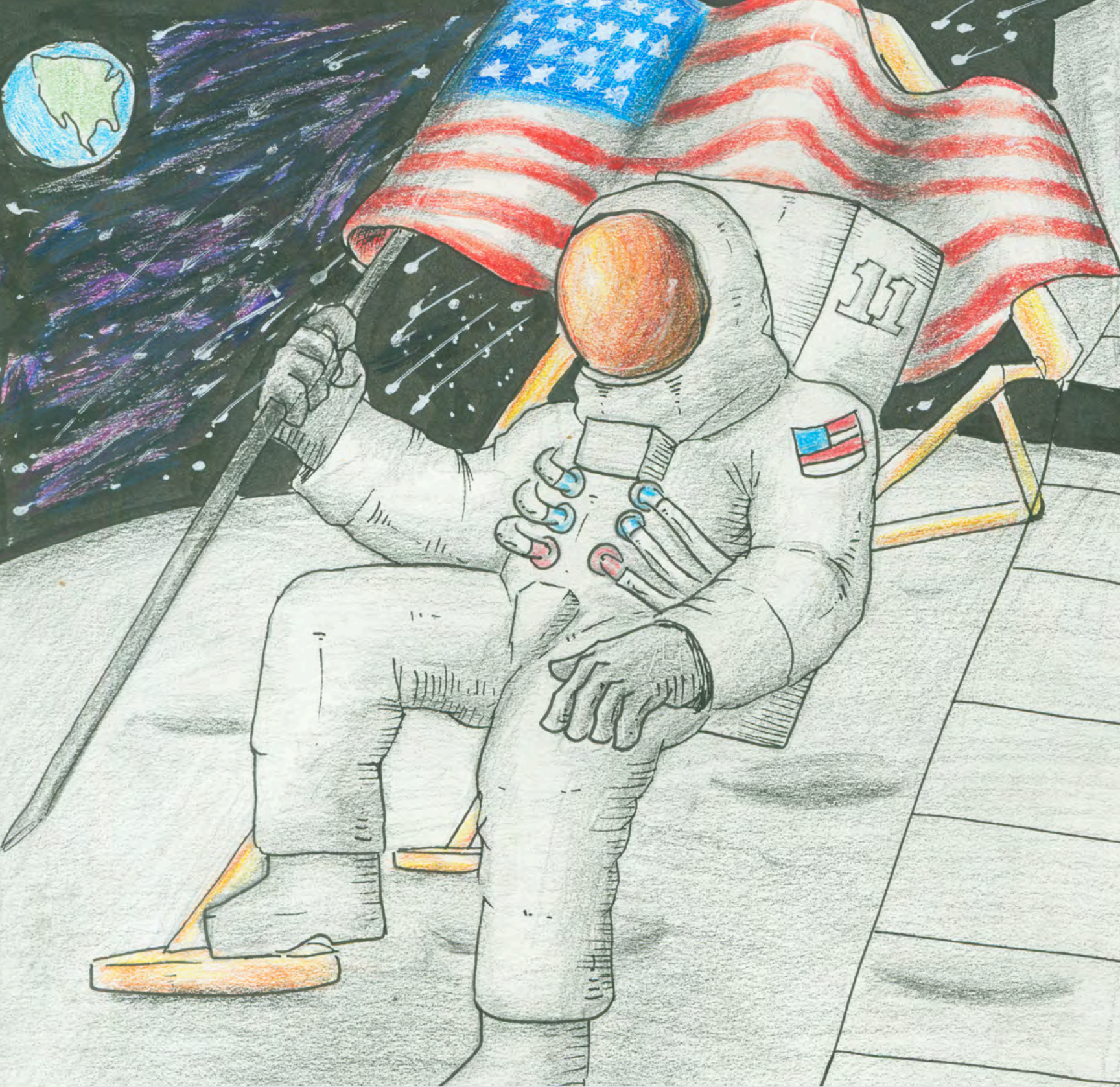


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THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PHILADELPHIA

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2019



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, 2019



Marcy F. Blender, CPA
Comptroller

Prepared by
Office of General Accounting

STUDENT ART

The art displayed throughout this report is the work of the School District of Philadelphia's art students. The winners were chosen from the entries submitted for the 2018-19 Annual Financial Report Cover Design Contest. The theme for this year is **"Celebrating the 50th Anniversary of the Moonwalk and Space Exploration"**. Watching films of man's first steps on the moon after all these years is still exciting and has made us think about what new areas of the universe there are to explore and discover. On July 20, 1969, humans walked on another world for the first time in history. After a landing that included dodging a lunar crater and boulder field just before touchdown, Neil Armstrong and Buzz Aldrin explored the area around their lunar landing site for more than two hours. They collected soil and rock samples, set up experiments, planted an American flag, and left behind medallions honoring the Apollo 11 crew and a plaque saying, "We came in peace for all mankind."

This contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, influences, experiences that have had an impact on their lives and what life lessons can be learned about the past and future of space exploration. For this competition, students are encouraged to interpret this theme two dimensionally using their own stylistic approach. Exemplary artwork selected for the **Annual Financial Report** will be used on the front and back covers and dividers in the book. This publication is distributed nationally and has received prominent attention for its outstanding illustrations produced by The School District of Philadelphia K-12 public school students.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Duy Nguyen Northeast High School Grade 12	Ms. Marsha Rosenthal
2 nd Prize Back Cover	Lauren Archer The Arts Academy at Benjamin Rush Grade 11	Mrs. Cathy Bateman
3 rd Prize Front Inside Cover	Jade Gonzalez The Arts Academy at Benjamin Rush Grade 12	Mrs. Cathy Bateman
Back Inside Cover	Teva Dang The Arts Academy at Benjamin Rush Grade 10	Mrs. Cathy Bateman
Divider: 1 st	Erica Takakjy The Arts Academy at Benjamin Rush Grade 12	Mrs. Cathy Bateman
	Meiying Huang Woodrow Wilson Middle School Grade 7	Mrs. Janice Hill
2 nd	Diane Dinh Northeast High School Grade 12	Ms. Jennifer Raynor
	Elijah Misyuk Woodrow Wilson Middle School Grade 8	Mrs. Janice Hill
3 rd	Abdourahimou Ndiaye Harrington Elementary Grade 4	Ms. Mary Shean
	Jenique Jones Harrington Elementary Grade 1	Ms. Mary Shean
	Ms. Deborah Klose, Director of Arts Education Office of the Arts and Creative Learning	

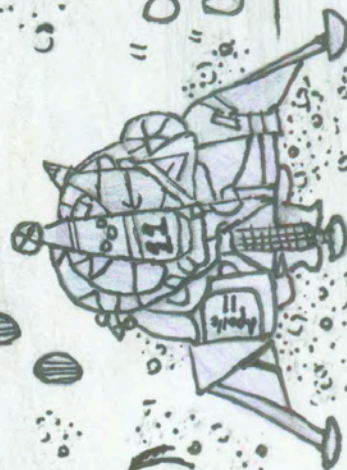
NASA

"One small step
for man, one giant
leap
for
man-
kind!"



"We came in
peace for all man-
kind"

NASA



"One small step for man,"
"One giant leap for mankind"



SCHOOL DISTRICT OF PHILADELPHIA

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SUPERINTENDENT

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February 7, 2020

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, 2019. 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, 2019, 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, Office of Inspector General 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.

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 and the only School District of the first class, employing over 19,100 full time employees as of June 2019 and the tenth 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 almost 12% of the Commonwealth’s 1.8 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 2018-2019 school year as of October 1, 2018 was over 204,500 students including 73,666 attending charter schools and 3,854 in alternative education programs/schools. The enrollment for the School District for 2019-2020 as of December 1, 2019 was 206,825 students including 77,537 attending charter schools and 3,718 in alternative education.

During Fiscal Year 2019, there were 215 schools that the School District operated, as well as 26 alternative education programs/schools and 87 charter schools managed by other entities within the city and that serve Philadelphia's children. In addition there are 13 cyber charter schools and 8 brick and mortar charter schools that students may attend. In Fiscal Year 2019, over one of every three (38%) 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 2019 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 has only been one other school closure since that time in Fiscal Year 2017. About 13.2% of the School District's buildings are 40 years old or less, 44.1% are between 41 and 80 years old, 42.7% 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 thirteen geographically dispersed Neighborhood Networks and an additional three specialization Networks to include Opportunity, Acceleration and Innovation.

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. 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 appointed by the Mayor of the City of Philadelphia 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 Superintendent beginning on July 1, 2018 reports to the Board of Education. During the Fiscal Year 2019 reporting period, the Superintendent was Dr. William R. Hite, Jr. and the Chief Financial Officer was Uri Z. Monson.

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 Board 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 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

After several years of making strategic and intentional investments in our schools our efforts are measurably working based upon student educational outcomes and Philadelphians can be proud of the progress being made in our schools. Overall, we are pleased to report the quality of education in Philadelphia's public schools is improving each year. Maintaining unrelenting focused activities on our four action goals have been key to our success. There are measurable improvements in college and career readiness, early literacy, staffing and fiscal stability. We have double the number of high-performing schools and have fifty percent fewer lower-performing schools since 2015. At the same time we are improving student outcomes, we are maintaining a strong fiscal focus. For the first time since 1977 we achieved an Investment Grade credit rating from Moody's Investor Services and we had a positive year-end fund balance for the fifth straight year. We are proud of our progress, but there is still much work we must do. Our progress to-date is the result of the hard work and commitment of thousands of students, families, District employees, elected officials and community members. All these improvements come as the District is governed by a locally-appointed Board for the first time in nearly two decades.

Our organization priorities are driven by 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 2019 is the fifth 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. For the third straight year, schools are improving. More students are graduating and have strong reading skills, more classrooms are great modern learning spaces and more services are in schools to support students and families. The fifth consecutive year with a positive year-end fund balance has provided us with the needed resources to successfully carry-out our *Action Plan*. Our investment plan and strategic action plan are working. 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 again allowed the District to make investments in school performance with a focus on initiatives that lead to improved educational outcomes which matter most to student success – improved academic achievement, progress, climate and college and career readiness scores.

Year five of our Investment Plan included the following budgetary investments focused on our *Four Anchor Goals*:

- Previous anchor goal investments which began in Fiscal Years 2016, 2017 and 2018 continued and were maintained and/or increased in Fiscal Year 2019 and beyond.
- Expanding early literacy work to grades 4 and 5.
- All grade four and five classrooms will receive new leveled libraries over the next two years.
- Classroom modernization and new furniture for over 141 elementary classrooms in 11 schools to support literacy.
- Additional literacy coaches to ensure all K-5 teachers receive intensive literacy training and support.
- Studying industry research and best practices to develop new Foundations of Math content.
- More dual enrollment opportunities for all high school students.
- Ten (10) new college and career readiness coordinators.
- New Office of Career Connectedness in conjunction with the City of Philadelphia.
- More nurses to minimize vacancies and absences.
- Thirty (30) additional English Language Learners (ELL) teachers.

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 2017-18 data and where available 2018-2019):

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

- Public school Graduation Rate of 69%,
- Increase of 6% in the four-year graduation rate to 79% for District managed schools.
- 7,300 students to earn over 13,400 industry certifications,
- 2,000 more high school students are on track for on-time graduation within four year,
- 6,700 students are enrolled in Advanced Placement and dual enrollment classes that count toward college credits
- 53% of schools have improved achievement scores,
- 63% of schools have improved their progress scores,
- 69% of schools have improved their climate scores,
- 63% of schools serving grades 9-12 have improved their college and career readiness scores.
- Our student’s three-year academic growth rates for literacy and math are outpacing the state average in nearly all tested grade levels.

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

- The number of 3rd graders reading on grade level has increased 3 percentage points to 36%,
- All District elementary schools have an early literacy coach to ensure the highest quality instruction,
- All District Acceleration Network schools staffed with Reading Specialists that provide individual early literacy instruction,
- One million new books were distributed across every K-3 classroom,
- 350+ early literacy classrooms modernized across 38 schools.

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);

- 97% employee fill rate.
- 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,
- All K-3 teachers were trained to be expert early literacy instructors,
- Doubled the number of teacher residents creating a pipeline of highly qualified teachers.

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,
- Transformed classrooms across the city into modern learning spaces with state-of-the-art technology and services that support students and families,
- Positive Fund Balance for five consecutive years,
- Fiscal Year 2019 Available Budgetary Fund Balance of \$222.6 million,
- Fiscal Year 2020 Available Budgetary Projected Fund Balance (as of June 2019 Five Year Plan update) of \$129.7 million, the sixth straight year of a positive fund balance,
- Projected positive fund balances for Fiscal Year 2020 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,
- \$45 million invested in classroom technology and over 20,000 chrome books delivered to schools,
- \$50 million invested in early literacy classroom modernization,
- \$8 million invested to repaint over 824,000 square feet of space impacting more than 6,700 students.
- Moody's double credit rating upgrade and the first investment grade rating since 1977 due to five straight years of balanced budgets.

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 Board of Education. The "original" or adopted budget was passed on May 24th of the preceding fiscal year (e.g., May 24, 2018). The "amended" or final budget was passed on May 30th of the current fiscal year (e.g. May 30, 2019). 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 Board of Education, 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 \$1.36 billion in facility needs through Fiscal Years 2019 - 2024 to improve major infrastructure systems and buildings. On May 30, 2019, the School District adopted its 2020 Capital Budget of \$319.5 million and six-year capital improvement program for Fiscal Years 2020-2025, which identified \$1.73 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 2019 on May 30, 2019 to total approximately \$209.1 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 43% of the Fiscal Year 2019 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 Board of Education. 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 3.3% of its budget on administrative costs (excluding re-funding costs) and approximately 96.7% of its budget on capital financing and other items directly benefitting the schools. Of the 96.7%, approximately 87.3% is spent on education and other support services and the remaining 9.4% 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 academic and financial position in years. Positive financial trends and a strong outlook has allowed the needed investments to achieve positive academic outcomes for the fifth 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 2019, 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 to ensure the continuance of recurring revenues. This was the fifth 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. On October 3, 2019 Fitch upgraded the School District's unenhanced rating to BB+ from BB- and maintained the outlook as stable. The enhanced intercept rating from Fitch was affirmed as A+ with a stable outlook. Fiscal Year 2020 should continue this positive trend with a \$129.7 million projected operating fund balance (March 2019 Five Year Plan Projection). Although there were modest operating fund balances for the past five fiscal years (about two 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 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. Recurring State revenues include the Cigarette Tax which no longer sunsets in Fiscal Year 2019 with the District receiving at least \$58 million annually and a rideshare program effective through December 31, 2020 in which the District receives a portion of the revenues estimated to be more than \$4 million annually. 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 undervalued and file formal appeals for these properties. Property reassessments were projected to result in recurring revenues of \$65 million which began in Fiscal Year 2018 and were realized. However, in July 2019 there was a court decision which would require the District to provide nearly \$35 million in tax credits in relation to a lawsuit brought against the City related to its property assessment practices. Many steps remain in this process and the initial ruling could be overturned. 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. With the Fiscal Year 2019 Moody's upgrade and a more recent Fitch upgrade in Fiscal Year 2020, we anticipate the positive financing trend experience 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. Since the school district is a service oriented organization, labor costs represent a significant portion of the budget with salary and benefits costs representing over 45%.

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, school choice and school climate. 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 support 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.

As we enter the fifth year of the District's 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 addition, the physical aging of the infrastructure has required considerable additional resources to maintain and update the District's buildings and environmental factors. This need will only increase as the buildings continue to age.

In summary, the District is in a better academic and 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 and educational foundation upon which teaching and learning can grow which includes: focusing on the four action goal areas that matter most to academic outcomes; closing low performing and underutilized District schools and Charter schools; becoming a better authorizer of Charter schools; negotiating contracts which fairly compensate employees and attract a highly qualified and diverse workforce; providing for 21st century learning environments and school climate; expanding high quality seats and choices; 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: The key factors highlighting Philadelphia's overall economic well-being falls into two distinct areas – the economy and social indicators. The economic factors were mostly positive whereas the social indicators were less so, but improving in some areas. On the economic front, the City continued its prior year trend and had a growing local economy, particularly in the center city areas, with strong job growth, steady 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 5.5%, the lowest level since 2000, although higher than the national average of 3.9%. Home sale prices have risen 63% since 2010. With regards to social indicators, the high school graduation continued to rise reaching 68% in the class of 2018, although it's far below the national average of 84%, its considerably higher than it was a decade ago, and the percentage of adults with four year degrees continued to modestly increase. The city's incarceration levels and violent crimes fell in 2018, however, there remained troubling trends in the social indicators. The poverty rate has been stuck at 26% for the past five years and Philadelphia retained its title as the poorest of America's 10 most populated cities. The cities homicide rate rose 11% 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 and the homeless population has tripled since 2014.

The population of 1.58 million (based upon the US Census Bureau 2016 population estimates as reported by the Pew Charitable Trusts in April 2019) rose for the 12th straight year. 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 seven years following the 2010 Census, the City's population grew by an additional 4.4% to 1.58 million residents in 2018. 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 population is becoming more diverse with a 15% Hispanic and 8% Asian and 14% of the population is foreign born. Enrollment in Philadelphia-district run schools continue to decrease while the number of students enrolled in Charters continued to grow. Philadelphia had the fifth largest higher education sector among major U.S. cities in 2017. 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 low compared to other major Northeast cities and is 20% less than Washington DC and 61% lower than Manhattan. In 2018, the Education and Health Services, Professional and Business Services, Trade, Transportation and Activities, Financial Activities and Hospitality sectors represented 75.6% 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 two 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 2017 were \$7.4 billion. Total vacancy rates for office space remained strong at 13.8% in 2019 compared with an average of 15.0% 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 City continues its commitment to sustainability and green initiatives. There has been extensive investments in creating more and better public green spaces. In addition, measures have been taken to reduce automobile traffic by making the streets friendlier to bicyclists and creating a bicycle sharing program.

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 2019, the School District has considered two new Government Accounting Standards Board (GASB) Statements, GASB No. 83, Certain Asset Retirement Obligations, No. 88, Certain Disclosures Related to Debt, but found them not to be applicable.

Long-term Debt: As of June 30, 2019, the School District's net general bonded debt outstanding was \$3.2 billion.

The former Board, School Reform Commission, 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 2018. 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 2018. 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 2019.

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, 2018

Christopher P. Morrell

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

The School District of Philadelphia

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



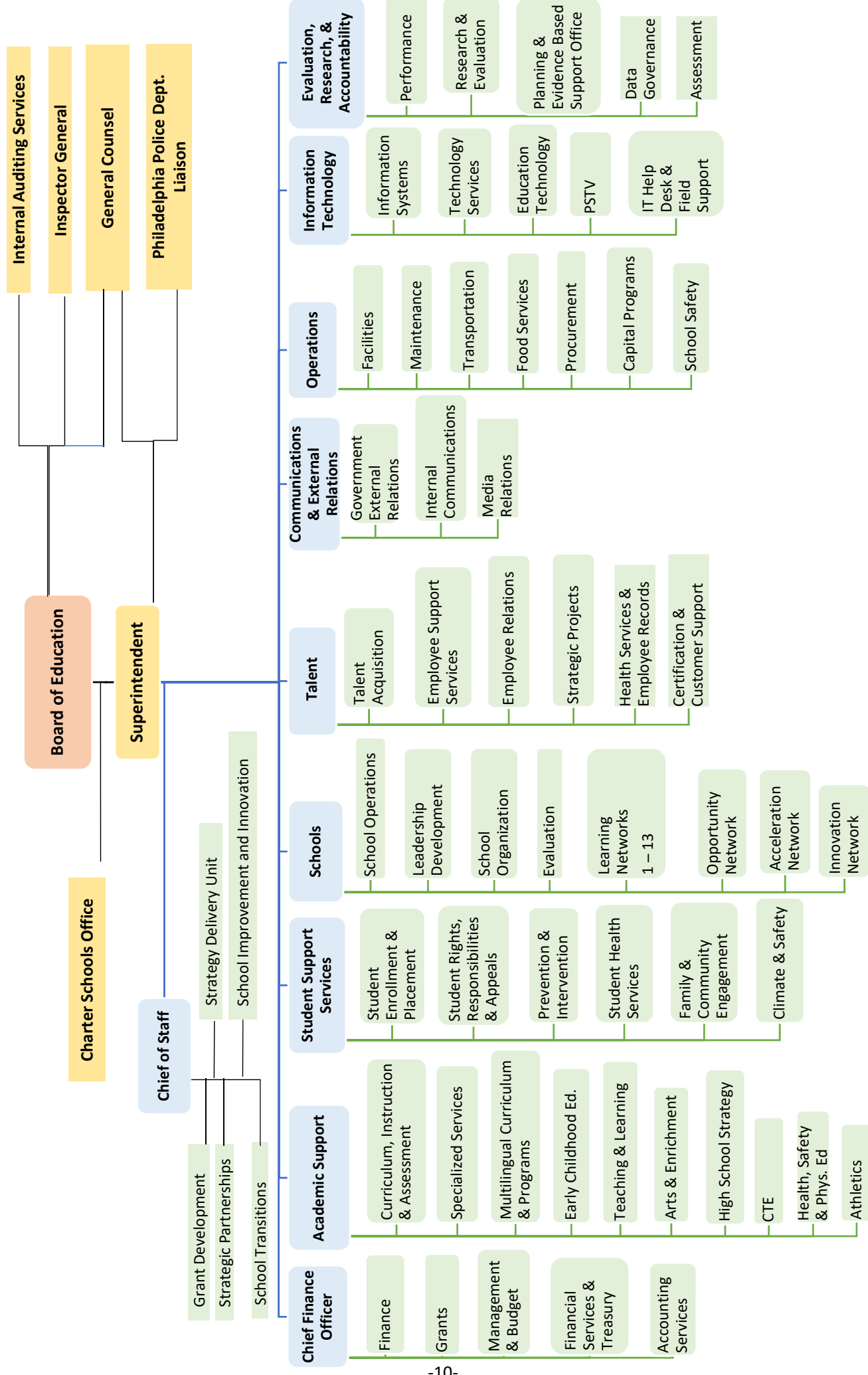
A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSRM
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director

SCHOOL DISTRICT OF PHILADELPHIA



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF THE FISCAL YEAR ENDING JUNE 30, 2019

List of Principal Officials of the School District

Board of Education

Joyce S. Wilkerson, Board President
Wayne R. Walker, Board Vice President
Julia Danzy, Member
Leticia Egea-Hinton, Member
Mallory Fix Lopez, Member
Lee Huang, Member
Maria D. McColgan, M.D., Member
Christopher McGinley, Ed.D., Member
Angela McIver, Ph.D., Member

School District of Philadelphia

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

Naomi Wyatt
Chief of Staff

Lynn Rosner Rauch
General Counsel

Kathryn Block
Chief of Communications and External Relations

Larisa Shambaugh
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 Support

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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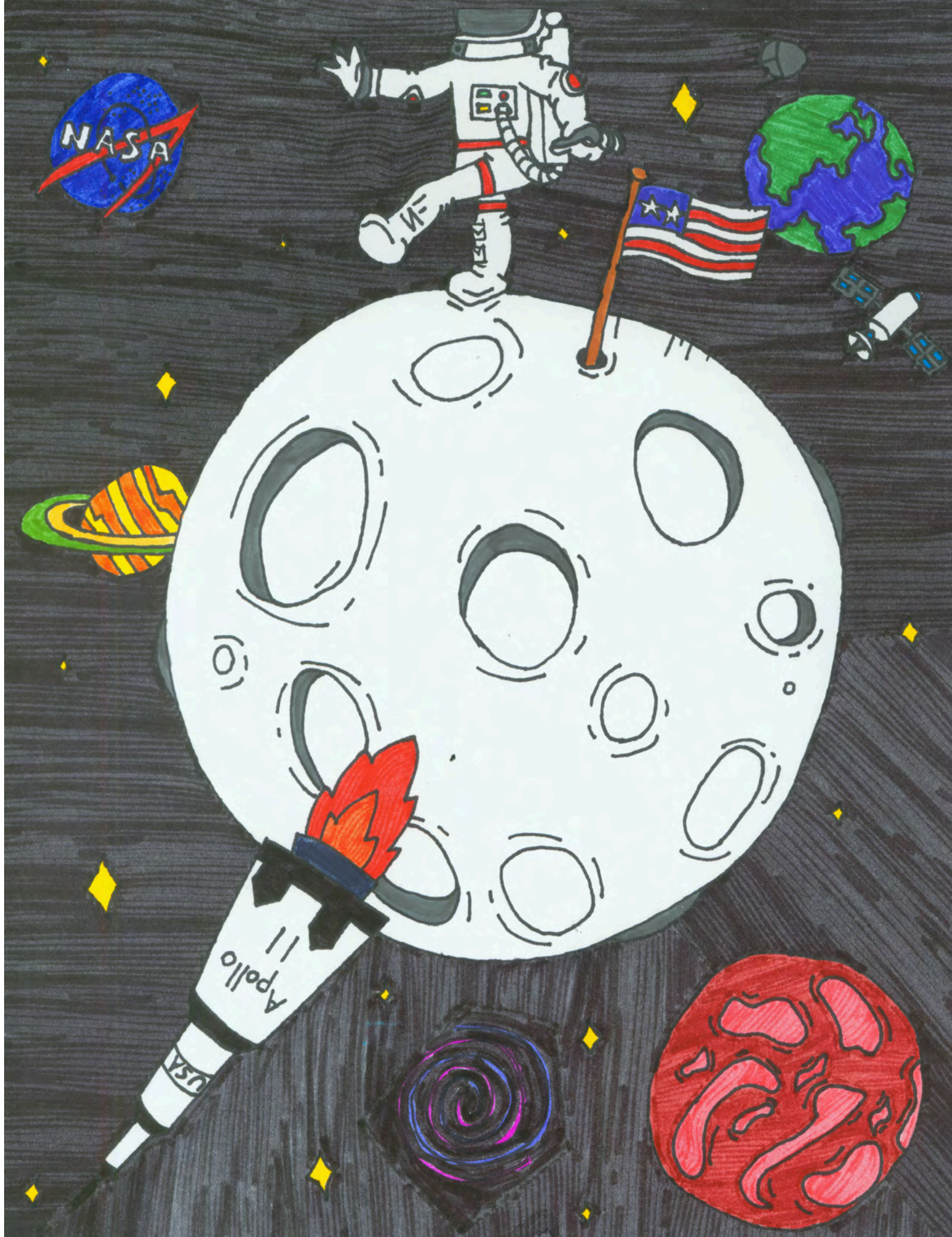


APOLLO

11

WE CAME IN PEACE FOR ALL MANKIND

One step for man,
one giant leap for mankind





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, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2019, 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 – Correction of Errors

As discussed in Note 4.M. to the financial statements, in fiscal year 2019 the School District recorded prior period adjustments for the correction of errors for over accruing payroll liabilities, overpaying prepaid expenses, and understating capital assets. As of July 1, 2018, the School District's net position was restated to reflect a net increase in fund balance because of the errors. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit for the year ended June 30, 2019 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, 2019, 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, 2019, 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, 2019.

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, 2018 (not presented herein), and have issued our report thereon dated February 06, 2019, 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 2018 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, 2018 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 2018 financial statements. The 2018 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations information have been subjected to the auditing procedures applied in the audit of the 2018 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

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

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 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, 2018.

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 07, 2020

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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 the *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification").

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, 2019. 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

The School Reform Commission (SRC) and the State took measures to put governance under local control of a Board of Education beginning July 1, 2018. This action has 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 2019 include, but are not limited to, the following:

- Total revenues were \$3,761.4 million. Over 47.2% 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 42.3% of the District's revenues are from the collection of local taxes and local nontax sources. The remaining 10.5% is subsidies and grants awarded and appropriated by the Federal government.

