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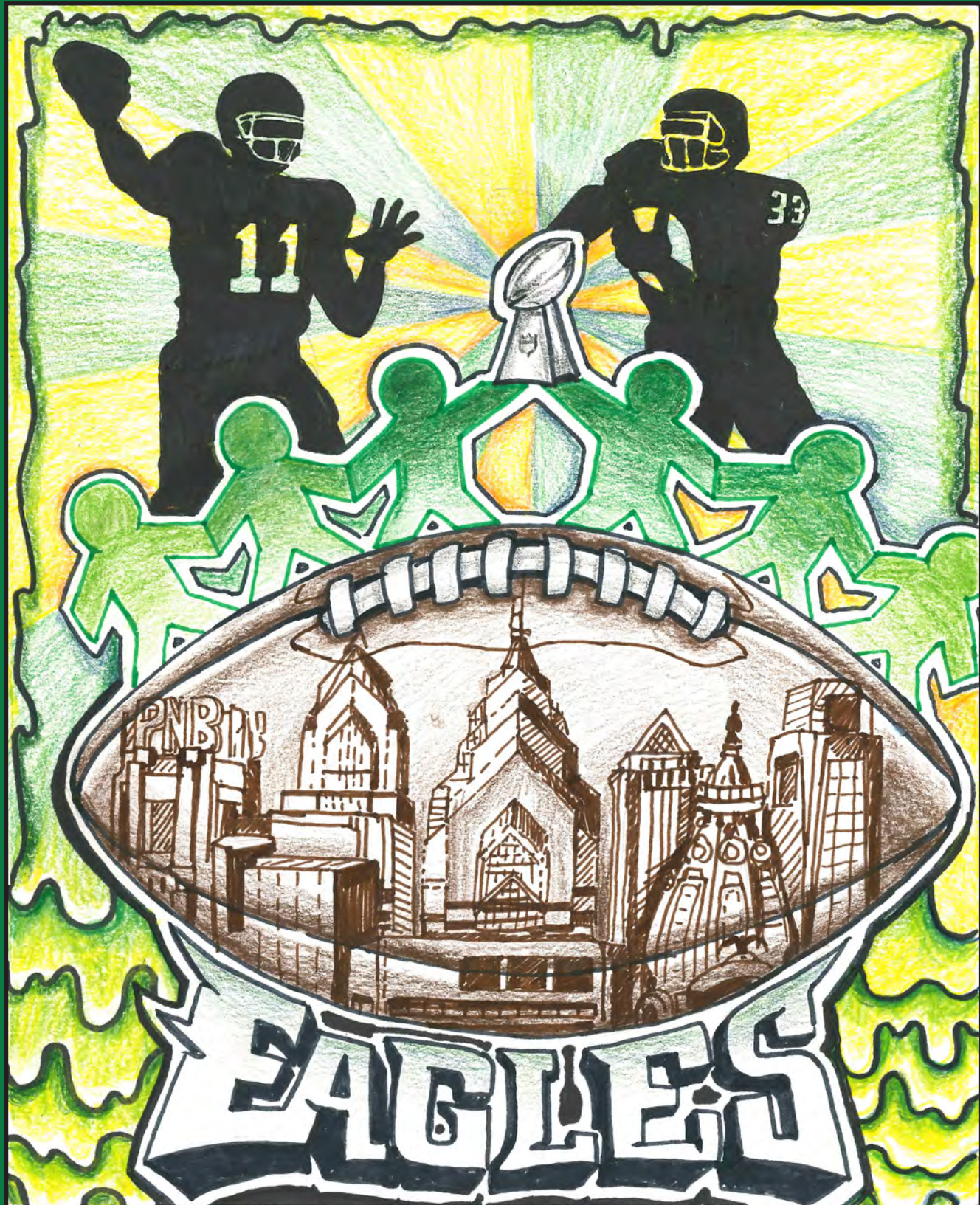
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THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PHILADELPHIA

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2018





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, 2018



Marcy F. Blender, CPA
Comptroller

Prepared by
Office of General Accounting

STUDENT ART

FLY EAGLES FLY!

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 2018-19 Annual Financial Report Cover Design Contest. The theme for this year is "Celebrating Our World Champion Philadelphia Eagles". After the long anticipated Super Bowl title finally coming to Philly, the young and old and everybody in-between got caught up in the excitement! Students, teachers, administrators, parents, and the Greater Philadelphia community have gone Eagles green. This contest theme provided a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, influence and experiences that have had an impact on their lives and what life lessons can be learned from being the world champions. It also provides an opportunity for students to show how they celebrated the World Championship Eagles and to share how sports teach teamwork and promote a sense of pride and camaraderie among students and adults alike.

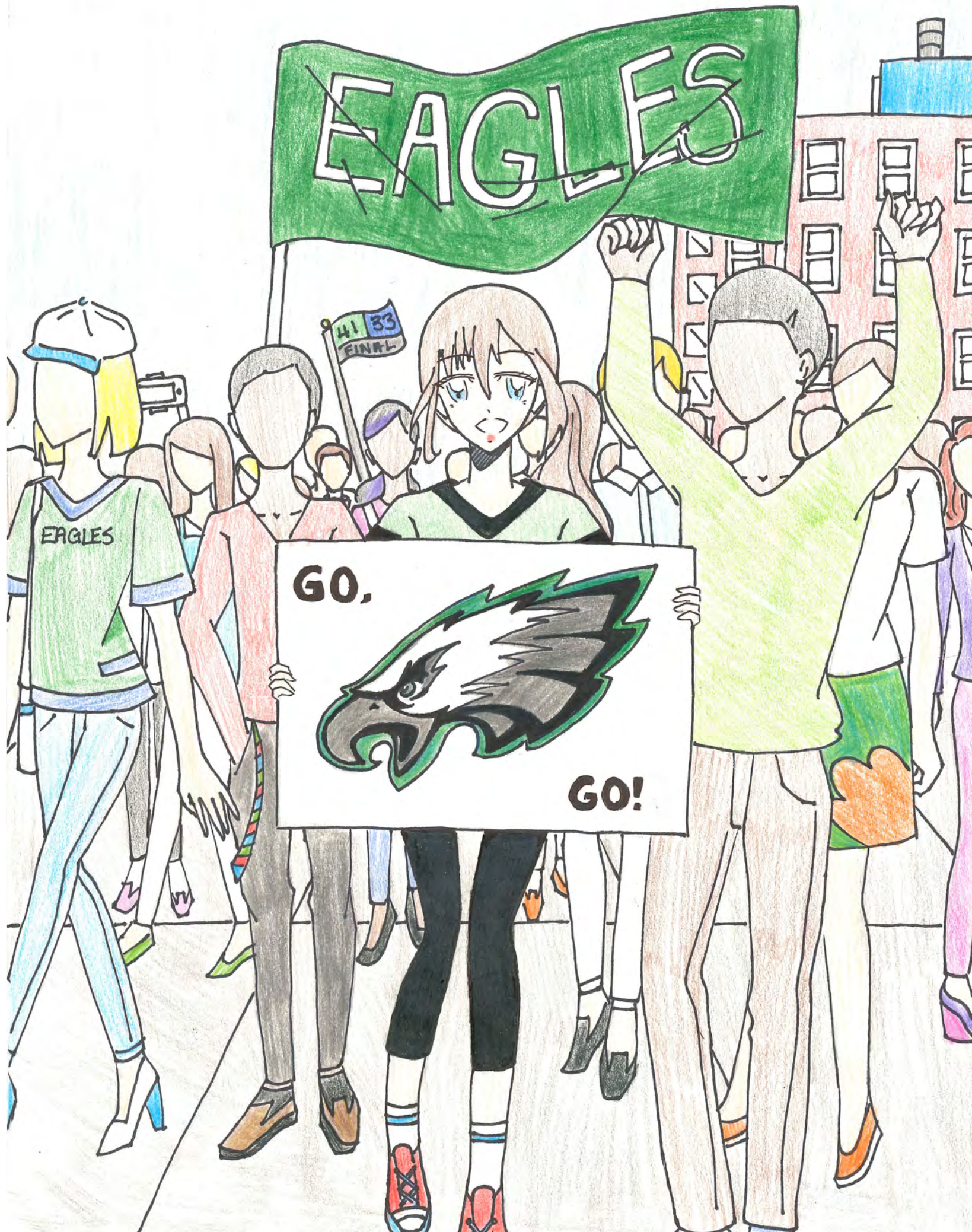
"Many people from all over Philadelphia celebrated the Eagles recent Super Bowl victory. This win brought all of Philadelphia together in a time where no one was judged for their flaws and just accepted because of everyone's mutual love for the Philadelphia Eagles. Generations came together to share the excitement. This day we were all one happy city". Brittany Carter, Grade 12, Thomas Edison High School

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Abdel Hubbi Northeast High School Grade 12	Ms. Marsha Rosenthal
2 nd Prize Back Cover	Brittany Carter Thomas Edison High School Grade 12	Ms. Clarissa Stetson
3 rd Prize Front Inside Cover	Dhruv Pandya Northeast High School Grade 11	Ms. Marsha Rosenthal
Back Inside Cover	Tyler Martin High School of the Future Grade 12	Ms. Linda Heeg
Divider: 1 st	Kim Bui Academy at Palumbo Grade 10	Ms. Kristen Arrivello
	Anna Chen Woodrow Wilson Middle School Grade 8	Mrs. Janice Hill
2 nd	Eliza Huang Woodrow Wilson Middle School Grade 7	Mrs. Janice Hill
	Alexander Ramirez Woodrow Wilson Middle School Grade 6	Mrs. Janice Hill
3 rd	Xuiwen Zhen Woodrow Wilson Middle School Grade 8	Mrs. Janice Hill
	Marielis Colon Woodrow Wilson Middle School Grade 6	Mrs. Kimberley Colosante

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





SCHOOL DISTRICT OF PHILADELPHIA

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THE SCHOOL DISTRICT OF PHILADELPHIA OFFICE OF THE SUPERINTENDENT

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February 6, 2019

To the Members of the Board of Education, 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, 2018. 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, 2018, 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. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. 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 18,300 full time employees as of June 2018 and the thirteenth 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 12% 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 2017-2018 school year as of October 1, 2017 was over 203,600 students including 71,528 attending charter schools and 4,013 in alternative education programs/schools. The enrollment for the School District for 2018-2019 as of December 1, 2018 was over 204,900 students including 73,886 attending charter schools and 3,916 in alternative education.

During Fiscal Year 2018, there were 215 schools that the School District operated, as well as 24 alternative education programs/schools and 84 charter schools managed by other entities within the city and that serve Philadelphia's children. In Fiscal Year 2018, just over one of every three (36%) 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 2018 organizational structure for the School District includes 48 elementary schools; 99 elementary/middle schools; 14 middle schools; and, 54 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 2018 there were no school closures nor school sales. About 13.5% of the School District's buildings are 40 years old or less, 44.9% are between 41 and 80 years old, 41.6% are 81 years or older.

The School District provides a comprehensive range of mandated educational services that include general, special, International Baccalaureate program, Advanced Placement (AP) program and vocational education at the elementary and/or 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 from December 2001 through June 30, 2018 appointed three members, including the Chairman, the Mayor of Philadelphia appointed the remaining two members. The SRC exercised all powers and had all the responsibilities and duties of the original Board, along with additional powers. As prescribed, the SRC was 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 included, but were 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 reported to the SRC. During the Fiscal Year 2018 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 began on July 1, 2018 to coincide with the dissolution of the SRC at the end of the reporting period of Fiscal Year 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 and now the Board of Education.

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

Philadelphians can be proud of the progress being made in our schools. We offer our families quality options so they can find the right path for their students' success. Our students and our schools continue to make measurable improvements. Students "are" achieving and families are inspiring us to do more as partners. Our finances are in order and stable. We have demonstrated through student educational outcomes that what we are doing is working. This has prepared us for the local control which began on July 1, 2018.

To understand "who we are" as an organization it is key to understand our strategic mission, vision, core values, guiding principles and anchor goals which together form our multi-year *Strategic Action Plan* districtwide.

- 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, "All children have a great public school close to home."

- Our *Core Values* place emphasis that all students can and will learn, high quality instruction is central to our work, schools are learning organizations, parents and families are our partners, and we are trusted stewards of public resources.
- Our *Guiding Principles* place emphasis that all students can achieve given the needed supports, there is educational equity for all students and cultural diversity is valued.
- The *Four Anchor Goals* in support of our mission, vision, core values and guiding principles 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.

Fiscal Year 2018 is the fourth straight year all major initiatives remained focused on these objectives as we continued to build upon our momentum and made significant progress on all fronts. Student achievement is improving faster than state averages and our graduation rate is higher than it's been in over a decade. The fourth consecutive year with a positive year-end fund balance has provided us with the needed resources to carry-out our *Action Plan* with vigilance and sustained investments in classrooms have resulted in the best and brightest principals, teachers and employees

Over the past fiscal year, we continued to make very good progress in laying the foundation for the future and we continue to show growth in individual schools and classrooms across the District. Two of our schools were named as national blue ribbon schools out of only nineteen schools throughout Pennsylvania. However, this is difficult work and a multi-year effort, especially in an urban school district, and requires ceaseless energy, determination and support. Increased State and Local funding coupled with a positive fund balance 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 three of a seven-year \$526 million Investment Plan included the following budgetary investments focused on our *Four Anchor Goals*:

- Previous anchor goal investments which began in Fiscal Year 2016 and 2017 continued and were maintained and/or increased in Fiscal Year 2018.
- New investments included: hydration stations, a special education pilot program, additional resources for teacher recruitment, alternative education programs, a new middle-college program, additional bi-lingual counseling assistants and ESOL teacher and other school-based investments.
- New City revenues made possible maintaining staffing for all K-3 grades despite enrollment decreases after the start of the school year and eliminating 1st and 2nd grade combined classes.
- New capital projects which included classroom modernization, state-of the art technology, major school renovation, new playgrounds and site environmental improvements.

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 2016-17 data and where available 2017-2018):

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

- Graduation Rate of 67% with 31 high schools improving their graduation rates, some by double digits,
- All high school students were given free access to the PSAT/SAT practice tests and individualized college-prep tools,
- All high schools instituted 9th grade academies to welcome students and provide individualized support to plan and track a successful path to graduation.
- All students and their families were informed about opportunities for Advanced Placement classes and a diversity of options for high school,
- Celebrated the first student graduates of the Advanced Placement (AP) Capstone program,
- Large gains were made on the 2017/2018 Pennsylvania System of School Assessment (PSSA) with a significant number of students moving out of the below-basic category on the English Language Arts (ELA) and Science portions of the test.
- In the Keystone Exams, District improvements outpaced those at the State level with the percent of high school students scoring proficient or above showing increases in all subject areas.
- 3,852 students earned career and technical credentials, qualifying them for post-graduation jobs,
- Created better learning environments and safer schools by increasing climate scores and maintaining zero persistently dangerous schools for the fourth straight year.
- Buildings were improved based on the Facility Condition Assessment Report to prioritize school building needs and ensure safe, healthy and welcoming environments for students and staff.

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

- In the second year of full implementation of the District's early literacy plan, the percentage of 3rd graders reading on grade level increased to 36%, surpassing statewide gains
- 900 more students are reading at the very highest (Advanced) and 1,500 fewer are reading at the lowest (Below Basic),
- Students at every grade level from 3rd to 7th have shown improvements in reading with 3rd graders posting the highest gains.
- One literacy coach in every elementary school supporting all K-3rd grade teachers.
- One million new books were distributed across every K-3 classroom for more than 46,000 students as part of the Right Books Campaign,
- All K-8 teachers were provided with the materials, assessments, training and support to deliver high-quality, evidence-based literacy instruction to every student.

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);

- Focused on systematically recruiting, hiring, developing, supporting, and retaining high-quality principals and teachers ready on day one.
- Hired more teachers with 99% of all teacher vacancies filled by the start of the school year,
- One of four teachers hired were educators of color,
- 1,900 plus K-3 teachers were trained to be expert reading instructors,
- Appropriate staffing of central office to support schools,
- New contracts with teachers, principals, and school support staff unions provided raises, stability and 21st-century classroom tools.

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);

- Fiscal stability has been key to returning Philadelphia's public schools to local control and providing the monetary resources to achieve Anchor Goals 1, 2 and 3's strategic objectives and to improve the education our students receive,
- Positive Fund Balance for four consecutive years,
- Fiscal Year 2018 Available Budgetary Fund Balance of \$169.5 million,
- Fiscal Year 2019 Available Budgetary Projected Fund Balance (as of June 2018 Five Year Plan update) of \$156.1 million, the fifth straight year of a positive fund balance,
- Projected positive fund balances for Fiscal Year 2019 to Fiscal Year 2021 after which a projected deficit for Fiscal Year 2022 and beyond due to mandated and fixed costs unless adequate funding is secured or drastic program cuts enacted,
- Four straight years of balanced budgets resulted in improved long-term credit outlook,
- Bond refunding completed in Fiscal Year 2017 will save over \$100 million over the next 20 years.

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 25th of the preceding fiscal year (e.g., May 25, 2017). The "amended" or final budget was passed on May 24th of the current fiscal year (e.g. May 24, 2018). 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 (now the "Board"), 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 Board of Education 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 \$1.29 billion in facility needs through Fiscal Years 2018 - 2023 to improve major infrastructure systems and buildings. On May 24, 2018, the School District adopted its 2019 Capital Budget and six-year capital improvement program for Fiscal Years 2019-2024, which identified \$1.36 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 2018 on May 24, 2018 to total approximately \$155.5 million.

Local tax rates for the School District are authorized by the City Council. The City of Philadelphia collects current and delinquent local taxes and other locally generated non-tax revenues for the School District. These taxes represent about 41% of the Fiscal Year 2018 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 88% is spent on education and other support services and the remaining 9% 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: The District is in its strongest financial position in years. Positive financial trends and a strong outlook has allowed the needed investments to achieve positive academic outcomes for the fourth straight year and position us for future successes. Over the past few years, the District has undertaken numerous initiatives to improve the efficient and effective use of public dollars and plan for sustainable investments. For Fiscal Year 2018, the District was able to moderately increase the beginning prior year's positive operating fund balance to adequately plan for future needs due to increased State and Local funding, a strong financial focus resulting in more favorable financing terms and smarter fiscal management coupled with actions taken in the previous and current fiscal years to ensure the continuance of recurring revenues. This was the fourth consecutive year of a year-end positive fund balance. Efforts to put the District on a strong financial footing and a positive financial outlook has resulted in Moody's upgrading the District's bond ratings and outlook in Fiscal Year 2017, and again in Fiscal Year 2019 with the District receiving a two notch increase in the School District's bond rating, bringing it to a Baa3; investment grade for the first time since 1977. Fiscal Year 2019 should continue this positive trend with a \$156.1 million projected operating fund balance (June 2018 Five Year Plan Projection). Although there were modest operating fund balances for the past four fiscal years (less than three weeks of operating revenues), expenditures growth rates outpace revenue growth rates resulting in an outlook of structural deficits beginning in Fiscal Year 2022. Though facing deficits in the coming years, through tough choices, increased funding from stakeholders due to demonstrated return on investments, a five-year budget plan and smarter long and short-term 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 in the both the near term and future years.

Recognizing the need for more revenues to avoid a fiscal cliff while at the same time investing in the programming to ensure our students' success, the District was successful in obtaining and sustaining recurring revenues from the State in Fiscal Year 2017 and 2018. 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 rideshare program effective through Fiscal Year 2019 in which the District will receive a portion of the revenues estimated to be more than \$2 million annually. The State also corrected the Basic Education formula and provided a reimbursement adjustment for special education and increased basic education and special education subsidies along with retirement and transportation revenues which was partially offset with a delay in Plan Con reimbursements. During 2018 the Pennsylvania Department of Education clarified the procedure for determining the Charter rates for payments to Charter schools. This resulted in better predictability for total year end Charter costs and a reduction in the number of appeals of Charter payment amounts in Fiscal Year 2018. 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. Property reassessments are projected to result in recurring revenues of \$65 million which began in Fiscal Year 2018 and were realized. The District receives about 28% 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 20 years. In addition, securing a fix to the State reimbursement formula (AVI) in Fiscal Year 2017 prevented the loss of \$250 million in State reimbursement revenues through Fiscal Year 2022. A capital borrowing in March of 2018 generated \$275 million in proceeds for our Capital Improvement Program. As a result of the District's improved credit rating and outreach to investors, we realized a reduction on average of our credit spread of over 50 basis points as compared to our 2016 transaction, saving over \$18 million in interest costs on the Fiscal Year 2018 issuance. With the recent Moody's additional upgrade, we anticipate this positive financing trend to continue.

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 incurred in Fiscal Year 2018 additional operating costs of about \$36 million associated with newly negotiated labor agreements with all bargaining units including the two largest unions representing teachers (PFT) and principals (CASA) were necessary to move the District forward to a 21st Century learning environment. In addition, there was a moderate reduction in federal funding associated with the Title II program.

The District continued its practice of achieving structural fiscal balance while executing the major initiatives and action items discussed above which focus on equity, educational outcomes and school choice. 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 get the supports they need to succeed while balancing fiscal integrity. Increased funding and financial planning has pushed the time-line for a deficit operating fund balance (assuming no changes to assumptions) out to Fiscal Year 2022 and beyond from the previously projected cliff of Fiscal Year 2019.

As we enter the fourth year of this \$526 million investment plan in our children's future, the District's longer-term finances although steadily improving, 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 four 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 is in a better financial position than it has been in several years. This is directly because we have 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; negotiating contracts which fairly compensate employees while providing for 21st century learning environments; expanding high quality seats; taking measures to identify and mitigate rising expenditure areas such as special education, transportation, facilities costs and benefits and, establishing baseline expectations for all of its schools because in our view all students can succeed.

The Local Economy: Over the past year the key factors highlighting Philadelphia's overall economic well-being fell into two distinct areas – the economy and social indicators. The economic factors were mostly positive whereas the social indicators are considerably less so. On the

economic front, the City had a booming local economy with strong job growth, population gains and a strong housing and commercial construction market. The City had the highest jobs increases since 1991 and the average unemployment rate fell to 6.2%, although higher than the national average of 4.7%, percentage wise it improved better than the national average for the second straight year. But, there remain troubling trends in the social indicators. The poverty rate remained at 26% and Philadelphia retained its title as the poorest of America's 10 most populated cities. The cities homicide rate was the highest since 2012 and marked an increase of 14% in a single year. Philadelphia is hard hit by the opioid crisis and in 2018 had one of the highest drug death rates in the country.

The population of 1.58 million (based upon the US Census Bureau 2016 population estimates as reported by the Pew Charitable Trusts in April 2018) rose for the 11th straight year, although at a slower growth rate than in the earlier years and modest in comparison to other cities including New York, Boston and Washington. 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 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 has grown significantly over the past 25 years and they accounted for nearly 15 percent of the city headcount in the most recent census, the greatest share since 1940. Nearly 27% of Philadelphia's population are school aged (age 5-17). Enrollment in Philadelphia-district run and Catholic schools fell while the number of students enrolled in Charters continued to grow. 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.

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. Philadelphia has developed an increasingly diverse economy centered on the healthcare industry, higher education, professional and business services and leisure and hospitality. The cost of living index is the second lowest compared to other major Northeast cities and is 20% less than Washington DC is and 48% lower than Manhattan. 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. 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, 2015-2018 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 2018 were \$7.3 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.

"The City of Brotherly Love" is a cultural center and the centerpiece of early American history and is home to many national historical sites that relate to the founding of the U.S. 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 football team which won the NFL Super bowl in February 2018. 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.

The economic, social and demographic data tell us that in recent years Philadelphia has many reasons to be proud of its recent performance. But they also indicate a mixed picture that the city faces some fundamental social challenges, some old and some new. Overall the city appears poised for success over the coming years.

Accounting Pronouncements Effective for Fiscal Year 2018, the School District has implemented three new Government Accounting Standards Board (GASB) Statements, GASB No. 75, No. 82 and No. 86. GASB's Statement No. 85 was considered but found not to be applicable.

GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" replaces the requirement of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. This statement requires more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. These changes are reflected in the School District's financial statements for Fiscal Year 2018.

GASB 82, "Pension Issue – an amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No.68, Accounting and Financial Reporting for Pensions and No. 73, Accounting and Financial Reporting for Pension and Related Assets that are not within the

Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The requirements of this statement addresses certain issues that had been raised with respect to Statements 67, 68, and 73 regarding: 1) the presentation of payroll-related measure in required supplementary information, 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. These changes are reflected in the School District's Required Supplementary Information (RSI) to the financial statements for Fiscal Year 2018.

GASB 86, "Certain Debt Extinguishment Issues" establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt- are place in an irrevocable trust for the purpose of extinguishing debt. The statement also amended the financial reporting requirements for prepaid insurance associated with debt that is extinguished and establishes additional disclosure requirements. These changes are reflected in the School District's footnotes in the financial statements for Fiscal Year 2018.

Long-term Debt: As of June 30, 2018, the School District's net general bonded debt outstanding was \$3.2 billion.

The SRC adopted a Debt Policy on February 18, 2009. The debt management policies are written guidelines that affect the amount and type of debt issued by the School District, the issuance process, and the management of a debt portfolio. The goal of the debt management policy is to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and can be expected to meet its obligations in a timely manner. According to the Local Government Unit Debt Act, and as further stated in the Debt Policy, the School District must establish serial maturities or sinking fund installments for each bond issue that achieve, as nearly as practicable, level debt service within an issue or overall debt service within a particular classification of debt. The School District has never defaulted in the payment of debt service on any of its bonds, notes or lease rental obligations.

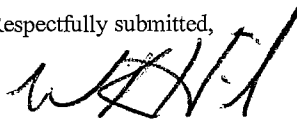
Awards and Acknowledgements

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 2017. 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 2017. 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 2018.

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

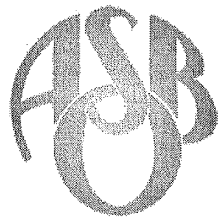
**School District of Philadelphia
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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, 2017.**

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



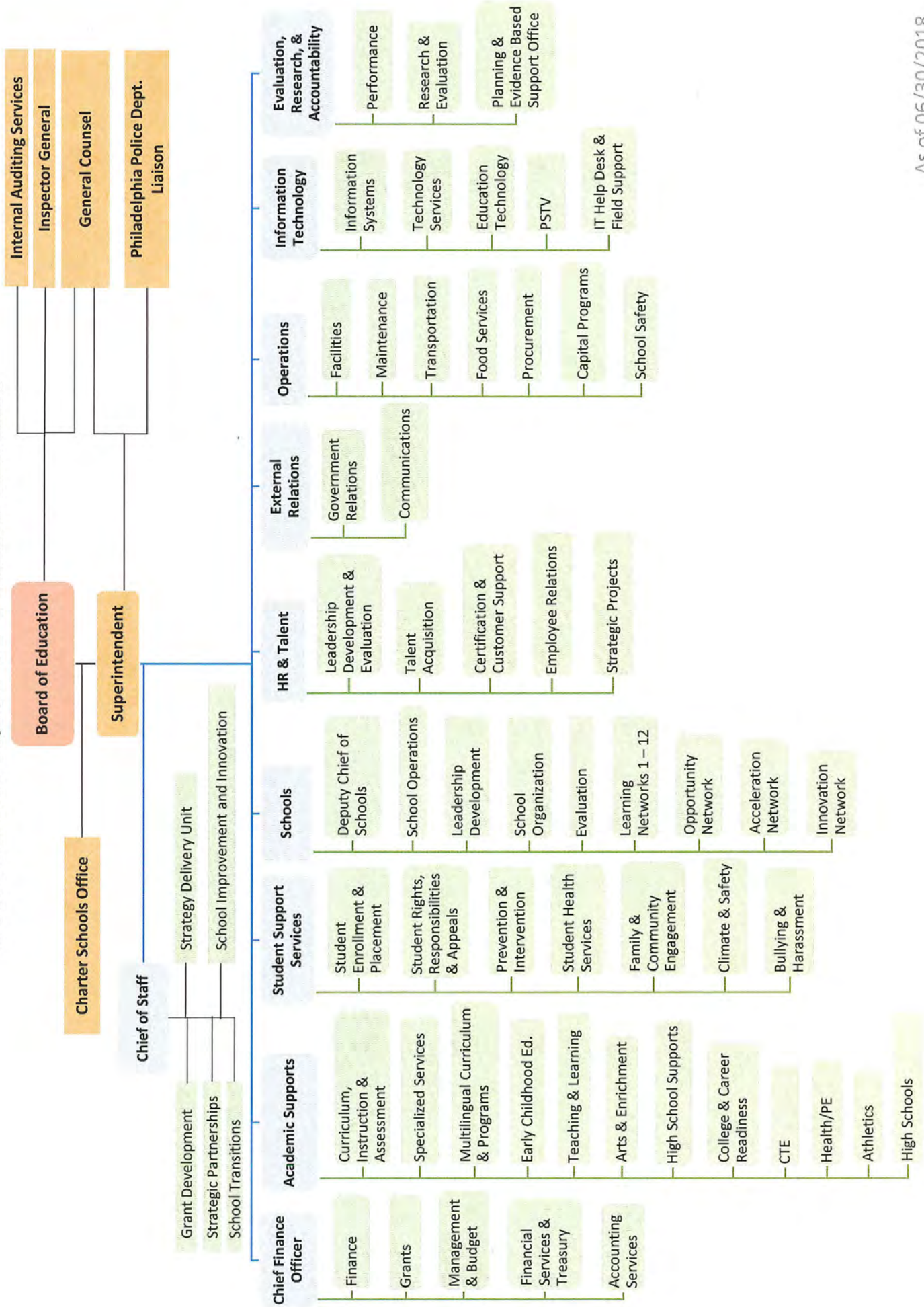
Charles E. Peterson, Jr.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso

John D. Musso, CAE
Executive Director

SCHOOL DISTRICT OF PHILADELPHIA



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2018

List of Principal Officials of the School District

School Reform Commission

Estelle Richman, Chair
Fran Burns, Member
William J. Green, Member
Marjorie Neff, Member

School District of Philadelphia

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

Naomi Wyatt
Chief of Staff
Acting Chief of External Relations

Lynn Rosner Rauch
General Counsel

Louis Bellardine
Chief Talent Officer

Uri Z. Monson
Chief Financial Officer

Karyn T. Lynch
Chief of Student Support Services

Malika Savoy-Brooks, Ed.D.
Chief of Academic Supports

Melanie S. Harris
Chief Information Officer

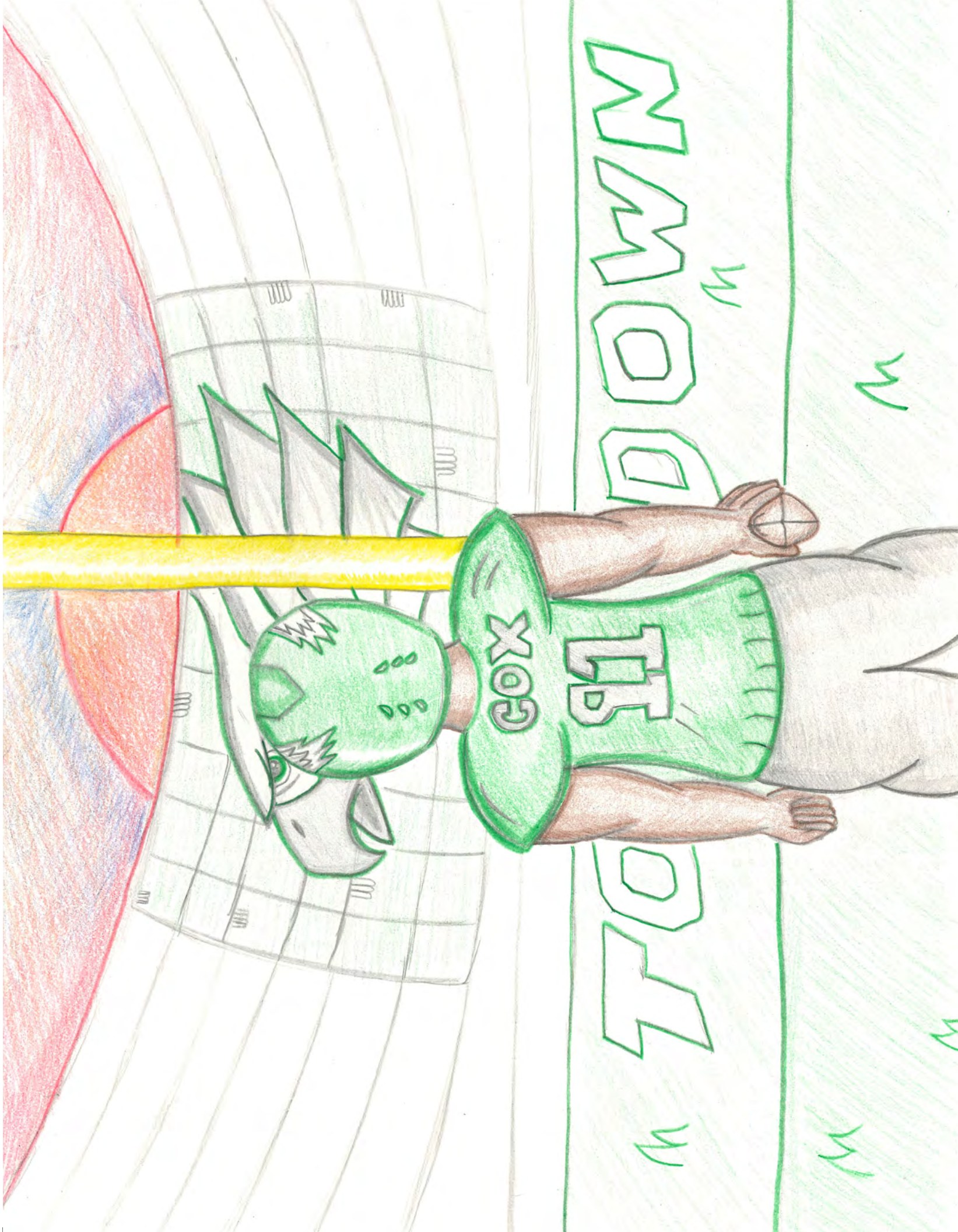
Danielle Floyd
Chief Operating Officer

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 Board of Education 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, 2018, 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
O F F I C E O F T H E C O N T R O L L E R

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 4.J. and 4.N. to the financial statements, in fiscal year 2018 the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which represents a change in accounting principle. As of July 1, 2017, the School District recorded a prior period restatement to reflect the cumulative effect of the accounting change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit for the year ended June 30, 2018 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, 2018, 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, 2018, 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, 2018.

