3,099.6	2,989.3		
Less: (Schedule of Bonds O/S)	(906.2)	(901.0)	(895.6)	(890.0)	(884.0)	(877.8)	(1,136.2)	(1,124.9)	(1,102.6)	(1,084.9)		
Lease Rental -SPSBA	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	1,904.4		
Non-electoral Debt Outstanding												
Exclusions:												
Deficit Bonds	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.3)	(178.6)	(17.3)	-		
Termination Bonds	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-		
Stadium Bonds	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)		
Deficit Bonds-2015D										(128.6)		
Termination Bonds outstanding -2015C										(43.9)		
Non-electoral Debt Outstanding applicable to Debt Limit	1,365.6	1,361.6	1,597.0	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5		
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	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	2,572.9		
Less: Non-electoral Debt Outstanding applicable to Debt Limit	1,365.6	1,361.6	1,597.0	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5		
Non-electoral Debt Capacity (2)	\$ 577.4	\$ 674.2	\$ 531.6	\$ 417.1	\$ 468.7	\$ 283.7	\$ 377.5	\$ 490.6	\$ 643.6	\$ 853.4		
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	% 70.3	% 66.9	% 75.0	% 81.1	% 79.4	% 87.5	% 83.5	% 78.8	% 73.5	% 66.8		
Debt Limit: (1)												
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 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	\$ 5,145.8		
General Obligation Bonds	2,641.2	2,617.5	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.5	3,099.6	2,989.3		
Non-electoral Debt and Lease Rental Outstanding												
Exclusions:												
Deficit Bonds	(271.6)	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.2)	(178.6)	(17.3)	-		
Termination Bonds	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-		
Stadium Bonds	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)		
Deficit Bonds outstanding -2015D										(128.6)		
Termination Bonds outstanding -2015C										(43.9)		
Net Non-electoral Debt and Lease Rental Outstanding	2,271.8	2,262.6	2,492.6	2,680.9	2,687.3	2,871.5	3,044.2	2,949.7	2,891.3	2,804.4		
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	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	5,145.8		
Less: Net Non-electoral Debt and Lease Rental Outstanding	2,271.8	2,262.6	2,492.6	2,680.9	2,687.3	2,871.5	3,044.2	2,949.7	2,891.3	2,804.4		
Non-electoral Debt and Lease Rental Borrowing Capacity	\$ 1,614.3	\$ 1,809.0	\$ 1,764.7	\$ 1,735.0	\$ 1,856.8	\$ 1,683.4	\$ 1,526.7	\$ 1,680.9	\$ 1,973.3	\$ 2,341.4		
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	% 58.5	% 55.6	% 58.5	% 60.7	% 59.1	% 63.0	% 66.6	% 63.7	% 59.4	% 54.5		

Notes:

(1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit).

Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.

(2) Debt Capacity represents borrowing base less the amount of outstanding Non-electoral debt less certain exclusions. It is the maximum allowable debt that does not exceed the average revenue for the three preceding fiscal years.

(3) Borrowing Capacity represents 200% of the borrowing base (from debt capacity) less Non-electoral debt and lease rentals less certain exclusions. It is the maximum amount the District could borrow without exceeding twice the borrowing base amounts.