Management's Discussion and Analysis

- Total revenues increased by \$203.7 million compared to Fiscal Year 2018. Program revenues increased by \$24.7 million primarily from: 1) \$16.6 million increase in operating grants and contributions; 2) \$7.5 million increase in capital grants and contributions, and 3) \$0.6 million increase in service charges. This increase is largely due to additional grant funds received from the federal government and private grantors. Local revenues increased by \$73.3 million due to a \$52.3 million increase in Property taxes and a total increase of \$21.0 million in Use and Occupancy tax, Liquor tax, School Income tax, Cigarette tax and Rideshare revenues. Local grants and contributions not restricted to specific programs increased by \$86.5 million primarily from contributions from the local government, interest and other miscellaneous revenues. State and Federal grants and subsidies increased by \$14.9 million primarily due to increases in the basic education appropriation, transportation reimbursement and pension plan reimbursement. The District also had an increase of \$4.3 million in swap derivative revenue.
- Total expenses were \$3,641.1 million. Approximately 96% of all expenses are for instructional services, direct student-related costs and services directly benefiting 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 \$254.3 million compared to Fiscal Year 2018. This increase is due to an additional \$188.0 million in instruction costs, \$26.9 million in student support services, \$6.0 million in administrative support services, \$32.9 million in operation and maintenance of plant services, and \$9.3 in pupil transportation offset by decreases of \$11.4 million in other support services and interest. In addition, expenses under Business-type activities increased by \$2.6 million primarily due to the recognition of a new business type activity, Use of Facilities.
- At the end of the current fiscal year, total net deficit was \$4,282.3 million. Over 90% of the net deficit was due to the adoption of GASB's reporting requirements for pensions and other postemployment benefits (OPEB). In Fiscal Year 2019, the District recognized an unfunded net pension liability of \$3,698.9 million and an unfunded net PSERS OPEB and Life Insurance OPEB liability of \$160.7 million and \$15.9 million, respectively. The remaining 10% of net deficit is due to other unfunded liabilities, such as termination pay liabilities and workers compensation.
- The Operating Fund consists of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2019 ending Operating Fund balance is \$304.2 million. Of the total \$304.2 million fund balance for the Operating Fund at June 30, 2019, \$25.1 million is non-spendable or encumbered for existing purchase commitments and \$56.5 million is restricted for future debt service payments, leaving an ending budgetary operating fund balance of \$222.6 million.
- The Operating Fund balance of \$304.2 million as of June 30, 2019 reflects a \$39.5 million increase from the Fiscal Year 2018 balance. This balance includes \$24.7 million of encumbrances for the General and Intermediate Funds, \$0.4 million of General Fund inventories, and \$56.5 million for future debt payments resulting in a \$222.6 million ending budgetary operating fund balance. The increase from Fiscal Year 2018 is primarily the result of several factors: higher local tax revenues and state revenues partially offset by increased instructional, operation and maintenance, pupil transportation, charter school payments, and principal and interest 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 \$195.0 million. Of this amount, \$162.4 million is to pay obligations for the next fiscal year, \$32.2 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 ended Fiscal Year 2019 with an increase in fund balance of \$3.9 million as compared to \$10.0 million in Fiscal Year 2018, a \$6.1 million decrease. This decrease is a result of the following: 1) \$23.7 million of additional principal and interest payments (including defeased interest) offset by; 2) \$2.1 million of additional interest revenue; 3) \$15.4 of additional transfers in from tax revenue and 4) capital asset proceeds of \$0.1 million.

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 2019. 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 1 provides a summary of the School District's net deficit position as of June 30, 2019. A more detailed Statement of Net Position is on page 34 of the Basic Financial Statement section:

Net Position
As of June 30, 2019
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Assets						
Current & Other Assets	\$ 1,021.5	\$ 1,155.2	\$ 31.7	\$ 31.2	\$ 1,053.2	\$ 1,186.4
Capital Assets	1,798.3	1,709.6	3.4	2.8	1,801.7	1,712.4
Total Assets	2,819.8	2,864.8	35.1	34.0	2,854.9	2,898.8
Deferred Outflows of Resources						
Deferred Refunding Charges - Loss	90.2	104.5	0.0	0.0	90.2	104.5
Deferred Pension	700.0	648.6	10.6	9.8	710.6	658.4
Deferred OPEB	26.1	14.9	0.4	0.2	26.5	15.1
Total Deferred Outflows	816.3	768.0	11.0	10.0	827.3	778.0
Liabilities						
Current & Other Liabilities	405.0	398.8	1.7	4.4	406.7	403.2
Long-Term Liabilities	3,535.1	3,706.0	2.0	2.1	3,537.1	3,708.1
Net Pension Liability	3,643.7	3,518.7	55.1	53.2	3,698.8	3,571.9
Net OPEB Liability	174.1	161.5	2.5	2.3	176.6	163.8
Total Liabilities	7,757.9	7,785.0	61.3	62.0	7,819.2	7,847.0
Deferred Inflows of Resources						
Deferred Refunding Charges - Gain	3.6	3.8	0.0	0.0	3.6	3.8
Deferred Pension	132.3	229.7	2.0	3.5	134.3	233.2
Deferred OPEB	7.3	8.0	0.1	0.1	7.4	8.1
Total Deferred Inflows	143.2	241.5	2.1	3.6	145.3	245.1
Net Position						
Net Investment in Capital Assets	(620.1)	(637.7)	3.4	2.8	(616.7)	(634.9)
Restricted	210.6	206.6	0.0	0.0	210.6	206.6
Unrestricted (Deficit)	(3,855.5)	(3,962.7)	(20.7)	(24.4)	(3,876.2)	(3,987.1)
Total Net Position (Deficit)	\$ (4,265.0)	\$ (\$4,393.8)	\$ (\$17.3)	\$ (\$21.6)	\$ (4,282.3)	\$ (4,415.4)

For the Fiscal Year ended June 30, 2019, the School District's total net deficit was \$4,282.3 million. This net deficit amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$3,876.2) million is unrestricted. This balance reflects the results of Fiscal Year 2019 operations of \$120.3 million of revenue over expenses and prior period adjustments of \$12.8 million. This total increase of \$133.1 million was the result of the following: 1) A net increase in assets and deferred outflows of resources of \$5.3 million, 2) a decrease in liabilities of \$28.0 million and 3) a decrease in deferred inflows of resources of \$99.8 million. The net increase in assets and deferred outflows of \$5.3 million is made up of increases in capital assets net of accumulated depreciation of \$89.3 million, the recognition of prepaid expenses and swap derivative investments of \$4.2 million and \$4.8 million, respectively, and increases in deferred pension and OPEB contributions of \$63.6 million offset by decreases in: cash and restricted cash of \$106.9 million, net receivables of \$34.6 million, prepaid bond insurance premiums of \$0.7 million and deferred refunding losses of \$14.4 million. The decrease in liabilities of \$28.0 million is made up of decreases in bond related debt and termination compensation payable of \$171.0 million and \$12.6 million, respectively, offset by increases in: net pension and OPEB liabilities of \$139.7 million, unearned revenue of \$15.7 million and other various liabilities of \$0.2 million. The decrease in deferred inflows of resources of \$99.8 million is due to decreases of \$99.6 million in deferred pension inflows, primarily due to an increase adjustment to the District's proportionate share and \$0.2 million in deferred debt refunding gains.

Management's Discussion and Analysis

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, 2019
(Dollars in Millions)
Table 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 5.0	\$ 5.4	\$ 1.8	\$ 0.8	\$ 6.8	\$ 6.2
Operating Grants & Contributions	1,024.1	1,009.9	90.8	88.4	1,114.9	1,098.3
Capital Grants & Contributions	8.1	0.6	-	-	8.1	0.6
General Revenues						
Property Taxes	841.8	789.5	-	-	841.8	789.5
Other Taxes	500.5	479.5	-	-	500.5	479.5
Grants & Contributions Not Restricted	225.7	139.2	-	-	225.7	139.2
State & Federal Subsidies Not Restricted	1,056.8	1,041.9	-	-	1,056.8	1,041.9
Investment Revenue/(Expense)	6.8	2.5	-	-	6.8	2.5
Total Revenues	<u>3,668.8</u>	<u>3,468.5</u>	<u>92.6</u>	<u>89.2</u>	<u>3,761.4</u>	<u>3,557.7</u>
Expenses						
Instruction	2,667.2	2,479.2	-	-	2,667.2	2,479.2
Student Support Services	282.4	255.5	-	-	282.4	255.5
Administrative Support & Other	145.2	147.9	-	-	145.2	147.9
Interest on Long Term Debt	144.2	146.8	-	-	144.2	146.8
Pupil Transportation	100.7	91.4	-	-	100.7	91.4
Operation & Maintenance	213.0	180.1	-	-	213.0	180.1
Early Childhood Education	-	0.2	-	-	-	0.2
Food Service/Print Shop/Use of Facilities	-	-	88.4	85.7	88.4	85.7
Total Expenses	<u>3,552.7</u>	<u>3,301.1</u>	<u>88.4</u>	<u>85.7</u>	<u>3,641.1</u>	<u>3,386.8</u>
Excess before Transfers	116.1	167.4	4.2	3.5	120.3	170.9
Transfers	-	(0.1)	-	0.1	-	-
Increase in Net Position	116.1	167.3	4.2	3.6	120.3	170.9
Net (Deficit) - Beginning	(4,393.8)	(4,561.1)	(21.6)	(25.2)	(4,415.4)	(4,586.3)
Prior Period Adjustment - Payroll Liabilities	9.2	-	-	-	9.2	-
Prior Period Adjustment - Prepaid Expenses	3.2	-	-	-	3.2	-
Prior Period Adjustment - Capital Assets	0.3	-	0.1	-	0.4	-
Net (Deficit) - Ending	<u>\$ (4,265.0)</u>	<u>\$ (4,393.8)</u>	<u>\$ (17.3)</u>	<u>\$ (21.6)</u>	<u>\$ (4,282.3)</u>	<u>\$ (4,415.4)</u>

The ending Fiscal Year 2019 Net Deficit of a \$4,282.3 million, represents a positive \$133.1 million change from Fiscal Year 2018 Net Deficit of \$4,415.4 million, as adjusted. The Fiscal Year 2019 Net Deficit is comprised of: 1) revenues of \$3,761.4 million with \$1,129.8 million of program revenues and \$2,631.6 million

of general revenues, and 2) \$3,641.0 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.

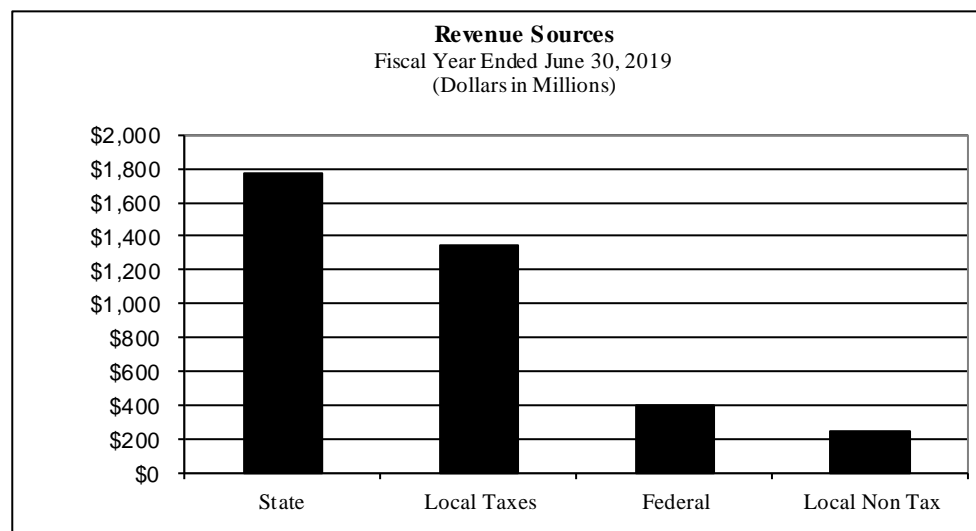
Major Sources of Revenues

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, 2019
(Dollars in Millions)
Table 3

Revenue Source	Program Revenues				General Revenues			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018	2019	2018	2019	2018
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,342.3	\$ 1,269.0	\$ -	\$ -
Locally Generated NonTax	15.0	15.4	1.8	0.8	232.5	141.6	-	0.1
State and Federal Grants and Subsidies	1,022.2	1,000.5	90.8	88.4	1,056.8	1,041.9	-	-
Total Revenue	<u>\$ 1,037.2</u>	<u>\$ 1,015.9</u>	<u>\$ 92.6</u>	<u>\$ 89.2</u>	<u>\$ 2,631.6</u>	<u>\$ 2,452.5</u>	<u>\$ -</u>	<u>\$ 0.1</u>

The following bar graph illustrates the School District's major sources of revenues for all revenue sources for Fiscal Year 2019:

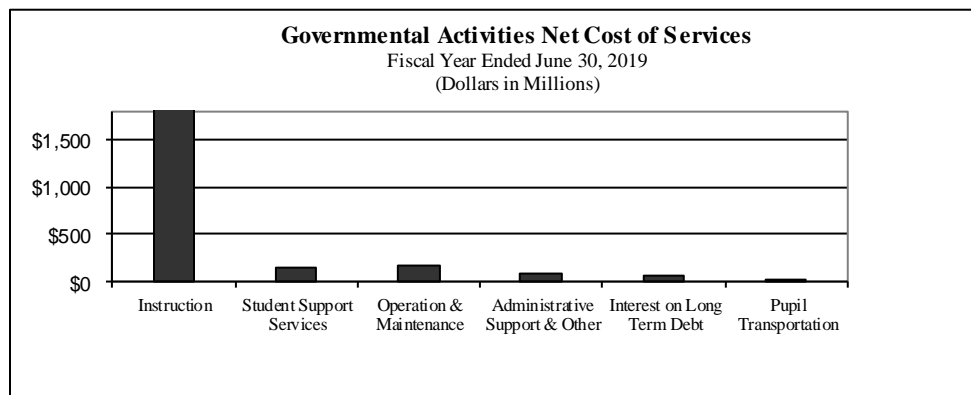


Cost of Services by Major Functional Expense Category

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/Use of Facilities and Early Childhood Education.

**Cost of Services by
Major Functional Expense Category**
Fiscal Year Ended June 30, 2019
(Dollars in Millions)
Table 4

Functional Expense	2019		2018	
	Gross Cost of Services	Net Cost of Services	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,667.2	\$ 2,030.6	\$ 2,479.2	\$ 1,856.6
Student Support Services	282.4	144.5	255.5	129.4
Operation & Maintenance	213.0	175.0	180.1	154.9
Administrative Support & Other	145.2	93.2	147.9	83.6
Interest on Long Term Debt	144.2	58.3	146.8	60.8
Pupil Transportation	100.7	13.9	91.4	(0.1)
Food Service / Print Shop / Use of Facilities	88.4	(4.2)	85.7	(3.5)
Early Childhood Education	-	-	0.2	-
Total Expenses	\$ 3,641.1	\$ 2,511.3	\$ 3,386.8	\$ 2,281.7



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 \$107.2 million on June 30, 2019. For Fiscal Year 2019, there was an excess of revenues over expenditures of \$584.5 million, offset by \$559.2 of other financing uses, decrease of \$0.2 million change in inventory reserves, and prior period adjustment for payroll liabilities of \$9.2 million. These together resulted in a \$34.3 million favorable impact to the ending fund balance.

Intermediate Unit Fund

The Intermediate Unit Fund accounts for state appropriations for special education 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 2019, the Intermediate Unit Fund had a deficiency of revenues under expenditures of \$274.5 million, other financing sources to cover the revenue shortfall of \$275.7 million totaling a net increase of \$1.3 million to fund balance resulting in an ending fund balance of \$2.0 million at June 30, 2019.

Categorical Funds

Categorical Funds account for specific purpose federal, state, city or private grants and non public school programs to cover the costs of dedicated programs and special initiatives. Categorical Funds had a \$5.9 million positive net change in fund balance, which resulted in a negative \$3.8 million fund balance at June 30, 2019. There were \$3.8 million still outstanding from grantors and recorded as unavailable revenue for FY19 compared to \$9.7 million from FY18.

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 2019, the Debt Service Fund reflects a \$3.9 million net increase in fund balance to \$195.0 million as of June 30, 2019. Primarily the causes of the net increase related to: 1) \$12.7 million increase for debt service principal requirements; 2) \$4.1 million decrease for interest payments, and 3) a net decrease of \$4.7 million set aside for mandatory sinking fund payments.

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 2019, the Capital Projects Fund decreased by \$185.6 million to a fund balance of \$140.9 million. Revenues were \$10.0 million and transfers-in were \$0.1 million. New building construction totaled \$17.9 million, capital alterations and improvements environmental management totaled \$100.2 million, major renovations, and equipment acquisitions totaled \$77.6 million.

Enterprise Funds

The Enterprise Funds account for the operations of the Food Service Division (Major Fund), the Print Shop (Non-Major Fund) and the Use of Facilities (Non-Major Fund). The Enterprise Funds had a total net deficit balance of \$17.3 million at the end of Fiscal Year 2019 with a negative \$15.9 million for the Food Service Fund, negative \$1.5 million for the Print Shop and a positive \$0.1 million for Use of Facilities. This reflects a \$4.3 million increase in net position from the previous fiscal year, almost all related to the Food Service Fund \$4.1 million net profit. The additional change of \$0.1 million is attributable to a new External Use of Facilities Fund, which segregates from the General Fund the related revenues and costs for use of our buildings by third parties.

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, 2019

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2019	Fiscal Year 2018
General	\$ 25.3	\$ 53.6
Intermediate Unit	1.3	(0.9)
Categorical	5.9	(2.7)
Debt Service	3.9	10.0
Capital Projects	(185.6)	150.6
Food Service	4.1	3.6
Non-Major Enterprise	0.1	-
Non-Major Governmental	0.1	0.1
Total Change in Fund Balance/Net Position	<u>\$ (144.9)</u>	<u>\$ 214.3</u>

Total Fund Balances for Major and Non-Major Funds

As of June 30, 2019

(Dollars in Millions)

Table 6

Fund	Fiscal Year 2019	Fiscal Year 2018
General	\$ 107.2	\$ 72.9
Intermediate Unit	2.0	0.7
Categorical	(3.8)	(9.7)
Debt Service	195.0	191.1
Capital Projects	140.9	326.5
Food Service	(15.9)	(20.1)
Non-Major Enterprise	(1.4)	(1.5)
Non-Major Governmental	<u>6.5</u>	<u>6.4</u>
Total Fund Balance/Net Position	<u>\$ 430.5</u>	<u>\$ 566.3</u>

Internal Service Funds

In addition, the District has two Internal Service Funds which accounts for the Healthcare Self Insurance Fund and the Internal Use of Facilities Fund. The Healthcare Self Insurance 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. A new Internal Use of Facilities Fund was established this fiscal year as part of the Internal Service Funds which segregates from the General Fund the related revenues and costs for use of our buildings after business hours for internal users. At June 30, 2019, the Internal Service Funds had a total net position balance of \$34.4 million, almost all of which is for the Healthcare Self Insurance Fund, 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 2019 ending Operating Fund Balance is \$304.2 million. Of the total \$304.2 million fund balance for the Operating Fund at June 30, 2019, \$25.1 million encumbrances for existing purchase commitments or inventory, and \$56.5 million is restricted for future QZAB and QSCB debt service principal payments, leaving a fund balance of positive \$222.6 million. The following are the classifications of the Operating Fund balances: 1) General Fund, \$84.1 million unassigned, \$22.7 million of encumbrances assigned and, \$0.4 million of non-spendable fund balance for inventories, 2) Intermediate Unit Fund, a positive \$2.0 million of committed fund balance for encumbrances, and 3) Debt Service Fund, a positive \$194.6 million is considered restricted and \$.4 million assigned for future debt service payments and defeasance.

On May 24, 2018, the SRC adopted the Fiscal Year 2019 Operating Budget of \$3,188.3 million in revenues and other sources and \$3,129.5 million in obligations and other uses. On May 30, 2019, the Board of Education amended the Fiscal Year 2019 Operating Budget of \$3,175.5 million in revenues and other financing sources and obligations and other financing uses of \$3,147.0 million. Both the adopted and amended Fiscal Year 2019 Operating Budget resolutions/action items reflect other financing sources and uses net of transfers between the General Fund, Intermediate Unit and Debt Service Fund.

General Fund Budget (Included in legally adopted Operating Budget)

For Fiscal Year 2019, the final budgeted General Fund revenue and Other Financing Sources was \$17.7 million lower than the original Fiscal Year 2019 budget adopted in May 2018. This resulted primarily from a \$36.0 million reduction in Real Estate taxes offset by a \$17.8 million increase in Use & Occupancy and School Income tax revenues, and a \$0.5 million increase in all other revenues.

The anticipated obligations in the final General Fund budget represented a decrease of \$4.0 million from the original adopted budget. This decrease resulted from the following changes in budgets: increase of \$19.0 million in payments to charter schools and \$4.6 million in facilities and utilities non personnel costs, offset by decreases of \$17.5 million due to the elimination of the reserve for federal cuts, \$8.5 million in benefits, and \$1.6 million in all other areas.

The anticipated Other Financing Uses in the final General Fund budget were \$7.3 million favorable over the original adopted budget. This is due primarily to a \$9.8 million reduction in the Debt service fund uses offset by a \$2.3 million increase in the Special Education Uses and \$0.2 million increase in other fund transfers.

The actual ending General Fund balance at June 30, 2019 of a positive \$107.2 million was \$35.3 million favorable compared to the final budget ending balance of a \$71.9 million. Actual General Fund revenues of

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\$3,029.5 million are \$12.8 million higher than those estimated in the final General Fund budget of \$3,016.7 million. Actual General Fund obligations totaling \$2,434.8 million were \$3.9 million higher than estimated in the final budget of \$2,430.9 million. Other financing sources and uses of \$559.3 million were \$1.8 million unfavorable compared to the final budget. In addition, \$23.2 million of fund balance is not available for appropriation (a beginning fund balance variance of \$33.4 million is due to encumbrances and other reserve carryforward from Fiscal Year 2018 offset by a \$10.2 million change in encumbrance and inventory reserves during the current year). Furthermore, there was a favorable final budget to actual variance of \$5.0 million due to a prior period adjustment related to a reconciliation of the District's payroll liabilities.

Table 7 presents a summary comparison of the General Fund's original and final operating budgets with actual performance. More details 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, 2019

(Dollars in Millions)

Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 3,034.4	\$ 3,016.7	\$ 3,029.5	\$ 12.8
Total Obligations	2,435.0	2,430.9	2,434.8	(3.9)
Total Other Financing Sources/(Uses)	(565.0)	(557.5)	(559.3)	(1.8)
Net Change in Fund Balance	34.4	28.3	35.4	7.1
Fund Balance Beginning of Year	25.2	39.5	72.9	33.4
Prior Period Adjustment	-	4.2	9.2	5.0
Change in Reserves	-	-	(10.3)	(10.3)
Fund Balance End of Year	\$ 59.6	\$ 72.0	\$ 107.2	\$ 35.2

During Fiscal Year 2019, 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 \$12.8 million favorable variance due to a \$7.4 million favorable variance in Local Tax revenues, a \$2.5 million favorable variance in Local Non-Tax revenues, and \$2.9 million favorable variance in State and Federal revenues.
- Obligations were \$3.9 million more than budgeted primarily due to increases in charter payments of \$18.0 million and an additional \$1.7 million of other various obligations offset by favorable savings in employee benefit expenses of \$7.1 million, cancelation of prior year encumbrances of \$3.4 million, and payments to other educational entities of \$5.3 million.
- Other Financing uses were \$1.8 million unfavorable from the final budget. This is due to increases of \$2.1 million of transfers to the Debt Service Fund and \$0.1 million of proceeds from the sale of capital assets offset by a decrease of \$0.4 million of transfers to all other funds.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2019, the School District had \$3,712.4 million invested in capital assets. Over the years, these assets have depreciated by \$1,910.8 million leaving a carrying value of \$1,801.6 million. This represents a decrease of \$88.8 million over the Fiscal Year 2018 ending balance. Table 8 represents Net Capital Assets. Refer to Footnote 4D for additional information.

Net Capital Assets

As of June 30, 2019

(Dollars in Millions)

Table 8

<u>Capital Asset Category</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 129.2	\$ 127.8	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,466.7	1,451.0	-	-
Personal Property	49.3	50.2	3.3	2.8
Construction In Progress	153.1	81.0	-	-
Total Net Book Value	<u>\$ 1,798.3</u>	<u>\$ 1,710.0</u>	<u>\$ 3.3</u>	<u>\$ 2.8</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 a 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.

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 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 minority chair of the appropriations committee of the PA House time to "review and comment" on the request is required.

In December 2018, Moody upgraded the School District's Bond rating to Baa3 and set the outlook to stable. This improved rating has positively influenced 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, 2019

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Total Bonded Debt	\$ 3,182.4	\$ 3,350.7	\$ -	\$ -
Employee Related Obligations	4,018.3	3,883.2	59.7	57.6
Due to Other Governments	45.3	45.3	-	-
Other	106.9	107.0	-	-
Total Long-Term Obligations Outstanding	<u>\$ 7,352.9</u>	<u>\$ 7,386.2</u>	<u>\$ 59.7</u>	<u>\$ 57.6</u>

The Total Long-term Obligations Outstanding decreased by \$31.2 million. This includes a decrease in bonded debt of \$168.3 million and an increase in employee obligations of \$137.1 million. Refer to Footnote 4E (2) for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District ended Fiscal Year 2019 with a positive operating fund balance of \$304.2 million, which reflects expendable and nonexpendable categories and amounts that are restricted, committed, assigned or unassigned. The \$304.2 million includes \$25.1 million of encumbrances and inventories for the General Fund and Intermediate Unit Fund, and \$56.5 million in funds assigned to future long-term Debt Service payments. The ending budgetary operating fund balance is a positive \$222.6 million after accounting for those items.

The adoption of the GASB's Postemployment Benefits Other Than Pensions (OPEB) reporting requirements last year and the adoption of GASB's pension reporting requirements three 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.

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 approach, the District reports 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, the District reports its total OPEB Life Insurance Benefit liability under the net position for governmental activities on the government-wide statements. Total OPEB Life Insurance Benefit liability are fully liquidated by the General Fund.

At June 30, 2019, the GASB's OPEB reporting requirements had a cumulative net effect of \$157.5 million. Of the \$157.5 million cumulative net effect at June 30, 2019, \$155.3 million and \$2.2 million affected the Governmental activities section and Business-activities section, respectively. For the \$155.3 million, under the

Management's Discussion and Analysis

Governmental section, this included \$174.1 million net OPEB liability, \$26.1 million in deferred OPEB outflows, and \$7.3 million in deferred OPEB inflows. For the cumulative net effect of \$2.2 million under the Business-activities section, this included \$2.5 million net OPEB Healthcare liability, \$0.4 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 \$2.2 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's pension reporting requirements continues to have a significant effect on the financial statements and net position in the current fiscal year. 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. Under this 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 2019, the GASB's pension reporting requirements resulted in a cumulative net effect of \$3,122.5 million. Of the \$3,122.5 million cumulative net effect, \$3,076.0 million and \$46.5 million affected the Governmental activities section and Business-activities section, respectively. For the cumulative net effect of \$3,076.0 million under the Governmental section, this included \$3,643.7 million net pension liability, \$700.0 million in deferred pension outflows, and \$132.3 million in deferred pension inflows. For the cumulative net effect of \$46.5 million under the Business-activities section, this included \$55.2 million net pension liability, \$10.6 million in deferred pension outflows, and \$2.0 million in deferred pension inflows. The cumulative net effect of \$46.6 million affected 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 2020, the School District projected a positive \$214.4 million fiscal year ending June 30, 2019 budgetary operating fund balance. The projected Fiscal Year 2019 operating fund budget was achieved primarily through a projected beginning fund balance at the time of \$169.5 million, a projected operating surplus of \$36.1 million, projected changes in reserves of \$4.6 million, and an adjustment of prior year balance of \$4.2 million.

As of the end of the first quarter of Fiscal Year 2020, the School District projected a \$158.4 million ending fund balance for Fiscal Year 2020.

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 2019, supported 108 Charter Schools including brick and mortar and cyber 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 40% or \$968.4 million of the General Fund obligation budget going to charters in Fiscal Year 2019. Four years ago a Pennsylvania Supreme Court Decision stated that the School Reform Commission (now the Board of Education) 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; 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.

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 2019 expenditures from all funds were \$979.6 million representing a \$117.9 million increase over the prior fiscal year. Fiscal Year 2019 was the eighth 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 2018, 95.2% of the teachers in the School District were considered highly qualified, and 98.2% 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 was 90.4% in Fiscal Year 2019 and the percentage of highly certified teachers of core academic subjects 94.8%.

