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THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PHILADELPHIA

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2017



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, 2017



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 2017 Annual Accounting Cover Design Contest. The theme for this year is "Helping Our Neighbors". In view of the back-to-back to back natural disasters that have befallen our country, the young and old and everybody in between have stepped up to help! Students, teachers, administrators, parents, the community and religious organizations have found many ways to help those who have been affected by the recent unusual weather conditions be they friends, neighbors, community members or those in need across our nation. First responders and average citizens alike worked tirelessly to save many lives. This contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, influence and experiences that these natural disasters have had on their lives and how they relate to all Americans. It also provides an opportunity to research weather and the scientific causes of hurricanes.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Jessica Cameron Northeast High School Grade 12	Ms. Marsha Rosenthal
2 nd Prize Back Cover	Nga Yee Lam Northeast High School Grade 9	Ms. Marsha Rosenthal
3 rd Prize Divider: 1 st	Susan Zheng Northeast High School Grade 11	Ms. Marsha Rosenthal
	Christian Zagabe Woodrow Wilson Middle School Grade 7	Mrs. Janis Hill
2 nd	Samia Ria Northeast High School Grade 10	Ms. Marsha Rosenthal
	Khaled Kalafalla Woodrow Wilson Middle School Grade 6	Mrs. Janis Hill
3 rd	Marlene Dalakishvili Northeast High School Grade 12	Ms. Marsha Rosenthal
	Destinee Sherrod Woodrow Wilson Middle School Grade 7	Mrs. Janis Hill

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





SCHOOL DISTRICT OF PHILADELPHIA

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February 13, 2018

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, 2017. 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, 2017, 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 17,800 full time employees as of June 2017 and the eleventh largest in the United States (including Puerto Rico) 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 sixth 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 11.8% 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 2016-2017 school year was over 203,800 students including 71,574 attending charter schools and 2,751 in alternative education programs/schools. The enrollment for the School District for 2017-2018 as of December 1, 2017 was over 205,300 students including 72,388 attending charter schools and 4,016 in alternative education.

During Fiscal Year 2017, there were 215 schools that the School District operated, as well as 24 alternative education programs/schools and 86 charter schools managed by other entities within the city and that serve Philadelphia's children. In Fiscal Year 2017, 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 2017 organizational structure for the School District includes 50 elementary schools; 97 elementary/middle schools; 15 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 and in Fiscal Year 2017 one school closed. In Fiscal Year 2017, 9 schools sold for proceeds of \$9.8 million. About 13.5% of the School District's buildings are 40 years old or less, 47.3% are between 41 and 80 years old, 39.2% 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 have become an increasing strategic priority to expand. The School District provides 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"). The Governor of Pennsylvania appoints three members, including the Chairman, 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 2017 reporting period, the Superintendent was Dr. William R. Hite, Jr. and the Chief Financial Officer was Uri Z. Monson. The SRC voted to turn the governance of the School District over to local control of the City of Philadelphia on November 16, 2017. The dissolution determination by the State Secretary of Education was received on December 27, 2017 to dissolve the state controlled School Reform Commission on June 30, 2018. Local governance by a Board of Education consisting of nine members will begin on July 1, 2018.

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 \$19,700 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

Three years ago we set out on an urgent and aspirational path to create great schools close to where all children live which was incorporated into a Strategic Action Plan 3.0. Major initiatives of the District focus on the priorities set out in the Strategic Plan. Highlights of the key accomplishments this past fiscal year include, a) third consecutive year with a positive year-end fund balance, b) sustained investments in classrooms, c) a contract with the Philadelphia Federation of Teachers, and, most importantly, d) the increased academic achievement of our students.

Our strategic mission sets forth, “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 focus on early literacy, academic growth for stronger college and career readiness, principals and teachers who can bring out the best in our students, and finances that are fiscally stable and responsible. Over the past fiscal year, we have made steady progress in laying the foundation for the future and we continue to show growth in individual schools and classrooms across the District. However, this is difficult work, making progress in an urban school district takes time, and this is a multi-year effort.

Three consecutive years of a positive fund balance coupled with increased State and local funding allowed the District to make investments in school performance with a focus on initiatives that lead to improved educational outcomes regardless of demographics or geographical location.

Year two of a seven-year \$526 million Investment Plan included the following investments focused on our Four Anchor Goals:

1) Improving Early Literacy

- New K-8 math and reading books for all levels.
- More early literacy specialists.
- Additional ESOL teachers and bilingual counseling assistants.
- Added investments to improve the lowest performing schools.
- Summer professional development for teachers in early literacy and math.

2) College and Career Readiness

- New computers and technology in all high school classrooms and every high school lab.
- Increased opportunities for Advanced Placement courses, gifted education and dual enrollment.
- PSAT/SAT free of charge.
- Additional funding for Alternative Education programs.

3) Talent/Workforce Investment

- Counselors for every school and nurses in every school/building.
- Supplemental teachers hired to eliminate vacancies and meet normal attrition.
- Collective Bargaining Agreements with the District’s unions, which allow for 21st-century learning environments.
- Appropriate staffing of the district’s central office to better support schools.

These investments are paying dividends and we are encouraged by demonstrable progress in each of The Four Anchor Goals achievement targets. The achievements of each is below (school information excludes charter schools and is based upon school year 2015-16 data and where available 2016-2017):

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

Graduation Rate – 67%, an increase of 1% from School Year 2015-16 and the third straight year of increases.

Increasing College Access –

- 22,331 9th to 12th grade students took the PSAT/SAT free of charge,
- Launched the first middle college high school program to earn an Associate’s Degree or 2 years of college credit at the same time, and
- Improved student scores for Algebra, Biology and Literature on Keystone exams in School Year 2016-2017.

Improving Career Readiness – 2,742 students earned career and technical credentials, an increase of 50%.

Creating Better Learning Environments and Safer Schools –

- 160 schools (74%) saw an increase in climate scores,
- 53 schools increased their climate score by at least one tier, a 76% decrease in the number of student arrests since 2012,
- Zero persistently dangerous schools for 3 straight years,
- District’s sustainability plan brought hydration stations into schools and began a comprehensive water testing program,
- Recipient of the 2017 US Department of Education Green Ribbon School District Sustainability award, and
- Published a Facility Condition Assessment Report to prioritize school building needs.

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

Increased rate of 3rd graders reading on grade level to 36% -

- More students are reading at the very highest (Advanced) and fewer are reading at the lowest (Below Basic),
- Students at every grade level from 3rd to 7th have shown improvements in reading.

Grade level 3 proficient or advanced PSSA standardized test increased 5% from 30% to 35%.

Intensifying the Focus on Early Literacy –

- 340,000 new books and 1,200 new classroom libraries serving 36,000 new students as part of the Right Books Campaign,
- Over 2,700 K-3 students borrowed 10,000 books and logged over 350,000 book views through the Building Bridges with Books initiative, and
- By the start of the 2017-2018 school year 1,700 teachers were trained to help students read.

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);

Hiring More Teachers –

- 1,020 teachers hired since March 2016,
- 99% of all teacher vacancies filled by the start of the current school year, and
- 85% substitute fill rate.

Investing in Training and Coaching –

- Over 2,500 teachers attended summer training,
- 57% increase in new teachers attending teacher orientations, and
- Literacy coaching and support for all schools.

Increasing Diversity –

- 268 teachers of color hired in partnership with universities and Historically Black Colleges and Universities, representing 26% of the total teachers hired for the 2016-2107 school year, and
- 47% of school district principals are African American; 8% are Latino.

Anchor Goal 4 – the School District will have 100% of the funding we need for great schools and zero deficit (5 Year Target – Balanced budgets every year through 2022);

Positive Fund Balance for Three Consecutive Years and Balanced Budgets through Fiscal Year 2018 -

- Fiscal Year 2017 Budgetary Fund Balance of \$124.7 million,
- Fiscal Year 2018 Budgetary Projected Fund Balance of \$85.6 million, the fourth straight year of a positive fund balance, and
- Projected deficit Fiscal Year 2019 and beyond due to mandated and fixed costs unless adequate funding secured or drastic program cuts enacted.

Improved Bond Rating and Bond Savings -

- In October 2016 the bond rating and outlook was raised from negative to stable, the first positive movement in the credit outlook since 2010, and
- Completed a bond refunding which will save over \$100 million over the next 20 years.

Expanding Revenue Sources -

- The Cigarette tax will not end in Fiscal Year 2019 and is assured \$58 million in revenue annually, and
- Fiscal Year 2017 revenues for the new ridesharing 3-year pilot programs were \$2.0 million (\$0.4 million received in Fiscal Year 2018).

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 May 26th of the preceding fiscal year (e.g., May 26, 2016). The “amended” or final budget was passed on May 25th of the current fiscal year (e.g. May 25, 2017). 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 \$1.13 billion in facility needs through Fiscal Years 2017 - 2022 to improve major infrastructure systems and buildings. On May 25, 2017, the School District adopted its 2018 Capital Budget and six-year capital improvement program for Fiscal Years 2018-2023, which identified \$1.29 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 the ongoing condition assessment. The School District also amended its Capital Budget for Fiscal Year 2017 on May 25, 2017 to total approximately \$120.3 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; Sales Tax and the Use & Occupancy Tax. These taxes represent about 40% of the Fiscal Year 2017 overall governmental fund 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 benefitting the schools. Of the 97%, approximately 87% is spent on education and other support services and the remaining 10% is spent on capital financing. 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: Over the past few years, the District has undertaken numerous initiatives to increase recurring revenue, improve the efficient and effective use of public dollars, and plan for sustainable investments. For Fiscal Year 2017, the District was able to maintain the beginning prior year fund balance with only a small decrease due to savings in both District and Charter School spending offset by a prior period adjustment. This was the third consecutive year of a year-end positive fund balance. Recognizing the positive trends and financial outlook, Moody's has upgraded the bond ratings and outlook and Fitch upgraded the outlook. Fiscal Year 2018 should continue the positive trend with an \$85.6 million projected fund balance. Although there were modest operating fund balances for the past three fiscal years (less than three weeks of operating revenues), expenditures growth rates outpace revenue growth rates by about two times resulting in an outlook of structural deficits beginning in Fiscal Year 2019. Though facing deficits in the coming years, through tough choices, increased funding from stakeholders, a five-year budget plan and smarter fiscal management we are well-positioned to face these challenges and find solutions to allow us to continue to develop our system of great schools.

Recognizing the need for more revenues to avoid a fiscal cliff, the District was successful in obtaining recurring revenues from the State. These recurring State revenues include the Cigarette Tax which will no longer sunset in Fiscal Year 2019 with the District receiving at least \$58 million annually and a new rideshare program effective through Fiscal Year 2019 in which the District will receive a portion of the revenues estimated to be more than \$2.0 million annually. There was progress made in changes to the State Basic Education funding formula based on factors including the wealth of a District, the district's current tax effort and the ability of the district to raise taxes which increased SDP's share of new basic education funds. 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. At the local level, the District is continuing its 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. Other funding sources resulting from a Fiscal Year 2016 bond refunding of over \$1 billion in high interest debt will save over \$100 million over the next 20 years. In addition, securing a fix to the state reimbursement formula (AVI) prevented the loss of \$250 million in state reimbursement revenues through Fiscal Year 2022.

To adequately plan for the future, operating costs which are fixed and/or mandated (which make up a significant portion of the overall expenditures), along with new expenditures must be considered. The District will incur in Fiscal Year 2018 additional operating costs associated with newly negotiated labor agreements and a projected reduction of some federal funding. The District ratified collective bargaining agreements with all bargaining units including the two largest unions representing teachers (PFT) and principals (CASA). The financial impacts of these agreements will begin in Fiscal Year 2018 and were necessary to move the District forward to a 21st Century learning environment. Due to recent proposals for federal changes in Title II and other educational funding led the District to reserve \$12.5 million for these anticipated cuts beginning in Fiscal Year 2018 based upon the five year plan projection.

The District continued its practice of striving for structural fiscal balance while executing the major initiatives discussed above which focus on equity and educational outcomes within a system of great schools. Part of the challenge is to continue to make the necessary sustainable investments in educational programming to achieve the strategic goals to ensure all our students succeed and blossom while balancing fiscal integrity. As we enter the third year of this \$526 million investment plan in our children's future,

the District's longer-term finances continue to pose challenges. 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 with fixed and mandated expenditures outpacing revenue growth unless alternatives are found, could impact the steady progress the District has shown over the past three years. Several years of significant program sacrifices has already been an indicator for us of the devastation this can have on our student's success and we will do everything in our power to ensure these drastic cuts do not repeat in the future.

In summary, 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; finalizing 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: Over the past several years, several key indicators highlight the local economy of the City of Philadelphia, which has been experiencing modest growth and a positive future economic outlook. The positive factors include ten years of population growth, a solid rate of job growth, a construction boom in both the residential and commercial markets, a decreasing unemployment rate, a relatively low cost of living index compared to other major cities, a decreasing crime rate and a high percentage of its population enrolled in higher education. Some of the offsetting factors contributing to only a modest growth has been a high poverty rate of one quarter of its population and an unemployment rate above the national average.

During the period 2000 to 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 six 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. In the period, 2006 to 2016 Philadelphia's population has increased by 120,000 residents or 8.25%. Contributing to the population growth is the increase in the number of millennials remaining in Philadelphia (born between 1980 and 2000). This creates an exciting opportunity and challenge for Philadelphia to retain young families by continuing to make progress on the perceived quality of our public schools. In addition to the increase in millennials, the City's immigrant population grew significantly with the Asian population growing by 161.4% and the Hispanic or Latino population growing by 164.6% from 2000 to 2014. Based on a recent Pew Study, in 2016 Asians represent about 7% of the population, Hispanic or Latinos represents 14%, Whites make up 35% and Black or African American 44%. Nearly 27% of Philadelphia's population are school aged (age 5-17). Philadelphia had the sixth largest higher education sector among major U.S. cities in 2016. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force.

Although improving, Philadelphia continues to experience unemployment at a rate higher than the national average. The annual 2016 unemployment rate was 6.8% compared with an average of 4.9%. However, on the positive side, Philadelphia's job growth for 2016 of 2.2% compared to a national job growth of 1.7%. In addition, the cost of living index is the second lowest compared to other major Northeast cities and is 20% less than Washington DC is and 60% lower than Manhattan. 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 but improving fiscal challenges, 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. In 2016, the Education and Health Services, Professional and Business Services, Financial Activities and Hospitality sectors represented 61.9% of the total employment for the City for the year. 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. A new development, University (U) City Square, was announced in late 2016, which will expand research-generated assets by 6 million square feet and a total investment of over \$1 billion. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area. Children's Hospital of Philadelphia is ranked number one in U.S. children's hospitals.

The City is in the heart of a five-county metropolitan area with approximately six million residents making it the Country's sixth 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 and 2016 proved to be the best years for Philadelphia housing since the recession. Recent major development investments completed or under construction since 2016 as of March 2017 were \$7.5 billion. Total vacancy rates for office space remained strong at 10.2% in 2016 compared with an average of 14.1% 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. The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions abound in Philadelphia. Some of the more prominent ones are: 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 Jewish History Museum, the Rodin Museum, the Barnes

Foundation Museum and the recent addition of the American Revolution 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 recent years due to high profile events such as the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, the 2016 Democratic National Convention and the NFL Draft in the spring of 2017. 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.

Accounting Pronouncements Effective for Fiscal Year 2017, the School District has implemented one new Government Accounting Standards Board (GASB) Statements, GASB No. 77. GASB's Statements No. 74, No. 78, No. 79, and No. 80 were considered but found not to be applicable.

GASB 77, Tax Abatement Disclosures, establishes financial reporting standards for tax abatement agreements entered into by state and local governments. This statement encompasses tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement are applicable to all state and local governments subject to such tax abatement agreements. These changes are reflected in the School District's footnotes to the financial statements for Fiscal Year 2017.

Long-term Debt: As of June 30, 2017, 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 2016. 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 2016. 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 2017.

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 Accounting Services. We express our sincere appreciation to all participants who assisted in and contributed to the preparation of this report. We also thank the Office of the City Controller for their cooperation, support and continued assistance.

Respectfully submitted,



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



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, 2016

Christopher P. Morrell

Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

The School District of Philadelphia

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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

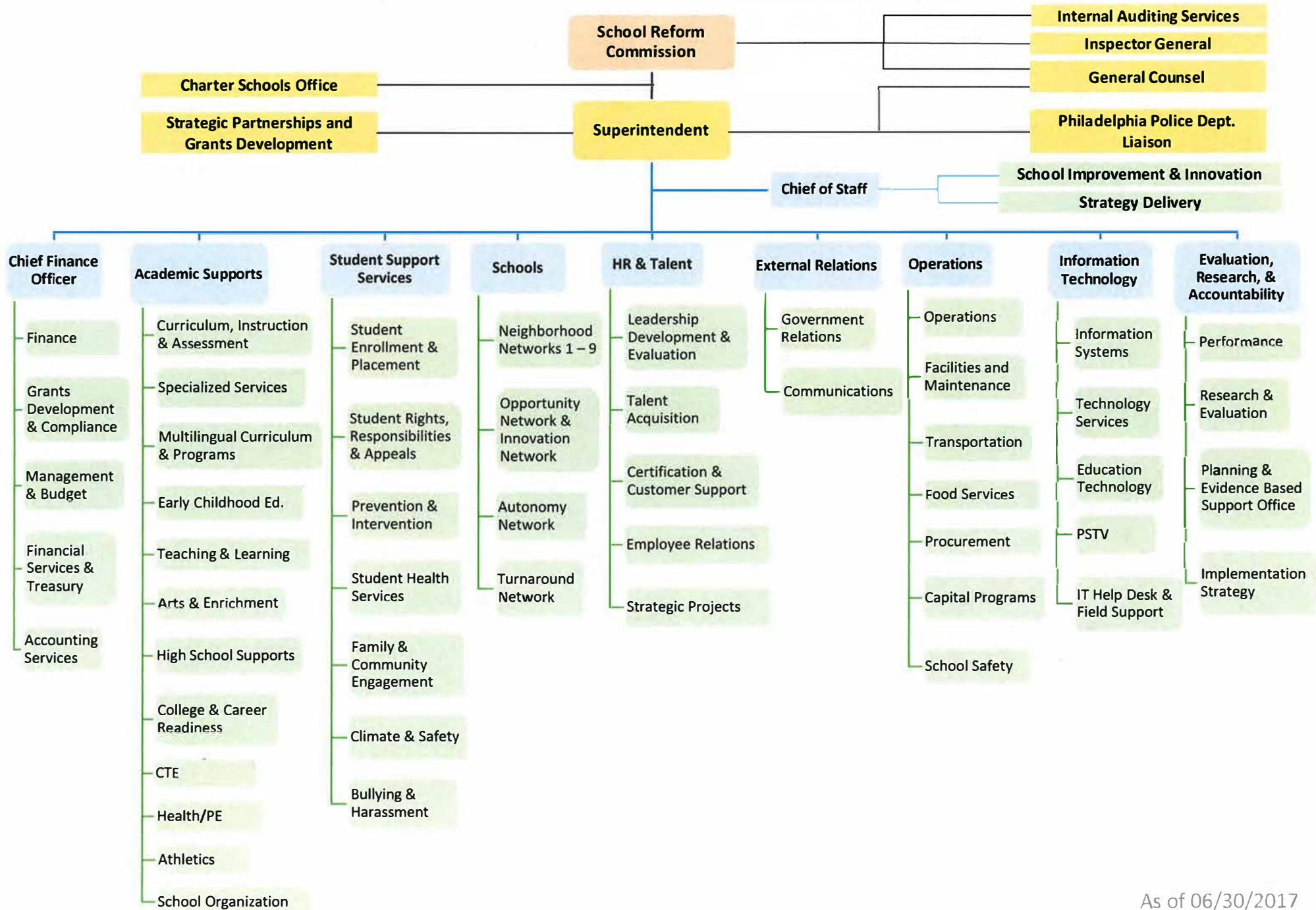


**Anthony N. Dragona, Ed.D., RSBA
President**

**John D. Musso, CAE
Executive Director**

SCHOOL DISTRICT OF PHILADELPHIA

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SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2017

List of Principal Officials of the School District

School Reform Commission

Joyce Wilkerson, Chair
William J. Green, Member
Farah Jimenez, Member
Dr. Christopher McGinley, Member
Estelle Richman, Member

School District of Philadelphia

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

Naomi Wyatt
Chief of Staff

Miles Shore
Acting General Counsel

Louis Bellardine
Chief Talent Officer

Uri Z. Monson
Chief Financial Officer

Karyn T. Lynch
Chief of Student Support Services

Cheryl Logan
Chief of Academic Supports

Melanie S. Harris
Chief Information Officer

Danielle Floyd
Acting Chief Operating Officer

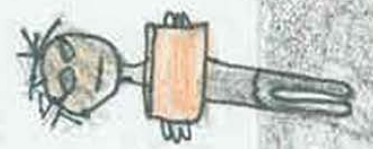
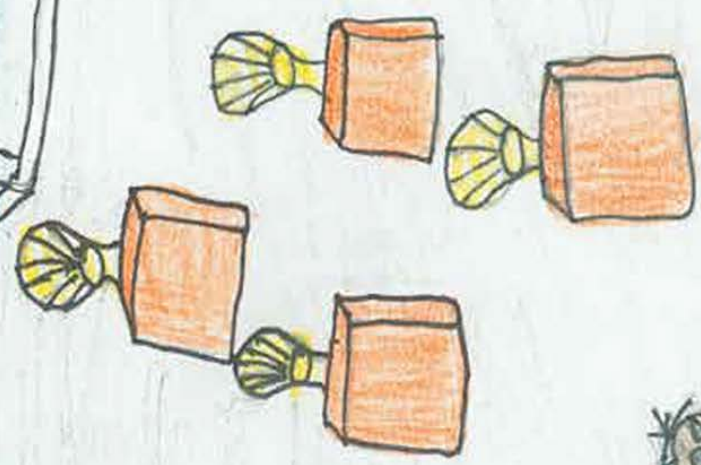
Kevin Geary
Chief of External Relations

Shawn Bird, Ed.D.
Chief Schools Officer

Tonya Wolford
Chief of Evaluation, Research and Accountability

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CITY OF PHILADELPHIA

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

REBECCA RHYNHART
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, 2017, 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 School District'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 School District'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
OFFICE OF THE CONTROLLER

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle and Correction of an Error

As discussed in Note 4.C. to the financial statements, in fiscal year 2017 the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, which establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Additionally, as discussed in Note 4.M. to the financial statements, in fiscal year 2017 the School District recorded a prior period adjustment for the correction of an error for accrued salaries and benefit expenditures, which represents a change in accounting principle. As of July 1, 2016, the School District's net position was restated to reflect the impact of the change. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 32, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2017 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, 2017, 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, 2017, 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, 2017.

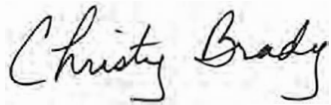
We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the School District's basic financial statements as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated February 15, 2017, which contained 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 2016 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, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2016 financial statements. The 2016 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual

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

Revenues and Obligations information have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to those 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 2016 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, 2016.

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.

A handwritten signature in cursive script that reads "Christy Brady".

Christy Brady, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 13, 2018

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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, 2017. 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 sixteen 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. Based on the regulations in Section 691 of the Public School Code governing financial distress, the District is no longer meeting the circumstances for distress and therefore the SRC and the State have recently taken measures to put governance under local control of a Board of Education after June 30, 2018. Since the time of its formation, the SRC helped to improve both the quality of education and the fiscal stability of the District.

Several key financial highlights for Fiscal Year 2017 include, but are not limited to, the following:

- Total revenues were \$3,332.4 million. A little more than half of total revenues and subsidies were from the State with PA Basic Education Subsidy (BES) representing approximately two thirds 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 revenues increased by \$201.0 million compared to Fiscal Year 2016. Local revenue increases of \$45.5 million were mostly from Real Estate Tax collections, Use and Occupancy Taxes, and the Liquor and the School Income Tax offset by a decrease in Net Investment Income. State grants and subsidies increased by \$103.1 million primarily due to increases in the basic education appropriation, transportation reimbursement and pension plan reimbursement. Federal grants and subsidies revenues increased by \$52.4 million, due primarily to increases in revenues from Title I of \$29.1 million and Title II of \$15.4 million. This increase 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 were \$3,157.3 million. Approximately 95% of all expenses are for instructional services, direct student-related costs and services directly benefitting students and schools such as transportation, utilities and debt service for school renovations and construction. A significant portion of these expenses are fixed and/or mandated by regulatory and contractual obligations (e.g., for benefits per the Collective Bargaining Agreements, mandated pension plan contributions, debt service costs, and charter school transportation and per pupil payments).
- Total expenses increased by \$234.0 million compared to Fiscal Year 2016. The causes of the increases were primarily for expenses in instruction, student support services, and administrative support services.
- At the end of the current fiscal year, total net deficit was \$4,429.9 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 2017 was \$3,426.5 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 termination pay liabilities, workers compensation and derivative instruments are additional liabilities affecting this balance. Other liabilities affecting the net deficit include accounts payable balances, accrued salaries and benefits payable 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 2017 ending Operating Fund balance is \$202.2 million. Of the total \$202.2 million fund balance for the Operating Fund at June 30, 2017, \$31.1 million is non-spendable or encumbered for existing purchase commitments and \$46.4 million is restricted for future debt service payments, leaving an ending budgetary operating fund balance of \$124.7 million.
- The Operating Fund balance of \$202.2 million as of June 30, 2017 reflects a \$35.6 million decrease from the Fiscal Year 2016 balance. This balance includes \$30.3 million of encumbrances for the General and Intermediate Funds, \$0.8 million of General Fund inventories, and \$46.4 million for future debt payments resulting in a \$124.7 million ending budgetary operating fund balance. The decrease from Fiscal Year 2016 is primarily the result of several factors: increased expenditures for general fund and intermediate unit instructional services, increased charter school payments, and the negative impact of a prior period adjustment, partially offset by higher local and state revenues.

- 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 \$181.1 million from the School District. Of this amount, \$135.7 million is to pay obligations for the next fiscal year, \$43.0 million represent mandatory deposits for future debt payments, and \$2.4 million represent amounts to pay debt on certain buildings sold by the District.
- The Debt Service Fund is a separate governmental fund (within the Operating Funds) established for the accumulation of resources to pay bond principal and interest, and for payment of other associated costs. The Debt Service Fund balance ended Fiscal Year 2017 with a \$38.2 million net change, which represented a \$19.2 million increase in the net change from Fiscal Year 2016 to Fiscal Year 2017. This increase resulted from the following: 1) increases in other financing sources of \$998.9 million, which includes \$956.8 million for debt refunding; 2) decreases in other financing uses of \$35.3 million; 3) revenue decreases of \$6.3 million mostly from prematurely redeemed bonds; 4) expenditure increases of \$1,012.8 million primarily from bond and authority obligations refunding principal and interest payments of \$1,005.7 million, and; 5) a decrease of \$4.1 million in administrative expenditures.

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 that 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 2017. These two statements report the School District's net position and any changes in net position that 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 I provides a summary of the School District's net deficit position as of June 30, 2017 and reflects GASB Statement No. 68 & GASB Statement No. 71. It also reflects a cumulative adjustment for a correction in the calculation of "Accrued Salaries and Benefits Payable." Refer to Footnote 4M. 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, 2017
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2017	2016	2017	2016	2017	2016
Current & Other Assets	\$ 943.3	\$ 749.6	\$ 28.7	\$ 20.9	\$ 972.0	\$ 770.5
Capital Assets	1,683.3	1,703.9	2.2	2.1	1,685.5	1,706.0
Total Assets	2,626.6	2,453.5	30.9	23.0	2,657.5	2,476.5
Deferred Outflows of Resources						
Deferred Refunding Charges - Loss	119.0	117.5	0.0	0.0	119.0	117.5
Deferred Pension Contributions	580.8	213.5	8.8	3.2	589.6	216.7
Total Deferred Outflows	699.8	331.0	8.8	3.2	708.6	334.2
Liabilities						
Long-Term Liabilities	3,574.3	3,595.0	1.8	2.8	3,576.1	3,597.8
Other Liabilities	411.2	355.5	4.2	5.8	415.4	361.3
Net Pension Liability	3,375.4	2,993.3	51.1	45.3	3,426.5	3,038.6
Total Liabilities	7,360.9	6,943.8	57.1	53.9	7,418.0	6,997.7
Deferred Inflows of Resources						
Deferred Pension - Earnings/Proportions/Contributions	368.4	445.4	5.6	6.7	374.0	452.1
Deferred Refunding Charges - Gain	4.0	0.0	0.0	0.0	4.0	0.0
Total Deferred Inflows	372.4	445.4	5.6	6.7	378.0	452.1
Net Position						
Net Investment in Capital Assets	(633.5)	(585.0)	2.1	2.1	(631.4)	(582.9)
Restricted	194.6	158.1	0.0	0.0	194.6	158.1
Unrestricted (Deficit)	(3,968.0)	(4,177.8)	(25.1)	(36.5)	(3,993.1)	(4,214.3)
Total Net Position (Deficit)	<u>\$ (4,406.9)</u>	<u>\$ (\$4,604.7)</u>	<u>\$ (\$23.0)</u>	<u>\$ (\$34.4)</u>	<u>\$ (4,429.9)</u>	<u>\$ (4,639.1)</u>

For the Fiscal Year ended June 30, 2017, the School District's total net deficit was \$4,429.9 million. This net deficit amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$3,993.1) million is unrestricted. This balance also reflects an increase of \$175.1 million from Fiscal Year ended June 30, 2016 and a prior period adjustment of \$34.1 million. This increase is the result of the following: 1) A net increase in assets and deferred outflows of resources of \$555.4 million (which includes an increase of deferred pension contributions of \$372.9 million due to the change in PSERS' actuarial assumptions, an increase in cash and cash equivalents, pooled cash and investments and restricted assets of \$166.9 million, and a net increase of \$15.6 million from other assets and deferred outflows of resources), 2) a decrease in deferred inflows of resources of \$74.1 million, offset by; 3) an increase in liabilities of \$420.3 million. The increase in liabilities is driven by an increase in bond related debt of \$122.4 million and an increase in net pension liability of \$387.9 million, offset by a net decrease in unearned revenue, accounts payable, accrued salaries and benefits, and other liabilities of \$90.0 million.

Moreover, restricted assets are reported separately on the Statement of Net Position 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

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associated with or dedicated to providing any specific program, each activity in the statement displays either a deficit (i.e., net cost of operating the activity) or a surplus (i.e., net profit of operating the activity).