School District of Philadelphia

Table 17

Ratio of Annual Debt Service
For General Bonded Debt and Authority Payments
To Total Governmental Funds Expenditures Excluding Categorical Funds
For the Fiscal Years 2007 through 2016
(dollars in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Bonded Debt Principal ⁽¹⁾	\$ 60,970	\$ 63,339	\$ 68,060	\$ 68,475	\$ 63,168	\$ 29,290	\$ 105,378	\$ 103,773	\$ 101,233	\$ 100,493
General Bonded Debt Interest	99,178	99,582	82,135	83,864	92,775	87,041	97,230	91,114	91,755	81,246
Loans	34	7	3	-	-	-	-	-	-	-
State Public School Building Authority ⁽²⁾	33,805	49,062	49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382
Total Debt Service Expenditures ⁽³⁾	\$ 193,987	\$ 211,990	\$ 199,256	\$ 201,397	\$ 205,003	\$ 158,853	\$ 251,664	\$ 266,233	\$ 262,040	\$ 253,121
Total General Expenditures Excluding Categorical/NonMajor	\$ 2,379,051	\$ 2,520,229	\$ 2,409,218	\$ 2,466,869	\$ 2,637,062	\$ 2,403,089	\$ 2,614,143	\$ 2,553,775	\$ 2,539,028	\$ 2,693,992
Ratio of Debt Service to Total General Expenditures Excluding Categorical/NonMajor	8.15	8.41	8.27	8.16	7.77	6.61	9.63	10.43	10.32	9.40
Total General Expenditures ^{(3) (4)}	\$ 2,822,734	\$ 2,975,037	\$ 2,879,420	\$ 3,051,775	\$ 3,261,757	\$ 2,853,650	\$ 3,075,230	\$ 2,873,499	\$ 2,893,097	\$ 3,039,032
Ratio of Debt Service to Total General Expenditures	6.87	7.13	6.92	6.60	6.29	5.57	8.18	9.27	9.06	8.33

Notes:

- (1) Adjusted Fiscal Year 2007 through 2014 for QZABs defeased in-substance.
- (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, Capital Projects and Non-Major Funds expenditures.

School District of Philadelphia
Table 18
Demographic and Economic Statistics
For the Calendar Years 2007 through 2016

Calendar Year	City of Philadelphia				Property Values (4)		Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
	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)		
2007	1,493	\$ 33,118	\$ 50,672,227	6.0 %	620.5	\$ 50,759	\$ 11,615	\$ 18,150
2008	1,500	35,228	54,262,716	7.1	630.6	53,045	12,175	16,719
2009	1,515	34,939	54,061,223	9.6	652.4	54,224	12,206	16,673
2010	1,528	37,333	56,970,074	10.8	687.8	55,047	12,276	11,504
2011	1,539	40,708	62,632,520	10.8	690.9	56,062	12,347	15,244
2012	1,551	41,452	64,151,742	10.5	699.5	56,320	12,337	12,311
2013	1,557	42,155	65,473,002	10.0	698.1	56,816	12,416	11,901
2014	1,562	42,617	66,495,223	8.0	690.5	137,404	99,942	9,108
2015	1,567	49,701	77,903,831	6.9	696.2	136,341	99,118	10,766
2016	1,573 (7)	57,963 (7)	91,269,818 (7)	6.3 (8)	668.2 (8)	136,295	41,904	38,667
								11,079

Notes:

- (1) Data for calendar years 2007 through 2015 obtained from Bureau of Economic Analysis
- (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis-updated November 17, 2016
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated April 15, 2016
- (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 3.7 tenth of a percent, 16.2 percent, and 17.2 percent based on the change between the previous years amount for the population per Capita Personal Income and Personal Income respectively.
- (8) Source: U.S. Bureau of Labor-Labor Force Data By County, not seasonally adjusted latest 14 months (Oct 14 to Nov 16)

School District of Philadelphia
Table 19
Principal Employers
Current Calendar Year and the Year Nine Years Prior

2016 (1)			2007 (2)		
<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total of Employment (3)</u>	<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total of Employment (3)</u>
University of Pennsylvania/University of Pennsylvania Hospital	32,825	4.91	City of Philadelphia	28,117	4.83
City of Philadelphia	26,870 ⁽⁴⁾	4.02	School District of Philadelphia	22,970	3.94
Thomas Jefferson University/Thomas Jefferson University Hospitals Inc.	19,000	2.84	Albert Einstein Medical	N/A	
School District of Philadelphia	16,991	2.54	Children's Hospital of Philadelphia	N/A	
Comcast Corporation	16,100	2.41	Federal Reserve Bank	N/A	
Drexel University	9,785	1.46	Internal Revenue Service	N/A	
Temple University Health System	9,128	1.37	Southeastern Pennsylvania Transportation Authority	N/A	
Einstein Healthcare Network	8,623	1.29	Temple University/Temple University Hospital, Inc.	N/A	
Temple University	8,405	1.26	Thomas Jefferson University Hospitals	N/A	
Wells Fargo	7,297	1.09	University of Pennsylvania Hospital/University of Pennsylvania	N/A	
Independence Health Group (parent of Independence Blue Cross)	7,266	1.09	U.S. District Court	N/A	
Day & Zimmermann	4,000	0.60	U. S. Mint	N/A	
Cardone Industries Inc.	2,400	0.36	United State Postal Service	N/A	