The District has experienced a rising cost of personnel benefits, which is a major cost driver. Retirement benefits are State mandated expenditures of \$351.5 million (net expenditures of \$110.7 million with State reimbursement portion) in Fiscal Year 2019 and the required employer contribution rates have been growing drastically over the past five fiscal years (from 21.4% in Fiscal Year 2015 to 33.4% in 2019, an increase of 56.1%), 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 2019 were about \$180.7 million (excluding Health & Welfare payments to Unions and dental). The District spent \$300.3 million on debt service in Fiscal Year 2019. 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 has served 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)." The number of all District serious incidents continue to decrease year over year. 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 invested 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 \$1,725.0 million from Fiscal Years' 2020 to 2025 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 2020 is \$319.5 million, and as of May 2019, will partially fund 108 active construction contracts and primarily fund 53 projects currently in the design phase and 113 projects in the planning 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 facility 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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 1,666	\$ 2,627	\$ 4,293
Cash and Investments with Fiscal Agent	194,987,990	-	194,987,990
Equity In Pooled Cash and Investments	165,841,137	28,769,429	194,610,566
Investments	143,569,280	-	143,569,280
Taxes Receivable (Net)	159,335,913	-	159,335,913
Due from Other Governments	147,755,334	2,153,300	149,908,634
Accounts Receivable (Net)	32,665,539	388,166	33,053,705
Accrued Interest Receivable	455,070	-	455,070
Derivative Instrument Receivable	4,805,823	-	4,805,823
Internal Balances	364,879	(364,879)	-
Inventory	424,909	787,708	1,212,617
Prepaid Expenses	4,232,316	-	4,232,316
Prepaid Bond Insurance Premium Costs	6,850,970	-	6,850,970
Restricted Assets:			
Cash and Cash Equivalents	25,876,918	-	25,876,918
Investments	124,880,938	-	124,880,938
Funds on Deposit	9,500,000	-	9,500,000
Capital Assets:			
Land	129,236,296	-	129,236,296
Buildings and Improvements	3,145,431,613	-	3,145,431,613
Personal Property	194,700,719	18,309,463	213,010,182
Construction in Progress	153,070,614	-	153,070,614
Intangibles	71,628,962	-	71,628,962
Accumulated Depreciation	(1,895,814,608)	(14,956,158)	(1,910,770,766)
Total Assets	2,819,802,278	35,089,656	2,854,891,934
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges - Losses	90,177,194	-	90,177,194
Deferred Pension	699,999,182	10,592,604	710,591,786
Deferred OPEB	26,108,178	404,916	26,513,094
Total Deferred Outflows of Resources	816,284,554	10,997,520	827,282,074
LIABILITIES			
Accounts Payable	156,176,044	943,626	157,119,670
Overpayment of Taxes	21,304,076	-	21,304,076
Accrued Salaries and Benefits Payable	136,850,044	607,874	137,457,918
Termination Compensation Payable	14,761,966	140,763	14,902,729
Other Liabilities	7,061,037	-	7,061,037
Unearned Revenue	31,939,633	-	31,939,633
Due to Other Governments	4,308,237	-	4,308,237
Bond Interest Payable	32,596,789	-	32,596,789
Non-Current Liabilities			
Due within one year	266,501,542	166,181	266,667,723
Due in more than one year	7,086,361,441	59,482,096	7,145,843,537
Total Liabilities	7,757,860,809	61,340,540	7,819,201,349
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension	132,279,979	2,001,984	134,281,963
Deferred OPEB	7,322,363	94,624	7,416,987
Deferred Refunding Charges - Gain	3,604,689	-	3,604,689
Total Deferred Inflows of Resources	143,207,031	2,096,608	145,303,639
NET POSITION			
Net Investment in Capital Assets	(620,121,037)	3,353,305	(616,767,732)
Restricted for:			
Medical Self-Insurance	9,500,000	-	9,500,000
Debt Service	194,612,106	-	194,612,106
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	3,431,391	-	3,431,391
Non-Expendable - Scholarships	3,039,524	-	3,039,524
Arbitrage Rebate Payable	54,833	-	54,833
Unrestricted Deficit	(3,855,497,825)	(20,703,277)	(3,876,201,102)
Total Net Deficit	\$ (4,264,981,008)	\$ (17,349,972)	\$ (4,282,330,980)

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities							
Instruction	\$ 2,667,212,241	\$ -	\$ 181,506	\$ 636,445,738	\$ -	\$ (2,030,584,997)	\$ -
Student Support Services	282,430,992	-	-	137,968,365	-	(144,462,627)	-
Administrative Support	139,920,040	-	4,348,385	46,895,627	-	(88,676,028)	-
Operation & Maintenance of Plant Services	217,953,758	(5,000,000)	470,654	29,385,967	8,128,781	(174,968,356)	-
Pupil Transportation	100,733,849	-	-	86,789,683	-	(13,944,166)	-
All Other Support Services	5,211,938	-	-	701,477	-	(4,510,461)	-
Interest on Long-Term Debt	144,236,474	-	-	85,925,818	-	(58,310,656)	-
Total Governmental Activities	3,557,609,292	(5,000,000)	5,000,545	1,024,112,675	8,128,781	(2,515,457,291)	-
Business-Type Activities							
Food Service	81,229,929	5,000,000	48,007	90,525,697	-	-	4,343,775
Print Shop	1,163,759	-	770,991	129,240	-	-	(263,528)
Use of Facilities	998,606	-	973,085	156,568	-	-	131,047
Total Business-Type Activities	83,392,294	5,000,000	1,792,083	90,811,505	-	-	4,211,294
Total	\$ 3,641,001,586	\$ -	\$ 6,792,628	\$ 1,114,924,180	\$ 8,128,781	(2,515,457,291)	(2,511,245,997)

General Revenues, Investment Income and Transfers:

Property Taxes	841,772,532	-	-	-	-	841,772,532	-
Use & Occupancy Taxes	185,409,511	-	-	-	-	185,409,511	-
Liquor Taxes	80,204,813	-	-	-	-	80,204,813	-
School (Non-Business) Income Taxes	51,062,654	-	-	-	-	51,062,654	-
Public Utility / PILOT Taxes	1,182,157	-	-	-	-	1,182,157	-
Cigarette Sales Tax	58,152,785	-	-	-	-	58,152,785	-
Sales Tax	120,000,000	-	-	-	-	120,000,000	-
Ridesharing Revenue	4,461,419	-	-	-	-	4,461,419	-
Grants and Contributions Not Restricted to Specific Programs	225,651,062	-	-	-	-	225,651,062	-
State & Federal Subsidies Not Restricted to Specific Programs	1,056,804,566	-	-	-	-	1,056,804,566	-
Transfers	25,939	-	-	-	-	25,939	-
Investment Revenue	6,847,874	-	-	-	-	6,847,874	-
Total General Revenues/Investment Revenue/Transfers:	2,631,576,112	(25,939)	-	-	-	2,631,550,173	-
Change in Net Position	116,118,821	4,185,355	-	-	-	120,304,176	-
Net Deficit - As of July 1, 2018, as Previously Stated	(4,393,806,843)	(21,555,910)	-	-	-	(4,415,362,753)	-
Prior Period Adjustment - Payroll Liabilities	9,243,483	-	-	-	-	9,243,483	-
Prior Period Adjustment - Prepaid Expenses	3,177,322	-	-	-	-	3,177,322	-
Prior Period Adjustment - Capital Assets	286,209	20,583	-	-	-	306,792	-
Net Deficit - As of July 1, 2018, as Adjusted	(4,381,095,829)	(21,535,327)	-	-	-	(4,402,635,156)	-
Net Deficit - As of June 30, 2019	(4,264,981,008)	(17,349,972)	-	-	-	(4,282,330,980)	-

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 1,666	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	26,427,012	20,998,959	26,398,143
Investments	143,569,280	-	-
Taxes Receivable (Net)	159,335,913	-	-
Due from Other Funds	364,879	-	-
Due from Other Governments	79,134,586	12,981,282	50,471,996
Accounts Receivable (Net)	30,959,829	1,074,970	-
Accrued Interest Receivable	27,463	-	-
Inventory	424,909	-	-
Total Assets	\$ 440,245,537	\$ 35,055,211	\$ 76,870,139
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 71,350,938	\$ 8,674,727	\$ 22,781,575
Overpayment of Taxes	21,304,076	-	-
Accrued Salaries and Benefits Payable	89,701,211	24,365,830	22,506,841
Termination Compensation Payable	14,761,966	-	-
Unearned Revenue	-	-	31,385,735
Due to Other Governments	4,112,249	-	195,988
Other Liabilities	7,061,037	-	-
Total Liabilities	208,291,477	33,040,557	76,870,139
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	124,712,957	-	-
Unavailable Grant Revenue	-	-	3,770,008
Total Deferred Inflows of Resources	124,712,957	-	3,770,008
Fund Balances:			
Nonspendable:			
Inventories	424,909	-	-
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	-	-	-
Committed:			
Special Education	-	2,014,654	-
Assigned:			
Defeasance	-	-	-
Subsequent Year Expenditures	22,731,703	-	-
Unassigned (Deficit):	84,084,491	-	(3,770,008)
Total Fund Balances (Deficit)	107,241,103	2,014,654	(3,770,008)
Total Liabilities and Fund Balances	\$ 440,245,537	\$ 35,055,211	\$ 76,870,139

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
\$ -	\$ 25,876,918	\$ -	\$ 25,878,584
194,987,990	-	-	194,987,990
-	29,539,901	6,473,250	109,837,265
-	124,880,938	-	268,450,218
-	-	-	159,335,913
-	-	-	364,879
-	5,167,470	-	147,755,334
-	630,740	-	32,665,539
19,425	408,182	-	455,070
-	-	-	424,909
<u>\$ 195,007,415</u>	<u>\$ 186,504,149</u>	<u>\$ 6,473,250</u>	<u>\$ 940,155,701</u>
\$ 3,000	\$ 39,393,385	\$ 2,335	\$ 142,205,960
-	-	-	21,304,076
-	276,162	-	136,850,044
-	-	-	14,761,966
-	553,898	-	31,939,633
-	-	-	4,308,237
-	-	-	7,061,037
<u>3,000</u>	<u>40,223,445</u>	<u>2,335</u>	<u>358,430,953</u>
-	-	-	124,712,957
-	5,375,463	-	9,145,471
<u>-</u>	<u>5,375,463</u>	<u>-</u>	<u>133,858,428</u>
-	-	-	424,909
-	-	1,365,405	1,365,405
105,949,581	-	-	105,949,581
56,482,333	-	-	56,482,333
32,180,192	-	-	32,180,192
-	54,833	-	54,833
-	-	5,105,510	5,105,510
-	140,850,408	-	140,850,408
-	-	-	2,014,654
392,308	-	-	392,308
-	-	-	22,731,703
-	-	-	80,314,483
<u>195,004,414</u>	<u>140,905,241</u>	<u>6,470,915</u>	<u>447,866,319</u>
<u>\$ 195,007,414</u>	<u>\$ 186,504,149</u>	<u>\$ 6,473,250</u>	<u>\$ 940,155,700</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
to the Statement of Net Position
June 30, 2019

Fund Balances - Total Governmental Funds (page 37)	\$	447,866,319
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid Expenses used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,232,316
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,798,253,596
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		133,858,428
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Deferred outflows and inflows of resources for refunding losses and gains are not available for the current period, therefore, are not reported in the governmental funds.		86,572,505
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Long-term liabilities, including bonds payable and unfunded net pension payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(7,361,426,801)
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Derivative instruments, are not earned and received in the current period, and therefore are not reported as an asset in the governmental funds.		4,805,823
--	--	-----------

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.		586,505,018
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Net position of the Internal Service Funds are not reported in the governmental funds but is blended in the net deficit of the governmental activities.		34,351,788
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Net deficit of governmental activities (page 34)	\$	<u>(4,264,981,008)</u>
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The notes to the basic financial statements are an integral part of this statement.

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School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2019

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 1,346,789,457	\$ -	\$ -
Locally Generated Non Tax	218,877,559	208,742	9,899,026
State Grants and Subsidies	1,463,715,756	137,107,186	155,781,857
Federal Grants and Subsidies	92,351	-	301,849,057
Total Revenues	<u>3,029,475,123</u>	<u>137,315,928</u>	<u>467,529,940</u>
EXPENDITURES			
Current:			
Instruction	1,028,032,717	272,144,238	301,713,698
Student Support Services	36,422,092	130,094,663	113,331,516
Administrative Support	88,982,329	9,570,143	35,055,700
Operation & Maintenance of Plant Services	216,438,662	-	1,727,102
Pupil Transportation	101,223,261	-	-
All Other Support Services	5,485,297	-	-
Payments to Charter Schools	968,360,760	-	11,260,412
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Major Renovations	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>2,444,945,118</u>	<u>411,809,044</u>	<u>463,088,428</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>584,530,005</u>	<u>(274,493,116)</u>	<u>4,441,512</u>
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	275,748,055	1,463,609
Transfers Out	(559,230,480)	-	-
Capital Asset Proceeds	-	-	-
Total Other Financing Sources/(Uses)	<u>(559,230,480)</u>	<u>275,748,055</u>	<u>1,463,609</u>
Net Change in Fund Balances	25,299,525	1,254,939	5,905,121
Fund Balances (Deficit), July 1, 2018	72,882,138	759,715	(9,675,129)
Prior Period Adjustment	9,243,483	-	-
Change in Inventory Reserve	(184,043)	-	-
Fund Balances (Deficit), June 30, 2019	<u>\$ 107,241,103</u>	<u>\$ 2,014,654</u>	<u>\$ (3,770,008)</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
\$ -	\$ -	\$ -	\$ 1,346,789,457
5,453,376	5,579,442	119,661	240,137,806
-	4,469,768	-	1,761,074,567
16,755,043	-	-	318,696,451
<u>22,208,419</u>	<u>10,049,210</u>	<u>119,661</u>	<u>3,666,698,281</u>
-	-	36,094	1,601,926,747
-	-	-	279,848,271
-	-	-	133,608,172
-	-	-	218,165,764
-	-	-	101,223,261
-	-	-	5,485,297
-	-	-	979,621,172
127,525,000	-	-	127,525,000
103,582,037	-	-	103,582,037
69,142,275	-	-	69,142,275
82,900	-	-	82,900
-	17,846,992	-	17,846,992
-	13,050,309	-	13,050,309
-	87,210,280	-	87,210,280
-	63,434,865	-	63,434,865
-	14,181,814	-	14,181,814
<u>300,332,212</u>	<u>195,724,260</u>	<u>36,094</u>	<u>3,815,935,156</u>
<u>(278,123,793)</u>	<u>(185,675,050)</u>	<u>83,567</u>	<u>(149,236,875)</u>
281,941,252	103,503	-	559,256,419
-	-	-	(559,230,480)
112,916	-	-	112,916
<u>282,054,168</u>	<u>103,503</u>	<u>-</u>	<u>138,855</u>
3,930,375	(185,571,547)	83,567	(149,098,020)
191,074,039	326,476,788	6,387,348	587,904,899
-	-	-	9,243,483
-	-	-	(184,043)
<u>\$ 195,004,414</u>	<u>\$ 140,905,241</u>	<u>\$ 6,470,915</u>	<u>\$ 447,866,319</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, 2019

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)	\$ (149,098,020)
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.	104,160,310
Non capitalized purchases that exceed capital outlays - capital purchases.	(15,399,991)
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.	(343,018)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,409,225
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.	148,070,000
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.	37,816,107
The change in net position of the Internal Service Funds are reported with the governmental activities.	(10,495,792)
Change in net position of governmental activities (page 35)	<u>\$ 116,118,821</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, 2019

	Enterprise Fund				Internal Service Funds
	Food Service Major	Print Shop Non Major	Use of Facilities Non Major	Total	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 2,627	\$ -	\$ -	\$ 2,627	\$ -
Equity in Pooled Cash and Investments	28,769,429	-	-	28,769,429	56,003,872
Due From Other Governments	2,102,785	31,239	19,276	2,153,300	-
Other Receivables	-	-	388,166	388,166	-
Funds On Deposit	-	-	-	-	9,500,000
Inventories	752,447	35,261	-	787,708	-
Total Current Assets	31,627,288	66,500	407,442	32,101,230	65,503,872
Noncurrent Assets:					
Machinery & Equipment	17,742,427	567,036	-	18,309,463	-
Accumulated Depreciation	(14,447,317)	(508,841)	-	(14,956,158)	-
Total Noncurrent Assets	3,295,110	58,195	-	3,353,305	-
Total Assets	34,922,398	124,695	407,442	35,454,535	65,503,872
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Pension Contributions	4,942,057	149,277	-	5,091,334	-
Deferred Pension Assumptions and Earnings	5,339,975	161,295	-	5,501,270	-
Deferred OPEB Contributions	132,444	3,026	-	135,470	-
Deferred OPEB Outflows	263,429	6,017	-	269,446	-
Total Deferred Outflows of Resources	10,677,905	319,615	-	10,997,520	-
Total Assets and Deferred Outflows of Resources	\$ 45,600,303	\$ 444,310	\$ 407,442	\$ 46,452,055	\$ 65,503,872
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 910,928	\$ 32,698	\$ -	\$ 943,626	\$ 13,970,084
Accrued Salaries and Benefits Payable	592,409	15,465	-	607,874	-
Termination Compensation Payable	140,763	-	-	140,763	-
Due to Other Funds	-	88,484	276,395	364,879	-
Incurred But Not Reported Claims	-	-	-	-	17,182,000
Total Current Liabilities	1,644,100	136,647	276,395	2,057,142	31,152,084
Noncurrent Liabilities:					
Termination Compensation Payable	1,924,772	89,115	-	2,013,887	-
Net Pension Liability	53,520,882	1,616,608	-	55,137,490	-
Net OPEB Liability	2,441,133	55,767	-	2,496,900	-
Total Noncurrent Liabilities	57,886,787	1,761,490	-	59,648,277	-
Total Liabilities	59,530,887	1,898,137	276,395	61,705,419	31,152,084
DEFERRED INFLOWS OF RESOURCES:					
Deferred Pension	1,943,012	58,972	-	2,001,984	-
Deferred OPEB	92,511	2,113	-	94,624	-
Total Deferred Inflows of Resources	2,035,523	61,085	-	2,096,608	-
NET POSITION					
Net Investment in Capital Assets	3,295,110	58,195	-	3,353,305	-
Restricted for Healthcare Claims	-	-	-	-	9,500,000
Unrestricted (Deficit)	(19,261,217)	(1,573,107)	131,047	(20,703,277)	24,851,788
Total Net Position (Deficit)	(15,966,107)	(1,514,912)	131,047	(17,349,972)	34,351,788
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 45,600,303	\$ 444,310	\$ 407,442	\$ 46,452,055	\$ 65,503,872

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, 2019

	Enterprise Fund				Internal Service
	Food Service Major	Print Shop Non Major	Use of Facilities Non Major	Total	Funds
Operating Revenues:					
Food Service Revenue	\$ 48,007	\$ -	\$ -	\$ 48,007	\$ -
Sale of Printing Services	-	770,991	-	770,991	-
Rental of Facilities	-	-	973,085	973,085	177,860
Contributions for Services	-	-	-	-	170,214,919
Total Operating Revenues	48,007	770,991	973,085	1,792,083	170,392,779
Operating Expenses:					
Salaries	19,302,131	451,309	461,825	20,215,265	540,862
Employee Benefits	16,798,174	324,422	290,971	17,413,567	352,878
Other Purchased Service - Food	42,572,356	-	-	42,572,356	-
Benefit Payments	-	-	-	-	175,225,075
Depreciation	405,164	6,278	-	411,442	-
Other Operating Expenses	7,147,057	381,750	245,810	7,774,617	4,789,000
Total Operating Expenses	86,224,882	1,163,759	998,606	88,387,247	180,907,815
Operating Income/(Loss)	(86,176,875)	(392,768)	(25,521)	(86,595,164)	(10,515,036)
Non-Operating Revenues/(Expenses):					
Federal and State Grants	90,525,697	129,240	156,568	90,811,505	19,244
Loss on Sale of Capital Assets	(5,047)	-	-	(5,047)	-
Income (loss) Before Contributions and Transfers	4,343,775	(263,528)	131,047	4,211,294	(10,495,792)
Transfers In/(Out)	(289,467)	263,528	-	(25,939)	-
Change in Net Position	4,054,308	-	131,047	4,185,355	(10,495,792)
Total Net Position (Deficit) July 1, 2018	(20,040,998)	(1,514,912)	-	(21,555,910)	44,847,580
Prior Period Restatement	20,583	-	-	20,583	-
Total Net Position (Deficit) Restated July 1, 2018	(20,020,415)	(1,514,912)	-	(21,535,327)	44,847,580
Total Net Position (Deficit) June 30, 2019	\$ (15,966,107)	\$ (1,514,912)	\$ 131,047	\$ (17,349,972)	\$ 34,351,788

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, 2019

	Enterprise Fund				Internal Service Funds
	Food Service Major	Print Shop Non Major	Use of Facilities Non Major	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Users	\$ 48,007	\$ 771,081	\$ 584,919	\$ 1,404,007	\$ 170,392,779
Cash Payments to Employees for Services	(36,622,973)	(786,520)	(752,796)	(38,162,289)	(893,740)
Cash Payments to Suppliers for Goods and Services	(39,362,131)	(874)	-	(39,363,005)	(173,825,118)
Cash Payments for Other Operating Expenses	(7,147,057)	(381,750)	(245,810)	(7,774,617)	(4,789,000)
Cash Payments for Claimants	-	-	-	-	-
Net Cash (Used)/Provided by Operating Activities	(83,084,154)	(398,063)	(413,687)	(83,895,904)	(9,115,079)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments to/Advances from Other Funds	-	57,726	276,395	334,121	-
State Sources	8,433,392	129,240	137,292	8,699,924	19,244
Federal Sources	79,416,889	-	-	79,416,889	-
Transfers In/(Out)	(289,467)	263,528	-	(25,939)	-
Net Cash Provided by Non-Capital Financing Activities	87,560,814	450,494	413,687	88,424,995	19,244
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Equipment	(895,225)	(52,431)	-	(947,656)	-
Net Cash Used by Capital and Related Financing Activities	(895,225)	(52,431)	-	(947,656)	-
Net (Decrease)/Increase in Cash and Cash Equivalents	3,581,435	-	-	3,581,435	(9,095,835)
Cash and Cash Equivalents July 1, 2017	25,190,621	-	-	25,190,621	65,099,707
Cash and Cash Equivalents June 30, 2018	\$ 28,772,056	\$ -	\$ -	\$ 28,772,056	\$ 56,003,872
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating (Loss)	\$ (86,176,875)	\$ (392,768)	\$ (25,521)	\$ (86,595,164)	\$ (10,515,036)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	405,164	6,278	-	411,442	-
Donated Food Commodities	5,361,960	-	-	5,361,960	-
(Increase) in Accounts Receivable	-	-	(388,166)	(388,166)	-
(Increase) in Due From Other Governments	-	(3,133)	-	(3,133)	-
Decrease in Inventories	458,790	919	-	459,709	-
Decrease in Other Current Assets	-	90	-	90	-
Increase/(Decrease) in Accounts Payable	(2,610,526)	1,340	-	(2,609,186)	(1,747,043)
Increase/(Decrease) in Accrued Salaries and Benefits Payable	(51,781)	1,666	-	(50,115)	-
(Decrease) in Termination Compensation Payable	(136,580)	(2,230)	-	(138,810)	-
(Increase) in Deferred Pension Contributions	(229,369)	(6,929)	-	(236,298)	-
(Increase) in Deferred Pension Assumptions and Earnings	(526,117)	(15,892)	-	(542,009)	-
(Increase) in Deferred OPEB Contributions	(40,703)	(931)	-	(41,634)	-
(Increase) in Deferred OPEB Outflows	(132,617)	(3,029)	-	(135,646)	-
Increase in Net Pension Liability	1,835,681	55,446	-	1,891,127	-
Increase in Net OPEB Liability	202,005	4,615	-	206,620	-
(Decrease) in Deferred Pension Inflows	(1,431,501)	(43,238)	-	(1,474,739)	-
(Decrease) in Deferred OPEB Inflows	(11,685)	(267)	-	(11,952)	-
(Decrease) in Incurred But Not Reported Claims	-	-	-	-	3,147,000
Total Adjustments	3,092,721	(5,295)	(388,166)	2,699,260	1,399,957
Net Cash (Used) Provided by Operating Activities	\$ (83,084,154)	\$ (398,063)	\$ (413,687)	\$ (83,895,904)	\$ (9,115,079)
Non cash items:					
Federal and State Grant revenue not yet received	\$ 2,102,785	\$ 31,239	\$ 19,276	2,153,300	\$ -
Donated Commodities	5,361,960	-	-	5,361,960	-

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, 2019

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 4,616,751
Equity in Pooled Cash and Investments	717,269	124,026,396
Investments	200,013	-
Accounts Receivable	607	-
Total Assets	<u>917,889</u>	<u>128,643,147</u>
 LIABILITIES		
Payroll Deductions and Withholdings	-	123,234,141
Due to Student Activities	-	4,616,751
Other Liabilities	-	792,255
Total Liabilities	<u>-</u>	<u>128,643,147</u>
 NET POSITION		
Held in Trust for Various Purposes	<u>\$ 917,889</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, 2019

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 483,300
Interest Received	13,731
Total Additions	<u>497,031</u>
DEDUCTIONS	
Scholarships Awarded	525,690
Total Deductions	<u>525,690</u>
Change in Net Position	(28,659)
Net Position July 1, 2018	946,548
Net Position June 30, 2019	<u><u>\$ 917,889</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, 2019

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2019, 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 accounting and reporting policies of the School District conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standard Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental and Financial Reporting Standards (GASB Codification). The School District has adopted all GASB Statements through No. 90 as required.

The School District is the largest school district in the Commonwealth of Pennsylvania (the "Commonwealth") and the tenth largest public educational system in the United States according to student enrollment data. In Fiscal Year 2019, the School District served over 204,500 students, including those in Charter and Alternative Schools, as well as employed over 19,100 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. The SRC delegated all its duties to a local nine-member Board of Education appointed by the Mayor of Philadelphia beginning July 1, 2018, which is the start of the reporting period for this report.

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, 2019 included a Superintendent/CEO, Chief of Staff, General Counsel, Philadelphia Police Department Liaison, Chief Financial Officer, Chief Academic Supports Officer, Chief Student Support Services Officer, Chief of Schools Officer, Chief of Talent Officer, Chief Operations Officer, Chief of Information Technology Officer, Chief of Communication and External Relations Officer, Chief of Evaluation, Research and Accountability Officer, Strategic Partnerships Office, Grants Development Office, Strategy Delivery Office, Inspector General, Internal Audit Office, School Improvement and Innovation Office, and Charter Schools Office. The Charter Schools Office, Inspector General and Internal Audit reported to the Board of Education during Fiscal Year 2019. General Counsel had a dual reporting relationship to the Superintendent/CEO and School Board. All other Chiefs and Offices report directly to the Superintendent/CEO.

The Superintendent/CEO is responsible for the general supervision of all business affairs of the School District, the furnishing of all reports to the Department of Education of the Commonwealth and other matters prescribed by the School Code, as amended. As Treasurer, the

Superintendent/CEO receives all Commonwealth appropriations, School District taxes and other monies of the School District; makes payments on orders approved by the Governing Body; and is responsible for the investment of School District funds. Under this management structure, the Superintendent/CEO still performs the duties of the Superintendent of Schools under the Charter, including the pre-audit duties and functions of the school controller.

Moreover, the School District also serves as the agent for the Intermediate Unit No. 26 (the "IU"); a separate entity established by the Commonwealth to provide special education and special education transportation. Similar to the School District, the Board of Education 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

"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 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.

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 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 and non-public school services;
 - (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.
 - (iii) Use of Facilities -- External -- used to account for short-term third party rental charges for the use of the School District's buildings and facilities.
 - (b) Internal Service Fund
 - (i) Self-Insurance -- used to account for the self-insured health benefits provided to employees.
 - (ii) Use of Facilities Fund - Internal -- used to account for the short-term internal rental charges for the use of the School District's buildings and facilities.
- (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, 2019, 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 and 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, Print Shop and Use of Facilities - External) and Internal Service Fund (Healthcare Self-Insurance and Use of Facilities - Internal) 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, investments with original maturities of three months or less from the date of acquisition, and investments under Pennsylvania Local Government Investment Trust (PLGIT) pool money market accounts. 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. The District reports these investments at cost, which approximates fair value.

Non-participating investment contracts or, more generally, certificates of deposit and repurchase agreements are reported at cost, which approximates fair value. Investments under PLGIT pool money market accounts are valued at amortized cost, investments under managed PLGIT investment accounts are valued at market value.

(2) Real Estate Taxes

Ad valorem real estate tax revenues are 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 2019, 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 \$0.4 million. Included are expendable supplies of \$0.2 million held for consumption by the Maintenance and Transportation Departments and Warehouse furniture and forms of \$0.2 million. The cost is recorded as an expenditure at the time expendable inventories are purchased and as an expense at the time the warehouse inventories are issued. The District reports non expendable inventory along with the expendable supplies as an offset to the 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 \$0.5 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

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.

The School District capitalizes intangible assets 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, 2019, the Categorical Funds reported unearned revenue of \$31.4 million while the Capital Projects Fund reported \$0.6 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 purchases 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, personal leave 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 - 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

The GASB requires that state and local governments recognize and record the actuarially determined 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.

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, 2019, 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 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 contributions 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, 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.

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 Note 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, 2019 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 \$8.7 million for the year ended June 30, 2019.

(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. PSERS 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's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% 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 \$341.5 million for the year ended June 30, 2019.

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 2019 was 72.31 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 pension and OPEB related transactions. Deferred refunding charges losses result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt as a deduction against the related outstanding long-term debt. Deferred pension and OPEB related transactions involve (a) the difference between PSERS contributions made by the School District during the measurement date and subsequent to the measurement, (b) changes of assumption, and (c) net difference between projected and actual investment earnings.