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

Changes in Net Position
Fiscal Year Ended June 30, 2017
(Dollars in Millions)
Table 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	\$ 10.1	\$ 8.5	\$ 0.7	\$ 0.7	\$ 10.8	\$ 9.2
Operating Grants & Contributions	963.6	857.5	88.5	86.7	1,052.1	944.2
Capital Grants & Contributions	1.5	1.3	-	-	1.5	1.3
General Revenues						
Property Taxes	703.9	669.4	-	-	703.9	669.4
Other Taxes	449.7	424.5	-	-	449.7	424.5
Grants & Contributions Not Restricted	130.0	128.5	-	-	130.0	128.5
State & Federal Subsidies Not Restricted	988.3	942.2	-	-	988.3	942.2
Contributed Capital	-	-	-	0.4	-	0.4
Gain on Sale of Capital Assets	-	2.0	-	-	-	2.0
Reimbursement of Insurance Deposits	-	1.0	-	-	-	1.0
Investment Revenue/(Expense)	(3.9)	8.7	-	-	(3.9)	8.7
Total Revenues	3,243.2	3,043.6	89.2	87.8	3,332.4	3,131.4
Expenses						
Instruction	2,324.8	2,155.0	-	-	2,324.8	2,155.0
Student Support Services	200.4	174.8	-	-	200.4	174.8
Administrative Support & Other	143.9	121.5	-	-	143.9	121.5
Interest on Long Term Debt	149.5	144.4	-	-	149.5	144.4
Pupil Transportation	88.4	81.9	-	-	88.4	81.9
Operation & Maintenance	172.2	169.1	-	-	172.2	169.1
Early Childhood Education	0.2	0.2	-	-	0.2	0.2
Food Service/Print Shop	-	-	77.9	76.4	77.9	76.4
Total Expenses	3,079.4	2,846.9	77.9	76.4	3,157.3	2,923.3
Excess before Transfers	163.8	196.7	11.3	11.4	175.1	208.1
Transfers	(0.1)	-	0.1	-	-	-
Increase in Net Position	163.7	196.7	11.4	11.4	175.1	208.1
Net (Deficit) - Beginning	(4,604.7)	(4,801.4)	(34.4)	(45.8)	(4,639.1)	(4,847.2)
Prior Period Adjustment	34.1	-	-	-	34.1	-
Net (Deficit) - Ending	\$ (4,406.9)	\$ (4,604.7)	\$ (23.0)	\$ (34.4)	\$ (4,429.9)	\$ (4,639.1)

The ending Fiscal Year 2017 Net Deficit of a \$4,429.9 million, represents a positive \$209.2 million change from Fiscal Year 2016 Net Deficit of \$4,639.1 million. The Fiscal Year 2017 Net Position is comprised of: 1) revenues of \$3,332.4 million with \$1,064.4 million of program revenues and \$2,268.0 million of general revenues, and 2) \$3,157.3 million of expenses mostly comprised of instruction related costs. 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-

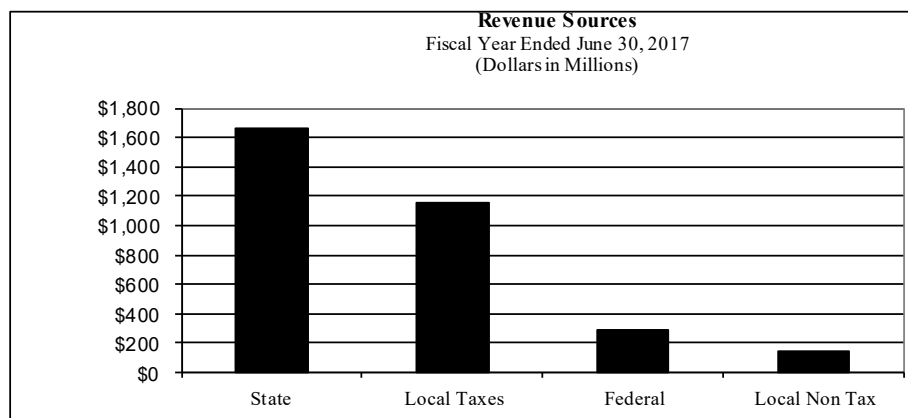
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business income, liquor by the drink and public utility realty. A third source of revenue is both federal and state grants dedicated to providing specific programs and services.

Revenue by Source and Type
Fiscal Year Ended June 30, 2017
(Dollars in Millions)
Table 3

Revenue Source	Program Revenues				General Revenues			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016	2017	2016	2017	2016
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,153.7	\$ 1,093.9	\$ -	\$ -
Locally Generated NonTax	18.7	18.4	0.7	0.7	126.0	140.2	-	0.4
State and Federal Grants and Subsidies	956.5	848.9	88.5	86.7	988.3	942.2	-	-
Total Revenue	\$ 975.2	\$ 867.3	\$ 89.2	\$ 87.4	\$ 2,268.0	\$ 2,176.3	\$ -	\$ 0.4

The following bar graph illustrates the School District's major sources of revenues for all revenue sources for Fiscal Year 2017:



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 \$3,332.4 million can be found on page 35 in the Statement of Activities. Total revenues for Governmental Funds of \$3,250.6 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

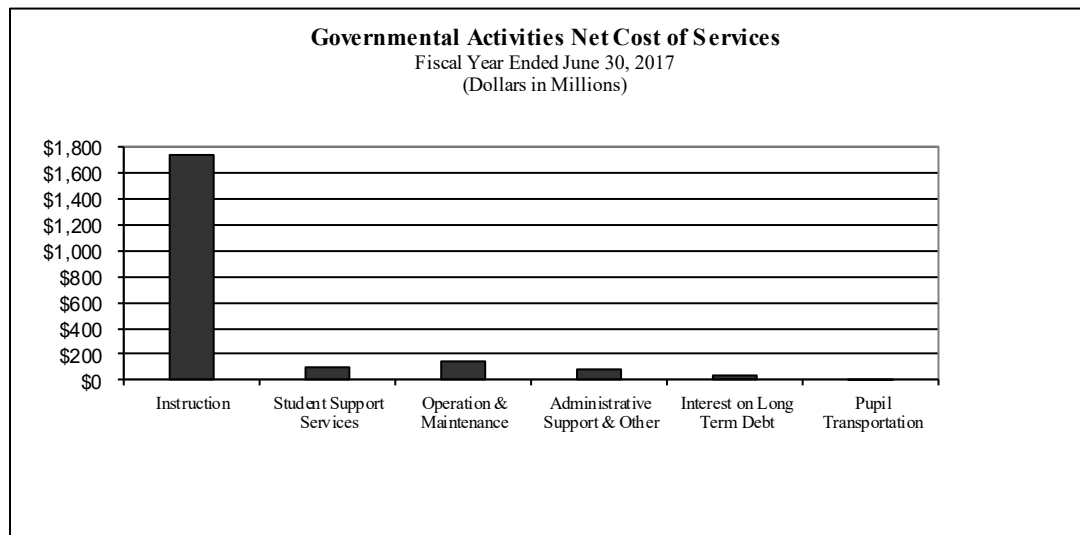
Table 4 and the accompanying graph illustrate and highlight the net costs incurred by each of the major activities presented in the School District's Statement of Activities. For each activity, the statement presents gross expenses and the resulting net cost (surplus), offset by program revenues, of each general activity. The major functional expense categories are titled: Instruction, Student Support Services, Operation and

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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, 2017
(Dollars in Millions)
Table 4

Functional Expense	2017		2016	
	Gross Cost of Services	Net Cost of Services	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,324.8	\$ 1,743.4	\$ 2,155.0	\$ 1,612.3
Student Support Services	200.4	103.3	174.8	102.4
Operation & Maintenance	172.2	145.0	169.1	145.1
Administrative Support & Other	143.9	83.5	121.5	75.7
Interest on Long Term Debt	149.5	37.3	144.4	55.2
Pupil Transportation	88.4	(8.2)	81.9	(11.1)
Food Service / Print Shop	77.9	(11.3)	76.4	(10.9)
Early Childhood Education	0.2	-	0.2	-
Total Expenses	<u>\$ 3,157.3</u>	<u>\$ 2,093.0</u>	<u>\$ 2,923.3</u>	<u>\$ 1,968.7</u>



V. MAJOR FUND HIGHLIGHTS

While the School District maintains and accounts for a number of funds, six of these funds are considered major funds. These funds are the General Fund, Intermediate Unit Fund, Categorical Funds, Debt Service Fund, Capital Projects Fund and 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 that 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 \$19.4 million on June 30, 2017. For Fiscal Year 2017, there was an excess of revenues over expenditures of \$549.1 million, \$558.7 of other financing uses, \$2.8 million of capital asset proceeds, (\$66.0) million in prior period adjustments for salary and benefit accruals (See Footnote 4M-Prior Period adjustments for details) and (\$0.2) million of a change in inventory reserves which together resulted in a \$73.0 million unfavorable impact to the ending fund balance.

Intermediate Unit Fund

The Intermediate Unit Fund accounts 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 2017, the Intermediate Unit Fund had a deficiency of revenues under expenditures of \$235.6 million, other financing sources to cover the revenue shortfall of \$252.5 million and an unfavorable prior period adjustment of \$17.7 million for salary and benefit accruals (See Footnote 4M for details), totaling a net decrease of \$0.8 million to fund balance resulting in an ending fund balance of \$1.7 million at June 30, 2017.

Categorical Funds

Categorical Funds account for specific purpose federal, state, city or private grants to cover the costs of dedicated programs and special initiatives. Categorical Funds had a \$7.2 million net change in fund balance. In addition, a (\$8.0) million prior period adjustment resulted from a recalculation of the salaries and benefits accrual for categorical funds and resulted in a (\$7.0) million fund deficit at June 30, 2017. The reason for the decrease in fund balance was an increase of \$7.2 million in receivables over 90 days past due not recorded as revenues in Fiscal Year 2016 under GASB Statement No. 33 guidelines. As of June 30, 2017, there were \$7.0 million still outstanding from grantors and recorded as unavailable revenues, not yet recognized as current revenues.

Debt Service Fund

The Debt Service Fund accounts for the School District's accumulation of resources for the payment of debt service and bond issuance costs. During Fiscal Year 2017, the Debt Service Fund reflects a \$38.2 million net increase in fund balance to \$181.1 million as of June 30, 2017. Causes of the net increase related to: 1) \$26.9 million increase for debt service requirements for principal and interest payments, 2) \$9.7 million set aside for mandatory sinking fund payments, and 3) \$1.6 million increase for funds assigned for defeasance purposes.

Capital Projects Fund

The Capital Projects Fund accounts 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 2017, the Capital Projects Fund increased by \$165.4 million to a fund balance of \$175.9 million. During Fiscal Year 2017, revenues of \$3.7 million with net debt issuance proceeds of \$251.3 million, capital asset sales of \$4.4 million, and transfers to other funds for debt issuance of \$1.3 million. New building construction totaled \$6.7 million, capital alterations and improvements and environmental management totaled \$73.0 million, major renovations and equipment acquisitions totaled \$13.0 million.

Internal Service Fund

The Internal Service Fund accounts 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, 2017, the Healthcare Self Insurance Internal Service Fund had a total net position balance of \$22.0 million, which includes \$9.5 million of restricted self-insurance funds for claim expenditures to fund incurred claim expenditures that have not been billed to the District.

Enterprise Funds

The Enterprise Funds account for the operations of the Food Service Division and the Print Shop. The Enterprise Funds had a total net deficit balance of \$23.0 million at the end of Fiscal Year 2017 with \$21.5 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 net profit.

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, 2017

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2017	Fiscal Year 2016
General	\$ (6.7)	\$ 88.8
Intermediate Unit	16.9	1.2
Categorical	7.2	(1.8)
Debt Service	38.2	19.0
Capital Projects	165.4	(83.5)
Food Service	11.4	11.4
Non-Major Enterprise	-	-
Non-Major Governmental	-	-
Total Change in Fund Balance/Net Position	<u>\$ 232.4</u>	<u>\$ 35.1</u>

Total Fund Balances for Major and Non-Major Funds

As of June 30, 2017

(Dollars in Millions)

Table 6

Fund	Fiscal Year	Fiscal Year
	2017	2016
General	\$ 19.4	\$ 92.4
Intermediate Unit	1.7	2.5
Categorical	(7.0)	(6.2)
Debt Service	181.1	142.9
Capital Projects	175.9	10.5
Food Service	(21.5)	(32.9)
Non-Major Enterprise	(1.5)	(1.5)
Non-Major Governmental	6.3	6.3
Total Fund Balance/Net Position	\$ 354.4	\$ 214.0

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 2017 ending Operating Fund Balance of a positive \$202.2 million compares to a positive \$237.8 million reported for Fiscal Year 2016. Of the total \$202.2 million fund balance for the Operating Fund at June 30, 2017, \$31.1 million is encumbered for existing purchase commitments or inventory, and \$46.4 million is restricted for future QZAB and QSCB debt service principal payments, leaving a fund balance of positive \$124.7 million. The following are the classifications of the Operating Fund balances: 1) in the General Fund, a negative \$10.0 million unassigned, \$28.6 million of encumbrances assigned and, \$0.8 million of non-spendable fund balance for inventories, 2) in the Intermediate Unit Fund, a positive \$1.7 million of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, a positive \$181.1 million is considered restricted for future debt service payments. The Fiscal Year 2017 available fund balance of \$124.7 million represents a \$6.5 million decrease from the reported Fiscal Year 2016 available Operating Fund balance of \$131.2 million.

On May 26, 2016, the SRC adopted the Fiscal Year 2017 Operating Budget of \$2,855.3 million in revenue and other sources and \$2,862.6 million in obligations and other uses. On May 25, 2017, the SRC amended the Fiscal Year 2017 Operating Budget of \$4,126.0 million in revenues and other financing sources and obligations and other financing uses of \$4,055.6 million (which included approximately \$1,308.1 million in refunding sources and obligations/uses). Both the adopted and amended Fiscal Year 2017 Operating Budget SRC resolutions reflect other financing sources and uses net of transfers between the General Fund, Intermediate Unit and Debt Service Fund. The Fiscal Year 2017 \$124.7 million ending operating fund balance available for future operations is an increase of \$16.6 million from the amended budget ending fund balance of \$108.1 million. The main cause of this improvement was a budget surplus of \$32.9 million in revenues and other sources, the majority of which was due to an increase in local revenues. This favorable variance was partially offset by an expenditure deficit of \$16.3 million, of which \$15.4 million related to a refund of prior year revenue.

General Fund Budget

For Fiscal Year 2017, the final budgeted General Fund revenue was \$48.7 million lower than the original Fiscal Year 2017 budget adopted in May 2016. This resulted from a \$41.2 million reduction in budgeted state

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revenues (primarily driven by a shift in the pre-existing Ready to Learn Grant from the General Fund to the Categorical Fund), and a \$10.9 million reduction in Federal Grants and Subsidies from a budgeted shift of the Federal Debt Service Subsidy from the General Fund to the Debt Service Fund. Offsetting these decreases were \$3.4 million net increases in all other revenues.

The anticipated obligations in the final General Fund budget represented a decrease of \$136.2 million from the original adopted budget. This decrease resulted from the following changes in budgets: \$58.4 million in reduced charter payments, \$51.9 million in personnel costs for District schools and administration, \$29.7 million reduction resulting from a shift in the pre-existing Ready to Learn Grant expenditures from the General Fund to the Categorical Fund, offset by a \$3.8 million net increase in all areas.

The anticipated Other Financing Sources/ (Uses) in the final General Fund budget were \$20.2 million unfavorable over the original adopted budget. This is due primarily to increases in the following transfers: \$12.6 million to the Debt Service Fund, \$4.6 million to the Categorical Fund, and \$2.7 million to the Intermediate Unit.

The actual ending General Fund balance at June 30, 2017 of a positive \$19.4 million was \$38.3 million favorable compared to the final budget ending balance of a (\$18.9) million. Actual General Fund revenues of \$2,700.0 million are \$24.5 million higher than those estimated in the final General Fund budget of \$2,675.5 million. Actual General Fund obligations totaling \$2,111.9 million were \$14.8 million higher than estimated in the final budget of \$2,097.1 million. Other financing uses of \$557.2 million were (\$18.5) million unfavorable compared to the final budget. In addition, \$29.4 million of fund balance is not available for appropriation (made up of the \$67.3 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 (\$37.9) million change in encumbrance and inventory reserves during the year). There was also a prior period unfavorable adjustment of \$66.0 million which was \$17.7 million favorable compared to the budget because these expenses were reported in the Intermediate Unit Fund.

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, 2017

(Dollars in Millions)

Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,724.2	\$ 2,675.5	\$ 2,700.0	\$ 24.5
Total Obligations	2,233.3	2,097.1	2,111.9	(14.8)
Total Other Financing Sources/(Uses)	(518.5)	(538.7)	(557.2)	(18.5)
Net Change in Fund Balance	(27.6)	39.7	30.9	(8.8)
Fund Balance Beginning of Year	13.7	25.0	92.4	67.4
Prior Period Adjustment	-	(83.7)	(66.0)	17.7
Change in Reserves	-	-	(37.9)	(37.9)
Fund Balance End of Year	\$ (13.9)	\$ (19.0)	\$ 19.4	\$ 38.4

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During Fiscal Year 2017, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to the following:

- Revenues had a \$24.5 million favorable variance due to a \$17.6 million favorable variance in Local Tax revenues, a \$4.6 million favorable variance in Local Non-Tax revenues, and \$2.3 million favorable variance in State and Federal revenues.
- Obligations were \$14.8 million more than budgeted primarily due to a refund of prior year revenues associated with local tax overpayments recorded as an expense.
- Other Financing uses were \$18.5 million unfavorable from the final budget. This is primarily due to increases in the following transfers: \$14.4 million to the Intermediate Unit, \$3.7 million to the Debt Service Fund, and \$3.4 million to the Categorical Fund, offset by a net \$3.0 million favorable variance in all other sources and uses.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2017, the School District had \$3,451.0 million invested in capital assets. Over the years, these assets have depreciated by \$1,765.5 million leaving a carrying value of \$1,685.5 million. This represents a decrease of \$20.5 million over the Fiscal Year 2016 ending balance. Table 8 represents Net Capital Assets. Refer to Footnote 4D for additional information.

Net Capital Assets
As of June 30, 2017
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 126.8	\$ 129.4	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,438.5	1,460.9	-	-
Personal Property	55.4	54.6	2.2	2.1
Construction In Progress	62.6	59.0	-	-
Total Net Book Value	<u>\$ 1,683.3</u>	<u>\$ 1,703.9</u>	<u>\$ 2.2</u>	<u>\$ 2.1</u>

Debt Administration

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

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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.

After an extended budget impasse that lasted until March 2016 in which Pennsylvania school districts were not receiving state aid payments, Pennsylvania lawmakers strengthened the Pennsylvania school district intercept program by passing Pennsylvania's Act 85 of 2016, which, the Governor signed into law on July 13, 2016. The new law allows the Pennsylvania Department of Education, if needed in the event of a state budget impasse, to request available Pennsylvania General Fund money to make debt service payments.

It is important to understand that while the new provisions strengthen the PA intercept mechanism, they do not guarantee debt service payments will be paid. There are limitations. They are as follows:

- Payments cannot exceed 50% of a school district's annual general fund subsidy.
- Funds are limited to available cash balances at the time of the intercept.
- The Commonwealth is restricted from issuing tax anticipation notes or entering into a loan agreement with the PA Treasury for liquidity to provide intercept payments.
- A 10-day period giving the chair and the minority chair of the appropriations committee of the PA House time to "review and comment" on the request is required.

On September 8, 2017, Moody's upgraded the School District's Bond rating for the first time since 2010. The upgrade brought the district from a Ba3 rating to Ba2 and improved its long-term credit outlook from stable to positive. Strengths cited in the Moody's report include stable charter school enrollment for the past three years; structural balance and operating surpluses for the last three years versus years of deficits; and experienced management that brings control of finances and detailed management of daily school operations. In September 2017, Fitch reaffirmed the School District's rating at BB- but raised the outlook to stable.

The Statement of Net Position includes prepaid bond insurance premium costs (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, 2017

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
Total Bonded Debt	\$ 3,218.3	\$ 3,101.8	\$ -	\$ -
Employee Related Obligations	3,580.2	3,326.2	52.9	48.1
Due to Other Governments	45.3	45.3	-	-
Other	105.9	115.0	-	-
Total Long-Term Obligations Outstanding	<u>\$ 6,949.7</u>	<u>\$ 6,588.3</u>	<u>\$ 52.9</u>	<u>\$ 48.1</u>

The Total Long-term Obligations Outstanding increased by \$366.2 million. This includes an increase in bonded debt of \$116.5 million and an increase in employee obligations of \$258.8 million (which includes a reclassification of short-term severance payable). All other long-term obligations decreased by \$9.1 million. Refer to Footnote 4E (2) for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District ended Fiscal Year 2017 with a positive operating fund balance of \$202.2 million as defined and in accordance with GASB 54. GASB 54 requires reporting to reflect expendable and non-expendable categories and amounts that are restricted, committed, assigned or unassigned. The \$202.2 million includes \$31.1 million of encumbrances and inventories for the General Fund and Intermediate Unit Fund, and \$46.4 million in funds assigned to future long-term Debt Service payments. The ending budgetary operating fund balance is a positive \$124.7 million after accounting for those items. In Fiscal Year 2017, this represents a \$16.6 million surplus over the Fiscal Year 2017 Amended Budget. The main reason for this improvement was a \$32.9 million budget surplus in revenues and sources; offset by a \$16.3 million budget deficit in obligations and other uses. The favorable revenue variance was primarily from an increase in local tax and non-tax revenue. The obligations deficit was primarily due to a refund of prior year revenues associated with local tax overpayments recorded as an expense.

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 Footnote 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 2017, these new reporting requirements resulted in a cumulative \$3,426.5 million net pension liability to the net position on the government-wide statements and a \$49.6 million and \$1.5 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 2018, the School District projected a positive \$85.6 million fiscal year ending June 30, 2018 budgetary operating fund balance. The projected Fiscal Year 2018 operating fund budget was achieved primarily through a projected beginning fund balance at the time of \$115.7 million, a projected operating deficit of \$15.3 million, and projected changes in reserves of (\$14.7) million.

As of the end of the first quarter of Fiscal Year 2018, the School District projected a (\$22.4) million ending fund balance for Fiscal Year 2019.

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 school choice options, the School District, in 2017, supported 86 Charter Schools where any student may apply to attend. Funding Charter Schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997 has had a significant fiscal impact on the School District since its passage with approximately 37% of the General Fund budget of \$779.4 million going to charters in Fiscal Year 2017. 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 significant financial impact in the two years since it was decided (Fiscal Years 2016 and 2017), future impacts of this decision cannot be determined. Recently, a handful of Charter Schools have challenged whether the Pennsylvania Department of Education's Guidelines to all school Districts across the Commonwealth regarding the charter school per pupil payment rates is consistent with the PA Charter law. There are potentially millions of dollars at issue and the total amount is not quantifiable due to the limited information provided to-date and the unknown outcome of the case pending in the Commonwealth Court.

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, Fiscal Year 2017 expenditures from all funds were \$791.6 million representing a \$68.5 million increase over the prior fiscal year. Fiscal Year 2017 was the sixth 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 2016, 95.1% of the teachers in the School District were considered highly qualified, and 99.3% considered fully certified. Due to recruitment and retention strategies, on-going professional development, and staffing process improvements, the percentage of highly certified teachers of core academic subjects nearly remained constant at 99.2% in Fiscal Year 2017. The internally calculated percentage of highly qualified teachers slightly decreased to 94.27% in Fiscal Year 2017.

The District has experienced a rising cost of personnel benefits, which is a major cost driver. Retirement benefits are State mandated expenditures of \$278.8 million (net expenditures of \$83.3 million with State reimbursement portion) in Fiscal Year 2017 and the required employer contribution rates have been growing drastically (a 16.2% increase from Fiscal Year 2016 to 2017) 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 2017 were about \$170.7 million (excluding Health & Welfare payments to Unions and dental). The District spent \$1,269.3 million on debt service in Fiscal Year 2017. However, \$1,005.6 million related to refunding expenditures which were paid from \$1,306.7 million of refunding proceeds and premiums. Both the Debt Service Fund expenditures and total expenditures (See pages 40-41) for the refunding transactions were netted to compute the percentage of Debt Service Fund expenditures to total expenditures. As such, net debt service expenditures spent was \$263.7 million or 8% of the net expenditures (less refunding expenditures) in FY 2017. 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 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 (PDS)." 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 District has had no PDS for a period of three consecutive years. The number of all

Management's Discussion and Analysis

District serious incidents decreased by 3.0% from Fiscal Year 2016 to Fiscal Year 2017. 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 continued, strong collaboration between the Office of School Safety and the Philadelphia Police Department. The Office of School Safety also maintains a targeted, focused intervention for identified high incident schools. In addition, the School District has been investing in security hardware upgrades and new installations to increase the number of security hardware and equipment in the schools. 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 (SOP) faces 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 \$1,290.0 million from Fiscal Years 2018 to 2023 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 2018 is \$230.8 million, and as of May 2017, will partially fund 75 active construction contracts at 81 locations and primarily fund 45 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 and 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 16,828	\$ 2,329	\$ 19,157
Cash and Investments with Fiscal Agent	181,080,415	-	181,080,415
Equity In Pooled Cash and Investments	183,873,768	20,256,269	204,130,037
Taxes Receivable (Net)	173,550,172	-	173,550,172
Due from Other Governments	138,439,255	7,328,455	145,767,710
Accounts Receivable (Net)	46,108,045	150	46,108,195
Accrued Interest Receivable	712,214	-	712,214
Internal Balances	19,789	(19,789)	-
Inventory	788,263	1,162,637	1,950,900
Prepaid Bond Insurance Premium Costs	7,257,622	-	7,257,622
Restricted Assets:			
Cash and Cash Equivalents	196,938,081	-	196,938,081
Cash and Investments with Fiscal Agent	5,003,472	-	5,003,472
Funds on Deposit	9,500,000	-	9,500,000
Capital Assets:			
Land	126,766,795	-	126,766,795
Buildings and Improvements	2,967,374,490	-	2,967,374,490
Personal Property	212,187,266	17,016,066	229,203,332
Construction in Progress	62,565,620	-	62,565,620
Intangibles	65,064,191	-	65,064,191
Accumulated Depreciation	(1,750,680,668)	(14,870,882)	(1,765,551,550)
Total Assets	2,626,565,618	30,875,235	2,657,440,853
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges - Losses	119,057,009	-	119,057,009
Deferred Pension Contributions	580,759,918	8,788,237	589,548,155
Total Deferred Outflows of Resources	699,816,927	8,788,237	708,605,164
LIABILITIES			
Accounts Payable	120,289,834	3,086,163	123,375,997
Overpayment of Taxes	27,393,494	-	27,393,494
Accrued Salaries and Benefits Payable	161,266,953	847,924	162,114,877
Termination Compensation Payable	28,936,402	232,091	29,168,493
Other Liabilities	8,357,171	-	8,357,171
Derivative Instrument - Swap Liability	4,554,185	-	4,554,185
Unearned Revenue	15,150,309	-	15,150,309
Due to Other Governments	11,424,712	-	11,424,712
Bond Interest Payable	33,858,378	-	33,858,378
Non-Current Liabilities			
Due within one year	264,006,391	47,146	264,053,537
Due in more than one year	6,685,666,571	52,846,781	6,738,513,352
Total Liabilities	7,360,904,400	57,060,105	7,417,964,505
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension - Earnings/Proportions/Contributions	368,391,630	5,574,614	373,966,244
Deferred Refunding Charges - Gain	4,030,417	-	4,030,417
Total Deferred Inflows of Resources	372,422,047	5,574,614	377,996,661
NET POSITION			
Net Investment in Capital Assets	(633,453,764)	2,145,184	(631,308,580)
Restricted for:			
Medical Self-Insurance	9,500,000	-	9,500,000
Debt Service	178,654,659	-	178,654,659
Special Revenue Funds & Permanent Funds			
Student Health	3,400,908	-	3,400,908
Scholarships	2,928,979	-	2,928,979
Arbitrage Rebate Payable	47,257	-	47,257
Unrestricted (Deficit)	(3,968,021,941)	(25,116,431)	(3,993,138,372)
Total Net Position (Deficit)	\$ (4,406,943,902)	\$ (22,971,247)	\$ (4,429,915,149)

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, 2017

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	\$ 2,324,849,882	\$ -	\$ 331,105	\$ 581,167,939	\$ -	\$ (1,743,350,838)	\$ -	\$ (1,743,350,838)
Student Support Services	200,431,490	-	-	97,125,205	-	(103,306,285)	-	(103,306,285)
Administrative Support	113,884,877	-	5,336,678	51,579,839	-	(56,968,360)	-	(56,968,360)
Operation & Maintenance of Plant Services	175,391,377	(3,150,000)	4,476,688	21,212,390	1,514,151	(145,038,148)	-	(145,038,148)
Pupil Transportation	88,412,860	-	-	96,585,271	-	8,172,411	-	8,172,411
All Other Support Services	30,009,618	-	-	3,466,996	-	(26,542,622)	-	(26,542,622)
Early Childhood Education	226,877	-	-	226,877	-	-	-	-
Interest on Long-Term Debt	149,522,323	-	-	112,193,011	-	(37,329,312)	-	(37,329,312)
Total Governmental Activities	3,082,729,304	(3,150,000)	10,144,471	963,557,528	1,514,151	(2,104,363,154)	-	(2,104,363,154)
Business-Type Activities:								
Food Service	73,657,120	3,150,000	93,806	88,378,559	-	-	11,665,245	11,665,245
Print Shop	1,009,105	-	557,402	109,002	-	-	(342,701)	(342,701)
Total Business-Type Activities	74,666,225	3,150,000	651,208	88,487,561	-	-	11,322,544	11,322,544
Total	\$ 3,157,395,529	\$ -	\$ 10,795,679	\$ 1,052,045,089	\$ 1,514,151	(2,104,363,154)	11,322,544	(2,093,040,610)
General Revenues, Investment Income (Loss) and Transfers:								
Property Taxes						703,933,798	-	703,933,798
Use & Occupancy Taxes						145,559,958	-	145,559,958
Liquor Taxes						75,783,156	-	75,783,156
School (Non-Business) Income Taxes						47,782,067	-	47,782,067
Public Utility / PILOT Taxes						1,197,663	-	1,197,663
Cigarette Sales Tax						58,000,000	-	58,000,000
Sales Tax						120,000,000	-	120,000,000
Ridesharing Revenue						1,399,170	-	1,399,170
Grants and Contributions Not Restricted to Specific Programs						129,974,195	-	129,974,195
State & Federal Subsidies Not Restricted to Specific Programs						988,294,251	-	988,294,251
Transfers						(53,271)	53,271	-
Contributed Capital						-	34,405	34,405
Investment Expense						(3,890,151)	-	(3,890,151)
Total General Revenues / Gain/Investment Revenue/Transfers:						2,267,980,836	87,676	2,268,068,512
Change in Net Position						163,617,682	11,410,220	175,027,902
Net Deficit- As of July 1, 2016, as Previously Stated						(4,604,690,707)	(34,381,467)	(4,639,072,174)
Prior Period Adjustments						34,129,123	-	34,129,123
Net Deficit- As of July 1, 2016, as Adjusted						(4,570,561,584)	(34,381,467)	(4,604,943,051)
Net Deficit - As of June 30, 2017						\$ (4,406,943,902)	\$ (22,971,247)	\$ (4,429,915,149)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 16,828	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	99,687,295	21,877,358	8,677,828
Taxes Receivable (Net)	173,550,172	-	-
Due from Other Funds	721,503	-	-
Due from Other Governments	71,648,374	16,445,727	49,654,769
Accounts Receivable (Net)	44,724,385	1,383,359	-
Accrued Interest Receivable	-	-	-
Inventory	788,263	-	-
Total Assets	<u>\$ 391,136,820</u>	<u>\$ 39,706,444</u>	<u>\$ 58,332,597</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 47,012,139	\$ 10,989,727	\$ 18,245,241
Overpayment of Taxes	27,393,494	-	-
Accrued Salaries and Benefits Payable	109,364,705	26,646,389	25,059,939
Termination Compensation Payable	28,936,402	-	-
Unearned Revenue	-	-	14,267,509
Due to Other Funds	-	-	-
Due to Other Governments	10,296,692	368,112	759,908
Other Liabilities	8,357,171	-	-
Total Liabilities	<u>231,360,603</u>	<u>38,004,228</u>	<u>58,332,597</u>
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	140,351,046	-	-
Unavailable Grant Revenue	-	-	7,008,176
Total Deferred Inflows of Resources	<u>140,351,046</u>	<u>-</u>	<u>7,008,176</u>
Fund Balances:			
Nonspendable:			
Inventories	788,263	-	-
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	-	1,702,216	-
Defeasance	-	-	-
Subsequent Year Expenditures	28,606,783	-	-
Unassigned (Deficit):	(9,969,875)	-	(7,008,176)
Total Fund Balances (Deficit)	<u>19,425,171</u>	<u>1,702,216</u>	<u>(7,008,176)</u>
Total Liabilities and Fund Balances	<u>\$ 391,136,820</u>	<u>\$ 39,706,444</u>	<u>\$ 58,332,597</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
\$ -	\$ 196,938,082	\$ -	\$ 196,954,910
181,080,415	5,003,472	-	186,083,887
-	2,874,583	6,339,212	139,456,276
-	-	-	173,550,172
-	-	-	721,503
-	690,385	-	138,439,255
301	-	-	46,108,045
712,214	-	-	712,214
-	-	-	788,263
<u>\$ 181,792,930</u>	<u>\$ 205,506,522</u>	<u>\$ 6,339,212</u>	<u>\$ 882,814,525</u>
\$ 10,800	\$ 28,138,290	\$ 9,325	\$ 104,405,522
-	-	-	27,393,494
-	195,920	-	161,266,953
-	-	-	28,936,402
-	882,800	-	15,150,309
701,714	-	-	701,714
-	-	-	11,424,712
-	-	-	8,357,171
<u>712,514</u>	<u>29,217,010</u>	<u>9,325</u>	<u>357,636,277</u>
-	-	-	140,351,046
-	368,150	-	7,376,326
<u>-</u>	<u>368,150</u>	<u>-</u>	<u>147,727,372</u>
-	-	-	788,263
-	-	1,365,405	1,365,405
89,254,845	-	-	89,254,845
46,413,852	-	-	46,413,852
42,985,962	-	-	42,985,962
-	47,257	-	47,257
-	-	4,964,482	4,964,482
-	175,874,105	-	175,874,105
-	-	-	1,702,216
2,425,757	-	-	2,425,757
-	-	-	28,606,783
-	-	-	(16,978,051)
<u>181,080,416</u>	<u>175,921,362</u>	<u>6,329,887</u>	<u>377,450,876</u>
<u>\$ 181,792,930</u>	<u>\$ 205,506,522</u>	<u>\$ 6,339,212</u>	<u>\$ 882,814,525</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
to the Statement of Net Position
June 30, 2017

Fund Balances - Total Governmental Funds (page 37)	\$	377,450,876
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,683,277,694
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		147,727,372
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Deferred outflows and inflows of resources for refunding losses and gains are not available for the current period, therefore, are not reported in the governmental funds.		115,026,591
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Long-term liabilities, including bonds payable and unfunded net pension payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(6,960,288,718)
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Derivative instruments, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(4,554,185)
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Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and therefore are not in the governmental funds.		212,368,288
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Net position of the Internal Service Fund (Self Insurance) is not reported in the governmental funds but is blended in the net deficit of the governmental activities.		22,048,180
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Net deficit of governmental activities (page 34)	\$	(4,406,943,902)
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The notes to the basic financial statements are an integral part of this statement.