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, 2017 (not presented herein), and have issued our report thereon dated February 13, 2018, 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 2017 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, 2017 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 2017 financial statements. The 2017 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of

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

Budgetary and Actual Revenues and Obligations information have been subjected to the auditing procedures applied in the audit of the 2017 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 2017 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, 2017.

Other Information

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



Christy Brady, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 06, 2019

SCHOOL DISTRICT OF PHILADELPHIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. 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 intent of the MD&A is 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 also assists 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 is to 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 immediately following.

II. FINANCIAL HIGHLIGHTS

For seventeen years, the School District operated 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 took 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. As anticipated, the local governance of the District began July 1, 2018. This action had a strong positive impact on the current and future financial outlook of the District and cited as a key factor in a recent Investment Grade Bond Rating of the District's outstanding debt for the first time in 40 years.

Several key financial highlights for Fiscal Year 2018 include, but are not limited to, the following:

- Total revenues were \$3,557.7 million. A little under 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 41% 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.

Management's Discussion and Analysis

- Total revenues increased by \$225.3 million compared to Fiscal Year 2017. Program revenues increased by \$40.7 million primarily from \$46.2 million under operating grants and contributions with \$5.5 million decreases in other program categories. This increase is due to the timing of Title I increases in grants and carryover amounts in federal awards. Timing variances can occur from year to year between these grants because they span over multiple years. Local revenues increased by \$115.3 million mostly due to Property taxes, Use and Occupancy taxes, and Rideshare revenues increases of \$121.6 million offset by a decrease of \$6.3 million in collections of Liquor and School revenue. Local grants and contributions not restricted to specific programs increased by \$9.3 million primarily from Investment Income and other miscellaneous revenues. State and Federal grants and subsidies increased by \$53.6 million primarily due to increases in the basic education appropriation, transportation reimbursement and pension plan reimbursement.
- Total expenses were \$3,386.8 million. Approximately 96% 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 \$229.5 million compared to Fiscal Year 2017. The causes of the increases under Governmental Activities were primarily for expenses in instruction, student support services, administrative support services, operation & maintenance of plant services, and pupil transportation by \$240.5 million offset by \$18.8 million decreases in expenses under all other support services, early childhood education, and interest. In addition, expenses under Business-type activities increased by \$7.8 million.
- At the end of the current fiscal year, total net deficit was \$4,415.4 million. A major factor, which affected the net deficit, was the adoption of GASB's No. 68 and 71 related to pension reporting requiring the recognition of an unfunded net pension liability of \$3,572.0 million for Fiscal Year 2018. In addition, the District adopted GASB No.75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, which required the recognition of an unfunded net PSERS OPEB and Life Insurance OPEB liability of \$147.4 million and \$16.4 million in Fiscal Year 2018, respectively. 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 consists of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2018 ending Operating Fund balance is \$264.7 million. Of the total \$264.7 million fund balance for the Operating Fund at June 30, 2018, \$34.1 million is non-spendable or encumbered for existing purchase commitments and \$61.1 million is restricted for future debt service payments, leaving an ending budgetary operating fund balance of \$169.5 million.
- The Operating Fund balance of \$264.7 million as of June 30, 2018 reflects a \$62.5 million increase from the Fiscal Year 2017 balance. This balance includes \$33.5 million of encumbrances for the General and Intermediate Funds, \$0.6 million of General Fund inventories, and \$61.1 million for future debt payments resulting in a \$169.5 million ending budgetary operating fund balance. The increase from Fiscal Year 2017 is primarily the result of several factors: higher local

and state revenues partially offset by increased expenditures for general fund and intermediate unit instructional and student support services and increased charter school payments.

- Under bond covenants, the School District is required to set aside, with the District's 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 the fiscal agent's custody totaled \$191.1 million. Of this amount, \$154.4 million is to pay obligations for the next fiscal year, \$36.3 million represents mandatory deposits for future debt payments, and \$0.4 million represents 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 2018 with a \$10.0 million net change, which represented a \$28.2 million decrease in the net change from Fiscal Year 2017 to Fiscal Year 2018. This decrease resulted from the following: 1) \$33.9 million decrease in other financing sources mostly for tax revenue transfers; 2) \$12.9 net decrease for refunding financing sources; 4) \$5.3 million increase mostly from federal revenues; and, 5) \$13.3 million decrease in variable rate payments, issuance costs and 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 2018. 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, 2018 and reflects GASB Statements No. 68, No. 71 and No. 75. The District restated its July 1, 2017 net position liabilities, deferred outflows and deferred inflows in accordance with the requirements of GASB Statement No. 75 as of July 1, 2017. Refer to Footnotes 1D (13), 4E (2) and 4N. A more detailed Statement of Net Position is on page 34 of the Basic Financial Statement section:

Net Position
As of June 30, 2018
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2018	2017	2018	2017	2018	2017
Current & Other Assets	\$ 1,155.2	\$ 943.3	\$ 31.2	\$ 28.7	\$ 1,186.4	\$ 972.0
Capital Assets	1,709.6	1,685.3	2.8	2.2	1,712.4	1,687.5
Total Assets	2,864.8	2,628.6	34.0	30.9	2,898.8	2,659.5
Deferred Outflows of Resources						
Deferred Refunding Charges - Loss	104.5	119.0	0.0	0.0	104.5	119.0
Deferred Pension Contributions	648.6	580.8	9.8	8.8	658.4	589.6
Deferred OPEB Contributions	14.9	7.9	0.2	0.1	15.1	8.0
Total Deferred Outflows	768.0	707.7	10.0	8.9	778.0	716.6
Liabilities						
Current & Other Liabilities	398.8	409.2	4.4	4.2	403.2	413.4
Long-Term Liabilities	3,706.0	3,574.3	2.1	1.8	3,708.1	3,576.1
Net Pension Liability	3,518.7	3,375.4	53.2	51.1	3,571.9	3,426.5
Net OPEB Liability	161.5	164.5	2.3	2.3	163.8	166.8
Total Liabilities	7,785.0	7,523.4	62.0	59.4	7,847.0	7,582.8
Deferred Inflows of Resources						
Deferred Refunding Charges - Gain	3.8	4.0	0.0	0.0	3.8	4.0
Deferred Pension	229.7	368.4	3.5	5.6	233.2	374.0
Deferred OPEB	8.0	1.6	0.1	0.0	8.1	1.6
Total Deferred Inflows	241.5	374.0	3.6	5.6	245.1	379.6
Net Position						
Net Investment in Capital Assets	(637.7)	(633.5)	2.8	2.1	(634.9)	(631.4)
Restricted	206.6	194.6	0.0	0.0	206.6	194.6
Unrestricted (Deficit)	(3,962.7)	(4,122.2)	(24.4)	(27.3)	(3,987.1)	(4,149.5)
Total Net Position (Deficit)	\$ (4,393.8)	\$ (4,561.1)	\$ (\$21.6)	\$ (\$25.2)	\$ (4,415.4)	\$ (4,586.3)

For the Fiscal Year ended June 30, 2018, the School District's total net deficit was \$4,415.4 million. This net deficit amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$3,987.1) million is unrestricted. This balance also reflects an increase of \$170.9 million from Fiscal Year ended June 30, 2017, a prior period adjustment of \$2.0 million (see Note 4M for details) and a prior period restatement of (\$158.3) million (see Note 4N for details). This net increase of \$14.6 million was the result of the following: 1) A net increase in assets and deferred outflows of resources of \$310.9 million which includes an increase in cash and restricted cash of \$203.7 million, an increase in net receivables and prepaid bond premiums of \$10.7 million, an increase in capital assets net of accumulated depreciation of \$26.9 million, an increase of deferred pension and OPEB contributions of \$84.1 million (largely due to the implementation of GASB Statement 75) offset by a decrease in deferred refunding losses of \$14.5 million, 2) a decrease in deferred inflows of resources of \$132.9 million offset by; 3) an increase in liabilities of \$429.2 million. The increase in liabilities is driven by an increase in bond related debt of \$133.9 million and an increase in net pension and OPEB liabilities of \$307.2 million, offset by a net decrease in unearned revenue, accounts payable, accrued salaries and benefits, and other liabilities of \$11.9 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 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, 2018
(Dollars in Millions)
Table 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 5.4	\$ 10.1	\$ 0.8	\$ 0.7	\$ 6.2	\$ 10.8
Operating Grants & Contributions	1,009.9	963.6	88.4	88.5	1,098.3	1,052.1
Capital Grants & Contributions	0.6	1.5	-	-	0.6	1.5
General Revenues						
Property Taxes	789.5	703.9	-	-	789.5	703.9
Other Taxes	479.5	449.7	-	-	479.5	449.7
Grants & Contributions Not Restricted	139.2	130.0	-	-	139.2	130.0
State & Federal Subsidies Not Restricted	1,041.9	988.3	-	-	1,041.9	988.3
Investment Revenue/(Expense)	2.5	(3.9)	-	-	2.5	(3.9)
Total Revenues	3,468.5	3,243.2	89.2	89.2	3,557.7	3,332.4
Expenses						
Instruction	2,479.2	2,324.8	-	-	2,479.2	2,324.8
Student Support Services	255.5	200.4	-	-	255.5	200.4
Administrative Support & Other	147.9	143.9	-	-	147.9	143.9
Interest on Long Term Debt	146.8	149.5	-	-	146.8	149.5
Pupil Transportation	91.4	88.4	-	-	91.4	88.4
Operation & Maintenance	180.1	172.2	-	-	180.1	172.2
Early Childhood Education	0.2	0.2	-	-	0.2	0.2
Food Service/Print Shop	-	-	85.7	77.9	85.7	77.9
Total Expenses	3,301.1	3,079.4	85.7	77.9	3,386.8	3,157.3
Excess before Transfers	167.4	163.8	3.5	11.3	170.9	175.1
Transfers	(0.1)	(0.1)	0.1	0.1	-	-
Increase in Net Position	167.3	163.7	3.6	11.4	170.9	175.1
Net (Deficit) - Beginning	(4,561.1)	(4,604.7)	(25.2)	(34.4)	(4,586.3)	(4,639.1)
Prior Period Adjustment	-	36.0	-	-	-	36.0
Prior Period Restatement	-	(156.1)	-	(2.2)	-	(158.3)
Net (Deficit) - Ending	\$ (4,393.8)	\$ (4,561.1)	\$ (21.6)	\$ (25.2)	\$ (4,415.4)	\$ (4,586.3)

The ending Fiscal Year 2018 Net Deficit of a \$4,415.4 million, represents a positive \$170.9 million change from Fiscal Year 2017 Net Deficit of \$4,586.3 million, as adjusted. The Fiscal Year 2018 Net Deficit is comprised of: 1) revenues of \$3,557.7 million with \$1,105.1 million of program revenues and \$2,452.6 million of general revenues, and 2) \$3,386.8 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.

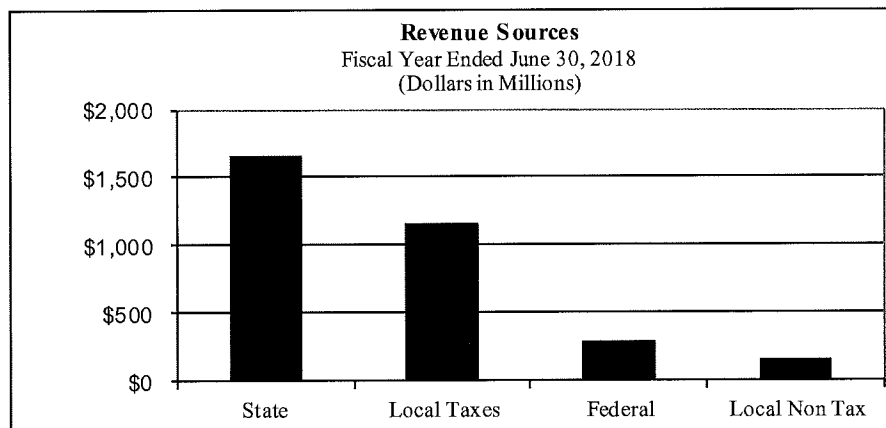
Major Sources of Revenues

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. The largest component of local revenue is the levy and collection of taxes such as real estate, business use and occupancy, sales tax, cigarette tax, non-business income, liquor by the drink, ridesharing 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, 2018
(Dollars in Millions)
Table 3

Revenue Source	Program Revenues				General Revenues			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017	2018	2017	2018	2017
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,269.0	\$ 1,153.7	\$ -	\$ -
Locally Generated NonTax	15.4	18.7	0.8	0.7	141.6	126.0	0.1	-
State and Federal Grants and Subsidies	1,000.5	956.5	88.4	88.5	1,041.9	988.3	-	-
Total Revenue	<u>\$ 1,015.9</u>	<u>\$ 975.2</u>	<u>\$ 89.2</u>	<u>\$ 89.2</u>	<u>\$ 2,452.5</u>	<u>\$ 2,268.0</u>	<u>\$ 0.1</u>	<u>\$ -</u>

The following bar graph illustrates the School District's major sources of revenues for all revenue sources for Fiscal Year 2018:



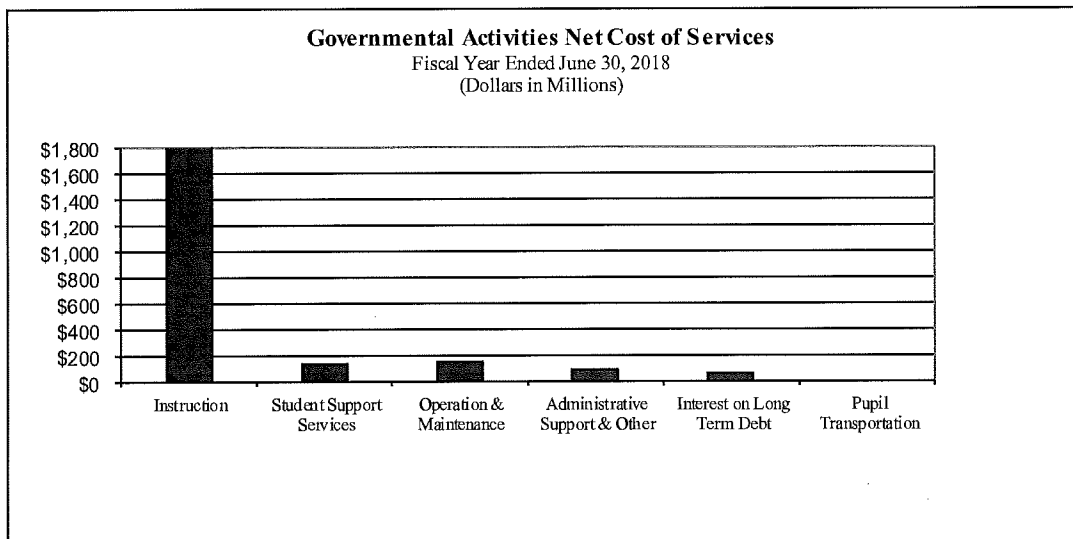
As previously illustrated in Table 2, most of the School District's revenues are considered general as opposed to program related. Table 3 provides further detail on the School District's sources of revenues. Total revenues for all funds of \$3,557.7 million can be found on page 35 in the Statement of Activities.

Cost of Services by Major Functional Expense Category

Table 4 and the accompanying graph illustrate and highlight the net costs incurred by each of the major activities presented in the School District's Statement of Activities. For each activity, the statement presents gross expenses and the resulting net cost (surplus), offset by program revenues, of each general activity. The major functional expense categories are titled: Instruction, Student Support Services, Operation and Maintenance, Administrative Support and Other, Interest on Long Term Debt, Pupil Transportation, Food Service/Print Shop and Early Childhood Education.

**Cost of Services by
Major Functional Expense Category**
Fiscal Year Ended June 30, 2018
(Dollars in Millions)
Table 4

Functional Expense	2018		2017	
	Gross Cost of Services	Net Cost of Services	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,479.2	\$ 1,856.6	\$ 2,324.8	\$ 1,743.4
Student Support Services	255.5	129.4	200.4	103.3
Operation & Maintenance	180.1	154.9	172.2	145.0
Administrative Support & Other	147.9	83.6	143.9	83.5
Interest on Long Term Debt	146.8	60.8	149.5	37.3
Pupil Transportation	91.4	(0.1)	88.4	(8.2)
Food Service / Print Shop	85.7	(3.5)	77.9	(11.3)
Early Childhood Education	0.2	-	0.2	-
Total Expenses	\$ 3,386.8	\$ 2,281.7	\$ 3,157.3	\$ 2,093.0



V. 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 \$72.9 million on June 30, 2018. For Fiscal Year 2018, there was an excess of revenues over expenditures of \$585.9 million, offset by \$532.3 of other financing uses, and (\$0.2) million of a change in inventory reserves. These together resulted in a \$53.4 million favorable 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 2018, the Intermediate Unit Fund had a deficiency of revenues under expenditures of \$267.9 million, other financing sources to cover the revenue shortfall of \$267.0 million totaling a net decrease of \$0.8 million to fund balance resulting in an ending fund balance of \$0.7 million at June 30, 2018.

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 \$2.7 million negative net change in fund balance, which resulted in a negative \$9.7 million at June 30, 2018. The reason for the decrease in fund balance was an increase of \$2.7 million in receivables over 90 days past due not recorded as revenues in Fiscal Year 2018. As of June 30, 2018, there were \$9.7 million still outstanding from grantors and recorded as unavailable revenue, 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 2018, the Debt Service Fund reflects a \$10.0 million net increase in fund balance to \$191.1 million as of June 30, 2018. Causes of the net increase related to: 1) \$2.7 million increase for debt service requirements for principal and interest payments, 2) \$14.7 million set aside for mandatory sinking fund payments, and, 3) \$2.0 million decrease 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 2018, the Capital Projects Fund increased by \$150.6 million to a fund balance of \$326.5 million. During Fiscal Year 2018, revenues of \$4.0 million with net debt issuance proceeds of \$277.7 million and transfers to other funds for debt issuance of \$2.6 million. New building construction totaled \$19.1 million, capital alterations and improvements, environmental management totaled \$94.7 million, major renovations, and equipment acquisitions totaled \$14.7 million.

Enterprise Funds

The Enterprise Funds account for the operations of the Food Service Division (Major Fund) and the Print Shop (Non-Major Fund). The Enterprise Funds had a total net deficit balance of \$21.6 million at the end of Fiscal Year 2018 with \$20.1 million for the Food Service Fund and \$1.5 million for the Print Shop. This reflects a \$1.4 million increase in net position from the previous fiscal year, almost all related to the Food Service Fund \$3.6 million net profit offset by a prior period restatement for GASB No. 75 of \$2.2 million.

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, 2018
(Dollars in Millions)

Table 5

Fund	Fiscal Year 2018	Fiscal Year 2017
General	\$ 53.6	\$ (6.7)
Intermediate Unit	(0.9)	16.9
Categorical	(2.7)	7.2
Debt Service	10.0	38.2
Capital Projects	150.6	165.4
Food Service	3.6	11.4
Non-Major Enterprise	-	-
Non-Major Governmental	0.1	-
Total Change in Fund Balance/Net Position	<u>\$ 214.3</u>	<u>\$ 232.4</u>

Total Fund Balances for Major and Non-Major Funds
As of June 30, 2018
(Dollars in Millions)

Table 6

Fund	Fiscal Year 2018	Fiscal Year 2017
General	\$ 72.9	\$ 19.4
Intermediate Unit	0.7	1.7
Categorical	(9.7)	(7.0)
Debt Service	191.1	181.1
Capital Projects	326.5	175.9
Food Service	(20.1)	(21.5)
Non-Major Enterprise	(1.5)	(1.5)
Non-Major Governmental	<u>6.4</u>	<u>6.3</u>
Total Fund Balance/Net Position	<u>\$ 566.3</u>	<u>\$ 354.4</u>

Internal Service Fund

In addition, the District has an Internal Service Fund which accounts for the Healthcare Self Insurance Fund. This fund was established for self-insurance medical, vision and prescription service costs (excluding Health & Welfare payments to unions) 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, 2018, the Healthcare Self Insurance Internal Service Fund had a total net position balance of \$44.8 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.

VI. BUDGETING HIGHLIGHTS

The Operating Budget consists of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2018 ending Operating Fund Balance of a positive \$264.7 million compares to a positive \$202.2 million reported for Fiscal Year 2017. Of the total \$264.7 million fund balance for the Operating Fund at June 30, 2018, \$34.1 million is encumbered for existing purchase commitments or inventory, and \$61.1 million is restricted for future QZAB and QSCB debt service principal payments, leaving a fund balance of positive \$169.5 million. The following are the classifications of the Operating Fund balances: 1) in the General Fund, \$39.5 million unassigned, \$32.8 million of encumbrances assigned and, \$0.6 million of non-spendable fund balance for inventories, 2) in the Intermediate Unit Fund, a positive \$0.7 million of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, a positive \$190.7 million is considered restricted and \$.4 million assigned for future debt service payments and defeasance. The Fiscal Year 2018 available fund balance of \$169.5 million represents a \$44.8 million increase from the reported Fiscal Year 2017 available Operating Fund balance of \$124.7 million.

On May 25, 2017, the SRC adopted the Fiscal Year 2018 Operating Budget of \$2,949.5 million in revenues and other sources and \$2,953.1 million in obligations and other uses. On May 24, 2018, the SRC amended the Fiscal Year 2018 Operating Budget of \$3,010.9 million in revenues and other financing sources and obligations and other financing uses of \$ 2,972.3 million. Both the adopted and amended Fiscal Year 2018 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 2018 \$169.5 million ending operating fund balance available for future operations is an increase of \$20.9 million from the amended budget ending fund balance of \$148.6 million. The main cause of this improvement was a budget surplus of \$19.4 million in revenues and other sources with the remainder due to the surplus in expenditures and other uses.

General Fund Budget

For Fiscal Year 2018, the final budgeted General Fund revenue was \$48.9 million higher than the original Fiscal Year 2018 budget adopted in May 2017. This resulted from a \$30.3 million increase in Use & Occupancy tax revenues, \$9.6 million increase in Parking Authority contributions, \$5.9 million increase in State revenues, and \$3.1 million net increase in all other revenues.

The anticipated obligations in the final General Fund budget represented a decrease of \$2.0 million from the original adopted budget. This decrease resulted from the following changes in budgets: (\$17.5) million due to the elimination of the reserve for federal cuts, (\$10.3) million in indirect and allocated costs to grants and food services, (\$5.6) million in reduced utility costs, and (\$12.9) million in charters, temporary borrowing, and all other areas. These reductions were offset by increases of \$30.9 million in instruction, \$7.8 million in losses and judgements, and \$5.6 million in other areas.

The anticipated Other Financing Sources/(Uses) in the final General Fund budget were \$5.3 million unfavorable over the original adopted budget. This is due primarily to increases in the following transfers:

\$10.2 million increase in Special Education Uses, partially offset by a (\$3.9) million reduction in Debt Service fund uses and a net \$1.0 million reduction in all other uses.

The actual ending General Fund balance at June 30, 2018 of a positive \$72.9 million was \$37.7 million favorable compared to the final budget ending balance of a \$35.1 million. Actual General Fund revenues of \$2,862.9 million are \$17.4 million higher than those estimated in the final General Fund budget of \$2,845.5 million. Actual General Fund obligations totaling \$2,280.8 million were \$6.2 million lower than estimated in the final budget of \$2,287.0 million. Other financing uses of \$532.6 million were (\$9.2) million unfavorable compared to the final budget. In addition, \$33.4 million of fund balance is not available for appropriation (made up of the \$29.4 million favorable difference between the final budget and actual beginning fund balance due to encumbrances and other reserves not available for appropriation and an additional \$4.0 million change in encumbrance and inventory reserves during the year).

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

General Fund Budget Comparison

Fiscal Year Ended June 30, 2018

(Dollars in Millions)

Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,796.6	\$ 2,845.5	\$ 2,862.9	\$ 17.4
Total Obligations	2,289.0	2,287.0	2,280.8	6.2
Total Other Financing Sources/(Uses)	(518.1)	(523.4)	(532.6)	(9.2)
Net Change in Fund Balance	(10.5)	35.1	49.5	14.4
Fund Balance Beginning of Year	(18.9)	(10.0)	19.4	29.4
Prior Period Adjustment	-	-	-	-
Change in Reserves	-	-	4.0	4.0
Fund Balance End of Year	\$ (29.4)	\$ 25.1	\$ 72.9	\$ 47.8

During Fiscal Year 2018, 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 \$17.4 million favorable variance due to an \$11.6 million favorable variance in Local Tax revenues, a \$5.2 million favorable variance in Local Non-Tax revenues, and \$0.6 million favorable variance in State and Federal revenues.
- Obligations were \$6.2 million less than budgeted primarily due to benefit savings of (\$6.8) million, materials and supplies saving of (\$2.9) million, savings in other areas of (\$4.2) million, offset by increases over budget of \$6.6 million in charter payments and \$1.1 million in salaries.
- Other Financing uses were \$9.2 million unfavorable from the final budget. This is primarily due to increases of \$6.5 million to the Debt Service Fund, and \$2.7 million to Special Education.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2018, the School District had \$3,550.8 million invested in capital assets. Over the years, these assets have depreciated by \$1,838.4 million leaving a carrying value of \$1,712.4 million. This represents a decrease of \$26.9 million over the Fiscal Year 2017 ending balance. Table 8 represents Net Capital Assets. Refer to Footnote 4D for additional information.

Net Capital Assets
As of June 30, 2018
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 126.8	\$ 126.8	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,451.5	1,438.5	-	-
Personal Property	50.3	55.4	2.8	2.2
Construction In Progress	81.0	62.6	-	-
Total Net Book Value	<u>\$ 1,709.6</u>	<u>\$ 1,683.3</u>	<u>\$ 2.8</u>	<u>\$ 2.2</u>

Debt Administration

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

Almost all outstanding bonds issued prior to 2010 (except for its Qualified Zone Academy Bonds and Qualified School Construction Bonds) were insured and carried mid-grade credit ratings 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.

In September 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.

In December 2018, Moody has again upgraded the School District's Bond rating to Baa3 and set the outlook to stable. This improved rating will positively influence the District's borrowing rates and future financing needs.

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

Long-Term Obligations Outstanding

As of June 30, 2018

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Total Bonded Debt	\$ 3,350.7	\$ 3,218.3	\$ -	\$ -
Employee Related Obligations	3,883.2	3,742.6	57.6	55.2
Due to Other Governments	45.3	45.3	-	-
Other	107.0	105.9	-	-
Total Long-Term Obligations Outstanding	<u>\$ 7,386.2</u>	<u>\$ 7,112.1</u>	<u>\$ 57.6</u>	<u>\$ 55.2</u>

The Total Long-term Obligations Outstanding increased by \$276.5 million. This includes an increase in bonded debt of \$132.4 million and an increase in employee obligations of \$126.6 million. All other long-term obligations increased by \$17.5 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 2018 with a positive operating fund balance of \$264.7 million as defined and in accordance with GASB Statement No. 54. GASB Statement No. 54 requires reporting to reflect expendable and non-expendable categories and amounts that are restricted, committed, assigned or unassigned. The \$264.7 million includes \$34.1 million of encumbrances and inventories for the General Fund and Intermediate Unit Fund, and \$61.1 million in funds assigned to future long-term Debt Service payments. The ending budgetary operating fund balance is a positive \$169.5 million after accounting for those items. In Fiscal Year 2018, this represents a \$20.9 million surplus over the Fiscal Year 2018 Amended Budget. The main cause of this improvement was a budget surplus of \$19.4 million in revenues and other sources with the remainder due to the surplus in expenditures and other uses.

The adoption of the new GASB Statement No. 75 reporting requirements this fiscal year for Postemployment Benefits Other Than Pensions (OPEB) and the adoption of GASB Statements No. 68 & 71 requirements for

pension reporting two years ago, 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.

The new GASB Statement No. 75 standard has shifted OPEB reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. As described in Footnote 1D (13), the District contributes for Healthcare benefits (OPEB) 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. Under this new approach, the District must report its proportionate share of the net OPEB liability on the statement of net position of the government-wide and proprietary fund financial statements. In addition, GASB Statement No. 75's most notable change was its elimination of the Annual Required Contribution (ARC) with the Net OPEB Liability. Under this new approach, the District reported its total OPEB Life Insurance Benefit liability, which are fully liquidated by the General Fund, on the statement of net position for governmental activities of the government-wide statements.

At June 30, 2018, the GASB Statement No. 75 OPEB reporting requirements had a cumulative net effect of \$157.2 million. Of the \$157.2 million cumulative net effect at June 30, 2018, \$155.0 million and \$2.2 million affected the Governmental activities section and Business-activities section, respectively. For the \$155.0 million, under the Governmental section, this included \$163.7 million net OPEB liability, \$14.6 million in deferred OPEB outflows, and \$8.1 million in deferred OPEB inflows. For the cumulative net effect of \$2.2 million under the Business-activities section, this included \$2.3 million net OPEB Healthcare liability, \$0.3 million in deferred OPEB outflows, and \$0.1 million in deferred OPEB inflows. OPEB pension inflows of the food service fund and print shop fund enterprise funds statements, respectively. The \$2.3 million under the Business-type section is reported in the Enterprise funds statement. Reporting on the governmental fund statement is not affected.

The adoption of the GASB Statement No. 68 and GASB Statement No. 71, requirements for pension reporting continues to have a significant effect on the financial statements and net position in the current fiscal year. As described in Footnote 1D (14), 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 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 reports 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 2018, the reporting requirements for GASBS No. 68 resulted in a cumulative net effect of \$3,146.8 million. Of the \$3,146.8 million cumulative net effect, \$3,099.9 million and \$46.9 million effected the Governmental activities section and Business-activities section, respectively. For the cumulative net effect of \$3,099.9 million under the Governmental section, this included \$3,518.7 million net pension liability, \$648.6 million in deferred pension outflows, and \$229.8 million in deferred pension inflows. For the cumulative net effect of \$46.9 million under the Business-activities section, this included \$53.2 million net pension liability, \$9.8 million in deferred pension outflows, and \$3.5 million in deferred pension inflows. The cumulative net effect of \$46.9 million effected deferred pension outflows, net pension liability, deferred pension inflows of 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 2019, the School District projected a positive \$164.0 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 \$124.7 million, a projected operating surplus of \$54.0 million, and projected changes in reserves of (\$14.7) million.

As of the end of the first quarter of Fiscal Year 2019, the School District projected a \$179.3 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 2018, supported 84 Charter Schools where any student may apply to attend. Funding Charter Schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997 has had a significant fiscal impact on the School District since its passage with approximately 37% or \$850.3 million of the General Fund obligation budget going to charters in Fiscal Year 2018. 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 three years since passed; future impacts of this decision cannot be determined. In March of 2018, the Pennsylvania Department of Education rescinded the charter payment guidelines, clarifying the calculations utilized to calculate the annual charter rate in accordance with the Charter law. As a result, the District and charter schools agree on the methodology utilized for calculating the annual charter rate.

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. Fiscal Year 2018 expenditures from all funds were \$861.7 million representing a \$70.1 million increase over the prior fiscal year. Fiscal Year 2018 was the seventh 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 "Appropriately State Certified". 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 2017, 94.27% of the teachers in the School District were considered highly qualified, and 99.2% considered fully certified. Due to recruitment and retention strategies, on-going professional development, and staffing process improvements, the internally calculated percentage of highly qualified teachers increased to 95.16% in Fiscal Year 2018. The percentage of highly certified teachers of core academic subjects decreased to 96.59%.