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

In the General Fund, deferred inflows of resources relate principally to property tax receivables, which were levied in the current and prior years, but will not be available to pay liabilities of the current fiscal period. Deferred inflows of resources for unavailable categorical grant revenue is reported under (1) Categorical Funds and (2) Capital Projects Fund. These unavailable categorical revenues represents grant funds which were earned but for which resources are not considered to be available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition, the School District's Statement of Net Position has two deferred inflows of resources type of item that qualify for reporting in this category. They are: (1) deferred refunding charges gains and (2) changes in the net pension and OPEB liability.. 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 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 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 Board of Education (The Board). Those committed amounts cannot be used for any other purpose unless the Board 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 Board itself can assign fund balance. If the Board 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 2018 is provided as a key element of the MD&A section of this report to better enhance the analysis and comprehension of financial data of the current fiscal period.

2. **RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**A. **Explanation of Certain Differences between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the district-wide Statement of Net Position. When capital assets (i.e., land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets is reported as expenditures in governmental funds. However, the Statement of Net Position includes capital assets among the assets of the School District as a whole.

Cost of Capital Assets	\$ 3,694,068,204
Accumulated Depreciation	(1,895,814,608)
Net Cost of Capital Assets	<u>\$ 1,798,253,596</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	\$ 123,530,063
Unavailable Accounts Receivable Revenue	1,182,894
Unavailable Grant Revenue	9,145,471
Total Adjustment of Other Assets	<u>\$ 133,858,428</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 (\$7,361,426,801) difference are as follows:

Bonds Payable	\$ (2,957,370,000)
Deduct: Discount on Bonds Payable	1,420,447
Deduct: Prepaid Bond Insurance Premium Cost	6,850,970
Add: Premium on Bonds Payable	(226,456,842)
Bond Interest Payable	(32,596,789)
Funds due to Other Governments	(45,278,566)
Workers' Compensation Payable	(95,228,348)
Unemployment Compensation Payable	(2,016,686)
Compensated Absences Payable	(183,324,309)
Claims and Judgments Payable	(9,610,000)
Arbitrage Payable	(54,833)
PSERS OPEB Liability	(158,150,524)
OPEB Payable	(15,917,811)
PSERS Pension Liability	<u>(3,643,693,510)</u>
<i>Net adjustment to reduce fund balance – total governmental funds – to arrive at net position governmental activities</i>	<u>\$ (7,361,426,801)</u>

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

Other Deferred Outflows/(Inflows) of Resources:

Net Deferred Outflows of Resources Pension Beginning Balance 7/1/2018		\$	425,787,533
Change in OPEB			10,897,624
Contributions During the Measurement Period	(8,985,528)		
Contributions Subsequent to Measurement Date	9,041,842		
Current Year Amortization - Change in Assumption/Investment Earnings/Proportions	10,841,310		
Change in Pension			149,819,861
Contributions During the Measurement Period	(320,839,062)		
Contributions Subsequent to Measurement Date	336,454,454		
Current Year Amortization - Proportions/Earnings	134,204,469		
<i>Adjustment of Deferred Outflows/(Inflows) of Resources not available to pay for current period expenditures</i>		\$	<u>586,505,018</u>

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the district-wide Statement of Activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$104,160,310 difference are as follows:

Capital outlay	\$	195,724,260
Depreciation expense		<u>(91,563,950)</u>

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

\$ 104,160,310

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 (\$15,399,991) difference are as follows:

Capital Purchases	\$	13,388,883
Capital Outlays - Non Capitalized Purchases		<u>(28,788,874)</u>

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

\$ (15,399,991)

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 (\$343,018) difference are as follows:

Gain on Sale of Capital Assets	\$	60,360
Gain on Donated Capital Assets	\$	624,307
Loss on Disposal of Capital Assets		(914,769)
Proceeds from Sale of Capital Assets		<u>(112,916)</u>

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

\$ (343,018)

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 \$1,409,225 difference are as follows:

Deferred Inflows of Resources-Unavailable Tax Revenue	\$ (4,542,586)
Deferred Inflows of Resources-Unavailable Grant Revenue	(897,808)
Derivative Investment Revenue	6,847,874
Miscellaneous Revenue	<u>1,745</u>

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

\$ 1,409,225

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 \$148,070,000 difference are as follows:

Principal Repayment on Bonds	\$ 127,525,000
Principal Repayment on Authority Obligations	20,545,000

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

\$ 148,070,000

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 \$37,816,107 difference are as follows:

Change in Compensated Absences Payable	\$ 5,643,045
Change in Workers' Compensation Payable	2,479,292
Change in Unemployment Compensation Payable	1,864,142
Change in Claims and Judgments Payable	(4,180,000)
Change in PSERS Pension Liability and Related Deferred Inflows and Outflows	23,916,887
Change in Arbitrage Rebate Payable	(4,074)
Change in Net Accrued Bond Interest	2,633,937
Change in Prepaid Bond Insurance Premium Costs	(696,860)
Change in Bond Premium, Bond Discount, and Net Bond Refunding Losses	6,088,660
Change in OPEB Liability and Related Deferred Inflows and Outflows	(799,873)
Change in Prepaid Expenses	1,054,994
Change in Inventory Reserve	<u>(184,043)</u>

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

\$ 37,816,107

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)	\$ 3,694,068,204	\$ 18,309,463
Less: Accumulated depreciation	<u>(1,895,814,608)</u>	<u>(14,956,158)</u>
Net Capital Assets	\$ 1,798,253,596	\$ 3,353,305
Less: Outstanding Principal of Related Debt	\$ (2,957,370,000)	
Deduct: Outstanding Bonds not Capital Related	367,159,500	
Other Adjustments to Outstanding Bonds for Non-Capital Related Items	(123,797,771)	
Undercapitalized Expenditures-Cumulative Year-to Date	370,034,671	
Adjustment for Undercapitalized Expenditures - Expired	(215,306,821)	
Unspent Bond Proceeds Governmental Activities Only	<u>140,905,788</u>	
Net Adjusted Outstanding Bonds Related to Capital Assets	(2,418,374,633)	
Net Investment in Capital Assets	<u>\$ (620,121,037)</u>	<u>\$ 3,353,305</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 Board of Education (Board), 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 Board then must observe specific-timing requirements outlined in the Charter and described inore 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 Board 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 Board 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 Board 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 Board 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 Board. 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 Board is not required to adopt a budget for Categorical Funds. However, the Board 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 Funds (Food Services, Print Shop and External Use of Facilities) and Internal Service Funds (Self Insurance and Internal Use of Facilities) 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 \$3,855.5 million and \$20.7 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 \$304.2 million. This amount is comprised of a \$107.2 million fund balance in the General Fund, a \$195.0 million fund balance in the Debt Service Fund and \$2.0 million fund balance in the Intermediate Unit Fund.

Categorical Funds experienced a deficit of \$3.8 million. The deficit in the Categorical Fund is due to deferring the recognition of revenue that was not 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 \$17.3 million. This deficit includes 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.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$128.6 million held in agency funds, at June 30, 2019 are summarized as follows:

Cash and Cash Equivalents	\$	30,497,962
Cash and Investments with Fiscal Agent		194,987,990
Equity in Pooled Cash and Investments		319,354,231
Investments		268,650,231
Total Cash and Investments	\$	813,490,414

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 2019 was approximately 1.58% and total interest income was \$15.3 million. This was a \$7.7 million increase in total interest income over fiscal year 2018. The increase in interest income is due to the nearly doubling of the average yield from 0.78% to 1.58%.

(3) Investments

As of June 30, 2019, 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)	\$ 168,909,214	.008
Federal Agricultural Mortgage Corp Discount Notes (FAMC)	9,907,317	.490
Federal Home Loan Mortgage Corporation (FHLMC)	929,661	.001
US Treasury Bills	156,628,564	.057
US T-Bond/Note	69,007,030	.108
Commercial Paper	44,311,327	.071

- (a) *Interest Rate Risk* – The School District minimizes the affect changes in interest rates have on 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, 2019 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 and Forward Purchase Agreements	Federal Agricultural Mortgage Corp (Farmer Mac)	N/R*	N/R*	N/R*
	Federal Home Loan Mortgage Corporation (FHLMC)	AAA	AA+	AAA
Pennsylvania Local Government Investment Trust/PLGIT Portfolio	PLGIT/I- Class-Money Market Mutual Fund	NR	AAAm	N/R*
Pennsylvania Local Government Investment Trust/PLGIT Portfolio Managed Accounts	US Treasury Bills	P-1	A-1+	N/R*
	US Treasury Notes/Bonds	Aaa	AA+	N/R*
	Commercial Paper	P-1	A-1	N/R*
	Commercial Paper	P-1	A-1+	N/R*
	Federal Home Loan Mortgage Corporation (FHLMC) -Global Notes	Aaa	AA+	N/R*

N/R*=Not Rated

- (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. 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 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, 2019 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 USL	\$ 144,1747	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 USL	\$ 3,364,076	JPMorgan Chase Bank, N.A.	Aa3/A+/AA
							<u>\$ 4,805,823</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, 2019, the net benefit to the School District has been \$18,012,355.

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, 2019, 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 positive mark-to-market value of \$4,894,973 as of June 30, 2019. 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) Depositary Investment Accounts

(a) *Depositary Agreement:*

- (i) SRC-9 resolution issued on May 29, 2014 allowed the SRC to suspend requirements of the School Code and regulations of the State Board of Education which then allowed the Chief Financial Officer and his subordinates to enter into a Depositary Agreement and to use the building sales proceeds for Debt Service and Capital Projects. On June 2, 2014 the School District of Philadelphia (SDP) and The Bank of New York Mellon Trust Company, N.A. (BONY) (Depositary) entered into a Depositary Agreement for the purpose of providing for the deposit of funds with the Depositary held on

behalf of SDP from the sale of buildings. This agreement required the 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 2019. 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 2019 were as follows:

	(Dollars in thousands)			
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Governmental Activities:</u>				
SDP Depository Investment Accounts:				
Property Sale Defeasance	\$ 396.8	\$ -	\$ (4.5)	\$ 392.3
Property Sale Capital Funds	4,383.3	-	(4,383.3)	-
Total	<u>\$ 4,780.1</u>	<u>\$ -</u>	<u>\$ (4,387.8)</u>	<u>\$ 392.3</u>

(6) Fair Value of Investments

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	\$ 168,909,214	\$ -	\$ -
US Treasury Bills	156,628,564	-	-
US Treasury Bond/Note	69,007,030	-	-
Commercial Paper	44,311,327	-	-
Federal Home Loan Mortgage Corporation (FHLMC) -Global Notes		929,661	
Federal Agriculture Mortgage Corporation (FAMC)	-	9,907,317	-
SIFMA Swap	-	4,805,823	-
Total	<u>\$ 438,856,135</u>	<u>\$ 15,642,801</u>	<u>\$ -</u>

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 FHLMC and FAMC 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	Intermediate Unit	Debt Service	Capital Projects	Use of Facilities	Fiduciary	Total
Receivables							
Interest	\$ 27.5	\$ -	\$ 19.4	\$ 408.2	\$ -	\$ -	\$ 455.1
Taxes	245,685.0	-	-	-	-	-	245,685.0
Accounts (net)	30,959.8	1,075.0	-	630.7	388.2	0.6	33,054.3
Gross Receivables	276,672.3	1,075.0	19.4	1,038.9	388.2	0.6	279,194.4
Less: Allowances for Uncollectible							
Taxes	86,349.1	-	-	-	-	-	86,349.1
Total Allowance	86,349.1	-	-	-	-	-	86,349.1
Net Total Receivables	\$ 190,323.2	\$ 1,075.0	\$ 19.4	\$ 1,038.9	\$ 388.2	\$ 0.6	\$ 192,845.3

(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, 2019 equaled \$159.3 million as follows:

(Dollars in Millions)			
	Taxes Receivable	Estimated Uncollectible	Estimated Collectible
<u>Real Estate Taxes</u>			
Current	\$ 72.4	\$ 7.0	\$ 65.4
Prior	127.8	56.2	71.6
Total Real Estate Taxes	200.2	63.2	137.0
<u>Self Assessed Taxes</u>			
Use and Occupancy	14.7	11.7	3.0
School Income Tax	12.0	4.7	7.3
Liquor Sales Tax	18.8	6.8	12.0
Total Self Assessed Taxes	45.5	23.2	22.3
Total Taxes Receivable	\$ 245.7	\$ 86.4	\$ 159.3

During July and August 2019, \$21.9 million in real estate taxes receivable and \$13.9 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2019 revenues.

(3) Due From Other Governments

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

(Dollars in Thousands)						
	General	Intermediate Unit	Categorical	Capital Projects	Enterprise	Total
Due From Other Governments						
Federal	\$ -	\$ -	\$ 31,516.4	\$ -	\$ 801.8	\$ 32,318.2
State	79,134.6	12,981.3	18,499.3	5,167.5	1,351.5	117,134.2
City	-	-	426.5	-	-	426.5
Grantors	-	-	29.7	-	-	29.7
Total Due From Other Governments	\$ 79,134.6	\$ 12,981.3	\$ 50,471.9	\$ 5,167.5	\$ 2,153.3	\$ 149,908.6

Amounts due from Other Governments under the General Fund and Intermediate Unit Fund primarily include \$92.1 million for grant, retirement and FICA reimbursements from the Commonwealth of Pennsylvania.

Amounts due from Other Governments under the Categorical Funds and Capital Projects Funds include \$40.1 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), \$15.2 million for retirement, FICA, and miscellaneous reimbursements from the Commonwealth of Pennsylvania and \$0.4 million for City Grant reimbursements.

The amount due from Other Governments under the Enterprise Funds includes \$0.8 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 \$31.9 million at June 30, 2019 are as follows:

	(Dollar Amount in Millions)	
Categorical	\$	31.4
Capital Projects		0.5
	<u>\$</u>	<u>31.9</u>

Represents grants funds received prior to meeting all eligibility requirements.

- (b) Deferred Outflows of Resources: 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 valued at \$827.3 million that qualify for reporting in this category as deferred outflows on the Statement of Net Position under Governmental Activities as of June 30, 2019.

- (i) The first item is deferred refunding charges that resulted in a loss and deferred swap termination payments valued at \$90.2 million. For accounting purposes, when advanced refundings result in a loss, 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.
- (a) There were losses from refunding charges of \$61.8 million from advance refunded bonds that the District is amortizing until fiscal year 2038.
- (b) There were deferred outflows of \$28.4 million of deferred swap termination payments which resulted from unamortized swap termination payments made under refunding debt during April 2010 and January 2011.

The following schedule presents, by General Obligation Bond (GOB) Series, deferred outflows for the deferred refunding charges losses and deferred swap termination payments on the Statement of Net Position under Governmental Activities as of June 30, 2019.

(Dollars in Thousands)			
GOB Series	Refunding Charges Losses	Swap Termination Payments	Total Amount as of June 30, 2019
2007A	\$ 3,731.9	\$ -	\$ 3,731.9
2008F	14.6	-	14.6
2010C	4,572.2	4,511.8	9,084.0
2010D	58.8	-	58.8
2010E	1,645.0	23,895.3	25,540.3
2011C	555.0	-	555.0
2011D	21.2	-	21.2
2015C	801.3	-	801.3
2015D	1,233.7	-	1,233.7
2015A SPSBA	2,586.4	-	2,586.4
2016F	46,550.0	-	46,550.0
	<u>\$ 61,770.1</u>	<u>\$ 28,407.1</u>	<u>\$ 90,177.2</u>

- (ii) The second item is deferred outflows of resources for experience, earnings, assumptions, and contributions related to OPEB Life Insurance (Note 4J1), OPEB PSERS Healthcare (Note 4J2), and PSERS Pension (Note 4K).

The following schedule presents deferred outflows of resources for OPEB Life Insurance, OPEB PSERS Healthcare, and PSERS Pension of \$737.1 million at June 30, 2019.

<u>Deferred Outflows or Resources</u>	<u>(Dollars in Thousands)</u>			
	<u>Life Insurance</u>	<u>PSERS Healthcare</u>	<u>Total OPEB</u>	<u>PSERS Pension</u>
Net Difference between expected and actual experience	\$ -	\$ 992.0	\$ 992.0	\$ 29,775.0
Changes of assumptions	-	2,540.0	2,540.0	68,918.0
Net Difference between projected and actual investment earnings	-	271.0	271.0	18,128.0
Changes of proportion	-	13,526.0	13,526.0	252,225.0
Contributions by School District Subsequent to the Measurement Period	461.4	8,716.0	9,177.4	341,545.8
Difference between employer contributions and proportionate share of total contributions	-	6.7	6.7	-
	<u>\$ 461.4</u>	<u>\$ 26,051.7</u>	<u>\$ 26,513.1</u>	<u>\$ 710,591.8</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.

On the full accrual basis of accounting, the District has two items valued at \$145.3 million that qualify for reporting in this category as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2019.

- (i) Gains from Deferred Refunding Charges, valued at \$3.6 million, has been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2019.

Deferred Refunding Charges – Gain: \$3.6 million under GOB Series 2016A SPSBA

- (ii) The District has reported Deferred inflows of resources for experience, earnings, assumptions, and contributions related to OPEB Life Insurance (Note 4J1), OPEB PSERS Healthcare (Note 4J2), and PSERS Pension (Note 4K) valued at \$141.7 million at June 30, 2019.

<u>Deferred Inflows or Resources</u>	<u>(Dollars in Thousands)</u>			
	<u>Life Insurance</u>	<u>PSERS Healthcare</u>	<u>Total OPEB</u>	<u>PSERS Pension</u>
Effect of assumptions changes or inputs	\$ 1,328.9	\$ -	\$ 1,328.9	\$ -
Differences between expected and actual experience	-	6,088.0	6,088.0	57,252.0
Changes in Proportion	-	-	-	73,437.0
Difference between employer contributions and proportionate share of total contributions	-	-	-	3,593.0
	<u>\$ 1,328.9</u>	<u>\$ 6,088.0</u>	<u>\$ 7,416.9</u>	<u>\$ 134,282.0</u>

On the modified accrual statements the District reported one item as deferred inflows of resources on the Governmental Balance Sheet as of June 30, 2019. This item had three components which the District valued at \$133.9 million. They are as follows:

	<u>(Dollars in Thousands)</u>			
	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Unavailable taxes revenue	\$ 123,530.1	\$ -	\$ -	\$ 123,530.1
Unavailable accounts receivable revenue	1,182.8	-	-	1,182.8
Unavailable grant revenue	-	3,770.0	5,375.5	9,145.5
	<u>\$ 124,712.9</u>	<u>\$ 3,770.0</u>	<u>\$ 5,375.5</u>	<u>\$ 133,858.4</u>

C. Tax Abatements

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 2019 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 \$8.5 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 \$45.3 million were reduced as a result of this program.
3. New Construction for Residential Properties (Ordinance 1456-A) - (as amended to section 19-303 (2) of the Philadelphia Code) This program offers abatement from Real Estate Taxes due to new construction or improvements to deteriorated industrial, commercial or other business properties. The criteria for eligibility of this abatement program requires owner/developers that make improvements, under City issued permits that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning the 1st month after the title date. Real estate tax revenues for the School District in gross dollar of \$30.8 million were reduced as a result of this program.
4. Development Abatement for New or Improved Residential Properties (State Act 175) - (of 1984, as amended. 72 P. S. § 5020-205) This program offers an abatement from Real Estate Taxes during new construction of single and multiple dwellings constructed for residential purposes or improvements to existing unoccupied residential dwellings or improvements to existing structures for purposes of conversion to residential dwellings. The authority for this program is State Act 175. The criteria for eligibility of this abatement program requires developers building or rehabbing residential properties for lease or sale that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first. Real estate tax revenues for the School District in gross dollar of \$1.7 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 \$9.2 million were reduced as a result of this program.

Gross dollar amounts, on an accrual basis, by which the School District's tax revenues were reduced as a result, of the KOZ tax abatement programs for fiscal year 2019 was \$17.2 million of Real Estate Tax Credits. For the KOZ real estate tax credits: (1) there were no forgone revenues received, or receivable from other governments, (2) there were no other commitments, other than to reduce taxes, (3) no tax abatement agreement has been disclosed individually, and (4) no required information has been omitted.

The Commonwealth of Pennsylvania has approved the Tax Increment Financing (TIF) Act ("Act") that authorizes the taxing bodies of the City of Philadelphia (the City and School District) to create geographic areas ("TIF Districts"), where certain increases in tax revenue may be used to finance improvements in the TIF Districts. The TIF loan is usually funded by a private lender, i.e., bank, and is paid by the incremental taxes from Real Estate, Use and Occupancy, City Sales and Business Privilege.

Philadelphia Industrial Development Corporation (PIDC), acting on behalf of Philadelphia Authority for Industrial Development (PAID), can propose any area of the City's geographic areas to City Council and the School District for approval as a TIF District under the terms of the Act. Any new improvements can be funded by the TIF loan.

TIF's are a financing tool that enable the City to establish a district in a blighted area, within which increases in taxes resulting from development of the district can be applied to project costs in the district or to project-related debt service.

The total gross dollar amount on an accrual basis by which the District's fiscal year 2018 tax revenues were redirected as result of the TIF program was \$8.5 million.

D. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2019 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Governmental Activities:					
Capital Assets - Not Depreciated					
(1) Land	\$ 127.8	\$ -	\$ -	\$ 1.4	\$ 129.2
Construction in Progress	81.0	109.2	(0.1)	(37.0)	153.1
Total Capital Assets - Not Depreciated	\$ 208.8	\$ 109.2	\$ (0.1)	\$ (35.6)	\$ 282.3
Capital Assets - Depreciated					
(2) Buildings	\$ 1,758.1	\$ 2.9	\$ (0.2)	\$ 5.7	\$ 1,766.5
Improvements	1,296.8	52.3	-	29.9	1,379.0
Intangible Assets	69.8	1.8	-	-	71.6
(3) Personal Property	199.5	14.7	(19.5)	-	194.7
Total Capital Assets - Depreciated	\$ 3,324.2	\$ 71.7	\$ (19.7)	\$ 35.6	\$ 3,411.8
Less Accumulated Depreciation					
(4) Buildings	\$ (732.3)	\$ (30.6)	\$ 0.2	\$ -	\$ (762.7)
Improvements	(889.4)	(42.6)	-	-	(932.0)
Intangible Assets	(52.0)	(3.7)	-	-	(55.7)
Personal Property	(149.3)	(14.7)	18.6	-	(145.4)
Total Accumulated Depreciation	\$ (1,823.0)	\$ (91.6)	\$ 18.8	\$ -	\$ (1,895.8)
Net Capital Assets Depreciated	\$ 1,501.2	\$ (19.9)	\$ (0.9)	\$ 35.6	\$ 1,516.0
Governmental Activities - Net Capital Assets	\$ 1,710.0	\$ 89.3	\$ (1.0)	\$ -	\$ 1,798.3
Business-Type Activities:					
Capital Assets - Depreciated					
(5) Machinery and Equipment	\$ 17.8	\$ 0.9	\$ (0.4)	\$ -	\$ 18.3
(6) Less Accumulated Depreciation	(15.0)	(0.4)	0.4	-	(15.0)
Business-Type Activities - Net Capital Assets	\$ 2.8	\$ 0.5	\$ -	\$ -	\$ 3.3

- (1) The beginning balance for Land was increased \$1.0 million to properly reflect the correct value of the land.
- (2) The beginning balance for Buildings was decreased \$1.0 million to properly reflect the correct value of the buildings.
- (3) The beginning balance for Personal Property was decreased \$0.1 million to correct an asset value incorrectly recorded.
- (4) The beginning accumulated depreciation balance for Buildings was decreased \$0.5 million to adjust for the decreased asset value of Buildings. See (2) above.
- (5) The beginning balance for Food Service was adjusted to reflect a \$0.1 million correction to the value of donations
- (6) The beginning accumulated depreciation balance for Food Service was increases \$0.1 million to reflect the increased asset value for Machinery and Equipment. See (5) above.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 76.0
Student Support Services	6.2
Administrative Support	8.5
Operation & Maintenance of Plant Services	0.8
All Other Support Services	0.1
Total Depreciation Expense	\$ 91.6
Business-Type Activities:	
Food Service & Print Shop	\$ 0.4
Total Depreciation Expense	\$ 0.4

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

The School District issued \$450.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 12, 2018 as authorized by the Board of Education with a maturity date of June 28, 2019. 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 \$225.0 million under Series A, consisting of \$225.0 million at a fixed interest rate of 2.55% (Series A Notes). The fixed interest cost of the Series A Notes was \$3.9 million.
- The District borrowed \$225.0 million under Series B, consisting of \$225.0 million at a fixed interest rate of 2.55% (Series B Notes). The fixed interest cost of the Series B Notes was \$3.9 million.

The District repaid all of the Notes as of March 15, 2019. Changes in short-term obligations payable during Fiscal Year 2019 were as follows:

	(Dollars in Millions)		
	Balance July 1, 2018	Additions	Deletions
Governmental Activities:			
Tax and Revenue Anticipation Note (Series A of 2018-2019-Fixed Rate)	\$ -	\$ 225.0	\$ (225.0)
Tax and Revenue Anticipation Note (Series B of 2018-2019-Fixed Rate)	-	225.0	(225.0)
Total	<u>\$ -</u>	<u>\$ 450.0</u>	<u>\$ (450.0)</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2019 were as follows:

	Long Term Obligations (1) (Dollars in Millions)				
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 3,105.4	\$ -	\$ (148.1)	\$ 2,957.3	\$ 137.0
Bond Premium	247.2	-	(20.7)	226.5	20.7
Bond Discount	(1.9)	-	0.5	(1.4)	(0.5)
Total Bonded Debt	<u>3,350.7</u>	<u>-</u>	<u>(168.3)</u>	<u>3,182.4</u>	<u>157.2</u>
Termination Compensation Payable	189.0	4.9	(10.6)	183.3	15.1
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	107.0	34.6	(34.7)	106.9	31.7
Incurred But Not Reported (IBNR) Payable (2)	14.0	3.2	-	17.2	17.2
OPEB Life Insurance Liability	16.4	0.6	(1.1)	15.9	-
PSERS OPEB Liability	145.1	21.6	(8.5)	158.2	-
PSERS Pension Liability	3,518.7	447.1	(322.1)	3,643.7	-
Governmental Activity - Long-Term Liabilities	<u>\$ 7,386.2</u>	<u>\$ 512.0</u>	<u>\$ (545.3)</u>	<u>\$ 7,352.9</u>	<u>\$ 266.5</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.0	\$ 0.1	\$ (0.1)	\$ 2.0	\$ 0.2
PSERS OPEB Liability	2.3	0.3	(0.1)	2.5	-
PSERS Pension Liability	53.3	6.8	(4.9)	55.2	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 57.6</u>	<u>\$ 7.2</u>	<u>\$ (5.1)</u>	<u>\$ 59.7</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.

(2) IBNR is included with the Self Insurance Health Care Internal Service Fund.

(a) General Obligation Bonds & Lease Rental Debt(i) Authority to Issue

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

similar arrangements. The School District's Debt Policy places limits on the amount of qualified interest rate management agreements the School District may enter.