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School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2017

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 1,157,577,259	\$ -	\$ -
Locally Generated Non Tax	137,259,335	247,011	6,568,918
State Grants and Subsidies	1,404,882,762	130,042,191	121,462,543
Federal Grants and Subsidies	297,905	-	273,680,417
Total Revenues	<u>2,700,017,261</u>	<u>130,289,202</u>	<u>401,711,878</u>
EXPENDITURES			
Current:			
Instruction	971,082,472	241,989,207	274,023,926
Student Support Services	33,311,476	113,876,014	74,274,002
Administrative Support	66,914,864	10,009,044	42,678,586
Operation & Maintenance of Plant Services	179,731,148	-	509,794
Pupil Transportation	90,510,479	-	-
All Other Support Services	29,961,503	-	-
Early Childhood Education	-	-	226,877
Payments to Charter Schools	779,382,024	-	12,206,476
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>2,150,893,966</u>	<u>365,874,265</u>	<u>403,919,661</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>549,123,295</u>	<u>(235,585,063)</u>	<u>(2,207,783)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	252,465,154	9,407,366
Transfers Out	(558,675,289)	-	-
Capital Asset Proceeds	2,814,414	-	-
Issuance of Refunding Bonds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources/(Uses)	<u>(555,860,875)</u>	<u>252,465,154</u>	<u>9,407,366</u>
Net Change in Fund Balances	(6,737,580)	16,880,091	7,199,583
Fund Balances (Deficit), July 1, 2016	92,396,431	2,549,757	(6,194,874)
Prior Period Adjustment	(65,999,409)	(17,727,632)	(8,012,885)
Change in Inventory Reserve	(234,271)	-	-
Fund Balances (Deficit), June 30, 2017	<u>\$ 19,425,171</u>	<u>\$ 1,702,216</u>	<u>\$ (7,008,176)</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
\$ -	\$ -	\$ -	\$ 1,157,577,259
1,967,872	2,331,640	55,796	148,430,572
-	1,380,767	-	1,657,768,263
12,806,216	-	-	286,784,538
<u>14,774,088</u>	<u>3,712,407</u>	<u>55,796</u>	<u>3,250,560,632</u>
-	-	41,164	1,487,136,769
-	-	-	221,461,492
-	-	-	119,602,494
-	-	-	180,240,942
-	-	-	90,510,479
-	-	-	29,961,503
-	-	-	226,877
-	-	-	791,588,500
451,892,513	-	-	451,892,513
82,758,062	-	-	82,758,062
719,401,790	-	-	719,401,790
13,319,628	-	-	13,319,628
1,935,120	-	-	1,935,120
-	6,733,883	-	6,733,883
-	6,200,169	-	6,200,169
-	66,848,498	-	66,848,498
-	6,712,992	-	6,712,992
-	6,285,554	-	6,285,554
<u>1,269,307,113</u>	<u>92,781,096</u>	<u>41,164</u>	<u>4,282,817,265</u>
<u>(1,254,533,025)</u>	<u>(89,068,689)</u>	<u>14,632</u>	<u>(1,032,256,633)</u>
298,009,139	-	-	559,881,659
-	(1,259,641)	-	(559,934,930)
2,435,082	4,456,396	-	9,705,892
1,152,166,056	-	-	1,152,166,056
-	239,590,000	-	239,590,000
154,580,344	11,671,423	-	166,251,767
(314,427,680)	-	-	(314,427,680)
<u>1,292,762,941</u>	<u>254,458,178</u>	<u>-</u>	<u>1,253,232,764</u>
38,229,916	165,389,489	14,632	220,976,131
142,850,500	10,531,873	6,315,255	248,448,942
-	-	-	(91,739,926)
-	-	-	(234,271)
<u>\$ 181,080,416</u>	<u>\$ 175,921,362</u>	<u>\$ 6,329,887</u>	<u>\$ 377,450,876</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, 2017

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)	\$ 220,976,131
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 depreciation exceeded capital outlays in the current period.	(5,543,515)
Non capitalized purchases that exceed capital outlays.	7,582,833
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.	(22,700,918)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(7,801,123)
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.	(125,390,201)
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.	72,761,896
The change in net position of the Internal Service Fund is reported with the governmental activities.	23,732,579
Change in net position of governmental activities (page 35)	<u>\$ 163,617,682</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, 2017

	Enterprise Fund			Internal Service Fund
	Food Service	Print Shop		Healthcare
	Major	Non Major	Total	Self Insurance
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,329	\$ -	\$ 2,329	\$ -
Equity in Pooled Cash and Investments	20,256,269	-	20,256,269	44,417,492
Due From Other Governments	7,302,912	25,543	7,328,455	-
Other Receivables	-	150	150	-
Funds On Deposit	-	-	-	9,500,000
Inventories	1,102,920	59,717	1,162,637	-
Total Current Assets	<u>28,664,430</u>	<u>85,410</u>	<u>28,749,840</u>	<u>53,917,492</u>
Noncurrent Assets:				
Machinery & Equipment	16,407,600	608,466	17,016,066	-
Accumulated Depreciation	<u>(14,281,671)</u>	<u>(589,211)</u>	<u>(14,870,882)</u>	<u>-</u>
Total Noncurrent Assets	<u>2,125,929</u>	<u>19,255</u>	<u>2,145,184</u>	<u>-</u>
Total Assets	<u>30,790,359</u>	<u>104,665</u>	<u>30,895,024</u>	<u>53,917,492</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Pension Contributions	3,977,500	120,141	4,097,641	-
Deferred Pension Assumptions and Earnings	<u>4,553,071</u>	<u>137,525</u>	<u>4,690,596</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>8,530,571</u>	<u>257,666</u>	<u>8,788,237</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 39,320,930</u>	<u>\$ 362,331</u>	<u>\$ 39,683,261</u>	<u>\$ 53,917,492</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 3,036,663	\$ 49,500	\$ 3,086,163	\$ 15,884,312
Accrued Salaries and Benefits Payable	833,829	14,095	847,924	-
Termination Compensation Payable	232,091	-	232,091	-
Due to Other Funds	-	19,789	19,789	-
Incurred But Not Reported Claims	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,985,000</u>
Total Current Liabilities	<u>4,102,583</u>	<u>83,384</u>	<u>4,185,967</u>	<u>31,869,312</u>
Noncurrent Liabilities:				
Termination Compensation Payable	1,732,700	83,927	1,816,627	-
Net Pension Liability	<u>49,579,734</u>	<u>1,497,566</u>	<u>51,077,300</u>	<u>-</u>
Total Noncurrent Liabilities	<u>51,312,434</u>	<u>1,581,493</u>	<u>52,893,927</u>	<u>-</u>
Total Liabilities	<u>55,415,017</u>	<u>1,664,877</u>	<u>57,079,894</u>	<u>31,869,312</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Pension	5,411,170	163,444	5,574,614	-
Total Deferred Inflows of Resources	<u>5,411,170</u>	<u>163,444</u>	<u>5,574,614</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	2,125,929	19,255	2,145,184	-
Restricted for Healthcare Claims	-	-	-	9,500,000
Unrestricted (Deficit)	<u>(23,631,186)</u>	<u>(1,485,245)</u>	<u>(25,116,431)</u>	<u>12,548,180</u>
Total Net Position (Deficit)	<u>(21,505,257)</u>	<u>(1,465,990)</u>	<u>(22,971,247)</u>	<u>22,048,180</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 39,320,930</u>	<u>\$ 362,331</u>	<u>\$ 39,683,261</u>	<u>\$ 53,917,492</u>

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

School District of Philadelphia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Fund			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Healthcare Self Insurance
Operating Revenues:				
Food Service Revenue	\$ 93,806	\$ -	\$ 93,806	\$ -
Sale of Printing Services	-	557,402	557,402	-
Contributions for Services	-	-	-	194,444,383
Total Operating Revenues	<u>93,806</u>	<u>557,402</u>	<u>651,208</u>	<u>194,444,383</u>
Operating Expenses:				
Salaries	17,812,900	402,436	18,215,336	-
Employee Benefits	13,067,030	249,382	13,316,412	-
Other Purchased Service - Food	41,118,162	-	41,118,162	-
Benefit Payments	-	-	-	169,332,579
Depreciation	317,574	7,607	325,181	-
Other Operating Expenses	4,483,613	349,680	4,833,293	1,379,225
Total Operating Expenses	<u>76,799,279</u>	<u>1,009,105</u>	<u>77,808,384</u>	<u>170,711,804</u>
Operating Income/(Loss)	(76,705,473)	(451,703)	(77,157,176)	23,732,579
Non-Operating Revenues/(Expenses):				
Federal and State Grants	88,378,559	109,002	88,487,561	-
Loss on Sale of Capital Assets	(7,841)	-	(7,841)	-
Income (loss) Before Contributions and Transfers	<u>11,665,245</u>	<u>(342,701)</u>	<u>11,322,544</u>	<u>23,732,579</u>
Capital Contributions	34,405	-	34,405	-
Transfers In/(Out)	(289,430)	342,701	53,271	-
Change in Net Position	<u>11,410,220</u>	<u>-</u>	<u>11,410,220</u>	<u>23,732,579</u>
Total Net Position (Deficit) July 1, 2016	<u>(32,915,477)</u>	<u>(1,465,990)</u>	<u>(34,381,467)</u>	<u>(1,684,399)</u>
Total Net Position (Deficit) June 30, 2017	<u>\$ (21,505,257)</u>	<u>\$ (1,465,990)</u>	<u>\$ (22,971,247)</u>	<u>\$ 22,048,180</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, 2017

	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	\$ 93,806	\$ 567,809	\$ 661,615	\$ 194,444,383
Cash Payments to Employees for Services	(33,380,634)	(739,022)	(34,119,656)	-
Cash Payments to Suppliers for Goods and Services	(37,202,811)	-	(37,202,811)	-
Cash Payments for Other Operating Expenses	(4,483,613)	(346,243)	(4,829,856)	(1,379,225)
Cash Payments for Claimants	-	-	-	(155,419,267)
Net Cash (Used)/Provided by Operating Activities	<u>(74,973,252)</u>	<u>(517,456)</u>	<u>(75,490,708)</u>	<u>37,645,891</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to/Advances from Other Funds	-	19,789	19,789	-
State Sources	7,812,374	22,106	7,834,480	-
Federal Sources	75,790,171	86,896	75,877,067	-
Transfers In/(Out)	(289,430)	342,701	53,271	-
Net Cash Provided by Non-Capital Financing Activities	<u>83,313,115</u>	<u>471,492</u>	<u>83,784,607</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Facilities Acquisition, Construction, Improvements	(334,412)	-	(334,412)	-
Purchase of Equipment	-	(1,279)	(1,279)	-
Net Cash Used by Capital and Related Financing Activities	<u>(334,412)</u>	<u>(1,279)</u>	<u>(335,691)</u>	<u>-</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	8,005,451	(47,243)	7,958,208	37,645,891
Cash and Cash Equivalents July 1, 2016	12,253,147	47,243	12,300,390	6,771,601
Cash and Cash Equivalents June 30, 2017	<u>\$ 20,258,598</u>	<u>\$ -</u>	<u>\$ 20,258,598</u>	<u>\$ 44,417,492</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating (Loss)	\$ (76,705,473)	\$ (451,703)	\$ (77,157,176)	\$ 23,732,579
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	317,574	7,607	325,181	-
Donated Food Commodities	5,238,739	-	5,238,739	-
(Increase) in Due From Other Governments	-	(4,047)	(4,047)	-
(Increase) in Inventories	(288,264)	(27,912)	(316,176)	-
Decrease in Other Current Assets	-	10,407	10,407	-
Increase/(Decrease) in Accounts Payable	(1,035,124)	35,396	(999,728)	15,884,312
(Decrease) in Accrued Salaries and Benefits Payable	(574,252)	(33,108)	(607,360)	-
(Decrease) in Termination Compensation Payable	(223,540)	(26,520)	(250,060)	-
(Decrease) in Severance Payable	(789,891)	-	(789,891)	-
(Increase) in Deferred Pension Contributions	(841,364)	(25,413)	(866,777)	-
(Increase) in Deferred Pension Assumptions and Earnings	(4,553,071)	(137,525)	(4,690,596)	-
Increase in Net Pension Liability	5,612,005	169,512	5,781,517	-
(Decrease) in Deferred Pension	(1,130,591)	(34,150)	(1,164,741)	-
(Decrease) in Incurred But Not Reported Claims	-	-	-	(1,971,000)
Total Adjustments	<u>1,732,221</u>	<u>(65,753)</u>	<u>1,666,468</u>	<u>13,913,312</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (74,973,252)</u>	<u>\$ (517,456)</u>	<u>\$ (75,490,708)</u>	<u>\$ 37,645,891</u>
Non cash items:				
Federal and State Grant revenue not yet received	\$ 7,302,912	\$ 25,543	7,328,455	\$ -
Donated Commodities	5,238,739	-	5,238,739	-

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, 2017

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,024,242
Equity in Pooled Cash and Investments	661,115	104,758,276
Investments	200,013	-
Accounts Receivable	290	-
Total Assets	<u>861,418</u>	<u>109,782,518</u>
LIABILITIES		
Payroll Deductions and Withholdings	-	104,476,646
Due to Student Activities	-	5,024,242
Other Liabilities	-	281,630
Total Liabilities	<u>-</u>	<u>109,782,518</u>
NET POSITION		
Held in Trust for Various Purposes	<u>\$ 861,418</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, 2017

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 270,500
Interest Received	2,549
Total Additions	<u>273,049</u>
DEDUCTIONS	
Scholarships Awarded	350,000
Total Deductions	<u>350,000</u>
Change in Net Position	(76,951)
Net Position July 1, 2016	938,369
Net Position June 30, 2017	<u><u>\$ 861,418</u></u>

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

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SCHOOL DISTRICT OF PHILADELPHIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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 eleventh largest public educational system in the United States according to student enrollment data. In Fiscal Year 2017, the School District served over 203,800 students, including those in Charter and Alternative Schools, as well as employed over 17,800 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the “City”). The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly’s duties under the state Constitution to “provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.”

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

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

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

Subsequent Event footnote 4N explains recent events which will return this governance structure to local control by June 30, 2018.

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, 2017 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, Chief of Evaluation, Research and Accountability Officer, Strategic Partnerships and Grants Development Office, School Improvement and Innovation Office, Strategy Delivery Office, Inspector General, Internal Audit Office and Charter School Office. The Charter School Office, Inspector General and Internal Audit report to the School Reform Commission (SRC). General Counsel has a dual reporting relationship to the Superintendent/CEO and SRC. 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) net investment in capital assets; 2) restricted; and 3) unrestricted. In the district-wide Statement of Net Position, activities' for assets, deferred inflow/outflow of resources, 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 expenditures for principal and interest.
 - (d) **Capital Projects Fund** - used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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, 2017, 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.)

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) and Internal Service Fund (Healthcare Self Insurance) 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. However, all other investments are reported at cost.

(2) Real Estate Taxes

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

The real estate tax in Philadelphia is based on a calendar year basis. For fiscal year 2017, the tax rate was 13.998 mills. Of the 13.998 mills, 7.681 mills was for public school purposes.

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. See Footnote 4C Tax Abatements for details.

(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 are recognized when all the applicable eligibility requirements are met and the resources are available.

(4) Receivables and Payables

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

(5) Inventories

Inventories in the General Fund are valued at an average cost of \$0.8 million. Included are expendable supplies of \$0.5 million held for consumption by the Maintenance and Transportation Departments and Warehouse furniture and forms of \$0.3 million. The cost is recorded as an expenditure at the time expendable inventories are purchased and as an expense at the time the warehouse inventories are issued. In The District reports non expendable inventory along with the expendable supplies as an offset to the non-spendable fund balance reserve, which indicates that, although they are a component of net current position, they do not constitute available resources.

Food Service inventories include \$0.7 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.

Print Shop inventories are valued at last unit cost and are expensed as they are consumed.

(6) Restricted Assets

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

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

(7) 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 immateriality of the artwork held by the District, no art work is reported in the Statement of Net Position.

(8) 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.

(9) Unearned Revenues

Unearned revenues represent monies received in advance of being earned. Unearned revenues are reported on the Balance Sheet, Governmental Funds for the Categorical Fund and Capital Projects Fund. For both these Funds, unearned revenue represents grant funds received prior to expenditure and prior to meeting all eligibility requirements. As of June 30, 2017, the Categorical Funds reported unearned revenue of \$14.3 million while the Capital Projects Fund reported \$0.9 million.

(10) Insurance

A self-funded, self-insured medical plan was 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 in the General Fund. Amounts expected to be paid from future years' resources are shown in the district-wide Statement of Net Position.

(11) Compensated Absences

It is School District policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The District accrues a liability for these benefits in the district-wide Statement of Net Position if they have matured (i.e. unused reimbursable leave) and reports a liability for these amounts in the governmental funds for employees who have resigned or

retired as of June 30th. Employees that resign or retire prior to the end of June receive a pro-rated amount of the leave accrued in the year of termination. The School District's leave policy is as follows:

- (a) Vacation and Personal Leave - 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 for each employee. Upon retirement or termination, such employees are paid for 100% of unused vacation and personal leave days.
 - (1) 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. Unused vacation days are paid at the actual daily earning rate of the employee, depending on time of hire.
 - (2) In addition, almost all School District employees are entitled to three days of personal leave annually. The daily rate at which personal leave days are paid is determined by length of service and dividing the employee's annual salary which is based on determined personal leave value in accordance with labor agreements. The District determines each employee's daily earning rate of pay for unused personal days at time of separation by "leave day value" labor agreements. There will be an adjustment to the personal leave balance of any employee absent on Wage Continuation more than 22 days during their tenure.
- (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.

(12) 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 or inflows 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.

(13) 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.pfers.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, 2017 was 29.20% 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 \$274.9 million for the year ended June 30, 2017.

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 2017 was 74.48 percent.

(14) 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/expenditure) until then. The School District has two items that qualify

for reporting in this category. They are: (1) deferred refunding charges losses and (2) deferred pension related transactions. Deferred refunding charges losses 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 related transactions involve (a) the difference between PSERs contributions made by the School District during the measurement date and subsequent to the measurement, (b) changes of assumption, and (c) net difference between projected and actual investment earnings.

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

In the General Fund, deferred inflows of resources relate principally to property tax receivables, which were levied in the current and prior years, but will not be available to pay liabilities of the current fiscal period. Deferred inflows of resources for unavailable categorical grant revenue is reported under (1) Categorical Funds and (2) Capital Projects Fund. These unavailable categorical revenues 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, the School District's Statement of Net Position has two deferred inflows of resources type of item that qualify for reporting in this category. They are: (1) deferred refunding charges gains and (2) changes in the net pension liability related to GASBS 68. Deferred refunding charges gains result from the difference in the carrying value of refunded debt and its reacquisition price. Deferred refunding charges gains are deferred and amortized over the shorter of the life of the refunded or refunding debt as an addition to the related outstanding long-term debt. The other item, changes in the net pension liability related to GASBS 68 consist of (a) differences between expected and actual experience, (b) changes in proportion, and (c) difference between employer contributions and proportionate share of total contributions.

(15) 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. 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.

(16) Comparative Data

Comparative data from Fiscal Year 2016 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	\$ 3,433,958,362
Accumulated Depreciation	(1,750,680,668)
Net Cost of Capital Assets	<u>\$ 1,683,277,694</u>

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

Unavailable Tax Revenue	\$ 139,188,337
Unavailable Accounts Receivable Revenue	1,162,709
Unavailable Grant Revenue	7,376,326
Total Adjustment of Other Assets	<u>\$ 147,727,372</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 (\$6,960,288,718) difference are as follows:

Bonds Payable	\$ (2,976,230,000)
Deduct: Discount on Bonds Payable	1,936,683
Deduct: Prepaid Bond Insurance Premium Cost	7,257,622
Add: Premium on Bonds Payable	(243,950,964)
Bond Interest Payable	(33,858,378)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(96,728,466)
Unemployment Compensation Payable	(2,889,956)
Compensated Absences Payable	(186,726,338)
Claims and Judgments Payable	(6,299,395)
Arbitrage Rebate Payable	(47,256)
OPEB Payable	(2,093,003)
PSERS Pension Liability	<u>(3,375,380,701)</u>
<i>Net adjustment to reduce fund balance - total governmental funds - to arrive at net position governmental activities.</i>	<u>\$ (6,960,288,718)</u>

Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and therefore are not reported in the governmental funds.

Other Deferred Inflows/Outflows of Resources:

Deferred Pension Beginning Balance 7/1/2016	\$ (231,854,489)
Contributions During the Measurement Period	(216,055,075)
Contributions During/Subsequent to Measurement Date	659,324,062
Current Year Amortization	<u>953,790</u>

<i>Adjustment of net Deferred Inflows of Resources not available to pay for current period expenditures</i>	<u>\$ (212,368,288)</u>
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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 (\$5,543,515) difference are as follows:

Capital outlay	\$ 92,781,097
Depreciation expense	<u>(98,324,612)</u>

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

\$ (5,543,515)

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 (\$22,700,918) difference are as follows:

Loss on Sale of Capital Assets	\$ (12,614,077)
Gain on Donated Capital Assets	490,749
Loss on Disposal of Capital Assets	(871,698)
Proceeds from Sale of Capital Assets	<u>(9,705,892)</u>

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

\$ (22,700,918)

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 (\$7,801,123) difference are as follows:

Deferred Inflows of Resources-Unavailable Tax Revenue	\$ (3,921,447)
Deferred Inflows of Resources-Unavailable Grant Revenue	718,302
Derivative Investment Expense	(3,890,151)
Miscellaneous Revenue	<u>(707,827)</u>

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

\$ (7,801,123)

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 (\$125,390,201) difference are as follows:

Principal Repayment on Bonds	\$ 101,847,513
Principal Repayment on Refunded Bonds	349,960,000
Principal Repayment from Sale of Property	85,000
Principal Repayment on Authority Obligations	29,865,000
Principal Repayment on Refunding of Authority Obligations	636,435,000
Bond Issuance and Defeasance	<u>(1,243,582,714)</u>

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

\$ (125,390,201)

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 \$72,761,896 difference are as follows:

Change in Compensated Absences Payable	\$ 717,960
Change in Workers' Compensation Payable	6,274,207
Change in Unemployment Compensation Payable	1,574,511
Change in Claims and Judgments Payable	790,623
Change in PSERS Pension Liability	62,158,291
Change in Arbitrage Rebate Payable	261,561
Change in Net Accrued Bond Interest	(6,287,183)
Change in Prepaid Bond Insurance Premium Costs	5,513,279
Change in Bond Premium, Bond Discount, and Net Bond Refunding Losses	2,368,760
Change in OPEB Payable	(438,088)
Change in NSF Payable	62,246
Change in Inventory Reserve	(234,271)
	<hr/>
<i>Net adjustment to increase/(decrease) net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities.</i>	<hr/> <hr/> \$ 72,761,896 <hr/>

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. The outstanding balance of bonds is adjusted to reflect bonds not capital related which include deficit financing debt (GOB Series 2005A, 2012B, and 2015A), termination pay financing (GOB Series 2015C), and swap termination financing (GOB Series 2010E). The District also includes the effect of capital related items when completing the calculation. These include unamortized prepaid bond insurance premium costs, unamortized bond premiums & discounts, deferred outflows of resources refunding losses, deferred inflows of resources refunding gains, and the cumulative year to date undercapitalized expenditures adjusted for expired expenditures to avoid the distortion of our calculation. In addition, all significant unspent related debt proceeds were included.

	Governmental Activities	Business-Type Activities
Capital Assets: (June 30th balances) Statement of Net Position-(Excludes Internal Service Fund)	\$ 3,433,958,362	\$ 17,016,066
Less: Accumulated depreciation	(1,750,680,668)	(14,870,882)
Net Capital Assets	\$ 1,683,277,694	\$ 2,145,184
Less: Outstanding Principal of Related Debt	\$ (2,976,230,000)	
Deduct: Outstanding Bonds not Capital Related	436,599,500	
Other Adjustments to Outstanding Bonds for Non-Capital Related Items	(108,408,004)	
Undercapitalized Expenditures-Cumulative Year-to Date	325,152,504	
Adjustment for Undercapitalized Expenditures - Expired	(169,766,819)	
Unspent Bond Proceeds Governmental Activities Only	175,921,361	
Net Adjusted Outstanding Bonds Related to Capital Assets	(2,316,731,458)	
Net Investment in Capital Assets	<hr/> \$ (633,453,764) <hr/>	<hr/> \$ 2,145,184 <hr/>

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 are necessary during the fiscal year. Unencumbered appropriations lapse at year-end.

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

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

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

Enterprise (or Food Services and 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, the unrestricted net deficit amounts of \$3,968.0 million and \$25.1 million, 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 \$202.2 million. This amount is comprised of a \$19.4 million fund balance in the General Fund, a \$181.1 million fund balance in the Debt Service Fund and \$1.7 million fund balance in the Intermediate Unit Fund.

Categorical Funds experienced a negative fund balance of \$7.0 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.

The Enterprise Funds had a net deficit amount of \$23.0 million. This deficit amount is due to the retroactive adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS**A. Cash and Investments****(1) General Information**

The School District's cash and investments, including \$109.8 million held in agency funds, at June 30, 2017 are summarized as follows:

Cash and Cash Equivalents	\$	201,981,481
Cash and Investments with Fiscal Agent		186,083,887
Equity in Pooled Cash and Investments		309,549,428
Investments		<u>200,013</u>
Total Cash and Investments	\$	<u>697,814,809</u>

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

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

(2) Cash Management Practices

The average yield on all maturing investments during fiscal year 2017 was approximately 0.32% and total interest income was \$2.6 million. This was a \$1.0 million increase in total interest income over fiscal year 2016. The increase in interest income is a result of higher cumulative principal balances invested in the debt service sinking fund as well as higher capital project fund balances invested due to issuance of GOB Series 2016D and GOB Series 2016E Quality School Construction Bonds (QSCBs).

(3) Investments

As of June 30, 2017, 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)	\$ 147,634,840	.008
Federal Home Loan Bank (FHLB)	16,874,933	.392
Federal National Mortgage Association (FNMA)	8,105,484	.136
US Treasury Bills	5,608,737	.524

(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, 2017 mature in three days. Discounted Notes purchased by the School District relating to forward purchase agreements for sinking fund deposits are designed to mature in less than a year. U.S. Treasury Bills relating to forward purchase agreements purchased by the School District for sinking fund deposits mature in less than six 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	Federal Home Loan Bank			
BoA & Forward Purchase	(FHLB)	AAA	AA+	N/R*
Agreements				
	Federal National Mortgage	AAA	AA+	AAA
	Association (FNMA)			

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.

- (c) *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

The School District, on November 21, 2006, entered into two qualified interest rate management agreement basis swaps initially related to its 2003B School Lease Revenue Bonds. Subsequently, on December 28, 2006, the District refunded these 2003B bonds under School Lease Revenue Bonds 2006B. Further, on November 16, 2016 a portion of the 2006B bonds were refunded under the 2016A School Lease Revenue Bonds. Thus, the derivatives are following the debt.

- (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, 2017 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 2006B & 2016A School Lease Revenue Bonds	\$ 150,000,000	\$ 150,000,000	11/30/2006	5/15/2033	SIFMA Swap 67% of USD-LIBOR Index	+2788%	(\$ 1366,255)	Wells Fargo Bank, N.A.	Aa2/AA-/AA
Series 2006B & 2016A School Lease Revenue Bonds	\$ 350,000,000	\$ 350,000,000	11/30/2006	5/15/2033	SIFMA Swap 67% of USD-LIBOR Index	+2788%	(\$ 3,187,929)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA-
							<u>(\$4,554,184)</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, 2017, the net benefit to the School District has been \$15,526,636.

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 market-to-market 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, 2017, the School District has no credit risk exposure on the remaining two basis swap contracts because the swaps under each netting agreement with each counterparty have negative market-to-market values. This means the counterparties are exposed to the School District in the amount of the derivatives' market-to-market values, a total negative market-to-market value of \$5,379,218 as of June 30, 2017. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk.