The District has experienced a rising cost of personnel benefits, which is a major cost driver. Retirement benefits are State mandated expenditures of \$325.7 million (net expenditures of \$101.2 million with State reimbursement portion) in Fiscal Year 2018 and the required employer contribution rates have been growing drastically (a 19.08% increase from Fiscal Year 2016 to 2018) in recent years, causing a further drain on District resources. Although the District's medical, dental and vision costs have slowed in recent years, they represent a large share of the personnel costs. Self-Insurance related Healthcare costs in Fiscal Year 2018 were about \$164.6 million (excluding Health & Welfare payments to Unions and dental). The District spent \$274.9 million on debt service in Fiscal Year 2018 or 8% of expenditures. To manage these debt service costs, the District has been effectively managing debt issuances and refinancing bonds. This along with the positive financial outlook and recent investment grade bond rating will serve to reduce these costs further.

School 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 four consecutive years. The number of all District serious incidents decreased by 3% from Fiscal Year 2017 to Fiscal Year 2018. 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 \$1,360.0 million from Fiscal Years 2019 to 2024 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 2019 is \$274.7 million, and as of May 2018, will partially fund 84 active construction contracts and primarily fund 67 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 2,070	\$ 2,620	\$ 4,690
Cash and Investments with Fiscal Agent	190,651,464	-	190,651,464
Equity In Pooled Cash and Investments	228,209,730	25,188,001	253,397,731
Taxes Receivable (Net)	163,369,752	-	163,369,752
Due from Other Governments	174,712,732	4,817,435	179,530,167
Accounts Receivable (Net)	33,344,125	90	33,344,215
Accrued Interest Receivable	496,325	-	496,325
Internal Balances	30,757	(30,757)	-
Inventory	608,952	1,247,417	1,856,369
Prepaid Bond Insurance Premium Costs	7,547,830	-	7,547,830
Restricted Assets:			
Cash and Cash Equivalents	342,343,215	-	342,343,215
Cash and Investments with Fiscal Agent	4,383,262	-	4,383,262
Funds on Deposit	9,500,000	-	9,500,000
Capital Assets:			
Land	126,766,795	-	126,766,795
Buildings and Improvements	3,055,892,909	-	3,055,892,909
Personal Property	199,600,793	17,749,277	217,350,070
Construction in Progress	80,909,377	-	80,909,377
Intangibles	69,838,607	-	69,838,607
Accumulated Depreciation	(1,823,458,395)	(14,947,724)	(1,838,406,119)
Total Assets	<u>2,864,750,300</u>	<u>34,026,359</u>	<u>2,898,776,659</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges - Losses	104,559,013	-	104,559,013
Deferred Pension	648,565,799	9,814,297	658,380,096
Deferred OPEB	14,929,466	227,636	15,157,102
Total Deferred Outflows of Resources	<u>768,054,278</u>	<u>10,041,933</u>	<u>778,096,211</u>
LIABILITIES			
Accounts Payable	149,979,695	3,552,811	153,532,506
Overpayment of Taxes	23,325,641	-	23,325,641
Accrued Salaries and Benefits Payable	133,314,740	657,989	133,972,729
Termination Compensation Payable	27,353,304	196,307	27,549,611
Other Liabilities	3,600,593	-	3,600,593
Derivative Instrument - Swap Liability	2,042,051	-	2,042,051
Unearned Revenue	16,185,802	-	16,185,802
Due to Other Governments	7,808,054	-	7,808,054
Bond Interest Payable	35,230,726	-	35,230,726
Non-Current Liabilities			
Due within one year	276,045,681	167,659	276,213,340
Due in more than one year	7,110,199,849	57,466,137	7,167,665,986
Total Liabilities	<u>7,785,086,136</u>	<u>62,040,903</u>	<u>7,847,127,039</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension	229,736,355	3,476,723	233,213,078
Deferred OPEB	7,971,377	106,576	8,077,953
Deferred Refunding Charges - Gain	3,817,553	-	3,817,553
Total Deferred Inflows of Resources	<u>241,525,285</u>	<u>3,583,299</u>	<u>245,108,584</u>
NET POSITION			
Net Investment in Capital Assets	(637,728,470)	2,801,553	(634,926,917)
Restricted for:			
Medical Self-Insurance	9,500,000	-	9,500,000
Debt Service	190,677,215	-	190,677,215
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	3,409,513	-	3,409,513
Non-Expendable - Scholarships	2,977,835	-	2,977,835
Arbitrage Rebate Payable	50,759	-	50,759
Unrestricted Deficit	(3,962,693,695)	(24,357,463)	(3,987,051,158)
Total Net Deficit	<u>\$ (4,393,806,843)</u>	<u>\$ (21,555,910)</u>	<u>\$ (4,415,362,753)</u>

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, 2018

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	\$ 2,479,247,376	\$ -	\$ 373,019	\$ 622,299,258	\$ -	\$ (1,856,575,099)	\$ -	\$ (1,856,575,099)
Student Support Services	255,493,652	-	-	126,069,095	-	(129,424,357)	-	(129,424,357)
Administrative Support	133,874,500	-	4,442,689	58,006,592	-	(71,425,219)	-	(71,425,219)
Operation & Maintenance of Plant Services	183,581,209	(3,500,000)	552,609	24,081,675	594,727	(154,852,198)	-	(154,852,198)
Pupil Transportation	91,443,224	-	-	91,546,551	-	103,327	-	103,327
All Other Support Services	14,020,047	-	-	1,739,888	-	(12,280,159)	-	(12,280,159)
Early Childhood Education	161,472	-	-	161,472	-	-	-	-
Interest on Long-Term Debt	146,760,676	-	-	85,998,369	-	(60,762,307)	-	(60,762,307)
Total Governmental Activities	3,304,582,156	(3,500,000)	5,368,317	1,009,902,900	594,727	(2,285,216,212)	-	(2,285,216,212)
Business-Type Activities:								
Food Service	81,013,686	3,500,000	104,645	88,268,281	35,976	-	3,895,216	3,895,216
Print Shop	1,229,455	-	696,241	119,174	-	-	(414,040)	(414,040)
Total Business-Type Activities	82,243,141	3,500,000	800,886	88,387,455	35,976	-	3,481,176	3,481,176
Total	\$ 3,386,825,297	\$ -	\$ 6,169,203	\$ 1,098,290,355	\$ 630,703	(2,285,216,212)	3,481,176	(2,281,735,036)
General Revenues, Investment Income and Transfers:								
Property Taxes						789,512,428	-	789,512,428
Use & Occupancy Taxes						179,759,341	-	179,759,341
Liquor Taxes						73,660,582	-	73,660,582
School (Non-Business) Income Taxes						43,616,676	-	43,616,676
Public Utility / PILOT Taxes						1,162,415	-	1,162,415
Cigarette Sales Tax						58,000,000	-	58,000,000
Sales Tax						120,000,000	-	120,000,000
Ridesharing Revenue						3,269,197	-	3,269,197
Grants and Contributions Not Restricted to Specific Programs						139,242,408	-	139,242,408
State & Federal Subsidies Not Restricted to Specific Programs						1,041,867,006	-	1,041,867,006
Transfers						(124,571)	124,571	-
Investment Revenue						2,512,134	-	2,512,134
Total General Revenues / Investment Revenue/Transfers:						2,452,477,616	124,571	2,452,602,187
Change in Net Position						167,261,404	3,605,747	170,867,151
Net Deficit- As of July 1, 2017, as Previously Stated						(4,406,943,902)	(22,971,247)	(4,429,915,149)
Prior Period Adjustment						1,993,991	-	1,993,991
Prior Period Restatement						(156,118,336)	(2,190,410)	(158,308,746)
Net Deficit- As of July 1, 2017, as Adjusted						(4,561,068,247)	(25,161,657)	(4,586,229,904)
Net Deficit - As of June 30, 2018						\$ (4,393,806,843)	\$ (21,555,910)	\$ (4,415,362,753)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 2,070	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	133,957,184	20,159,361	-
Taxes Receivable (Net)	163,369,752	-	-
Due from Other Funds	10,953,126	-	-
Due from Other Governments	71,039,685	19,415,706	83,498,698
Accounts Receivable (Net)	32,425,784	917,243	-
Accrued Interest Receivable	57,376	-	-
Inventory	608,952	-	-
Total Assets	\$ 412,413,929	\$ 40,492,310	\$ 83,498,698
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 61,366,155	\$ 16,133,874	\$ 34,004,038
Overpayment of Taxes	23,325,641	-	-
Accrued Salaries and Benefits Payable	87,772,503	22,981,591	22,334,911
Termination Compensation Payable	27,353,304	-	-
Unearned Revenue	-	-	15,906,253
Due to Other Funds	-	-	10,922,369
Due to Other Governments	6,859,797	617,130	331,127
Other Liabilities	3,600,593	-	-
Total Liabilities	210,277,993	39,732,595	83,498,698
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	129,253,798	-	-
Unavailable Grant Revenue	-	-	9,675,129
Total Deferred Inflows of Resources	129,253,798	-	9,675,129
Fund Balances:			
Nonspendable:			
Inventories	608,952	-	-
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	-	759,715	-
Defeasance	-	-	-
Subsequent Year Expenditures	32,765,287	-	-
Unassigned (Deficit):	39,507,899	-	(9,675,129)
Total Fund Balances (Deficit)	72,882,138	759,715	(9,675,129)
Total Liabilities and Fund Balances	\$ 412,413,929	\$ 40,492,310	\$ 83,498,698

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
\$ -	\$ 342,343,215	\$ -	\$ 342,345,285
190,651,464	4,383,262	-	195,034,726
-	2,606,786	6,386,692	163,110,023
-	-	-	163,369,752
-	-	-	10,953,126
-	758,643	-	174,712,732
-	-	1,098	33,344,125
422,575	16,375	-	496,326
-	-	-	608,952
<u>\$ 191,074,039</u>	<u>\$ 350,108,281</u>	<u>\$ 6,387,790</u>	<u>\$ 1,083,975,047</u>
\$ -	\$ 22,758,059	\$ 442	\$ 134,262,568
-	-	-	23,325,641
-	225,735	-	133,314,740
-	-	-	27,353,304
-	279,549	-	16,185,802
-	-	-	10,922,369
-	-	-	7,808,054
-	-	-	3,600,593
<u>-</u>	<u>23,263,343</u>	<u>442</u>	<u>356,773,071</u>
-	-	-	129,253,798
-	368,150	-	10,043,279
<u>-</u>	<u>368,150</u>	<u>-</u>	<u>139,297,077</u>
-	-	-	608,952
-	-	1,365,405	1,365,405
93,266,783	-	-	93,266,783
61,115,590	-	-	61,115,590
36,294,842	-	-	36,294,842
-	50,759	-	50,759
-	-	5,021,943	5,021,943
-	326,426,029	-	326,426,029
-	-	-	759,715
396,824	-	-	396,824
-	-	-	32,765,287
-	-	-	29,832,770
<u>191,074,039</u>	<u>326,476,788</u>	<u>6,387,348</u>	<u>587,904,899</u>
<u>\$ 191,074,039</u>	<u>\$ 350,108,281</u>	<u>\$ 6,387,790</u>	<u>\$ 1,083,975,047</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
to the Statement of Net Position
June 30, 2018

Fund Balances - Total Governmental Funds (page 37)	\$ 587,904,899
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.	1,709,550,086
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	139,297,077
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.	100,741,460
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.	(7,399,893,427)
Derivative instruments, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.	(2,042,051)
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.	425,787,533
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.	44,847,580
Net deficit of governmental activities (page 34)	<u>\$ (4,393,806,843)</u>

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, 2018

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 1,280,096,328	\$ -	\$ -
Locally Generated Non Tax	138,216,223	328,718	9,515,661
State Grants and Subsidies	1,444,371,266	144,032,388	132,037,490
Federal Grants and Subsidies	184,655	-	300,603,683
Total Revenues	<u>2,862,868,472</u>	<u>144,361,106</u>	<u>442,156,834</u>
EXPENDITURES			
Current:			
Instruction	1,020,472,519	277,152,377	283,396,861
Student Support Services	35,952,599	125,274,913	103,120,984
Administrative Support	77,683,132	9,851,019	47,140,782
Operation & Maintenance of Plant Services	185,581,749	-	993,602
Pupil Transportation	92,947,505	-	-
All Other Support Services	14,016,405	-	-
Early Childhood Education	-	-	161,472
Payments to Charter Schools	850,321,494	-	11,348,900
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>2,276,975,403</u>	<u>412,278,309</u>	<u>446,162,601</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>585,893,069</u>	<u>(267,917,203)</u>	<u>(4,005,767)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	266,974,702	1,338,814
Transfers Out	(532,371,872)	-	-
Capital Asset Proceeds	115,081	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources/(Uses)	<u>(532,256,791)</u>	<u>266,974,702</u>	<u>1,338,814</u>
Net Change in Fund Balances	53,636,278	(942,501)	(2,666,953)
Fund Balances (Deficit), July 1, 2017	19,425,171	1,702,216	(7,008,176)
Change in Inventory Reserve	(179,311)	-	-
Fund Balances (Deficit), June 30, 2018	<u>\$ 72,882,138</u>	<u>\$ 759,715</u>	<u>\$ (9,675,129)</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
\$ -	\$ -	\$ -	\$ 1,280,096,328
3,267,655	2,392,627	97,899	153,818,783
-	1,574,815	-	1,722,015,959
16,782,994	-	-	317,571,332
<u>20,050,649</u>	<u>3,967,442</u>	<u>97,899</u>	<u>3,473,502,402</u>
-	-	40,438	1,581,062,195
-	-	-	264,348,496
-	-	-	134,674,933
-	-	-	186,575,351
-	-	-	92,947,505
-	-	-	14,016,405
-	-	-	161,472
-	-	-	861,670,394
104,795,000	-	-	104,795,000
98,066,048	-	-	98,066,048
69,185,875	-	-	69,185,875
2,632,656	-	-	2,632,656
245,455	-	-	245,455
-	19,125,188	-	19,125,188
-	6,758,015	-	6,758,015
-	87,872,434	-	87,872,434
-	8,678,661	-	8,678,661
-	6,064,854	-	6,064,854
<u>274,925,034</u>	<u>128,499,152</u>	<u>40,438</u>	<u>3,538,880,937</u>
<u>(254,874,385)</u>	<u>(124,531,710)</u>	<u>57,461</u>	<u>(65,378,535)</u>
266,566,441	-	-	534,879,957
-	(2,632,656)	-	(535,004,528)
-	-	-	115,081
-	254,950,000	-	254,950,000
-	22,769,792	-	22,769,792
(1,698,433)	-	-	(1,698,433)
<u>264,868,008</u>	<u>275,087,136</u>	<u>-</u>	<u>276,011,869</u>
9,993,623	150,555,426	57,461	210,633,334
181,080,416	175,921,362	6,329,887	377,450,876
-	-	-	(179,311)
<u>\$ 191,074,039</u>	<u>\$ 326,476,788</u>	<u>\$ 6,387,348</u>	<u>\$ 587,904,899</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, 2018

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)	\$ 210,633,334
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	34,549,365
Non capitalized purchases that exceed capital outlays - capital purchases.	(9,902,521)
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.	(368,443)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(5,918,161)
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.	(151,979,792)
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.	67,448,222
The change in net position of the Internal Service Fund is reported with the governmental activities.	22,799,400
Change in net position of governmental activities (page 35)	<u>\$ 167,261,404</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, 2018

	Enterprise Fund			Internal Service Fund
	Food Service	Print Shop		Healthcare
	Major	Non Major	Total	Self Insurance
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,620	\$ -	\$ 2,620	\$ -
Equity in Pooled Cash and Investments	25,188,001	-	25,188,001	65,099,707
Due From Other Governments	4,789,329	28,106	4,817,435	-
Other Receivables	-	90	90	-
Funds On Deposit	-	-	-	9,500,000
Inventories	1,211,237	36,180	1,247,417	-
Total Current Assets	31,191,187	64,376	31,255,563	74,599,707
Noncurrent Assets:				
Machinery & Equipment	17,140,811	608,466	17,749,277	-
Accumulated Depreciation	(14,351,299)	(596,425)	(14,947,724)	-
Total Noncurrent Assets	2,789,512	12,041	2,801,553	-
Total Assets	33,980,699	76,417	34,057,116	74,599,707
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Pension Contributions	4,712,688	142,348	4,855,036	-
Deferred Pension Assumptions and Earnings	4,813,858	145,403	4,959,261	-
Deferred OPEB Contributions	91,741	2,095	93,836	-
Deferred OPEB Outflows	130,812	2,988	133,800	-
Total Deferred Outflows of Resources	9,749,099	292,834	10,041,933	-
Total Assets and Deferred Outflows of Resources	\$ 43,729,798	\$ 369,251	\$ 44,099,049	\$ 74,599,707
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 3,521,453	\$ 31,358	\$ 3,552,811	\$ 15,717,127
Accrued Salaries and Benefits Payable	644,190	13,799	657,989	-
Termination Compensation Payable	196,307	-	196,307	-
Due to Other Funds	-	30,757	30,757	-
Incurred But Not Reported Claims	-	-	-	14,035,000
Total Current Liabilities	4,361,950	75,914	4,437,864	29,752,127
Noncurrent Liabilities:				
Termination Compensation Payable	2,005,808	91,345	2,097,153	-
Net Pension Liability	51,685,201	1,561,162	53,246,363	-
Net OPEB Liability	2,239,128	51,152	2,290,280	-
Total Noncurrent Liabilities	55,930,137	1,703,659	57,633,796	-
Total Liabilities	60,292,087	1,779,573	62,071,660	29,752,127
DEFERRED INFLOWS OF RESOURCES:				
Deferred Pension	3,374,513	102,210	3,476,723	-
Deferred OPEB	104,196	2,380	106,576	-
Total Deferred Inflows of Resources	3,478,709	104,590	3,583,299	-
NET POSITION				
Net Investment in Capital Assets	2,789,512	12,041	2,801,553	-
Restricted for Healthcare Claims	-	-	-	9,500,000
Unrestricted (Deficit)	(22,830,510)	(1,526,953)	(24,357,463)	35,347,580
Total Net Position (Deficit)	(20,040,998)	(1,514,912)	(21,555,910)	44,847,580
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 43,729,798	\$ 369,251	\$ 44,099,049	\$ 74,599,707

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, 2018

	Enterprise Fund			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Healthcare Self Insurance
Operating Revenues:				
Food Service Revenue	\$ 104,645	\$ -	\$ 104,645	\$ -
Sale of Printing Services	-	696,241	696,241	-
Contributions for Services	-	-	-	187,405,011
Total Operating Revenues	104,645	696,241	800,886	187,405,011
Operating Expenses:				
Salaries	18,957,171	425,027	19,382,198	507,109
Employee Benefits	16,452,899	294,240	16,747,139	322,076
Other Purchased Service - Food	43,944,841	-	43,944,841	-
Benefit Payments	-	-	-	159,504,929
Depreciation	340,331	7,214	347,545	-
Other Operating Expenses	4,815,524	502,974	5,318,498	4,271,497
Total Operating Expenses	84,510,766	1,229,455	85,740,221	164,605,611
Operating Income/(Loss)	(84,406,121)	(533,214)	(84,939,335)	22,799,400
Non-Operating Revenues/(Expenses):				
Federal and State Grants	88,268,281	119,174	88,387,455	-
Loss on Sale of Capital Assets	(2,920)	-	(2,920)	-
Income (loss) Before Contributions and Transfers	3,859,240	(414,040)	3,445,200	22,799,400
Capital Contributions	35,976	-	35,976	-
Transfers In/(Out)	(289,469)	414,040	124,571	-
Change in Net Position	3,605,747	-	3,605,747	22,799,400
Total Net Position (Deficit) July 1, 2017	(21,505,257)	(1,465,990)	(22,971,247)	22,048,180
Prior Period Restatement	(2,141,488)	(48,922)	(2,190,410)	-
Total Net Position (Deficit) Restated July 1, 2017	(23,646,745)	(1,514,912)	(25,161,657)	22,048,180
Total Net Position (Deficit) June 30, 2018	\$ (20,040,998)	\$ (1,514,912)	\$ (21,555,910)	\$ 44,847,580

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, 2018

	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	\$ 104,645	\$ 696,301	\$ 800,946	\$ 187,405,011
Cash Payments to Employees for Services	(36,310,267)	(740,341)	(37,050,608)	(829,185)
Cash Payments to Suppliers for Goods and Services	(38,836,577)	-	(38,836,577)	(161,622,114)
Cash Payments for Other Operating Expenses	(4,815,523)	(500,142)	(5,315,665)	(4,271,497)
Net Cash (Used)/Provided by Operating Activities	(79,857,722)	(544,182)	(80,401,904)	20,682,215
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments to/Advances from Other Funds	-	10,968	10,968	-
State Sources	8,192,801	119,174	8,311,975	-
Federal Sources	77,857,271	-	77,857,271	-
Transfers In/(Out)	(289,469)	414,040	124,571	-
Net Cash Provided by Non-Capital Financing Activities	85,760,603	544,182	86,304,785	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Facilities Acquisition, Construction, Improvements and Related Financing Activities	(970,858)	-	(970,858)	-
Net Increase in Cash and Cash Equivalents	4,932,023	-	4,932,023	20,682,215
Cash and Cash Equivalents July 1, 2017	20,258,598	-	20,258,598	44,417,492
Cash and Cash Equivalents June 30, 2018	\$ 25,190,621	\$ -	\$ 25,190,621	\$ 65,099,707
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income/(Loss)	\$ (84,406,121)	\$ (533,214)	\$ (84,939,335)	\$ 22,799,400
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	340,331	7,214	347,545	-
Donated Food Commodities	4,731,791	-	4,731,791	-
(Increase) in Due From Other Governments	-	(2,563)	(2,563)	-
(Increase)/Decrease in Inventories	(108,317)	23,537	(84,780)	-
Decrease in Other Current Assets	-	60	60	-
Increase/(Decrease) in Accounts Payable	484,790	(18,142)	466,648	(167,185)
(Decrease) in Accrued Salaries and Benefits Payable	(189,638)	(296)	(189,934)	-
Increase) in Termination Compensation Payable	237,324	7,418	244,742	-
(Increase) in Deferred Pension Contributions	(735,188)	(22,207)	(757,395)	-
(Increase) in Deferred Pension Assumptions and Earnings	(260,787)	(7,878)	(268,665)	-
Decrease in Deferred OPEB Contributions	29,875	683	30,558	-
(Increase) in Deferred OPEB Outflows	(130,812)	(2,988)	(133,800)	-
Decrease in Net Pension Liability	2,105,467	63,596	2,169,063	-
(Increase) in Net OPEB Liability	(23,976)	(548)	(24,524)	-
(Decrease) in Deferred Pension Inflows	(2,036,657)	(61,234)	(2,097,891)	-
Increase in Deferred OPEB Inflows	104,196	2,380	106,576	-
(Decrease) in Incurred But Not Reported Claims	-	-	-	(1,950,000)
Total Adjustments	4,548,399	(10,968)	4,537,431	(2,117,185)
Net Cash (Used) Provided by Operating Activities	(79,857,722)	(544,182)	(80,401,904)	20,682,215
Non cash items:				
Federal and State Grant revenue not yet received	\$ 4,789,329	\$ 28,106	4,817,435	\$ -
Donated Commodities	4,731,791	-	4,731,791	-

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, 2018

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 4,813,459
Equity in Pooled Cash and Investments	780,189	121,370,139
Investments	200,013	-
Accounts Receivable	601	-
Total Assets	<u>980,803</u>	<u>126,183,598</u>
LIABILITIES		
Payroll Deductions and Withholdings	-	120,940,804
Due to Student Activities	-	4,813,459
Other Liabilities	34,255	429,335
Total Liabilities	<u>34,255</u>	<u>126,183,598</u>
NET POSITION		
Held in Trust for Various Purposes	<u>\$ 946,548</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, 2018

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 470,500
Interest Received	7,372
Total Additions	<u>477,872</u>
DEDUCTIONS	
Scholarships Awarded	392,742
Total Deductions	<u>392,742</u>
Change in Net Position	85,130
Net Position July 1, 2017	861,418
Net Position June 30, 2018	<u><u>\$ 946,548</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, 2018

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, 2018, 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 thirteenth largest public educational system in the United States according to student enrollment data. In Fiscal Year 2018, the School District served over 203,600 students, including those in Charter and Alternative Schools, as well as employed over 18,300 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the "City"). The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the state Constitution to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

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

Effective December 2001, in a cooperative effort with the City to address the School District's financial needs, the Commonwealth assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949. Shortly thereafter the Commonwealth assumed governance, a five-member School Reform Commission (the "SRC") was established. The SRC exercised all powers and had all duties of the original Board of Education through June 30, 2018. 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 performed its fiscal oversight responsibility for the Philadelphia public school system through the Fiscal Year 2018 reporting period which is the reporting period of this report. The SRC delegated all its duties to a local Board of Education beginning July 1, 2018 (See Footnote 40 Subsequent Events for details).

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, 2018 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 Schools Office. The Charter Schools Office, Inspector General and Internal Audit reported to the School Reform Commission (SRC) during Fiscal Year 2018. General Counsel had a dual reporting relationship to the Superintendent/CEO and SRC. All other Chiefs and Offices report directly to the Superintendent/CEO. This structure remained in place after July 1st, with the exception of the School Board replacing the SRC.

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, 2018, 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 Fund (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 "Accounting and Financial Reporting for Nonexchange Transactions". 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 2018, 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 \$0.6 million. Included are expendable supplies of \$0.3 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 \$0.6 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 artwork 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 acquisition 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 No. 51 "*Accounting and Financial Reporting for Intangible Assets*" 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, 2018, the Categorical Funds reported unearned revenue of \$15.9 million while the Capital Projects Fund reported \$0.3 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. The District determines each employee's rate of pay for unused sick days at time of separation by "leave day value" labor agreements.
- (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) Other Postemployment Benefits

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It requires that state and local governments recognize and record (1) the actuarially determined total OPEB liability for unfunded plans and (2) the net OPEB liability or, for multi-employer cost sharing plans, the entity's share of the net OPEB liability in the entity's financial statements.

The District had its consultant determine the actuarially total OPEB Life Insurance Liability and the District determined its share of the net PSERS OPEB Liability as of June 30, 2018. The District restated its July 1, 2017 net position in its governmental activities to record the total OPEB Life Insurance Benefit, net PSERS OPEB liabilities, and deferred outflows at June 30, 2018.

Life Insurance Benefits OPEB:

- (a) The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. For this purpose, benefit payments are recognized when the District pays for OPEB expense on a pay-as-you-go-basis. The District's contributions equal the premiums paid for the retirees' life insurance coverage. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees and disabled employees.
- (b) For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB life insurance liability, OPEB expense, and additions to/deductions from have been actuarially determined. These include portions of changes related to differences between expected and actual experience, changes in assumptions, and to differences between expected and actual earnings on plan investments.

PSERS OPEB:

- (a) For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program: The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 1/2 or more years of service , or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

- (c) Pension Plan description: (See Footnote 1D (14) (b) below for details).

- (d) Benefits provided: Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefits increases to participating eligible retirees.

- (e) Employer's Contributions: The School District of Philadelphia's contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% 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 OPEB plan from the School District were \$8.6 million for the year ended June 30, 2018.

(14) Pensions

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

- (b) General Information about the Pension Plan

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

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

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

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

Contributions

Members Contributions:

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% 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 \$325.7 million for the year ended June 30, 2018.

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 2018 was 73.14 percent.

(15) 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 OPEB and 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 OPEB and pension related transactions involve (a) the difference between OPEB contributions made by the School District during the measurement date and subsequent to the measurement, (b) changes of proportions for OPEB, (c) the difference between pension contributions made by the School District during the measurement date and subsequent to the measurement, (d) changes of assumption for pensions, and (e) net difference between projected and actual investment earnings for OPEB and pensions.

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 and OPEB liability related to GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*" and GASB Statement No. 75. 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 and OPEB liability related to GASBS 68 and GASBS 75 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.

(16) 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.

(17) Comparative Data

Comparative data from Fiscal Year 2017 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.

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Cost of Capital Assets	\$ 3,533,008,481
Accumulated Depreciation	(1,823,458,395)
Net Cost of Capital Assets	<u>\$ 1,709,550,086</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	\$ 128,072,649
Unavailable Accounts Receivable Revenue	1,181,149
Unavailable Grant Revenue	10,043,279
Total Adjustment of Other Assets	<u>\$ 139,297,077</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 (\$7,399,893,427) difference are as follows:

Bonds Payable	\$ (3,105,440,000)
Deduct: Discount on Bonds Payable	1,879,846
Deduct: Prepaid Bond Insurance Premium Cost	7,547,830
Add: Premium on Bonds Payable	(247,173,856)
Bond Interest Payable	(35,230,726)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(97,707,640)
Unemployment Compensation Payable	(3,880,829)
Compensated Absences Payable	(188,967,354)
Claims and Judgments Payable	(5,430,000)
Arbitrage Rebate Payable	(50,759)
OPEB Liability	(161,440,736)
PSERS Pension Liability	<u>(3,518,720,637)</u>

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

\$ (7,399,893,427)

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 Outflows/(Inflows) of Resources:

Net Deferred Outflows of Resources Pension Beginning Balance 7/1/2017	\$ 212,368,288
Change in OPEB	6,958,089
Prior Period Restatement -OPEB	6,288,006
Contributions During the Measurement Period	(7,872,752)
Contributions Subsequent to Measurement Date	8,986,011
Current Year Amortization -Change in Assumption/Investment Earnings/Proportions	(443,176)
Change in Pension	206,461,156
Contributions During the Measurement Period	(272,164,947)
Contributions Subsequent to Measurement Date	320,839,061
Current Year Amortization - Proportions/Earnings	157,787,042

Adjustment of Deferred Outflows/(Inflows) of Resources not available to pay for current period expenditures

\$ 425,787,533

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 \$34,549,365 difference are as follows:

Capital outlay	\$ 128,499,152
Depreciation expense	<u>(93,949,787)</u>

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

\$ 34,549,365

Another element of the reconciliation explains that “Governmental funds report capital purchases 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 District purchases additional capital items in its General and Categorical Funds which are offset by purchases from the Capital Fund that are not properly classified as capital purchases. The details of the (\$9,902,521) difference are as follows:

Capital Purchases	\$ 6,190,772
Capital Outlays - Non Capitalized Purchases	<u>(16,093,293)</u>

*Net Adjustment to decrease net changes in fund balance – total government funds – to
arrive at changes in net position of governmental activities*

\$ (9,902,521)

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 (\$368,443) difference are as follows:

Gain on Donated Capital Assets	\$ 768,808
Loss on Disposal of Capital Assets	<u>(1,137,251)</u>

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

\$ (368,443)

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 (\$5,918,161) difference are as follows:

Deferred Inflows of Resources-Unavailable Tax Revenue	\$ (11,115,688)
Deferred Inflows of Resources-Unavailable Grant Revenue	2,666,953
Derivative Investment Revenue	2,512,134
Miscellaneous Revenue	<u>18,440</u>

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

\$ (5,918,161)

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 (\$151,979,792) difference are as follows:

Principal Repayment on Bonds	\$ 104,475,000
Principal Repayment on Authority Obligations	19,685,000
Principal Repayment on Refunding of Authority Obligations	320,000
Bond Issuance and Defeasance	<u>(276,459,792)</u>

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

\$ (151,979,792)

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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 \$67,448,222 difference are as follows:

Change in Compensated Absences Payable	\$ (2,241,016)
Change in Workers' Compensation Payable	(979,174)
Change in Unemployment Compensation Payable	(990,873)
Change in Claims and Judgments Payable	869,395
Change in PSERS Pension Liability and Related Deferred Inflows and Outflows	63,121,220
Change in Arbitrage Rebate Payable	(3,502)
Change in Net Accrued Bond Interest	(1,372,348)
Change in Prepaid Bond Insurance Premium Costs	290,208
Change in Bond Premium, Bond Discount, and Net Bond Refunding Losses	5,204,931
Change in OPEB Liability and Related Deferred Inflows and Outflows	3,728,692
Change in Inventory Reserve	(179,311)

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

\$ 67,448,222

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 2012B and 2015), 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)	\$ 3,533,008,481	\$ 17,749,277
Less: Accumulated depreciation	(1,823,458,395)	(14,947,724)
Net Capital Assets	\$ 1,709,550,086	\$ 2,801,553
Less: Outstanding Principal of Related Debt	\$ (3,105,440,000)	
Deduct: Outstanding Bonds not Capital Related	402,687,000	
Other Adjustments to Outstanding Bonds for Non-Capital Related Items	(129,451,322)	
Undercapitalized Expenditures-Cumulative Year-to Date	341,245,797	
Adjustment for Undercapitalized Expenditures - Expired	(182,796,819)	
Unspent Bond Proceeds Governmental Activities Only	326,476,788	
Net Adjusted Outstanding Bonds Related to Capital Assets	(2,347,278,556)	
Net Investment in Capital Assets	<u>\$ (637,728,470)</u>	<u>\$ 2,801,553</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

(1) General Budget Policies

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

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

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

- (a) At least thirty days prior to the end of the current Fiscal Year, the budget must be adopted;

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

A statement of estimated receipts and expenditures is submitted to the Mayor of the City and the President of City Council on or before March 31st of each fiscal year. Since the School District has limited taxing power, the City Council must approve the continuance of, or changes in, the levy of local taxes for school purposes required to fund the estimated expenditures of the School District after taking into account the estimated revenues from the Commonwealth and the 7.681 mills of real estate taxes, adopted June 18, 2015, under the Ordinance of the Council of the City of Philadelphia.