General obligation bonds and lease obligations at June 30, 2019 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue ⁽¹⁾	Interest Rates	Maturity Year Ending 30-Jun	Original Principal Issued	Principal Outstanding ⁽¹⁰⁾	Interest	Total	Due Within One Year
2003B-SPSBA ⁽³⁾	5.500	2028	\$ 588,140	\$ 43,505	\$ 21,535	\$ 65,040	\$ -
2005D	5.500	2022	29,920	5,345	445	5,790	2,600
2006B-SPSBA ⁽³⁾	3.875 - 5.000	2033	545,570	83,365	38,001	121,366	-
2007A	4.748 - 5.000	2034	146,530	146,395	78,957	225,352	15
2007C-QZAB	-	2023	13,510	13,510 ⁽⁷⁾	-	13,510	-
2007D-QZAB	1.250 ⁽²⁾	2023	28,160	28,160 ⁽⁷⁾	1,232	29,392	-
2008E	5.000 - 5.125	2039	282,365	6,150	158	6,308	6,150
2008F	5.000	2028	114,215	9,570	239	9,809	9,570
2010B	5.289 - 6.765 ⁽⁴⁾	2040	221,485	202,300	168,558 ⁽⁴⁾	370,858	6,325
2010C	5.000	2022	300,045	82,780	6,096	88,876	27,995
2010D	3.375 - 5.000	2023	49,365	34,520	3,204	37,724	8,000
2010E	5.000 - 5.250	2025	125,880	97,375	18,492	115,867	4,540
2011A-QSCB	5.995 ⁽⁵⁾	2031	144,625	144,035 ⁽⁸⁾	99,301 ⁽⁵⁾	243,336	-
2011B	2.500 - 3.250	2022	16,970	5,655	274	5,929	1,825
2011C	5.000	2022	41,185	13,080	1,003	14,083	4,145
2011D	3.000 - 5.000	2022	16,330	6,115	325	6,440	1,970
2012B-SPSBA ⁽³⁾	5.000	2032	264,995	209,320	80,363	289,683	11,815
2015A-SPSBA ⁽³⁾	3.375 - 5.000	2026	80,000	63,540	12,052	75,592	8,805
2015A	2.512 - 5.000	2036	46,770	42,260	20,454	62,714	1,625
2015C	2.009 - 4.038	2026	44,565	32,085	4,427	36,512	4,140
2015D	5.000	2023	128,620	76,985	7,574	84,559	19,000
2016A-SPSBA ⁽³⁾	5.000	2036	570,010	547,970	323,392	871,362	900
2016D	5.000	2029	92,345	80,265	21,283	101,548	6,510
2016E-QSCB	5.060 ⁽⁶⁾	2043	147,245	147,245 ⁽⁹⁾	175,089 ⁽⁶⁾	322,334	-
2016F	5.000	2039	582,155	580,895	263,233	844,128	5,750
2018A	3.000 - 5.000	2039	176,820	176,815	102,868	279,683	5,275
2018B	4.000 - 5.000	2043	78,130	78,130	76,947	155,077	-
Total			\$ 4,875,950	\$ 2,957,370	\$ 1,525,502	\$ 4,482,872	\$ 136,955

- (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 2019, 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 2019, the Federal government reduced this subsidy by \$0.4 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 2019, the Federal government reduced this subsidy by \$0.4 million due to the Federal Budget Sequestration.
- (7) QZAB bond series 2007C and 2007D issued for \$13.5 and \$28.2 million, respectively, on December 28, 2008 in 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, 2019, the District placed \$9.9 million and \$10.1 million under the mandatory sinking fund for QZAB bond series 2007C and 2007D, respectively. The investment value of each of the mandatory sinking funds equaled the deposits made.
- (8) 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, 2019, \$36.5 million had been deposited in the mandatory sinking fund. The \$36.5 million had an investment value of \$37.7 million.
- (9) 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.
- (10) 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, 2019 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

Governmental Activities
(Dollars in Thousands)

Year Ending June 30	Interest Rates	Principal	Interest ⁽¹⁾	Total
2020	1.523 - 5.995	\$ 115,435	\$ 99,610	\$ 215,045
2021	1.523 - 5.995	120,600	93,839	214,439
2022	1.523 - 5.995	122,710	87,776	210,486
2023	1.523 - 5.995	155,830	81,732	237,562
2024	1.523 - 5.995	100,730	76,376	177,106
2025 -2029	3.738 - 6.675	472,530	308,196	780,726
2030 - 2034	4.500 - 6.765	476,035	177,066	653,101
2035 - 2039	4.500 - 6.765	207,500	89,795	297,295
2040 -2044	4.000 - 6.765	238,300	35,768	274,068
Total		<u>\$ 2,009,670</u>	<u>\$ 1,050,158</u>	<u>\$ 3,059,828</u>

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2019 is summarized as follows:

Governmental Activities
(Dollars in Thousands)

Year Ending June 30	Interest Rates	Principal	Interest	Total
2020	3.875 - 5.000	\$ 21,520	\$ 47,570	\$ 69,090
2021	4.000 - 5.000	22,570	46,494	69,064
2022	4.000 - 5.000	23,640	45,366	69,006
2023	4.125 - 5.000	24,780	44,184	68,964
2024	3.375 - 5.000	47,575	42,977	90,552
2025 -2029	5.000 - 5.500	318,415	174,597	493,012
2030 - 2034	5.000	458,360	71,908	530,268
2035 - 2039	5.000	30,840	2,248	33,088
Total		<u>\$ 947,700</u>	<u>\$ 475,344</u>	<u>\$ 1,423,044</u>

(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 2019 daily deposit covenant by month.

Local Tax Revenues Subject to Daily Deposit Covenant by Month
Fiscal Year 2019
(Dollars in Thousands)

Month	Amount Covenant
Jul	\$ 20,609.1
Aug	22,344.8
Sep	18,215.0
Oct	21,091.0
Nov	19,174.1
Dec	19,178.2
Jan	20,138.9
Feb	18,144.8
Mar	19,961.4
Apr	19,961.4
May	20,674.6
June	18,483.4
Total	<u>\$ 237,976.8</u>

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 fair values and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the change in fair value of such derivative instruments for the year then ended as reported in the 2019 financial statements are as follows:

(Amounts in thousands)					
<u>Change in Fair Value</u>			<u>Fair Value at June 30, 2019</u>		
<u>Classification</u>	<u>Amount</u>		<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
<u>Investment derivative instruments:</u>					
Pays-variable interest rate swaps	Investment revenue	\$6,848	Investment	<u>\$ 4,806</u> <u>\$ 4,806</u>	\$ 500,000

As of June 30, 2019, the School District determined that the pays-variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

(c) Defeasements

- (i) As in prior years, the School District defeases 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 liabilities for the defeased bonds are not included in the School District's financial statements. This includes the following:

- (a) As of June 30, 2019, there were no bonds outstanding considered to be defeased and no liability has been removed from long-term liabilities.
- (b) In addition, as of June 30, 2019, the Defeasance Accounts from the Sale of SDP Property had \$735,000 of bonds outstanding considered to be defeased and the liability was removed from long-term liabilities.

(d) General Obligation Bonds Refunded and Defeased with School District Property Sales Proceeds

- (i) During FY2019, the School District did not sell any buildings and other capital properties that were financed with outstanding general obligation bonds. Therefore, the School District had no transactions to report for the defeasance accounts related to Internal Revenue Code and the federal arbitrage rebate regulations for current and advance refunding
- (ii) School District Property Sales Defeasance Escrow Accounts: As of June 30, 2019, the Bank of New York Mellon, School District'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, 2019, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$3,184.6 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, 2019, the arbitrage rebate calculation indicates a liability totaling \$54,833.

This arbitrage liability of \$54,833 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, 2019. 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, 2019 \$54,833 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, 2019 amounted to \$8.0 million. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2020	\$ 3.2
2021	2.4
2022	5.9
2023	1.0
2024	1.0
2025-2029	5.0
2030-2034	2.0
Total	<u>\$ 20.5</u>

These amounts include gross expenditures for the District's lease for Metropolitan Fiber-Optic Network during July 2019 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, 2019. 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 its' new Self Insurance Healthcare Internal Service Fund. As of June 30, 2019, the Incurred but Not Reported Payable amounted to \$17.2 million.

(6) Other Post-Employment 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. As of June 30, 2019, the District had an OPEB Life Insurance Liability of \$15.9 million. See Footnote 4J (1) Other Post Employment Life Insurance Benefits for details.

(b) PSERS OPEB Liability: As of June 30, 2019, the Net OPEB (PSERS) Liability for the School District was \$160.7 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 \$95.2 million for Workers' Compensation, \$2.0 million for Unemployment Compensation Claims and \$9.6 million for Claims & Judgments.

(9) PSERS Pension Liability

As of June 30, 2019, the Net Pension Liability for SDP was \$3,698.9 million. Refer to Footnote 4K (1) (a) for further Pension Plan information.

F. Interfund Receivables, Payables and Transfers

(1) The composition of Interfund balances as of June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Print Shop Fund	\$ 88,484
General Fund	Use of Facilities	276,395

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 \$88,484 and \$276,395 under the Print Shop Fund and Internal Service Fund, respectively, represents a reclassification of negative equity in pooled cash and investments. The District reclassified the balance of \$364,879 under the Print Shop and Use of Facilities as an internal balance on the District-wide financial statements.

(2) Interfund transfers at June 30, 2019 were as follows:

<u>Interfund Transfers Out</u>			
<u>Interfund Transfers In</u>	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Intermediate Unit	\$ 275,748,055	\$ -	\$ 275,748,055
Categorical	1,463,609	-	1,463,609
Debt Service	281,651,785	289,467	281,941,252
Capital	103,503	-	103,503
Print Shop	263,528	-	263,528
Total	<u>\$ 559,230,480</u>	<u>\$ 289,467</u>	<u>\$ 559,519,947</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 2019 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, 2019 are summarized as follows:

New Construction and Land	\$ 12,796,580
Environmental Management	1,072,966
Alterations and Improvements	50,622,913
Major Renovations	33,282,322
Total	\$ 97,774,781

(2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 22,731,703	\$ 2,014,654

(3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$11.6 million at June 30, 2019.

H. Intermediate Unit

As previously noted, the School District is also an Intermediate Unit established by the Commonwealth to provide programs for special education. 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 seven hundred eighty-six (786) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.7 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 \$4.7 million.

- (2) ***Other Matters*** - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of 49.2 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 \$2.9 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 \$3.1 million and \$5.6 million, respectively, arising from personal injury and property damage claims and lawsuits.

- (3) ***Administrative Appeals in Pennsylvania Department of Education*** – The School District has received several state subsidy withholding requests filed with PDE, pursuant to Section 1725-A of the Charter School Law, by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates 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. These issues have been raised in a number of withholding requests submitted to PDE by charter schools seeking payments from many school districts in Pennsylvania.

First Phila. Prep. Charter School, et al. v. Pennsylvania Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 159 M.D. 2017. This case was brought in 2017 by seven Philadelphia charter schools against PDE, the School District, the Superintendent, the Governor, the Attorney General, and members of the General Assembly. At issue is the validity of PDE's interpretation of 24 P.S. § 1725-A(a)(2) and (3) stated in PDE's former PDE-363 Guidelines. In accordance with PDE's Guidelines, which applied statewide, the School district made payments to charter schools based on prior-year budgeted expenditures, but toward the end of the school year, the School District adjusted the rates after calculating them based upon actual expenditures. Those rates were then applied to the entire school year. Because this adjustment caused the rates to go down in the 2015-2016 school year, the charter schools argued that the Guidelines should be disregarded or voided because they were inconsistent with the Charter School Law, specifically, 24 P.S. § 1725-A(a)(2) and (3). On February 22, 2018, a Commonwealth Court panel overruled the preliminary objections presented by the School District and by PDE, and held that PDE's Guidelines were invalid. On March 19, 2018, PDE rescinded the Guidelines by posting a notice on its website. The School District is now making per-pupil payments to charter schools based on prior year budgeted expenditures, as required by the Commonwealth Court. The case has been remanded to the Court of Common Pleas for a determination as to whether the charter schools have been paid in the correct amounts. According to outside counsel, no further substantial payment needs to be made to these schools as a result of the invalidation of the Guidelines. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible but not for an amount that would meet the materiality threshold.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 289 M.D. 2017. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. In addition to the issue raised in the *First Philadelphia* case described above, the charter schools raised the issue of whether they were entitled to per-pupil payments at the proper rates for the 2015-2016 school year when they made their payment requests to PDE, and not to the School District, after October 1, 2016. In July 2016, the General Assembly had amended the language of Section 1725-A(a)(5) to include a provision stating that charter schools must provide to their chartering school districts by October 1st following the end of a school year “final documentation of payment to be made” to them. In April 2017, the charter schools asked PDE to withhold funds from the School District under authority of 24 P.S. § 1725-A(a)(5), but PDE refused to make withholdings because the schools failed to show that they complied with the statutory deadline of October 1, 2016. All parties filed motions for summary relief. On August 5, 2019, the Commonwealth Court denied the School District’s motion and found that the only significance of the schools’ missing the October 1st deadline was it relieved PDE of the obligation to make withholdings. The court held that, regardless of whether charter schools meet the October 1st deadline, the school District has a “duty to pay charter schools the statutory amount.” The school District did not appeal the court’s decision. The matters will proceed before PDE. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is probable in the amount of \$1.8 million.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 167 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. Initially, the School District objected to withholdings for payments made to the charter schools for the 2016-2017 school year. The Commonwealth Court in the *First Philadelphia* case as described above subsequently invalidated PDE’s 363 Guidelines. The School District later paid these charter schools at the proper rates – rates calculated using budgeted expenditures, as required under the *First Philadelphia* decision. Accordingly, the School District withdrew its objections to the withholding made by ODE. The charter schools still wanted to be heard, however, on their claims that PDE permits the School District, and all school districts, to deduct amounts from total expenditures that are not expressly permitted under the Charter School Law when calculating per-pupil rates. Therefore, the charter schools brought this separate action. The School District and PDE have filed preliminary objections and briefs in mid-September 2019, which the charter schools oppose. 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 \$8.5 million for the pending withholding requests of which we are aware as described above.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 431 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. Initially, the School District objected to withholdings for payments made to the charter schools for the 2017-2018 school year. The charter schools brought this action to make the same challenge to the deductions permitted by PDE that is presented in the prior case (167 M.D.2019). The School District’s response to the petition for review was filed in early October 2019. 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 \$6.4 million for the pending withholding requests of which we are aware as described above.

- (4) *Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al.*, Court of Common Pleas of Philadelphia County, September Term, 2017, Case No. 153. This consolidated proceeding by commercial property owners and tenants in the City alleges that the City’s 2018 property tax reassessment violated the Pennsylvania Constitution’s Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District’s Business Use and Occupancy Tax, the School District intervened as a defendant. The Court denied the plaintiffs’ requested preliminary injunction but stayed their individually filed appeals from the Board of Revision of Taxes pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019.

On July 18, 2019, the Court issued an opinion, ruling against the City and in effect, adverse to the School District’s interests. If that ruling stands, it would have an estimated \$35.0 million impact on the School District. The City and School District moved for post-trial relief in July 2019, which the Court denied. The City and School District filed a notice of appeal of the Court’s decision, which has been docketed with Commonwealth Court on November 4, 2019.

The parties are waiting to receive the briefing schedule from Commonwealth Court. During this appeal, the ruling of the Court of Common Pleas will be automatically stayed. Although it is impossible to determine with any certainty, based on our evaluation of the claims and defenses, the likelihood of an unfavorable outcome for the School District is reasonably possible in the amount of approximately \$35.0 million.

J. Other Post Employment Benefits

The District recognized and recorded (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. Currently, the District has two OPEB benefits (1) Life Insurance Benefits and (2) PSERS OPEB.

(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, 2018, 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	14,124
Retirees	10,352
Total	24,476

Total OPEB Life Insurance liability:

At June 30, 2019, the District reported a liability of \$15.9 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, 2019 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2018." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2018. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2019 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

Actuarial Methods and Assumptions:

- **Discount Rate:** 3.87% per annum as of June 30, 2018 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Yield, selected by the District)
- **Salary Increases:** 3.00% per year (based on input from the 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:

If less than 5 Years of Service		If 5 or more Years of Service	
<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 the valuation date of June 30, 2018 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 minimis 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:

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:

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 to the actuarial valuation as of June 30, 2018.

The discount rate was change as of June 30, 2017 from 3.58% to a municipal bond index of 3.87% as of June 30, 2018.

The mortality, retirement, and disability assumptions were revised.

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
6/30/2018	\$ 15,917,810	\$ 792,975,829	2.00735%

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
Total OPEB Life Insurance Benefit Liability as of July 1, 2018	\$ 16,377,232
Changes for the year (2018-2019):	
Service Cost	86,098
Interest on total OPEB Life Insurance Liability	580,316
Effect of liability gains or losses	(36,124)
Effect of Assumption changes or inputs	(578,474)
Benefit Payments	(511,238)
Total OPEB Life Insurance Benefit Liability as of June 30, 2019	\$ 15,917,810

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 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	2017-2018 Measurement Period (Dollars in Thousands)		
	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
District's total OPEB Life Insurance Liability	18,077	15,918	14,173

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(Dollar in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 461.4	\$
Effect of liability gains or losses		(28.0)
Effect of assumptions changes or inputs		(1,300.9)
	\$ 461.4	\$ (1,328.9)

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, 2019, the District recognized net OPEB expense of \$159.9 thousand which was all under the Governmental Activity section of the Government-wide Statements.
- (b) All of the (\$1,328.9) 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
2019	\$ (506.6)
2020	(506.6)
2021	(247.6)
2022	(68.1)
2023	-
Thereafter	-
Total	\$ (1,328.9)

2. PSERS Other Postemployment Benefits

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

- (i) At June 30, 2019, the District reported a liability of \$160.7 million for its proportionate share of the net OPEB liability of which \$158.2 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, 2018 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, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 7.7051 percent, which was an increase of 0.4727 percent from its proportion measured as of June 30, 2018.
- (ii) For the year ended June 30, 2019, the District recognized net OPEB expense of \$1,118.8 thousand of which \$1,101.4 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$17.4 thousand was under the Business-type Activity section of the Government-wide Statements.
- (iii) At June 30, 2019, 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	\$ 992.0	\$ -
Change in assumption	2,540.0	(6,088.0)
Net difference between projected and actual investment earnings	271.0	-
Change in proportions	13,526.0	-
Difference between employer contributions and proportionate share of total contributions	6.8	-
Contributions subsequent to the measurement date	8,716.0	-
	\$ 26,051.7	\$ (6,088.0)

Deferred outflows of resources for contributions made subsequent to the measurement date was \$8.7 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 \$11.2 million as deferred outflows of resources and deferred inflows of resources related to OPEB which will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2019	\$ 2,879.0	\$ (1,011.0)	\$ 1,868.0
2020	2,879.0	(1,011.0)	1,868.0
2021	2,879.0	(1,011.0)	1,868.0
2022	2,815.0	(988.0)	1,827.0
2023	2,759.0	(969.0)	1,790.0
Thereafter	3,124.7	(1,098.0)	2,026.7
Total	<u>\$ 17,335.7</u>	<u>\$ (6,088.0)</u>	<u>\$ 11,247.7</u>

Of the \$11,247.7 thousands reported as net deferred outflows, \$11,073.0 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 \$170.8 thousand and \$3.9 thousand respectively.

Actuarial assumptions: The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability as of June 30, 2017 actuarial valuation to June 30, 2018 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 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, 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:
 - o Eligible retirees will elect to participate Pre age 65 at 50%
 - o Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- 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 3 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: Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

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.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.9%	0.3%
US Core-Fixed Income	92.8%	1.2%
Non-US Developed fixed	1.3%	0.4%
	<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, 2018.

Discount rate: The discount rate used to measure the total OPEB liability was 2.98%. 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 2.98%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, 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, 2018, 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 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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, 2018 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
System net OPEB liability	160,616	160,647	160,673

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

The following presents the net liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

	(Dollars in Thousands)		
	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	182,697	160,647	142,345

K. Pension Plan

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

- At June 30, 2019, the District reported a liability of \$3,698.9 million for its proportionate share of the net pension liability of which \$3,643.7 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, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30,

2017 to June 30, 2018. 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 7.7051 percent, which was an increase of .4727 percent from its proportion measured as of June 30, 2017.

- (b) For the year ended June 30, 2019, the District recognized net pension expense of \$24,278.8 thousand of which \$23,916.9 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$361.9 thousand was under the Business-type Activity section of the Government-wide Statements.
- (c) At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,775.0	\$ (57,251.9)
Change in assumption	68,918.0	
Net difference between projected and actual investment earnings	18,128.0	-
Change in proportions	252,225.0	(73,436.8)
Difference between employer contributions and proportionate share of total contributions	-	(3,593.0)
Contributions subsequent to the measurement date	341,545.8	-
	<u>\$ 710,591.8</u>	<u>\$ (134,281.7)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$341,545.8 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 outflows of \$234,764.3 thousand reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2019	\$ 146,389.4	\$ (53,458.0)	\$ 92,931.4
2020	177,510.0	(64,171.8)	113,338.2
2021	67,025.5	(24,399.8)	42,625.7
2022	(21,878.9)	7,747.9	(14,131.0)
Total	<u>\$ 369,046.0</u>	<u>\$ (134,281.7)</u>	<u>\$ 234,764.3</u>

Of the \$234,764.3 thousand reported as net deferred outflows, \$231,264.7 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 \$3,397.0 thousand and \$102.6 thousand, respectively.

Actuarial assumptions:

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.25% 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.
- The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

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>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<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, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 9.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 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 <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's proportionate share of the net pension liability	\$4,584,973	\$3,698,831	\$2,949,571

Pension plan fiduciary net position:

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

L. Risk Management

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$0.5 million except for losses incurred from windstorm, fire, flood and earthquake which have a deductible of \$1.0 million and a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages including 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 \$124.0 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, 2019, the amount of these liabilities totaled \$124.0 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

	(Dollars in Millions)				
	Beginning <u>Liability</u>	Claims & <u>Adjustments</u>	Claim <u>Payments</u>	Ending <u>Liability</u>	Due Within <u>One Year</u>
Fiscal Year 2018	\$ 121.9	\$ 214.7	\$ 215.5	\$ 121.1	\$ 47.3
Fiscal Year 2019	\$ 121.1	\$ 221.0	\$ 218.1	\$ 124.0	\$ 48.8

Settled claims covered by commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) years. There has not been a significant reduction in insurance coverage from coverage in the prior year for any risk category. The School District has not entered into any annuity contracts as part of claims settlements.

M. Prior Period Adjustment

1. Payroll Liabilities: During the fiscal year ended June 30, 2019, the District determined that certain payroll deductions and liabilities were over-accrued on the Payroll Liability Agency Fund as of June 30, 2018 and the amount the District reported as liabilities was too high. Therefore, an adjustment to beginning fund balance has been recorded to the General Fund to adjust the liabilities to the correct amount. The net effect of this adjustment increased fund balance by \$9,243,483. This adjustment was also recorded to the Governmental Activities on the government-wide statements, increasing the beginning net position by \$9,243,483.
2. Prepaid Expenses: During the fiscal year ended June 30, 2019, the District determined that some of the purchases made for consumable student workbooks are for use in fiscal years 2020 to 2022 and should have been recorded as prepaid expenses. Therefore, an adjustment to beginning net position has been recorded to the Governmental Activities on the government-wide statements, the net effect of which increased the net position by \$3,177,322. The District uses the *purchases method of accounting* for prepaid expenditures on its Fund Statements; therefore, there is no adjustment to beginning fund balance.
3. Capital Assets: District-wide net position beginning balances were increased by \$306,792. This adjustment involved: (1) an increase in Land in the amount of \$958,018 to properly record the value previously recorded in the Building account, (2) a decrease in Buildings in the amount of \$958,018 to reduce the account balance to remove the value associated with Land, (3) a reduction to the Personal Property value in the amount of \$81,935 to correct an asset value that was incorrectly recorded, (4) a reduction to Building Accumulated Depreciation in the amount of \$364,047 to remove depreciation incorrectly associated with the Building account, (5) a reduction to Personal Property Accumulated Depreciation in the amount of \$4,097 to remove depreciation associated with the decreased Personal Property asset value, (6) an increase to Food Service Machinery & Equipment in the amount of \$26,000 to record the full value of unrecorded donations, and (7) an increase to Food Service Machinery & Equipment Accumulated Depreciation in the amount of \$5,417 to record depreciation for previously unrecorded donations.

N. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred subsequent to June 30, 2019 to and including February 7, 2020. Other than as described below, there were no subsequent material events affecting the District:

(1) Tax Anticipation Revenue Notes (TRAN)

In July 2019, 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 Board of Education, through a resolution, authorized the issuance and sale of TRAN Note Series of 2019-2020 which was issued as fixed and variable rate notes in the aggregate principal amount of \$175.0 million with a maturity date of March 31, 2020.

On July 9, 2019, the Board of Education authorized the issuance of \$175,000,000 of Tax and Revenue Anticipation Notes, Series of 2019-2020, issued in the amounts of \$87,500,000 Tax and Revenue Anticipation Notes, Series A 2019-2020 (the "Series A Notes") and \$87,500,000 Tax and Revenue Anticipation Notes, Series B 2018-2019 (the "Series B Notes"), collectively (the "Notes"). Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2020. On July 11, 2019, the District directed an initial draw of \$50.0 million under each of the Series A Notes and Series B Notes. The School District had the authority to draw down the remaining \$75 million at any time before October 1, 2019 at either a fixed rate or floating rate, which would be set at the time of the draw.

On October 17, 2019, the District's Board of Education adopted a resolution, which authorized the issuance of TRAN, Series C of 2019-2020 in a principal amount of \$347.1 million. The proceeds from Series C of 2019-2020 will be used (i) to pay certain current operating budget expenses prior to the receipt of District's taxes and certain other revenues to be received during Fiscal Year 2020, (ii) currently refund the Series A Notes and Series B Notes of 2019-2020, and (iii) pay the cost of issuance of the Series C Notes.

On October 22, 2019, the District (1) redeemed the principal amount of \$100.0 million under TRAN Series A and B of 2019-2020, (2) paid interest of \$584,137, and (3) a termination fee of \$117,399. In addition, on October 22, 2019, the district also issued TRAN, Series C of 2019-2020 in a principal amount of \$347.1 million, which matures on March 31, 2020. The Series C Notes will bear interest payable at maturity, at the rate of 4.00 % per annum, calculated on the basis of actual days elapsed in a 365/366 day year.

(2) General Obligation Bonds, General Obligation Refunding Bonds, State Public School Building Authority Lease Revenue Refunding Bonds, and General Obligations Refunding Bonds Forward Delivery

- General Obligation Bonds: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Bonds (GOB) Series A of 2019, Series B of 2019 and Series D of 2019. On November 20, 2019, the District closed on GOB Series A of 2019 issued in the aggregate amount of \$406.8 million, GOB Series B of 2019 issued as “Green Bonds” in the aggregate amount of \$24.8 million, and GOB Series D of 2019 issued in the aggregate amount of \$25.0 million. All three series of bonds will fund the Capital Improvement Program.
- General Obligation Refunding Bonds: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Refunding Bonds (GOB) Series C of 2019. On November 20, 2019, the District closed GOB Series C of 2019 in the aggregate amount of \$24.4 million for the purpose of refinancing a portion of General Obligation Bonds Series A of 2007 in the aggregate amount of \$30.0 million.
- State Public Building Authority Lease Rental Refunding Bonds: On October 17, 2019, the Board of Education authorized the issuance of Lease Rental Refunding Bonds, Series A of 2019 and Series B of 2019 in the aggregate amount of \$167.5 million and \$20.8 million, respectively, for the purpose of refinancing a portion of Lease Rental Series B of 2012 in the aggregate of \$172.3 million. On November 20, 2019, the District closed the lease Rental Series A of 2019 and Series B of 2019 in the aggregate amount of \$188.3 million.
- General Obligation Refunding Bonds Forward Delivery: On October 17, 2019, the Board of Education authorized the issuance of General Obligation Refunding Bonds Series of 2020 (Forward Delivery) in the aggregate amount of \$123.8 million for the purpose of refinancing a portion of General Obligation Bonds Series C of 2010, Series D of 2010, and Series E of 2010 for \$25.7 million, \$18.1 million, and \$88.1 million, respectively. The Forward Delivery bonds are scheduled to close on June 5, 2020.

(3) Termination of Certain Basis Swaps:

On October 17, 2019, the Board of Education authorized the terminations of the Wells Fargo Basis Swap and the JP Morgan Basis Swap provided that no termination shall occur unless such termination results in a net payment to the School District of not less than \$1.0 million.

(4) Joint Project between Drexel University and School District of Philadelphia:

On October 17, 2019, the School District of Philadelphia entered in to a Lease Agreement and Contribution Agreement authorized by the Board of Education on June 27, 2019. Pursuant to the Contribution Agreement, the School District paid Drexel University \$5.0 million dollars as a contribution to the construction of the Powel / SLAMS school (“PSLAMS”). Under the Contribution Agreement, the parties agreed to enter into an Escrow Agreement with U.S. Bank acting as the Escrow Agent to hold the additional \$2.0 million contribution from the School District to the construction of PSLAMS. The Escrow Agent shall release \$1.0 million to Drexel University upon receipt of the architect’s certification that the building is 50% completed. The Escrow Agent shall release the final \$1.0 million of the contribution upon the issuance of a Certification of Occupancy for the building.

On October 24, 2019, the School District paid \$5.0 million directly to Drexel University and sent the \$2.0 million to be held by the Escrow Agent. The School District is paying \$12 annual rent for the 29 year 10 month term of the Lease. The School District is assuming maintenance and capital repair obligations under certain terms and conditions of the Lease. Drexel University is funding the rest of the \$40.0 million to complete construction of the building through both private and public funding sources for the 187,000 sq. ft. school.

(5) Ratings Agencies:

In October 2019, Fitch upgraded the School District of Philadelphia’s issuer default rating to BB+ from BB- citing positive fiscal improvements achieved after meaningful, recurring revenue commitments enacted by the City of Philadelphia and the Commonwealth of Pennsylvania. The higher Fitch mark puts the District one notch below investment grade just before it was scheduled to sell \$793.1 million of bonds in a negotiated transaction the week of Oct. 16, 2019.

(6) Audits and Grantback by U.S. Department of Education:

U.S. Department of Education (“DOE”)’s 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. The OIG issued various draft and final audit reports in 2009 and 2010. DOE issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The School District responded to and/or took various appeals regarding the reports and PDLs, which were reviewed by the Office of Administrative Law Judges, the DOE Secretary, and the U.S. Court of Appeals for the Third Circuit, through 2017. The OIG audits and related recovery actions are fully resolved. After remitting payment of \$7.2 million in February 2017, the School District applied for a grantback in May 2017, in accordance with 20 U.S.C. 1234h, requesting return of 75 percent of the remitted funds for the School District to use for specified federal program purposes. By Grant award Notification dated April 1, 2019, DOE approved the grantback application for \$5.4 million. Due to a delay from the initial application to the award by DOE, the School District was asked to provide an amended application and budget related to the \$5.4 million. DOE approved this amendment on August 13, 2019. The School District anticipates these grantback funds to be available during Fiscal Year 2020.