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

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

(5) Depositary Investment Accounts

(a) *Depositary 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 Depositary 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) (Depositary) entered into a Depositary Agreement for the purpose of providing for the deposit of funds with the Depositary held on behalf of SDP from the sale of buildings. This agreement required the Depositary 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 Depositary. Depositary shall have custody of the Account, held on behalf of SDP and kept separate from other assets of the Depositary. Money on deposit in the Account shall be held, invested and disbursed as directed by SDP. The Depositary 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 Depositary pursuant to directions provided by an authorized officer of the SDP.
- (b) Depositary Investment Account: During Fiscal Year 2017, The School District sold nine buildings and other capital properties for \$9.7 million including \$200,000 carrying cost on one property. Of this amount, \$2.8 million was transferred into the School District general fund to be used for current expenses of the School District while the District deposited the remaining \$6.9 million into the Depositary Investment Accounts with BONY.
- (c) Changes in the Depositary Investment Accounts during Fiscal Year 2017 were as follows:

	(Dollars in thousands)			
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Governmental Activities:</u>				
SDP Depositary Investment Accounts:				
Property Sale Defeasance	\$ 801.0	\$ 2,435.1	\$ (811.0)	\$ 2,425.1
Property Sale Capital Funds	<u>3,518.3</u>	<u>4,456.4</u>	<u>(2,971.2)</u>	<u>5,003.5</u>
Total	<u>\$ 4,319.3</u>	<u>\$ 6,891.5</u>	<u>\$ (3,782.2)</u>	<u>\$ 7,428.6</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	\$ 147,634,840	\$ -	\$ -
Federal Home Loan Bank	-	16,874,933	-
Federal National Mortgage Association	-	8,105,484	-
US Treasury Bills	5,608,737	-	-
SIFMA Swap	-	(4,554,184)	-
Total	\$ 153,243,577	\$ 20,426,233	\$ -

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	\$ -	\$ 712.2	\$ -	\$ -	\$ -	\$ 712.2
Taxes	284,410.6	-	-	-	-	284,410.6
Accounts (net)	44,724.4	0.3	1,383.4	0.1	0.3	46,108.5
Gross Receivables	329,135.0	712.5	1,383.4	0.1	0.3	331,231.3
Less: Allowances for Uncollectible						
Taxes	110,860.4	-	-	-	-	110,860.4
Total Allowance	110,860.4	-	-	-	-	110,860.4
Net Total Receivables	\$ 218,274.6	\$ 712.5	\$ 1,383.4	\$ 0.1	\$ 0.3	\$ 220,370.9

(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, 2017 equaled \$173.5 million as follows:

(Dollars in Millions)			
	Taxes Receivable	Estimated Uncollectible	Estimated Collectible
<u>Real Estate Taxes</u>			
Current	\$ 67.8	\$ 6.5	\$ 61.3
Prior	150.0	66.2	83.8
Total Real Estate Taxes	217.8	72.7	145.1
<u>Self Assessed Taxes</u>			
Use and Occupancy	18.4	13.4	5.0
School Income Tax	17.8	7.6	10.2
Liquor Sales Tax	30.4	17.2	13.2
Total Self Assessed Taxes	66.6	38.2	28.4
Total Taxes Receivable	\$ 284.4	\$ 110.9	\$ 173.5

During July and August 2017, \$21.7 million in real estate taxes receivable and \$12.6 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2017 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)					Total
	General	Intermediate Unit	Categorical	Capital Projects	Enterprise	
Due From Other Governments:						
Federal	\$ 21.6	\$ -	\$ -	\$ -	\$ 5,848.7	\$ 5,870.3
State	71,626.8	16,445.7	12,866.9	322.2	1,479.8	102,741.4
Grantors	-	-	36,787.8	368.2	-	37,156.0
Total Due From Other Governments	<u>\$ 71,648.4</u>	<u>\$ 16,445.7</u>	<u>\$ 49,654.7</u>	<u>\$ 690.4</u>	<u>\$ 7,328.5</u>	<u>\$ 145,767.7</u>

Amounts due from other governments under the General Fund and Intermediate Unit Fund primarily include \$80.4 million for retirement and FICA reimbursements from the Commonwealth of Pennsylvania and \$1.1 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 \$36.8 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 \$12.9 million for FICA reimbursements from the Commonwealth of Pennsylvania.

The amount due from other governments under the Enterprise Funds includes \$5.8 million reimbursements from Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs, and \$1.5 million for retirement, 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 of \$15.2 million at June 30, 2017 are as follows:

	(Dollar Amount in Millions)
Categorical	\$ 14.3
Capital Projects	<u>0.9</u>
	<u>\$ 15.2</u>

- (b) Deferred Outflows of Resources: Represent consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. On the full accrual basis of accounting, the School District has two items that qualify for reporting in this category.

- i. Deferred Refunding Charges-Losses resulted from the difference of the reacquisition price (funds required to be deposited into escrow account to refund old bonds) and the net carrying amount of the old bonds. This item is valued at \$119.1 million and has been reported as deferred outflows on the Statement of Net Position under Governmental Activities as of June 30, 2017.

GOB Series	Refunding Charges Losses	Swap Termination Refunding Charges	Total Amount as of June 30, 2017
2006B	\$ 2,726,265	\$ -	\$ 2,726,265
2007A	4,231,540	-	4,231,540
2008F	184,033	-	184,033
2009B	88,350	-	88,350
2010C	8,770,507	-	8,770,507
2010C	-	8,654,751	8,654,751
2010D	95,695	-	95,695
2010E	2,279,653	-	2,279,653
2010E	-	33,114,967	33,114,967
2011C	1,064,590	-	1,064,590
2011D	40,579	-	40,579
2015C	1,060,652	-	1,060,652
2015D	2,010,001	-	2,010,001
2015A SPSBA	3,333,030	-	3,333,030
2016F	51,402,396	-	51,402,396
	<u>\$ 77,287,291</u>	<u>\$ 41,769,718</u>	<u>\$ 119,057,009</u>

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

	(Dollars in Thousands)
Changes of assumptions	\$ 123,688
Net Difference between projected and actual investment earnings	190,975
Contributions by School District Subsequent to the Measurement Period	274,885
	<u>\$ 589,548</u>

- (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] Deferred Refunding Charges Gains, valued at (\$4.0) million, has been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2017.

Deferred Refunding Charges – Gain: (\$4.0) million under GOB Series 2016A SPSBA

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

	(Dollars in Thousands)
Differences between expected and actual experience	\$ (28,542)
Changes in Proportion	(340,595)
Difference between employer contributions and proportionate share of total contributions	(4,829)
	<u>\$ (373,966)</u>

- 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 \$147.7 million as deferred inflows on the Governmental Balance Sheet as of June 30, 2017. They are as follows:

	General Fund	Categorical Funds	Capital Projects Funds	Total
Unavailable taxes revenue	\$ 139,188,337	\$ -	\$ -	\$ 139,188,337
Unavailable accounts receivable revenue	1,162,709	-	-	1,162,709
Unavailable grant revenue	-	7,008,176	368,150	7,376,326
	<u>\$ 140,351,046</u>	<u>\$ 7,008,176</u>	<u>\$ 368,150</u>	<u>\$ 147,727,372</u>

C. **Tax Abatements**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the School District is required to disclose certain information about tax abatements as defined in the Statement. City of Philadelphia ("City") *Abatements* are the exemption of all or part of the value of an improvement to real property for a set number of years. Abatements encourage new construction or rehabilitation of properties with the exemption of all or part of the value of the improvement for a set number of years. Abatements help revitalize communities, retain residents, attract home- and business-owners to the city of Philadelphia, and reduce development costs for commercial and residential projects

The City currently authorizes four (4) types of real estate tax abatement agreements to property owners to incentivize development. Three are authorized by legislation enacted through Philadelphia's City Council ordinance, and one is authorized through State Act 175. These agreements are intended to encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home- and business-owners to the city of Philadelphia, and reduce development costs for commercial and residential projects. None of the four tax abatement programs contains provisions to recapture abated taxes. In addition, there are no commitments, other than described below, made by recipients. A description of each of the abatement programs where the City promised to forgo taxes for tax year 2017 are as follows:

1. **Rehab Construction for Residential Properties (Ordinance 961)** - (as amended to section 19-1303 (2) of the Philadelphia Code) This program offers an abatement from Real Estate Taxes on improvements to existing residential properties containing one (1) or more units. (Ordinary upkeep and maintenance are not improvements.) The criteria for eligibility of this abatement program requires owner/developers rehabbing residential properties to be sold or owner-occupied that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner. Real estate tax revenues for the School District in gross dollar of \$6.8 million were reduced as a result of this program.
2. **Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130)** - (as amended to section 19-303 (2) of the Philadelphia Code) This program offers abatement from Real Estate Taxes due to new construction or improvements to deteriorated industrial, commercial or other business properties. The criteria for eligibility of this abatement program requires owner/developers building or rehabbing residential properties to be sold or owner-occupied that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner. Real estate tax revenues for the School District in gross dollar of \$27.3 million were reduced as a result of this program.
3. **New Construction for Residential Properties (Ordinance 1456-A)** - (as amended to section 19-303 (2) of the Philadelphia Code) This program offers abatement from Real Estate Taxes due to new construction or improvements to deteriorated industrial, commercial or other business properties. The criteria for eligibility of this abatement program requires owner/developers that make improvements, under City issued permits that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning the 1st month after the title date. Real estate tax revenues for the School District in gross dollar of \$17.6 million were reduced as a result of this program.
4. **Development Abatement for New or Improved Residential Properties (State Act 175)** - (of 1984, as amended. 72 P. S. § 5020-205) This program offers an abatement from Real Estate Taxes during new construction of single and multiple dwellings constructed for residential purposes or improvements to existing unoccupied residential dwellings or improvements to existing structures for purposes of conversion to residential dwellings. The authority for this program is State Act 175. The criteria for eligibility of this abatement program requires developers building or rehabbing residential properties for lease or sale that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first. Real estate tax revenues for the School District in gross dollar of \$1.0 million were reduced as a result of this program.

In addition to the abatement programs above, The City entered into agreements with other governments under the (Keystone Opportunity Zone (KOZ) - 73 P.S. §§820.101-820.1309) program. KOZ is for properties in the areas designated by the Pennsylvania Department of Community and Economic Development (DCED). A KOZ property is a legislatively designated parcel where little to no development has taken place. The City offers tax abatements to businesses that invest in these areas. The authority for this program is from the Philadelphia Code, Chapter § 19-3200 which defines the implementation of the KOZ, Economic Development District, and Strategic Development Area Tax Credit.

The criteria for eligibility of this abatement program requires a business to own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone. The qualified business must receive initial certification from DCED.

The tax abatement recipient's real estate taxes are waived or reduced when filing the following tax forms/returns: (1) Personal Income Tax (partners or Sole Proprietors), (2) Sales & Use Tax, (3) Mutual Thrift Institutions Tax, (4) Insurance Premiums Tax and/or to their respective City Business income & Receipt Tax, Net Profit Tax, and Real Estate Tax filings. Abatement/credit amounts are based on the recipients' tax return filings and real estate tax valuations. Real estate tax revenues for the School District in gross dollar of \$9.2 million were reduced as a result of this program.

D. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2017 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Governmental Activities:					
Capital Assets - Not Depreciated					
(1) Land	\$ 129.5	\$ 0.1	\$ (2.8)	\$ -	\$ 126.8
Construction in Progress	59.0	44.5	-	(40.9)	62.6
Total Capital Assets - Not Depreciated	\$ 188.5	\$ 44.6	\$ (2.8)	\$ (40.9)	\$ 189.4
Capital Assets - Depreciated					
Buildings	\$ 1,748.7	\$ 8.0	\$ (30.2)	\$ 9.6	\$ 1,736.1
Improvements	1,223.6	19.0	(42.6)	31.3	1,231.3
Intangible Assets	53.6	11.5	-	-	65.1
Personal Property	216.4	17.8	(22.1)	-	212.1
Total Capital Assets - Depreciated	\$ 3,242.3	\$ 56.3	\$ (94.9)	\$ 40.9	\$ 3,244.6
Less Accumulated Depreciation					
Buildings	\$ (688.1)	\$ (31.0)	\$ 17.2	\$ -	\$ (701.9)
Improvements	(833.2)	(47.8)	36.1	-	(844.9)
(2) Intangible Assets	(43.8)	(3.4)	-	-	(47.2)
Personal Property	(161.8)	(16.1)	21.2	-	(156.7)
Total Accumulated Depreciation	\$ (1,726.9)	\$ (98.3)	\$ 74.5	\$ -	\$ (1,750.7)
Net Capital Assets Depreciated	\$ 1,515.4	\$ (42.0)	\$ (20.4)	\$ 40.9	\$ 1,493.9
Governmental Activities - Net Capital Assets	<u>\$ 1,703.9</u>	<u>\$ 2.6</u>	<u>\$ (23.2)</u>	<u>\$ -</u>	<u>\$ 1,683.3</u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 16.9	\$ 0.4	\$ (0.3)	\$ -	\$ 17.0
Less Accumulated Depreciation	(14.8)	(0.3)	0.3	-	(14.8)
Business-Type Activities - Net Capital Assets	<u>\$ 2.1</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2.2</u>

- (1) The beginning balance for Land was adjusted to reflect a \$0.1 million prior period adjustment to include Land at full value.
(2) The beginning balance for Intangible Assets was adjusted to reflect a \$0.1 million to account for a rounding difference.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 86.5
Student Support Services	5.1
Administrative Support	0.6
Operation & Maintenance of Plant Services	0.6
All Other Support Services	0.1
Total Depreciation Expense	<u>\$ 98.3</u>
Business-Type Activities:	
Food Service	\$ 0.3
Print Shop	-
Total Depreciation Expense	<u>\$ 0.3</u>

E. Obligations**(1) Short-Term Obligations**

The School District issued \$375.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 1, 2016 as authorized by the SRC. The School District used the proceeds of the Notes to address the District's cyclical cash flow needs. The terms of the TRANS are as follows:

- The District borrowed \$250.0 million under Series A, consisting of \$125.0 million at a fixed interest rate of 1.07% (Series A-1 Notes) and \$125.0 million at a variable interest rate of 70% of 1 month LIBOR plus 65 basis points (Series A-2 Notes). The fixed interest cost of the Series A-1 Notes was \$1.3 million and the variable rate interest cost of the Series A-2 Notes was \$1.4 million.
- The District borrowed \$125.0 million under Series B, consisting of \$62.5 million at a fixed interest rate of 1.07% (Series B-1 Notes) and \$62.5 million at a variable interest rate of 70% of 1 month LIBOR plus 65 basis (Series B-2

Notes). The fixed interest cost of the Series B-1 Notes was \$0.7 million and the variable rate interest cost of the Series B-2 Notes was \$0.7 million.

The District repaid all of the Notes as of June 30, 2017. Changes in short-term obligations payable during Fiscal Year 2017 were as follows:

	(Dollars in Millions)			
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Tax and Revenue Anticipation Note (Series A-1 of 2016-2017-Fixed Rate)	\$ -	\$ 125.0	\$ (125.0)	\$ -
Tax and Revenue Anticipation Note (Series A-2 of 2016-2017-Variable Rate)	-	125.0	(125.0)	-
Tax and Revenue Anticipation Note (Series B-1 of 2016-2017-Fixed Rate)	-	62.5	(62.5)	-
Tax and Revenue Anticipation Note (Series B-2 of 2016-2017-Variable Rate)	-	62.5	(62.5)	-
Total	<u>\$ -</u>	<u>\$ 375.0</u>	<u>\$ (375.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2017 were as follows:

	Long Term Obligations (1) (Dollars in Millions)				
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,989.3	\$ 1,391.8	\$ (1,404.9)	\$ 2,976.2	\$ 124.2
Bond Premium	120.7	166.3	(43.0)	244.0	19.7
Bond Discount	(8.2)	-	6.3	(1.9)	(0.5)
Total Bonded Debt	<u>3,101.8</u>	<u>1,558.1</u>	<u>(1,441.6)</u>	<u>3,218.3</u>	<u>143.4</u>
Termination Compensation Payable	187.4	14.6	(15.3)	186.7	25.5
Severance Payable (2)	125.8	-	(125.8)	-	-
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	114.7	20.8	(29.6)	105.9	33.8
Incurred But Not Reported (IBNR) Payable (3)	18.0	-	(2.0)	16.0	16.0
Arbitrage Liability	0.3	-	(0.3)	-	-
OPEB Liability	1.7	0.4	-	2.1	-
PSERS Pension Liability	2,993.3	598.8	(216.7)	3,375.4	-
Governmental Activity - Long-Term Liabilities	<u>\$ 6,588.3</u>	<u>\$ 2,192.7</u>	<u>\$ (1,831.3)</u>	<u>\$ 6,949.7</u>	<u>\$ 264.0</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.0	\$ 0.2	\$ (0.4)	\$ 1.8	\$ 0.3
Severance Payable (2)	0.8	-	(0.8)	-	-
PSERS Pension Liability	45.3	9.1	(3.3)	51.1	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 48.1</u>	<u>\$ 9.3</u>	<u>\$ (4.5)</u>	<u>\$ 52.9</u>	<u>\$ 0.3</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) Prior to fiscal year 2017, the District incorrectly classified the portion of active 10-Pay-12 employee salary and benefit expenses that were earned throughout the current fiscal year, but not paid until the subsequent fiscal year, as Severance Payable. Beginning in Fiscal Year 2017, the District is correcting this error and classifying it as a short-term liability, included in Accrued Salaries and Benefits Payable on the Balance Sheet. See Note "4M", Prior Period Adjustment for more details.

(3) IBNR is included with the 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, 2017 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue ⁽¹⁾	Interest Rates	Maturity Year Ending 30-Jun	Original Principal Issued	Principal Outstanding ⁽¹¹⁾	Interest	Total	Due Within One Year
2003B-SPSBA ⁽³⁾	5.500	2028	\$ 588,140	\$ 43,505	\$ 26,321	\$ 69,826	\$ -
2004E-QZAB	-	2019	19,335	19,335 ⁽⁷⁾	-	19,335	-
2005D	5.500	2022	29,920	10,150	1,433	11,583	2,335
2006B-SPSBA ⁽³⁾	3.750 - 5.000	2033	545,570	83,365	46,337	129,702	-
2007A	4.748 - 5.000	2034	146,530	146,425	93,224	239,649	15
2007C-QZAB	-	2023	13,510	13,510 ⁽⁸⁾	-	13,510	-
2007D-QZAB	1.250 ⁽²⁾	2023	28,160	28,160 ⁽⁸⁾	1,936	30,096	-
2008E	4.500 - 5.125	2039	282,365	18,915	1,455	20,370	6,000
2008F	5.000	2028	114,215	30,210	2,222	32,432	10,505
2009B	4.000 - 5.000	2019	30,710	12,260	866	13,126	5,980
2010B	5.139 - 6.765 ⁽⁴⁾	2040	221,485	214,655	196,477 ⁽⁴⁾	411,132	5,920
2010C	5.000	2022	300,045	135,755	17,047	152,802	25,995
2010D	4.000 - 5.000	2023	49,365	49,365	7,168	56,533	7,245
2010E	5.000 - 5.250	2025	125,880	105,805	29,097	134,902	4,105
2011A-QSCB	5.995 ⁽⁵⁾	2031	144,625	144,035 ⁽⁹⁾	116,571 ⁽⁵⁾	260,606	-
2011B	2.250 - 3.250	2022	16,970	9,165	714	9,879	1,735
2011C	5.000	2022	41,185	20,775	2,700	23,475	3,750
2011D	3.000 - 5.000	2022	16,330	9,805	919	10,724	1,800
2012B-SPSBA ⁽³⁾	5.000	2032	264,995	231,295	102,956	334,251	10,720
2015A-SPSBA ⁽³⁾	4.000 - 5.000	2026	80,000	79,995	19,503	99,498	8,065
2015A	4.000 - 5.000	2036	46,770	45,320	24,771	70,091	1,500
2015C	2.009 - 4.038	2026	44,565	40,060	6,937	46,997	3,945
2015D	5.000	2023	128,620	112,260	17,059	129,319	17,195
2016A-SPSBA ⁽³⁾	5.000	2036	570,010	550,360	378,886	929,246	900
2016D	5.000	2029	92,345	92,345	29,921	122,266	5,890
2016E-QSCB	5.000 ⁽⁶⁾	2043	147,245	147,245 ⁽¹⁰⁾	189,990 ⁽⁶⁾	337,235	-
2016F	5.000	2039	582,155	582,155	321,471	903,626	560
Total			<u>\$ 4,671,045</u>	<u>\$ 2,976,230</u>	<u>\$ 1,635,981</u>	<u>\$ 4,612,211</u>	<u>\$ 124,160</u>

- (1) All debt has been issued for Capital purposes, except for issues for 2012-B, 2015-C and 2015-D.
- (2) Prior to 2006, Qualified Zone Academy Bonds (QZAB) 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) 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 2017, the Federal government reduced this subsidy by \$0.3 million due to the Federal Budget Sequestration.
- (5) 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 receives a 4.87% subsidy on bonds issued at a 5.995% interest rate. In Fiscal Year 2017, the Federal government reduced this subsidy by \$0.5 million due to the Federal Budget Sequestration.
- (6) Bonds issued as ARRA Qualified School Construction Bonds (QSCBs) receive a cash subsidy from United States Treasury equal to the lesser of (i) 100% of interest payable or (ii) 100% of the interest set at the time of the sale. In Fiscal Year 2017, the Federal government reduced this subsidy by \$0.1 million due to the Federal Budget Sequestration.
- (7) QZAB bond series 2004E issued for \$19.3 million on August 1, 2014. 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, 2017, \$16.6 million had been placed under the mandatory sinking fund. The \$16.6 million had an investment value of \$17.8 million.
- (8) QZAB bond series 2007C and 2007D issued for \$13.5 and \$28.2 million, respectively, on December 28, 2008 and the aggregate amounts of the debt is due December 28, 2022. The School District irrevocably places \$0.9 million in trust under a mandatory sinking fund with its fiscal agent each December 15th for the 2007C bonds. These annual deposits are invested in a forward purchase agreement to be used solely for satisfying the scheduled principal payment of \$13.5 million on December 28, 2022. As of June 30, 2017, \$8.1 million had been placed under the mandatory sinking fund. The \$8.1 million had an investment value of \$9.2 million.

- (9) QSCB bond series 2011A issued for \$144.6 million 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, 2017, \$21.7 million had been deposited in the mandatory sinking fund. The \$21.7 million had an investment value of \$21.8 million. (See Note 4D (13) for details).
- (10) QSCB bonds series 2016E issued for \$147.2 million November 16, 2016. The District has an agreement with the fiscal agent to irrevocably deposit funds each September 1st to a mandatory sinking fund. The first deposit was required on September 1, 2017.
- (11) 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, 2017 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

Year Ending June 30	Governmental Activities (Dollars in Thousands)		
	Principal	Interest ⁽¹⁾	Total
2018	\$ 104,475	\$ 98,100	\$ 202,509
2019	127,520	92,989	220,509
2020	110,695	87,537	198,232
2021	115,055	82,022	197,077
2022	116,880	76,244	193,124
2023-2027	512,270	305,118	817,388
2028-2032	465,995	183,749	649,744
2033-2037	216,475	88,303	304,778
2038-2042	71,100	44,192	115,292
2043	147,245	3,725	150,970
Total	<u>\$ 1,987,710</u>	<u>\$ 1,061,979</u>	<u>\$ 3,049,689</u>

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2017 is summarized as follows:

Year Ending June 30	Governmental Activities (Dollars in Thousands)		
	Interest Rates	Principal	Total
2018	2.000-5.000	\$ 19,685	\$ 49,530
2019	3.750-5.000	20,545	48,627
2020	3.875-5.000	21,520	47,600
2021	4.000-5.000	22,570	46,524
2022	4.000-5.000	23,640	45,395
2023 – 2027	4.000-5.000	240,575	201,390
2028 – 2032	4.500-5.500	466,785	121,602
2033 – 2037	4.450-5.000	173,200	13,334
Total		<u>\$ 988,520</u>	<u>\$ 574,002</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, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2017 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, 2016.

The School District adopted GASB 72 beginning Fiscal Year ended 2016. The fair values balances as defined by GABS 72 and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the change in fair value per GASBS 72 of such derivative instruments for the year then ended as reported in the 2017 financial statements are as follows (amounts in thousands: debit (credit)):

<u>Change in Fair Value</u>			<u>Fair Value at June 30, 2017</u>		
<u>Classification</u>	<u>Amount</u>		<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment derivatives:					
Pays-variable	Investment				
interest rate swaps	revenue	(\$3,890)	Investment	<u>(\$ 4,554)</u>	\$ 500,000
				<u>(\$ 4,554)</u>	

As of June 30, 2017, 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 Bonds:*

- On November 16, 2016, the School District issued General Obligation Bonds Series D of 2016 in the aggregate principal amount of \$92.3 million with a \$11.7 million net premium for the Capital Improvement Program. The District used bond proceeds of \$0.4 million to pay for underwriting fees and other issuance costs.
- On November 16, 2016, the School District issued General Obligation Bonds Series E of 2016 in the aggregate principal amount of \$147.2 million for the Capital Improvement Program. The District used bond proceeds of \$0.8 million to pay for underwriting fees and other issuance costs. The Series E bonds were designated as federally taxable Qualified School Construction Bonds (QSCB) in accord with "The American Recovery and Reinvestment Act of 2009". The District expects to receive a cash subsidy from the United States Treasury of equal to the lesser of either

100% of the interest payable on the Series E Bonds or 100% of the interest based on the tax credit rate at the time of the sale of the bonds. The eligibility of this federal subsidy began during Fiscal Year 2017.

(ii) *General Obligation Refunding Bonds:*

- (a) On November 16, 2016, the School District issued General Obligation Refunding Bonds Series F of 2016 in the aggregate principal amount of \$582.2 million with an \$79.1 million net premium to advance and current refund certain outstanding debt. The District transferred Property Sale Defeasance Investment Assets of \$11,200 related to GOB Series 2008F and \$6.0 million from the sinking fund allocable to GOB Series 2008E and GOB Series 2008F Bonds to finance the refunding. The District used refunding proceeds and other assets under GOB Series 2016F to advance refund a portion of GOB Series 2008E and GOB Series 2008F for an aggregate amount of \$286.6 million, and to current refund GOB Refunding Series 2016A, 2016B, and 2016C for an aggregate amount of \$350.0 million. In addition, District used bond proceeds of \$3.0 million to pay for underwriting fees and other issuance costs.
- (b) On November 16, 2016, the School District issued State Public School Building Authority (SPSBA) Refunding Bonds (Lease Revenue Bonds) Series A of 2016 in the aggregate principal of \$570.0 million with a \$75.5 million net premium to advance and current refund certain outstanding debt. The District released Intercept Payments (Deposits) of \$15.1 million from Lease Revenue Bonds Series 2006A and 2006B to finance the refunding. The District used refunding proceeds and Deposits under SPSBA Refunding Bonds Series 2016A to current and advance refund a portion of Lease Revenue Bonds Series 2006A and GOB Series 2006B for an aggregate principal amount of \$636.5 million. In addition, District used bond proceeds of \$6.1 million to prepay the AGM Insurance Premium and \$3.0 million to pay for underwriting fees & other issuance costs.
- (c) The cash flow required to service the new debt for the refunding is \$151.2 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 \$79.9 million to the School District.
- (d) For accounting purposes, the advance refunding resulted in net difference between the reacquisition price and the net carrying amount of the old debt of a \$53.9 million loss and \$4.2 million gain for the General Obligation Refunding Bonds 2016F and SPSBA Refunding Bonds 2016A respectively. The District amortizes the refunding charges of the debt through the operations in the District-wide statements until fiscal year 2038.

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

- (a) As of June 30, 2017, \$286.7 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, 2017, the Defeasance Accounts from the Sale of SDP Property had \$3.5 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) Any School District properties sold during fiscal year (FY) 2017 that have 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. As such, the District established defeasance depository accounts with an escrow agent for property sales proceeds. The funds under the defeasance depository accounts are held until the proceeds for payment of principal and interest, at a future time (advance refunding).

(ii) During FY2017, the School District of Philadelphia reported the following transaction for the defeasance accounts related to Internal Revenue Code and the federal arbitrage rebate regulations to advance refunding:

- (a) On November 1, 2016, the School District used \$87,571 of SDP Property Sales Proceeds to advance refund \$75,000 of principal under GOB Series 2006A and \$10,000 of principal under GOB Series 2008F.
- (b) SDP Property Sales Defeasance Escrow Accounts: As of June 30, 2017, the Bank of New York Mellon, SDP's Escrow Agent, maintained 13 escrow sinking fund accounts valued at \$3.8 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, 2017, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$2,604.1 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, 2017, the arbitrage rebate calculation indicates a liability totaling \$47,257.

This arbitrage liability of \$47,257 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required "Installment Rebate Payment Date" is subject to change due to bond and investment activity, if any, occurring after June 30, 2017. Pursuant to the Regulations, the next required "Installment Rebate Payment" must be paid no later than 60 days after June 30, 2020. The School District will continue to perform an annual rebate calculation until all funds have been expended. This year's liability is lower than last year's liability of \$308,817.

During the fiscal year, the District had an arbitrage liability of \$264,479 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority (SPSBA) that was due payable on 60 days after December 28, 2016. On January 11, 2017, the District received notification from SPSBA that this amount was payable to the United States Treasury (IRS) and the District paid this amount on January 24, 2017.

The School District has reserved as of June 30, 2017 \$47,257 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, 2017 amounted to \$7.0 million. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2018	\$ 4.9
2019	4.0
2020	4.1
2021	3.8
2022	5.7
2023-2031	9.0
Total	<u>\$ 31.5</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 (11), Compensated Absences, for the School District's leave policies.

(5) Severance Payable

Prior to fiscal year 2017, the District incorrectly classified the portion of active 10-Pay-12 employee salary and benefit expenses earned throughout the current fiscal year, but not paid until the subsequent fiscal year, as *Severance Payable*. Beginning in Fiscal Year 2017, the District is correcting this error and classifying it as a short-term liability, included in *Accrued Salaries and Benefits Payable* on the Balance Sheet. See Note "M", *Prior Period Adjustment* for more details.

(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, 2017. 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, the District transferred this liability to its new Self Insurance Healthcare Internal Service Fund. As of June 30, 2017, the Incurred but Not Reported Payable amounted to \$16.0 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 occur, rather than in the future when it will be paid. As of June 30, 2017, the District had an OPEB obligation of \$2.1 million. 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) Other Liabilities

Other liabilities consist of \$96.7 million for Workers' Compensation, \$2.9 million for Unemployment Compensation Claims and \$6.3 million for Claims & Judgments.

(10) Pension (PSERS) Liability

SDP implemented GASB 68 during fiscal year 2015. As of June 30, 2017, the Net Pension Liability for SDP was \$3,375.4 million. Refer to Note 4K (1) (a) for further Pension Plan information.

(11) 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 included inquiry from the IRS concerning the erroneous redemption. The School District entered into a Closing Agreement with the IRS, paying \$332,737, representing the total of two quarterly direct subsidies to the School District as issuer of qualified bonds. The Internal Revenue Service determined the nonqualified bonds shall be treated as if they had not been redeemed in September 2014. The District made the payment to the U.S. Treasury on July 14, 2017. The District has sought reimbursement from the fiscal agent in the amount of \$332,732 plus the School District's legal fees for the School District's loss as a result of the erroneous redemption.