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

Control of the operating budget is exercised at the expenditure object class level within principal administrative units. Management is authorized to transfer budget amounts between personal services and employee benefits and among materials, supplies, books and equipment, but only within an administrative unit. Transfers between other expenditure classes or between administrative units require the approval of the SRC with appropriate notice, public hearing and debate. No supplementary budgetary appropriations 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 (Food Services and Print Shop) and Internal Service (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 \$3,962.7 million and \$24.4 million, respectively, include the effect of deferring the recognition of pension and other post-employment benefits 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 and other post-employment benefits 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 \$264.7 million. This amount is comprised of a \$72.9 million fund balance in the General Fund, a \$191.1 million fund balance in the Debt Service Fund and \$0.7 million fund balance in the Intermediate Unit Fund.

Categorical Funds experienced a deficit of \$9.7 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 \$21.6 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 and the retroactive adoption of GASB Statement No. 75, "Accounting and Financial Reporting for Post-employment Benefits Other than Benefits", in Fiscal Year 2018.

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

The School District's cash and investments, including \$126.2 million held in agency funds, at June 30, 2018 are summarized as follows:

Cash and Cash Equivalents	\$	347,161,364
Cash and Investments with Fiscal Agent		195,034,726
Equity in Pooled Cash and Investments		375,548,059
Investments		200,013
Total Cash and Investments	\$	<u>917,944,162</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-1, adopted on October 5, 2011 and revised on June 15, 2017 under SRC Policy #609. 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 2018 was approximately 0.78% and total interest income was \$7.6 million. This was a \$5.0 million increase in total interest income over fiscal year 2017. The increase in interest income is a result of the higher average yield, higher cumulative principal balances invested in the debt service sinking fund, and as well as higher capital fund balances invested due to issuance of GOB Series 2018A and GOB Series 2018B.

(3) **Investments**

As of June 30, 2018, 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)	\$ 147,953,021	.008
Federal National Mortgage Association (FNMA)	17,953,110	.330
Federal Home Loan Bank (FHLB)	9,005,854	.167
US Treasury Bills	11,411,500	.496

- (a) *Interest Rate Risk* – The School District minimizes the affect that changes in interest rates have on the fair value of investments by investing in obligations of the United States treasury and Commonwealth and/or collateralized repurchase agreements. Repurchase agreements for sinking funds as of June 30, 2018 mature in one (1) day. Discounted Notes relating to forward purchase agreements purchased by the School District for sinking fund deposits are designed to mature in less than one year. U.S. Treasury Bills relating to forward purchase agreements purchased by the School District for sinking fund deposits mature in three months.

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

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

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

- (c) *Concentration of Credit Risk* - The School District does not restrict the amount of deposits made to any particular bank or any counterparty to a repurchase agreement.
- (d) *Custodial Credit Risk-Deposits* - The School District maintains all deposits in depositories which are insured by the Federal Deposit Insurance Corporation (the "FDIC") to the extent permitted by law and to the extent not so insured, shall be secured by collateral pledged in accordance with Pennsylvania law (Act 72 of 1971). In addition, for any depository bearing a Bauer Financial rating of three stars or less in any quarter of the year, School District deposits in those institutions are limited to the amount of available federal insurance, and appropriate collateral pledged specifically to the School District for those deposits.

- (e) *Custodial Credit Risk-Investments* - The School District generally requires that all collateral pertaining to investments in repurchase agreements be held by a third party custodial agent. Collateral is delivered to the School District's custody banks for all repurchase agreements. Allowable collateral includes: (i) United States Treasury securities; and (ii) United States Government Agencies (full faith and credit with no maturity restrictions; non full faith and credit with maturity restrictions of one (1) year or less).

(4) Investment Derivative Instruments

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 Statement No. 53 "*Accounting and Financial Reporting for Derivative Instruments*". 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, 2018 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 Index	67% of US1	(\$ 612,615)	Wells Fargo Bank N.A.	Aa2/A+/AA
Series 2006B & 2016A School Lease Revenue Bonds	\$ 350,000,000	\$ 350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of US1	(\$ 1,429,436)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA
							<u>(\$ 2,042,051)</u>		

Basis risk/Interest rate risk: The School District anticipated that, on average and over time, the BMA-based variable rate paid on the Basis Swaps will approximately equal (and therefore offset) the LIBOR-based variable rate received on the Basis Swaps, therefore leaving the School District as a net receiver with (i) net positive receipts from the fixed percentage spread and (ii) the up-front payment. The effect of the Basis Swaps is to compensate the School District for its assumption of tax risk in exchange for an expected interest expense reduction (i.e. the expected positive cash flows under the Basis Swaps). 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, 2018, the net benefit to the School District has been \$16,401,318.

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 mark-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, 2018, 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 mark-to-market values. This means the counterparties are exposed to the School District in the amount of the derivatives' mark-to-market values, a total negative mark-to-market value of \$2,695,560 as of June 30, 2018. 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 mark-to-market value of the swap should the counterparty's credit rating fall below the applicable thresholds.

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

(5) Depository Investment Accounts

(a) Depository Agreement:

- (i) SRC-9 resolution issued on May 29, 2014 allowed the SRC to suspend requirements of the School Code and regulations of the State Board of Education which then allowed the Chief Financial Officer and his subordinates to enter into a Depository Agreement and to use the building sales proceeds for Debt Service and Capital Projects. On June 2, 2014 the School District of Philadelphia (SDP) and The Bank of New York Mellon Trust Company, N.A. (BONY) (Depository) entered into a Depository Agreement for the purpose of providing for the deposit of funds with the Depository held on behalf of SDP from the sale of buildings. This agreement required the Depository to establish two separate accounts for each building sold- (1) Property Sales Defeasance Account and (2) Property Sales Capital Funds Account.
 - (ii) Deposits into these "Accounts" constitute the property of the SDP and would be on behalf of SDP by the Depository. Depository shall have custody of the Account, held on behalf of SDP and kept separate from other assets of the Depository. Money on deposit in the Account shall be held, invested and disbursed as directed by SDP. The Depository agreed to invest and reinvest funds in the Property Sales Defeasance Account in a 100% U.S. Treasury Money Market Fund and Property Sales Capital Funds Account in U.S. Treasury Bills.
 - (iii) The agreement also authorized that moneys deposited from sales of unused and unnecessary SDP property in the "Accounts" shall be paid out from time to time by the Depository pursuant to directions provided by an authorized officer of the SDP.
- (b) There was no additions to the Depository Investment Account during Fiscal Year 2018. The School District did not sell any buildings and other capital properties that effected these accounts. Changes in the Depository Investment Accounts during Fiscal Year 2018 were as follows:

	(Dollars in thousands)			
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Governmental Activities:</u>				
SDP Depository Investment Accounts:				
Property Sale Defeasance	\$ 2,425.1	\$ -	\$(2,028.3)	\$ 396.8
Property Sale Capital Funds	5,003.5	21.9	(642.1)	4,383.3
Total	<u>\$ 7,428.6</u>	<u>\$ 21.9</u>	<u>\$(2,670.4)</u>	<u>\$ 4,780.1</u>

(6) Fair Value of Investments

In February 2015, the GASB issued Statement No. 72 "*Fair Value Measurement and Application*", addressing the accounting and financial reporting issues related to fair value measurements. GASBS No. 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 Statement No. 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	\$ 147,953,021	\$ -	\$ -
Federal National Mortgage Association (FNMA)	-	17,953,110	-
Federal Home Loan Bank (FHLB)	-	9,005,854	-
US Treasury Bills	11,411,500	-	-
SIFMA Swap	-	(2,042,051)	-
Total	\$ 159,364,521	\$ 24,916,913	\$ -

Level 1 - fair value investment classifications are for "securities portfolios" and US Treasury Bills with observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - fair value investment classifications for FNMA and FHLB are based upon on the values for similar assets in an active market. Fair value investment classifications for SIFMA Swap are based on LIBOR swap rate that is observable at commonly quoted intervals for substantially the full term of the swap financial, and nonfinancial factors. In addition Level 2 - fair value investment classifications for SIFMA Swap are also based upon market-corroborated inputs such as interest rates and yield curves that are observable at common quoted intervals and valued by a pricing service that uses matrix pricing; and price or yield of a similar investment.

B. Receivables

(1) Net Receivables

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

	(Dollars in Thousands)					
	General	Debt Service	Intermediate Unit	Capital Projects	NonMajor	Fiduciary
Receivables						
Interest	\$ 57.4	\$ 422.6	\$ -	\$ 16.4	\$ -	\$ -
Taxes	261,078.2	-	-	-	-	-
Accounts (Net)	32,425.8	-	917.2	-	1.1	0.6
Gross Receivables	293,561.4	422.6	917.2	16.4	1.1	0.6
Less: Allowances for Uncollectible						
Taxes	97,708.4	-	-	-	-	-
Total Allowances	97,708.4	-	-	-	-	-
Net Total Receivables	\$ 195,853.0	\$ 422.6	\$ 917.2	\$ 16.4	\$ 1.1	\$ 0.6

(2) Taxes Receivable

The totals reported for taxes receivable on the Statement of Net Position, Balance Sheet and the table above have been aggregated. The following details of the components of those taxes are presented in the table below. Estimated collectible taxes at June 30, 2018 equaled \$163.4 million as follows:

	(Dollars in Millions)		
	Taxes Receivable	Estimated Uncollectible	Estimated Collectible
Real Estate Taxes			
Current	\$ 72.1	\$ 6.9	\$ 65.2
Prior	139.8	61.7	78.1
Total Real Estate Taxes	211.9	68.6	143.3
Self Assessed Taxes			
Use and Occupancy	16.3	12.6	3.7
School Income Tax	11.4	5.5	5.9
Liquor Sales Tax	21.5	11.0	10.5
Total Self Assessed Taxes	49.2	29.1	20.1
Total Taxes Receivable	\$ 261.1	\$ 97.7	\$ 163.4

During July and August 2018, \$22.2 million in real estate taxes receivable and \$13.1 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2018 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	\$ -	\$ -	\$ 66,268.5	\$ -	\$ 3,372.7	\$ 69,641.2
State	69,454.6	18,916.5	15,798.8	374.1	1,444.7	105,988.7
City	1,585.1	499.2	436.3	16.4	-	2,537.0
Grantors	-	-	995.1	368.1	-	1,363.2
Total Due From Other Governments	<u>\$ 71,039.7</u>	<u>\$ 19,415.7</u>	<u>\$ 83,498.7</u>	<u>\$ 758.6</u>	<u>\$ 4,817.4</u>	<u>\$ 179,530.1</u>

Amounts due from Other Governments under the General Fund and Intermediate Unit Fund primarily include \$83.9 million for grant, retirement and FICA reimbursements from the Commonwealth of Pennsylvania and \$6.6 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 \$67.7 million federal and state 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 \$16.6 million for retirement, FICA, and miscellaneous reimbursements from the Commonwealth of Pennsylvania.

The amount due from Other Governments under the Enterprise Funds includes \$3.4 million reimbursements from Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs, and \$1.4 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 \$16.2 million at June 30, 2018 are as follows:

	(Dollar Amount in Millions)
Categorical	\$ 15.9
Capital Projects	0.3
	<u>\$ 16.2</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 \$104.6 million and has been reported as deferred outflows on the Statement of Net Position under Governmental Activities as of June 30, 2018.

(Dollars in Thousands)

GOB Series	Refunding Charges Losses	Swap Termination Refunding Charges	Total Amount as of June 30, 2018
2006B	\$ 1,306.8	\$ -	\$ 1,306.8
2007A	3,981.8	-	3,981.8
2008F	99.3	-	99.3
2009B	42.5	-	42.5
2010C	6,671.3	6,583.3	13,254.6
2010D	77.2	-	77.2
2010E	1,962.3	28,505.1	30,467.4
2011C	809.8	-	809.8
2011D	30.9	-	30.9
2015C	931.0	-	931.0
2015D	1,621.8	-	1,621.8
2015A SPSBA	2,959.7	-	2,959.7
2016F	48,976.2	-	48,976.2
	<u>\$ 69,470.6</u>	<u>\$ 35,088.4</u>	<u>\$ 104,559.0</u>

- ii. For the second through fourth items related to deferred outflows of resources for deferred OPEB Life Insurance (refer to Footnote 4J(1) OPEB Life Insurance), OPEB PSERS Healthcare (refer to Footnote 4J(2) PSERS OPEB), and PSERS Pension (refer to Footnote 4K Pension). The following presents deferred outflows of resources for OPEB Life Insurance, OPEB PSERS Healthcare, and PSERS Pension of \$673.5 million at June 30, 2018.

(Dollars in Thousands)

Deferred Outflows or Resources	Life Insurance	PSERS Healthcare	Total OPEB	PSERS Pension
Net Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ 37,264.0
Changes of assumptions	-	-	-	97,035.0
Net Difference between projected and actual investment earnings	-	156.0	156.0	82,769.0
Changes of proportion	-	5,875.0	5,875.0	115,618.0
Contributions by School District Subsequent to the Measurement Period	511.2	8,608.6	9,119.8	325,694.1
Difference between employer contributions and proportionate share of total contributions	-	6.3	6.3	-
	<u>\$ 511.2</u>	<u>\$ 14,645.9</u>	<u>\$ 15,157.1</u>	<u>\$ 658,380.1</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 (\$3.8) million, has been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2018.

Deferred Refunding Charges – Gain: (\$3.8) million under GOB Series 2016A SPSBA

- (b) For the second through fourth items related to deferred inflows of resources for deferred OPEB Life Insurance (refer to Footnote 4J(1) OPEB Life Insurance), OPEB PSERS Healthcare (refer to Footnote 4J(2) PSERS OPEB), and PSERS Pension (refer to Footnote 4K Pension). The following presents deferred outflows of resources for OPEB Life Insurance, OPEB PSERS Healthcare, and PSERS Pension of \$241.3 million at June 30, 2018

(Dollars in Thousands)

<u>Deferred Inflows or Resources</u>	<u>Life Insurance</u>	<u>PSERS Healthcare</u>	<u>Total OPEB</u>	<u>PSERS Pension</u>
Effect of assumptions changes or inputs	\$ (1,221.0)	\$ -	\$ (1,221.0)	\$ -
Differences between expected and actual experience	-	(6,857.0)	(6,857.0)	(21,584.0)
Changes in Proportion	-	-	-	(207,016.3)
Difference between employer contributions and proportionate share of total contributions	-	-	-	(4,612.8)
	<u>\$ (1,221.0)</u>	<u>\$ (6,857.0)</u>	<u>\$ (8,078.0)</u>	<u>\$ (233,213.1)</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 \$139.3 million as deferred inflows on the Governmental Balance Sheet as of June 30, 2018. They are as follows:

(Dollars in Thousands)

	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Unavailable taxes revenue	\$ 128,072.7	\$ -	\$ -	\$ 128,072.7
Unavailable accounts receivable revenue	1,181.1	-	-	1,181.1
Unavailable grant revenue	-	9,675.1	368.2	10,043.3
	<u>\$ 129,253.8</u>	<u>\$ 9,675.1</u>	<u>\$ 368.2</u>	<u>\$ 139,297.1</u>

C. Tax Abatements

In accordance with 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 2018 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 \$6.3 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 \$33.9 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 \$18.2 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 \$2.7 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 waiver or reduction will apply 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 \$12.6 million were reduced as a result of this program.

D. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2018 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 126.8	\$ -	\$ -	\$ -	\$ 126.8
(1) Construction in Progress	49.9	79.7	-	(48.6)	81.0
Total Capital Assets - Not Depreciated	\$ 176.7	\$ 79.7	\$ -	\$ (48.6)	\$ 207.8
Capital Assets - Depreciated					
(2) Buildings	\$ 1,738.4	\$ 6.7	\$ -	\$ 14.0	\$ 1,759.1
(3) Improvements	1,240.4	21.8	-	34.6	1,296.8
(4) Intangible Assets	69.7	0.1	-	-	69.8
Personal Property	212.2	11.1	(23.7)	-	199.6
Total Capital Assets - Depreciated	\$ 3,260.7	\$ 39.7	\$ (23.7)	\$ 48.6	\$ 3,325.3
Less Accumulated Depreciation					
(5) Buildings	\$ (702.0)	\$ (30.8)	\$ -	\$ -	\$ (732.8)
(6) Improvements	(845.4)	(44.0)	-	-	(889.4)
(7) Intangible Assets	(48.0)	(4.0)	-	-	(52.0)
Personal Property	(156.7)	(15.1)	22.5	-	(149.3)
Total Accumulated Depreciation	\$ (1,752.1)	\$ (93.9)	\$ 22.5	\$ -	\$ (1,823.5)
Net Capital Assets Depreciated	\$ 1,508.6	\$ (54.2)	\$ (1.2)	\$ 48.6	\$ 1,501.8
Governmental Activities - Net Capital Assets	<u>\$ 1,685.3</u>	<u>\$ 25.5</u>	<u>\$ (1.2)</u>	<u>\$ -</u>	<u>\$ 1,709.6</u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 17.0	\$ 1.0	\$ (0.3)	\$ -	\$ 17.7
Less Accumulated Depreciation	(14.9)	(0.3)	0.3	-	(14.9)
Business-Type Activities - Net Capital Assets	<u>\$ 2.1</u>	<u>\$ 0.7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2.8</u>

- (1) The beginning balance for WIP was adjusted to reflect a (\$12.7) million in assets not capitalized in FY 2017 and to remove items not deemed capitalizable.
- (2) The Building beginning balance was increased by \$2.3 million to properly add assets not capitalized in FY 2017.
- (3) The Improvements beginning balance was increased by \$9.1 million to properly add assets not capitalized in FY 2017.
- (4) The Intangible Assets beginning balance was increased by \$4.6 million to properly add assets not capitalized in FY 2017.
- (5) The beginning accumulated depreciation balance for Building was increased by \$0.1 million.
- (6) The beginning accumulated depreciation balance for Improvements was increased by \$0.5 million.
- (7) The beginning accumulated depreciation balance for Intangible Assets was increased by \$0.8 million.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:		(Dollars in Millions)
Instruction	\$	80.6
Student Support Services		6.0
Administrative Support		6.6
Operation & Maintenance of Plant Services		0.6
All Other Support Services		0.1
Total Depreciation Expense	\$	<u>93.9</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 \$400.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 6, 2017 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 \$200.0 million under Series A, consisting of \$200.0 million at a fixed interest rate of 1.66% (Series A Notes). The fixed interest cost of the Series A Notes was \$3.2 million.
- The District borrowed \$200.0 million under Series B, consisting of \$200.0 million at a fixed interest rate of 1.66% (Series B Notes). The fixed interest cost of the Series B Notes was \$3.2.

The District repaid all of the Notes as of June 30, 2018. Changes in short-term obligations payable during Fiscal Year 2018 were as follows:

	(Dollars in Millions)			
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Tax and Revenue Anticipation Note (Series A of 2017-2018-Fixed Rate)	\$ -	\$ 200.0	\$ (200.0)	\$ -
Tax and Revenue Anticipation Note (Series B of 2017-2018-Fixed Rate)	-	200.0	(200.0)	-
Total	<u>\$ -</u>	<u>\$ 400.0</u>	<u>\$ (400.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2018 were as follows:

	Long Term Obligations (1) (Dollars in Millions)				
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,976.2	\$ 254.9	\$ (125.7)	\$ 3,105.4	\$ 148.1
Bond Premium	244.0	23.2	(20.0)	247.2	20.7
Bond Discount	(1.9)	(0.4)	0.4	(1.9)	(0.5)
Total Bonded Debt	<u>3,218.3</u>	<u>277.7</u>	<u>(145.3)</u>	<u>3,350.7</u>	<u>168.3</u>
Termination Compensation Payable	186.7	17.5	(15.2)	189.0	15.1
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	105.9	31.6	(30.5)	107.0	33.3
Incurred But Not Reported (IBNR) Payable (2)	16.0	-	(2.0)	14.0	14.0
OPEB Life Insurance Liability (3)	17.9	0.6	(2.1)	16.4	-
PSERS OPEB Liability (4)	146.6	6.3	(7.8)	145.1	-
PSERS Pension Liability	3,375.4	415.8	(272.5)	3,518.7	-
Governmental Activity - Long-Term Liabilities	<u>\$ 7,112.1</u>	<u>\$ 749.5</u>	<u>\$ (475.4)</u>	<u>\$ 7,386.2</u>	<u>\$ 276.0</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 1.8	\$ 0.3	\$ (0.1)	\$ 2.0	\$ 0.2
PSERS OPEB Liability (4)	2.3	0.1	(0.1)	2.3	-
PSERS Pension Liability	51.1	6.3	(4.1)	53.3	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 55.2</u>	<u>\$ 6.7</u>	<u>\$ (4.3)</u>	<u>\$ 57.6</u>	<u>\$ 0.2</u>

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

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- (2) IBNR is included with the Self Insurance Health Care Internal Service Fund.
- (3) GASB Statement No.75 implemented new requirements for OPEB Life Insurance Liabilities. Also, GASBS No.75 required OPEB Liability to be restated as of the beginning period July 1, 2017 (See Footnote 4N, Prior Period Restatement).
- (4) The beginning balance of Long-term Liabilities under both Governmental and Business Type Activities changed due to the implementation of GASBS No.75. GASBS No. 75 required PSERS OPEB Liability to be restated as of the beginning period July 1, 2017 (See Footnote 4N, Prior Period Restatement).

(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, 2018 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	\$ 23,928	\$ 67,433	\$ -
2004E-QZAB	-	2019	19,335	19,335 ⁽⁷⁾	-	19,335	19,335
2005D	5.500	2022	29,920	7,815	875	8,690	2,470
2006B-SPSBA ⁽³⁾	3.875 - 5.000	2033	545,570	83,365	42,169	125,534	-
2007A	4.748 - 5.000	2034	146,530	146,410	86,090	232,500	15
2007C-QZAB	-	2023	13,510	13,510 ⁽⁸⁾	-	13,510	-
2007D-QZAB	1.250 ⁽²⁾	2023	28,160	28,160 ⁽⁸⁾	1,584	29,744	-
2008E	5.000 - 5.125	2039	282,365	12,445	630	13,075	6,295
2008F	5.000	2028	114,215	19,640	970	20,610	10,070
2009B	4.000 - 5.000	2019	30,710	6,280	284	6,564	6,280
2010B	5.289 - 6.765 ⁽⁴⁾	2040	221,485	208,415	182,116 ⁽⁴⁾	390,531	6,115
2010C	5.000	2022	300,045	109,760	10,910	120,670	26,980
2010D	3.375 - 5.000	2023	49,365	42,120	5,011	47,131	7,600
2010E	5.000 - 5.250	2025	125,880	101,700	23,690	125,390	4,325
2011A-QSCB	5.995 ⁽⁵⁾	2031	144,625	144,035 ⁽⁹⁾	107,936 ⁽⁵⁾	251,971	-
2011B	2.500 - 3.250	2022	16,970	7,430	473	7,903	1,775
2011C	5.000	2022	41,185	17,025	1,755	18,780	3,945
2011D	3.000 - 5.000	2022	16,330	8,005	577	8,582	1,890
2012B-SPSBA ⁽³⁾	5.000	2032	264,995	220,575	91,391	311,966	11,255
2015A-SPSBA ⁽³⁾	3.375 - 5.000	2026	80,000	71,930	15,617	87,547	8,390
2015A	4.000 - 5.000	2036	46,770	43,820	22,582	66,402	1,560
2015C	2.512 - 4.038	2026	44,565	36,115	5,637	41,752	4,030
2015D	5.000	2023	128,620	95,065	11,875	106,940	18,080
2016A-SPSBA ⁽³⁾	5.000	2036	570,010	548,870	350,835	899,705	900
2016D	5.000	2029	92,345	86,455	25,451	111,906	6,190
2016E-QSCB	5.060 ⁽⁶⁾	2043	147,245	147,245 ⁽¹⁰⁾	182,540 ⁽⁶⁾	329,785	-
2016F	5.000	2039	582,155	581,460	292,292	873,752	565
2018A	3.000 - 5.000	2039	176,820	176,820	110,554	287,374	5
2018B	4.000 - 5.000	2043	78,130	78,130	79,909	158,039	-
Total			\$ 4,925,995	\$ 3,105,440	\$ 1,677,681	\$ 4,783,121	\$ 148,070

- (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 2018, 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 2018, 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 2018, the Federal government reduced this subsidy by \$04 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, 2018, \$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 an 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, 2018, \$8.1 million had been placed under the mandatory sinking fund. The \$8.1 million had an investment value of \$9.2 million.
 - (9) On December 20, 2011, the School District issued QSCB bond series 2011A in the principal amount of \$144.6 million. 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 erroneously paid bondholders instead of depositing the funds into the mandatory sinking fund account. Bondholders of \$6,860,000 principal amount of the Bonds, which were paid agreed to reverse the payment received on the Bonds, such payments were returned to the fiscal agent, and those Bonds remain outstanding. The remaining \$555,000 principal amount of the Bonds are no longer outstanding. For each subsequent deposit due date, the fiscal agent will irrevocably deposit \$7.5 million each September 1st to a mandatory sinking fund to be used solely for satisfying the scheduled principal payment of \$144.0 million of Bonds on September 1, 2030. As of June 30, 2018, \$29.1 million had been deposited in the mandatory sinking fund. The \$29.1 million had an investment value of \$29.5 million. (See Note 4E (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 the Schedule of Bonds Outstanding.

Debt service to maturity on general obligation bonds at June 30, 2018 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

Governmental Activities (Dollars in Thousands)			
Year Ending June 30	Principal	Interest ⁽¹⁾	Total
2019	\$ 127,525	\$ 103,582	\$ 231,107
2020	115,435	99,610	215,045
2021	120,600	93,839	214,439
2022	122,710	87,776	210,486
2023	155,830	81,732	237,562
2024-2028	482,670	332,730	815,400
2029-2033	453,780	200,720	654,500
2037-2038	278,380	104,618	382,998
2039-2043	263,245	48,763	312,008
2044-2048	17,020	371	17,391
Total	\$ 2,137,195	\$ 1,153,741	\$ 3,290,936

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2018 is summarized as follows:

Governmental Activities (Dollars in Thousands)			
Year Ending June 30	Interest Rates	Principal	Total
2019	3.875-5.000	\$ 20,545	\$ 69,142
2020	4.000-5.000	21,520	69,090
2021	4.000-5.000	22,570	69,064
2022	4.125-5.000	23,640	69,006
2023	3.375-5.000	24,780	68,964
2024 - 2028	5.000-5.500	288,635	477,882
2029 - 2033	5.000	519,800	617,697
2034 - 2038	5.000	46,755	51,340
Total		\$ 968,245	\$ 1,492,185

(ii) Sinking Fund Covenants

- Fixed Rate General Obligation Bonds: The School District has irrevocably directed the City, on each business day, to deposit with the Fiscal Agent for the bonds, from School District tax revenues collected that day, for payment into each sinking fund for the bonds, approximately equal daily

installments which, together with other available resources in the sinking fund equal 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.

The following table shows the School District's tax revenues collected by the City for fixed rate General Obligation Bond debt service for fiscal year 2018 daily deposit covenant by month.

Local Tax Revenues Subject to Daily Deposit Covenant by Month

Fiscal Year 2018

(Dollars in Thousands)

Month	Amount Covenant
Jul	\$ 16,370.6
Aug	18,894.5
Sep	16,507.2
Oct	17,332.5
Nov	16,507.7
Dec	16,510.5
Jan	17,336.8
Feb	16,078.4
Mar	18,337.6
Apr	18,337.6
May	21,184.8
June	20,222.7
Total	\$ 213,620.8

This irrevocable direction is included as a covenant in each resolution adopted by the governing body of the School District authorizing fixed rate general obligation bonds. These covenants were established to enhance the credit underlying the School District's general obligation bonds and to assure timely payment of debt service.

- 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 in Fiscal Year 2010, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". GASBS No. 53 provided guidance for evaluating the effectiveness of derivative instruments at the end of each reporting period.

The District in Fiscal Year 2017, adopted the provisions GASBS No. 72 "Fair Value Measurement and Application." GASBS No. 72 addresses the accounting and financial reporting issues related to fair value measurements. GASBS No. 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 fair values balances as defined by GASBS No. 72 and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type, and the change in fair value per GASBS No. 72 of such derivative instruments for the year then ended as reported in the 2018 financial statements are as follows (amounts in thousands; debit (credit)):

<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2018</u>		
<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>				
Investment derivative Instruments:				
Pays-variable interest rate swaps	Investment revenue (\$2,512)	Investment	(\$ 2,042)	\$ 500,000
			<u>(\$ 2,042)</u>	

As of June 30, 2018, the School District determined that the pay variable interest rate swaps listed as derivatives investments do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

(c) General Obligation Bonds and Defeasements

(i) *General Obligation Bonds:*

- (a) On April 18, 2018, the School District issued General Obligation Bonds Series A of 2018 in the aggregate principal amount of \$176.8 million with a \$20.3 million net premium for the Capital Improvement Program. The District used bond proceeds of \$1.1 million to pay for underwriting fees and other issuance costs.
- (b) On April 18, 2018, the School District issued General Obligation Bonds Series B of 2018 in the aggregate principal amount of \$78.1 million with a \$2.5 million net premium for the Capital Improvement Program. The Series B bonds maturing in 2043 were structured with \$50.0 million of insurance provided by Assured Guaranty. The District used bond proceeds of \$1.5 million to pay underwriting fees and other issuance costs.
- (c) For accounting purposes, when advance refundings resulted a loss or a gain which is the net difference between the reacquisition price and the net carrying amount of the old debt, the District amortizes the refunding charges of the debt through the operations in the District-wide statements until fiscal year 2038.

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

- (a) As of June 30, 2018, \$286.6 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, 2018, the Defeasance Accounts from the Sale of SDP Property had \$4.8 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) During May 2017, the School District sold nine buildings and other capital properties 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 during FY2018 for this purpose. 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 FY2018, 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 current and advance refunding:

- (a) Current Refunding: On August 17, 2017, the School District used \$528,944 of SDP Property Sales Proceeds to partially current refund \$320,000 of principal and \$208,944 of redemption premium under GOB Series 2010B.
- (b) Advance Refunding: On August 17, 2017, the School District used \$1,481,790 of SDP Property

Sales Proceeds to advance refund \$1,260,000 of principal under the following: {1} \$470,000 of principal under GOB Series 2008E, {2} \$65,000 of principal under GOB Series 2008F, {3} \$590,000 of principal under GOB Series (SPSBA) 2016A, and {4} \$135,000 of principal under GOB Series 2016F.

(iii) SDP Property Sales Defeasance Escrow Accounts: As of June 30, 2018, the Bank of New York Mellon, SDP's Escrow Agent, maintained 17 escrow sinking fund accounts valued at \$5.0 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, 2018, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$2,749.7 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, 2018, the arbitrage rebate calculation indicates a liability totaling \$50,759.

This arbitrage liability of \$50,759 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, 2018. 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.

The School District has reserved as of June 30, 2018 \$50,759 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, 2018 amounted to \$7.1 million. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2019	\$ 4.6
2020	4.1
2021	3.8
2022	5.7
2023	1.0
2024-2028	5.0
2029-2033	3.0
Total	<u>\$ 27.2</u>

These amounts include gross expenditures for the District's lease for Metropolitan Fiber-Optic Network during July 2017 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 footnote 1D (11), Compensated Absences, for the School District's leave policies.

(5) 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, 2018. 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, 2018, the Incurred but Not Reported Payable amounted to \$14.0 million.

(6) Other Postemployment Benefits (OPEB)

(a) Life Insurance Liability: The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. The cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. SDP implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" during fiscal year 2018. As of June 30, 2018, the District had a total OPEB Life Insurance Liability of \$16.4 million. See Footnote 4J (1) Other Post Employment Life Insurance Benefits for details.

(b) PSERS OPEB Liability: SDP implemented GASBS No. 75 during fiscal year 2018. As of June 30, 2018, the Net OPEB (PSERS) Liability for SDP was \$147.4 million. Refer to Footnote 4J (2) for further OPEB PSERS Plan Information.

(7) 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.

(8) Other Liabilities

Other liabilities consist of \$97.7 million for Workers' Compensation, \$3.9 million for Unemployment Compensation Claims and \$5.4 million for Claims & Judgments.

(9) Pension (PSERS) Liability

SDP implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions", an amendment of GASBS No. 27, during fiscal year 2015. As of June 30, 2018, the Net Pension Liability for SDP was \$3,572.0 million. Refer to Note 4K (1) (a) for further Pension Plan information.

(10) 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 determination 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.