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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, 2019

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes	\$ 1,357,355,000	\$ 1,339,310,000	\$ 1,346,789,457	\$ 7,479,457
Locally Generated Non Tax	200,334,000	216,397,000	218,877,559	2,480,559
State Grants and Subsidies	1,476,543,000	1,460,698,000	1,463,715,756	3,017,756
Federal Grants and Subsidies	192,000	246,000	92,351	(153,649)
Total Revenues	3,034,424,000	3,016,651,000	3,029,475,123	12,824,123
OBLIGATIONS				
Current Operating				
Instruction	1,046,068,760	1,040,837,093	1,033,637,222	7,199,871
Student Support Services	36,504,614	36,817,299	36,583,899	233,400
Administrative Support	103,578,940	105,833,317	100,545,227	5,288,090
Operation & Maintenance of Plant Services	201,986,209	213,791,817	199,477,803	14,314,014
Pupil Transportation	100,964,474	99,836,755	100,519,436	(682,681)
All Other Support Services	38,810,979	4,866,321	(4,315,544)	9,181,865
Payments to Charter Schools	931,333,836	950,333,836	968,360,760	(18,026,924)
Allocated Costs	(24,249,484)	(21,411,038)	-	(21,411,038)
Total Obligations	2,434,998,328	2,430,905,400	2,434,808,803	(3,903,403)
Excess of Revenues Over (Under) Obligations	599,425,672	585,745,600	594,666,320	8,920,720
OTHER FINANCING SOURCES (USES)				
Transfers In	-	113,000	-	(113,000)
Transfers Out	(564,998,695)	(557,649,700)	(559,333,211)	(1,683,511)
Total Other Financing Sources (Uses)	(564,998,695)	(557,536,700)	(559,333,211)	(1,796,511)
Net Change in Fund Balances	34,426,977	28,208,900	35,333,109	7,124,209
Fund Balances, July 1, 2018	25,173,511	39,507,900	72,882,138	33,374,238
Prior Period Adjustment	-	4,186,600	9,243,483	5,056,883
Change in Inventory Reserve	-	-	(184,043)	(184,043)
Change in Encumbrance Reserve	-	-	(10,033,584)	(10,033,584)
Fund Balances, June 30, 2019	\$ 59,600,488	\$ 71,903,400	\$ 107,241,103	\$ 35,337,703

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
179,000	210,000	208,742	(1,258)
133,349,000	137,453,000	137,107,186	(345,814)
-	-	-	-
133,528,000	137,663,000	137,315,928	(347,072)
271,233,557	271,034,164	271,652,834	(618,670)
126,155,916	132,918,814	131,673,736	1,245,078
974,733	894,322	840,144	54,178
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,000,000	9,000,000	9,000,000	-
407,364,206	413,847,300	413,166,714	680,586
(273,836,206)	(276,184,300)	(275,850,786)	333,514
273,836,206	276,184,300	275,850,786	(333,514)
-	-	-	-
273,836,206	276,184,300	275,850,786	(333,514)
-	-	-	-
-	-	759,715	759,715
-	-	-	-
-	-	-	-
-	-	1,254,939	1,254,939
\$ -	\$ -	\$ 2,014,654	\$ 2,014,654

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	2018
<u>Total OPEB Life Insurance Liability</u>		
Service Cost	\$ 101,347	\$ 86,098
Interest on total OPEB Life Insurance Liability	505,171	580,316
Effect of Liability gains or losses	-	(36,124)
Effect of Assumption changes or inputs	(1,590,940)	(578,474)
Benefit Payments	(520,980)	(511,238)
Net Change in Total OPEB Life Insurance Benefit Liability	\$ (1,505,402)	\$ (459,422)
Total OPEB Life Insurance Liability--beginning	17,882,634	16,377,232
Total OPEB Life Insurance Liability--ending (a)	<u>\$ 16,377,232</u>	<u>\$ 15,917,810</u>
<u>Plan fiduciary net position</u>		
Plan fiduciary net position--beginning	\$ -	\$ -
Plan fiduciary net position--ending (b)	-	-
District's net OPEB liability	<u>\$ 16,377,232</u>	<u>\$ 15,917,810</u>
Plan fiduciary net position as a percentage of the Total OPEB Life Insurance liability	0.00%	0.00%
Covered payroll	\$ 714,588,514	\$ 792,975,829
District's net OPEB liability as a percentage of its covered payroll	2.29%	2.01%
Expected average remaining service years of all participants	13.5	12.6

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	2019
Contractually required contribution	\$ 511,238	\$ 520,980
Contributions in relation to the Contractually required Contribution	511,238	520,980
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 792,975,829	\$ 792,975,829
Contributions as a percentage of covered payroll	0.064%	0.066%

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	June 30, 2018
District's proportion of the net OPEB liability	7.2324%	7.7051%
District's proportion of net OPEB liability-dollar value	\$ 147,353,785	\$ 160,647,425
District's covered payroll	\$ 962,912,147	\$ 1,036,408,149
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.30%	15.50%
Plan fiduciary net position as a percentage of the total net pension liability	5.73%	5.56%

(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	June 30, 2019
Contractually required contribution	\$ 8,608,574	\$ 8,715,961
Contributions in relation to the contractually required contribution	8,608,574	8,715,961
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	1,036,408,149	1,046,411,347
Contributions as a percentage of covered payroll	0.83%	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	\$ 3,571,967,003
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%
				356.89%
				54.00%

(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 (PERS)

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Contractually required contribution	\$ 180,187,615	\$ 216,738,487	\$ 274,885,156	\$ 325,694,097	\$ 341,545,787
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>	<u>341,545,787</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 902,602,996	\$ 895,466,120	\$ 962,912,147	\$ 1,036,408,149	\$ 1,046,411,347
Contributions as a percentage of covered payroll	19.96%	24.20%	28.55%	31.43%	32.64%

(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, 2019

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	\$ 3,029,475	\$ 137,316
Revenue - GAAP Basis	\$ 3,029,475	\$ 137,316
Obligations – Basis of Budgeting	\$ 2,434,809	\$ 413,167
Current Year Encumbrances	(20,028)	(1,977)
Prior Year Encumbrance Payments	20,235	619
Prior Year Encumbrance Cancellations and Other Adjustments	9,930	-
Expenditures - GAAP Basis	\$ 2,444,945	\$ 411,809
Other Financing Sources (Uses) - Basis of Budgeting	\$ (559,333)	\$ 275,851
Prior Year Encumbrance Cancellations	103	(103)
Other Financing Sources (Uses) - GAAP Basis	\$ (559,230)	\$ 275,748

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2019:

A. General Fund

(1). Pupil Transportation	\$ 682,681
(2). Payments to Charter Schools	\$ 18,026,924
(3). Allocated Costs	\$ 21,411,038

B. Intermediate Unit Fund

(1). Instruction	\$ 618,670
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Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$682,681 in Pupil Transportation can be explained primarily by a lower than budgeted transportation allocated cost credit, partially offset by lower than budgeted transportation costs.

The negative variance of \$18,026,924 in Payments to Charter Schools can be explained primarily by charter rates being revised upwards after the budget was amended and increased costs related to cyber and non-Philadelphia charter school year-end reconciliation payments.

The negative variance of \$21,411,038 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 \$618,670 results from greater than budgeted educational professional and technical costs.

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 \$24,249,484 and \$21,411,038, 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 Funds

Governmental - 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, 2019 there were thirty-five individual Special Revenue Trust Funds administered by the School District.

Governmental - 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, 2019 there were eighty-seven Permanent Funds administered by the School District.

Proprietary – Internal Service Funds

The District has two Internal Service Funds which account for the Healthcare Self Insurance Fund and the Internal Use of Facilities Fund. The Healthcare Self Insurance Fund is used to account 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. The Internal Use of Facilities Fund segregates from the General Fund the related revenues and costs for use of District buildings after business hours for internal users.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,343,084	\$ 2,130,166	\$ 6,473,250
Accounts Receivable	-	-	-
Total Assets	<u>\$ 4,343,084</u>	<u>\$ 2,130,166</u>	<u>\$ 6,473,250</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 2,335	\$ -	\$ 2,335
Fund Balance:			
Reserved for:			
Encumbrances	-	-	-
Trust Fund Principal	-	1,365,405	1,365,405
Unreserved			
Designated For Trust Purposes	4,340,749	764,761	5,105,510
Total Fund Balances	<u>4,340,749</u>	<u>2,130,166</u>	<u>6,470,915</u>
Total Liabilities and Fund Balances	<u>\$ 4,343,084</u>	<u>\$ 2,130,166</u>	<u>\$ 6,473,250</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, 2019

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 87,193	\$ 32,468	\$ 119,661
EXPENDITURES			
Instruction	25,504	10,590	36,094
Excess (Deficiency) of Revenues Over Expenditures	61,689	21,878	83,567
Fund Balances, July 1, 2018	4,279,060	2,108,288	6,387,348
Fund Balances, June 30, 2019	\$ 4,340,749	\$ 2,130,166	\$ 6,470,915

School District of Philadelphia
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	Healthcare Self Insurance	Use of Facilities	Total
ASSETS			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 55,988,679	\$ 15,193	\$ 56,003,872
Funds On Deposit	9,500,000	-	9,500,000
	<u>\$ 65,488,679</u>	<u>\$ 15,193</u>	<u>\$ 65,503,872</u>
Total Assets and Deferred Outflows of Resources			
	<u>\$ 65,488,679</u>	<u>\$ 15,193</u>	<u>\$ 65,503,872</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 13,970,084	\$ -	\$ 13,970,084
Incurred But Not Reported Claims	17,182,000	-	17,182,000
Total Current Liabilities	<u>31,152,084</u>	<u>-</u>	<u>31,152,084</u>
NET POSITION			
Restricted for Healthcare Claims	9,500,000	-	9,500,000
Unrestricted (Deficit)	24,836,595	15,193	24,851,788
	<u>34,336,595</u>	<u>15,193</u>	<u>34,351,788</u>
Total Net Position (Deficit)			
	<u>34,336,595</u>	<u>15,193</u>	<u>34,351,788</u>
Total Liabilities and Net Position	<u>\$ 65,488,679</u>	<u>\$ 15,193</u>	<u>\$ 65,503,872</u>

School District of Philadelphia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019

	Healthcare Self Insurance	Use of Facilities	Total
Operating Revenues:			
Rental of Facilities	\$ -	\$ 177,860	\$ 177,860
Contributions for Services	170,214,919	-	170,214,919
Total Operating Revenues	<u>170,214,919</u>	<u>177,860</u>	<u>170,392,779</u>
Operating Expenses:			
Salaries	480,783	60,079	540,862
Employee Benefits	324,814	28,064	352,878
Benefit Payments	175,225,075	-	175,225,075
Other Operating Expenses	4,695,232	93,768	4,789,000
Total Operating Expenses	<u>180,725,904</u>	<u>181,911</u>	<u>180,907,815</u>
Operating Income/(Loss)	(10,510,985)	(4,051)	(10,515,036)
Non-Operating Revenues/(Expenses):			
Federal and State Grants	-	19,244	19,244
Change in Net Position	<u>(10,510,985)</u>	<u>15,193</u>	<u>(10,495,792)</u>
Total Net Position (Deficit) July 1, 2018	<u>44,847,580</u>	<u>-</u>	<u>44,847,580</u>
Total Net Position (Deficit) June 30, 2019	<u>\$ 34,336,595</u>	<u>\$ 15,193</u>	<u>\$ 34,351,788</u>

School District of Philadelphia
Combining Statement of Cash Flows
Internal Service Funds
For The Year Ended June 30, 2019

	Healthcare Self Insurance	Use of Facilities	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 170,214,919	\$ 177,860	\$ 170,392,779
Cash Payments to Employees for Services	(805,597)	(88,143)	(893,740)
Cash Payments to Suppliers for Goods and Services	(173,825,118)	-	(173,825,118)
Cash Payments for Other Operating Expenses	(4,695,232)	(93,768)	(4,789,000)
Net Cash (Used)/Provided by Operating Activities	<u>(9,111,028)</u>	<u>(4,051)</u>	<u>(9,115,079)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	-	19,244	19,244
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>19,244</u>	<u>19,244</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(9,111,028)	15,193	(9,095,835)
Cash and Cash Equivalents July 1, 2018	65,099,707	-	65,099,707
Cash and Cash Equivalents June 30, 2019	<u>\$ 55,988,679</u>	<u>\$ 15,193</u>	<u>\$ 56,003,872</u>
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating (Loss)	\$ (10,510,985)	\$ (4,051)	\$ (10,515,036)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Increase/(Decrease) in Accounts Payable	(1,747,043)	-	(1,747,043)
Increase/(Decrease) in Incurred But Not Reported Claims	3,147,000	-	3,147,000
Total Adjustments	<u>1,399,957</u>	<u>-</u>	<u>1,399,957</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (9,111,028)</u>	<u>\$ (4,051)</u>	<u>\$ (9,115,079)</u>

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.
- 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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 815,249,000	\$ 794,054,000	\$ 800,298,689	\$ 6,244,689
Prior Years	61,429,000	46,612,000	47,427,013	815,013
Use and Occupancy	175,624,000	186,572,000	186,532,175	(39,825)
School (Non-Business) Income	42,800,000	49,650,000	49,434,148	(215,852)
Liquor Sales	80,300,000	79,040,000	79,300,071	260,071
Cigarette Sales	58,000,000	58,000,000	58,153,785	153,785
Sales Tax	120,000,000	120,000,000	120,000,000	-
Ridesharing Revenue	2,800,000	4,200,000	4,461,419	261,419
Public Utility Realty	1,153,000	1,182,000	1,182,157	157
Total Local Taxes	1,357,355,000	1,339,310,000	1,346,789,457	7,479,457
Locally Generated Non Tax				
Investment Revenue	1,697,000	6,096,000	6,445,138	349,138
City Contributions	173,015,000	180,871,000	180,870,541	(459)
Stadium Agreements	2,744,000	2,744,000	2,743,500	(500)
Voluntary Contributions	487,000	2,672,000	2,832,435	160,435
Parking Authority Contributions	11,874,000	14,500,000	15,416,639	916,639
Gaming Revenue	5,000,000	5,000,000	5,000,000	-
Reimbursement from Other Funds	14,000	14,000	13,860	(140)
Miscellaneous	5,503,000	4,500,000	5,555,446	1,055,446
Total Locally Generated Non Tax	200,334,000	216,397,000	218,877,559	2,480,559
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	1,112,234,000	1,112,921,000	1,113,038,036	117,036
Less: Reimbursement of Prior Years IU Advances	65,268,000	67,101,000	65,393,552	(1,707,448)
Net Instruction	1,046,966,000	1,045,820,000	1,047,644,484	1,824,484
Debt Service	8,892,000	-	-	-
School Health Program				
Nurse Services	1,126,000	1,036,000	935,441	(100,559)
Medical and Dental	1,924,000	1,787,000	1,643,438	(143,562)
Tuition	636,000	121,000	42,384	(78,616)
Area Vocational Technical Education	6,826,000	6,578,000	6,207,276	(370,724)
Transportation	69,980,000	66,820,000	66,854,927	34,927
District Special Education	145,626,000	145,749,000	146,860,118	1,111,118
Retirement	158,267,000	156,781,000	155,790,011	(990,989)
Social Security	36,300,000	36,006,000	37,737,677	1,731,677
Total State Grants and Subsidies	1,476,543,000	1,460,698,000	1,463,715,756	3,017,756
Federal Grants and Subsidies				
Impacted Area Aid	192,000	246,000	92,351	(153,649)
Total Federal Grants and Subsidies	192,000	246,000	92,351	(153,649)
Total Other Governments	1,476,735,000	1,460,944,000	1,463,808,107	2,864,107
Total Revenues	\$ 3,034,424,000	\$ 3,016,651,000	\$ 3,029,475,123	\$ 12,824,123

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 574,281	\$ 413,567	\$ 388,453	\$ 25,114
Employee Benefits	347,565	261,964	263,527	(1,563)
Prof.,Tech. Services	7,500	7,500	1,082	6,418
Property,Transportation,Comm.	30,000	30,000	19,564	10,436
Materials, Supplies, Books and Equipment	38,627	59,183	43,746	15,437
	<u>997,973</u>	<u>772,214</u>	<u>716,372</u>	<u>55,842</u>
Elementary Education				
Personal Services	274,020,226	271,608,647	272,286,367	(677,720)
Employee Benefits	185,956,201	182,271,078	181,737,952	533,126
Prof.,Tech. Services	2,080,032	2,202,116	1,970,422	231,694
Property,Transportation,Comm.	25,972	30,015	257,510	(227,495)
Materials, Supplies, Books and Equipment	9,025,685	9,999,505	8,990,530	1,008,975
Other	1,500,000	-	-	-
	<u>472,608,116</u>	<u>466,111,361</u>	<u>465,242,781</u>	<u>868,580</u>
Middle School Education				
Personal Services	38,614,663	39,757,795	39,594,119	163,676
Employee Benefits	25,797,346	26,332,602	26,271,963	60,639
Prof.,Tech. Services	4,812,075	4,550,587	3,936,592	613,995
Property,Transportation,Comm.	201,870	163,870	200,420	(36,550)
Materials, Supplies, Books and Equipment	1,126,509	1,581,352	1,424,408	156,944
	<u>70,552,463</u>	<u>72,386,206</u>	<u>71,427,502</u>	<u>958,704</u>
Senior High School Education				
Personal Services	124,634,010	124,184,172	124,827,675	(643,503)
Employee Benefits	82,683,062	82,143,327	81,948,142	195,185
Prof.,Tech. Services	5,761,277	5,681,724	5,493,087	188,637
Property,Transportation,Comm.	1,796,835	2,030,418	2,221,155	(190,737)
Materials, Supplies, Books and Equipment	5,025,401	5,894,551	5,663,005	231,546
	<u>219,900,585</u>	<u>219,934,192</u>	<u>220,153,064</u>	<u>(218,872)</u>
Special Education				
Personal Services	9,397,441	9,163,181	9,260,929	(97,748)
Employee Benefits	6,584,933	6,184,057	6,261,192	(77,135)
Materials, Supplies, Books and Equipment	12,640	13,470	11,957	1,513
	<u>15,995,014</u>	<u>15,360,708</u>	<u>15,534,078</u>	<u>(173,370)</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Area Vocational Technical Education				
Personal Services	\$ 14,783,141	\$ 13,921,206	\$ 13,922,291	\$ (1,085)
Employee Benefits	10,009,556	9,257,225	9,138,837	118,388
Prof.,Tech. Services	382,658	350,187	363,661	(13,474)
Property,Transportation,Comm.	42,780	113,879	303,814	(189,935)
Materials, Supplies, Books and Equipment	1,393,243	1,395,658	1,169,691	225,967
	26,611,378	25,038,155	24,898,294	139,861
Promise Academies				
Personal Services	8,236,881	8,218,352	8,259,832	(41,480)
Employee Benefits	5,416,885	5,308,419	5,413,563	(105,144)
Prof.,Tech. Services	50,000	32,000	38,850	(6,850)
Property,Transportation,Comm.	-	-	13,340	(13,340)
Materials, Supplies, Books and Equipment	900,177	1,305,161	1,167,937	137,224
	14,603,943	14,863,932	14,893,522	(29,590)
School Support Services				
Personal Services	41,694,151	42,334,606	41,471,707	862,899
Employee Benefits	28,677,048	28,435,280	27,587,439	847,841
Prof.,Tech. Services	33,067,774	36,951,802	38,543,548	(1,591,746)
Property,Transportation,Comm.	65,752	165,752	139,373	26,379
Materials, Supplies, Books and Equipment	12,859,532	10,940,537	10,771,584	168,953
Other	2,000,000	-	-	-
	118,364,257	118,827,977	118,513,651	314,326
Payment to Other Educational Entities				
Prof.,Tech. Services	41,678,622	43,633,203	41,529,176	2,104,027
Property,Transportation,Comm.	64,756,409	63,909,145	60,728,782	3,180,363
	106,435,031	107,542,348	102,257,958	5,284,390
Total Instruction	1,046,068,760	1,040,837,093	1,033,637,222	7,199,871

(Continued on pages 114 through 118)

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		
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 21,117,980	\$ 20,857,270	\$ 20,744,011	\$ 113,259
Employee Benefits	14,137,394	13,934,969	13,924,503	10,466
Prof.,Tech. Services	151,600	1,127,000	1,220,491	(93,491)
Property,Transportation,Comm.	41,045	43,693	29,983	13,710
Materials, Supplies, Books and Equipment	381,468	359,732	150,358	209,374
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	35,829,487	36,322,664	36,069,346	253,318
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Office of Specialized Services				
Personal Services	202,354	256,988	260,471	(3,483)
Employee Benefits	120,984	144,283	169,267	(24,984)
Prof.,Tech. Services	340,562	71,937	63,177	8,760
Property,Transportation,Comm.	7,675	7,675	2,946	4,729
Materials, Supplies, Books and Equipment	3,552	13,752	18,692	(4,940)
	<hr/>	<hr/>	<hr/>	<hr/>
	675,127	494,635	514,553	(19,918)
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Total Student Support Services	36,504,614	36,817,299	36,583,899	233,400
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Administrative Support				
Regional Offices/Learning Networks				
Personal Services	1,978,895	2,076,188	2,062,096	14,092
Employee Benefits	1,098,563	1,149,869	1,126,455	23,414
Prof.,Tech. Services	308,700	446,070	445,620	450
Property,Transportation,Comm.	15,500	41,960	90,840	(48,880)
Materials, Supplies, Books and Equipment	178,864	212,701	128,466	84,235
Other	-	-	(203,306)	203,306
	<hr/>	<hr/>	<hr/>	<hr/>
	3,580,522	3,926,788	3,650,171	276,617
	<hr/>	<hr/>	<hr/>	<hr/>
Financial Services				
Personal Services	4,618,304	4,883,475	5,104,260	(220,785)
Employee Benefits	3,021,070	3,149,171	3,318,073	(168,902)
Prof.,Tech. Services	1,416,044	2,541,831	2,831,485	(289,654)
Property,Transportation,Comm.	233,805	73,405	79,237	(5,832)
Materials, Supplies, Books and Equipment	112,872	116,763	76,861	39,902
Other	350,000	69,262	(583,943)	653,205
	<hr/>	<hr/>	<hr/>	<hr/>
	9,752,095	10,833,907	10,825,973	7,934
	<hr/>	<hr/>	<hr/>	<hr/>
Other Central Support Services				
Personal Services	651,003	719,498	716,762	2,736
Employee Benefits	461,276	483,114	430,023	53,091
Prof.,Tech. Services	104,826	143,785	268,645	(124,860)
Property,Transportation,Comm.	1,845,484	1,832,117	2,105,405	(273,288)
Materials, Supplies, Books and Equipment	14,579	174,579	21,471	153,108
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	3,077,168	3,353,093	3,542,306	(189,213)
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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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 5,019,870	\$ 4,903,922	\$ 4,911,495	\$ (7,573)
Employee Benefits	3,405,562	3,202,672	3,093,171	109,501
Prof.,Tech. Services	636,374	766,386	849,318	(82,932)
Property,Transportation,Comm.	48,137	47,237	98,656	(51,419)
Materials, Supplies, Books and Equipment	238,570	143,493	96,453	47,040
Other	20,539	20,539	(332,939)	353,478
	<u>9,369,052</u>	<u>9,084,249</u>	<u>8,716,154</u>	<u>368,095</u>
Information Technology				
Personal Services	6,979,306	6,964,245	7,054,374	(90,129)
Employee Benefits	4,562,466	4,413,420	4,545,073	(131,653)
Prof.,Tech. Services	3,429,376	4,095,690	4,033,171	62,519
Property,Transportation,Comm.	2,647,496	2,701,350	1,670,175	1,031,175
Materials, Supplies, Books and Equipment	1,107,939	1,112,654	2,080,244	(967,590)
Other	562,850	-	(933,285)	933,285
	<u>19,289,433</u>	<u>19,287,359</u>	<u>18,449,752</u>	<u>837,607</u>
Board of Education				
Personal Services	2,185,342	2,367,127	2,353,634	13,493
Employee Benefits	1,460,694	1,539,394	1,455,464	83,930
Prof.,Tech. Services	380,076	316,730	292,844	23,886
Property,Transportation,Comm.	128,678	121,218	73,592	47,626
Materials, Supplies, Books and Equipment	54,083	151,565	135,422	16,143
Other	200,000	78,876	-	78,876
	<u>4,408,873</u>	<u>4,574,910</u>	<u>4,310,956</u>	<u>263,954</u>
Chief of Schools				
Personal Services	2,946,273	3,327,162	3,307,992	19,170
Employee Benefits	1,901,787	2,053,426	2,057,177	(3,751)
Prof.,Tech. Services	90,727	123,227	60,057	63,170
Property,Transportation,Comm.	-	130,000	157,132	(27,132)
Materials, Supplies, Books and Equipment	171,940	88,114	71,500	16,614
Other	126,000	9,028	-	9,028
	<u>5,236,727</u>	<u>5,730,957</u>	<u>5,653,858</u>	<u>77,099</u>
Office of School Management				
Personal Services	3,422,500	3,451,220	3,294,516	156,704
Employee Benefits	2,318,415	2,298,005	2,100,906	197,099
Prof.,Tech. Services	7,500	139,349	86,581	52,768
Property,Transportation,Comm.	190,858	209,875	203,862	6,013
Materials, Supplies, Books and Equipment	159,305	157,386	106,655	50,731
Other	300,000	10,000	(268,657)	278,657
	<u>6,398,578</u>	<u>6,265,835</u>	<u>5,523,863</u>	<u>741,972</u>

(Continued on pages 116 through 118)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Secondary Education				
Personal Services	\$ 127,608	\$ 158,206	\$ 142,873	\$ 15,333
Employee Benefits	71,988	85,376	90,232	(4,856)
Prof.,Tech. Services	410,918	245,371	245,371	-
Property,Transportation,Comm.	21,476	102,127	154,160	(52,033)
Materials, Supplies, Books and Equipment	77,458	115,349	58,181	57,168
	709,448	706,429	690,817	15,612
Curriculum, Instruction & Professional Development				
Personal Services	4,434,975	4,122,316	4,143,914	(21,598)
Employee Benefits	2,662,288	2,592,132	2,519,640	72,492
Prof.,Tech. Services	419,135	467,169	456,041	11,128
Property,Transportation,Comm.	8,181	8,181	53,942	(45,761)
Materials, Supplies, Books and Equipment	51,851	136,770	83,104	53,666
Other	47,039	-	-	-
	7,623,469	7,326,568	7,256,641	69,927
Professional Growth Trust Fund				
Employee Benefits	-	396,600	396,600	-
Office of the Chief Operations Officer				
Personal Services	4,788,164	4,521,764	4,563,475	(41,711)
Employee Benefits	3,131,271	2,964,804	2,940,944	23,860
Prof.,Tech. Services	537,022	727,022	596,547	130,475
Property,Transportation,Comm.	170,334	170,334	61,663	108,671
Materials, Supplies, Books and Equipment	146,615	267,674	188,117	79,557
Other	-	-	(440,577)	440,577
	8,773,406	8,651,598	7,910,169	741,429
Executive / Board Management				
Personal Services	5,402,967	5,738,368	5,702,810	35,558
Employee Benefits	3,367,627	3,511,169	3,512,240	(1,071)
Prof.,Tech. Services	6,277,799	6,368,552	4,290,258	2,078,294
Property,Transportation,Comm.	174,801	265,242	176,543	88,699
Materials, Supplies, Books and Equipment	140,093	148,794	126,206	22,588
Other	488,757	179,309	1,424	177,885
	15,852,044	16,211,434	13,809,481	2,401,953
Office of Grant Development & Compliance				
Personal Services	676,932	675,086	684,465	(9,379)
Employee Benefits	449,812	427,490	448,276	(20,786)
Prof.,Tech. Services	118,572	296,533	955,999	(659,466)
Property,Transportation,Comm.	46,785	51,390	50,110	1,280
Materials, Supplies, Books and Equipment	37,965	43,976	30,949	13,027
	1,330,066	1,494,475	2,169,799	(675,324)
Office of the Chief Academic Officer				
Personal Services	4,681,146	4,575,820	4,601,772	(25,952)
Employee Benefits	2,813,896	2,798,403	2,865,248	(66,845)
Prof.,Tech. Services	178,336	235,505	211,191	24,314
Property,Transportation,Comm.	167,443	175,855	208,038	(32,183)
Materials, Supplies, Books and Equipment	337,238	202,467	176,867	25,600
Other	-	1,065	(424,429)	425,494
	8,178,059	7,989,115	7,638,687	350,428
Total Administrative Support	103,578,940	105,833,317	100,545,227	5,288,090