F. Interfund Receivables, Payables and Transfers

- (1) The composition of Interfund balances as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 701,714
General Fund	Print Shop Fund	19,789

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 \$701,714 and \$19,789 under the Debt Service Fund and Print Shop Fund, respectively, represents a reclassification of negative equity in pooled cash and investments. The District reclassified the balance of \$19,789 under the Print Shop as an internal balance on the District-wide financial statements.

- (2) Interfund transfers at June 30, 2017 were as follows:

Interfund Transfers Out

Interfund Transfers In	General Fund	Capital Funds	Food Service Fund	Total
Intermediate Unit	\$ 252,465,154	\$ -	\$ -	\$ 252,465,154
Categorical	9,407,366	-	-	9,407,366
Debt Service	296,460,068	1,259,641	289,430	298,009,139
Print Shop	342,701	-	-	342,701
Total	<u>\$ 558,675,289</u>	<u>\$ 1,259,641</u>	<u>\$ 289,430</u>	<u>\$ 560,224,360</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 2017 allocations of cafeteria renovations; and (c) to transfer General Fund assets to cover the costs of additional salary and benefits accrual.

G. Commitments

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

The School District's outstanding contractual commitments at June 30, 2017 are summarized as follows:

New Construction and Land	\$ 2,224,984
Environmental Management	2,266,702
Alterations and Improvements	69,924,111
Major Renovations	3,341,263
Total	<u>\$ 77,757,060</u>

- (2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2017 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 28,606,784	\$ 1,702,216

- (3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$8.0 million at June 30, 2017.

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 and five (405) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$5.2 million .

Of those, three hundred ninety-eight (398) 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 two (102) unfavorable outcomes are deemed probable and two hundred sixty-nine (269) are considered reasonably possible, in the aggregate of \$1.9 million and \$1.4 million respectively.

There is one (1) lawsuit 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 is deemed reasonably possible for this lawsuit in the aggregate amount of approximately \$0.3 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 \$0.5 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 \$23.6 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 reasonably possible in the amount of \$2.0 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$3.2 million and \$7.8 million, respectively, arising from personal injury and property damage claims and lawsuits.
- (3) ***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.

The U.S. Department of Education ("ED") 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"). ED issued two additional PDLs (four PDLs total) on the remaining findings that required corrective actions, but did not result in monetary exposure. Most of the corrective actions have already been implemented or are being addressed as part of the corrective action plan as agreed upon with the PDE and ED.

The first PDL demanded a recovery of \$9.9 million and was appealed to the Office of Administrative Law Judge. Of that amount, ED'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. The petition was denied on October 3, 2016. On February 3, 2017, PDE received a letter from ED demanding payment for the \$7.2 million liability by March 1, 2017. The School District paid the liability in full on February 27, 2017.

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 ED of the amount barred by the statute of limitations. PDE and the School District assembled documentation demonstrating the application of the statute of limitations and presented that documentation to ED on April 4, 2016. On April 21, 2016, ED determined that all costs related to the second PDL are barred by the statute of limitations and there is no liability related to the second PDL.

Accordingly, the School District's 2010 OIG audit and the related recovery actions are fully resolved. After remitting payment of \$7.2 million related to the first PDL, PDE and the School District submitted an application for "grantback." The grantback application currently is under review by the Department of Education which has considerable discretion in awarding grantbacks, including in determining the amount to be awarded. Accordingly, no assurance can be given as to the final amount, if any, which may be awarded to the School District through grantback.

- (4) **Administrative Appeals in Pennsylvania Department of Education**
Numerous charter schools have filed charter payment withholding requests with PDE and/or petitions for review in the Commonwealth Court in which the charter schools seek either payment from the School District, a withholding by PDE from the School District State subsidies, or a court order mandating that payment be made to the charter schools from the School District or PDE. The main issue in these cases or proceedings is whether PDE's interpretation of 24 P.S. § 1725-A(a)(5) set forth in the PDE-363 Guidelines is valid.

Based on those Guidelines, which apply state-wide, the School District has made payments to charter schools and adjusted charter school per-pupil payment rates. The charter schools contend that the Guidelines should be disregarded or voided because

the interpretation of subsection (a)(5) contained in the Guidelines is plainly inconsistent with the language of subsection (a)(5). The charter schools also contend that the Guidelines are regulations that were not promulgated in accordance with the Commonwealth Documents Law. Another issue, applicable to some schools that seek payment for the 2015-16 school year, is whether those schools are entitled to the payments they seek when they made their requests, if at all, after the statutory deadline of October 1, 2016.

The following actions have been initiated to date:

Seven charter schools have filed an action in Commonwealth Court related to the 2015-2016 school year. PDE already has withheld a total amount of \$2.1 million for these charter schools as a result of payment requests by the charter schools.

One charter school submitted a payment request to PDE related to the 2015-2016 school year. PDE has withheld a total amount of \$0.5 million for this charter school, and an administrative hearing before PDE has commenced. (This withholding is included in the amount cited in the previous paragraph, because this school is a plaintiff in the Commonwealth Court action.)

Five charter schools submitted payment requests to PDE related to the 2015-2016 school year. PDE has withheld a total amount of \$0.7 million for these charter schools, and administrative hearings before PDE have not yet commenced.

Six charter schools have submitted payment requests to PDE seeking a total amount of \$.2 million related to the 2015-2016 school year, but PDE has not withheld any funds from the School District's state subsidies. Administrative hearings before PDE have commenced.

Eighteen charter schools have submitted payment requests to PDE related to the 2016-2017 school year, and PDE has withheld a total amount of \$12.3 million for these charter schools from the School District's state subsidies. Administrative hearings before PDE have not yet commenced.

There are several charter schools, other than the one mentioned above, involved in actions before the Commonwealth Court and administrative hearings before PDE on the same withholding requests.

There are millions of dollars at issue in the cases—some dollars have been withheld from the School District and some have not been withheld—but if the Commonwealth Court (or possibly, the PDE) decides the issue of how to properly determine charter school tuition rates adverse to the interests of the School District, then there could be more millions paid by the School District or withheld from the School District. The total amount is not quantifiable in light of the limited access to the data submitted by charter schools to the School District. Moreover, at present, outside counsel cannot offer an opinion on the likelihood of success because there is no case law on the issue of whether the PDE's Guidelines comport with section 1725-A(a)(5) or whether the PDE was required to promulgate the Guidelines in accordance with the Commonwealth Documents Law. Preliminary objections are pending in the Commonwealth Court, arguing that the charter schools failed to pursue their mandatory and exclusive remedy of seeking a determination from the PDE. A single judge of the Commonwealth Court granted a preliminary injunction, finding that the administrative remedy was inadequate. If the Court finds that the School District's practices are in accordance with the statute, then the School District expects to recover the funds that have been withheld as a result of the rate adjustments.

J. Other Post Employment Life Insurance Benefits

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

Plan Description:

The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the 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	49,647
Adjustment to the ARC	(88,849)
Annual OPEB Cost	<u>\$ 959,068</u>
Net OPEB Obligation as of June 30, 2016	\$ 1,654,915
Annual OPEB Cost	959,069
Employer Contributions	(520,980)
Increase/(Decrease) in net OPEB Obligation	<u>\$ 438,089</u>
Net OPEB Obligation as of June 30, 2017	<u>\$ 2,093,004</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, 2017 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net OPEB Obligation
2017	\$959,069	\$520,980	54.3%	\$2,093,004
2016	972,586	539,601	55.5%	1,654,915
2015	981,837	570,813	58.1%	1,221,930

Basis of Accounting:

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

Funded Status and Funding Progress:

As of June 30, 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	751,086,581	17,956,061	0.02391%
6/30/2012	871,663,661	18,114,395	0.02078%

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, 2017, the District reported a liability of \$3,426.5 million for its proportionate share of the net pension liability of which \$3,375.4 million was under the Governmental Activity section of the Government-wide while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the District's proportion was 6.9142 percent, which was a decrease of 0.1009 percent from its proportion measured as of June 30, 2015.
- For the year ended June 30, 2017, the District recognized net pension expense of \$63,098.9 thousand of which \$62,158.3 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$940.6 thousand was under the Business-type Activity section of the Government-wide Statements.
- At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>(Dollars Amounts in Thousands)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (28,542)
Change in assumption	123,688	-
Net difference between projected and actual investment earnings	190,975	-
Change in proportions	-	(340,595)
Difference between employer contributions and proportionate share of total contributions	-	(4,829)
Contributions subsequent to the measurement date	274,885	-
	<u>\$ 589,548</u>	<u>\$ (373,966)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$274,885.1 thousand and will be recognized as a reduction of net pension liability in the *actuarially* year ended June 30, 2017.

The District recognized net deferred inflows of \$59,305.0 thousands reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2017	\$ 95,884	\$ (175,984)	\$ (80,100)
2018	52,563	(132,663)	(80,100)
2019	74,542	(36,133)	38,409
2020	91,674	(29,186)	62,488
Total	\$ 314,663	\$ (373,966)	\$ (59,303)

Of the \$59,303,000 reported as deferred inflows, \$58,419,228 was under the Governmental –Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at \$858,098 and \$25,918, respectively.

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System’s total pension liability as of June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions and changes in assumptions used in measurement of Total Pension Liability beginning June 30, 2016, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Adjusted Investment return from 7.50% to 7.25% includes decrease for the inflation from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50% to an effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 were modified to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

PSERS’ Board approved new actuarial assumptions effective for the June 30, 2016 actuarial valuation. The new assumptions were used to calculate the net pension liability at June 30, 2016 and are reflected above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public markets global equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<u>100.00%</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, 2016.

Discount rate: The discount rate used to measure the total pension liability was decreased from 7.50% to 7.25%. 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

(Dollars in Thousands)			
	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$4,191,480	\$3,426,458	\$2,783,614

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 \$121.9 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, 2017, the amount of these liabilities totaled \$121.9 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

	(Dollars in Millions)				
	Beginning <u>Liability</u>	Claims & <u>Adjustments</u>	Claim <u>Payments</u>	Ending <u>Liability</u>	Due Within <u>One Year</u>
Fiscal Year 2016	\$ 139.5	\$ 220.1	\$ 227.1	\$ 132.5	\$ 53.6
Fiscal Year 2017	\$ 132.5	\$ 206.7	\$ 217.3	\$ 121.9	\$ 49.8

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

- (1.) Governmental Funds: The District recorded a prior period adjustment in Fiscal Year 2017 for the correction of an error for the accounting from a cash basis to a modified accrual basis for accrued salary and benefit expenditures for returning 10-month employees who are paid out over a 12-month period. In applying generally accepted accounting principles, the District should have recorded the 2-month accrual for salaries and related benefits which were earned through June 30, but not paid out until July and August at the governmental fund level as a short-term liability as of June 30 each year. The result of this practice, which was in place since Fiscal Year 1983, was to recognize 12 months of salary and related benefits, however two months related to the prior year of service and ten months related to the subsequent year of service.

To account for this correction, the District posted a prior period adjustment, at the fund level, in Fiscal Year 2017 for (\$91,739,926). This increase to June 30, 2016 Net Fund Deficit was as follows:

- Instructional Expenditures increased by \$120,335,902 and;
- State Grants and Subsidies Revenues increased by \$28,595,976 and;

The Balance Sheet adjustments to the June 30, 2016 ending balances are:

- Severance Payable decreased by \$7,165,808 and;
- Accrued Salaries and Benefits Payable increased by \$98,905,734

- (2.) District-wide Statements

Governmental Activities: The District had followed the modified accrual basis of accounting and accrued the 2-month July and August salary and benefit expense, for employees retiring June 30, as a short-term liability (Severance Payable) and the portion for returning employees as a Non-Current Liability. However, the District was not using appropriate assumptions when calculating this accrual.

To account for this correction, the District posted a prior period adjustment to reverse the Fiscal Year 2016 accrual to Severance. The governmental fund level prior period adjustment, noted above, also effects the District-wide financial statements. The net effect of the prior period adjustments to the June 30, 2016 ending Net Deficit are:

- Instruction Expenses decreased by \$34,062,997 (An increase of \$91,739,926 from governmental fund level prior period adjustment and a decrease of \$125,802,923 from the District-wide prior period adjustment).

Adjustments to the June 30, 2016 ending balances on the Statement of Net Position are:

- Severance Payable decreased by \$7,165,808
- Non-Current Liabilities (*Severance*) decreased by \$125,802,923
- Accrued Salaries and Benefits Payable increased by \$98,905,734

Business Type Activities: In prior years, the District's Food Service Fund had recorded the 2-month accrual for salaries and related benefits which were earned through June 30, but not paid out until July and August, as a Non-Current Liability (Severance Payable). The District has reclassified this accrual to the short-term liability, Accrued Salaries and Benefits Payable.

N. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred subsequent to June 30, 2017 to and including February 13, 2018. Other than as described below, there were no subsequent material events affecting the District:

(1) Tax Anticipation Revenue Notes (TRAN)

In July 2017, 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 2017-2018 which was issued as fixed and variable rate notes in the aggregate of \$400.0 million which matures on June 29, 2018. The District maintains authority and ability, through the same School Reform Commission resolution, to issue additional notes either as fixed or variable rate mode and has access to \$175.0 million additional capacity which totals \$575.0 million if cash flow needs require it to do so.

On July 10, 2017, the District issued Series 2017-2018 TRAN under two separate subseries and sold them to two separate private banks. The District issued and sold (1) Series A 2017-2018 as a fixed rate mode for \$200.0 million and (2) Series B of 2017-2018

as a fixed rate mode for \$200.0 million. Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2018.

(2) Recommendation to Dissolve the School Reform Commission (SRC)

On December 21, 2001, the Pennsylvania Secretary of Education declared that the School District of Philadelphia was a “distressed” school district within the meaning of Section 691(c) of the Pennsylvania Public School Code. The School Reform Commission was appointed and assumed governance of the School District for the period of distress. On November 16, 2017, the School Reform Commission adopted a resolution recommending that the Secretary issue a declaration that the School Reform Commission dissolve effective June 30, 2018, as the School District is no longer distressed and therefore no longer requires governance by a School Reform Commission. The Secretary was required to make a dissolution determination at least 180 days prior to the end of the current school year, i.e. by December 31, 2017, which he did on December 27, 2017, for the School Reform Commission to dissolve on June 30, 2018, and a new Board of Education, whose members will be appointed by the Mayor of the City Philadelphia, to assume governance of the School District on July 1, 2018. The School District has already begun planning for a smooth transition from the School Reform Commission to a Board of Education.

**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, 2017

General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes	\$ 1,141,127,000	\$ 1,139,970,000	\$ 1,157,577,259	\$ 17,607,259
Locally Generated Non Tax	128,023,000	132,634,000	137,259,335	4,625,335
State Grants and Subsidies	1,443,876,000	1,402,633,000	1,404,882,762	2,249,762
Federal Grants and Subsidies	11,169,000	257,000	297,905	40,905
Total Revenues	2,724,195,000	2,675,494,000	2,700,017,261	24,523,261
OBLIGATIONS				
Current Operating				
Instruction	989,836,818	939,237,607	939,954,972	(717,365)
Student Support Services	35,859,709	27,669,040	33,270,291	(5,601,251)
Administrative Support	85,287,084	83,154,197	76,821,316	6,332,881
Operation & Maintenance of Plant Services	205,226,524	192,922,845	172,329,344	20,593,501
Pupil Transportation	88,789,516	90,074,363	88,804,378	1,269,985
All Other Support Services	11,542,468	9,226,907	21,295,244	(12,068,337)
Payments to Charter Schools	830,434,429	772,017,072	779,382,024	(7,364,952)
Allocated Costs	(13,633,470)	(17,250,910)	-	(17,250,910)
Total Obligations	2,233,343,078	2,097,051,121	2,111,857,569	(14,806,448)
Excess of Revenues Over (Under) Obligations	490,851,922	578,442,879	588,159,692	9,716,813
OTHER FINANCING SOURCES (USES)				
Transfers In	700,000	-	-	-
Transfers Out	(519,230,949)	(539,247,057)	(560,034,612)	(20,787,555)
Capital Asset Proceeds	-	540,000	2,814,414	2,274,414
Total Other Financing Sources (Uses)	(518,530,949)	(538,707,057)	(557,220,198)	(18,513,141)
Net Change in Fund Balances	(27,679,027)	39,735,822	30,939,494	(8,796,328)
Fund Balances, July 1, 2016	13,708,900	25,090,000	92,396,431	67,306,431
Prior Period Adjustment	-	(83,743,600)	(65,999,409)	17,744,191
Change in Inventory Reserve	-	-	(234,271)	(234,271)
Change in Encumbrance Reserve	-	-	(37,677,074)	(37,677,074)
Fund Balances, June 30, 2017	<u>\$ (13,970,127)</u>	<u>\$ (18,917,778)</u>	<u>\$ 19,425,171</u>	<u>\$ 38,342,949</u>

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
490,000	490,000	247,011	(242,989)
128,169,000	127,970,000	130,042,191	2,072,191
-	-	-	-
128,659,000	128,460,000	130,289,202	1,829,202
243,091,818	242,670,932	242,181,295	489,637
112,330,457	115,344,074	113,899,947	1,444,127
322,273	424,120	262,397	161,723
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,675,958	9,485,460	10,042,409	(556,949)
365,420,506	367,924,586	366,386,048	1,538,538
(236,761,506)	(239,464,586)	(236,096,846)	3,367,740
236,761,500	239,464,586	253,824,478	14,359,892
-	-	-	-
-	-	-	-
236,761,500	239,464,586	253,824,478	14,359,892
(6)	-	17,727,632	17,727,632
-	-	2,549,757	2,549,757
-	-	(17,727,632)	(17,727,632)
-	-	-	-
-	-	(847,541)	(847,541)
\$ (6)	\$ -	\$ 1,702,216	\$ 1,702,216

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	June 30, 2016
District's proportion of the net pension liability	7.5301%	7.0151%	6.9142%
District's proportion of the net pension liability – dollar value	\$ 2,980,467,548	\$ 3,038,612,000	\$ 3,426,458,132
District's covered payroll	\$ 960,902,694	\$ 902,602,996	\$ 895,466,120
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.17%	336.65%	382.65%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.36%	50.14%

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	June 30, 2017
Contractually required contribution	\$ 180,187,615	\$ 216,738,487	\$ 274,884,712
Contributions in relation to the contractually required Contribution	180,187,615	216,738,487	\$ 274,884,712
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 909,130,906	\$ 890,257,792	\$ 961,476,046
Contributions as a percentage of covered-employee payroll	19.82%	24.35%	28.59%

- (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, 2017

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	\$ 2,700,017	\$ 130,289
Revenue - GAAP Basis	\$ 2,700,017	\$ 130,289
Obligations – Basis of Budgeting	\$ 2,111,858	\$ 366,386
Current Year Encumbrances	(24,858)	(1,691)
Prior Year Encumbrance Payments	54,878	1,179
Prior Year Encumbrance		
Cancellations and Other Adjustments	9,016	-
Expenditures - GAAP Basis	\$ 2,150,894	\$ 365,874
Other Financing Sources (Uses) -		
Basis of Budgeting	\$ (557,220)	\$ 253,824
Prior Year Encumbrance Cancellations	1,359	(1,359)
Other Financing Sources		
(Uses) - GAAP Basis	\$ (555,861)	\$ 252,465

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2017:

A. General Fund

(1). Instruction	\$ 717,365
(2). Student Support Services	\$ 5,601,251
(3). All Other Support Services	\$ 12,068,337
(4). Payments to Charter Schools	\$ 7,364,952
(5). Allocated Costs	\$ 17,250,910

A. Intermediate Unit Fund

(1). Allocated Costs	\$ 556,949
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Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$717,365 in Instruction can be explained by higher than budgeted per diem expenditures coupled with other variances, which largely offset each other (e.g. student support service supply budgets offsetting contracted services expenditures).

The negative variance of Student Support Services of \$5,601,251 results from a lower than anticipated amount of nursing salary and benefit expenditures shifted from the Operating to Categorical funds.

The negative variance of All Other Support Services of \$12,068,337 results primarily from a higher than budgeted amount for a refund of prior year revenue due to the recognition of local revenue overpayments from prior years that were identified after the final budget was completed. The remainder of the variance results from higher losses and judgements due to the settlement of a legal matter offset by favorable undistributed employee benefit savings.

The negative variance of Payments to Charter Schools of \$7,364,952 results from higher-than-budgeted regular education charter payments due to higher than anticipated State deductions for direct charter payments.

The negative variance of \$17,250,910 in Allocated Costs results from the 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 originally expensed to the General Fund.

Intermediate Unit Fund

The negative variance of \$556,949 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 reflecting administrative, operational and indirect support costs 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 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 and \$17,250,910, respectively.

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

5. *OTHER POSTEMPLOYMENT LIFE INSURANCE BENEFITS*

The schedule of funding progress presents the results of Other Postemployment Benefits (OPEB) valuations performed on a biennial basis, for the fiscal year ending June 30th 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, 2017 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, 2017 there were eighty-seven Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,238,889	\$ 2,100,323	\$ 6,339,212
Total Assets	<u>\$ 4,238,889</u>	<u>\$ 2,100,323</u>	<u>\$ 6,339,212</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 8,685	\$ 640	\$ 9,325
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,365,405	1,365,405
Restricted:			
Trust Purposes	4,230,204	734,278	4,964,482
Total Fund Balances	<u>4,230,204</u>	<u>2,099,683</u>	<u>6,329,887</u>
Total Liabilities and Fund Balances	<u>\$ 4,238,889</u>	<u>\$ 2,100,323</u>	<u>\$ 6,339,212</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, 2017

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 50,351	\$ 5,445	\$ 55,796
EXPENDITURES			
Instruction	30,060	11,104	41,164
Excess (Deficiency) of Revenues Over Expenditures	20,291	(5,659)	14,632
Fund Balances, July 1, 2016	4,209,913	2,105,342	6,315,255
Fund Balances, June 30, 2017	\$ 4,230,204	\$ 2,099,683	\$ 6,329,887

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 650,494,000	\$ 648,710,000	\$ 660,222,978	\$ 11,512,978
Prior Years	70,740,000	60,317,000	54,989,521	(5,327,479)
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	139,500,000	135,000,000	144,876,666	9,876,666
School (Non-Business) Income	39,900,000	41,450,000	42,250,885	800,885
Liquor Sales	65,650,000	73,300,000	74,640,376	1,340,376
Cigarette Sales	53,800,000	58,000,000	58,000,000	-
Sales Tax	120,000,000	120,000,000	120,000,000	-
Ridesharing Revenue	-	2,000,000	1,399,170	(600,830)
Public Utility Realty	1,043,000	1,193,000	1,193,044	44
Total Local Taxes	1,141,127,000	1,139,970,000	1,157,577,259	17,607,259
Locally Generated Non Tax				
Interest on Investments	500,000	600,000	905,771	305,771
City Contributions	104,264,000	104,264,000	104,263,617	(383)
Casino Settlement	1,928,000	3,856,000	3,856,874	874
Stadium Agreements	2,744,000	2,744,000	2,743,500	(500)
Voluntary Contributions	373,000	440,000	1,326,619	886,619
Parking Authority Contributions	8,000,000	9,766,000	10,274,136	508,136
Gaming Revenue	5,000,000	5,400,000	4,716,264	(683,736)
Reimbursement from Other Funds	14,000	14,000	13,860	(140)
Miscellaneous	5,200,000	5,550,000	9,158,694	3,608,694
Total Locally Generated Non Tax	128,023,000	132,634,000	137,259,335	4,625,335
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	1,107,611,000	1,057,992,000	1,066,992,656	9,000,656
Less: Reimbursement of Prior Years IU Advances	58,256,000	55,578,000	55,578,417	417
Net Instruction	1,049,355,000	1,002,414,000	1,011,414,239	9,000,239
Debt Service	12,367,000	23,169,000	12,447,768	(10,721,232)
School Health Program				
Nurse Services	1,083,000	2,248,000	2,158,512	(89,488)
Medical and Dental	1,862,000	3,803,000	3,660,885	(142,115)
Tuition	631,000	150,000	114,562	(35,438)
Area Vocational Technical Education	5,184,000	5,207,000	5,206,814	(186)
Transportation	65,767,000	66,737,000	67,212,145	475,145
District Special Education	143,324,000	138,757,000	138,756,999	(1)
Retirement	130,748,000	127,480,000	129,451,255	1,971,255
Social Security	33,555,000	32,668,000	34,459,583	1,791,583
Total State Grants and Subsidies	1,443,876,000	1,402,633,000	1,404,882,762	2,249,762
Federal Grants and Subsidies				
Federal Debt Service Subsidy	11,013,000	-	-	-
Impacted Area Aid	156,000	257,000	297,905	40,905
Total Federal Grants and Subsidies	11,169,000	257,000	297,905	40,905
Total Other Governments	1,455,045,000	1,402,890,000	1,405,180,667	2,290,667
Total Revenues	\$ 2,724,195,000	\$ 2,675,494,000	\$ 2,700,017,261	\$ 24,523,261

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 385,550	\$ 361,210	\$ 318,211	\$ 42,999
Employee Benefits	252,801	236,128	205,229	30,899
Prof., Tech. Services	7,500	1,750	121	1,629
Property, Transportation, Comm.	30,000	30,750	12,075	18,675
Materials, Supplies, Books and Equipment	38,627	65,085	73,417	(8,332)
	<u>714,478</u>	<u>694,923</u>	<u>609,053</u>	<u>85,870</u>
Elementary Education				
Personal Services	269,301,510	254,744,284	252,862,090	1,882,194
Employee Benefits	184,795,973	177,815,244	179,208,610	(1,393,366)
Prof., Tech. Services	1,465,937	1,539,570	1,783,607	(244,037)
Property, Transportation, Comm.	11,000	8,259	154,835	(146,576)
Materials, Supplies, Books and Equipment	7,946,963	8,389,723	8,067,204	322,519
Other	29,742,461	-	-	-
	<u>493,263,844</u>	<u>442,497,080</u>	<u>442,076,346</u>	<u>420,734</u>
Middle School Education				
Personal Services	37,152,572	34,466,276	34,420,182	46,094
Employee Benefits	24,924,129	23,913,594	24,161,596	(248,002)
Prof., Tech. Services	3,857,383	3,782,303	3,784,648	(2,345)
Property, Transportation, Comm.	80,464	170,464	154,462	16,002
Materials, Supplies, Books and Equipment	681,470	809,696	725,863	83,833
	<u>66,696,018</u>	<u>63,142,333</u>	<u>63,246,751</u>	<u>(104,418)</u>
Senior High School Education				
Personal Services	116,552,575	110,767,901	110,804,544	(36,643)
Employee Benefits	77,693,727	75,638,745	76,360,008	(721,263)
Prof., Tech. Services	3,653,194	2,764,329	2,537,424	226,905
Property, Transportation, Comm.	134,751	214,519	426,310	(211,791)
Materials, Supplies, Books and Equipment	3,361,349	3,956,444	3,007,864	948,580
	<u>201,395,596</u>	<u>193,341,938</u>	<u>193,136,150</u>	<u>205,788</u>
Special Education				
Personal Services	8,100,981	7,813,557	7,972,884	(159,327)
Employee Benefits	5,715,668	5,635,111	5,776,187	(141,076)
Materials, Supplies, Books and Equipment	10,760	11,860	10,441	1,419
	<u>13,827,409</u>	<u>13,460,528</u>	<u>13,759,512</u>	<u>(298,984)</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 15,271,976	\$ 14,016,262	\$ 13,888,380	\$ 127,882
Employee Benefits	10,233,108	9,811,536	9,783,635	27,901
Prof., Tech. Services	279,765	253,890	206,289	47,601
Property, Transportation, Comm.	7,719	106,219	298,854	(192,635)
Materials, Supplies, Books and Equipment	801,550	850,656	657,767	192,889
	<hr/>	<hr/>	<hr/>	<hr/>
	26,594,118	25,038,563	24,834,925	203,638
	<hr/>	<hr/>	<hr/>	<hr/>
Promise Academies				
Personal Services	7,578,322	6,201,901	6,334,600	(132,699)
Employee Benefits	5,030,667	4,264,389	4,231,128	33,261
Prof., Tech. Services	11,600	88,150	90,100	(1,950)
Property, Transportation, Comm.	-	7,895	10,468	(2,573)
Materials, Supplies, Books and Equipment	680,586	1,015,714	1,100,367	(84,653)
	<hr/>	<hr/>	<hr/>	<hr/>
	13,301,175	11,578,049	11,766,663	(188,614)
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School Support Services				
Personal Services	32,333,835	35,739,257	36,901,505	(1,162,248)
Employee Benefits	21,250,550	23,615,046	24,073,442	(458,396)
Prof., Tech. Services	25,921,999	28,782,248	31,154,430	(2,372,182)
Property, Transportation, Comm.	215,769	115,220	200,405	(85,185)
Materials, Supplies, Books and Equipment	1,480,910	5,972,862	3,182,182	2,790,680
Other	(2,002,765)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	79,200,298	94,224,633	95,511,964	(1,287,331)
	<hr/>	<hr/>	<hr/>	<hr/>
Payment to Other Educational Entities				
Prof., Tech. Services	30,747,480	34,109,847	34,160,347	(50,500)
Property, Transportation, Comm.	64,010,020	61,063,680	60,849,894	213,786
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	94,757,500	95,173,527	95,010,241	163,286
	<hr/>	<hr/>	<hr/>	<hr/>
Adult Education				
Personal Services	59,380	59,380	2,392	56,988
Employee Benefits	27,002	26,653	975	25,678
	<hr/>	<hr/>	<hr/>	<hr/>
	86,382	86,033	3,367	82,666
	<hr/>	<hr/>	<hr/>	<hr/>
Total Instruction	989,836,818	939,237,607	939,954,972	(717,365)
	<hr/>	<hr/>	<hr/>	<hr/>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 20,752,208	\$ 15,336,087	\$ 18,699,476	\$ (3,363,389)
Employee Benefits	13,948,901	10,747,259	12,942,821	(2,195,562)
Prof.,Tech. Services	446,757	852,388	937,543	(85,155)
Property,Transportation,Comm.	67,707	93,278	33,140	60,138
Materials, Supplies, Books and Equipment	228,065	264,333	156,713	107,620
	35,443,638	27,293,345	32,769,693	(5,476,348)
Office of Specialized Services				
Personal Services	155,969	140,379	138,179	2,200
Employee Benefits	102,365	92,579	194,610	(102,031)
Prof.,Tech. Services	150,762	135,762	159,003	(23,241)
Property,Transportation,Comm.	4,775	4,775	7,539	(2,764)
Materials, Supplies, Books and Equipment	2,200	2,200	1,267	933
	416,071	375,695	500,598	(124,903)
Total Student Support Services	35,859,709	27,669,040	33,270,291	(5,601,251)
Administrative Support				
Regional Offices/Learning Networks				
Personal Services	1,728,657	1,624,488	1,586,943	37,545
Employee Benefits	975,026	859,478	878,672	(19,194)
Prof.,Tech. Services	67,020	75,142	153,956	(78,814)
Property,Transportation,Comm.	-	32,155	78,319	(46,164)
Materials, Supplies, Books and Equipment	62,350	182,614	84,672	97,942
Other	-	-	(268,502)	268,502
	2,833,053	2,773,877	2,514,060	259,817
Financial Services				
Personal Services	3,487,804	4,072,488	4,011,430	61,058
Employee Benefits	2,289,148	2,685,181	2,639,105	46,076
Prof.,Tech. Services	1,082,209	1,550,513	1,336,404	214,109
Property,Transportation,Comm.	252,482	67,389	69,952	(2,563)
Materials, Supplies, Books and Equipment	94,973	106,669	46,743	59,926
Other	-	-	(789,675)	789,675
	7,206,616	8,482,240	7,313,959	1,168,281
Other Central Support Services				
Personal Services	764,393	552,853	540,223	12,630
Employee Benefits	516,443	368,879	339,280	29,599
Prof.,Tech. Services	108,808	120,492	55,067	65,425
Property,Transportation,Comm.	1,860,712	1,852,712	1,822,138	30,574
Materials, Supplies, Books and Equipment	33,031	29,347	3,615	25,732
	3,283,387	2,924,283	2,760,323	163,960