F. Interfund Receivables, Payables and Transfers

(1) The composition of Interfund balances as of June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Categorical Fund	\$ 10,922,369
General Fund	Print Shop Fund	30,757

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 \$10,922,369 and \$30,757 under the Categorical and Print Shop Fund, respectively, represents a reclassification of negative equity in pooled cash and investments. The \$10,922,369 negative balance is due to timing of cash receipts. The District reclassified the balance of \$30,757 under the Print Shop as an internal balance on the District-wide financial statements.

- (2) Interfund transfers at June 30, 2018 were as follows:

<u>Interfund Transfers Out</u>				
<u>Interfund Transfers In</u>	<u>General Fund</u>	<u>Capital Funds</u>	<u>Food Service Fund</u>	<u>Total</u>
Intermediate Unit	\$ 266,974,702	\$ -	\$ -	\$ 266,974,702
Categorical	1,338,814	-	-	1,338,814
Debt Service	263,644,316	2,632,656	289,469	266,566,441
Print Shop	414,040	-	-	414,040
Total	<u>\$ 532,371,872</u>	<u>\$ 2,632,656</u>	<u>\$ 289,469</u>	<u>\$ 535,293,997</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 2018 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, 2018 are summarized as follows:

New Construction and Land	\$ 1,883,240
Environmental Management	705,255
Alterations and Improvements	73,115,701
Major Renovations	26,654,257
Total	<u>\$ 102,358,453</u>

- (2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 32,765,287	\$ 759,715

- (3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$8.2 million at June 30, 2018.

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 estimated nine hundred fifty (950) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$2.0 million .

Of those, four hundred fifty (450) 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, four hundred fifty (450) unfavorable outcomes are deemed probable in the aggregate of \$2.0 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 \$18.0 million. In the opinion of the General Counsel of

the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed reasonably possible in the amount of \$2.6 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 \$3.6 million and \$5.5 million, respectively, arising from personal injury and property damage claims and lawsuits.

- (3) **Federal Audits** - U.S. Department of Education (“DOE”) 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. After the School District responded to a preliminary draft audit report (by supporting the vast majority of the questioned expenditures), the OIG issued an audit report on January 15, 2010, 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 the OIG considered \$121.1 million to be inadequately supported and \$17.7 million to be unallowable costs. The report included five findings, the largest of which related to alleged undocumented salary and benefits charged to federal programs in the amount of \$123.0 million, which the District was able to subsequently substantiate to DOE.

DOE issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The PDLs were issued to PDE. DOE issued one additional PDL (three PDLs total) on the remaining findings that required corrective action, but did not result in monetary exposure. All corrective actions have been implemented as part of the School District’s corrective action plan agreed to by PDE, DOE, and the School District.

The first PDL demanded a recovery of \$9.9 million (down from the initial \$138.8 million finding, which DOE stipulated should be further reduced to \$7.2 million based on the application of the statute of limitations). Administrative and federal court appeals culminated in a Third Circuit panel decision dated March 10, 2016, sustaining the \$7.2 million liability. PDE and the School District filed a petition for certiorari with the Supreme Court which was denied on October 3, 2016. On February 3, 2017, PDE received a letter from DOE 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, but after PDE and the School District presented documentation demonstrating the application of the statute of limitations to DOE on April 4, 2016, DOE decided not to seek recovery of this amount.

After remitting payment of \$7.2 million related to the first PDL, PDE and the School District submitted an application for a “grantback” in accordance with 20 U.S.C. 1234h. The grantback application requests a return of 75% of the remitted funds, or \$5.4 million, to be used by the District for specified federal program purposes. On May 24, 2018, DOE published an intent to award the grantback in the Federal Register for public comment. The public comment period closed on June 29, 2018. The grantback application is currently under review by DOE.

As of June 30, 2018, and continuing until the date of this letter, in the opinion of outside counsel, the School District does not have potential material liability related to the OIG audit issued in January 2010.

- (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.

The School District received several state subsidy withholding requests filed with PDE by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates using PDE’s Form 363 for Philadelphia resident students to be paid by the School District to charter schools. The issues relate to whether the charter school per-pupil rates should be calculated using a school district’s allocated expenditures reflected in its initial budget, in its amended adopted budget, or in its final audited financial report for the prior fiscal year. This is an issue in a significant number of withholding requests submitted to PDE seeking subsidy from many school districts in Pennsylvania.

In *First Phila. Prep. Charter School, et al. v. School District of Philadelphia*, Comm. Ct., 159 MD 2017, seven charter schools have filed an action in Commonwealth Court related to the 2015-2016 school year. PDE withheld a total amount of \$2.1 million for these charter schools as a result of their requests for payment.

One charter school submitted a payment request to PDE related to the 2015-2016 school year. PDE withheld a total amount of \$0.5 million for this charter school. After the commencement of an administrative hearing before PDE, the parties continued the hearing to allow the School District to conduct an enrollment audit of the charter school because of student enrollment issues. The parties reached a settlement in the administrative matter under which the charter school has agreed to pay the School District \$0.3 million, and to withdraw the charter school’s claims in the Commonwealth Court action.

Fourteen other charter schools submitted payment requests to PDE related to the 2015-2016 school year. PDE has withheld a total amount of \$1.66 million for these charter schools and refused to make withholdings based on requests by some of these schools for \$1.8 million. Administrative hearings before PDE are in progress.

Twenty-two charter schools have submitted payment requests to PDE related to the 2016- 2017 school year, and PDE has withheld a total amount of over \$10.0 million for these charter schools from the School District's state subsidies. Administrative hearings before PDE are in progress.

Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately \$2.1 million for the pending withholding requests of which we are aware as described above.

- (5) **2018 Tax Reassessment Cases** - On September 14, 2017, the first plaintiffs, the individual owners of 76 commercial properties, filed suit in the Court of Common Pleas of Philadelphia County, alleging that the 2018 property tax reassessment performed by the City's Office of Property Assessment (the "OPA") violated the Uniformity Clause of the Pennsylvania Constitution, as well as the statutes controlling assessments in Pennsylvania and first-class counties, and seeking the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege that, following a countywide property tax reassessment for tax year 2014 known as the Actual Value Initiative ("AVI"), the City made no subsequent reassessments until tax year 2018 when it reassessed only commercial, but not residential, properties. Plaintiffs claim that, pursuant to a July 2017 Pennsylvania Supreme Court decision, *Valley Forge Towers Apartments N, LP et al v. Upper Merion Area School District et al*, such disparate treatment of different categories of real property violates the state constitution's Uniformity Clause, and thus is null and void. Plaintiffs sought declaratory relief, an injunction forbidding the collection of taxes based on the allegedly unconstitutional valuations, and an order directing the OPA to "recertify" Plaintiffs' properties at their 2017 values.

Subsequently, ten additional cases were filed, asserting virtually the same claims. All of the cases, which in total currently encompass approximately 500 plaintiffs, have been consolidated for management purposes. The School District of Philadelphia, which receives a portion of the City's real estate tax revenues and all of a separate Use and Occupancy Tax, which is also based upon OPA assessment values, was added as a defendant to the lawsuits. The City filed preliminary objections contesting the legal sufficiency of the claims, as well as the failure of the plaintiffs to appeal their assessments to the Board of Revision of Taxes (the "BRT"), the administrative agency statutorily designated to hear assessment appeals, and to appeal any decision adverse to them through the Local Agency Law process. The Court overruled those preliminary objections, but dismissed mandamus claims and claims against individual defendants. The City then filed Answers with New Matter to each complaint. The discovery deadline has now passed; currently, the cases are scheduled for trial in April or May 2019.

The City believes that the lawsuits both misstate the relevant facts about the OPA's assessment process and misapply the relevant law and, and the City intends to vigorously defend its interests. Moreover, even if the assessment process for the 2018 tax year should be found to violate Uniformity under the very recent Valley Forge ruling, the City believes that Valley Forge represents a significant change in the law and that it operated in good faith consistent with the prior case law, and thus that there is a strong possibility that any relief ordered may be prospective, rather than retrospective, in nature. However, the real estate tax revenue associated with the increase of taxable assessed values for the properties in question currently exceeds \$36.0 million, with approximately 55% allocated to the School District and 45% to the City, not including the separate Use and Occupancy tax revenue for the School District. The Use and Occupancy tax exposure for the properties in question, which only impacts the School District of Philadelphia, is approximately \$6.0 million. The City's Law Department cannot classify the outcome of the lawsuits at this time.

J. Other Postemployment Life Insurance Benefits

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefits other than pension (OPEB). The new standards have substantially revised the accounting requirements previously mandated under GASB Statements (GASBS) No. 43 and 45. The most notable change is the elimination of the Annual Required Contribution (ARC) with the Net OPEB liability (Total OPEB liability for unfunded plans), to be recognized on the balance sheets of participating employers. GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning June 15, 2017.

1. Life Insurance Benefits

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 age 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. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

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 between the valuation dates and the measurement year ends in the number covered or the type of coverage since that date.

	Number of Employees
Active	12,892
Retirees	10,397
Total	23,289

Total OPEB Life Insurance liability:

At June 30, 2018, the District reported a liability of \$16.4 million for the total OPEB Life Insurance liability, all of which was under the Governmental Activity section of the Government-wide statements. For the June 30, 2018 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2016." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2017. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability by rolling forward the Net OPEB Obligations of \$2,093,003 reported under GASBS 45 as of June 30, 2017. The following schedule includes information to comply with GASBS 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for the fiscal year ending June 30, 2016, along with prior period adjustment to transition to GASBS 75 and Total OPEB Life Insurance Benefit liability for fiscal year ending June 30, 2018:

Net OPEB Obligation as of June 30, 2016	\$ 1,654,915
Annual Required Contribution (ARC)	998,270
Interest on Net OPEB Obligation	49,647
Adjustment to the ARC	(88,848)
Employer Contributions 2016-2017	(520,980)
Net OPEB Obligation as of June 30, 2017	<u>\$ 2,093,004</u>
Prior Period Restatement	15,789,630
Total OPEB Life Insurance Benefit Liability as of July 1, 2017*	<u>\$ 17,882,634</u>
Service cost	101,347
Interest on total OPEB Life Insurance Benefits liability	505,171
Effect of assumption changes or inputs	(1,590,940)
Employer Contributions 2016-2017	(520,980)
Total OPEB Life Insurance Benefit Liability as of June 30, 2018	<u>\$ 16,377,232</u>

Actuarial Methods and Assumptions:

- Discount Rate: 2.85 % per annum as of June 30, 2016, 3.58 % per annum as of June 30, 2017, and 3.87 % per annum as of June 30, 2018 (Bond Buyer General Obligation 20-Bond Municipal Bond Index, selected by the District)
- Salary Increases: 3.00 % per year (based on input from District)
- Mortality: RPH-2006 Mortality Tables with white-collar adjustments, projected on a generational basis with Scale MP-2017, with employee rates before retirement and healthy annuitant rates after retirement. As a generational table, it reflects mortality improvements both before and after the measurement date. This industry standard table published by the Society of Actuaries (SOA) was selected based on the population covered and the recent SOA exposure draft on public plan mortality experience.
- Termination: Withdrawal rates vary by age and years of service. Illustrative 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, 2017 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	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	26.59%	10.02%
60	30.87%	35.77%
65	21.39%	22.23%
74	100.00%	100.00%

- **Disability:** None assumed.
- **Life Insurance Benefits Claimed:** All life insurance benefits are assumed to be claimed upon the retiree's death.
- **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:** PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

Actuarial Cost Method:

In accordance with GASBS No. 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

Changes since Prior Valuation:

In accordance with GASBS No.75, the Actuary used the Entry Age Normal cost method for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay. The changes listed below reflect differences from the June 30, 2016 actuarial valuation with GASBS 45 to the actuarial valuation as of June 30, 2018 in accordance with GASBS No.75.

The discount rate was change from 3% to a municipal bond index (2.85% as of June 30, 2016, 3.58% as of June 30, 2017, and 3.87% as of June 30, 2018).

The mortality, retirement, and disability assumptions were revised.

In accordance with GASBS No. 75, the Actuary updated the actuarial cost method from the level dollar version of the Entry Age Normal cost method to the level percent of pay version of the Entry Age Normal cost method for determining service costs and the actuarial accrued liability.

Total OPEB Life Insurance Liability

Most Recent Measurement Date	Total OPEB Life Insurance Liability	Active Covered Payroll	Total OPEB Life Insurance Liability as a percentage of covered payroll
6/30/2017	\$ 16,377,232	\$ 714,588,514	2.29184%

Other Postemployment Benefits (OPEB) Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Changes in the Total OPEB Life Insurance Liability:

	Increase(Decrease) Total OPEB Life Insurance Liability
Net OPEB Life Insurance Benefit Liability as of July 1, 2017*	\$ 17,882,634
Changes for the year (2017-2018):	
Service Cost	101,347
Interest on total OPEB Life Insurance liability	505,171
Effect of Assumption changes or inputs	(1,590,940)
Benefit Payments	(520,980)
Net OPEB Life Insurance Benefit Liability as of June 30, 2018	\$ 16,377,232

*Equal to the total OPEB liability as of July 1, 2016-beginning of the measurement period for the fiscal year ending June 30, 2018.

Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:

The following presents the total liability, calculated using the discount rate of 3.58%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate:

	2016-2017 Measurement Period (Dollars in Thousands)		
	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
District's total OPEB Life Insurance liability	18,627	16,377	14,570

- (a) At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>(Dollars in Thousands)</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 511	\$
Effect of assumptions changes or inputs		(1,221)
	\$ 511	\$ (1,221)

Deferred outflows of resources for contributions made subsequent to the measurement date was \$0.5 million and will be recognized as a reduction of total OPEB liability in the next fiscal period rather than in the current period.

OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:

- (a) For the year ended June 30, 2018, the District recognized net OPEB expense of \$.02 thousand of which all under the Governmental Activity section of the Government-wide Statements.
- (b) All of the \$1,220.9 thousand reported as deferred inflows was under the Governmental-Activities column of the Government-wide statements. Amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)	
Year ended June 30:	Deferred Inflows of Resources
2018	\$ (370)
2019	(370)
2020	(370)
2021	(111)
2022	-
Thereafter	-
Total	\$ (1,221)

2. PSERS Other Postemployment Benefits

(1) Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- (a) At June 30, 2018, the District reported a liability of \$147.4 million for its proportionate share of the net OPEB liability of which \$145.1 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the system's total one-year reported covered payroll. At June 30, 2018, the District's proportion was 7.2324 percent, which was an increase of 0.3182 percent from its proportion measured as of June 30, 2017.
- (b) For the year ended June 30, 2018, the District recognized net OPEB expense of \$1,363.3 thousand of which \$1,342.1 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$21.2 thousand was under the Business-type Activity section of the Government-wide Statements.
- (c) At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Dollars in Thousands)		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Change in assumption	-	(6,857)
Net difference between projected and actual investment earnings	156	-
Change in proportions	5,875	-
Difference between employer contributions and proportionate share of total contributions	6	-
Contributions subsequent to the measurement date	8,609	-
	<u>\$ 14,646</u>	<u>\$ (6,857)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$8.6 million and will be recognized as a reduction of net OPEB liability in the next fiscal period rather than in the current period.

The District recognized net deferred inflows of \$.8 million reported related to OPEB from the following OPEB expense:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2018	\$ 1,019	\$ (1,143)	\$ (124)
2019	1,019	(1,143)	(124)
2020	1,019	(1,143)	(124)
2021	1,019	(1,143)	(124)
2022	980	(1,143)	(163)
Thereafter	981	(1,142)	(161)
Total	\$ 6,037	\$ (6,857)	\$ (820)

Of the \$819,709 reported as net deferred inflows, \$806,968 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 \$12,455 and \$286 respectively.

Actuarial assumptions: The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability as of June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.50%, which comprised of inflation of 2.75% and 2.25% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based 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.
- Participation rate:
- Eligible retirees will elect to participate Pre age 65 at 50%
- Eligible retirees will elect to participate Post age 65 at 75%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based the RP-2000 Combined Healthy Annuitant Tables with age set back for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with the age set back 7 years for males and 3 years for females disabled annuitants. (A unisex table based on the RP-2000 Combined healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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 OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed income	23.6%	1.5%
	100.00%	

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, 2017.

Discount rate: The discount rate used to measure the total OPEB liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to change in healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2017 as it relates to the District's proportionate share, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

(Dollars in Thousands)

	1% Decrease	Current Healthcare Cost Trend	1% Increase
	<hr/>	<hr/>	<hr/>
System net OPEB liability	147,315	147,354	147,385

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 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage point higher (4.13%) than the current rate:

(Dollars in Thousands)

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
	<hr/>	<hr/>	<hr/>
District's proportionate share of the net OPEB liability	167,502	147,354	130,616

OPEB 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.

K. Pension Plan

1. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
 - (a) At June 30, 2018, the District reported a liability of \$3,572.0 million for its proportionate share of the net pension liability of which \$3,518.7 million was under the Governmental Activity section of the Government-wide Statements 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, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System) total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2017, the District's proportion was 7.2324 percent, which was an increase of .03182 percent from its proportion measured as of June 30, 2016.
 - (b) For the year ended June 30, 2018, the District recognized net pension expense of \$64,076.4 thousand of which \$63,121.2 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$955.2 thousand was under the Business-type Activity section of the Government-wide Statements.

- (c) At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	(Dollars in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 37,264	\$ (21,584)
Change in assumption	97,035	
Net difference between projected and actual investment earnings	82,769	-
Change in proportions	115,618	(207,016)
Difference between employer contributions and proportionate share of total contributions	-	(4,613)
Contributions subsequent to the measurement date	325,694	-
	<u>\$ 658,380</u>	<u>\$ (233,213)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$325,694.1 thousand, and will be recognized as a reduction of net pension liability/collective net pension liability in the subsequent fiscal period rather than in the current period.

The District recognized net deferred inflows of \$99,473.2 thousand reported related to pensions in pension expense as follows:

Of the \$99,473.2 thousand reported as deferred outflows, \$97,990.4 thousand 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 \$1,439.3 thousand and \$43.5 thousand, respectively.

Actuarial assumptions:

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.50% includes inflation at 2.75%.
- Salary growth - 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 based on 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.

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	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<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, 2017.

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)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	4,396,781	3,571,967	2,875,591

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 \$121.1 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, 2018, the amount of these liabilities totaled \$121.1 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

	Beginning Liability	Claims & Adjustments	Claim Payments	Ending Liability	Due Within One Year
Fiscal Year 2017	\$ 132.5	\$ 206.7	\$ 217.3	\$ 121.9	\$ 49.8
Fiscal Year 2018	\$ 121.9	\$ 214.7	\$ 215.5	\$ 121.1	\$ 47.3

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

District-wide net position beginning balances were increased by \$1,993,991. This adjustment involved: (1) a decrease in Construction in Progress in the amount of \$12,651,915 which includes the removal of items that do not meet the capitalization requirements in the amount of \$1,215,356 and transfers to Building and Improvement accounts in the amounts of \$2,350,889 and \$9,085,669 respectively, (2) an increase in Intangible assets in the amount of \$4,603,097, (3) an increase to Building and Improvement Accumulated Depreciation accounts in the amounts of \$71,676 and \$554,890 respectively, and (4) an increase to Intangible Assets Accumulated Depreciation in the amount of \$767,183.

N. Prior Period Restatement

The District has restated its July 1, 2017 net position in its governmental and business-type activities to record the net pension liabilities, deferred outflows and deferred inflows at June 30, 2018 in accordance with the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," as discussed in Footnote 1D (13).

The net result of this change is outlined in the graph below:

	Governmental Activities			Business-Type Activities	Total OPEB Government-Wide
	OPEB PSERS Healthcare	OPEB Life Insurance	Total OPEB Governmental Activities	OPEB PSERS Healthcare	Total OPEB
Add:					
Deferred Outflows	\$ 7,878,946	\$ -	\$ 7,878,946	\$ 124,394	\$ 8,003,340
Less:					
Non-Current Liabilities	146,616,712	15,789,630	162,406,342	2,314,804	164,721,146
Deferred Inflows	-	1,590,940	1,590,940	-	1,590,940
Net Position Adjustment	\$ (138,737,766)	\$ (17,380,570)	\$ (156,118,336)	\$ (2,190,410)	\$ (158,308,746)

The District restated its long-term obligation balances as of July 1, 2017 under Footnote 4E (2) Long-term Obligations related to these other postemployment benefits.

O. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred subsequent to June 30, 2018 to and including February 6, 2019. Other than as described below, there were no subsequent material events affecting the District:

(1) Tax Anticipation Revenue Notes (TRAN)

In July 2018, 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 28, 2019.

On July 12, 2018, the District issued Series 2018-2019 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 \$225.0 million and (2) Series B of 2017-2018 as a fixed rate mode for \$225.0 million. Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2019.

(2) Dissolution of the State Controlled School Reform Commission (SRC) and a Return to Local Governance

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 are appointed by the Mayor of the City Philadelphia, assumed governance of the School District on July 1, 2018. The new Board of Education smoothly transitioned from the School Reform Commission as planned and has been in governance since the start of Fiscal Year 2019.

(3) Rating Agency Action

In December 2018, Moody's upgraded the School District of Philadelphia's underlying bond rating by two notches to Baa3 and set the outlook to "Stable." This is the first time Moody's has assigned an Investment Grade rating to the School District since 1977. This upgrade was based upon several factors which included: 1) three consecutive years of operating surpluses, 2) permanent tax revenues from the city of Philadelphia eliminating previously anticipated deficits in the near-term, 3) a return of local control resulting in closer alignment with the city and School District's interests, and, 4) strong District management which has a detailed understanding of the District's finances and the ongoing operating complexities of managing a highly dynamic, large, urban school district.

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**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, 2018

General Fund

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Local Taxes	\$ 1,236,963,000	\$ 1,268,555,000	\$ 1,280,096,328	\$ 11,541,328
Locally Generated Non Tax	121,602,000	132,993,000	138,216,223	5,223,223
State Grants and Subsidies	1,437,875,000	1,443,776,000	1,444,371,266	595,266
Federal Grants and Subsidies	167,000	192,000	184,655	(7,345)
Total Revenues	2,796,607,000	2,845,516,000	2,862,868,472	17,352,472
OBLIGATIONS				
Current Operating				
Instruction	992,646,856	1,023,544,547	1,021,746,926	1,797,621
Student Support Services	35,324,209	38,282,338	36,023,671	2,258,667
Administrative Support	95,663,541	94,708,310	88,031,064	6,677,246
Operation & Maintenance of Plant Services	205,947,573	198,746,433	181,111,604	17,634,829
Pupil Transportation	95,882,910	97,100,937	95,005,446	2,095,491
All Other Support Services	32,899,327	15,193,881	8,511,416	6,682,465
Payments to Charter Schools	847,688,799	843,740,795	850,321,494	(6,580,699)
Allocated Costs	(17,068,242)	(24,351,484)	-	(24,351,484)
Total Obligations	2,288,984,973	2,286,965,757	2,280,751,621	6,214,136
Excess of Revenues Over (Under) Obligations	507,622,027	558,550,243	582,116,851	23,566,608
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(518,065,143)	(523,521,855)	(532,754,158)	(9,232,303)
Capital Asset Proceeds	-	115,000	115,081	81
Total Other Financing Sources (Uses)	(518,065,143)	(523,406,855)	(532,639,077)	(9,232,222)
Net Change in Fund Balances	(10,443,116)	35,143,388	49,477,774	14,334,386
Fund Balances, July 1, 2017	(18,917,778)	(9,969,875)	19,425,171	29,395,046
Change in Inventory Reserve	-	-	(179,311)	(179,311)
Change in Encumbrance Reserve	-	-	4,158,504	4,158,504
Fund Balances, June 30, 2018	\$ (29,360,894)	\$ 25,173,513	\$ 72,882,138	\$ 47,708,625

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
490,000	318,000	328,718	10,718
134,776,000	142,033,000	144,032,388	1,999,388
-	-	-	-
135,266,000	142,351,000	144,361,106	2,010,106
258,702,653	274,130,919	276,517,305	(2,386,386)
120,985,660	122,896,271	125,070,662	(2,174,391)
463,097	471,210	226,850	244,360
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,449,484	9,451,482	9,903,277	(451,795)
389,600,894	406,949,882	411,718,094	(4,768,212)
(254,334,894)	(264,598,882)	(267,356,988)	(2,758,106)
254,334,894	264,598,882	267,356,988	2,758,106
-	-	-	-
-	-	-	-
254,334,894	264,598,882	267,356,988	2,758,106
-	-	-	-
-	-	1,702,216	1,702,216
-	-	-	-
-	-	(942,501)	(942,501)
\$ -	\$ -	\$ 759,715	\$ 759,715

Refer to notes to the required supplementary information

SCHOOL DISTRICT OF PHILADELPHIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIFE INSURANCE BENEFITS LIABILITY (1)

	Measurement Date 2017
<u>Total OPEB Life Insurance Liability</u>	
Service Cost	\$ 101,347
Interest on total OPEB Life Insurance liability	505,171
Effect of Assumption changes or inputs	(1,590,940)
Benefit Payments	(520,980)
Net Change in Total OPEB Life Insurance Benefit Liability	\$ (1,505,402)
Total OPEB Life Insurance Liability -beginning	17,882,634
Total OPEB Life Insurance Liability -ending (a)	<u>\$ 16,377,232</u>
Plan fiduciary net position	
Plan fiduciary net position-beginning	\$ -
Plan fiduciary net position-ending (b)	-
District's net OPEB liability	<u>\$ 16,377,232</u>
Plan fiduciary net position as a percentage of the total OPEB Life Insurance liability	0.00%
Covered payroll	\$ 714,588,514
District's net OPEB liability as a percentage of its covered payroll	2.29%
Expected average remaining service years of all participants	13.5

Notes to Schedule:

Changes since prior valuation of June 30, 2016.

- The actuarial valuation based on GASB Statement 45 changed to the actuarial valuation based on GASB Statement 75.
- Changed the discount rate of 2.85% to a municipal bond index of 3.87%.
- Revised the mortality, retirement, and disability assumptions.
- Updated actuarial cost method from level dollar version of Entry Age Normal cost method to the level of pay version of the Entry Age Normal cost method for determining service costs and the actuarial accrued liability.

(1) In accordance with GASB Statement No. 75, 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB LIFE INSURANCE CONTRIBUTIONS (1)

	2018
Contractually required contribution	\$ 511,238
Contributions in relation to the Contractually required Contribution	511,238
Contribution deficiency (excess)	\$ -
District's covered payroll	\$ 792,975,829
Contributions as a percentage of covered payroll	0.064%

The District pays for OPEB benefits on a pay-as-you-go-basis. Consistent with prior practice, the District's contributions equal the premiums paid for the retirees' life insurance coverage. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

Notes to Schedule:

Valuation date June 30, 2016

Methods and Assumption Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Asset valuation method	Not applicable
Measurement date	June 30, 2017
Salary increases	3.00%

(1) In accordance with GASB Statement No. 75, 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) HEALTHCARE LIABILITY (2)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	Measurement Date June 30, 2017
District's proportion of the net OPEB liability	7.2324%
District's proportion of net OPEB liability - dollar value	\$ 147,353,785
District's covered payroll	\$ 962,912,147
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.30%
Plan fiduciary net position as a percentage of the total net pension liability	5.73%

(2) In accordance with GASB Statement No. 75, 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR NET PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) HEALTHCARE LIABILITY (2)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	June 30, 2018
Contractually required contribution	\$ 8,608,574
Contributions in relation to the contractually required contribution	8,608,574
Contribution deficiency (excess)	\$ -
District's covered payroll	1,036,408,149
Contributions as a percentage of covered payroll	0.83%

(2) In accordance with GASB Statement No. 75, 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (3)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	Measurement Date			
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
District's proportion of the net pension liability	7.5301%	7.0151%	6.9142%	7.2324%
District's proportion of net pension liability - dollar value	\$ 2,980,467,571	\$ 3,038,612,242	\$ 3,426,458,132	\$ 3,571,967,000
District's covered payroll	\$ 960,902,694	\$ 902,602,996	\$ 895,466,120	\$ 962,912,147
District's proportionate share of the net pension liability as a percentage of its covered payroll	310.17%	336.65%	382.65%	370.95%
Plan fiduciary net position as a percentage of the total net pension liability	57.24%	54.36%	50.14%	51.84%

(3) 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS (3)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 180,187,615	\$ 216,738,487	\$ 274,885,156	\$ 325,694,097
Contributions in relation to the contractually required Contribution	<u>180,187,615</u>	<u>216,738,487</u>	<u>274,885,156</u>	<u>325,694,097</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 902,602,996	\$ 895,466,120	\$ 962,912,147	\$ 1,036,408,149
Contributions as a percentage of covered payroll	19.96%	24.20%	28.55%	31.43%

(3) 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, 2018

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	\$ 2,862,868	\$ 144,361
Revenue - GAAP Basis	\$ 2,862,868	\$ 144,361
Obligations – Basis of Budgeting	\$ 2,280,752	\$ 411,718
Current Year Encumbrances	(28,722)	(760)
Prior Year Encumbrance Payments	19,464	1,320
Prior Year Encumbrance Cancellations and Other Adjustments	5,492	-
Expenditures - GAAP Basis	\$ 2,276,986	\$ 412,278
Other Financing Sources (Uses) - Basis of Budgeting	\$ (532,639)	\$ 267,357
Prior Year Encumbrance Cancellations	382	(382)
Other Financing Sources (Uses) - GAAP Basis	\$ (532,257)	\$ 266,975

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2018:

A. General Fund

(1). Payments to Charter Schools	\$ 6,580,699
(2). Allocated Costs	\$ 24,351,484

B. Intermediate Unit Fund

(1). Instruction	\$ 2,386,386
(2). Student Support Services	\$ 2,174,391
(3). Allocated Costs	\$ 451,793

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$6,580,699 in Payments to Charter Schools can be explained primarily by charter rates being revised upwards after the budget was amended and cyber charter schools going to the State for payment.

The negative variance of \$24,351,484 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 Instruction of \$2,386,386 results from a lower than anticipated amount of early intervention expenditures shifted from the Operating to Categorical funds coupled with higher than budgeted multi-handicapped support and other special education expenditures.

The negative variance of Student Support Services of \$2,174,391 results primarily from a higher than anticipated transportation and bus attendant charges expensed to the IU from the General Fund.