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2016, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2016; (c) and Philadelphia Business Journal dated December 9, 2016 page 18-21 Employers Ranked By Number of Local Employees.
- (2) N/A= Number of employee for each principal employer is not available. Identified by name from the 2007 CAFR for City of Philadelphia and School District.
- (3) Based on annual 2007 and 2015 Labor force data by county, 2007 thru 2015 annual averages and Labor force data by county, not seasonally adjusted, October 2015 - November 2016 in Philadelphia, PA per U.S. Bureau of Labor Statistics.
- (4) Number of employees from the City of Philadelphia is from Fiscal Year 2015, the most recent data available.

School District of Philadelphia
Table 20
School District Employees by Function⁽¹⁾
For the Fiscal Years 2007 through 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Percentage Change 2007 - 2016
Instruction:											
<i>Classroom Teachers</i>											
Operating	8,884	8,648	8,696	8,561	8,313	7,591	7,571	7,100	6,808	6,978	(21.5) %
Grants	1,612	1,640	1,681	2,720	2,900	1,954	1,927	1,247	1,396	1,216	(24.6)
<i>Total Classroom Teachers</i>	10,496	10,288	10,377	11,281	11,213	9,545	9,498	8,347	8,204	8,194	(21.9)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	241	245	294	278	258	232	226	101	1	1	(99.6)
Classroom Assistants	672	658	639	693	779	782	1,218	1,415	1,263	1,557	131.7
Counselor/Librarians	88	69	40	86	13	85	74	5	11	6	(93.2)
Psychologists/Therapists	38	36	32	38	41	36	40	35	35	38	-
Supportive Service Assistant	1,197	1,156	1,206	1,252	1,422	1,111	1,100	550	646	586	(51.0)
Other Paraprofessionals	152	146	100	97	102	164	175	100	85	135	(11.2)
<i>Total Non-Teaching</i>	2,388	2,310	2,311	2,444	2,615	2,410	2,833	2,206	2,041	2,323	(2.7)
Total Instruction	12,884	12,598	12,688	13,725	13,828	11,955	12,331	10,553	10,245	10,517	(18.4)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	510	478	475	465	479	445	419	289	308	298	(41.6)
Department Heads/Program Mgrs. & Coord.	31	34	35	35	33	1	2	1	1	1	(96.8)
Secretarial	497	495	487	472	453	346	333	237	234	243	(51.1)
Other Clerical	83	3	6	2	5	1	1	-	-	-	(100.0)
<i>Total In-school Instruction Leadership & Support</i>	1,121	1,010	1,003	974	970	793	755	527	543	542	(51.7)
<i>Professional Development & Training</i>											
Director	2	3	4	8	5	-	-	-	-	-	(100.0)
Non-Teaching Professionals	350	325	333	240	246	124	111	89	97	105	(70.0)
Secretarial	4	4	1	1	1	-	-	-	-	-	(100.0)
<i>Total Professional Development & Training</i>	356	332	338	249	252	124	111	89	97	105	(70.5)
<i>Student Support Services</i>											
Other Technical Staff	31	26	27	36	49	1	1	1	1	1	(96.8)
Non-professional supervisory	107	94	92	90	76	5	5	-	-	-	(100.0)
Counselor/Librarians	327	338	344	471	469	379	290	216	233	245	(25.1)
Psychologists/Therapists	102	97	100	96	113	108	110	111	109	115	12.7