(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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 4,208,817	\$ 4,191,556	\$ 4,206,148	\$ (14,592)
Employee Benefits	2,812,112	2,813,078	2,745,321	67,757
Prof.,Tech. Services	514,509	694,291	601,167	93,124
Property,Transportation,Comm.	3,288	13,788	61,338	(47,550)
Materials, Supplies, Books and Equipment	323,899	165,306	89,273	76,033
Other	467	42	(461,598)	461,640
	<u>7,863,092</u>	<u>7,878,061</u>	<u>7,241,649</u>	<u>636,412</u>
Information Technology				
Personal Services	6,107,445	6,050,864	6,067,975	(17,111)
Employee Benefits	4,016,332	3,960,164	3,962,431	(2,267)
Prof.,Tech. Services	3,723,333	3,383,379	3,332,790	50,589
Property,Transportation,Comm.	2,303,577	2,680,090	2,432,330	247,760
Materials, Supplies, Books and Equipment	4,091,448	4,431,472	2,960,466	1,471,006
Other	(3,200,000)	(3,148,016)	(3,189,145)	41,129
	<u>17,042,135</u>	<u>17,357,953</u>	<u>15,566,847</u>	<u>1,791,106</u>
School Reform Commission				
Personal Services	1,671,240	1,596,135	1,591,520	4,615
Employee Benefits	1,072,309	1,003,366	955,551	47,815
Prof.,Tech. Services	300,379	385,076	309,595	75,481
Property,Transportation,Comm.	132,399	69,555	39,849	29,706
Materials, Supplies, Books and Equipment	154,398	63,511	33,404	30,107
	<u>3,330,725</u>	<u>3,117,643</u>	<u>2,929,919</u>	<u>187,724</u>
Chief of Schools				
Personal Services	1,569,731	1,202,074	1,191,335	10,739
Employee Benefits	1,055,216	853,586	817,436	36,150
Prof.,Tech. Services	110,000	160,000	2,975	157,025
Property,Transportation,Comm.	3,219	7,000	26,079	(19,079)
Materials, Supplies, Books and Equipment	47,006	65,000	186,032	(121,032)
Other	59,639	136,910	-	136,910
	<u>2,844,811</u>	<u>2,424,570</u>	<u>2,223,857</u>	<u>200,713</u>
Office of School Management				
Personal Services	2,449,172	2,060,533	2,165,771	(105,238)
Employee Benefits	1,637,090	1,363,130	1,404,776	(41,646)
Prof.,Tech. Services	202,500	202,500	182,100	20,400
Property,Transportation,Comm.	190,858	191,502	131,611	59,891
Materials, Supplies, Books and Equipment	31,746	37,156	19,958	17,198
Other	-	-	(315,853)	315,853
	<u>4,511,366</u>	<u>3,854,821</u>	<u>3,588,363</u>	<u>266,458</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Secondary Education				
Personal Services	\$ 148,480	\$ 110,766	\$ 107,548	\$ 3,218
Employee Benefits	82,054	72,189	69,424	2,765
Prof.,Tech. Services	400,000	197,140	197,140	-
Property,Transportation,Comm.	89,732	100,787	253,094	(152,307)
Materials, Supplies, Books and Equipment	52,368	235,228	74,674	160,554
Other	-	-	(5,442)	5,442
	772,634	716,110	696,438	19,672
Curriculum, Instruction & Professional Development				
Personal Services	3,630,525	3,392,331	3,365,276	27,055
Employee Benefits	2,280,392	2,131,941	2,041,651	90,290
Prof.,Tech. Services	35,500	62,136	101,459	(39,323)
Property,Transportation,Comm.	1,931	35,000	25,068	9,932
Materials, Supplies, Books and Equipment	25,190	207,545	149,551	57,994
	5,973,538	5,828,953	5,683,005	145,948
Professional Growth Trust Fund				
Employee Benefits	234,500	270,500	270,500	-
Office of the Chief Operations Officer				
Personal Services	4,155,831	3,964,465	3,980,427	(15,962)
Employee Benefits	2,701,693	2,619,756	2,556,078	63,678
Prof.,Tech. Services	462,022	247,022	230,700	16,322
Property,Transportation,Comm.	90,334	340,334	338,086	2,248
Materials, Supplies, Books and Equipment	146,615	166,615	133,693	32,922
Other	-	-	(698,522)	698,522
	7,556,495	7,338,192	6,540,462	797,730
Executive / Board Management				
Personal Services	5,052,149	4,280,878	4,254,319	26,559
Employee Benefits	3,105,465	2,647,997	2,572,229	75,768
Prof.,Tech. Services	7,339,092	4,994,035	4,857,045	136,990
Property,Transportation,Comm.	181,001	295,685	293,153	2,532
Materials, Supplies, Books and Equipment	138,032	128,958	107,066	21,892
Other	51,830	84,566	-	84,566
	15,867,569	12,432,119	12,083,812	348,307
Office of Grant Development & Compliance				
Personal Services	-	488,635	676,932	(188,297)
Employee Benefits	-	304,572	449,812	(145,240)
Prof.,Tech. Services	-	-	118,572	(118,572)
Property,Transportation,Comm.	-	-	46,786	(46,786)
Materials, Supplies, Books and Equipment	-	-	37,964	(37,964)
	-	793,207	1,330,066	(536,859)
Office of the Chief Academic Officer				
Personal Services	3,425,745	3,671,732	3,634,223	37,509
Employee Benefits	2,080,644	2,230,804	2,199,608	31,196
Prof.,Tech. Services	81,456	121,485	100,909	20,576
Property,Transportation,Comm.	104,618	119,618	160,612	(40,994)
Materials, Supplies, Books and Equipment	274,700	818,029	631,841	186,188
Other	-	-	(649,137)	649,137
	5,967,163	6,961,668	6,078,056	883,612
Total Administrative Support	85,287,084	83,154,197	76,821,316	6,332,881

(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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 55,908,137	\$ 50,780,765	\$ 49,927,651	\$ 853,114
Employee Benefits	48,786,857	45,826,835	45,082,744	744,091
Prof.,Tech. Services	7,676,204	8,247,577	8,244,152	3,425
Property,Transportation,Comm.	6,794,404	11,374,075	11,218,565	155,510
Materials, Supplies, Books and Equipment	5,349,552	10,244,297	10,320,989	(76,692)
Other	(241,408)	(93,719)	(12,129,208)	12,035,489
	124,273,746	126,379,830	112,664,893	13,714,937
Food Services Indirect Cost				
Other	(3,000,000)	(3,150,000)	(3,150,000)	-
Utilities				
Prof.,Tech. Services	368,020	368,020	185,498	182,522
Property,Transportation,Comm.	13,776,070	13,539,341	12,918,533	620,808
Materials, Supplies, Books and Equipment	41,159,202	29,848,689	27,605,561	2,243,128
Other	(3,081,984)	(2,569,312)	(3,928,249)	1,358,937
	52,221,308	41,186,738	36,781,343	4,405,395
Security Operations				
Personal Services	17,655,273	15,473,102	15,413,699	59,403
Employee Benefits	13,481,904	12,396,255	12,503,127	(106,872)
Prof.,Tech. Services	67,916	67,916	52,076	15,840
Property,Transportation,Comm.	134,110	134,110	22,441	111,669
Materials, Supplies, Books and Equipment	392,267	434,894	459,205	(24,311)
Other	-	-	(2,417,440)	2,417,440
	31,731,470	28,506,277	26,033,108	2,473,169
Total Oper. & Maint. of Plant Services	205,226,524	192,922,845	172,329,344	20,593,501
Pupil Transportation				
Personal Services	17,138,942	17,526,754	17,196,189	330,565
Employee Benefits	14,629,793	14,786,420	14,410,499	375,921
Prof.,Tech. Services	274,106	1,099,987	979,470	120,517
Property,Transportation,Comm.	107,708,236	108,276,332	107,535,232	741,100
Materials, Supplies, Books and Equipment	3,664,439	3,740,327	3,324,444	415,883
Other	(54,626,000)	(55,355,457)	(54,641,456)	(714,001)
Total Pupil Transportation	88,789,516	90,074,363	88,804,378	1,269,985
All Other Support Services				
Risk Management				
Personal Services	235,038	231,248	270,735	(39,487)
Employee Benefits	155,226	166,686	188,052	(21,366)
Prof.,Tech. Services	18,743	18,743	-	18,743
Property,Transportation,Comm.	2,219,462	1,879,462	1,800,794	78,668
Materials, Supplies, Books and Equipment	1,000	1,000	-	1,000
Losses and Judgments	6,013,589	9,646,380	16,104,237	(6,457,857)
Refund of a Prior Year Revenue	360,000	731,684	16,154,675	(15,422,991)
	9,003,058	12,675,203	34,518,493	(21,843,290)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Temporary Borrowing				
Prof.,Tech. Services	\$ 300,000	\$ 300,000	\$ 168,000	\$ 132,000
Property,Transportation,Comm.	15,000	-	-	-
Interest	5,720,000	4,056,000	4,125,271	(69,271)
	6,035,000	4,356,000	4,293,271	62,729
Undistributed				
Personal Services	1,445,086	-	313	(313)
Employee Benefits	(1,611,557)	665,278	(8,500,761)	9,166,039
Prof.,Tech. Services	5,785,363	-	-	-
Other	(6,114,482)	1,232,826	-	1,232,826
Cancellation of Prior Years' Encumbrances	(3,000,000)	(9,702,400)	(9,016,072)	(686,328)
	(3,495,590)	(7,804,296)	(17,516,520)	9,712,224
Total All Other Support Services	11,542,468	9,226,907	21,295,244	(12,068,337)
Payments to Charter Schools				
Property,Transportation,Comm.	830,434,429	772,017,072	779,382,024	(7,364,952)
	830,434,429	772,017,072	779,382,024	(7,364,952)
Allocated Costs	(13,633,470)	(17,250,910)	-	(17,250,910)
Total Obligations	2,233,343,078	2,097,051,121	2,111,857,569	(14,806,448)
OTHER FINANCING USES				
Local Share of Categorical Programs	2,252,349	1,902,349	1,394,481	507,868
Debt Service Fund	280,217,100	292,782,000	296,460,068	(3,678,068)
Special Education	236,761,500	239,464,586	253,824,478	(14,359,892)
Categorical Funds	-	4,648,122	8,012,885	(3,364,763)
Enterprise Fund - Print Shop	-	450,000	342,700	107,300
Total Other Financing Uses	519,230,949	539,247,057	560,034,612	(20,787,555)
Total General Fund	\$ 2,752,574,027	\$ 2,636,298,178	\$ 2,671,892,181	\$ (35,594,003)
Fund Totals - Object Classes				
Personal Services	\$ 638,427,343	\$ 600,918,161	\$ 602,531,100	\$ (1,612,939)
Employee Benefits	444,275,538	429,822,379	424,523,776	5,298,603
Prof.,Tech. Services	95,459,557	94,605,691	96,022,587	(1,416,896)
Property,Transportation,Comm.	1,030,858,067	974,841,066	980,803,986	(5,962,920)
Materials, Supplies, Books, and Equipment	71,274,696	72,245,230	63,252,236	8,992,994
Other	(42,412,242)	(62,862,160)	(82,644,227)	19,782,067
Interest on Temporary Borrowing	5,720,000	4,056,000	4,125,271	(69,271)
Losses and Judgments	6,013,589	9,646,380	16,104,237	(6,457,857)
Refund of a Prior Year Revenue	360,000	731,684	16,154,675	(15,422,991)
Allocated Costs	(13,633,470)	(17,250,910)	-	(17,250,910)
Other Financing Uses	519,230,949	539,247,057	560,034,612	(20,787,555)
Cancellation of Prior Years' Encumbrances	(3,000,000)	(9,702,400)	(9,016,072)	(686,328)
Total General Fund	\$ 2,752,574,027	\$ 2,636,298,178	\$ 2,671,892,181	\$ (35,594,003)

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 3,000	\$ 3,000	\$ 15,289	\$ 12,289
Non-Public School Programs	17,000	17,000	18,887	1,887
Tuition	470,000	470,000	212,835	(257,165)
Total Locally Generated Non Tax	490,000	490,000	247,011	(242,989)
State Grants and Subsidies				
Special Education Program	4,923,000	5,368,000	5,367,802	(198)
Special Education Transportation	75,820,000	76,568,000	74,478,120	(2,089,880)
Non-Public School Programs	14,407,000	14,423,000	14,423,329	329
Social Security	6,831,000	6,813,000	7,445,478	632,478
Retirement	26,188,000	24,798,000	28,327,462	3,529,462
Total State Grants and Subsidies	128,169,000	127,970,000	130,042,191	2,072,191
Total Revenues	<u>\$ 128,659,000</u>	<u>\$ 128,460,000</u>	<u>\$ 130,289,202</u>	<u>\$ 1,829,202</u>
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 118,056,308	\$ 117,997,099	\$ 117,822,663	\$ 174,436
Employee Benefits	100,454,602	95,653,828	96,446,555	(792,727)
Prof.,Tech. Services	11,507,355	13,981,155	13,449,454	531,701
Property,Transportation,Comm.	3,451	3,451	56,893	(53,442)
Materials, Supplies, Books and Equipment	1,801,333	1,474,979	1,174,050	300,929
Other	(2,200,000)	-	-	-
Total Special Education	229,623,049	229,110,512	228,949,615	160,897
Services to Non-Public School Students				
Prof.,Tech. Services	13,468,769	13,560,420	13,231,680	328,740
Total Services to Non-Public School Students	13,468,769	13,560,420	13,231,680	328,740
Total Instruction	243,091,818	242,670,932	242,181,295	489,637
Student Support Services				
Special Education *				
Personal Services	16,223,369	16,077,451	16,043,570	33,881
Employee Benefits	16,023,293	15,091,443	15,008,557	82,886
Prof.,Tech. Services	15,000	15,000	3,120	11,880
Property,Transportation,Comm.	13,432,595	14,794,422	14,237,253	557,169
Materials, Supplies, Books and Equipment	10,200	10,300	9,733	567
Allocated Costs	(9,197,000)	(7,215,835)	(5,895,694)	(1,320,141)
Total Special Education	36,507,457	38,772,781	39,406,539	(633,758)

* 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation				
Allocated Costs	\$ 75,823,000	\$ 76,571,293	\$ 74,493,408	\$ 2,077,885
 Total Student Support Services	 112,330,457	 115,344,074	 113,899,947	 1,444,127
 Services to Non-Public School Students				
Personal Services	181,378	158,403	104,992	53,411
Employee Benefits	121,186	103,358	67,019	36,339
Prof.,Tech. Services	-	100,000	78,455	21,545
Property,Transportation,Comm.	-	-	783	(783)
Materials, Supplies, Books and Equipment	19,709	62,359	11,148	51,211
	322,273	424,120	262,397	161,723
 Total Administrative Support	 322,273	 424,120	 262,397	 161,723
 Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	675,958	485,460	1,042,409	(556,949)
 Total Allocated Costs	 9,675,958	 9,485,460	 10,042,409	 (556,949)
 Total Obligations	 365,420,506	 367,924,586	 366,386,048	 1,538,538
 OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(236,761,500)	(239,464,586)	(253,824,478)	14,359,892
 Total Intermediate Unit	 \$ 128,659,006	 \$ 128,460,000	 \$ 112,561,570	 \$ 15,898,430
 Fund Totals - Object Classes				
Personal Services	\$ 134,461,055	\$ 134,232,953	\$ 133,971,225	\$ 261,728
Employee Benefits	116,599,081	110,848,629	111,522,131	(673,502)
Prof.,Tech. Services	24,991,124	27,656,575	26,762,709	893,866
Property,Transportation,Comm.	13,436,046	14,797,873	14,294,929	502,944
Materials, Supplies, Books and Equipment	1,831,242	1,547,638	1,194,931	352,707
Other	(2,200,000)	-	-	-
Allocated Costs	76,301,958	78,840,918	78,640,123	200,795
 Total Obligations	 365,420,506	 367,924,586	 366,386,048	 1,538,538
 Other Financing Sources				
Operating Transfers from Other Funds	(236,761,500)	(239,464,586)	(253,824,478)	14,359,892
 Total Intermediate Unit	 \$ 128,659,006	 \$ 128,460,000	 \$ 112,561,570	 \$ 15,898,430

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 1,000,000	\$ 980,000	\$ 1,300,975	\$ 320,975
Basis Swap Income	-	215,000	447,203	232,203
Miscellaneous	-	-	219,694	219,694
Total Locally Generated Non Tax	1,000,000	1,195,000	1,967,872	772,872
Federal Revenue				
Federal Debt Service Subsidy	-	12,797,000	12,806,216	9,216
Total Federal Revenue	-	12,797,000	12,806,216	9,216
Total Revenues	\$ 1,000,000	\$ 13,992,000	\$ 14,774,088	\$ 782,088
OBLIGATIONS				
Bonds				
Principal	\$ 101,932,513	\$ 451,892,513	\$ 451,892,513	\$ -
Interest	77,906,207	81,852,911	81,850,504	2,407
Authority Obligations (SPSBA)				
Principal	18,130,000	666,300,000	666,300,000	-
Interest	52,821,938	53,101,790	53,101,790	-
Variable Rate Bond Interest	5,522,658	907,485	907,558	(73)
Issuance Costs	500,000	7,264,415	13,319,628	(6,055,213)
Administrative Expenses	4,804,774	8,011,185	1,935,120	6,076,065
Total Obligations	\$ 261,618,090	\$ 1,269,330,299	\$ 1,269,307,113	\$ 23,186
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 281,006,100	\$ 293,344,000	\$ 298,009,139	\$ 4,665,139
Capital Asset Proceeds	-	207,000	2,435,082	2,228,082
Refinancing Proceeds	-	1,306,745,000	1,306,746,400	1,400
Bond Defeasement	-	(314,340,109)	(314,427,680)	(87,571)
Total Other Financing Sources (Uses)	\$ 281,006,100	\$ 1,285,955,891	\$ 1,292,762,941	\$ 6,807,050
Net Change in Fund Balance	20,388,010	30,617,592	38,229,916	7,612,324
Fund Balances, July 1, 2016	104,194,000	106,138,400	142,850,500	36,712,100
Fund Balances, June 30, 2017	\$ 124,582,010	\$ 136,755,992	\$ 181,080,416	\$ 44,324,424

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 100,000	\$ 81,370	\$ 302,788	\$ 221,418
Miscellaneous	-	-	2,028,852	2,028,852
Total Locally Generated Non Tax	100,000	81,370	2,331,640	2,250,270
State Grants and Subsidies	425,000	543,870	1,380,767	836,897
Total Revenues	\$ 525,000	\$ 625,240	\$ 3,712,407	\$ 3,087,167
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (1,873,608)	\$ 1,873,608
New Buildings and Additions	25,032,609	5,020,339	21,088,402	(16,068,063)
Environmental Management				
Asbestos Abatement	9,015,282	6,704,903	7,293,307	(588,404)
Environmental Services	2,046,642	3,075,311	1,056,395	2,018,916
Total Environmental Management	11,061,924	9,780,214	8,349,702	1,430,512
Alterations and Improvements				
Various Projects	105,453,931	67,079,977	78,440,584	(11,360,607)
Administrative Support	10,517,889	9,540,750	12,757,507	(3,216,757)
Major/Building Renovations	16,379,688	27,663,055	46,173,678	(18,510,623)
Total Alterations and Improvements	132,351,508	104,283,782	137,371,769	(33,087,987)
Total Obligations	\$ 168,446,041	\$ 119,084,335	\$ 164,936,265	\$ (45,851,930)
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	\$ (4,296,250)	\$ (1,261,423)	\$ (1,259,641)	\$ 1,782
Debt Issuance	200,000,000	250,000,000	239,590,000	(10,410,000)
Bond Premium	-	-	11,671,423	11,671,423
Capital Asset Proceeds	-	-	4,456,396	4,456,396
Total Other Financing Sources (Uses)	\$ 195,703,750	\$ 248,738,577	\$ 254,458,178	\$ 5,719,601
Net Change in Fund Balance	27,782,709	130,279,482	93,234,320	(37,045,162)
Fund Balances, July 1, 2016	56,167,224	27,751,075	10,531,873	(17,219,202)
Change in Encumbrance Reserve	-	-	72,155,169	72,155,169
Fund Balances, June 30, 2017	\$ 83,949,933	\$ 158,030,557	\$ 175,921,362	\$ 17,890,805

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Fiduciary Funds

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

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

For external reporting purposes, the School District reports one combined Private Purpose Trust Fund. However, at June 30, 2017 there were twelve 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, 2017 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, 2017

	Payroll Liabilities	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 5,024,242	\$ -	\$ 5,024,242
Equity in Pooled Cash and Investments	104,476,646	-	281,630	104,758,276
Total Assets	104,476,646	5,024,242	281,630	109,782,518
LIABILITIES				
Payroll Deductions and Withholdings	104,476,646	-	-	104,476,646
Due to Student Activities	-	5,024,242	-	5,024,242
Other Liabilities	-	-	281,630	281,630
Total Liabilities	104,476,646	5,024,242	281,630	109,782,518
NET POSITION				
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2017.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 85,334,874	\$ 681,014,549	\$ 661,872,777	\$ 104,476,646
Accounts Receivable	13,520	-	13,520	-
Total Assets	<u>\$ 85,348,394</u>	<u>\$ 681,014,549</u>	<u>\$ 661,886,297</u>	<u>\$ 104,476,646</u>
Liabilities				
Payroll Deductions and Withholdings	<u>\$ 85,348,394</u>	<u>\$ 681,014,549</u>	<u>\$ 661,886,297</u>	<u>\$ 104,476,646</u>
Student Activities Fund				
Assets				
Cash	<u>\$ 5,017,610</u>	<u>\$ 8,938,424</u>	<u>\$ 8,931,792</u>	<u>\$ 5,024,242</u>
Liabilities				
Due to Student Activities	<u>\$ 5,017,610</u>	<u>\$ 8,938,424</u>	<u>\$ 8,931,792</u>	<u>\$ 5,024,242</u>
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 251,207</u>	<u>\$ 444,290</u>	<u>\$ 413,867</u>	<u>\$ 281,630</u>
Liabilities				
Other Liabilities	<u>\$ 251,207</u>	<u>\$ 444,290</u>	<u>\$ 413,867</u>	<u>\$ 281,630</u>
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,017,610	\$ 8,938,424	\$ 8,931,792	\$ 5,024,242
Equity in Pooled Cash and Investments	85,586,081	681,458,839	662,286,644	104,758,276
Accounts Receivable	<u>13,520</u>	<u>-</u>	<u>13,520</u>	<u>-</u>
Total Assets	<u>\$ 90,617,211</u>	<u>\$ 690,397,263</u>	<u>\$ 671,231,956</u>	<u>\$ 109,782,518</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 85,348,394	\$ 681,014,549	\$ 661,886,297	\$ 104,476,646
Due to Student Activities	5,017,610	8,938,424	8,931,792	5,024,242
Other Liabilities	<u>251,207</u>	<u>444,290</u>	<u>413,867</u>	<u>281,630</u>
Total Liabilities	<u>\$ 90,617,211</u>	<u>\$ 690,397,263</u>	<u>\$ 671,231,956</u>	<u>\$ 109,782,518</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2017

Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2018 Debt Service Requirements	
					Interest	Principal
SEPTEMBER 10, 2003 (SERIES B) (BS03) State Public School Building Authority Capital Obligation Bonds	588,140,000	43,505,000	JUNE 1, 2028-32	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	2,335,000 2,470,000 2,600,000 2,745,000	JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021	5.500 5.500 5.500 5.500	128,425 135,850 143,000 150,975	2,335,000 - - -
		<u>10,150,000</u>			<u>558,250</u>	<u>2,335,000</u>
DECEMBER 28, 2006 (SERIES B) (BS06) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	36,820,000 46,545,000	JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023-27 JUNE 1, 2028-32	3.750 3.875 4.000 4.000 4.125 5.000 5.000	285,497 295,013 304,530 304,530 314,046 1,903,311 761,324	- - - - - - -
		<u>83,365,000</u>			<u>4,168,250</u>	<u>-</u>
MAY 22, 2007 (SERIES A) (A007) GOB Non Refunding	146,530,000	15,000 15,000 15,000 215,000 505,000 65,535,000 5,645,000 74,480,000	JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023-27 JUNE 1, 2028-32 JUNE 1, 2033-37	5.000 5.000 5.000 5.000 5.000 5.000 5.000 4.748	750 750 750 10,750 25,250 3,276,750 282,250 3,536,500	15,000 - - - - - - -
		<u>146,425,000</u>			<u>7,133,750</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		DEC 15, 2017 DEC 15, 2018 DEC 15, 2019 DEC 15, 2020 DEC 15, 2021 DEC 15, 2022 DEC 28, 2022-26	1.250 1.250 1.250 1.250 1.250 1.250 1.250	62,500 62,500 62,500 62,500 62,500 39,500 -	- - - - - - -
		<u>28,160,000</u>			<u>352,000</u>	<u>-</u>
NOVEMBER 20, 2008 (SERIES E) (E008) GOB Non Refunding	282,365,000	6,000,000 6,295,000 6,620,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019	4.500 5.000 5.125	135,000 314,750 339,275	6,000,000 - -
		<u>18,915,000</u>			<u>789,025</u>	<u>6,000,000</u>
NOVEMBER 20, 2008 (SERIES F) (F008) GOB Refunding	114,215,000	10,505,000 10,070,000 9,635,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019	5.000 5.000 5.000	262,625 503,500 481,750	10,505,000 - -
		<u>30,210,000</u>			<u>1,247,875</u>	<u>10,505,000</u>
MAY 28, 2009 SERIES B (B009) GOB Refunding	30,710,000	5,980,000 6,280,000	JUNE 1, 2018 JUNE 1, 2019	5.000 4.518	299,000 283,700	5,980,000 -
		<u>12,260,000</u>			<u>582,700</u>	<u>5,980,000</u>
APRIL 6, 2010 SERIES B (B010) (BAB-Federal Subsidy)	221,485,000	5,920,000 6,115,000 6,325,000 6,550,000 6,785,000 38,085,000 46,810,000 57,935,000 40,130,000	JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023-27 JUNE 1, 2028-32 JUNE 1, 2033-37 JUNE 1, 2038-42	5.139 5.289 5.419 5.589 5.739 6.281 6.765 6.765 6.765	304,229 323,422 342,752 366,080 389,391 2,398,141 3,126,354 3,919,303 2,714,794	5,920,000 - - - - - - - -
		<u>214,655,000</u>			<u>13,884,466</u>	<u>5,920,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2017

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2018 Debt Service Requirements	
					Interest	Principal
APRIL 6, 2010 SERIES C (C010) GOB Refunding	300,045,000	25,995,000 26,980,000 27,995,000 29,040,000 25,745,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	5.000 5.000 5.000 5.000 5.000	649,875 1,349,000 1,399,750 1,452,000 1,287,250	25,995,000 - - - -
		<u>135,755,000</u>			<u>6,137,875</u>	<u>25,995,000</u>
APRIL 6, 2010 SERIES D (D010) GOB Refunding	49,365,000	7,245,000 7,600,000 8,000,000 8,410,000 8,850,000 9,260,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022	4.410 4.976 4.974 4.973 4.973 4.000	159,747 378,213 397,900 418,187 432,312 370,400	7,245,000 - - - - -
		<u>49,365,000</u>			<u>2,156,759</u>	<u>7,245,000</u>
JANUARY 3, 2011 SERIES E (E010) GOB Refunding	125,880,000	4,105,000 4,325,000 4,540,000 4,775,000 9,435,000 78,625,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26	5.000 5.000 5.000 5.000 5.250 5.250	102,625 216,250 227,000 238,750 495,338 4,127,812	4,105,000 - - - - -
		<u>105,805,000</u>			<u>5,407,775</u>	<u>4,105,000</u>
DECEMBER 20, 2011 SERIES A (QSCB) - (Federal Subsidy) GOB (AQ11)	144,625,000		SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26 SEPT 1, 2027-31	5.995 5.995 5.995 5.995 5.995 5.995 5.995	314,544 536,809 536,809 536,809 536,809 3,398,944 2,774,174	- - - - - - -
		<u>144,035,000</u>			<u>8,634,898</u>	<u>-</u>
DECEMBER 20, 2011 SERIES B (Tax Exempt) GOB (B011)	16,970,000	1,735,000 1,775,000 1,825,000 1,885,000 1,945,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	2.250 2.500 3.000 3.125 3.250	19,519 44,375 54,750 58,906 63,213	1,735,000 - - - -
		<u>9,165,000</u>			<u>240,763</u>	<u>1,735,000</u>
DECEMBER 20, 2011 SERIES C (C011) GOB Refunding	41,185,000	3,750,000 3,945,000 4,145,000 4,355,000 4,580,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	5.000 5.000 5.000 5.000 5.000	93,750 197,250 207,250 217,750 229,000	3,750,000 - - - -
		<u>20,775,000</u>			<u>945,000</u>	<u>3,750,000</u>
DECEMBER 20, 2011 SERIES D (D011) GOB Refunding	16,330,000	1,800,000 1,890,000 1,970,000 2,035,000 2,110,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	5.000 4.807 3.000 3.619 3.500	45,000 90,850 59,100 73,638 73,850	1,800,000 - - - -
		<u>9,805,000</u>			<u>342,438</u>	<u>1,800,000</u>
NOVEMBER 28, 2012 SERIES B (BS12) GOB Deficit Funding State Public School Building Authority Capital Obligation Bonds	264,995,000	10,720,000 11,255,000 11,815,000 12,410,000 13,030,000 75,590,000 96,475,000	APRIL 1, 2018 APRIL 1, 2019 APRIL 1, 2020 APRIL 1, 2021 APRIL 1, 2022 APRIL 1, 2023-27 APRIL 1, 2028-32	5.000 5.000 5.000 5.000 5.000 5.000 5.000	536,000 562,750 590,750 620,500 651,500 3,779,500 4,823,750	10,720,000 - - - - - -
		<u>231,295,000</u>			<u>11,564,750</u>	<u>10,720,000</u>
APRIL 20, 2015 SERIES A (AS15) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	80,000,000	8,065,000 8,390,000 8,805,000 9,260,000 9,710,000 35,765,000	JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023-27	4.000 5.000 5.000 5.000 5.000 4.920	322,600 419,500 440,250 463,000 485,500 1,755,750	8,065,000 - - - - -
		<u>79,995,000</u>			<u>3,886,600</u>	<u>8,065,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2017

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2018 Debt Service Requirements	
					Interest	Principal
APRIL 20, 2015 (SERIES A) (A015) GOB Non Refunding	46,770,000	1,500,000 1,560,000 1,625,000 1,700,000 1,790,000 10,405,000 13,360,000 13,380,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26 SEPT 1, 2027-31 SEPT 1, 2032-36	4.000 4.000 4.000 5.000 5.000 5.000 5.000 5.000	30,000 62,400 65,000 85,000 89,500 520,250 668,000 669,000	1,500,000 - - - - - - -
		<u>45,320,000</u>			<u>2,189,150</u>	<u>1,500,000</u>
APRIL 20, 2015 (SERIES C) (C015) GOB-Refunding	44,565,000	3,945,000 4,030,000 4,140,000 4,265,000 4,400,000 19,280,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26	2.009 2.512 2.973 3.273 3.535 3.837	39,628 101,234 123,082 139,593 155,540 740,897	3,945,000 - - - - -
		<u>40,060,000</u>			<u>1,299,974</u>	<u>3,945,000</u>
May 5, 2015 (SERIES D) (D015) GOB-Refunding	128,620,000	17,195,000 18,080,000 19,000,000 19,980,000 21,005,000 17,000,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26	5.000 5.000 5.000 5.000 5.000 5.000	429,875 904,000 950,000 999,000 1,050,250 850,000	17,195,000 - - - - -
		<u>112,260,000</u>			<u>5,183,125</u>	<u>17,195,000</u>
NOVEMBER 16, 2016 (SERIES A) (AS16) GOB Refunding State Public School Building Authority Capital Obligation Bonds	570,010,000	900,000 900,000 900,000 900,000 900,000 92,400,000 280,260,000 173,200,000	JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023-27 JUNE 1, 2028-32 JUNE 1, 2033-37	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	45,000 45,000 45,000 45,000 45,000 4,620,000 14,013,000 8,660,000	900,000 - - - - - - -
		<u>550,360,000.00</u>			<u>27,518,000</u>	<u>900,000</u>
NOVEMBER 16, 2016 (SERIES D) (D016) GOB Non Refunding	92,345,000	5,890,000 6,190,000 6,510,000 6,845,000 7,195,000 41,905,000 17,810,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26 SEPT 1, 2027-31	5.000 5.000 5.000 5.000 5.000 5.000 5.000	147,250 309,500 325,500 342,250 359,750 2,095,250 890,500	5,890,000 - - - - - -
		<u>92,345,000</u>			<u>4,470,000</u>	<u>5,890,000</u>
NOVEMBER 16, 2016 (SERIES E) (EQ16) SERIES A (QSCB) - (Federal Subsidy) GOB (AQ16)	147,245,000		SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26 SEPT 1, 2027-31 SEPT 1, 2032-36 SEPT 1, 2037-41 SEPT 1, 2042-46	5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060	127 253 253 253 253 1,265 1,678,302 2,622,620 2,622,620 524,651	- - - - - - - - - -
		<u>147,245,000</u>			<u>7,450,597</u>	<u>-</u>
NOVEMBER 16, 2016 (SERIES F) (F016) GOB-Refunding	582,155,000	560,000 565,000 5,750,000 22,255,000 22,535,000 190,505,000 238,335,000 70,680,000 30,970,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022-26 SEPT 1, 2027-31 SEPT 1, 2032-36 SEPT 1, 2037-41	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	14,000 28,250 287,500 1,112,750 1,126,750 9,525,250 11,916,750 3,534,000 1,548,500	560,000 - - - - - - - -
		<u>582,155,000</u>			<u>29,093,750</u>	<u>560,000</u>
TOTAL BONDS OUTSTANDING	\$ <u>4,671,045,000</u>	\$ <u>2,976,230,000</u>			\$ <u>147,630,544</u>	\$ <u>124,160,000</u>
NON-ELECTORAL DEBT BONDS	\$ 2,622,330,000	\$ 1,987,710,000			\$ 98,100,169	\$ 104,475,000
CAPITAL OBLIGATION BONDS (Lease Rental)	2,048,715,000	988,520,000			49,530,375	19,685,000
TOTAL BONDS OUTSTANDING	\$ <u>4,671,045,000</u>	\$ <u>2,976,230,000</u>			\$ <u>147,630,544</u>	\$ <u>124,160,000</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.