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 52,112,522	\$ 57,556,120	\$ 57,263,343	\$ 292,777
Employee Benefits	48,999,819	50,474,124	51,251,463	(777,339)
Prof.,Tech. Services	8,471,944	9,577,811	9,542,063	35,748
Property,Transportation,Comm.	12,106,098	17,908,313	16,420,692	1,487,621
Materials, Supplies, Books and Equipment	11,519,854	11,016,109	11,096,961	(80,852)
Other	-	-	(7,741,610)	7,741,610
	133,210,237	146,532,477	137,832,912	8,699,565
Food Services Indirect Cost				
Other	(5,000,000)	(5,000,000)	(5,000,000)	-
Utilities				
Prof.,Tech. Services	668,020	668,020	368,000	300,020
Property,Transportation,Comm.	14,560,153	14,400,688	12,119,463	2,281,225
Materials, Supplies, Books and Equipment	29,401,709	27,367,861	27,891,196	(523,335)
Other	-	-	(2,254,129)	2,254,129
	44,629,882	42,436,569	38,124,530	4,312,039
Security Operations				
Personal Services	15,888,159	15,806,218	15,865,398	(59,180)
Employee Benefits	12,293,294	12,428,280	12,466,466	(38,186)
Prof.,Tech. Services	67,916	110,940	104,920	6,020
Property,Transportation,Comm.	34,110	32,410	56,595	(24,185)
Materials, Supplies, Books and Equipment	862,611	1,444,923	1,396,729	48,194
Other	-	-	(1,369,747)	1,369,747
	29,146,090	29,822,771	28,520,361	1,302,410
Total Oper. & Maint. of Plant Services	201,986,209	213,791,817	199,477,803	14,314,014
Pupil Transportation				
Personal Services	16,693,115	16,084,649	15,883,929	200,720
Employee Benefits	15,034,720	14,251,659	14,191,878	59,781
Prof.,Tech. Services	898,193	735,410	724,145	11,265
Property,Transportation,Comm.	126,339,463	127,996,393	126,113,657	1,882,736
Materials, Supplies, Books and Equipment	3,861,539	4,977,250	5,225,843	(248,593)
Other	(61,862,556)	(64,208,606)	(61,620,016)	(2,588,590)
Total Pupil Transportation	100,964,474	99,836,755	100,519,436	(682,681)
All Other Support Services				
Risk Management				
Personal Services	264,387	278,170	274,276	3,894
Employee Benefits	178,541	181,584	191,182	(9,598)
Prof.,Tech. Services	72,500	-	-	-
Property,Transportation,Comm.	2,270,273	2,268,951	2,197,982	70,969
Materials, Supplies, Books and Equipment	10,000	2,200	-	2,200
Losses and Judgments	7,500,000	9,009,122	8,881,619	127,503
	10,295,701	11,740,027	11,545,059	194,968

(Continued on page 118)

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ 350,000	\$ 151,500	\$ 151,500	\$ -
Interest	12,500,000	7,733,863	7,733,836	27
	<u>12,850,000</u>	<u>7,885,363</u>	<u>7,885,336</u>	<u>27</u>
Undistributed				
Employee Benefits	665,278	(3,559,069)	(9,783,681)	6,224,612
Prof.,Tech. Services	3,500,000	-	-	-
Other	-	(4,700,000)	(4,032,542)	(667,458)
Reserve for Federal Cuts	17,500,000	-	-	-
Cancellation of Prior Years' Encumbrances	(6,000,000)	(6,500,000)	(9,929,716)	3,429,716
	<u>15,665,278</u>	<u>(14,759,069)</u>	<u>(23,745,939)</u>	<u>8,986,870</u>
Total All Other Support Services	<u>38,810,979</u>	<u>4,866,321</u>	<u>(4,315,544)</u>	<u>9,181,865</u>
Payments to Charter Schools				
Property, Transportation, Comm.	931,333,836	950,333,836	968,360,760	(18,026,924)
	<u>931,333,836</u>	<u>950,333,836</u>	<u>968,360,760</u>	<u>(18,026,924)</u>
Allocated Costs	<u>(24,249,484)</u>	<u>(21,411,038)</u>	<u>-</u>	<u>(21,411,038)</u>
Total Obligations	<u>2,434,998,328</u>	<u>2,430,905,400</u>	<u>2,434,808,803</u>	<u>(3,903,403)</u>
OTHER FINANCING USES				
Local Share of Categorical Programs	1,356,441	1,464,600	1,567,112	(102,512)
Debt Service Fund	289,431,048	279,600,800	281,651,785	(2,050,985)
Special Education	273,836,206	276,184,300	275,850,786	333,514
Enterprise Fund - Print Shop	375,000	400,000	263,528	136,472
Total Other Financing Uses	<u>564,998,695</u>	<u>557,649,700</u>	<u>559,333,211</u>	<u>(1,683,511)</u>
Total General Fund	<u>\$ 2,999,997,023</u>	<u>\$ 2,988,555,100</u>	<u>\$ 2,994,142,014</u>	<u>\$ (5,586,914)</u>
Fund Totals - Object Classes				
Personal Services	\$ 666,146,596	\$ 668,925,338	\$ 668,947,239	\$ (21,901)
Employee Benefits	467,629,341	459,114,827	451,933,215	7,181,612
Prof.,Tech. Services	116,676,078	122,764,957	119,673,842	3,091,115
Property, Transportation, Comm.	1,159,311,249	1,185,365,329	1,194,369,391	(9,004,062)
Materials, Supplies, Books, and Equipment	79,251,919	79,443,529	78,403,133	1,040,396
Other	(61,267,371)	(73,540,527)	(85,203,756)	11,663,229
Interest on Temporary Borrowing	12,500,000	7,733,863	7,733,836	27
Losses and Judgments	7,500,000	9,009,122	8,881,619	127,503
Allocated Costs	(24,249,484)	(21,411,038)	-	(21,411,038)
Other Financing Uses	564,998,695	557,649,700	559,333,211	(1,683,511)
Reserve for Federal Cuts	17,500,000	-	-	-
Cancellation of Prior Years' Encumbrances	(6,000,000)	(6,500,000)	(9,929,716)	3,429,716
Total General Fund	<u>\$ 2,999,997,023</u>	<u>\$ 2,988,555,100</u>	<u>\$ 2,994,142,014</u>	<u>\$ (5,586,914)</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 15,000	\$ 10,000	\$ 122,067	\$ 112,067
Tuition	164,000	200,000	86,675	(113,325)
Total Locally Generated Non Tax	179,000	210,000	208,742	(1,258)
State Grants and Subsidies				
Special Education Program	5,490,000	5,566,000	5,553,576	(12,424)
Special Education Transportation	85,415,000	89,598,000	85,328,308	(4,269,692)
Social Security	7,837,000	8,154,000	8,763,798	609,798
Retirement	34,607,000	34,135,000	37,461,504	3,326,504
Total State Grants and Subsidies	133,349,000	137,453,000	137,107,186	(345,814)
Total Revenues	<u>\$ 133,528,000</u>	<u>\$ 137,663,000</u>	<u>\$ 137,315,928</u>	<u>\$ (347,072)</u>
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 146,301,949	\$ 145,659,915	\$ 145,153,217	\$ 506,698
Employee Benefits	110,872,812	107,885,580	108,663,989	(778,409)
Prof.,Tech. Services	12,820,021	15,969,013	16,595,612	(626,599)
Property,Transportation,Comm.	61,851	61,851	56,205	5,646
Materials, Supplies, Books and Equipment	1,176,924	1,457,805	1,183,811	273,994
Total Special Education	271,233,557	271,034,164	271,652,834	(618,670)
Total Instruction	271,233,557	271,034,164	271,652,834	(618,670)
Student Support Services				
Special Education *				
Personal Services	16,697,691	17,222,869	17,158,554	64,315
Employee Benefits	15,632,344	15,603,182	15,806,018	(202,836)
Prof.,Tech. Services	53,445	200,550	189,006	11,544
Property,Transportation,Comm.	17,987,980	18,677,512	19,331,982	(654,470)
Materials, Supplies, Books and Equipment	21,900	369,095	340,095	29,000
Allocated Costs	(9,667,675)	(8,635,763)	(6,602,295)	(2,033,468)
Total Special Education	40,725,685	43,437,445	46,223,360	(2,785,915)

* The consolidated budget for Special Education includes Instruction, Student Support Services and Administrative Support

(Continued on page 120)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation Allocated Costs	\$ 85,430,231	\$ 89,481,369	\$ 85,450,376	\$ 4,030,993
Total Student Support Services	126,155,916	132,918,814	131,673,736	1,245,078
Administrative Support				
Special Education				
Personal Services	580,000	531,135	535,076	(3,941)
Employee Benefits	394,733	363,187	304,546	58,641
Property, Transportation, Comm.	-	-	522	(522)
Total Special Education	974,733	894,322	840,144	54,178
Total Administrative Support	974,733	894,322	840,144	54,178
Allocated Costs Special Education	9,000,000	9,000,000	9,000,000	-
Total Allocated Costs	9,000,000	9,000,000	9,000,000	-
Total Obligations	407,364,206	413,847,300	413,166,714	680,586
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(273,836,206)	(276,184,300)	(275,850,786)	(333,514)
Total Intermediate Unit	<u>\$ 133,528,000</u>	<u>\$ 137,663,000</u>	<u>\$ 137,315,928</u>	<u>\$ 347,072</u>
Fund Totals - Object Classes				
Personal Services	\$ 163,579,640	\$ 163,413,919	\$ 162,846,847	\$ 567,072
Employee Benefits	126,899,889	123,851,949	124,774,553	(922,604)
Prof., Tech. Services	12,873,466	16,169,563	16,784,618	(615,055)
Property, Transportation, Comm.	18,049,831	18,739,363	19,388,709	(649,346)
Materials, Supplies, Books and Equipment	1,198,824	1,826,900	1,523,906	302,994
Allocated Costs	84,762,556	89,845,606	87,848,081	1,997,525
Total Obligations	407,364,206	413,847,300	413,166,714	680,586
Other Financing Sources				
Operating Transfers from Other Funds	(273,836,206)	(276,184,300)	(275,850,786)	(333,514)
Total Intermediate Unit	<u>\$ 133,528,000</u>	<u>\$ 137,663,000</u>	<u>\$ 137,315,928</u>	<u>\$ 347,072</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Debt Service Fund
For The Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 2,377,000	\$ 2,632,000	\$ 3,836,225	\$ 1,204,225
Basis Swap Income	-	1,382,000	1,611,037	229,037
Miscellaneous	-	-	6,114	6,114
Total Locally Generated Non Tax	2,377,000	4,014,000	5,453,376	1,439,376
Federal Revenue				
Federal Debt Service Subsidy	16,441,000	16,755,000	16,755,043	43
Total Federal Revenue	16,441,000	16,755,000	16,755,043	43
Total Revenues	18,818,000	20,769,000	22,208,419	1,439,419
OBLIGATIONS				
Bonds				
Principal	124,495,000	127,525,000	127,525,000	-
Interest	107,930,435	103,581,710	103,582,037	(327)
Authority Obligations (SPSBA)				
Principal	20,545,000	20,545,000	20,545,000	-
Interest	48,597,275	48,597,275	48,597,275	-
Issuance Costs	1,256,300	-	-	-
Administrative Expenses	100,000	100,015	82,900	17,115
Total Obligations	302,924,010	300,349,000	300,332,212	16,788
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	290,976,048	279,889,800	281,941,252	2,051,452
Capital Asset Proceeds	-	-	112,916	112,916
Total Other Financing Sources (Uses)	290,976,048	279,889,800	282,054,168	2,164,368
Net Change in Fund Balance	6,870,038	309,800	3,930,375	3,620,575
Fund Balances, July 1, 2018	191,074,039	191,074,039	191,074,039	-
Fund Balances, June 30, 2019	\$ 197,944,077	\$ 191,383,839	\$ 195,004,414	\$ 3,620,575
FUND BALANCE AVAILABLE FOR APPROPRIATION				
Fund Balances, July 1, 2018	191,074,039	191,074,039	191,074,039	-
Mandatory Deposits for Future Debt Payments	(67,675,839)	(61,115,639)	(61,115,639)	-
Fund Balances Available for Appropriation, July 1, 2018	123,398,200	129,958,400	129,958,400	-
Net Change in Fund Balance	6,870,038	309,800	3,930,375	3,620,575
Net Change in Mandatory Deposits for Future Debt Payments	4,633,262	4,633,300	4,633,257	(43)
Fund Balances Available for Appropriation, June 30, 2019	\$ 134,901,500	\$ 134,901,500	\$ 138,522,032	\$ 3,620,532

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Investment Revenue	\$ 750,000	\$ 5,000,000	\$ 5,193,052	\$ 193,052
Miscellaneous	448,045	199,732	386,390	186,658
Total Locally Generated Non Tax	1,198,045	5,199,732	5,579,442	379,710
State Grants and Subsidies	425,000	8,025,000	4,469,768	(3,555,232)
Total Revenues	1,623,045	13,224,732	10,049,210	(3,175,522)
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	-	-	(7,851,959)	7,851,959
New Buildings and Additions	46,323,970	16,107,521	26,214,048	(10,106,527)
Environmental Management				
Asbestos Abatement	13,775,852	17,681,444	12,284,212	5,397,232
Environmental Services	1,294,000	1,965,938	1,267,204	698,734
Total Environmental Management	15,069,852	19,647,382	13,551,416	6,095,966
Alterations and Improvements				
Various Projects	90,986,141	59,438,273	59,416,116	22,157
Administrative Support	24,984,128	23,224,737	15,772,639	7,452,098
Major/Building Renovations	97,383,636	90,669,408	84,038,328	6,631,080
Total Alterations and Improvements	213,353,905	173,332,418	159,227,083	14,105,335
Total Obligations	274,747,727	209,087,321	191,140,588	17,946,733
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	103,503	103,503
Total Other Financing Sources (Uses)	-	-	103,503	103,503
Net Change in Fund Balance	(273,124,682)	(195,862,589)	(180,987,875)	14,874,714
Fund Balances, July 1, 2018	(145,874,344)	279,101,294	326,476,788	47,375,494
Change in Encumbrance Reserve	-	-	(4,583,672)	(4,583,672)
Fund Balances, June 30, 2019	\$ (418,999,026)	\$ 83,238,705	\$ 140,905,241	\$ 57,666,536

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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, 2019 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, 2019 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, 2019

	Payroll Liabilities	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 4,616,751	\$ -	\$ 4,616,751
Equity in Pooled Cash and Investments	123,234,141	-	792,255	124,026,396
Total Assets	<u>123,234,141</u>	<u>4,616,751</u>	<u>792,255</u>	<u>128,643,147</u>
LIABILITIES				
Payroll Deductions and Withholdings	123,234,141	-	-	123,234,141
Due to Student Activities	-	4,616,751	-	4,616,751
Other Liabilities	-	-	792,255	792,255
Total Liabilities	<u>123,234,141</u>	<u>4,616,751</u>	<u>792,255</u>	<u>128,643,147</u>
NET POSITION				
Held in Trust for Various Purposes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Amounts reflect balances as of May 31, 2019.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 120,940,804	\$ 1,100,200,079	\$ 1,097,906,742	\$ 123,234,141
Total Assets	<u>\$ 120,940,804</u>	<u>\$ 1,100,200,079</u>	<u>\$ 1,097,906,742</u>	<u>\$ 123,234,141</u>
Liabilities				
Payroll Deductions and Withholdings	<u>\$ 120,940,804</u>	<u>\$ 1,100,200,079</u>	<u>\$ 1,097,906,742</u>	<u>\$ 123,234,141</u>
Student Activities Fund				
Assets				
Cash	<u>\$ 4,813,459</u>	<u>\$ 8,966,010</u>	<u>\$ 9,162,718</u>	<u>\$ 4,616,751</u>
Liabilities				
Due to Student Activities	<u>\$ 4,813,459</u>	<u>\$ 8,966,010</u>	<u>\$ 9,162,718</u>	<u>\$ 4,616,751</u>
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	<u>\$ 429,335</u>	<u>\$ 1,366,860</u>	<u>\$ 1,003,940</u>	<u>\$ 792,255</u>
Liabilities				
Other Liabilities	<u>\$ 429,335</u>	<u>\$ 1,366,860</u>	<u>\$ 1,003,940</u>	<u>\$ 792,255</u>
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 4,813,459	\$ 8,966,010	\$ 9,162,718	\$ 4,616,751
Equity in Pooled Cash and Investments	121,370,139	1,101,566,939	1,098,910,682	124,026,396
Total Assets	<u>\$ 126,183,598</u>	<u>\$ 1,110,532,949</u>	<u>\$ 1,108,073,400</u>	<u>\$ 128,643,147</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 120,940,804	\$ 1,100,200,079	\$ 1,097,906,742	\$ 123,234,141
Due to Student Activities	4,813,459	8,966,010	9,162,718	4,616,751
Other Liabilities	429,335	1,366,860	1,003,940	792,255
Total Liabilities	<u>\$ 126,183,598</u>	<u>\$ 1,110,532,949</u>	<u>\$ 1,108,073,400</u>	<u>\$ 128,643,147</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2019

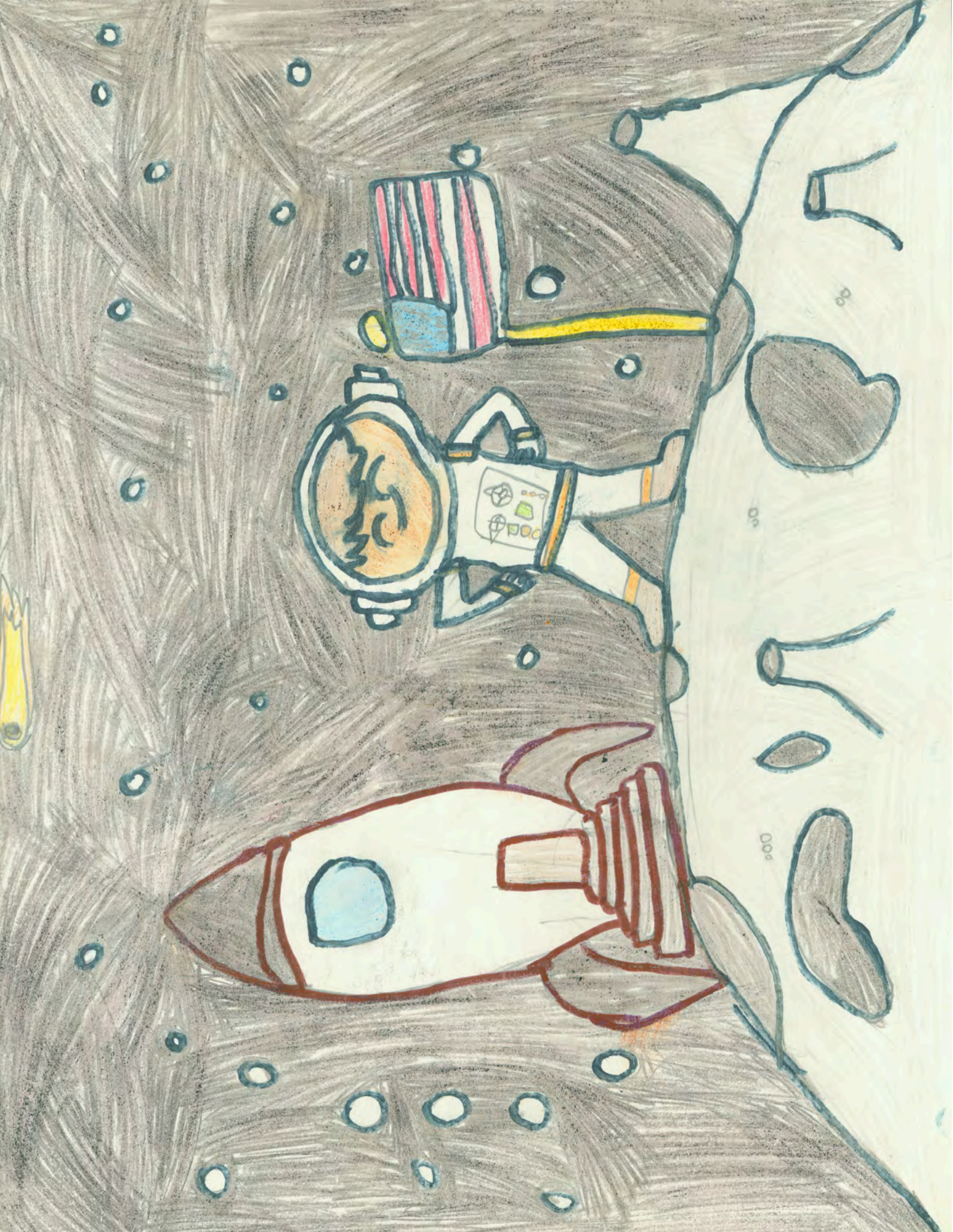
Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2020 Debt Service Requirements	
					Interest	Principal
SEPTEMBER 10, 2003 (SERIES B) (BS03) State Public School Building Authority Capital Obligation Bonds	\$ 588,140,000	43,505,000	JUNE 1, 2029-33	5.500	2,392,775	-
		<u>43,505,000</u>			<u>2,392,775</u>	<u>-</u>
OCTOBER 20, 2005 (SERIES D) (D005) GOB-Non Refunding	29,920,000	2,600,000	JUNE 1, 2020	5.500	143,000	2,600,000
		2,745,000	JUNE 1, 2021	5.500	150,975	-
		<u>5,345,000</u>			<u>293,975</u>	<u>2,600,000</u>
DECEMBER 28, 2006 (SERIES B) (BS06) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000		JUNE 1, 2020	5.000	416,825	-
			JUNE 1, 2021	5.000	416,825	-
			JUNE 1, 2022	5.000	416,825	-
			JUNE 1, 2023	5.000	416,825	-
		83,365,000	JUNE 1, 2024	5.000	416,825	-
			JUNE 1, 2025-29	5.000	2,084,125	-
		<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, 2020	5.000	750	15,000
		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	-
		10,390,000	JUNE 1, 2024	5.000	519,500	-
		56,510,000	JUNE 1, 2025-29	5.000	2,825,500	-
		77,900,000	JUNE 1, 2030-34	4.750	3,707,500	-
		<u>146,395,000</u>			<u>7,132,250</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, 2019	1.250	88,000	-
			DEC 15, 2020	1.250	88,000	-
			DEC 15, 2021	1.250	88,000	-
		28,160,000	DEC 15, 2022	1.250	88,000	-
			DEC 28, 2022			
		<u>28,160,000</u>			<u>352,000</u>	<u>-</u>
NOVEMBER 20, 2008 (SERIES E) (E008) GOB Non Refunding	282,365,000	6,150,000	SEPT 1, 2019	5.125	157,594	6,150,000
		<u>6,150,000</u>			<u>157,594</u>	<u>6,150,000</u>
NOVEMBER 20, 2008 (SERIES F) (F008) GOB Refunding	114,215,000	9,570,000	SEPT 1, 2019	5.000	239,250	9,570,000
		<u>9,570,000</u>			<u>239,250</u>	<u>9,570,000</u>
APRIL 6, 2010 SERIES B (B010) (BAB-Federal Subsidy)	221,485,000	6,325,000	JUNE 1, 2020	5.419	342,752	6,325,000
		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	-
		7,310,000	JUNE 1, 2024	6.059	442,913	-
		41,285,000	JUNE 1, 2025-29	6.534	2,700,167	-
		50,955,000	JUNE 1, 2030-34	6.735	3,433,088	-
		63,125,000	JUNE 1, 2035-39	6.765	4,270,406	-
		12,925,000	JUNE 1, 2040-44	6.765	874,376	-
		<u>202,300,000</u>			<u>13,235,167</u>	<u>6,325,000</u>
APRIL 6, 2010 SERIES C (C010) GOB Refunding	300,045,000	27,995,000	SEPT 1, 2019	5.000	699,875	27,995,000
		29,040,000	SEPT 1, 2020	5.000	1,452,000	-
		25,745,000	SEPT 1, 2021	5.000	1,287,250	-
		<u>82,780,000</u>			<u>3,439,125</u>	<u>27,995,000</u>
APRIL 6, 2010 SERIES D (D010) GOB Refunding	49,365,000	8,000,000	SEPT 1, 2019	4.974	198,950	8,000,000
		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>34,520,000</u>			<u>1,419,850</u>	<u>8,000,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2019

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2020 Debt Service Requirements	
					Interest	Principal
JANUARY 3, 2011 SERIES E (E010) GOB Refunding	125,880,000	4,540,000 4,775,000 9,435,000 37,020,000 38,730,000 2,875,000 <u>97,375,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024	5.000 5.000 5.250 5.250 5.250 5.250	113,500 238,750 495,338 1,943,530 2,033,324 150,938 <u>4,975,400</u>	4,540,000 - - - - - <u>4,540,000</u>
DECEMBER 20, 2011 SERIES A (QSCB) - (Federal Subsidy)	144,625,000	144,035,000 <u>144,035,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28 SEPT 1, 2029-33	5.995 5.995 5.995 5.995 5.995 5.995 5.995	359,785 752,283 752,283 752,283 752,283 3,761,415 1,504,566 <u>8,634,898</u>	- - - - - - - <u>-</u>
DECEMBER 20, 2011 SERIES B (Tax Exempt) GOB (B011)	16,970,000	1,825,000 1,885,000 1,945,000 <u>5,655,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	3.000 3.125 3.250	27,375 58,906 63,213 <u>149,494</u>	1,825,000 - - <u>1,825,000</u>
DECEMBER 20, 2011 SERIES C (C011) GOB Refunding	41,185,000	4,145,000 4,355,000 4,580,000 <u>13,080,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	5.000 5.000 5.000	103,625 217,750 229,000 <u>550,375</u>	4,145,000 - - <u>4,145,000</u>
DECEMBER 20, 2011 SERIES D (D011) GOB Refunding	16,330,000	1,970,000 2,035,000 2,110,000 <u>6,115,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021	3.000 3.619 3.500	29,550 73,638 73,850 <u>177,038</u>	1,970,000 - - <u>1,970,000</u>
NOVEMBER 28, 2012 SERIES B (BS12) GOB Deficit Funding State Public School Building Authority Capital Obligation Bonds	264,995,000	11,815,000 12,410,000 13,030,000 13,680,000 14,365,000 83,340,000 60,680,000 <u>209,320,000</u>	APRIL 1, 2020 APRIL 1, 2021 APRIL 1, 2022 APRIL 1, 2023 APRIL 1, 2024 APRIL 1, 2025-29 APRIL 1, 2030-34	5.000 5.000 5.000 5.000 5.000 5.000 5.000	590,750 620,500 651,500 684,000 718,250 4,167,000 3,034,000 <u>10,466,000</u>	11,815,000 - - - - - - <u>11,815,000</u>
APRIL 20, 2015 SERIES A (AS15) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	80,000,000	8,805,000 9,260,000 9,710,000 10,200,000 10,675,000 14,890,000 <u>63,540,000</u>	JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025-29	5.000 5.000 5.000 4.681 5.000 5.000	440,250 463,000 485,500 477,500 533,750 744,500 <u>3,144,500</u>	8,805,000 - - - - - <u>8,805,000</u>
APRIL 20, 2015 (SERIES A) (A015) GOB Non Refunding	46,770,000	1,625,000 1,700,000 1,790,000 1,880,000 1,970,000 11,505,000 14,765,000 7,025,000 <u>42,260,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28 SEPT 1, 2029-33 SEPT 1, 2034-38	4.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	32,500 85,000 89,500 94,000 98,500 575,250 738,250 351,250 <u>2,064,250</u>	1,625,000 - - - - - - - <u>1,625,000</u>
APRIL 20, 2015 (SERIES C) (C015) GOB-Refunding	44,565,000	4,140,000 4,265,000 4,400,000 4,560,000 4,725,000 9,995,000 <u>32,085,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28	2.973 3.273 3.535 3.685 3.738 3.963	61,541 139,593 155,540 168,036 176,621 396,241 <u>1,097,572</u>	4,140,000 - - - - - <u>4,140,000</u>
May 5, 2015 (SERIES D) (D015) GOB-Refunding	128,620,000	19,000,000 19,980,000 21,005,000 17,000,000 <u>76,985,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022	5.000 5.000 5.000 5.000	475,000 999,000 1,050,250 850,000 <u>3,374,250</u>	19,000,000 - - - <u>19,000,000</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 22,535,000 93,315,000 397,680,000 30,840,000 <u>547,970,000</u>	JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025-29 JUNE 1, 2030-34 JUNE 1, 2035-39	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	45,000 45,000 45,000 45,000 1,126,750 4,665,750 19,884,000 1,542,000 <u>27,398,500</u>	900,000 - - - - - - - <u>900,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2019