The negative variance of \$451,793 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 \$17,068,242 and \$24,351,484, 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*

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

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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, 2018 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, 2018 there were eighty-seven Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,278,404	\$ 2,108,288	\$ 6,386,692
Accounts Receivable	1,098	-	1,098
Total Assets	<u>\$ 4,279,502</u>	<u>\$ 2,108,288</u>	<u>\$ 6,387,790</u>
 LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 442	\$ -	\$ 442
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,365,405	1,365,405
Restricted:			
Trust Purposes	4,279,060	742,883	5,021,943
Total Fund Balances	<u>4,279,060</u>	<u>2,108,288</u>	<u>6,387,348</u>
Total Liabilities and Fund Balances	<u>\$ 4,279,502</u>	<u>\$ 2,108,288</u>	<u>\$ 6,387,790</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, 2018

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 82,444	\$ 15,455	\$ 97,899
EXPENDITURES			
Instruction	33,588	6,850	40,438
Excess (Deficiency) of Revenues Over Expenditures	48,856	8,605	57,461
Fund Balances, July 1, 2017	4,230,204	2,099,683	6,329,887
Fund Balances, June 30, 2018	\$ 4,279,060	\$ 2,108,288	\$ 6,387,348

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 732,130,000	\$ 739,190,000	\$ 743,355,206	\$ 4,165,206
Prior Years	59,990,000	46,612,000	48,450,379	1,838,379
Payment in Lieu of Taxes	-	-	9,239	9,239
Use and Occupancy	148,400,000	178,700,000	181,161,673	2,461,673
School (Non-Business) Income	41,450,000	44,400,000	48,047,617	3,647,617
Liquor Sales	73,800,000	77,900,000	76,649,841	(1,250,159)
Cigarette Sales	58,000,000	58,000,000	58,000,000	-
Sales Tax	120,000,000	120,000,000	120,000,000	-
Ridesharing Revenue	2,000,000	2,600,000	3,269,197	669,197
Public Utility Realty	1,193,000	1,153,000	1,153,176	176
Tax Credits and Other Adjustments	-	-	-	-
Total Local Taxes	1,236,963,000	1,268,555,000	1,280,096,328	11,541,328
Locally Generated Non Tax				
Interest on Investments	600,000	1,697,000	3,419,946	1,722,946
City Contributions	104,348,000	104,348,000	104,348,281	281
Stadium Agreements	2,744,000	2,744,000	2,743,500	(500)
Voluntary Contributions	440,000	487,000	1,391,337	904,337
Parking Authority Contributions	3,606,000	13,200,000	13,593,205	393,205
Gaming Revenue	5,000,000	5,000,000	5,858,960	858,960
Reimbursement from Other Funds	14,000	14,000	13,860	(140)
Miscellaneous	4,850,000	5,503,000	6,847,134	1,344,134
Total Locally Generated Non Tax	121,602,000	132,993,000	138,216,223	5,223,223
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	1,088,828,000	1,097,364,000	1,097,359,959	(4,041)
Less: Reimbursement of Prior Years IU Advances	59,479,000	57,441,000	56,831,298	(609,702)
Net Instruction	1,029,349,000	1,039,923,000	1,040,528,661	605,661
Debt Service	9,440,000	-	-	-
School Health Program				
Nurse Services	1,128,000	1,028,000	1,027,776	(224)
Medical and Dental	1,940,000	1,907,000	1,906,804	(196)
Tuition	1,105,000	1,105,000	722,713	(382,287)
Area Vocational Technical Education	5,194,000	5,546,000	5,591,831	45,831
Transportation	67,819,000	64,709,000	64,808,529	99,529
District Special Education	142,749,000	142,529,000	143,476,699	947,699
Retirement	145,397,000	151,390,000	148,680,598	(2,709,402)
Social Security	33,754,000	35,639,000	37,627,655	1,988,655
Total State Grants and Subsidies	1,437,875,000	1,443,776,000	1,444,371,266	595,266
Federal Grants and Subsidies				
Impacted Area Aid	167,000	192,000	184,655	(7,345)
Total Federal Grants and Subsidies	167,000	192,000	184,655	(7,345)
Total Other Governments	1,438,042,000	1,443,968,000	1,444,555,921	587,921
Total Revenues	\$ 2,796,607,000	\$ 2,845,516,000	\$ 2,862,868,472	\$ 17,352,472

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 380,654	\$ 353,792	\$ 366,622	\$ (12,830)
Employee Benefits	255,576	231,348	227,158	4,190
Prof.,Tech. Services	7,500	2,500	1,258	1,242
Property,Transportation,Comm.	30,000	35,148	8,970	26,178
Materials, Supplies, Books and Equipment	38,627	80,397	100,085	(19,688)
	712,357	703,185	704,093	(908)
Elementary Education				
Personal Services	262,603,458	273,321,715	273,696,600	(374,885)
Employee Benefits	192,843,974	183,344,946	183,447,854	(102,908)
Prof.,Tech. Services	2,832,538	2,204,486	2,150,184	54,302
Property,Transportation,Comm.	-	8,300	242,128	(233,828)
Materials, Supplies, Books and Equipment	8,781,133	8,176,023	8,402,341	(226,318)
	467,061,103	467,055,470	467,939,107	(883,637)
Middle School Education				
Personal Services	35,252,944	38,147,123	38,223,390	(76,267)
Employee Benefits	25,709,296	25,186,851	25,283,692	(96,841)
Prof.,Tech. Services	4,452,199	4,320,060	4,243,500	76,560
Property,Transportation,Comm.	200,990	184,990	208,913	(23,923)
Materials, Supplies, Books and Equipment	801,170	1,298,912	1,205,663	93,249
	66,416,599	69,137,936	69,165,158	(27,222)
Senior High School Education				
Personal Services	113,716,934	124,145,773	123,967,422	178,351
Employee Benefits	81,508,667	81,524,286	81,188,609	335,677
Prof.,Tech. Services	4,530,475	4,456,727	4,090,241	366,486
Property,Transportation,Comm.	1,944,451	938,987	1,023,557	(84,570)
Materials, Supplies, Books and Equipment	4,195,156	4,617,119	4,612,766	4,353
Other	354,000	-	-	-
	206,249,683	215,682,892	214,882,595	800,297
Special Education				
Personal Services	8,395,593	9,003,809	8,968,833	34,976
Employee Benefits	6,286,678	6,252,144	6,114,208	137,936
Property,Transportation,Comm.	-	-	74	(74)
Materials, Supplies, Books and Equipment	12,440	12,640	10,595	2,045
	14,694,711	15,268,593	15,093,710	174,883

(Continued on pages 110 through 115)

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 13,749,108	\$ 13,654,612	\$ 13,733,643	\$ (79,031)
Employee Benefits	10,109,814	9,127,180	9,032,766	94,414
Prof.,Tech. Services	254,265	331,086	330,497	589
Property,Transportation,Comm.	106,219	42,780	264,755	(221,975)
Materials, Supplies, Books and Equipment	959,966	978,207	740,311	237,896
	<u>25,179,372</u>	<u>24,133,865</u>	<u>24,101,972</u>	<u>31,893</u>
Promise Academies				
Personal Services	7,664,043	7,794,244	7,901,400	(107,156)
Employee Benefits	5,540,909	5,011,238	5,066,829	(55,591)
Prof.,Tech. Services	184,100	116,600	99,800	16,800
Property,Transportation,Comm.	-	2,500	12,403	(9,903)
Materials, Supplies, Books and Equipment	953,175	1,104,674	1,058,613	46,061
	<u>14,342,227</u>	<u>14,029,256</u>	<u>14,139,045</u>	<u>(109,789)</u>
School Support Services				
Personal Services	35,598,880	39,685,871	39,716,043	(30,172)
Employee Benefits	25,118,894	26,378,534	25,721,125	657,409
Prof.,Tech. Services	33,488,106	34,174,645	34,163,980	10,665
Property,Transportation,Comm.	215,769	96,202	105,599	(9,397)
Materials, Supplies, Books and Equipment	1,570,454	15,882,555	15,154,693	727,862
	<u>95,992,103</u>	<u>116,217,807</u>	<u>114,861,440</u>	<u>1,356,367</u>
Payment to Other Educational Entities				
Prof.,Tech. Services	39,401,347	38,572,134	38,385,724	186,410
Property,Transportation,Comm.	62,510,020	62,743,409	62,474,082	269,327
	<u>101,911,367</u>	<u>101,315,543</u>	<u>100,859,806</u>	<u>455,737</u>
Adult Education				
Personal Services	59,380	-	-	-
Employee Benefits	27,954	-	-	-
	<u>87,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Instruction	<u>992,646,856</u>	<u>1,023,544,547</u>	<u>1,021,746,926</u>	<u>1,797,621</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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 20,034,471	\$ 20,298,588	\$ 20,313,708	\$ (15,120)
Employee Benefits	14,252,168	13,598,693	13,584,187	14,506
Prof.,Tech. Services	171,459	1,309,339	1,185,542	123,797
Property,Transportation,Comm.	82,707	39,045	15,879	23,166
Materials, Supplies, Books and Equipment	230,833	402,810	296,750	106,060
	<hr/>	<hr/>	<hr/>	<hr/>
	34,771,638	35,648,475	35,396,066	252,409
	<hr/>	<hr/>	<hr/>	<hr/>
Office of Specialized Services				
Personal Services	213,727	174,420	174,420	-
Employee Benefits	131,107	107,654	115,539	(7,885)
Prof.,Tech. Services	200,762	340,562	324,075	16,487
Property,Transportation,Comm.	4,775	7,675	9,169	(1,494)
Materials, Supplies, Books and Equipment	2,200	3,552	4,402	(850)
Other	-	2,000,000	-	2,000,000
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	552,571	2,633,863	627,605	2,006,258
	<hr/>	<hr/>	<hr/>	<hr/>
Total Student Support Services	35,324,209	38,282,338	36,023,671	2,258,667
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Administrative Support				
Regional Offices/Learning Networks				
Personal Services	1,852,055	1,703,493	1,688,800	14,693
Employee Benefits	1,022,422	942,603	972,235	(29,632)
Prof.,Tech. Services	286,700	254,735	211,012	43,723
Property,Transportation,Comm.	2,500	15,500	63,066	(47,566)
Materials, Supplies, Books and Equipment	176,364	222,947	159,451	63,496
Other	-	-	(309,855)	309,855
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	3,340,041	3,139,278	2,784,709	354,569
	<hr/>	<hr/>	<hr/>	<hr/>
Financial Services				
Personal Services	4,430,184	4,447,234	4,585,773	(138,539)
Employee Benefits	2,985,833	2,943,657	3,034,266	(90,609)
Prof.,Tech. Services	1,327,209	1,826,044	1,713,066	112,978
Property,Transportation,Comm.	236,815	81,775	87,724	(5,949)
Materials, Supplies, Books and Equipment	96,181	114,460	76,324	38,136
Other	100,000	-	(950,939)	950,939
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	9,176,222	9,413,170	8,546,214	866,956
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Other Central Support Services				
Personal Services	651,288	614,364	611,513	2,851
Employee Benefits	436,185	445,823	375,512	70,311
Prof.,Tech. Services	108,808	134,888	90,230	44,658
Property,Transportation,Comm.	1,860,712	1,845,484	1,974,502	(129,018)
Materials, Supplies, Books and Equipment	33,031	14,579	10,240	4,339
	<hr/>	<hr/>	<hr/>	<hr/>
	3,090,024	3,055,138	3,061,997	(6,859)
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(Continued on pages 112 through 115)

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 5,324,292	\$ 4,747,776	\$ 4,854,179	\$ (106,403)
Employee Benefits	3,564,222	3,284,822	3,126,089	158,733
Prof.,Tech. Services	622,827	607,707	556,350	51,357
Property,Transportation,Comm.	94,137	40,061	75,378	(35,317)
Materials, Supplies, Books and Equipment	351,406	188,147	106,060	82,087
Other	50,467	20,539	(607,218)	627,757
	10,007,351	8,889,052	8,110,838	778,214
Information Technology				
Personal Services	6,678,289	6,745,834	6,747,213	(1,379)
Employee Benefits	4,450,091	4,461,064	4,427,988	33,076
Prof.,Tech. Services	3,293,303	3,335,267	3,326,027	9,240
Property,Transportation,Comm.	2,680,090	2,610,496	2,167,247	443,249
Materials, Supplies, Books and Equipment	4,335,144	4,307,877	2,904,082	1,403,795
Other	(3,148,016)	(3,184,089)	(3,049,238)	(134,851)
	18,288,901	18,276,449	16,523,319	1,753,130
School Reform Commission				
Personal Services	2,209,624	2,007,491	1,945,716	61,775
Employee Benefits	1,401,504	1,371,451	1,229,098	142,353
Prof.,Tech. Services	350,076	301,426	297,790	3,636
Property,Transportation,Comm.	84,555	266,409	320,789	(54,380)
Materials, Supplies, Books and Equipment	54,083	72,423	253,229	(180,806)
Other	330,000	268,460	-	268,460
	4,429,842	4,287,660	4,046,622	241,038
Chief of Schools				
Personal Services	1,434,819	1,794,897	1,792,467	2,430
Employee Benefits	1,003,373	1,221,945	1,175,176	46,769
Prof.,Tech. Services	160,000	71,994	31,650	40,344
Property,Transportation,Comm.	57,000	7,362	49,944	(42,582)
Materials, Supplies, Books and Equipment	110,000	90,856	41,081	49,775
Other	102,136	-	-	-
	2,867,328	3,187,054	3,090,318	96,736
Office of School Management				
Personal Services	2,364,544	2,459,911	2,493,988	(34,077)
Employee Benefits	1,574,643	1,616,585	1,593,977	22,608
Prof.,Tech. Services	202,500	34,801	34,950	(149)
Property,Transportation,Comm.	190,858	197,008	210,797	(13,789)
Materials, Supplies, Books and Equipment	57,156	355,474	300,396	55,078
Other	-	-	(397,260)	397,260
	4,389,701	4,663,779	4,236,848	426,931

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Office of Secondary Education				
Personal Services	\$ 145,216	\$ 143,855	\$ 144,129	\$ (274)
Employee Benefits	91,294	79,346	95,447	(16,101)
Prof.,Tech. Services	346,647	382,251	366,251	16,000
Property,Transportation,Comm.	89,732	21,476	83,870	(62,394)
Materials, Supplies, Books and Equipment	100,721	77,458	8,930	68,528
	773,610	704,386	698,627	5,759
Curriculum, Instruction & Professional Development				
Personal Services	4,222,584	3,969,755	4,083,336	(115,581)
Employee Benefits	2,608,206	2,416,333	2,467,661	(51,328)
Prof.,Tech. Services	533,448	397,255	317,214	80,041
Property,Transportation,Comm.	25,000	8,181	20,622	(12,441)
Materials, Supplies, Books and Equipment	42,545	123,900	124,345	(445)
Other	-	47,039	-	47,039
	7,431,783	6,962,463	7,015,178	(52,715)
Professional Growth Trust Fund				
Employee Benefits	270,500	-	306,500	(306,500)
Office of the Chief Operations Officer				
Personal Services	4,623,503	4,814,745	4,580,492	234,253
Employee Benefits	3,075,974	3,132,433	2,988,654	143,779
Prof.,Tech. Services	462,022	465,259	382,395	82,864
Property,Transportation,Comm.	170,334	192,334	187,712	4,622
Materials, Supplies, Books and Equipment	146,615	151,615	108,893	42,722
Other	-	-	(825,877)	825,877
	8,478,448	8,756,386	7,422,269	1,334,117
Executive / Board Management				
Personal Services	5,387,004	4,985,677	5,045,829	(60,152)
Employee Benefits	3,328,087	3,174,033	3,158,946	15,087
Prof.,Tech. Services	5,972,360	5,917,444	5,407,441	510,003
Property,Transportation,Comm.	179,001	319,801	345,975	(26,174)
Materials, Supplies, Books and Equipment	125,213	142,614	101,546	41,068
Other	124,566	88,757	-	88,757
	15,116,231	14,628,326	14,059,737	568,589
Office of Grant Development & Compliance				
Personal Services	488,635	676,932	675,085	1,847
Employee Benefits	304,572	449,812	427,490	22,322
Prof.,Tech. Services	-	118,572	297,137	(178,565)
Property,Transportation,Comm.	-	46,785	53,341	(6,556)
Materials, Supplies, Books and Equipment	-	37,965	44,824	(6,859)
	793,207	1,330,066	1,497,877	(167,811)
Office of the Chief Academic Officer				
Personal Services	3,885,118	4,217,043	4,129,098	87,945
Employee Benefits	2,440,966	2,564,232	2,624,762	(60,530)
Prof.,Tech. Services	94,656	195,518	167,578	27,940
Property,Transportation,Comm.	125,618	174,444	210,144	(35,700)
Materials, Supplies, Books and Equipment	419,205	263,866	236,152	27,714
Other	244,789	-	(737,723)	737,723
	7,210,352	7,415,103	6,630,011	785,092
Total Administrative Support	95,663,541	94,708,310	88,031,064	6,677,246

(Continued on pages 114 through 115)

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 55,573,955	\$ 50,222,377	\$ 50,854,493	\$ (632,116)
Employee Benefits	51,074,624	46,227,112	46,997,352	(770,240)
Prof.,Tech. Services	8,454,778	8,158,651	7,967,016	191,635
Property,Transportation,Comm.	11,133,771	12,275,643	11,962,255	313,388
Materials, Supplies, Books and Equipment	6,944,890	16,355,930	15,061,735	1,294,195
Other	(83,719)	-	(13,301,397)	13,301,397
	133,098,299	133,239,713	119,541,454	13,698,259
Food Services Indirect Cost				
Other	(3,150,000)	(6,150,000)	(3,500,000)	(2,650,000)
Utilities				
Prof.,Tech. Services	368,020	151,000	111,000	40,000
Property,Transportation,Comm.	14,750,197	13,820,689	12,962,574	858,115
Materials, Supplies, Books and Equipment	33,457,223	26,341,087	27,156,867	(815,780)
Other	(2,697,777)	-	(4,028,226)	4,028,226
	45,877,663	40,312,776	36,202,215	4,110,561
Security Operations				
Personal Services	16,178,570	15,871,267	15,913,034	(41,767)
Employee Benefits	13,350,548	12,464,644	12,686,687	(222,043)
Prof.,Tech. Services	67,916	27,916	82,890	(54,974)
Property,Transportation,Comm.	134,110	44,017	32,970	11,047
Materials, Supplies, Books and Equipment	390,467	2,936,100	2,925,995	10,105
Other	-	-	(2,773,641)	2,773,641
	30,121,611	31,343,944	28,867,935	2,476,009
Total Oper. & Maint. of Plant Services	205,947,573	198,746,433	181,111,604	17,634,829
Pupil Transportation				
Personal Services	18,070,509	16,464,798	16,355,374	109,424
Employee Benefits	15,864,233	14,584,872	14,360,821	224,051
Prof.,Tech. Services	1,059,987	407,275	408,180	(905)
Property,Transportation,Comm.	114,108,400	118,981,470	118,328,157	653,313
Materials, Supplies, Books and Equipment	3,575,435	5,245,512	5,493,354	(247,842)
Other	(56,795,654)	(58,582,990)	(59,940,440)	1,357,450
Total Pupil Transportation	95,882,910	97,100,937	95,005,446	2,095,491
All Other Support Services				
Risk Management				
Personal Services	264,289	258,669	261,203	(2,534)
Employee Benefits	189,156	175,257	635,981	(460,724)
Prof.,Tech. Services	18,743	-	-	-
Property,Transportation,Comm.	2,019,462	1,921,524	1,917,321	4,203
Materials, Supplies, Books and Equipment	1,000	-	-	-
Losses and Judgments	5,316,812	13,100,000	13,535,371	(435,371)
	7,809,462	15,455,450	16,349,876	(894,426)

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Temporary Borrowing				
Prof.,Tech. Services	\$ 300,000	\$ 133,262	\$ 133,262	\$ -
Interest	9,040,000	6,439,891	6,439,890	1
	9,340,000	6,573,153	6,573,152	1
Undistributed				
Personal Services	1,537,561	-	(396)	396
Employee Benefits	888,317	1,665,278	(5,277,459)	6,942,737
Prof.,Tech. Services	785,363	-	-	-
Other	17,538,624	(2,000,000)	(3,641,398)	1,641,398
Cancellation of Prior Years' Encumbrances	(5,000,000)	(6,500,000)	(5,492,359)	(1,007,641)
	15,749,865	(6,834,722)	(14,411,612)	7,576,890
Total All Other Support Services	32,899,327	15,193,881	8,511,416	6,682,465
Payments to Charter Schools				
Property,Transportation,Comm.	847,688,799	843,740,795	850,321,494	(6,580,699)
	847,688,799	843,740,795	850,321,494	(6,580,699)
Allocated Costs	(17,068,242)	(24,351,484)	-	(24,351,484)
Total Obligations	2,288,984,973	2,286,965,757	2,280,751,621	6,214,136
OTHER FINANCING USES				
Local Share of Categorical Programs	2,177,349	1,381,237	1,338,814	42,423
Debt Service Fund	261,102,900	257,166,736	263,644,316	(6,477,580)
Special Education	254,334,894	264,598,882	267,356,988	(2,758,106)
Enterprise Fund - Print Shop	450,000	375,000	414,040	(39,040)
Total Other Financing Uses	518,065,143	523,521,855	532,754,158	(9,232,303)
Total General Fund	\$ 2,807,050,116	\$ 2,810,487,612	\$ 2,813,505,779	\$ (3,018,167)
Fund Totals - Object Classes				
Personal Services	\$ 632,991,231	\$ 652,726,065	\$ 653,825,407	\$ (1,099,342)
Employee Benefits	471,709,787	453,984,176	447,189,150	6,795,026
Prof.,Tech. Services	110,338,114	108,749,404	106,876,240	1,873,164
Property,Transportation,Comm.	1,060,726,022	1,060,710,290	1,065,741,411	(5,031,121)
Materials, Supplies, Books, and Equipment	67,961,833	89,599,699	86,699,723	2,899,976
Other	(47,030,584)	(67,492,284)	(94,063,212)	26,570,928
Interest on Temporary Borrowing	9,040,000	6,439,891	6,439,890	1
Losses and Judgments	5,316,812	13,100,000	13,535,371	(435,371)
Allocated Costs	(17,068,242)	(24,351,484)	-	(24,351,484)
Other Financing Uses	518,065,143	523,521,855	532,754,158	(9,232,303)
Cancellation of Prior Years' Encumbrances	(5,000,000)	(6,500,000)	(5,492,359)	(1,007,641)
Total General Fund	\$ 2,807,050,116	\$ 2,810,487,612	\$ 2,813,505,779	\$ (3,018,167)

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 3,000	\$ 15,000	\$ 10,034	\$ (4,966)
Non-Public School Programs	17,000	19,000	61,489	42,489
Tuition	470,000	284,000	257,195	(26,805)
Total Locally Generated Non Tax	490,000	318,000	328,718	10,718
State Grants and Subsidies				
Special Education Program	5,343,000	5,490,000	5,492,829	2,829
Special Education Transportation	79,687,000	81,188,000	83,569,320	2,381,320
Non-Public School Programs	14,423,000	14,526,000	14,526,126	126
Social Security	7,040,000	7,701,000	8,513,938	812,938
Retirement	28,283,000	33,128,000	31,930,175	(1,197,825)
Total State Grants and Subsidies	134,776,000	142,033,000	144,032,388	1,999,388
Total Revenues	\$ 135,266,000	\$ 142,351,000	\$ 144,361,106	\$ 2,010,106
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 124,328,914	\$ 139,006,090	\$ 139,500,258	\$ (494,168)
Employee Benefits	105,314,557	105,916,223	105,040,517	875,706
Prof.,Tech. Services	12,557,355	15,548,691	16,589,397	(1,040,706)
Property,Transportation,Comm.	3,451	61,851	60,225	1,626
Materials, Supplies, Books and Equipment	1,585,956	1,942,758	1,836,194	106,564
Other	1,352,000	(2,000,000)	-	(2,000,000)
Total Special Education	245,142,233	260,475,613	263,026,591	(2,550,978)
Services to Non-Public School Students				
Prof.,Tech. Services	13,560,420	13,655,306	13,490,714	164,592
Total Services to Non-Public School Students	13,560,420	13,655,306	13,490,714	164,592
Total Instruction	258,702,653	274,130,919	276,517,305	(2,386,386)
Student Support Services				
Special Education *				
Personal Services	17,689,624	16,886,239	16,948,729	(62,490)
Employee Benefits	17,001,870	15,843,717	15,938,073	(94,356)
Prof.,Tech. Services	15,000	53,445	66,696	(13,251)
Property,Transportation,Comm.	16,472,512	17,608,230	17,565,214	43,016
Materials, Supplies, Books and Equipment	11,000	21,650	16,239	5,411
Allocated Costs	(9,893,925)	(8,719,861)	(9,234,232)	514,371
Total Special Education	41,296,081	41,693,420	41,300,719	392,701

* 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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation				
Allocated Costs	\$ 79,689,579	\$ 81,202,851	\$ 83,769,943	\$ (2,567,092)
 Total Student Support Services	 120,985,660	 122,896,271	 125,070,662	 (2,174,391)
 Services to Non-Public School Students				
Personal Services	179,480	125,297	107,138	18,159
Employee Benefits	121,671	77,317	78,443	(1,126)
Prof.,Tech. Services	100,000	150,000	37,391	112,609
Property,Transportation,Comm.	-	10,000	1,329	8,671
Materials, Supplies, Books and Equipment	61,946	108,596	2,549	106,047
	463,097	471,210	226,850	244,360
 Total Administrative Support	 463,097	 471,210	 226,850	 244,360
 Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	449,484	451,482	903,277	(451,795)
 Total Allocated Costs	 9,449,484	 9,451,482	 9,903,277	 (451,795)
 Total Obligations	 389,600,894	 406,949,882	 411,718,094	 (4,768,212)
 OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(254,334,894)	(264,598,882)	(267,356,988)	2,758,106
 Total Intermediate Unit	 \$ 135,266,000	 \$ 142,351,000	 \$ 144,361,106	 \$ (2,010,106)
 Fund Totals - Object Classes				
Personal Services	\$ 142,198,018	\$ 156,017,626	\$ 156,556,125	\$ (538,499)
Employee Benefits	122,438,098	121,837,257	121,057,033	780,224
Prof.,Tech. Services	26,232,775	29,407,442	30,184,198	(776,756)
Property,Transportation,Comm.	16,475,963	17,680,081	17,626,768	53,313
Materials, Supplies, Books and Equipment	1,658,902	2,073,004	1,854,982	218,022
Other	1,352,000	(2,000,000)	-	(2,000,000)
Allocated Costs	79,245,138	81,934,472	84,438,988	(2,504,516)
 Total Obligations	 389,600,894	 406,949,882	 411,718,094	 (4,768,212)
 Other Financing Sources				
Operating Transfers from Other Funds	(254,334,894)	(264,598,882)	(267,356,988)	2,758,106
 Total Intermediate Unit	 \$ 135,266,000	 \$ 142,351,000	 \$ 144,361,106	 \$ (2,010,106)

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 800,000	\$ 2,377,000	\$ 2,391,973	\$ 14,973
Basis Swap Income	-	817,000	874,682	57,682
Miscellaneous	-	-	1,000	1,000
Total Locally Generated Non Tax	800,000	3,194,000	3,267,655	73,655
Federal Revenue				
Federal Debt Service Subsidy	16,546,000	16,784,000	16,782,994	(1,006)
Total Federal Revenue	16,546,000	16,784,000	16,782,994	(1,006)
Total Revenues	17,346,000	19,978,000	20,050,649	72,649
OBLIGATIONS				
Bonds				
Principal	104,475,000	104,795,000	104,795,000	-
Interest	98,100,169	98,077,922	98,066,048	11,874
Authority Obligations (SPSBA)				
Principal	19,685,000	19,685,000	19,685,000	-
Interest	49,530,375	49,500,875	49,500,875	-
Issuance Costs	-	2,665,906	2,632,656	33,250
Administrative Expenses	100,000	246,355	245,455	900
Total Obligations	271,890,544	274,971,058	274,925,034	46,024
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	261,391,900	260,121,700	266,566,441	6,444,741
Bond Defeasement	-	(1,695,304)	(1,698,433)	(3,129)
Total Other Financing Sources (Uses)	261,391,900	258,426,396	264,868,008	6,441,612
Net Change in Fund Balance	6,847,356	3,433,338	9,993,623	6,560,285
Fund Balances, July 1, 2017	127,054,291	134,666,600	181,080,416	46,413,816
Fund Balances, June 30, 2018	\$ 133,901,647	\$ 138,099,938	\$ 191,074,039	\$ 52,974,101

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 100,000	\$ 696,144	\$ 1,715,677	\$ 1,019,533
Miscellaneous	500,000	437,907	676,950	239,043
Total Locally Generated Non Tax	600,000	1,134,051	2,392,627	1,258,576
State Grants and Subsidies	425,000	425,000	1,574,815	1,149,815
Total Revenues	1,025,000	1,559,051	3,967,442	2,408,391
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	-	-	(2,889,038)	2,889,038
New Buildings and Additions	29,402,728	12,195,132	11,200,453	994,679
Environmental Management				
Asbestos Abatement	11,299,704	8,213,759	4,222,623	3,991,136
Environmental Services	2,644,723	3,566,029	1,264,835	2,301,194
Total Environmental Management	13,944,427	11,779,788	5,487,458	6,292,330
Alterations and Improvements				
Various Projects	110,416,371	73,822,063	61,913,654	11,908,409
Administrative Support	12,029,000	9,975,737	26,235,377	(16,259,640)
Major/Building Renovations	65,056,751	45,915,594	51,152,641	(5,237,047)
Total Alterations and Improvements	187,502,122	129,713,394	139,301,672	(9,588,278)
Total Obligations	230,849,277	153,688,314	153,100,545	587,769
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	-	-	(2,632,656)	(2,632,656)
Debt Issuance	-	275,000,000	254,950,000	(20,050,000)
Bond Premium	-	-	22,769,792	22,769,792
Bond Issuance Costs	-	(1,800,000)	-	1,800,000
Total Other Financing Sources (Uses)	-	273,200,000	275,087,136	1,887,136
Net Change in Fund Balance	(229,824,277)	121,070,737	125,954,033	4,883,296
Fund Balances, July 1, 2017	83,949,933	158,030,557	175,921,362	17,890,805
Change in Encumbrance Reserve	-	-	24,601,393	24,601,393
Fund Balances, June 30, 2018	\$ -145,874,344	\$ 279,101,294	\$ 326,476,788	\$ 47,375,494

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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, 2018 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, 2018 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, 2018

	Payroll Liabilities	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 4,813,459	\$ -	\$ 4,813,459
Equity in Pooled Cash and Investments	120,940,804	-	429,335	121,370,139
Total Assets	120,940,804	4,813,459	429,335	126,183,598
LIABILITIES				
Payroll Deductions and Withholdings	120,940,804	-	-	120,940,804
Due to Student Activities	-	4,813,459	-	4,813,459
Other Liabilities	-	-	429,335	429,335
Total Liabilities	120,940,804	4,813,459	429,335	126,183,598
NET POSITION				
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2018.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 104,476,646	\$ 932,462,144	\$ 915,997,986	\$ 120,940,804
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 104,476,646</u>	<u>\$ 932,462,144</u>	<u>\$ 915,997,986</u>	<u>\$ 120,940,804</u>
Liabilities				
Payroll Deductions and Withholdings	<u>\$ 104,476,646</u>	<u>\$ 932,462,144</u>	<u>\$ 915,997,986</u>	<u>\$ 120,940,804</u>
Student Activities Fund				
Assets				
Cash	<u>\$ 5,024,242</u>	<u>\$ 9,137,793</u>	<u>\$ 9,348,576</u>	<u>\$ 4,813,459</u>
Liabilities				
Due to Student Activities	<u>\$ 5,024,242</u>	<u>\$ 9,137,793</u>	<u>\$ 9,348,576</u>	<u>\$ 4,813,459</u>
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 281,630</u>	<u>\$ 694,411</u>	<u>\$ 546,706</u>	<u>\$ 429,335</u>
Liabilities				
Other Liabilities	<u>\$ 281,630</u>	<u>\$ 694,411</u>	<u>\$ 546,706</u>	<u>\$ 429,335</u>
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,024,242	\$ 9,137,793	\$ 9,348,576	\$ 4,813,459
Equity in Pooled Cash and Investments	104,758,276	933,156,555	916,544,692	121,370,139
Accounts Receivable	-	-	-	-
Total Assets	<u>\$ 109,782,518</u>	<u>\$ 942,294,348</u>	<u>\$ 925,893,268</u>	<u>\$ 126,183,598</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 104,476,646	\$ 932,462,144	\$ 915,997,986	\$ 120,940,804
Due to Student Activities	5,024,242	9,137,793	9,348,576	4,813,459
Other Liabilities	<u>281,630</u>	<u>694,411</u>	<u>546,706</u>	<u>429,335</u>
Total Liabilities	<u>\$ 109,782,518</u>	<u>\$ 942,294,348</u>	<u>\$ 925,893,268</u>	<u>\$ 126,183,598</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2018