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<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
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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 2008 through 2017
(accrual basis of accounting)
(dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 27,119	\$ 17,712	\$ (27,665)	\$ (125,999)	\$ (210,988)	\$ (238,240)	\$ (372,517)	\$ (569,899)	\$ (585,039)	\$ (633,454)
Restricted										
Medical Self-Insurance	-	-	-	18,375	18,375	18,375	18,375	9,500	9,500	9,500
Debt Service	74,032	71,650	76,811	94,901	109,544	98,228	93,491	122,992	142,049	178,655
Student Health	2,814	2,109	2,166	3,495	3,466	3,447	3,428	3,411	3,407	3,401
Scholarships	3,393	4,121	4,149	2,891	2,838	2,836	2,866	2,895	2,909	2,929
Arbitrage Rebate Payable	3,767	4,286	4,286	3,646	286	265	266	694	309	47
Unrestricted Deficit	(1,308,420)	(1,275,930)	(1,302,757)	(1,344,779)	(1,355,846)	(1,482,974)	(4,714,160)	(4,371,010)	(4,177,825)	(3,968,022)
Total Governmental Activities Net Deficit	(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)	(4,406,944)
Business-type Activities										
Net Investment in Capital Assets	4,005	3,281	3,247	2,927	2,466	2,122	1,739	1,676	2,108	2,145
Unrestricted Deficit	(7,346)	(11,196)	(11,162)	(9,342)	(6,747)	(5,003)	(50,154)	(47,497)	(36,490)	(25,116)
Total Business-type Activities Net Deficit	(3,341)	(7,915)	(7,915)	(6,415)	(4,281)	(2,881)	(48,415)	(45,821)	(34,382)	(22,971)
Total School District										
Net Investment in Capital Assets	31,124	20,993	(24,418)	(123,072)	(208,522)	(236,118)	(370,778)	(568,223)	(582,931)	(631,309)
Restricted	84,006	82,166	87,412	123,308	134,509	123,151	118,426	139,492	158,174	194,532
Unrestricted Deficit	(1,315,766)	(1,287,126)	(1,313,919)	(1,354,121)	(1,362,593)	(1,487,977)	(4,764,314)	(4,418,507)	(4,214,315)	(3,993,138)
Total School District Net Deficit	\$ (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)	\$ (4,429,915)

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.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2008 through 2017.

School District of Philadelphia

Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2008 through 2017
(accrual basis of accounting)
(dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017
<u>Expenses:</u>										
Governmental Activities										
Instruction	\$ 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	\$ 2,224,850
Student Support Services	210,458	205,374	240,883	254,991	181,595	180,348	651,187	184,429	174,820	200,431
Administrative Support	92,100	122,523	135,194	147,661	108,120	102,855	418,487	107,528	102,475	113,885
Operation & Maintenance of Plant Services (3)	273,335	261,750	256,291	241,486	197,205	198,762	415,568	181,625	169,125	172,241
Pupil Transportation	107,050	73,636	76,175	81,154	81,983	82,015	159,516	80,471	81,860	88,413
All Other Support Services	32,047	1,591	(3,362)	(21,283)	(10,373)	15,123	(25,224)	(19,244)	19,045	30,010
Early Childhood Education	22,816	24,157	20,515	1,487	189	197	138	139	158	227
Interest on Long-Term Debt	137,906	139,001	142,337	147,505	139,023	153,707	153,381	145,608	144,419	149,522
Total Governmental Activities Expenses (1)	<u>2,609,375</u>	<u>2,697,821</u>	<u>2,901,832</u>	<u>3,121,294</u>	<u>2,785,725</u>	<u>2,922,742</u>	<u>6,123,021</u>	<u>2,827,003</u>	<u>2,846,901</u>	<u>3,079,579</u>
Business-type Activities: (4)										
Food Service	78,189	81,008	80,638	81,035	77,246	76,036	120,692	81,633	75,436	76,807
Print Shop	-	-	-	-	-	-	-	1,188	984	1,009
Total Business-type Activities Expenses	<u>78,189</u>	<u>81,008</u>	<u>80,638</u>	<u>81,035</u>	<u>77,246</u>	<u>76,036</u>	<u>120,692</u>	<u>82,821</u>	<u>76,420</u>	<u>77,816</u>
Total School District Expenses	<u>\$ 2,687,564</u>	<u>\$ 2,778,829</u>	<u>\$ 2,982,470</u>	<u>\$ 3,202,329</u>	<u>\$ 2,862,971</u>	<u>\$ 2,998,778</u>	<u>\$ 6,243,713</u>	<u>\$ 2,909,824</u>	<u>\$ 2,923,321</u>	<u>\$ 3,157,395</u>
<u>Program Revenues</u>										
Governmental Activities										
Charges for Services (2)										
Instruction	\$ 686	\$ 1,037	\$ 664	\$ 745	\$ 642	\$ 847	\$ 820	\$ 970	\$ 902	\$ 331
Student Support Services	65	69	2	-	-	-	-	-	-	-
Administrative Support	3,843	3,963	3,882	3,922	322	4,752	4,512	4,862	4,744	5,337
Operation & Maintenance of Plant Services	959	1,213	1,114	1,171	872	894	225	4,837	2,836	4,477
Early Childhood Education	218	536	60	-	28	-	-	-	-	-
Operating grants and contributions	853,660	904,656	1,001,353	1,046,867	788,546	865,562	778,766	826,236	857,497	963,557
Capital grants and contributions	22	500	92	1,200	(211)	1,000	-	82	1,260	1,514
Total Governmental Activities Program Revenues	<u>859,453</u>	<u>911,974</u>	<u>1,007,167</u>	<u>1,053,905</u>	<u>790,199</u>	<u>873,055</u>	<u>784,323</u>	<u>836,987</u>	<u>867,239</u>	<u>975,216</u>
Business-type Activities: (4)										
Charges for Services:										
Food Service	3,709	3,089	3,237	2,674	2,094	1,582	1,409	251	163	94
Print Shop	-	-	-	-	-	-	-	657	539	557
Operating grants and contributions	69,445	72,063	76,870	79,553	77,291	76,071	74,039	85,789	86,559	88,378
Food Service	-	-	-	-	-	-	-	64	93	109
Print Shop	-	-	-	-	211	-	-	-	-	-
Capital grants and contributions	73,154	75,152	80,107	82,227	79,596	77,653	75,448	86,761	87,354	89,138
Total Business-type Activities Program Revenues	<u>93,2607</u>	<u>987,126</u>	<u>1,087,274</u>	<u>1,136,132</u>	<u>869,795</u>	<u>950,708</u>	<u>859,771</u>	<u>923,748</u>	<u>954,593</u>	<u>1,064,354</u>
Total School District Program Revenues	<u>\$ 932,607</u>	<u>\$ 987,126</u>	<u>\$ 1,087,274</u>	<u>\$ 1,136,132</u>	<u>\$ 869,795</u>	<u>\$ 950,708</u>	<u>\$ 859,771</u>	<u>\$ 923,748</u>	<u>\$ 954,593</u>	<u>\$ 1,064,354</u>
<u>Net (Expense)/Revenue</u>										
Governmental Activities	(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)	(2,104,363)
Business-type Activities	(5,035)	(5,856)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322
Total School District Net (Expense)/Revenue	<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>	<u>\$ (2,093,041)</u>

Notes:

- (1) Expenses for instruction, student support services, pupil transportation, operation & maintenance of plant services, and interest on long-term debt have progressively increased primarily due to implementing the "No Child Left Behind" 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 2008 - 2014 included only the Food Service Fund. Business Activities include the Food Service Fund and Print Shop Fund beginning with Fiscal Year 2015 and thereafter.
- (5) Restated for the reclassification of the Print Shop from an internal service fund to an enterprise fund.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2008 through 2017.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2008 through 2017
(accrual basis of accounting)
(dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017
<u>Net (Expense)/Revenue</u>										
Governmental Activities	\$ (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)	\$ (2,104,363)
Business-type Activities	(5,035)	(5,856)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322
Total School District Net (Expense)/Revenue	<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>	<u>(2,093,041)</u>
<u>General Revenues/Contributed Capital/Transfers:</u>										
Governmental Activities										
Property Taxes	598,556	604,962	608,377	605,249	658,540	650,633	661,263	683,471	669,424	703,934
Other Taxes										
Use & Occupancy Taxes	108,298	112,225	111,801	115,361	113,843	130,142	137,677	127,711	137,662	145,560
Liquor Taxes	41,616	41,136	42,787	45,185	52,314	50,780	62,105	62,327	66,085	75,783
School (Non-Business) Income Taxes	26,650	25,240	21,590	24,738	29,691	27,225	37,274	43,507	40,946	47,782
Public Utility/PILOT Taxes	1,054	965	1,098	1,115	1,103	1,053	1,071	1,104	1,048	1,198
Cigarette Sales Tax	-	-	-	-	-	-	-	50,245	58,766	58,000
Sales Tax	-	-	-	-	-	-	-	120,000	120,000	120,000
Ridesharing Revenue	-	-	-	-	-	-	-	-	-	1,399
Grants and Contributions Not Restricted to Specific Programs	133,801	102,249	63,462	69,057	87,921	100,580	164,524	123,325	128,522	129,974
State & Federal Subsidies	870,686	922,965	1,018,811	1,089,698	969,264	925,831	912,421	925,825	942,152	988,294
Reimbursements of Insurance Deposits	-	-	-	-	-	-	-	-	1,008	-
Gain/(Loss) on Sale of Capital Assets	(4,112)	(1,283)	(534)	(308)	217	(431)	290	3,803	2,031	-
Transfers	-	-	2,261	13,348	4,170	(1,864)	838	13,724	8,725	(3,890)
Investment Revenue/(Expense)	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<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>	<u>2,267,981</u>
Business-type Activities										
Contributed Capital	63	-	(3)	-	-	-	-	-	410	34
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	(57)	33	-
Transfers	4,112	1,283	534	308	(217)	(217)	(290)	177	62	54
Total Business-type Activities	<u>4,175</u>	<u>1,283</u>	<u>531</u>	<u>308</u>	<u>(217)</u>	<u>(217)</u>	<u>(290)</u>	<u>120</u>	<u>505</u>	<u>88</u>
Total School District General Revenues/Contributed Capital/Transfers	<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>	<u>2,268,069</u>
<u>Changes in Net Position:</u>										
Governmental Activities	26,627	22,612	(25,018)	(103,946)	(78,463)	(165,738)	(3,340,119)	164,849	196,645	163,618
Business-type Activities	(860)	(4,573)	-	1,500	2,133	1,400	(45,534)	4,060	11,439	11,410
Total School District Change in Net Position	<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>	<u>\$ 175,028</u>

Notes:

(1) Restated for the reclassification of the Print Shop from an internal service fund to an enterprise fund.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2008 through 2017.

School District of Philadelphia
Table 4

Fund Balances of Governmental Funds⁽¹⁾
For the Fiscal Years 2008 through 2017
(modified accrual basis of accounting)
(dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable										
Inventories	\$ 1,204	\$ 1,306	\$ 1,232	\$ 1,154	\$ 1,102	\$ 904	\$ 1,257	\$ 1,206	\$ 1,022	\$ 788
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	28,607
Unassigned	(44,608)	8,368	(9,866)	(71,967)	(138,150)	(64,128)	(116,452)	(6,886)	25,090	(9,970)
Total General Fund	<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>	<u>\$ 19,425</u>
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,291	\$ 1,291	\$ 1,336	\$ 1,366	\$ 1,366	\$ 1,368	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365
Restricted										
Retirement of Long-term Debt	48,741	49,138	47,944	59,126	62,208	69,059	65,170	98,627	80,629	89,255
Debt Service Interest	25,291	22,512	28,867	35,775	47,335	29,169	28,321	24,364	24,709	42,986
Mandatory Deposits for Future Debt Payments	-	-	-	-	-	-	-	-	36,712	46,414
Arbitrage Rebate Payable	3,767	4,286	4,286	3,646	286	265	266	693	309	47
Trust purposes	4,918	4,960	4,982	5,021	4,939	4,915	4,928	4,941	4,950	4,965
Capital Purposes	117,876	165,315	257,067	82,591	169,653	103,138	73,364	93,319	10,223	175,874
Committed	-	9,886	19,886	-	-	-	-	-	-	-
Assigned	-	2,383	1,220	2,645	1,359	967	9,350	2,520	3,351	4,128
Unassigned	(12,266)	(18,972)	(15,620)	(54,588)	(9,467)	(5,815)	(4,021)	(4,428)	(6,195)	(7,008)
Total All Other Governmental Funds	<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>	<u>\$ 358,026</u>
Total Fund Balance	<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>	<u>\$ 377,451</u>

Notes:

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2008 through 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2008 through 2017.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2008 through 2017
(modified accrual basis of accounting)
(dollars in thousands)

REVENUES

Federal Sources

Grants and Subsidies

Total Federal Sources

State Sources

Grants and Subsidies

Total State Sources

Local Sources

Local Taxes

Real Estate

Current

Prior Years

Payment in Lieu of Taxes

Use and Occupancy

School (Non-Business) Income

Liquor Sales

Cigarette Sales Tax

Sales Tax

Public Utility Realty

Ridesharing Revenue

Total Local Taxes

Locally Generated Non Tax

Interest and other income

City Contributions

Legal Settlements

Casino Settlement

Stadium Agreements

Parking Authority

Gaming Revenue

One Time State Grant Received from City of Philadelphia

Reimbursements from Other Funds

Variable Rate Income/Basis Swap Income

Other Miscellaneous/Voluntary Contributions

Total Local Generated Non Tax

Total Local Sources

Total Revenues

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
\$	297,128	\$ 301,723	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064	\$ 266,508	\$ 236,541	\$ 286,785
	297,128	301,723	557,950	632,055	444,504	400,086	253,064	266,508	236,541	286,785
\$	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	1,657,768
	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	1,657,768
\$	547,580	548,166	546,352	549,717	597,788	601,533	592,906	604,940	633,998	660,223
	51,814	50,662	55,684	39,555	51,606	52,028	64,512	57,153	63,410	54,989
	5	5	5	-	5	5	4	5	5	5
	108,614	112,266	117,295	109,273	112,540	132,689	138,080	127,808	137,333	144,877
	26,938	25,335	22,175	24,011	27,744	28,105	40,501	40,358	40,345	42,251
	41,586	41,016	43,280	43,892	50,122	54,238	60,527	61,712	65,831	74,640
	-	-	-	-	-	-	-	50,245	58,766	58,000
	-	-	-	-	-	-	-	120,000	120,000	120,000
	1,049	960	1,093	1,115	1,099	1,048	1,067	1,099	1,043	1,193
	-	-	-	-	-	-	-	-	-	1,399
	777,586	778,410	785,884	767,563	840,904	869,646	897,597	1,063,320	1,120,731	1,157,577
\$	49,952	20,771	9,101	5,986	7,903	7,838	8,773	11,449	12,130	9,381
	37,000	38,490	38,540	38,600	48,930	68,990	96,050	99,110	104,185	104,264
	2,555	2,710	2,735	2,613	2,485	2,744	-	-	-	-
	-	-	-	-	-	-	-	3,872	1,928	3,857
	3,000	3,000	3,000	3,000	2,815	2,717	2,755	2,755	2,744	2,744
	2,221	3,801	7,284	7,789	13,956	13,264	9,723	11,063	10,279	10,274
	-	-	-	5,793	5,894	4,791	4,829	5,132	4,810	4,716
	-	-	-	-	-	-	45,000	-	-	-
	7,233	7,576	14	14	14	14	14	14	14	14
	20,697	8,471	2,656	1,445	1,492	1,406	1,686	1,740	1,921	447
	-	-	7,975	7,533	11,209	8,368	8,260	6,354	17,628	12,734
	122,658	84,819	71,305	72,773	94,698	110,132	177,090	141,489	155,639	148,431
	900,244	863,229	857,189	840,336	935,602	979,778	1,074,687	1,204,809	1,276,370	1,306,008
\$	2,636,124	\$ 2,691,746	\$ 2,872,055	\$ 2,930,859	\$ 2,729,620	\$ 2,770,021	\$ 2,760,791	\$ 2,947,079	\$ 3,064,466	\$ 3,250,561
	2,636,124	2,691,746	2,872,055	2,930,859	2,729,620	2,770,021	2,760,791	2,947,079	3,064,466	3,250,561

(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 2008 through 2017.

School District of Philadelphia

Table 6

Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2008 through 2017
(modified accrual basis of accounting)
(dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>EXPENDITURES</u>										
Current:										
Instruction	\$ 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	\$ 1,487,137
Student Support Services	226,504	199,912	232,526	250,054	200,466	201,931	151,841	178,088	188,946	221,461
Administrative Support	82,101	109,777	131,064	140,202	107,487	102,787	100,134	103,452	104,388	119,602
Operation & Maintenance of Plant Services	271,003	237,910	254,114	237,243	200,893	205,317	200,744	182,659	177,132	180,241
Pupil Transportation	107,666	73,437	76,068	80,279	83,396	84,104	85,520	80,655	83,959	90,510
All Other Support Services	31,473	1,462	(3,647)	(21,612)	(10,661)	14,858	(25,449)	(19,282)	18,962	29,962
Early Childhood Education	22,814	24,157	20,505	(1,487)	189	197	138	139	158	227
Payments to Charter Schools	269,695	308,505	338,320	411,713	539,741	600,963	712,512	722,039	723,092	791,589
Debt Service:										
Loans	7	3	-	-	-	-	-	-	-	-
Bonds										
Principal	66,417	71,159	70,762	65,454	31,577	107,664	106,059	101,233	100,493	451,893
Interest	99,625	82,157	110,433	155,797	87,040	97,230	91,114	91,755	81,246	82,758
Authority Obligations (SPSBA)										
Principal & Interest	49,062	49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382	719,402
Issuance Costs	3,370	10,281	4,132	2,248	1,836	1,873	-	2,476	1,402	13,320
Administrative Expenses	2,901	8,786	6,306	3,459	3,684	3,134	2,631	2,447	6,082	1,935
Capital Outlay: (1)										
New Buildings and Additions	147,024	88,048	42,641	88,339	7,923	13,105	4,648	4,212	10,708	6,734
Environmental Management	3,504	3,521	3,367	3,335	2,997	2,893	2,973	3,903	4,134	6,200
Alterations and Equipment	213,146	111,638	90,969	71,323	61,291	49,082	20,252	30,689	70,232	66,848
Major Renovations	-	-	-	-	-	-	-	-	2,784	6,713
Equipment Acquisitions	10,682	23,075	24,124	15,952	6,191	2,849	2,892	222	761	6,286
Total Expenditures	\$ 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	\$ 4,282,818
<u>Computation of Debt Service as a percentage of noncapital expenditures (2):</u>										
Total Expenditures	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	4,282,818
Less: Capital Outlay: (1)	(374,356)	(226,282)	(161,101)	(178,948)	(78,402)	(67,929)	(30,766)	(39,025)	(88,619)	(92,781)
Noncapitalized Expenditures (Excludes Depreciation)	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	4,190,037
Divide into	/									
Debt Service (Principal/Interest) (2a and 2b)	215,104	202,374	230,253	270,311	161,139	253,950	268,519	262,039	253,120	1,254,053
Debt Service as a percentage of noncapital expenditures (2)	= 8.3%	7.6%	8.0%	8.8%	5.8%	8.4%	9.4%	9.2%	8.6%	29.9%

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.
- (3) Although FY2017 debt service expenditures represented approximately 30.00% of noncapitalized expenditures paid, the expenditures included \$1,005.6 million of debt refunded with refunding proceeds of \$1,152.2 million and premiums of \$154.6 million. After considering the refunding expenditures which were paid with refunding proceeds and premiums, the net debt service fund expenditures were \$248.4 million. The \$248.4 million expenditures represent 7.8% of the net noncapitalized (less refunding expenditures) expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2008 through 2017.

School District of Philadelphia

Table 7
Other Financing Sources/(Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2008 through 2017
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (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	\$ (1,032,256,633)
Other Financing Sources/(Uses)										
Debt Issuance (Bond Proceeds)	724,300,000	496,565,000	598,715,000	425,880,000	280,410,000	264,995,000	-	46,770,000	-	239,590,000
Capital Asset Insurance Refunds	-	-	-	-	-	-	-	-	1,008,215	-
Capital Asset Proceeds	5,644,893	11,390,163	276,989	5,764,807	211,481	346,580	32,565,867	23,942,448	6,501,847	9,705,892
SEPTA Loan Proceeds	-	-	-	-	35,312,564	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	266,690,000	349,960,000	1,152,166,056
Bond Premium	-	3,809,411	35,336,224	7,724,600	4,636,559	36,908,311	-	34,496,717	-	166,251,767
Bond Discounts	-	(9,657,934)	-	-	(265,965)	-	-	-	-	-
Bond Defeasement	(681,892,949)	(208,995,106)	(353,329,003)	(368,301,151)	(122,578,020)	-	-	(300,439,989)	(349,730,949)	(314,427,680)
Transfers In	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	559,881,659
Transfers Out	(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)	(559,934,930)
Total Other Financing Sources/(Uses)	<u>40,870,963</u>	<u>291,828,601</u>	<u>281,216,274</u>	<u>71,285,271</u>	<u>197,943,634</u>	<u>301,818,364</u>	<u>32,281,900</u>	<u>71,282,437</u>	<u>(1,823,271)</u>	<u>1,253,232,764</u>
Net Change in Fund Balance	<u>\$ (298,041,291)</u>	<u>\$ 104,155,331</u>	<u>\$ 101,496,654</u>	<u>\$ (259,612,789)</u>	<u>\$ 73,914,205</u>	<u>\$ (3,391,059)</u>	<u>\$ (80,426,502)</u>	<u>\$ 125,265,134</u>	<u>\$ 23,610,775</u>	<u>\$ 220,976,131</u>

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2008 through 2017.

School District of Philadelphia

Table 8

Governmental Funds Revenue By Own-Sources (1)
For the Fiscal Years 2008 through 2017
(modified accrual accounting)
(dollars in millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Percentage Change 2008 - 2017
Local Taxes											
Real Estate	\$ 599.4	\$ 598.8	\$ 602.0	\$ 589.3	\$ 649.4	\$ 653.6	\$ 657.4	\$ 662.1	\$ 697.5	\$ 715.2	19.3 %
Use and Occupancy	108.6	112.3	117.3	109.3	112.5	132.7	138.1	127.8	137.3	144.9	33.4
Liquor Taxes	41.6	41.0	43.3	43.9	50.1	54.2	60.5	61.7	65.8	74.6	79.3
School (Non-Business) Income Taxes	26.9	25.3	22.2	24.0	27.7	28.1	40.5	40.4	40.3	42.3	57.2
Cigarettes Sales Taxes	-	-	-	-	-	-	-	50.2	58.8	58.0	15.5 (7)
Sales Taxes	-	-	-	-	-	-	-	120.0	120.0	120.0	0.0 (7)
Other (2)	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.0	2.6	136.4
Total Taxes	777.6	778.4	785.9	767.6	840.8	869.7	897.6	1,063.3	1,120.7	1,157.6	48.9
Locally Generated Non Tax											
City Contributions	37.0	38.5	38.5	38.6	48.9	69.0	96.1	99.1	104.2	104.3	181.9
Other (3)	38.1	25.9	22.8	27.5	37.2	32.3	70.9	28.4	28.7	33.0	(13.4)
Total Local	75.1	64.4	61.3	66.1	86.1	101.3	167.0	127.5	132.9	137.3	82.8
Total Own-Source Revenues (4)	\$ 852.7	\$ 842.8	\$ 847.2	\$ 833.7	\$ 926.9	\$ 971.0	\$ 1,064.6	\$ 1,190.8	\$ 1,253.6	\$ 1,294.9	51.9 %
Summary of Own-Source Revenues by Fund:											
General	\$ 852.7	\$ 842.8	\$ 847.2	\$ 833.7	\$ 927.0	\$ 970.9	\$ 1,064.5	\$ 1,190.7	\$ 1,253.6	\$ 1,294.9	51.9 %
Intermediate	1.0	0.6	0.4	0.5	0.4	0.5	0.6	0.8	0.8	0.2	(80.0)
Categorical	7.0	4.2	3.3	2.8	4.6	4.7	6.8	9.2	9.8	6.6	(5.7)
Debt Service (4) (5)	23.7	9.9	3.8	2.1	2.6	2.6	2.4	2.8	9.9	2.0	(91.6)
Capital Projects	15.5	5.6	2.4	1.2	0.9	1.0	0.3	1.2	2.3	2.3	(85.2)
Non-Major	0.3	0.1	0.1	0.1	0.1	0.0	0.1	0.1	-	0.1	(66.7)
Total Own-Source Revenues	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	\$ 979.7	\$ 1,074.7	\$ 1,204.8	\$ 1,276.4	\$ 1,306.1	45.1 %
Totals Restated on a Constant Dollar Basis: (6)											
2008 as base year	\$ 900.2	\$ 875.7	\$ 860.5	\$ 814.7	\$ 892.1	\$ 918.1	\$ 986.6	\$ 1,104.7	\$ 1,158.8	\$ 1,166.7	29.6 %
2017 as base year	\$ 1,007.7	\$ 980.3	\$ 963.3	\$ 912.0	\$ 998.7	\$ 1,027.8	\$ 1,104.5	\$ 1,236.7	\$ 1,297.2	\$ 1,306.1	29.6 %

Notes:

- (1) The School District's own-source revenues are local taxes and locally generated non-tax revenues.
- (2) Includes Public utility Reality Taxes and Payment in Lieu of Taxes
- (3) Includes Interest on Investments, Stadium Agreements, Voluntary Contributions, Parking Authority Contributions, Gaming Revenue, One-time State Grant via City of Philadelphia, Reimbursements from Other Funds, and Miscellaneous Non Tax Revenues
- (4) Revenues include cash with fiscal agent and its related activities.
- (5) New financing derivatives, variable rate and basis swaps, were issued during Fiscal Year 2008. As a result, these derivatives increased revenue under the Debt Service Fund.
- (6) Source: United States Department of Labor, Bureau of Labor Statistics.
- (7) Represents Fiscal Year 2017 compared to Fiscal Year 2015

School District of Philadelphia

Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2008 through 2017
(dollars in millions)

Calendar Year of Levy (1)	Major Assessment Categories (2)						Certified Assessed Values					Total Direct Tax Rate (6)	STEB & AVI Certified Assessed	Estimated Actual Taxable Value (7)
	Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land	Total Assessed Value of Property	Less:			Less: Adjustments Between Certification			
								Tax- Exempt Property	Homestead Exempt (3)	Property				
2008	\$ 7,236	\$ 1,865	\$ 316	\$ 6,412	\$ 749	\$ 396	\$ 16,974	\$ 4,799	\$ -	\$ -	\$ 12,175	4.9500	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	34,872	5,429	2,590	94,513	0.7382	1.0000	94,513
2015	66,956	16,213	3,305	42,795	3,484	3,588	136,341	35,242	6,705	1,981	92,413	0.7382	1.0000	92,413
2016	67,227	16,735	3,232	42,173	3,462	3,466	136,295	37,018	6,373	1,369	91,536	0.7681	1.0000	91,536
2017	68,335	17,187	3,177	41,174	3,446	3,362	136,681	38,236	6,389	315	91,741	0.7681	1.0000	91,741

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 (CY2005-2010) and the Office of Property Assessment (CY2011-2015). 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 change 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.
The City granted \$5,429 million in homestead exemptions as of March 31, 2013 along with \$34,872 million in tax-exempt real property. An additional adjustment after the certification date of March 31, 2013 of \$2,590 million was made.
The City granted \$6,705 million in homestead exemptions as of March 31, 2014 along with \$35,242 million in tax-exempt real property. An additional adjustment after the certification date of March 31, 2014 of \$1,981 million was made.
The City granted \$6,373 million in homestead exemptions as of March 31, 2015 along with \$37,018 million in tax-exempt real property. An additional adjustment after the certification date of March 31, 2015 of \$1,369 million was made.
The City granted \$6,389 million in homestead exemptions as of March 31, 2016 along with \$38,236 million in tax-exempt real property. An additional adjustment after the certification date of March 31, 2016 of \$315.4 million was made.
- (4) The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, STEB annually determines for each municipality in the Commonwealth of Pennsylvania a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions. Obtained from STEB website-Market Value.
- (5) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.
Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years, Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.
Bill #1456A, approved January 28, 1983, provides for a maximum three years tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.
Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.
Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.
Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.
- (6) Represents total taxable assessed value multiplied by the STEB ratio for calendar years 2006 through 2013. In calendar years 2014, 2015, 2016 and 2017, the market value represents the actual amounts.
- (7) The Office of Property Assessment (OPA) began the Actual Value Initiative (AVI) program in calendar year 2014. AVI is a program for the assessment of all real property - land and buildings - in Philadelphia at their current market value.