Other Paraprofessionals	194	146	449	536	537	320	243	147	127	125	(35.6)
Bus Drivers/Attendants	1,127	1,084	1,047	1,072	1,053	1,044	908	841	702	621	(44.9)
Health Providers	326	317	325	331	325	221	220	201	212	219	(32.8)
Food Service	931	810	820	868	854	764	772	762	777	792	(14.9)
Other (includes Noon Time Aides)	1,400	1,429	1,498	1,574	1,608	1,288	1,339	1,365	1,289	1,119	(20.1)
<i>Total Student Support Services</i>	4,545	4,341	4,702	5,074	5,084	4,130	3,888	3,644	3,450	3,237	(28.8)
<i>Basic Building Services</i>											
Non-Teaching Assistants	248	196	187	161	120	48	18	-	-	-	(100.0)
Maintenance	410	416	376	365	368	342	315	285	272	246	(40.0)
Custodial	1,583	1,508	1,453	1,415	1,409	1,228	1,119	1,029	1,009	1,058	(33.2)
Warehouse/Distribution	28	21	27	29	27	23	22	19	147	108	285.7
Security	540	540	592	594	592	401	399	397	338	316	(41.5)
<i>Total Basic Building Services</i>	2,809	2,681	2,635	2,564	2,516	2,042	1,873	1,730	1,766	1,728	(38.5)
Total Classroom Support	8,831	8,364	8,678	8,861	8,822	7,089	6,627	5,990	5,856	5,612	(36.5)
Administrative Support											
Executive Management	28	26	32	37	46	-	-	-	-	-	(100.0)
Regional Superintendent	12	8	12	11	6	-	-	-	-	-	(100.0)
Management/Administrative	-	-	-	-	-	642	666	645	649	737	14.8 ⁽³⁾
Directors	70	64	78	82	91	-	1	1	2	-	(100.0)
Asst. Directors/Admin Asst.	55	46	25	54	56	-	-	-	-	-	(100.0)
Prog. & Mgmt. Supervisors	147	154	167	185	164	4	6	5	3	3	(98.0)
Mgmt. Level Technicians	152	157	143	147	171	6	8	4	-	-	(100.0)
Other Technical Staff	288	273	316	362	335	15	11	11	19	11	(96.2)
Non-Professional Supervisory	111	90	107	106	103	-	2	1	12	12	(89.2)
Secretarial	141	102	109	101	97	65	63	53	47	47	(66.7)
Other Clerical	158	226	230	238	224	154	131	69	-	52	(67.1)
Total Administrative Support	1,162	1,146	1,219	1,323	1,293	886	888	789	732	862	(25.8)
Total School District	22,877	22,108	22,585	23,909	23,943	19,930	19,846	17,332	16,833	16,991	(25.7)
Add: Municipal Services ⁽²⁾	93	82	86	75	26	4	-	-	-	-	(100.0)
Total School District Wide	22,970	22,190	22,671	23,984	23,969	19,934	19,846	17,332	16,833	16,991	(26.0) %

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 paid by the School District on behalf of the City of Philadelphia.

(3) Represents Fiscal Year 2016 compared to Fiscal Year 2012

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia.- FY2007 through FY2016

School District of Philadelphia

Table 21

Operating Statistics

For the Fiscal Years 2007 through 2016

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 Meals (4)	Percentage of Students Using Bus/Cab (5)	Percentage of Students Using Free/ Subsidized Transpasses (Tokens) (5)	Teaching Staff (6)	Pupil-Teacher Ratio
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	133,399	1,865,015	13,981	1.61	2,827,469	21,196	1.64	100.0	29.4	46.0	8,204	16.3
2016	134,227	1,966,683	14,652	8.27	2,846,901	21,210	0.07	100.0	29.2	44.3	8,194	16.4