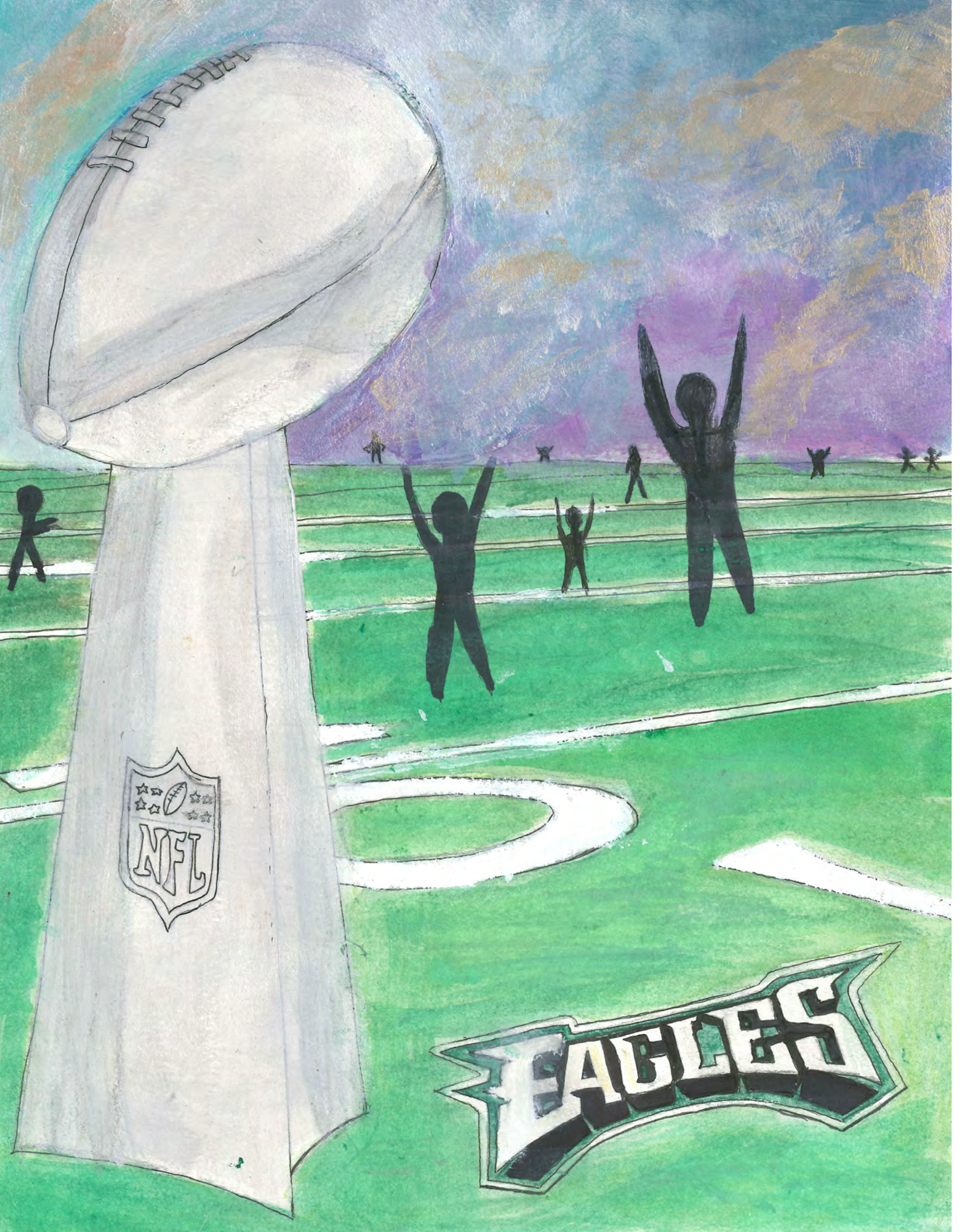
Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2019 Debt Service Requirements	
					Interest	Principal
SEPTEMBER 10, 2003 (SERIES B) (BS03) State Public School Building Authority Capital Obligation Bonds	588,140,000	43,505,000	JUNE 1, 2028-32	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	-	-	19,335,000
		<u>19,335,000</u>			<u>-</u>	<u>19,335,000</u>
OCTOBER 20, 2005 (SERIES D) (D005) GOB-Non Refunding	29,920,000	2,470,000	JUNE 1, 2019	5.500	135,850	2,470,000
		2,600,000	JUNE 1, 2020	5.500	143,000	-
		2,745,000	JUNE 1, 2021	5.500	150,975	-
		<u>7,815,000</u>			<u>429,825</u>	<u>2,470,000</u>
DECEMBER 28, 2006 (SERIES B) (BS06) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000		JUNE 1, 2019	3.875	316,705	-
			JUNE 1, 2020	4.000	326,922	-
			JUNE 1, 2021	4.000	326,922	-
			JUNE 1, 2022	4.125	337,138	-
			JUNE 1, 2023	5.000	408,652	-
		36,820,000	JUNE 1, 2024-28	5.000	2,043,260	-
		46,545,000	JUNE 1, 2029-33	5.000	408,651	-
		<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	JUNE 1, 2019	5.000	750	15,000
		15,000	JUNE 1, 2020	5.000	750	-
		215,000	JUNE 1, 2021	5.000	10,750	-
		505,000	JUNE 1, 2022	5.000	25,250	-
		860,000	JUNE 1, 2023	5.000	43,000	-
		64,690,000	JUNE 1, 2024-28	5.000	3,234,500	-
		5,640,000	JUNE 1, 2029-33	5.000	282,000	-
		74,470,000	JUNE 1, 2034-38	4.748	3,536,000	-
		<u>146,410,000</u>			<u>7,133,000</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, 2018	1.250	70,400	-
			DEC 15, 2019	1.250	70,400	-
			DEC 15, 2020	1.250	70,400	-
			DEC 15, 2021	1.250	70,400	-
		28,160,000	DEC 15, 2022	1.250	70,400	-
			DEC 28, 2023-27			-
		<u>28,160,000</u>			<u>352,000</u>	<u>-</u>
NOVEMBER 20, 2008 (SERIES E) (E008) GOB Non Refunding	282,365,000	6,295,000	SEPT 1, 2018	5.000	157,375	6,295,000
		6,150,000	SEPT 1, 2019	5.125	315,188	-
		<u>12,445,000</u>			<u>472,563</u>	<u>6,295,000</u>
NOVEMBER 20, 2008 (SERIES F) (F008) GOB Refunding	114,215,000	10,070,000	SEPT 1, 2018	5.000	251,750	10,070,000
		9,570,000	SEPT 1, 2019	5.000	478,500	-
		<u>19,640,000</u>			<u>730,250</u>	<u>10,070,000</u>
MAY 28, 2009 SERIES B (B009) GOB Refunding	30,710,000	6,280,000	JUNE 1, 2019	4.518	283,700	6,280,000
		<u>6,280,000</u>			<u>283,700</u>	<u>6,280,000</u>
APRIL 6, 2010 SERIES B (B010) (BAB-Federal Subsidy)	221,485,000	6,115,000	JUNE 1, 2019	5.289	323,422	6,115,000
		6,325,000	JUNE 1, 2020	5.419	342,752	-
		6,550,000	JUNE 1, 2021	5.589	366,080	-
		6,785,000	JUNE 1, 2022	5.739	389,391	-
		7,040,000	JUNE 1, 2023	5.909	415,994	-
		39,635,000	JUNE 1, 2024-28	6.423	2,550,376	-
		48,835,000	JUNE 1, 2029-33	6.705	3,276,230	-
		60,475,000	JUNE 1, 2034-38	6.765	4,091,134	-
		26,655,000	JUNE 1, 2039-43	6.765	1,803,211	-
		<u>208,415,000</u>			<u>13,558,390</u>	<u>6,115,000</u>
APRIL 6, 2010 SERIES C (C010) GOB Refunding	300,045,000	26,980,000	SEPT 1, 2018	5.000	674,500	26,980,000
		27,995,000	SEPT 1, 2019	5.000	1,399,750	-
		29,040,000	SEPT 1, 2020	5.000	1,452,000	-
		25,745,000	SEPT 1, 2021	5.000	1,287,250	-
		<u>109,760,000</u>			<u>4,813,500</u>	<u>26,980,000</u>
APRIL 6, 2010 SERIES D (D010) GOB Refunding	49,365,000	7,600,000	SEPT 1, 2018	4.976	189,106	7,600,000
		8,000,000	SEPT 1, 2019	4.974	397,900	-
		8,410,000	SEPT 1, 2020	4.973	418,188	-
		8,850,000	SEPT 1, 2021	4.885	432,312	-
		9,260,000	SEPT 1, 2022	4.000	370,400	-
		<u>42,120,000</u>			<u>1,807,906</u>	<u>7,600,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2018

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2019 Debt Service Requirements	
					Interest	Principal
JANUARY 3, 2011 SERIES E (E010) GOB Refunding	125,880,000	4,325,000 4,540,000 4,775,000 9,435,000 37,020,000 41,605,000 <u>101,700,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27	5.000 5.000 5.000 5.250 5.250 5.250	108,125 227,000 238,750 495,338 1,943,550 2,184,262 <u>5,197,025</u>	4,325,000 - - - - - <u>4,325,000</u>
DECEMBER 20, 2011 SERIES A (QSCB) - (Federal Subsidy) GOB (AQ11)	144,625,000	 144,035,000 <u>144,035,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27 SEPT 1, 2028-32	5.995 5.995 5.995 5.995 5.995 5.995 5.995	349,178 571,442 571,442 571,442 723,647 3,618,235 2,229,511 <u>8,634,897</u>	- - - - - - - <u>-</u>
DECEMBER 20, 2011 SERIES B (Tax Exempt) GOB (B011)	16,970,000	1,775,000 1,825,000 1,885,000 1,945,000 <u>7,430,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	2.500 3.000 3.125 3.250	22,188 54,750 58,906 63,213 <u>199,057</u>	1,775,000 - - - <u>1,775,000</u>
DECEMBER 20, 2011 SERIES C (C011) GOB Refunding	41,185,000	3,945,000 4,145,000 4,355,000 4,580,000 <u>17,025,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	5.000 5.000 5.000 5.000	98,625 207,250 217,750 229,000 <u>752,625</u>	3,945,000 - - - <u>3,945,000</u>
DECEMBER 20, 2011 SERIES D (D011) GOB Refunding	16,330,000	1,890,000 1,970,000 2,035,000 2,110,000 <u>8,005,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	4.807 3.000 3.619 3.500	45,425 59,100 73,638 73,850 <u>252,013</u>	1,890,000 - - - <u>1,890,000</u>
NOVEMBER 28, 2012 SERIES B (BS12) GOB Deficit Funding State Public School Building Authority Capital Obligation Bonds	264,995,000	11,255,000 11,815,000 12,410,000 13,030,000 13,680,000 79,370,000 79,015,000 <u>220,575,000</u>	APRIL 1, 2019 APRIL 1, 2020 APRIL 1, 2021 APRIL 1, 2022 APRIL 1, 2023 APRIL 1, 2024-28 APRIL 1, 2029-33	5.000 5.000 5.000 5.000 5.000 5.000 5.000	562,750 590,750 620,500 651,500 684,000 3,968,500 3,950,750 <u>11,028,750</u>	11,255,000 - - - - - - <u>11,255,000</u>
APRIL 20, 2015 SERIES A (AS15) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	80,000,000	8,390,000 8,805,000 9,260,000 9,710,000 10,200,000 25,565,000 <u>71,930,000</u>	JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024-28	5.000 5.000 5.000 5.000 4.681 5.000	419,500 440,250 463,000 485,500 477,500 1,278,250 <u>3,564,000</u>	8,390,000 - - - - - <u>8,390,000</u>
APRIL 20, 2015 (SERIES A) (A015) GOB Non Refunding	46,770,000	1,560,000 1,625,000 1,700,000 1,790,000 1,880,000 10,940,000 14,045,000 10,280,000 <u>43,820,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27 SEPT 1, 2028-32 SEPT 1, 2033-37	4.000 4.000 5.000 5.000 5.000 5.000 5.000 5.000	31,200 65,000 85,000 89,500 94,000 547,000 702,250 514,000 <u>2,127,950</u>	1,560,000 - - - - - - - <u>1,560,000</u>
APRIL 20, 2015 (SERIES C) (C015) GOB-Refunding	44,565,000	4,030,000 4,140,000 4,265,000 4,400,000 4,560,000 14,720,000 <u>36,115,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27	2.512 2.973 3.273 3.535 3.685 3.888	50,617 123,082 139,593 155,540 168,036 572,861 <u>1,209,729</u>	4,030,000 - - - - - <u>4,030,000</u>
May 5, 2015 (SERIES D) (D015) GOB-Refunding	128,620,000	18,080,000 19,000,000 19,980,000 21,005,000 17,000,000 <u>95,065,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022	5.000 5.000 5.000 5.000 5.000	452,000 950,000 999,000 1,050,250 850,000 <u>4,301,250</u>	18,080,000 - - - - <u>18,080,000</u>
NOVEMBER 16, 2016 (SERIES A) (AS16) GOB Refunding State Public School Building Authority Capital Obligation Bonds	570,010,000	900,000 900,000 900,000 900,000 900,000 103,375,000 394,240,000 46,755,000 <u>548,870,000.00</u>	JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024-28 JUNE 1, 2029-33 JUNE 1, 2034-38	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 5,168,750 19,712,000 2,337,750 <u>27,443,500</u>	900,000 - - - - - - - <u>900,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2018

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2019 Debt Service Requirements	
					Interest	Principal
NOVEMBER 16, 2016 (SERIES D) (D016) GOB Non Refunding	92,345,000	6,190,000 6,510,000 6,845,000 7,195,000 7,565,000 44,050,000 8,100,000 <u>86,455,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27 SEPT 1, 2028-32	5.000 5.000 5.000 5.000 5.000 5.000 5.000	154,750 325,500 342,250 359,750 378,250 2,202,500 405,000 <u>4,168,000</u>	6,190,000 - - - - - - <u>6,190,000</u>
NOVEMBER 16, 2016 (SERIES E (QSCB) - (Federal Subsidy) GOB (EQ16)	147,245,000	147,245,000 <u>147,245,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27 SEPT 1, 2028-32 SEPT 1, 2033-37 SEPT 1, 2038-42	5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060	126 253 253 253 253 1,265 2,202,685 2,622,754 2,622,754 <u>7,450,596</u>	- - - - - - - - - <u>-</u>
NOVEMBER 16, 2016 (SERIES F) (F016) GOB-Refunding	582,155,000	565,000 5,750,000 22,255,000 22,535,000 22,845,000 231,335,000 187,285,000 74,300,000 14,590,000 <u>581,460,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27 SEPT 1, 2028-32 SEPT 1, 2033-37 SEPT 1, 2038-42	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	14,125 287,500 1,112,750 1,126,750 1,142,250 11,566,750 9,364,250 3,715,000 729,500 <u>29,058,875</u>	565,000 - - - - - - - - <u>565,000</u>
APRIL 18, 2018 (SERIES A) (A018) 2018A CSF	176,820,000	5,000 5,275,000 5,545,000 5,830,000 6,130,000 35,695,000 45,840,000 58,855,000 13,645,000 <u>176,820,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27 SEPT 1, 2028-32 SEPT 1, 2033-37 SEPT 1, 2038-42	3.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	65 229,316 241,053 253,443 266,484 1,551,739 1,992,764 2,558,554 593,178 <u>7,686,596</u>	5,000 - - - - - - - - <u>5,000</u>
APRIL 18, 2018 (SERIES B) (B018) 2018B CSF	78,130,000	61,110,000 17,020,000 <u>78,130,000</u>	SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023-27 SEPT 1, 2028-32 SEPT 1, 2033-37 SEPT 1, 2038-42 SEPT 1, 2043-47	4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500	58,074 116,148 116,148 116,148 116,148 580,738 580,738 580,738 580,738 116,148 <u>2,961,766</u>	- - - - - - - - - - <u>-</u>
TOTAL BONDS OUTSTANDING	\$ 4,925,995,000	\$ 3,105,440,000			\$ 152,178,988	\$ 148,070,000
NON-ELECTORAL DEBT BONDS	\$ 2,877,280,000	\$ 2,137,195,000			\$ 103,581,713	\$ 127,525,000
CAPITAL OBLIGATION BONDS (Lease Rental)	2,048,715,000	968,245,000			48,597,275	20,545,000
TOTAL BONDS OUTSTANDING	\$ 4,925,995,000	\$ 3,105,440,000			\$ 152,178,988	\$ 148,070,000





EAGLES

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.	128
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the School District's most significant local revenue source, property taxes.	135
<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.	140
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	145
<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.	147

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 2009 through 2018
(accrual basis of accounting)
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 17,712	\$ (27,665)	\$ (125,999)	\$ (210,988)	\$ (238,240)	\$ (372,517)	\$ (569,899)	\$ (585,039)	\$ (633,454)	\$ (637,729)
Restricted										
Medical Self-Insurance	-	-	18,375	18,375	18,375	18,375	9,500	9,500	9,500	9,500
Debt Service	71,650	76,811	94,901	109,544	98,228	93,491	122,992	142,049	178,655	190,677
Student Health	2,109	2,166	3,495	3,466	3,447	3,428	3,411	3,407	3,401	3,410
Scholarships	4,121	4,149	2,891	2,838	2,836	2,866	2,895	2,909	2,929	2,978
Arbitrage Rebate Payable	4,286	4,286	3,646	286	265	266	694	309	47	51
Unrestricted Deficit	(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)	(3,962,694)
Total Governmental Activities Net Deficit	(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)	(4,393,807)
Business-type Activities										
Net Investment in Capital Assets	3,281	3,247	2,927	2,466	2,122	1,739	1,676	2,108	2,145	2,802
Unrestricted Deficit	(11,196)	(11,162)	(9,342)	(6,747)	(5,003)	(50,154)	(47,497)	(36,490)	(25,116)	(24,358)
Total Business-type Activities Net Deficit	(7,915)	(7,915)	(6,415)	(4,281)	(2,881)	(48,415)	(45,821)	(34,382)	(22,971)	(21,556)
Total School District										
Net Investment in Capital Assets	20,993	(24,418)	(123,072)	(208,522)	(236,118)	(370,778)	(568,223)	(582,931)	(631,309)	(634,977)
Restricted	82,166	87,412	123,308	134,509	123,151	118,426	139,492	158,174	194,532	206,616
Unrestricted Deficit	(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)	(3,987,052)
Total School District Net Deficit	\$ (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)	\$ (4,415,363)

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 2009 through 2018.

School District of Philadelphia

Table 2

Expenses, Program Revenues, and Net (Expense)/Revenue

For the Fiscal Years 2009 through 2018

(across basis of accounting)

(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015 (5)	2016	2017	2018
Expenses:										
Governmental Activities										
Instruction	\$ 1,869,789	\$ 2,033,799	\$ 2,268,293	\$ 2,087,983	\$ 2,189,735	\$ 4,349,968	\$ 2,146,447	\$ 2,154,999	\$ 2,324,850	\$ 2,479,247
Student Support Services	205,374	240,883	254,991	181,595	180,348	651,187	184,429	174,820	200,431	255,494
Administrative Support	122,523	135,194	147,661	108,120	102,855	418,487	107,528	102,475	113,885	133,875
Operation & Maintenance of Plant Services (3)	261,750	256,291	241,486	197,205	198,762	415,568	181,625	169,125	172,241	180,081
Pupil Transportation	73,636	76,175	81,154	81,983	82,015	159,516	80,471	81,860	88,413	91,443
All Other Support Services	1,591	(3,362)	(21,283)	(10,373)	15,123	(25,244)	(19,244)	19,045	30,010	14,020
Early Childhood Education	24,157	20,515	1,487	189	197	138	139	158	227	161
Interest on Long-Term Debt	139,001	142,337	147,505	139,023	153,707	153,381	145,608	144,419	149,522	146,761
Total Governmental Activities Expenses (1)	<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>	<u>3,301,082</u>
Business-type Activities: (4)										
Food Service	81,008	80,638	81,035	77,246	76,036	120,692	81,633	75,436	76,807	84,514
Print Shop	-	-	-	-	-	-	1,188	984	1,009	1,229
Total Business-type Activities Expenses	<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>	<u>85,743</u>
Total School District Expenses	<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>\$ 3,386,825</u>
Program Revenues										
Governmental Activities										
Charges for Services (2)										
Instruction	\$ 1,037	\$ 664	\$ 745	\$ 642	\$ 847	\$ 820	\$ 970	\$ 902	\$ 331	\$ 373
Student Support Services	69	2	-	-	-	-	-	-	-	-
Administrative Support	3,963	3,882	3,922	322	4,752	4,512	4,862	4,744	5,337	4,443
Operation & Maintenance of Plant Services	1,213	1,114	1,171	872	894	225	4,837	2,836	4,477	553
Early Childhood Education	536	60	-	28	-	-	-	-	-	-
Operating grants and contributions	904,656	1,001,353	1,046,867	788,546	865,562	778,766	826,236	857,497	963,557	1,009,902
Capital grants and contributions	500	92	1,200	(211)	1,000	-	82	1,260	1,514	595
Total Governmental Activities Program Revenues	<u>911,974</u>	<u>1,007,167</u>	<u>1,053,905</u>	<u>790,195</u>	<u>873,055</u>	<u>784,323</u>	<u>836,987</u>	<u>867,239</u>	<u>975,216</u>	<u>1,015,866</u>
Business-type Activities: (4)										
Charges for Services:										
Food Service	3,089	3,237	2,674	2,094	1,582	1,409	251	163	94	105
Print Shop	-	-	-	-	-	-	657	539	557	696
Operating grants and contributions	72,063	76,870	79,553	77,291	76,071	74,039	85,789	86,559	88,378	88,268
Food Service	-	-	-	-	-	-	64	93	109	119
Print Shop	-	-	-	211	-	-	-	-	-	36
Capital grants and contributions	75,152	80,107	82,227	79,596	77,653	75,448	86,761	87,354	89,138	89,224
Total Business-type Activities Program Revenues	<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>1,105,090</u>
Total School District Program Revenues	<u>\$ 1,899,099</u>	<u>\$ 2,094,441</u>	<u>\$ 2,190,037</u>	<u>\$ 1,660,000</u>	<u>\$ 1,823,763</u>	<u>\$ 1,644,094</u>	<u>\$ 1,760,735</u>	<u>\$ 1,821,832</u>	<u>\$ 2,039,570</u>	<u>\$ 2,120,956</u>
Net (Expense)/Revenue										
Governmental Activities	(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)	(2,285,216)
Business-type Activities	(5,836)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322	3,481
Total School District Net (Expense)/Revenue	<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>\$ (2,281,735)</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 2009 - 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 2009 through 2018.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2009 through 2018
(accrual basis of accounting)
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (2,285,216)
Business-type Activities	(5,856)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322	3,481
Total School District Net (Expense)/Revenue	(1,791,703)	(1,895,196)	(2,066,197)	(1,993,176)	(2,048,070)	(5,383,942)	(1,986,076)	(1,968,728)	(2,093,041)	(2,281,735)
General Revenues/Contributed Capital/Transfers:										
Governmental Activities	604,962	608,377	605,249	658,540	650,633	661,263	683,471	669,424	703,934	789,513
Property Taxes										
Other Taxes										
Use & Occupancy Taxes	112,225	111,801	115,361	113,843	130,142	137,677	127,711	137,662	145,560	179,759
Liquor Taxes	41,136	42,787	45,185	52,314	50,780	62,105	62,327	66,085	75,783	73,661
School (Non-Business) Income Taxes	25,240	21,590	24,738	29,691	27,225	37,274	43,507	40,946	47,782	43,617
Public Utility/PILOT Taxes	965	1,098	1,115	1,103	1,053	1,071	1,104	1,048	1,198	1,163
Cigarette Sales Tax	-	-	-	-	-	-	50,245	58,766	58,000	58,000
Sales Tax	-	-	-	-	-	-	120,000	120,000	120,000	120,000
Ridesharing Revenue	-	-	-	-	-	-	-	-	1,399	3,269
Grants and Contributions Not Restricted to Specific Programs	102,249	63,462	69,057	87,921	100,580	164,524	123,325	128,522	129,974	139,242
State & Federal Subsidies	922,965	1,018,811	1,089,698	969,264	925,831	912,421	925,825	942,152	988,294	1,041,867
Reimbursements of Insurance Deposits	-	-	-	-	-	-	-	1,008	-	-
Gain/(Loss) on Sale of Capital Assets	-	(6)	(308)	217	-	21,116	3,803	2,031	-	-
Transfers	(1,283)	(534)	(308)	(217)	(431)	290	(177)	(62)	(53)	(125)
Investment Revenue/(Expense)	-	2,261	13,348	4,170	(1,864)	838	13,724	8,725	(3,890)	2,512
Total Governmental Activities	1,808,459	1,869,647	1,963,443	1,917,063	1,883,949	1,998,579	2,154,865	2,176,307	2,267,981	2,452,478
Business-type Activities	-	(3)	-	-	-	-	-	410	34	-
Contributed Capital	-	-	-	-	-	-	-	33	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	-	-	(57)	62	54	125
Transfers	1,283	534	308	(217)	(217)	(290)	177	62	88	125
Total Business-type Activities	1,283	531	308	(217)	(217)	(290)	120	505	88	125
Total School District General Revenues/Contributed Capital/Transfers	1,809,742	1,870,178	1,963,751	1,916,846	1,883,732	1,998,289	2,154,985	2,176,812	2,268,069	2,452,603
Changes in Net Position:										
Governmental Activities	22,612	(25,018)	(103,946)	(78,463)	(165,738)	(3,340,119)	164,849	196,645	163,618	167,262
Business-type Activities	(4,573)	-	1,500	2,133	1,400	(45,534)	4,060	11,439	11,410	3,606
Total School District Change in Net Position	\$ 18,039	\$ (25,018)	\$ (102,446)	\$ (76,330)	\$ (164,338)	\$ (3,385,653)	\$ 168,909	\$ 208,084	\$ 175,028	\$ 170,868

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 2009 through 2018.

School District of Philadelphia

Table 4

Fund Balances of Governmental Funds ⁽¹⁾

For the Fiscal Years 2009 through 2018

(modified accrual basis of accounting)

(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable										
Inventories	\$ 1,306	\$ 1,232	\$ 1,154	\$ 1,102	\$ 904	\$ 1,257	\$ 1,206	\$ 1,022	\$ 788	\$ 609
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	32,765
Unassigned	8,368	(9,866)	(71,967)	(138,150)	(64,128)	(116,452)	(6,886)	25,090	(9,970)	39,508
Total General Fund	<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>	<u>\$ 72,882</u>
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,291	\$ 1,336	\$ 1,366	\$ 1,366	\$ 1,368	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365
Restricted										
Retirement of Long-term Debt	49,138	47,944	59,126	62,208	69,059	65,170	98,627	80,629	89,255	93,267
Debt Service Interest	22,512	28,867	35,775	47,335	29,169	28,321	24,364	24,709	42,986	36,295
Mandatory Deposits for Future Debt Payments	-	-	-	-	-	-	-	36,712	46,414	61,115
Arbitrage Rebate Payable	4,286	4,286	3,646	286	265	266	693	309	47	51
Trust purposes	4,960	4,982	5,021	4,939	4,915	4,928	4,941	4,950	4,965	5,022
Capital Purposes	165,315	257,067	82,591	169,653	103,138	73,364	93,319	10,223	175,874	326,426
Committed	9,886	19,886	-	-	-	-	-	-	-	-
Assigned	2,383	1,220	2,645	1,359	967	9,350	2,320	3,351	4,128	1,157
Unassigned	(18,972)	(15,620)	(54,588)	(9,467)	(5,815)	(4,021)	(4,428)	(6,195)	(7,008)	(9,675)
Total All Other Governmental Funds	<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>	<u>\$ 515,023</u>
Total Fund Balance	<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>	<u>\$ 587,905</u>

Notes:

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2009 and 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2009 through 2018.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2009 through 2018
(modified accrual basis of accounting)
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Federal Sources										
Grants and Subsidies	\$ 301,723	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064	\$ 266,508	\$ 236,541	\$ 286,785	\$ 317,571
Total Federal Sources	301,723	557,950	632,055	444,504	400,086	253,064	266,508	236,541	286,785	317,571
State Sources										
Grants and Subsidies	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	1,722,016
Total State Sources	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	1,722,016
Local Sources										
Local Taxes										
Real Estate										
Current	548,166	546,352	549,717	597,788	601,533	592,906	604,940	633,998	660,223	743,355
Prior Years	50,662	55,684	39,555	51,606	52,028	64,512	57,153	63,410	54,989	48,450
Payment in Lieu of Taxes	5	5	-	5	5	4	5	5	5	9
Use and Occupancy	112,266	117,295	109,273	112,540	132,689	138,080	127,808	137,333	144,877	181,162
School (Non-Business) Income	25,335	22,175	24,011	27,744	28,105	40,501	40,358	40,345	42,251	48,048
Liquor Sales	41,016	43,280	43,892	50,122	54,238	60,527	61,712	65,831	74,640	76,650
Cigarette Sales Tax	-	-	-	-	-	-	50,245	58,766	58,000	58,000
Sales Tax	-	-	-	-	-	-	120,000	120,000	120,000	120,000
Public Utility Realty	960	1,093	1,115	1,099	1,048	1,067	1,099	1,043	1,193	3,269
Ridesharing Revenue	-	-	-	-	-	-	-	-	1,399	1,153
Total Local Taxes	778,410	785,884	767,563	840,904	869,646	897,597	1,063,320	1,120,731	1,157,577	1,280,096
Locally Generated Non Tax										
Interest and other income										
City Contributions	20,771	9,101	5,986	7,903	7,838	8,773	11,449	12,130	9,381	17,470
Legal Settlements	38,490	38,540	38,600	48,930	68,990	96,050	99,110	104,185	104,264	104,348
Casino Settlement	2,710	2,735	2,613	2,485	2,744	-	-	-	-	-
Stadium Agreements	-	-	-	-	-	-	3,872	1,928	3,857	-
Parking Authority	3,000	3,000	3,000	2,815	2,717	2,755	2,755	2,744	2,744	2,744
Gaming Revenue	3,801	7,284	7,789	13,956	9,723	9,723	11,063	10,279	10,274	13,593
One Time State Grant Received from City of Philadelphia	-	-	5,793	5,894	4,791	4,829	5,132	4,810	4,716	5,859
Reimbursements from Other Funds	-	-	-	-	-	45,000	-	-	-	-
Variable Rate Income/Basis Swap Income	7,576	14 (1)	14	14	14	14	14	14	14	14
Other Miscellaneous/Voluntary Contributions	8,471	2,656	1,445	1,492	1,406	1,686	1,740	1,921	447	875
Total Locally Generated Non Tax	84,819	71,305	72,773	94,698	110,132	177,090	141,489	155,639	148,431	153,819
Total Local Sources	863,229	857,189	840,336	935,602	979,778	1,074,687	1,204,809	1,276,370	1,306,008	1,433,915
Total Revenues	\$ 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	\$ 3,473,502

(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 2009 through 2018.

School District of Philadelphia
Table 6

Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2009 through 2018
(modified accrual basis of accounting)
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENDITURES										
Current:										
Instruction	\$ 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	\$ 1,581,062
Student Support Services	199,912	232,526	250,054	200,466	201,931	151,841	178,088	188,946	221,461	264,349
Administrative Support	109,777	131,064	140,202	107,487	102,787	100,134	103,452	104,388	119,602	134,675
Operation & Maintenance of Plant Services	257,910	254,114	237,243	200,893	205,317	200,744	182,659	177,132	180,241	186,575
Pupil Transportation	73,437	76,068	80,279	83,396	84,104	85,520	80,655	83,959	90,510	92,948
All Other Support Services	1,462	(3,647)	(21,612)	(10,661)	14,858	(25,449)	(19,282)	18,962	29,962	14,016
Early Childhood Education	24,157	20,505	1,487	189	197	138	139	158	227	162
Payments to Charter Schools	308,505	338,320	411,713	539,741	600,963	712,512	722,039	723,092	791,589	861,670
Debt Service:										
Loans	3	-	-	-	-	-	-	-	-	-
Bonds										
Principal	2a 71,159	70,762	65,454	31,377	107,664	106,059	101,233	100,493	451,893	104,795
Interest	2a 82,157	110,433	155,797	87,040	97,230	91,114	91,755	81,246	82,758	98,066
Authority Obligations (SPSBA)										
Principal & Interest	2b 49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382	719,402	69,186
Insurance Costs	10,281	4,132	2,248	1,836	1,873	-	2,476	1,402	13,320	2,633
Administrative Expenses	8,786	6,306	3,459	3,684	3,134	2,631	2,447	6,082	1,935	245
Capital Outlay: (1)										
New Buildings and Additions	88,048	42,641	88,339	7,923	13,105	4,648	4,212	10,708	6,734	19,125
Environmental Management	3,521	3,367	3,335	2,997	2,893	2,973	3,903	4,134	6,200	6,758
Alterations and Equipment	111,638	90,969	71,323	61,291	49,082	20,252	30,689	70,232	66,848	87,872
Major Renovations	-	-	-	-	-	-	-	2,784	6,713	8,679
Equipment Acquisitions	23,075	24,124	15,952	6,191	2,849	2,892	222	761	6,286	6,065
Total Expenditures	<u>\$ 2,879,420</u>	<u>\$ 3,051,775</u>	<u>\$ 3,261,757</u>	<u>\$ 2,853,650</u>	<u>\$ 3,075,230</u>	<u>\$ 2,873,499</u>	<u>\$ 2,893,096</u>	<u>\$ 3,039,032</u>	<u>\$ 4,282,818</u>	<u>\$ 3,538,881</u>
Computation of Debt Service as a percentage of noncapital expenditures (2):										
Total Expenditures	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	3,538,881
Less: Capital Outlay: (1)	(226,282)	(161,101)	(178,948)	(78,402)	(67,929)	(30,766)	(39,025)	(88,619)	(92,781)	(128,499)
Noncapitalized Expenditures (Excludes Depreciation)	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	3,410,382
Divide into	/									
Debt Service (Principal/Interest) (2a and 2b)	202,374	230,253	270,311	161,139	253,950	268,519	262,039	253,120	1,254,053	272,047
Debt Service as a percentage of noncapital expenditures (2)	<u>=</u>	<u>7.6%</u>	<u>8.0%</u>	<u>5.8%</u>	<u>8.4%</u>	<u>9.4%</u>	<u>9.2%</u>	<u>8.6%</u>	<u>29.9%</u>	<u>8.0%</u>

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 2009 through 2018.

School District of Philadelphia

Table 7
Other Financing Sources/(Uses) and Net Change in Fund Balance
(Governmental Funds)
For the Fiscal Years 2009 through 2018
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (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)	\$ (65,378,535)
Other Financing Sources/(Uses)										
Debt Issuance (Bond Proceeds)	496,365,000	598,715,000	425,880,000	280,410,000	264,995,000	-	46,770,000	-	239,590,000	254,950,000
Capital Asset Insurance Refunds	-	-	-	-	-	-	-	1,008,215	-	-
Capital Asset Proceeds	11,390,163	276,989	5,764,807	211,481	346,580	32,565,867	23,942,448	6,501,847	9,705,892	115,081
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	22,769,792
Bond Discounts	(9,657,934)	-	-	(265,965)	-	-	-	-	-	-
Bond Defeasement	(208,995,106)	(353,329,003)	(368,301,151)	(122,578,020)	-	-	(300,439,989)	(349,730,949)	(314,427,680)	(1,698,433)
Transfers In	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	534,879,957
Transfers Out	(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)	(535,004,528)
Total Other Financing Sources/(Uses)	<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>	<u>276,011,869</u>
Net Change in Fund Balance	<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>	<u>\$ 210,633,334</u>

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2009 through 2018.