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Governments
For the Calendar Years 2008 through 2017
(Per \$100 Assessed Value) (1)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
2008	3.305	4.959	8.264
2009	3.305	4.959	8.264
2010	3.305	4.959	8.264
2011	4.123	4.959	9.082
2012	4.123	5.309	9.432
2013	4.462	5.309	9.771
2014	0.6018	0.7382	1.340 (2)
2015	0.6018	0.7382	1.340
2016	0.6317	0.7681	1.3998
2017	0.6317	0.7681	1.3998

Note:

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

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

Taxpayer	2017 (1)			2008 (2)		
	Rank	Assessment Value	Percentage of Total Assessments (3)	Rank	Assessment Value	Percentage of Total Assessments
HUB Properties Trust	1	\$ 265.7	0.29%	5	\$ 48.0	0.39%
Nine Penn Center Associates	2	232.6	0.25%	4	54.1	0.44%
Phila Liberty Place East LP	3	207.7	0.23%	3	54.4	0.45%
Philadelphia Market Street	4	203.7	0.22%	-	-	-
Commerce Square Partners	5	178.2	0.19%	9	33.3	0.27%
Maquire/Thomas PTNS Phila Plaza Phase II	6	170.1	0.19%	8	33.9	0.28%
SRI Eleven 1818 Market	7	170.0	0.19%	-	-	-
Franklin Mills Associate	8	163.2	0.18%	1	64.4	0.53%
Brandywine Cira LP	9	156.7	0.17%	6	40.6	0.33%
EOP-Market Street Limited	10	142.4	0.16%			
Two Liberty Place		-	-	2	58.1	0.48%
Philadelphia Shipyard Development Corporation		-	-	10	30.3	0.25%
PRU 1901 Market LLC		-	-	7	35.2	0.29%
Total of the Ten Largest Real Estate Assessments		<u>\$ 1,890.3</u>	<u>2.06%</u>		<u>\$ 452.3</u>	<u>3.71%</u>
Taxable Assessments (before Homestead Exemption & Adjustments)		<u>\$ 98,129.8</u>	<u>100.00%</u>		<u>\$ 12,175.0</u>	<u>100.00%</u>
Taxable Assessments (before Homestead Exemption)		\$ 98,129.8			\$ 12,175.0	
Less: Homestead Exemption (3)		6,388.6			0.0	
Total Taxable Assessments		<u>\$ 91,741.2</u>			<u>\$ 12,175.0</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 2008 CAFR Table 14 and School District of Philadelphia 2008 CAFR page 132.
- (3) CY 2017 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 2008 through 2017

Calendar Year	For the Calendar Years 2008 through 2017						
	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)	
2008	583,170,112	6,268,702	589,438,814	541,097,383	92.79%	41,165,579	582,262,962
2009	605,206,705	(8,983,608)	596,223,097	543,104,746	89.74%	45,268,272	588,373,018
2010	608,707,615	(21,170,912)	587,536,703	540,287,600	88.76%	50,483,245	590,770,845
2011	612,265,808	(16,541,052)	595,724,756	549,036,079	89.67%	42,622,976	591,659,055
2012	655,005,955	(18,049,782)	636,956,173	549,558,020	83.90%	46,738,254	596,296,274
2013	659,127,013	(19,166,892)	639,960,121	595,637,192	90.37%	60,100,409	655,737,601
2014	737,777,950	(28,060,172)	709,717,778	605,454,814	82.06%	43,712,333	649,167,147
2015	731,692,538	(30,560,730)	701,131,808	607,462,012	83.02%	32,929,780	607,462,012
2016	703,064,816	(17,962,527)	685,102,289	641,567,436	91.25%	21,561,509	641,567,436
2017	753,705,217 (e)	6,617,076	760,322,293 (e)	667,954,497 (e)	88.62%	N/A	667,954,497

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 2008 through 2017-Gross Principal Only.
- (e) Memorandum City of Philadelphia Department of Revenue 2017 Monthly Real Estate Billed/Balance Due dated 01/18/2018 as of December 31, 2017
- N/A = Data Not Available

Fiscal Year	Fiscal Years 2008 through 2017		
	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
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
2017	660,222,978	54,989,521	715,212,499

Source: The School District of Philadelphia - Accounting System fiscal year records as of 12/18/2017.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2008 through 2017
(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)	In Constant Dollars - 2008 as Base Year (3) (4)
	\$	\$	\$	\$	\$	\$	%	
2008	1,716,500	901,025	3	813	20,334	2,638,675	4.79	1,725
2009	1,936,050	895,615	-	-	67,561	2,899,226	4.61	1,882
2010	2,113,215	889,955	-	-	98,026	3,101,196	5.18	2,004
2011	2,107,915	884,010	-	-	97,407	3,089,332	4.95	2,024
2012	2,279,738	877,780	-	-	90,628	3,248,146	5.07	2,111
2013	2,439,355	871,240	-	-	119,112	3,429,707	4.93	2,212
2014	2,331,073	864,370	-	-	109,959	3,305,402	4.56	2,124
2015	2,248,225	851,330	-	-	124,303	3,223,858	4.28	2,066
2016	2,145,953	843,380	-	-	113,118	3,102,450	3.98	1,982
2017	1,987,710	988,520	-	-	242,014	3,218,244	3.97	2,053

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 2008 through 2017
(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		Actual	In Constant Dollars - 2008 as Base Year (4) (5)
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	6.08 %	1,692	1,692
2009	1,602,860	83,955	249,235	-	895,615	2,831,665	67,561	2,899,226	(49,138)	2,850,088	6.67	1,850	1,877
2010	1,792,685	83,950	236,580	-	889,955	3,003,170	98,026	3,101,196	(47,944)	3,053,252	6.98	1,973	1,981
2011	1,800,745	83,945	223,225	-	884,010	2,991,925	97,407	3,089,332	(59,126)	3,030,206	6.99	1,986	1,925
2012	1,842,043	228,565	209,130	-	877,780	3,157,518	90,628	3,248,145	(62,208)	3,185,937	7.46	2,070	1,974
2013	1,751,350	228,560	459,245	-	871,240	3,310,595	119,112	3,429,707	(69,059)	3,360,648	7.76	2,169	2,032
2014	1,686,383	205,630	439,060	-	864,370	3,195,443	109,959	3,305,402	(65,170)	3,240,232	3.24	2,084	1,913
2015	1,604,975	198,180	445,070	-	851,330	3,099,555	124,303	3,223,859	(98,627)	3,125,232	3.15	2,005	1,838
2016	1,538,695	205,040	402,218	-	843,380	2,989,333	113,118	3,102,450	(117,341)	2,985,110	3.26	1,907	1,732
2017	1,146,005	352,285	489,420	-	988,520	2,976,230	242,014	3,218,244	(135,669)	3,082,576	3.04	1,966	1,756

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 Defease 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".

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017
(dollars in millions)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	\$ 3,082.6	100.0%	\$ 3,082.6
City of Philadelphia Direct Debt			3,799.2
Total Direct and Overlapping Debt			<u>\$ 6,881.8</u>

Notes:

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

The definition of overlapping governments are those that coincide, at least in part with the geographic boundaries of the city. Real property tax is levied on behalf of both the City of Philadelphia and the School District on a calendar year basis of the assessed value of residential and commercial property. The tax rate for calendar year 2017 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 2008 through 2017
(dollars in millions)

	Legal Debt Margin Calculation for Fiscal Year 2017									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 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	\$ 2,706.9
General Obligation Bonds	2,617.5	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.4	3,099.6	2,989.3	2,976.2
Less: (Schedule of Bonds O/S)										
Lease Rental - SPSBA	(901.0)	(895.6)	(890.0)	(884.0)	(877.8)	(1,136.2)	(1,124.9)	(1,102.6)	(1,084.9)	(988.5)
Capital Appreciation Bonds - Non-electoral Debt	-	-	-	-	-	-	-	-	-	-
Electoral Debt	-	-	-	-	-	-	-	-	-	-
Non-electoral Debt Outstanding	1,716.5	1,936.0	2,113.2	2,107.9	2,279.7	2,174.4	2,070.6	1,997.0	1,904.4	1,987.7
Exclusions:										
Deficit Bonds	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.3)	(178.6)	(17.3)	-	-
Termination Bonds	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-
Stadium Bonds	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)
Deficit Bonds-2015D	-	-	-	-	-	-	-	(128.6)	(128.6)	(112.3)
Termination Bonds outstanding -2015C	-	-	-	-	-	-	-	(44.6)	(43.9)	(40.1)
Non-electoral Debt Outstanding applicable to Debt Limit	1,361.6	1,596.9	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5	1,825.2
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	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	2,706.9
Less: Non-electoral Debt Outstanding applicable to Debt Limit	1,361.6	1,596.9	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5	1,825.2
Non-electoral Debt Capacity (2)	\$ 674.1	\$ 531.6	\$ 417.1	\$ 468.7	\$ 283.7	\$ 377.5	\$ 490.6	\$ 643.6	\$ 853.4	\$ 883.7
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of										
Borrowing Base for Non-electoral Debt Capacity (2)	% 66.9	% 75.0	% 81.1	% 79.4	% 87.5	% 83.5	% 78.8	% 73.5	% 66.8	% 67.4
General Obligation Bonds	2,617.5	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.4	3,099.6	2,989.3	2,976.2
Exclusions:										
Deficit Bonds	(261.0)	(249.2)	(236.5)	(223.2)	(209.1)	(194.2)	(178.6)	(17.3)	-	-
Termination Bonds	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-
Stadium Bonds	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)
Deficit Bonds outstanding -2015D	-	-	-	-	-	-	-	(128.6)	(128.6)	(112.3)
Termination Bonds outstanding -2015C	-	-	-	-	-	-	-	(44.6)	(43.9)	(40.1)
Net Non-electoral Debt and Lease Rental Outstanding	2,262.7	2,492.5	2,680.9	2,687.3	2,871.5	3,044.2	2,949.7	2,891.2	2,804.4	2,813.8
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	4,071.5	4,257.3	4,415.9	4,544.1	4,554.9	4,570.9	4,630.6	4,864.6	5,145.8	5,417.9
Less: Net Non-electoral Debt and Lease Rental Outstanding	2,262.7	2,492.5	2,680.9	2,687.3	2,871.5	3,044.2	2,949.7	2,891.2	2,804.4	2,813.8
Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 1,808.9	\$ 1,764.8	\$ 1,735.0	\$ 1,856.8	\$ 1,683.4	\$ 1,526.7	\$ 1,681.0	\$ 1,973.4	\$ 2,341.4	\$ 2,604.1
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity	% 55.6	% 58.5	% 60.7	% 59.1	% 63.0	% 66.6	% 63.7	% 59.4	% 54.5	% 51.9

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 2008 through 2017
(dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Bonded Debt Principal ⁽¹⁾	\$ 63,339	\$ 68,060	\$ 68,475	\$ 63,168	\$ 29,290	\$ 105,378	\$ 103,773	\$ 101,233	\$ 100,493	\$ 451,893
General Bonded Interest ⁽²⁾	99,582	82,135	83,864	92,775	87,041	97,230	91,114	91,755	81,246	82,758
Loans	7	3	-	-	-	-	-	-	-	-
State Public School Building Authority ⁽³⁾	49,062	49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382	719,402
Total Debt Service Expenditures ⁽⁴⁾	\$ 211,990	\$ 199,256	\$ 201,397	\$ 205,003	\$ 158,853	\$ 251,664	\$ 266,233	\$ 262,040	\$ 253,121	\$ 1,254,053
Total General Expenditures Excluding Categorical/NonMajor	\$ 2,520,229	\$ 2,409,218	\$ 2,471,313	\$ 2,637,062	\$ 2,403,089	\$ 2,614,165	\$ 2,553,775	\$ 2,539,028	\$ 2,693,992	\$ 3,878,856
Ratio of Debt Service to Total General Expenditures Excluding Categorical/NonMajor	8.41	8.27	8.15	7.77	6.61	9.63	10.43	10.32	9.40	32.33
Total General Expenditures ⁽⁴⁾⁽⁵⁾	\$ 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	\$ 4,282,817
Ratio of Debt Service to Total General Expenditures	7.13	6.92	6.60	6.29	5.57	8.18	9.27	9.06	8.33	29.28

Notes:

- (1) Adjusted Fiscal Year 2008 through Fiscal Year 2014 for Defeasance in Substance Error; Adjustment of Mandatory Sinking Fund Deposits for Quality Zone Academy Bonds increase the investment and liabilities under the Debt Service Fund and restored the prior years' QZABs principal expenditure of \$17,863,639 as a prior period adjustment during FY2015.
- (2) Includes bond, fixed, and variable interest payments.
- (3) Includes both principal and interest authority obligation payments
- (4) Does not include bond issuance costs, defeasement costs, or authority obligation program expenses.
- (5) Includes General, Intermediate Unit, Categorical, Debt Service, Capital Projects and Non-Major Funds expenditures.
- (6) Although FY2017 debt service expenditures represented approximately 30.00% of noncapitalized expenditures paid, the expenditures included \$1,005.6 million of debt refunded with refunding proceeds of \$1,152.2 million and premiums of \$154.6 million. After considering the refunding expenditures which were paid with refunding proceeds and premiums, the net debt service fund expenditures were \$248.4 million. The \$248.4 million expenditures represent 7.8% of the net noncapitalized (less refunding expenditures) expenditures.

School District of Philadelphia
Table 18
Demographic and Economic Statistics
For the Calendar Years 2008 through 2017

Calendar Year	City of Philadelphia					Property Values (4)		Bank Deposits (6)	
	Estimated Population (1) (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)	Civilian Labor Force (in thousands) (3)	Total Market (dollars in millions) (5)	Original Assessed (dollars in millions) (5)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)	
2008	1,500	\$ 41,959	7.1 %	\$ 630.6	\$ 53,045	\$ 16,974	\$ 28,306	\$ 16,719	
2009	1,515	39,549	9.6	652.4	54,224	17,352	31,624	16,673	
2010	1,528	40,846	10.8	687.8	55,047	17,615	34,669	11,504	
2011	1,539	41,662	10.8	690.9	56,062	17,940	35,594	15,244	
2012	1,550	44,906	10.5	699.5	56,320	18,022	32,267	12,311	
2013	1,556	46,614	10.0	698.1	56,816	18,181	33,453	11,901	
2014	1,561	48,311	8.0	690.5	137,404	137,404	31,925	9,108	
2015	1,565	49,797	6.9	696.2	136,341	136,341	40,241	10,766	
2016	1,568	51,645	6.8	707.6	136,295	136,295	38,718	11,079	
2017	1,571 (7)	53,562 (7)	5.6 (8)	708.8 (8)	136,681	136,681	39,431	10,792	

Notes:

- (1) Data for calendar years 2008 through 2017 obtained from Bureau of Economic Analysis.
- (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis-updated August 2017
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated April 2017
- (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 (September 16 to October 17)

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

2017 (1)			2008 (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	39,033	5.84	City of Philadelphia	28,406	4.85
City of Philadelphia	28,029	4.19	School District of Philadelphia	22,190	3.79
Thomas Jefferson University/Thomas Jefferson University Hospitals Inc.	23,000	3.44	Albert Einstein Medical	N/A	
School District of Philadelphia	17,821	2.66	Children's Hospital of Philadelphia	N/A	
Comcast Corporation	14,531	2.17	Federal Reserve Bank	N/A	
Drexel University	11,172	1.67	Internal Revenue Service	N/A	
Temple University Health System	9,478	1.42	Southeastern Pennsylvania Transportation Authority	N/A	
Temple University	8,540	1.28	Temple University/Temple University Hospital, Inc.	N/A	
Einstein Healthcare Network	8,500	1.27	Thomas Jefferson University Hospitals	N/A	
Wells Fargo	7,490	1.12	University of Pennsylvania Hospital/University of Pennsylvania	N/A	
Independence Health Group (parent of Independence Blue Cross)	7,152	1.07	U.S. District Court	N/A	
Cardone Industries Inc.	2,400	0.36	U. S. Mint	N/A	

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2017, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2017; (c) and Philadelphia Business Journal dated July 28, 2017 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 2008 CAFR for City of Philadelphia and School District.
- (3) Based on annual 2007 and 2015 Labor force data by county, 2008 thru 2016 annual averages and Labor force data by county, not seasonally adjusted, U.S. Bureau of Labor-Labor Force Data By County, not seasonally adjusted latest 14 months (September 16 to October 17)

School District of Philadelphia
Table 20
School District Employees by Function⁽¹⁾
For the Fiscal Years 2008 through 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Percentage Change 2008 - 2017
Instruction:											
<i>Classroom Teachers</i>											
Operating	8,648	8,696	8,561	8,313	7,591	7,571	7,100	6,808	6,978	7,085	(18.1) %
Grants	1,640	1,681	2,720	2,900	1,954	1,927	1,247	1,396	1,216	1,157	(29.5)
<i>Total Classroom Teachers</i>	10,288	10,377	11,281	11,213	9,545	9,498	8,347	8,204	8,194	8,242	(19.9)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	245	294	278	258	232	226	101	1	1	1	(99.6)
Classroom Assistants	658	639	693	779	782	1,218	1,415	1,263	1,557	1,801	173.7
Counselor/Librarians	69	40	86	13	85	74	5	11	6	9	(87.0)
Psychologists/Therapists	36	32	38	41	36	40	35	35	38	35	(2.8)
Supportive Service Assistant	1,156	1,206	1,252	1,422	1,111	1,100	550	646	586	563	(51.3)
Other Paraprofessionals	146	100	97	102	164	175	100	85	135	159	8.9
<i>Total Non-Teaching</i>	2,310	2,311	2,444	2,615	2,410	2,833	2,206	2,041	2,323	2,568	11.2
Total Instruction	12,598	12,688	13,725	13,828	11,955	12,331	10,553	10,245	10,517	10,810	(14.2)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	478	475	465	479	445	419	289	308	298	347	(27.4)
Department Heads/Program Mgrs. & Coord.	34	35	35	33	1	2	1	1	1	1	(97.1)
Secretarial	495	487	472	453	346	333	237	234	243	237	(52.1)
Other Clerical	3	6	2	5	1	1	-	-	-	-	(100.0)
<i>Total In-school Instruction Leadership & Support</i>	1,010	1,003	974	970	793	755	527	543	542	585	(42.1)
<i>Professional Development & Training</i>											
Director	3	4	8	5	-	-	-	-	-	-	(100.0)
Non-Teaching Professionals	325	333	240	246	124	111	89	97	105	122	(62.5)
Secretarial	4	1	1	1	-	-	-	-	-	-	(100.0)
<i>Total Professional Development & Training</i>	332	338	249	252	124	111	89	97	105	122	(63.3)
<i>Student Support Services</i>											
Other Technical Staff	26	27	36	49	1	1	1	1	1	1	(96.2)
Non-professional supervisory	94	92	90	76	5	5	-	-	-	-	(100.0)
Counselor/Librarians	338	344	471	469	379	290	216	233	245	272	(19.5)
Psychologists/Therapists	97	100	96	113	108	110	111	109	115	110	13.4
Other Paraprofessionals	146	449	536	537	320	243	147	127	125	124	(15.1)
Bus Drivers/Attendants	1,084	1,047	1,072	1,053	1,044	908	841	702	621	588	(45.8)
Health Providers	317	325	331	325	221	220	201	212	219	277	(12.6)
Food Service	810	820	868	854	764	772	762	777	792	822	1.5
Other (includes Noon Time Aides)	1,429	1,498	1,574	1,608	1,288	1,339	1,365	1,289	1,119	1,295	(9.4)
<i>Total Student Support Services</i>	4,341	4,702	5,074	5,084	4,130	3,888	3,644	3,450	3,237	3,489	(19.6)
<i>Basic Building Services</i>											
Non-Teaching Assistants	196	187	161	120	48	18	-	-	-	-	(100.0)
Maintenance	416	376	365	368	342	315	285	272	246	248	(40.4)
Custodial	1,508	1,453	1,415	1,409	1,228	1,119	1,029	1,009	1,058	1,078	(28.5)
Warehouse/Distribution	21	27	29	27	23	22	19	147	108	133	533.3
Security	540	592	594	592	401	399	397	338	316	347	(35.7)
<i>Total Basic Building Services</i>	2,681	2,635	2,564	2,516	2,042	1,873	1,730	1,766	1,728	1,806	(32.6)
Total Classroom Support	8,364	8,678	8,861	8,822	7,089	6,627	5,990	5,856	5,612	6,002	(28.2)
Administrative Support											
Executive Management	26	32	37	46	-	-	-	-	-	-	(100.0)
Regional Superintendent	8	12	11	6	-	-	-	-	-	-	(100.0)
Management/Administrative	-	-	-	-	642	666	645	649	737	886	33.0 ⁽³⁾
Directors	64	78	82	91	-	1	1	2	-	1	(98.4)
Asst. Directors/Admin Asst.	46	25	54	56	-	-	-	-	-	-	(100.0)
Prog. & Mgmt. Supervisors	154	167	185	164	4	6	5	3	3	1	(99.4)
Mgmt. Level Technicians	157	143	147	171	6	8	4	-	-	-	(100.0)
Other Technical Staff	273	316	362	335	15	11	11	19	11	11	(96.0)
Non-Professional Supervisory	90	107	106	103	-	2	1	12	12	10	(88.9)
Secretarial	102	109	101	97	65	63	53	47	47	46	(54.9)
Other Clerical	226	230	238	224	154	131	69	-	52	54	(76.1)
Total Administrative Support	1,146	1,219	1,323	1,293	886	888	789	732	862	1,009	(12.0)
Total School District	22,108	22,585	23,909	23,943	19,930	19,846	17,332	16,833	16,991	17,821	(19.4)
Add: Municipal Services ⁽²⁾	82	86	75	26	4	-	-	-	-	-	(100.0)
Total School District Wide	22,190	22,671	23,984	23,969	19,934	19,846	17,332	16,833	16,991	17,821	(19.7) %

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 2017 compared to Fiscal Year 2012

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia.- FY2008 through FY2017

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2008 through 2017

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Accrual) (dollars in thousands) (3)	Cost per Pupil Expenses	Percentage Change of Cost per Pupil Expenses	Percentage of Students Receiving Free or Reduced Price Meals (4)	Percentage of Students Using Bus/Cab (5)	Percentage of Students Using Free/ Subsidized Transpasses (Tokens) (5)	Teaching Staff (6)	Pupil-Teacher Ratio
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	4.80	2,846,901	21,210	0.07	100.0	29.2	44.3	8,194	16.4
2017	132,240	2,129,099	16,100	9.89	3,079,579	23,288	9.80	100.0	30.8	46.6	8,242	16.0

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 2008 through 2017

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 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of Schools (1)										
Elementary	175	175	175	170	168	162	55	55	55	50
Elementary/Middle	-	-	-	-	-	-	93	93	93	97
Middle	31	30	28	26	23	23	17	17	16	15
Special	21	21	22	21	23	22	18	19	18	18
High (7)	30	32	32	32	27	25	22	25	27	26
Vocational/Technical	9	9	8	8	8	8	8	8	8	9
Total Public Schools	266	267	265	257	249	240	213	217	217	215
Charter Schools (2)	61	63	67	67	67	67	67	66	63	65
Renaissance Schools (2)	N/A	N/A	N/A	7	13	17	20	20	20	21
Alternative Schools (5)	16	17	27	32	26	26	26	25	28	24
Cyber Charter Schools (6)	11	11	11	11	13	15	15	13	14	14
Brick & Mortar Charter Schools (6)	9	9	9	4	6	5	6	7	8	8
Total Schools	363	367	379	378	374	370	347	348	350	132
School Enrollment (2)										
Elementary	93,387	93,618	93,476	90,620	90,411	88,398	32,813	32,665	32,908	30,245
Elementary/Middle	-	-	-	-	-	-	52,551	52,923	53,532	54,665
Middle	18,724	14,834	14,848	12,914	11,700	10,349	9,481	8,747	8,333	8,032
Special	9,762	10,979	11,590	11,499	12,671	12,902	12,321	12,196	12,271	12,542
High (3) (7)	32,505	31,113	29,714	27,949	22,163	19,735	20,521	19,599	20,192	18,706
Vocational/Technical	8,230	7,136	6,792	6,594	6,062	5,545	4,234	3,791	4,255	5,299
Total Public Schools	162,608	157,680	156,420	149,576	143,007	136,929	131,921	129,921	131,491	129,489
Charter Schools (2)	30,326	32,637	34,019	36,190	38,148	42,813	45,726	48,771	47,694	48,597
Renaissance Schools (2)	-	-	-	4,293	9,314	12,930	15,236	15,530	15,747	16,153
Alternative Schools (5)	4,703	4,568	4,239	4,906	3,812	4,165	3,186	3,478	2,736	2,751
Cyber Charter Schools (6)	2,180	2,616	2,935	3,627	4,787	5,961	6,752	6,584	6,135	5,874
Brick & Mortar Charter Schools (6)	223	205	188	191	164	152	175	240	414	950
Total	200,040	197,706	197,801	198,783	199,232	202,950	202,996	204,524	204,217	203,814
Number of Public High School Graduates (1)	9,570	9,515	10,285	10,235	9,416	9,429	8,374	6,876	8,005	7,769
Number of Charter High School Graduates (4)	1,928	1,996	2,115	2,513	3,220	2,744	3,242	3,572	3,676	3,988
Total of High School Graduates	11,498	11,511	12,400	12,748	12,636	12,173	11,616	10,448	11,681	11,757

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data for 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 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 2017 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 2008. School District of Philadelphia, Office of Strategic Analytics for Fiscal Year 2009 to Fiscal Year 2017.
- (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 2008 through 2017

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			
2008	\$ 39,298	\$ 62,524	\$ 81,617	3.58%	\$ 56,092	\$ 52,987
2009	40,870	65,066	84,882	4.07%	57,237	54,364
2010	44,038	63,638	87,428	-2.20%	59,156	55,276
2011	44,038	66,372	87,428	4.30%	60,760	55,626
2012	45,359	71,561	90,051	7.82%	61,934	55,476
2013	45,359	71,459	90,051	-0.14%	62,218	56,151
2014	45,359	70,653	90,051	-1.13%	63,705	56,759
2015	45,359	69,652	90,051	-1.42%	64,447	57,611
2016	45,359	68,525	90,051	-1.62%	65,151	58,353
2017	45,359	67,331	90,051	-1.74%	65,863 (E1)	58,950 (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 1.011 percent increase over 2015-16
- (E2) =Estimated a 1.010 percent increase over 2015-16

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year (Years) 2016-2017

Schools	# of Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (2)	Percentage of Capacity Used
ELEMENTARY	42	7 yrs to 120 yrs	2,817,028	25,239	87.7 %
PEC	6	6 yrs to 88 yrs	294,866	3,200	111.6
ELEM LSH	8	8 yrs to 16 yrs	386,087	3,977	99.7
ELEMENTARYMIDDLE	86	9 yrs to 119 yrs	6,597,833	57,536	82.7
ELEMMID ANNEX	10	43 yrs to 111 yrs	415,501	4,176	70.0
ELEMMID LSH	10	16 yrs to 90 yrs	481,244	4,684	90.4
ELEMMID LSH ANNEX	3	17 yrs to 107 yrs	116,759	1,140	51.8
MIDDLE	10	12 yrs to 123 yrs	1,280,058	10,677	62.9
MIDDLE ANNEX	2	45 yrs and 91 yrs	106,992	903	45.7
VOCATIONAL (CTE)	8	11 yrs to 88 yrs	1,449,125	7,861	62.7
SPECIAL (3)	14	20 yrs and 109 yrs	1,886,477	13,125	85.8
SPECIAL (4)	1	64 yrs	84,135	1,034	14.5
SPEC MID (5)	1	93 yrs	120,000	1,202	42.8
SPEC CHAR (6)	1	48 yrs	190,000	1,512	49.4
HIGH (7)	1	87 yrs	74,557	850	29.1
HIGH	2	64 yrs to 89 yrs	312,259	2,239	54.6
HIGH (8)	21	5yrs and 105 yrs	4,526,782	30,510	54.2
MID HIGH (9)	1	23 yrs	232,815	1,512	48.9
ALTERNATIVE	5	49 yrs and 108 yrs	326,961	1,926	N/A
RENAISSANCE , RENLSH REN ANNEX (10)	23	8 yrs and 109 yrs	2,503,107	20,877	77.4
CHARTER LEASED (11)	5	47 yrs to 96 yrs	579,612	4,109	95.9
EARLY CHILDHOOD-BF HS ANNEX (12)	12	N/A	312,455	N/A	N/A
CLOSED (13)	14	46 yrs to 104 yrs	1,347,004	N/A	N/A
<u>Administration</u>					
Administration	2	47 yrs and 88 yrs	843,610	N/A	N/A
<u>Transportation</u>					
Administration Garages	5	N/A	175,133	N/A	N/A
Repair Garages	1	N/A	10,663	N/A	N/A
<u>Athletics</u>					
Fields	11	9 yrs to 75 yrs	147,227	N/A	N/A
Pools	3	37 yrs to 46 yrs	43,968	N/A	N/A
Total Buildings and Other Capital Assets	308				

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

NOTES:

- (1) Only School District owned buildings were identified and recorded.
- (2) Presently the State uses 25 students per classrooms for official capacity. The capacity enrollment number has varied from 25 to 35 over the years; therefore, official capacities of schools have been adjusted accordingly as allowed by the State.
- (3) Two of the Special Schools (Masterman and Girard Music Program), use middle school buildings and the schools start at the 5th grade through the 12th grade.
- (4) One District building is a K-12 School that one of the special school uses.
- (5) One High/Middle School building is being used by one special school (Parkway West) and one middle school (MYA).
- (6) One High/Middle School building is being used by one special school (Motivation HS) and one Charter School.
- (7) High school building used by Military Academy High School (Elverson).
- (8) Two of the Elementary/High School Buildings used by Franklin and South Philadelphia High School have alternative education programs in their buildings.
- (9) One middle School building is being used by one middle school (Clemente) and one high school (LINC).
- (10) Elementary, Middle, and High School buildings being leased by Renaissance (Charter) Schools.
- (11) Elementary and Middle School buildings being leased to Charter Schools.
- (12) Used in conjunction with public schools-Early Childhood Education Programs.
- (13) School District is in process of determining disposition based on the "Facility Master Plan".



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