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 2007 through 2016

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 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Number of Schools (1)										
Elementary	178	175	175	175	170	168	162	55	55	55
Elementary/Middle	-	-	-	-	-	-	-	93	93	93
Middle	30	31	30	28	26	23	23	17	17	16
Special	21	21	21	22	21	23	22	18	19	18
High (7)	31	30	32	32	32	27	25	22	25	27
Vocational/Technical	9	9	9	8	8	8	8	8	8	8
Total Public Schools	269	266	267	265	257	249	240	213	217	217
Charter Schools (2)	56	61	63	67	67	67	67	67	66	63
Renaissance Schools (2)	N/A	N/A	N/A	N/A	7	13	17	20	20	20
Alternative Schools (5)	15	16	17	27	32	26	26	26	25	28
Cyber Charter Schools (6)	11	11	11	11	11	13	15	15	13	14
Brick & Mortar Charter Schools (6)	9	9	9	9	4	6	5	6	7	8
Total Schools	360	363	367	379	378	374	370	347	348	350
School Enrollment (2)										
Elementary	97,429	93,387	93,618	93,476	90,620	90,411	88,398	32,813	32,665	32,908
Elementary/Middle	-	-	-	-	-	-	-	52,551	52,923	53,532
Middle	19,380	18,724	14,834	14,848	12,914	11,700	10,349	9,481	8,747	8,333
Special	9,208	9,762	10,979	11,590	11,499	12,671	12,902	12,321	12,196	12,271
High (3) (7)	35,329	32,505	31,113	29,714	27,949	22,163	19,735	20,521	19,599	20,192
Vocational/Technical	8,351	8,230	7,136	6,792	6,594	6,062	5,545	4,234	3,791	4,255
Total Public Schools	169,697	162,608	157,680	156,420	149,576	143,007	136,929	131,921	129,921	131,491
Charter Schools (2)	28,220	30,326	32,637	34,019	36,190	38,148	42,813	45,726	48,771	47,694
Renaissance Schools (2)	-	-	-	-	4,293	9,314	12,930	15,236	15,530	15,747
Alternative Schools (5)	4,399	4,703	4,568	4,239	4,906	3,812	4,165	3,186	3,478	2,736
Cyber Charter Schools (6)	1,880	2,180	2,616	2,935	3,627	4,787	5,961	6,752	6,584	6,135
Brick & Mortar Charter Schools (6)	250	223	205	188	191	164	152	175	240	414
Total	204,446	200,040	197,706	197,801	198,783	199,232	202,950	202,996	204,524	204,217
Number of Public High School Graduates (1)	9,694	9,570	9,515	10,285	10,235	9,416	9,429	8,374	6,876	8,005
Number of Charter High School Graduates (4)	1,651	1,928	1,996	2,115	2,513	3,220	2,744	3,242	3,572	3,676
Total of High School Graduates	11,345	11,498	11,511	12,400	12,748	12,636	12,173	11,616	10,448	11,681

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data for FY 2007 through FY 2008, Office of Strategic Analytics (OSA) provided FY 2014, FY2015 and FY 2016 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 2016.
- (3) Beginning in Fiscal Year 2008, the School District revised the reporting requirements for Educational Opportunities Program (EOP) which included nine high schools. Currently in Fiscal Year 2016 there are four EOPs. The Educational Opportunities Program is for students who attend designated high schools after core hours.
- (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 2016.
- (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 2014, includes School of Philadelphia Virtual Academy

N/A = Data Not Available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 2007 through 2016

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			
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	-2.19%	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	55,480
2013	45,359	71,459	90,051	-0.14%	62,218	56,039
2014	45,359	70,653	90,051	-1.13%	63,705	56,648
2015	45,359	69,652	90,051	-1.42%	64,543	57,420
2016	45,359	68,525	90,051	-1.62%	65,205 (E1)	58,064 (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 2016 represent averages for school year 2015/16, 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 per School Year