School District of Philadelphia

Table 8
Governmental Funds Revenue By Own-Source (1)
For the Fiscal Years 2009 through 2018
(modified accrual accounting)
(dollars in millions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009 - 2018 Percentage Change
Local Taxes											
Real Estate	\$ 598.8	\$ 602.0	\$ 589.3	\$ 649.4	\$ 653.6	\$ 657.4	\$ 662.1	\$ 697.5	\$ 715.2	791.9	32.2 %
Use and Occupancy	112.3	117.3	109.3	112.5	132.7	138.1	127.8	137.3	144.9	181.2	61.4
Liquor Taxes	41.0	43.3	43.9	50.1	54.2	60.5	61.7	65.8	74.6	76.6	86.8
School (Non-Business) Income Taxes	25.3	22.2	24.0	27.7	28.1	40.5	40.4	40.3	42.3	48.0	89.7
Cigarettes Sales Taxes	-	-	-	-	-	-	50.2	58.8	58.0	58.0	15.5 (7)
Sales Taxes	-	-	-	-	-	-	120.0	120.0	120.0	120.0	0.0 (7)
Other (2)	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.0	2.6	4.4	340.0
Total Taxes	778.4	785.9	767.6	840.8	869.7	897.6	1,063.3	1,120.7	1,157.6	1,280.1	64.5
Locally Generated Non Tax											
City Contributions	38.5	38.5	38.6	48.9	69.0	96.1	99.1	104.2	104.3	104.3	170.9
Other (3)	25.9	22.8	27.5	37.2	32.3	70.9	28.4	28.7	33.0	33.9	30.9
Total Local	64.4	61.3	66.1	86.1	101.3	167.0	127.5	132.9	137.3	138.2	114.6
Total Own-Source Revenues (4)	\$ 842.8	\$ 847.2	\$ 833.7	\$ 926.9	\$ 971.0	\$ 1,064.6	\$ 1,190.8	\$ 1,253.6	\$ 1,294.9	1,418.3	68.3 %
Summary of Own-Source Revenues by Fund:											
General	\$ 842.8	\$ 847.2	\$ 833.7	\$ 927.0	\$ 970.9	\$ 1,064.5	\$ 1,190.7	\$ 1,253.6	\$ 1,294.9	1,418.3	68.3 %
Intermediate	0.6	0.4	0.5	0.4	0.5	0.6	0.8	0.8	0.2	0.3	(50.0)
Categorical	4.2	3.3	2.8	4.6	4.7	6.8	9.2	9.8	6.6	9.5	126.2
Debt Service (4) (5)	9.9	3.8	2.1	2.6	2.6	2.4	2.8	9.9	2.0	3.3	(66.7)
Capital Projects	5.6	2.4	1.2	0.9	1.0	0.3	1.2	2.3	2.3	2.4	(57.1)
Non-Major	0.1	0.1	0.1	0.1	0.0	0.1	0.1	-	0.1	0.1	0.0
Total Own-Source Revenues	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	\$ 979.7	\$ 1,074.7	\$ 1,204.8	\$ 1,276.4	\$ 1,306.1	1,433.9	66.1 %
Totals Restated on a Constant Dollar Basis: (6)											
2009 as base year	\$ 863.2	\$ 848.3	\$ 803.1	\$ 879.4	\$ 905.0	\$ 972.6	\$ 1,089.0	\$ 1,142.3	\$ 1,150.1	1,227.4	42.2 %
2018 as base year	\$ 1,008.5	\$ 991.0	\$ 938.2	\$ 1,027.4	\$ 1,057.3	\$ 1,136.2	\$ 1,272.2	\$ 1,334.5	\$ 1,343.6	1,433.9	42.2 %

Notes:

- (1) The School District's own-source revenues are local taxes and locally generated non-tax revenues.
- (2) Includes Public utility 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 2018 compared to Fiscal Year 2015

School District of Philadelphia

Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2009 through 2018
(dollars in millions)

Calendar Year of Levy (1)	Major Assessment Categories (2)						Certified Assessed Values					Total Direct Tax Rate (6)	STEB & AVI Certified Assessed Value Ratio	Estimated Actual Taxable Value (7)
	Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land	Total Assessed Value of Property	Less: Tax- Exempt Property (2)(3)(5)			Less: Adjustments Between Certification			
								Less: Homestead Exempt (3)						
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	0.7681	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	91,742	0.7681	1.0000	91,742
2018	69,161	23,773	3,677	46,671	4,655	5,058	152,995	40,927	6,268	811	104,989	0.7681	1.0000	104,989

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 (CY2009-2010) 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. Also, there are additional adjustments after the certification date of March 31st.
- (4) The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, 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, 2017 and 2018, 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 2009 through 2018
(Per \$100 Assessed Value) (1)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
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	0.6317	0.7681	1.3998
2016	0.6317	0.7681	1.3998
2017	0.6317	0.7681	1.3998
2018	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	2018 (1)			2009 (2)		
	Rank	Assessment Value	Percentage of Total Assessments (3)	Rank	Assessment Value	Percentage of Total Assessments
Liberty Property Phila	1	\$ 337.6	0.32%		\$ -	-
401 North Broad Fee Inter.	2	333.7	0.32%		-	-
Commonwealth of PA	3	329.8	0.31%	4	48.0	0.39%
EQC Nine Penn Center Prop	4	327.7	0.31%	3	54.1	0.44%
Phila Liberty Place East LP	5	289.2	0.28%	2	54.4	0.45%
Park Towne Place Assoc.	6	254.9	0.24%		-	-
Commerce Square Partners	7	244.1	0.23%	8	33.3	0.27%
Philadelphia Market Street	8	243.1	0.23%	10	28.8	0.24%
Brandywine Operating	9	237.0	0.23%	5	40.6	0.33%
Maquire/Thomas PTNS Phila Plaza Phase II	10	231.4	0.22%	7	33.9	0.28%
Franklin Mills Associate		-	-	1	57.6	0.47%
PRU 1901 Market LLC		-	-	6	35.2	0.29%
Philadelphia Shipyard Development Corporation		-	-	9	30.3	0.25%
Total of the Ten Largest Real Estate Assessments		<u>\$ 2,828.5</u>	<u>2.69%</u>		<u>\$ 416.2</u>	<u>3.41%</u>
Taxable Assessments (before Homestead Exemption & Adjustments)		<u>\$ 111,257.1</u>	<u>100.00%</u>		<u>\$ 12,205.7</u>	<u>100.00%</u>

Taxable Assessments (before Homestead Exemption)	\$ 111,257.1	\$ 12,205.7
Less: Homestead Exemption (3)	6,268.2	0.0
Total Taxable Assessments	<u>\$ 104,988.9</u>	<u>\$ 12,205.7</u>

Note:

(1) Obtained from City of Philadelphia 2018 CAFR Table 10

(2) Obtained from City of Philadelphia 2009 CAFR Table 10

(3) CY 2018 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 2009 through 2018

For the Calendar Years 2009 through 2018									
Calendar Year	Tax Levy for the Calendar Year (Original Levy)(a)	Collected within the					Delinquent Taxes Collections in Subsequent Years (d)	Total Collected to Date	
		Adjusted Total Levied Tax (c)	Calendar Year of the Original Tax		Percent of Original Levy (%)	Amount (\$)		Amount (\$)	Percentage of Original Tax Levy (%)
			Amount (\$)	Percent of Original Levy (%)					
2009	605,206,705	596,223,097	543,104,746	89.74%	45,853,164	588,957,910	97.32%		
2010	608,707,615	587,536,703	540,287,600	88.76%	51,159,955	591,447,555	97.16%		
2011	612,265,808	595,724,756	549,036,079	89.67%	43,415,399	592,451,478	96.76%		
2012	655,005,955	636,956,173	549,558,020	83.90%	47,806,525	597,364,545	91.20%		
2013	659,127,013	639,960,121	595,637,192	90.37%	61,483,503	657,120,695	99.70%		
2014	737,777,950	709,717,778	605,454,814	82.06%	46,531,066	651,985,880	88.37%		
2015	731,692,538	701,131,808	607,462,012	83.02%	36,970,512	607,462,012	83.02%		
2016	703,064,816	685,102,289	641,567,436	91.25%	29,063,970	641,567,436	91.25%		
2017	753,705,217	760,322,293	667,954,497	88.62%	20,142,232	667,954,497	88.62%		
2018	854,532,826 (e)	824,213,011 (e)	749,239,893 (e)	87.68%	N/A	749,239,893	87.68%		

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 2009 through 2018-Gross Principal Only.
 (e) Memorandum City of Philadelphia Department of Revenue 2018 Monthly Real Estate Billed/Balance Due dated 01/16/2019 as of December 31, 2018
 = Data Not Available

N/A

Fiscal Year	Fiscal Years 2009 through 2018		
	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
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
2018	743,355,206	48,450,379	791,805,585

Source: The School District of Philadelphia - Accounting System fiscal year records as of 01/03/2019.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2009 through 2018
(dollars in thousands)

Fiscal Year	Governmental Activities (1)				Percentage of Personal Income (5)	Per Capita (4)	
	Gross General Obligation Bonds (2)	Lease Revenue Bonds	Add/(Deduct): Premiums/ (Discounts)	Total Governmental Activities		Actual	In Constant Dollars - 2009 as Base Year (3) (4)
2009	\$ 1,936,050	\$ 895,615	\$ 67,561	\$ 2,899,226	4.61 %	1,882	1,882
2010	2,113,215	889,955	98,026	3,101,196	5.18	2,004	2,033
2011	2,107,915	884,010	97,407	3,089,332	4.95	2,024	2,032
2012	2,279,738	877,780	90,628	3,248,146	4.99	2,111	2,047
2013	2,439,355	871,240	119,112	3,429,707	4.84	2,216	2,113
2014	2,331,073	864,370	109,959	3,305,402	4.45	2,128	1,994
2015	2,248,225	851,330	124,303	3,223,858	4.16	2,066	1,897
2016	2,145,953	843,380	113,118	3,102,451	3.89	1,979	1,815
2017	1,987,710	988,520	242,014	3,218,244	3.77	2,053	1,864
2018	2,137,195	968,245	245,294	3,350,734	3.80	2,120	1,893

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 Capita 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 2009 through 2018
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)										Percentage of Estimated Actual Taxable Value of Property (8)	Per Capita (7)	
	Gross General Obligation Bonds (2)	Gross QZAB & QSCB Bonds	Deficit Termination and Stadium Bonds (3)	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 (4)	Net General Bonded Debt Outstanding	Percentage of Personal Income (5)		Actual	In Constant Dollars - 2009 as Base Year (5) (6)
2009	\$ 1,602,860	\$ 83,955	\$ 249,235	\$ 895,615	\$ 2,831,665	\$ 67,561	\$ 2,899,226	\$ (49,138)	\$ 2,850,088	4.53 %	6.67 %	1,850	1,850
2010	1,792,685	83,950	236,380	889,955	3,003,170	98,026	3,101,196	(47,944)	3,053,252	5.10	6.98	1,973	1,953
2011	1,800,745	83,945	223,225	884,010	2,991,925	97,407	3,089,332	(59,126)	3,030,206	4.85	6.99	1,986	1,897
2012	1,842,043	228,565	209,130	877,780	3,157,518	90,628	3,248,145	(62,208)	3,185,937	4.90	7.46	2,071	1,946
2013	1,751,550	228,560	459,245	871,240	3,310,595	119,112	3,429,707	(69,059)	3,360,648	4.74	7.76	2,173	2,007
2014	1,686,383	205,630	439,060	864,370	3,195,443	109,959	3,305,402	(65,170)	3,240,232	4.36	3.24	2,087	1,889
2015	1,604,975	198,180	445,070	851,330	3,095,555	124,303	3,223,859	(98,627)	3,125,232	4.04	3.15	2,005	1,812
2016	1,538,695	205,040	402,218	843,380	2,989,333	113,118	3,102,451	(117,341)	2,985,110	3.74	3.26	1,904	1,704
2017	1,146,005	352,285	489,420	988,520	2,976,230	242,014	3,218,244	(135,669)	3,082,575	3.61	3.36	1,966	1,731
2018	1,784,910	352,285	220,575	747,670	3,105,440	245,294	3,350,734	(154,382)	3,196,352	3.63	3.04	2,022	1,731

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) Beginning in Fiscal Year 2016 includes Mandatory Sinking Fund Deposits Restricted for Future Debt Payments under QZABs and QSCB debt.
- (5) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.
- (6) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (7) 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.
- (8) 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, 2018
(dollars in millions)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (2)</u>
School District of Philadelphia	\$ 3,196.4	100.0%	\$ 3,196.4
City of Philadelphia Direct Debt			3,858.9
Total Direct and Overlapping Debt			<u>\$ 7,055.3</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 2018 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 2009 through 2018
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2018											
Assessed value											
Debt Limit (1)											
Non-electoral Debt Capacity (2)											
Non-electoral Debt and Lease Rental Borrowing Capacity (3)											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Debt Limit: (1)											
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 2,128.6	\$ 2,208.0	\$ 2,272.0	\$ 2,277.4	\$ 2,285.4	\$ 2,315.3	\$ 2,432.3	\$ 2,572.9	\$ 2,708.9	\$ 2,858.1	
General Obligation Bonds	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	3,105.4	
Less: (Schedule of Bonds O/S)											
Lease Rental - SPSEA	(895.6)	(890.0)	(884.0)	(877.8)	(1,136.2)	(1,124.9)	(1,102.6)	(1,084.9)	(987.9)	(968.2)	
Non-electoral Debt Outstanding	1,936.0	2,113.2	2,107.9	2,279.7	2,174.4	2,070.6	1,997.0	1,904.4	1,988.3	2,137.2	
Exclusions:											
Deficit Bonds	(249.2)	(236.5)	(223.2)	(209.1)	(194.3)	(178.6)	(17.3)	-	-	-	
Termination Bonds	(64.7)	(62.2)	(59.5)	(66.7)	(53.8)	(50.7)	(3.3)	-	-	-	
Stadium Bonds	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)	
Deficit Bonds outstanding -2015D		-	-	-	-	-	(128.6)	(126.6)	(112.3)	(95.1)	
Termination Bonds outstanding -2015C							(44.6)	(43.9)	(40.1)	(36.1)	
Non-electoral Debt Outstanding applicable to Debt Limit	1,596.9	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5	1,825.8	1,988.2	
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	2,128.6	2,208.0	2,272.0	2,277.4	2,285.4	2,315.3	2,432.3	2,572.9	2,708.9	2,858.1	
Less: Non-electoral Debt Outstanding applicable to Debt Limit	1,596.9	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5	1,825.8	1,988.2	
Non-electoral Debt Capacity (2)	\$ 531.6	\$ 417.1	\$ 468.7	\$ 283.7	\$ 377.5	\$ 490.6	\$ 643.6	\$ 853.4	\$ 883.1	\$ 859.9	
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	% 75.0	% 81.1	% 79.4	% 87.5	% 83.5	% 78.8	% 73.5	% 66.8	% 67.4	% 69.9	
General Obligation Bonds	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	3,105.4	
Exclusions:											
Deficit Bonds	(249.2)	(236.5)	(223.2)	(209.1)	(194.2)	(178.6)	(17.3)	-	-	-	
Termination Bonds	(64.7)	(62.2)	(59.5)	(66.7)	(53.8)	(50.7)	(3.3)	-	-	-	
Stadium Bonds	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)	
Deficit Bonds outstanding -2015D		-	-	-	-	-	(128.6)	(126.6)	(112.3)	(95.1)	
Termination Bonds outstanding -2015C							(44.6)	(43.9)	(40.1)	(36.1)	
Net Non-electoral Debt and Lease Rental Outstanding	2,492.5	2,680.9	2,687.3	2,871.5	3,044.2	2,949.6	2,891.2	2,804.4	2,813.8	2,966.4	
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	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	5,716.2	
Less: Net Non-electoral Debt and Lease Rental Outstanding	2,492.5	2,680.9	2,687.3	2,871.5	3,044.2	2,949.6	2,891.2	2,804.4	2,813.8	2,966.4	
Non-electoral Debt and Lease Rental Borrowing Capacity	\$ 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	\$ 2,749.7	
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	% 58.5	% 60.7	% 59.1	% 61.0	% 66.6	% 63.7	% 59.4	% 54.5	% 51.9	% 51.9	

Notes:

- 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 the borrowing base are calculated as a percentage of the assessed value of the district's taxable property.
- 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.
- 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 2009 through 2018
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Bonded Debt Principal ⁽¹⁾	\$ 68,060	\$ 68,475	\$ 63,168	\$ 29,290	\$ 105,378	\$ 103,773	\$ 101,233	\$ 100,493	\$ 451,893	\$ 104,795
General Bonded Interest ⁽²⁾	82,135	83,864	92,775	87,041	97,230	91,114	91,755	81,246	82,758	98,066
Loans	3	-	-	-	-	-	-	-	-	-
State Public School Building Authority ⁽³⁾	49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382	719,402	69,186
Total Debt Service Expenditures ⁽⁴⁾	\$ 199,256	\$ 201,397	\$ 205,003	\$ 158,853	\$ 251,664	\$ 266,233	\$ 262,040	\$ 253,121	\$ 1,254,053	\$ 272,047
Total General Expenditures Excluding Categorical/NonMajor	\$ 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	\$ 3,092,678
Ratio of Debt Service to Total General Expenditures Excluding Categorical/NonMajor	8.27	8.15	7.77	6.61	9.63	10.43	10.32	9.40	32.33	8.80
Total General Expenditures ^{(4) (5)}	\$ 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	\$ 3,538,881
Ratio of Debt Service to Total General Expenditures	6.92	6.60	6.29	5.57	8.18	9.27	9.06	8.33	29.28	7.69

Notes:

- (1) Adjusted Fiscal Year 2009 through Fiscal Year 2014 for Defease 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 \$17.9 million 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 2009 through 2018

Calendar Year	City of Philadelphia				Property Values (4)			Bank Deposits (6)	
	Estimated Population (1) (in thousands)	Per Capita Personal Income (2)	Personal Income (dollars in thousands) (2)	Unemployment Rate (3)	Civilian Labor Force (in thousands) (3)	Total Market (dollars in millions) (5)	Original Assessed (dollars in millions) (5)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
2009	1,515	\$ 39,258	\$ 59,904,306	9.7	% 652.4	\$ 54,224	\$ 17,352	\$ 31,624	\$ 16,673
2010	1,528	40,791	62,429,999	10.6	687.8	55,047	17,615	34,669	11,504
2011	1,540	42,272	65,084,551	10.7	690.9	56,062	17,940	35,594	15,244
2012	1,552	45,656	70,855,006	10.9	699.3	56,320	18,022	32,267	12,311
2013	1,558	47,663	74,263,724	10.3	698.3	56,816	18,181	33,453	11,901
2014	1,564	49,499	77,418,502	8.1	691.0	137,404	137,404	31,925	9,108
2015	1,571	50,764	79,725,467	7.1	695.5	136,341	136,341	40,241	10,766
2016	1,575	54,256	85,440,146	6.8	703.6	136,295	136,295	38,718	11,079
2017	1,581	55,718	88,081,991	6.2	704.1	136,681	136,681	39,431	10,792
2018	1,587	57,219	90,805,523	5.7	704.5	152,995	152,995	38,443	12,351

Notes:

- (1) Data for calendar years 2009 through 2017 obtained from U.S. Census Bureau.
- (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis-updated November 2017
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated October 2018
- (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 (Sept 17 to Oct 18)

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

2018 (1)			2009 (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	40,697	5.98	University of Pennsylvania/University of Pennsylvania Hospital	22,283	3.78
City of Philadelphia	28,155	4.13	City of Philadelphia	28,025	4.76
Thomas Jefferson University/Thomas Jefferson University Hospitals Inc.	30,000	4.41	Thomas Jefferson University Hospitals Inc.	8,151	1.38
School District of Philadelphia	18,364	2.70	School District of Philadelphia	22,671	3.85
Comcast Corporation	12,349	1.81	Children's Hospital of Philadelphia	9,762	1.66
Drexel University	12,124	1.78	Drexel University	8,240	1.40
Temple University Health System	9,808	1.44	Temple University Health System	6,762	1.15
Einstein Healthcare Network	8,645	1.27	Temple University	5,227	0.89
Wells Fargo	6,328	0.93	Albert Einstein Healthcare Network	7,388	1.25
Independence Health Group (parent of Independence Blue Cross)	6,116	0.90	Wachovia Bank, N.A.	8,306	1.41
Accenture	2,200	0.32	Independence Blue Cross	4,715	0.80
PwC	1,900	0.28	Penn Medicine(University of Pennsylvania Health System)	14,941	2.54

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2018, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2018; (c) and Philadelphia Business Journal dated July 28, 2018 page 16-20 Employers Ranked By Number of Local Employees.
- (2) Information obtained from The Philadelphia Business Journal dated November 6-12, 2009- Philadelphia County Private Sector Employers. (Ranked by number of county employees) Identified by name from the 2009 CAFR for City of Philadelphia and School District.
- (3) Based on 2009 thru 2017 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 (April 2017-May 2018(p))

School District of Philadelphia
Table 20
School District Employees by Function ⁽¹⁾
For the Fiscal Years 2009 through 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Percentage Change 2009 - 2018
Instruction:											
<i>Classroom Teachers</i>											
Operating	8,696	8,561	8,313	7,591	7,571	7,100	6,808	6,978	7,085	7,159	(17.7) %
Grants	1,681	2,720	2,900	1,954	1,927	1,247	1,396	1,216	1,157	1,124	(33.1)
<i>Total Classroom Teachers</i>	10,377	11,281	11,213	9,545	9,498	8,347	8,204	8,194	8,242	8,283	(20.2)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	294	278	258	232	226	101	1	1	1	1	(99.7)
Classroom Assistants	639	693	779	782	1,218	1,415	1,263	1,557	1,801	2,052	221.1
Counselor/Librarians	40	86	13	85	74	5	11	6	9	8	(80.0)
Psychologists/Therapists	32	38	41	36	40	35	35	38	35	40	25.0
Supportive Service Assistant	1,206	1,252	1,422	1,111	1,100	550	646	586	563	513	(57.5)
Other Paraprofessionals	100	97	102	164	175	100	85	135	159	198	98.0
<i>Total Non-Teaching</i>	2,311	2,444	2,615	2,410	2,833	2,206	2,041	2,323	2,568	2,812	21.7
Total Instruction	12,688	13,725	13,828	11,955	12,331	10,553	10,245	10,517	10,810	11,095	(12.6)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	475	465	479	445	419	289	308	298	347	379	(20.2)
Department Heads/Program Mgrs. & Coord.	35	35	33	1	2	1	1	1	1	1	(97.1)
Secretarial	487	472	453	346	333	237	234	243	237	242	(50.3)
Other Clerical	6	2	5	1	1	-	-	-	-	3	(50.0)
<i>Total In-school Instruction Leadership & Support</i>	1,003	974	970	793	755	527	543	542	585	625	(37.7)
<i>Professional Development & Training</i>											
Director	4	8	5	-	-	-	-	-	-	-	(100.0)
Non-Teaching Professionals	333	240	246	124	111	89	97	105	122	124	(62.8)
Secretarial	1	1	1	-	-	-	-	-	-	1	-
<i>Total Professional Development & Training</i>	338	249	252	124	111	89	97	105	122	125	(63.0)
<i>Student Support Services</i>											
Other Technical Staff	27	36	49	1	1	1	1	1	1	1	(96.3)
Non-professional supervisory	92	90	76	5	5	-	-	-	-	-	(100.0)
Counselor/Librarians	344	471	469	379	290	216	233	245	272	294	(14.5)
Psychologists/Therapists	100	96	113	108	110	111	109	115	110	112	12.0
Other Paraprofessionals	449	536	537	320	243	147	127	125	124	166	(63.0)
Bus Drivers/Attendants	1,047	1,072	1,053	1,044	908	841	702	621	588	600	(42.7)
Health Providers	325	331	325	221	220	201	212	219	277	279	(14.2)
Food Service	820	868	854	764	772	762	777	792	822	839	2.3
Other (includes Noon Time Aides)	1,498	1,574	1,608	1,288	1,339	1,365	1,289	1,119	1,295	1,335	(10.9)
<i>Total Student Support Services</i>	4,702	5,074	5,084	4,130	3,888	3,644	3,450	3,237	3,489	3,626	(22.9)
<i>Basic Building Services</i>											
Non-Teaching Assistants	187	161	120	48	18	-	-	-	-	-	(100.0)
Maintenance	376	365	368	342	315	285	272	246	248	254	(32.4)
Custodial	1,453	1,415	1,409	1,228	1,119	1,029	1,009	1,058	1,078	1,076	(25.9)
Warehouse/Distribution	27	29	27	23	22	19	147	108	133	119	340.7
Security	592	594	592	401	399	397	338	316	347	352	(40.5)
<i>Total Basic Building Services</i>	2,635	2,564	2,516	2,042	1,873	1,730	1,766	1,728	1,806	1,801	(31.7)
Total Classroom Support	8,678	8,861	8,822	7,089	6,627	5,990	5,856	5,612	6,002	6,177	(28.8)
Administrative Support											
Executive Management	32	37	46	-	-	-	-	-	-	-	(100.0)
Regional Superintendent	12	11	6	-	-	-	-	-	-	-	(100.0)
Management/Administrative	-	-	-	642	666	645	649	737	886	966	150.5 ⁽³⁾
Directors	78	82	91	-	1	1	2	-	1	1	(98.7)
Asst. Directors/Admin Asst.	25	54	56	-	-	-	-	-	-	-	(100.0)
Prog. & Mgmt. Supervisors	167	185	164	4	6	5	3	3	1	1	(99.4)
Mgmt. Level Technicians	143	147	171	6	8	4	-	-	-	-	(100.0)
Other Technical Staff	316	362	335	15	11	11	19	11	11	12	(96.2)
Non-Professional Supervisory	107	106	103	-	2	1	12	12	10	10	(90.7)
Secretarial	109	101	97	65	63	53	47	47	46	49	(55.0)
Other Clerical	230	238	224	154	131	69	-	52	54	53	(77.0)
Total Administrative Support	1,219	1,323	1,293	886	888	789	732	862	1,009	1,092	(10.4)
Total School District	22,585	23,909	23,943	19,930	19,846	17,332	16,833	16,991	17,821	18,364	(18.7)
Add: Municipal Services ⁽²⁾	86	75	26	4	-	-	-	-	-	-	(100.0)
Total School District Wide	22,671	23,984	23,969	19,934	19,846	17,332	16,833	16,991	17,821	18,364	(19.0) %

Notes:

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

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

(3) Represents Fiscal Year 2018 compared to Fiscal Year 2012

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia.- FY2008 through FY2018

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2009 through 2018

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
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
2018	132,115	2,273,746	17,210	6.89	3,301,082	24,986	7.29	100.0	46.6	47.6	8,283	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 2009 through 2018

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 operated under a five member School Reform Commission. The School Reform Commission exercised all powers and had all duties of the original Board of Education through June 30, 2018. 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 five-member commission performed its fiscal oversight responsibility for the Philadelphia public school system through the Fiscal Year 2018 reporting period which is the reporting period of this report. The SRC delegated all its duties to a local Board of Education beginning July 1, 2018.

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 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Number of Schools (1)										
Elementary	175	175	170	168	162	55	55	55	50	48
Elementary/Middle	-	-	-	-	-	93	93	93	97	99
Middle	30	28	26	23	23	17	17	16	15	14
Special	21	22	21	23	22	18	19	18	18	19
High (7)	32	32	32	27	25	22	25	27	26	29
Vocational/Technical	9	8	8	8	8	8	8	8	9	6
Total Public Schools	267	265	257	249	240	213	217	217	215	215
Charter Schools (2)	63	67	67	67	67	67	66	63	65	63
Renaissance Schools (2)	N/A	N/A	7	13	17	20	20	20	21	21
Alternative Schools (5)	17	27	32	26	26	26	25	28	24	27
Cyber Charter Schools (6)	11	11	11	13	15	15	13	14	14	13
Brick & Mortar Charter Schools (6)	9	9	4	6	5	6	7	8	8	7
Total Schools	367	379	378	374	370	347	348	350	347	346
School Enrollment (2)										
Elementary	93,618	93,476	90,620	90,411	88,398	32,813	32,665	32,908	30,245	28,906
Elementary/Middle	-	-	-	-	-	52,551	52,923	53,532	54,665	54,584
Middle	14,834	14,848	12,914	11,700	10,349	9,481	8,747	8,333	8,032	8,195
Special	10,979	11,590	11,499	12,671	12,902	12,321	12,196	12,271	12,542	13,330
High (3) (7)	31,113	29,714	27,949	22,163	19,735	20,521	19,599	20,192	18,706	18,969
Vocational/Technical	7,136	6,792	6,594	6,062	5,545	4,234	3,791	4,255	5,299	4,118
Total Public Schools	157,680	156,420	149,576	143,007	136,929	131,921	129,921	131,491	129,489	128,102
Charter Schools (2)	32,637	34,019	36,190	38,148	42,813	45,726	48,771	47,694	48,597	48,251
Renaissance Schools (2)	-	-	4,293	9,314	12,930	15,236	15,530	15,747	16,153	16,748
Alternative Schools (5)	4,568	4,239	4,906	3,812	4,165	3,186	3,478	2,736	2,751	4,013
Cyber Charter Schools (6)	2,616	2,935	3,627	4,787	5,961	6,752	6,584	6,135	5,874	5,424
Brick & Mortar Charter Schools (6)	205	188	191	164	152	175	240	414	950	1,105
Total	197,706	197,801	198,783	199,232	202,950	202,996	204,524	204,217	203,814	203,643
Number of Public High School Graduates (1)	9,515	10,285	10,235	9,416	9,429	8,374	6,876	8,005	7,769	7,882
Number of Charter High School Graduates (4)	1,996	2,115	2,513	3,220	2,744	3,242	3,572	3,676	3,988	3,849
Total of High School Graduates	11,511	12,400	12,748	12,636	12,173	11,616	10,448	11,681	11,757	11,731

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data for FY 2009. 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 2018 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 2018.
- (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 2009 through 2018

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			
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%	66,265	59,660
2018	45,359	70,200	90,051	4.26%	67,398 (E1)	60,483 (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 1.017 percent increase over 2016-17

(E2) =Estimated a 1.014 percent increase over 2016-17

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year (Years) 2017-2018

<u>Schools</u>	<u># of Buildings (1)</u>	<u>Range of Buildings Ages</u>	<u>Square Footage</u>	<u>Official Capacity (2)</u>	<u>Percentage of Capacity Used</u>
ELEMENTARY	40	8 yrs to 129 yrs	2,563,528	23,848	87.43 %
PEC	6	9 yrs to 89 yrs	294,866	3,200	112.66
ELEM LSH	8	17 yrs to 87 yrs	386,087	3,977	98.09
ELEMENTARYMIDDLE	89	10 yrs to 120 yrs	6,942,341	59,722	80.39
ELEMMID ANNEX	10	44 yrs to 112 yrs	415,501	4,176	58.79
ELEMMID LSH	10	17 yrs to 91 yrs	481,244	4,684	88.28
ELEMMID LSH ANNEX	3	18 yrs to 108 yrs	116,759	1,140	46.58
MIDDLE	10	13 yrs to 124 yrs	1,280,058	10,677	64.59
MIDDLE ANNEX	2	46 yrs to 92 yrs	106,992	903	45.51
VOCATIONAL (CTE)	6	33 yrs to 89 yrs	1,246,914	6,615	62.25
SPECIAL (3)	14	21 yrs to 110 yrs	1,886,477	13,125	86.23
SPECIAL (4)	1	65 yrs	84,135	1,034	13.73
SPEC MID (5)	1	94 yrs	120,000	1,202	49.25
SPEC CHAR (6)	1	49 yrs	190,000	1,512	51.06
HIGH (7)	1	88 yrs	74,557	850	36.59
HIGH	2	65 yrs to 90 yrs	312,259	2,239	52.70
HIGH (8)	24	6 yrs to 106 yrs	4,923,318	32,849	51.74
MID HIGH (9)	1	24 yrs	232,815	1,512	46.76
ALTERNATIVE	5	13 yrs to 109 yrs	326,961	1,926	N/A
RENAISSANCE , RENLSH REN ANNEX (10)	23	9 yrs to 110 yrs	2,503,107	20,877	80.22
CHARTER LEASED (11)	4	48 yrs to 97 yrs	488,604	3,314	111.13
EARLY CHILDHOOD-BF HS ANNEX (12)	12	N/A	312,455	0	N/A
CLOSED (13)	16	47 yrs to 115 yrs	1,649,623	0	N/A
<u>Administration</u>					
Administration	2	50 yrs to 70 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	12 yrs to 78 yrs	147,227	N/A	N/A
Pools	3	40 yrs to 49 yrs	43,968	N/A	N/A
Total Buildings and Other Capital Assets	311				

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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