(E1) =Estimated a 1.010 percent increase over 2014-15

(E2) =Estimated a 1.011 percent increase over 2014-15

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year (Years) 2015-2016

Schools	# of Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (9)(10)	Percentage of Capacity Used	%
Elementary	46	43 yrs to 127 yrs	3,035,665	27,089	89.6	
Elementary/Primary Education Center (PEC)	6	7 yrs to 87 yrs	294,866	3,200	117.2	
Elementary/Little School Houses	8	15 yrs to 85 yrs	386,087	3,977	100.2	
Elementary With Annexes	5	6 yrs to 109 yrs	235,608	2,265	85.9	
ElementaryMiddle	79	8 yrs to 118 yrs	6,182,943	53,779	82.9	
ElementaryMiddle with LSH	13	15 yrs to 106 yrs	598,003	5,824	84.1	
ElementaryMiddle with Annex Different Location	6	79 yrs to 110 yrs	245,800	2,623	66.3	
ElementaryMiddle and Alternative High Schools	1	79 yrs	94,000	894	44.0	
Middle	10	11 yrs to 92 yrs	1,331,832	11,109	59.7	
Middle High	2	22 yrs to 63 yrs	401,074	2,638	43.5	
Special (Elementary) With Annexes	2	56 yrs to 101 yrs	69,364	616	42.5	
Special (Middle) With Annexes	2	44 yrs to 90 yrs	106,992	903	54.3	
High	22	4 yrs to 104 yrs	4,224,396	28,023	64.1	
High/Alternative (2)	3	58 yrs to 90 yrs	897,049	6,500	30.8	
High (3)	1	94 yrs	99,864	994	46.8	
Special	14	19 yrs to 122 yrs	1,765,919	12,887	75.8	
Special/Elementary (4)	2	83 yrs to 102 yrs	188,460	1,422	120.7	
Special/Middle (5)	1	92 yrs	120,000	1,202	44.2	
Special/Charter (6)	1	47 yrs	190,000	1,512	46.8	
Vocational	5	40 yrs to 87 yrs	930,914	4,397	69.6	
Alternative-include six different schools/programs	2	11 yrs to 53 yrs	220,265	950	37.4	
Alternative	3	48 yrs to 107 yrs	106,696	976	55.9	
Charter (7)	4	46 yrs to 95 yrs	488,604	3,314	109.3	
Renaissance (8)	19	7 yrs to 108 yrs	2,332,903	18,889	78.4	
Two Renaissance School (4) with LSH/Annex Leased	4	17 yrs to 86 yrs	170,204	1,988	65.0	
<u>Other</u>						
Early Childhood Centers (10) (Community Centers)	10	N/A	287,945	N/A		
<u>Closed/Vacant Property (11)</u>						
Without Enrollment	27	45 yrs to 115 yrs	3,210,446	20,189		
<u>Administration</u>						
Administration	2	48 yrs to 68 yrs	843,610			
<u>Transportation</u>						
Administration Garages	5	N/A	175,133			
Repair Garages	1	N/A	10,663			
<u>Athletics</u>						
Fields	11	10 yrs to 76 yrs	147,227			
Pools	3	38 yrs to 47 yrs	43,968			

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

NOTES:

- (1) Only district owned buildings were identified and counted.
- (2) Three high schools, Franklin, South Philadelphia, and Overbrook, have alternative education programs and alternative schools in their buildings.
- (3) Two high schools, Building 21 and The U School, used the same building.
- (4) Two special schools, Materman and Girard Music Program start at 5th grade and go through 12th grade, used the same building.
- (5) Two special schools, Parkway West and MYA, used the same building.
- (6) One special school, Motivation HS and one charter school used the same building.
- (7) School district buildings being leased to charter schools.
- (8) School district buildings being leased to (used by) renaissance schools.
- (9) Used in conjunction with public schools
- (10) Presently, the state uses 25 students per classroom for official capacity. The capacity enrollment number has varied from 25 to 35 students 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. Inquires should be directed to Pamela Smith-Hoye, Equal Opportunity Compliance Officer. Procurement Department, 440 N. Broad Street, Philadelphia, PA 19130, (215) 400-4380.