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2020 Debt Service Requirements	
					Interest	Principal
NOVEMBER 16, 2016 (SERIES D) (D016) GOB Non Refunding	92,345,000	6,510,000 6,845,000 7,195,000 7,565,000 7,950,000 44,200,000 <u>80,265,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28	5.000 5.000 5.000 5.000 5.000 5.000	162,750 342,250 359,750 378,250 397,500 2,210,000 <u>3,850,500</u>	6,510,000 - - - - - <u>6,510,000</u>
NOVEMBER 16, 2016 SERIES E (QSCB) - (Federal Subsidy) GOB (EQ16)	147,245,000	147,245,000 <u>147,245,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28 SEPT 1, 2029-33 SEPT 1, 2034-38 SEPT 1, 2039-43	5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060	155,227 317,190 317,190 317,190 317,190 1,585,950 1,585,950 1,585,950 1,268,760 <u>7,430,597</u>	- - - - - - - - - <u>-</u>
NOVEMBER 16, 2016 (SERIES F) (F016) GOB-Refunding	582,155,000	5,750,000 22,255,000 22,535,000 22,845,000 23,210,000 268,635,000 140,190,000 75,475,000 <u>580,895,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28 SEPT 1, 2029-33 SEPT 1, 2034-38	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	143,750 1,112,750 1,126,750 1,142,250 1,160,500 13,431,750 7,009,500 3,773,750 <u>28,901,000</u>	5,750,000 - - - - - - - <u>5,750,000</u>
APRIL 18, 2018 (SERIES A) (A018) 2018A CSF	176,820,000	5,275,000 5,545,000 5,830,000 6,130,000 6,445,000 37,525,000 48,190,000 61,875,000 <u>176,815,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28 SEPT 1, 2029-33 SEPT 1, 2034-38	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	131,875 277,250 291,500 306,500 322,250 1,876,250 2,409,500 3,093,750 <u>8,708,875</u>	5,275,000 - - - - - - - <u>5,275,000</u>
APRIL 18, 2018 (SERIES B) (B018) 2018B CSF	78,130,000	78,130,000 <u>78,130,000</u>	SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024-28 SEPT 1, 2029-33 SEPT 1, 2034-38 SEPT 1, 2039-43	4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.467	68,130 139,099 139,099 139,099 139,099 695,495 695,495 695,495 695,489 <u>3,406,500</u>	- - - - - - - - - <u>-</u>
TOTAL BONDS OUTSTANDING	\$ 4,875,950,000	\$ 2,957,370,000			\$ 147,179,985	\$ 136,955,000
 NON-ELECTORAL DEBT BONDS	 \$ 2,827,235,000	 \$ 2,009,670,000			 \$ 99,609,960	 \$ 115,435,000
CAPITAL OBLIGATION BONDS (Lease Rental)	2,048,715,000	947,700,000			47,570,025	21,520,000
TOTAL BONDS OUTSTANDING	\$ 4,875,950,000	\$ 2,957,370,000			\$ 147,179,985	\$ 136,955,000





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.	131
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the School District's most significant local revenue source, property taxes.	138
<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.	143
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	148
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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.	150

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 2010 through 2019
(accrual basis of accounting)
(dollars in thousands)

	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ (27,665)	\$ (125,999)	\$ (210,988)	\$ (238,240)	\$ (372,517)	\$ (569,899)	\$ (585,039)	\$ (633,454)	\$ (637,729)	\$ (620,121)
Restricted										
Medical Self-Insurance	-	18,375	18,375	18,375	18,375	9,500	9,500	9,500	9,500	9,500
Debt Service	76,811	94,501	109,544	98,228	93,491	122,992	142,049	178,655	190,677	194,612
Student Health	2,166	3,495	3,466	3,447	3,428	3,411	3,407	3,401	3,410	3,431
Scholarships	4,149	2,891	2,838	2,836	2,866	2,895	2,909	2,929	2,978	3,040
Arbitrage Rebate Payable	4,286	3,646	286	265	266	694	309	47	51	55
Unrestricted Deficit	(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)	(3,855,498)
Total Governmental Activities Net Deficit	(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)	(4,264,981)
Business-type Activities										
Net Investment in Capital Assets	3,247	2,927	2,466	2,122	1,739	1,676	2,108	2,145	2,802	3,353
Unrestricted Deficit	(11,162)	(9,342)	(6,747)	(5,003)	(50,154)	(47,497)	(36,490)	(25,116)	(24,358)	(20,703)
Total Business-type Activities Net Deficit	(7,915)	(6,415)	(4,281)	(2,881)	(48,415)	(45,821)	(34,382)	(22,971)	(21,556)	(17,350)
Total School District										
Net Investment in Capital Assets	(24,418)	(123,072)	(208,522)	(236,118)	(370,778)	(568,223)	(582,931)	(631,309)	(634,927)	(616,768)
Restricted	87,412	123,308	134,509	123,151	118,426	139,492	158,174	194,532	206,616	210,638
Unrestricted Deficit	(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)	(3,876,201)
Total School District Net Deficit	\$ (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)	\$ (4,282,331)

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 2010 through 2019.

School District of Philadelphia

Table 2

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

For the Fiscal Years 2010 through 2019

(accrual basis of accounting)

(dollars in thousands)

	2010	2011	2012	2013	2014	2015 (5)	2016	2017	2018	2019
Expenses:										
Governmental Activities										
Instruction	\$ 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	\$ 2,697,212
Student Support Services	240,883	254,991	181,595	180,348	651,187	184,429	174,820	200,431	255,494	282,491
Administrative Support	135,194	147,661	108,120	102,855	418,487	107,528	102,475	113,885	133,875	139,920
Operation & Maintenance of Plant Services (3)	256,291	241,486	197,205	198,762	415,568	181,625	169,125	172,241	180,081	212,954
Pupil Transportation	76,175	81,154	81,983	82,015	159,516	80,471	81,860	88,413	91,443	100,734
All Other Support Services	(3,362)	(21,283)	(10,373)	15,123	(25,224)	(19,244)	19,045	30,010	14,020	5,212
Early Childhood Education	20,515	1,487	189	197	138	139	158	227	161	-
Interest on Long-Term Debt	142,337	147,505	139,023	153,707	133,381	145,608	144,419	149,522	146,761	144,237
Total Governmental Activities Expenses (1)	<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>	<u>3,552,700</u>
Business-type Activities: (4)										
Food Service	80,638	81,035	77,246	76,096	120,692	81,633	75,436	76,807	84,514	86,230
Print Shop	-	-	-	-	-	1,188	984	1,009	1,229	1,164
Use of Facilities	-	-	-	-	-	-	-	-	-	959
Total Business-type Activities Expenses	<u>80,638</u>	<u>81,035</u>	<u>77,246</u>	<u>76,096</u>	<u>120,692</u>	<u>82,821</u>	<u>76,420</u>	<u>77,816</u>	<u>85,743</u>	<u>88,393</u>
Total School District Expenses	<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>	<u>\$ 3,641,093</u>
Program Revenues										
Governmental Activities										
Charges for Services (2)										
Instruction	\$ 664	\$ 745	\$ 642	\$ 847	\$ 820	\$ 970	\$ 902	\$ 331	\$ 373	\$ 182
Student Support Services	2	-	-	-	-	-	-	-	-	-
Administrative Support	3,882	3,922	322	4,752	4,512	4,862	4,744	5,337	4,443	4,348
Operation & Maintenance of Plant Services	1,114	1,171	872	894	225	4,837	2,836	4,477	553	471
Early Childhood Education	60	28	28	-	-	-	-	-	-	-
Operating grants and contributions	1,001,353	1,046,867	788,546	865,562	778,766	826,236	857,497	965,557	1,009,902	1,024,112
Capital grants and contributions	92	1,200	(211)	1,000	-	82	1,260	1,514	595	8,129
Total Governmental Activities Program Revenues	<u>1,007,167</u>	<u>1,053,905</u>	<u>790,199</u>	<u>873,055</u>	<u>784,323</u>	<u>836,987</u>	<u>867,239</u>	<u>975,216</u>	<u>1,015,866</u>	<u>1,037,242</u>
Business-type Activities: (4)										
Charges for Services:										
Food Service	3,237	2,674	2,094	1,582	1,409	251	163	94	105	48
Print Shop	-	-	-	-	-	657	539	557	771	696
Use of Facilities	-	-	-	-	-	-	-	-	-	973
Operating grants and contributions	76,870	79,553	77,291	76,071	74,039	85,789	86,559	88,378	88,268	90,526
Food Service	-	-	-	-	-	64	93	109	129	129
Print Shop	-	-	-	-	-	-	-	-	-	157
Use of Facilities	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	211	-	-	-	-	-	36	-
Total Business-type Activities Program Revenues	<u>80,107</u>	<u>82,227</u>	<u>79,596</u>	<u>77,653</u>	<u>75,448</u>	<u>86,761</u>	<u>87,354</u>	<u>89,138</u>	<u>89,224</u>	<u>92,604</u>
Total School District Program Revenues	<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>	<u>\$ 1,129,846</u>
Net (Expense)/Revenue										
Governmental Activities	<u>(1,894,665)</u>	<u>(2,067,389)</u>	<u>(1,995,526)</u>	<u>(2,049,687)</u>	<u>(5,338,698)</u>	<u>(1,990,016)</u>	<u>(1,979,662)</u>	<u>(2,104,363)</u>	<u>(2,285,216)</u>	<u>(2,515,458)</u>
Business-type Activities	<u>(531)</u>	<u>1,192</u>	<u>2,350</u>	<u>1,617</u>	<u>(45,244)</u>	<u>3,940</u>	<u>10,994</u>	<u>11,322</u>	<u>3,481</u>	<u>4,211</u>
Total School District Net (Expense)/Revenue	<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>	<u>\$ (2,511,247)</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 2010 - 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 2010 through 2019.

School District of Philadelphia

Table 3

Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2010 through 2019
(accrual basis of accounting)
(dollars in thousands)

	2010	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (2,515,458)
Business-type Activities	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322	3,481	4,211
Total School District Net (Expense)/Revenue	<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>	<u>(2,511,247)</u>
General Revenues/Contributed Capital/Transfers:										
Governmental Activities										
Property Taxes	608,377	605,249	638,540	650,633	661,263	683,471	669,424	703,934	789,513	841,772
Other Taxes										
Use & Occupancy Taxes	111,801	115,361	113,843	130,142	137,677	127,711	137,662	145,560	179,759	185,410
Liquor Taxes	42,787	45,185	52,314	50,780	62,105	62,327	66,085	75,783	73,661	80,205
School (Non-Business) Income Taxes	21,590	24,738	29,691	27,225	37,274	43,507	40,946	47,782	43,617	51,063
Public Utility/PILOT Taxes	1,098	1,115	1,103	1,053	1,071	1,104	1,048	1,198	1,163	1,182
Cigarette Sales Tax	-	-	-	-	-	50,245	58,766	58,000	58,000	58,154
Sales Tax	-	-	-	-	-	120,000	120,000	120,000	120,000	120,000
Ridesharing Revenue	-	-	-	-	-	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	63,462	69,057	87,921	100,580	164,524	123,325	128,522	129,974	139,242	225,651
State & Federal Subsidies	1,018,811	1,089,698	969,264	925,831	912,421	925,825	942,152	988,294	1,041,867	1,056,804
Reimbursements of Insurance Deposits	-	-	-	-	-	-	1,008	-	-	-
Gain/(Loss) on Sale of Capital Assets	(6)	-	-	-	21,116	3,803	2,031	-	-	-
Transfers	(594)	(308)	217	(431)	290	(177)	(62)	-	(125)	26
Investment Revenue/(Expense)	2,261	13,248	4,170	(1,864)	838	13,724	8,725	(3,890)	2,512	6,848
Total Governmental Activities	<u>1,869,647</u>	<u>1,963,443</u>	<u>1,917,063</u>	<u>1,883,949</u>	<u>1,998,579</u>	<u>2,154,865</u>	<u>2,176,307</u>	<u>2,267,981</u>	<u>2,452,478</u>	<u>2,631,576</u>
Business-type Activities										
Contributed Capital	(3)	-	-	-	-	-	410	34	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	-	(57)	33	-	-	-
Transfers	534	308	(217)	(217)	(290)	177	62	54	125	(26)
Total Business-type Activities	<u>531</u>	<u>308</u>	<u>(217)</u>	<u>(217)</u>	<u>(290)</u>	<u>120</u>	<u>505</u>	<u>88</u>	<u>125</u>	<u>(26)</u>
Total School District General Revenues/Contributed Capital/Transfers	<u>1,870,178</u>	<u>1,963,751</u>	<u>1,916,846</u>	<u>1,883,732</u>	<u>1,998,289</u>	<u>2,154,985</u>	<u>2,176,812</u>	<u>2,268,069</u>	<u>2,452,603</u>	<u>2,631,550</u>
Changes in Net Position:										
Governmental Activities	(25,018)	(105,946)	(78,463)	(165,738)	(3,340,119)	164,849	196,645	163,618	167,262	116,118
Business-type Activities	-	1,500	2,133	1,400	(45,534)	4,060	11,439	11,410	3,606	4,185
Total School District Change in Net Position	<u>\$ (25,018)</u>	<u>\$ (102,446)</u>	<u>\$ (76,330)</u>	<u>\$ (164,338)</u>	<u>\$ (3,385,653)</u>	<u>\$ 168,909</u>	<u>\$ 208,084</u>	<u>\$ 175,028</u>	<u>\$ 170,868</u>	<u>\$ 120,303</u>

Notes:

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

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2010 through 2019.

School District of Philadelphia

Table 4

Fund Balances of Governmental Funds⁽¹⁾

For the Fiscal Years 2010 through 2019

(modified accrual basis of accounting)

(dollars in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable										
Inventories	\$ 1,232	\$ 1,154	\$ 1,102	\$ 904	\$ 1,257	\$ 1,206	\$ 1,022	\$ 788	\$ 609	\$ 425
Long-term Interfund Loan	10,561	9,061	7,061	4,061	-	-	-	-	-	-
Restricted	-	18,375	18,375	18,375	18,375	9,500	-	-	-	-
Medical Self-Insurance	-	-	-	-	-	-	66,284	28,607	32,765	22,732
Assigned	(9,866)	(71,967)	(138,150)	(64,128)	(116,452)	(6,886)	25,090	(9,970)	39,508	84,084
Unassigned										
Total General Fund	<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>	<u>\$ 107,241</u>
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,336	\$ 1,366	\$ 1,366	\$ 1,368	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365
Restricted										
Retirement of Long-term Debt	47,944	59,126	62,208	69,059	65,170	98,627	80,629	89,255	93,267	105,950
Debt Service Interest	28,867	33,775	47,335	29,169	28,321	24,364	24,709	42,986	36,295	32,180
Mandatory Deposits for Future Debt Payments	-	-	-	-	-	-	36,712	46,414	61,115	56,482
Arbitrage Rebate Payable	4,286	3,646	286	265	266	693	309	47	51	55
Trust purposes	4,982	5,021	4,939	4,915	4,941	4,950	4,950	4,965	5,022	5,106
Capital Purposes	257,067	82,591	169,653	103,138	73,364	93,319	10,223	175,874	326,426	140,850
Committed (2)	19,886	-	-	-	-	-	-	-	-	2,015
Assigned	1,220	2,645	1,359	967	9,350	2,320	3,351	4,128	1,157	392
Unassigned	(15,620)	(54,588)	(9,467)	(5,815)	(4,021)	(4,428)	(6,195)	(7,008)	(9,675)	(3,770)
Total All Other Governmental Funds	<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>\$ 338,026</u>	<u>\$ 515,023</u>	<u>\$ 340,625</u>
Total Fund Balance	<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>	<u>\$ 447,866</u>

Notes:

- (1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal year 2010.
- (2) The School District of Philadelphia, starting in fiscal year 2019, has a committed fund balance for the Intermediate Unit shown in the General Fund.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2010 through 2019.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2010 through 2019
(modified accrual basis of accounting)
(dollars in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Federal Sources										
Grants and Subsidies	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064	\$ 266,508	\$ 236,541	\$ 286,785	\$ 317,571	\$ 318,696
Total Federal Sources	557,950	632,055	444,504	400,086	253,064	266,508	236,541	286,785	317,571	318,696
State Sources										
Grants and Subsidies	1,456,916	1,438,468	1,349,514	1,390,157	1,433,040	1,475,762	1,551,555	1,657,768	1,722,016	1,761,075
Total State Sources	1,456,916	1,438,468	1,349,514	1,390,157	1,433,040	1,475,762	1,551,555	1,657,768	1,722,016	1,761,075
Local Sources										
Local Taxes										
Real Estate										
Current	546,352	549,717	597,788	601,533	592,906	604,940	633,998	660,223	743,355	800,299
Prior Years	55,684	39,555	51,606	52,028	64,512	57,153	63,410	54,989	48,450	47,427
Payment in Lieu of Taxes	5	-	5	5	4	5	5	5	9	-
Use and Occupancy	117,295	109,273	112,540	132,689	138,080	127,808	137,333	144,877	181,162	186,532
School (Non-Business) Income	22,175	24,011	27,744	28,105	40,501	40,358	40,345	42,251	48,048	49,434
Liquor Sales	43,280	43,892	50,122	54,238	60,527	61,712	65,831	74,640	76,650	79,300
Cigarette Sales Tax	-	-	-	-	-	50,245	58,766	58,000	58,000	58,154
Sales Tax	-	-	-	-	-	120,000	120,000	120,000	120,000	120,000
Public Utility Realty	1,093	1,115	1,099	1,048	1,067	1,099	1,043	1,193	3,269	1,182
Ridesharing Revenue	-	-	-	-	-	-	-	1,399	1,153	4,461
Total Local Taxes	785,884	767,563	840,904	869,646	897,597	1,063,320	1,120,731	1,157,577	1,280,096	1,346,789
Locally Generated Non Tax										
Interest and other income	9,101	5,986	7,903	7,838	8,773	11,449	12,130	9,381	17,470	23,702
City Contributions	38,540	38,600	48,930	68,990	96,050	99,110	104,185	104,264	104,348	180,871
Legal Settlements	2,735	2,613	2,485	2,744	-	-	-	-	-	-
Casino Settlement	-	-	-	-	-	3,872	1,928	3,857	-	-
Stadium Agreements	3,000	3,000	2,815	2,717	2,755	2,755	2,744	2,744	2,744	2,743
Parking Authority	7,284	7,789	13,956	13,264	9,723	11,063	10,279	10,274	13,593	15,417
Gaming Revenue	-	5,793	5,894	4,791	4,829	5,132	4,810	4,716	5,859	5,000
Reimbursements from Other Funds	14	(1)	14	14	14	14	14	14	14	14
Variable Rate Income/Basis Swap Income	2,656	1,445	1,492	1,406	1,686	1,740	1,921	447	875	1,611
Other Miscellaneous/Voluntary Contributions	7,975	7,533	11,209	8,368	8,260	6,354	17,628	12,734	8,916	8,780
Total Locally Generated Non Tax	71,305	72,773	94,698	110,132	177,090	141,489	155,639	148,431	153,819	240,138
Total Local Sources	857,189	840,336	935,602	979,778	1,074,687	1,204,809	1,276,370	1,306,008	1,433,915	1,586,927
Total Revenues	\$ 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	\$ 3,666,698

(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 2010 through 2019.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2010 through 2019
(modified accrual basis of accounting)
(dollars in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EXPENDITURES										
Current:										
Instruction	\$ 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	\$ 1,601,927
Student Support Services	232,526	250,054	200,466	201,931	151,841	178,088	188,946	221,461	264,349	275,849
Administrative Support	131,064	140,202	107,487	102,787	100,134	103,452	104,388	119,602	134,675	133,608
Operation & Maintenance of Plant Services	254,114	237,243	200,893	205,317	200,744	182,659	177,132	180,241	186,575	218,166
Pupil Transportation	76,068	80,279	83,396	84,104	85,520	80,655	83,959	90,510	92,948	101,223
All Other Support Services	(3,647)	(21,612)	(10,661)	14,858	(25,449)	(19,282)	18,962	29,962	14,016	5,485
Early Childhood Education	20,505	1,487	189	197	138	139	158	227	162	-
Payments to Charter Schools	338,320	411,713	539,741	600,963	712,512	722,039	723,092	791,589	861,670	979,621
Debt Service:										
Bonds										
Principal	70,762	65,454	31,577	107,664	106,059	101,233	100,493	451,893	104,795	127,525
Interest	110,433	155,797	87,040	97,230	91,114	91,755	81,246	82,758	98,066	103,582
Authority Obligations (SPSBA)										
Principal & Interest	49,058	49,060	42,522	49,056	71,346	69,052	71,382	719,402	69,186	69,142
Issuance Costs	4,132	2,248	1,836	1,873	-	2,476	1,402	13,320	2,633	-
Administrative Expenses	6,306	3,459	3,684	3,134	2,631	2,447	6,082	1,935	245	83
Capital Outlay: (1)										
New Buildings and Additions	42,641	88,339	7,923	13,105	4,648	4,212	10,708	6,734	19,125	17,847
Environmental Management	3,367	3,335	2,997	2,893	2,973	3,903	4,134	6,200	6,758	13,050
Alterations and Equipment	90,969	71,323	61,291	49,082	20,252	30,689	70,232	66,848	87,872	87,210
Major Renovations	-	-	-	-	-	-	2,784	6,713	8,679	63,435
Equipment Acquisitions	24,124	15,952	6,191	2,849	2,892	222	761	6,286	6,063	14,182
Total Expenditures	\$ 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	\$ 3,815,935
Computation of Debt Service as a percentage of noncapital expenditures (2):										
Total Expenditures	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	3,815,935
Less: Capital Outlay: (1)	(161,101)	(178,948)	(78,402)	(67,929)	(30,766)	(39,025)	(88,619)	(92,781)	(128,499)	(195,724)
Noncapitalized Expenditures (Excludes Depreciation)	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	3,620,211
Divide into	/									
Debt Service (Principal/Interest) (2a and 2b)	230,253	270,311	161,139	253,950	268,519	262,039	253,120	1,254,053	272,047	300,249
Debt Service as a percentage of noncapital expenditures (2)	=	8.0%	8.8%	8.4%	9.4%	9.2%	8.6%	29.9%	8.0%	8.3%

Notes:

- (1) The School District's Capital Improvement Program (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 2010 through 2019.

School District of Philadelphia

Table 7
Other Financing Sources/(Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2010 through 2019
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (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)	\$ (149,236,875)
Other Financing Sources/(Uses)										
Debt Issuance (Bond Proceeds)	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	276,989	5,764,807	211,481	346,580	32,565,867	23,942,448	6,501,847	9,705,892	115,081	112,916
SEPTA Loan Proceeds	-	-	35,312,564	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-
Bond Premium	35,336,224	7,724,600	4,636,559	36,908,311	-	266,690,000	349,960,000	1,152,166,056	-	-
Bond Discounts	-	-	(265,965)	-	-	34,496,717	-	166,251,767	22,769,792	-
Bond Defeasement	(353,329,003)	(368,301,151)	(122,578,020)	-	-	(300,439,989)	(349,730,949)	(314,427,680)	(1,698,433)	-
Transfers In	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	559,256,419
Transfers Out	(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)	(559,230,480)
Total Other Financing Sources/(Uses)	281,216,274	71,285,271	197,943,634	301,818,364	32,281,900	71,282,437	(1,823,271)	1,253,232,764	276,011,869	138,855
Net Change in Fund Balance	\$ 101,496,654	\$ (259,612,789)	\$ 73,914,205	\$ (3,391,059)	\$ (80,426,502)	\$ 125,265,134	\$ 23,610,775	\$ 220,976,131	\$ 210,633,334	\$ (149,098,020)

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2010 through 2019.

School District of Philadelphia
Table 8

Governmental Funds Revenue By Own-Sources (1)
For the Fiscal Years 2010 through 2019
(modified accrual accounting)
(dollars in millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Percentage Change 2010 - 2019
Local Taxes											
Real Estate	\$ 602.0	\$ 589.3	\$ 649.4	\$ 653.6	\$ 657.4	\$ 662.1	\$ 697.5	\$ 715.2	791.9	847.8	40.8 %
Use and Occupancy	117.3	109.3	112.5	132.7	138.1	127.8	137.3	144.9	181.2	186.5	59.0
School (Non-Business) Income Taxes	22.2	24.0	27.7	28.1	40.5	40.4	40.3	42.3	48.0	49.4	122.5
Liquor Taxes	43.3	43.9	50.1	54.2	60.5	61.7	65.8	74.6	76.6	79.3	83.1
Cigarettes Sales Taxes	-	-	-	-	-	50.2	58.8	58.0	58.0	58.2	13.6 (7)
Sales Taxes	-	-	-	-	-	120.0	120.0	120.0	120.0	120.0	0.0 (7)
Other (2)	1.1	1.1	1.1	1.1	1.1	1.1	1.0	2.6	4.4	5.6	409.1
Total Taxes	785.9	767.6	840.8	869.7	897.6	1,063.3	1,120.7	1,157.6	1,280.1	1,346.8	71.4
Locally Generated Non Tax											
City Contributions	38.5	38.6	48.9	69.0	96.1	99.1	104.2	104.3	104.3	180.9	369.9
Other (3)	22.8	27.5	37.2	32.3	70.9	28.4	28.7	33.0	33.9	38.0	66.7
Total Local	61.3	66.1	86.1	101.3	167.0	127.5	132.9	137.3	138.2	218.9	257.1
Total Own-Source Revenues (4)	\$ 847.2	\$ 833.7	\$ 926.9	\$ 971.0	\$ 1,064.6	\$ 1,190.8	\$ 1,253.6	\$ 1,294.9	1,418.3	1,565.7	84.8 %
Summary of Own-Source Revenues by Fund:											
General	\$ 847.2	\$ 833.7	\$ 927.0	\$ 970.9	\$ 1,064.5	\$ 1,190.7	\$ 1,253.6	\$ 1,294.9	1,418.3	1,565.7	84.8 %
Intermediate	0.4	0.5	0.4	0.5	0.6	0.8	0.8	0.2	0.3	0.2	(50.0)
Categorical	3.3	2.8	4.6	4.7	6.8	9.2	9.8	6.6	9.5	9.9	200.0
Debt Service (4) (5)	3.8	2.1	2.6	2.6	2.4	2.8	9.9	2.0	3.3	5.5	44.7
Capital Projects	2.4	1.2	0.9	1.0	0.3	1.2	2.3	2.3	2.4	5.6	133.3
Non-Major	0.1	0.1	0.1	0.0	0.1	0.1	-	0.1	0.1	0.1	0.0
Total Own-Source Revenues	\$ 857.2	\$ 840.4	\$ 935.6	\$ 979.7	\$ 1,074.7	\$ 1,204.8	\$ 1,276.4	\$ 1,306.1	1,433.9	1,587.0	85.1 %
Totals Restated on a Constant Dollar Basis: (6)											
2010 as base year	\$ 857.2	\$ 811.5	\$ 888.7	\$ 914.5	\$ 982.8	\$ 1,100.4	\$ 1,154.3	\$ 1,162.2	1,240.3	1,350.5	57.5 %
2019 as base year	\$ 1,007.3	\$ 953.7	\$ 1,044.3	\$ 1,074.7	\$ 1,155.0	\$ 1,293.2	\$ 1,356.5	\$ 1,365.8	1,457.5	1,587.0	57.5 %

Notes:

- (1) The School District's own-source revenues are local taxes and locally generated non-tax revenues.
- (2) Includes Public utility Reality Taxes and Payment in Lieu of Taxes
- (3) Includes Interest on Investments, Stadium Agreements, Voluntary Contributions, Parking Authority Contributions, Gaming Revenue, One-time State Grant via City of Philadelphia, Reimbursements from Other Funds, and Miscellaneous Non Tax Revenues
- (4) Revenues include cash with fiscal agent and its related activities.
- (5) New financing derivatives, variable rate and basis swaps, were issued during Fiscal Year 2008. As a result, these derivatives increased revenue under the Debt Service Fund.
- (6) Source: United States Department of Labor, Bureau of Labor Statistics.
- (7) Represents Fiscal Year 2019 compared to Fiscal Year 2015

School District of Philadelphia

Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2010 through 2019
(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-		Less: Homestead Exempt (3)	Less: Adjustments Between Certification				
								Exempt Property (2)(3)(5)							
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	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	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	37,017	6,373	1,369	1,369	91,537	0.7681	1.0000	91,537
2017	68,335	17,187	3,177	41,174	3,446	3,362	136,681	38,236	6,389	315	315	91,741	0.7681	1.0000	91,741
2018	69,161	23,773	3,677	46,671	4,655	5,058	152,995	40,927	6,268	811	811	104,989	0.7681	1.0000	104,989
2019	79,505	26,091	3,594	46,097	4,611	4,774	164,672	42,767	6,349	3,313	3,313	112,243	0.7681	1.0000	112,243

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, 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 2010 through 2013. In calendar years 2014, 2015, 2016, 2017, 2018, and 2019, 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 2010 through 2019
(Per \$100 Assessed Value) (1)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
2010	3.3050	4.9590	8.2640
2011	4.1230	4.9590	9.0820
2012	4.1230	5.3090	9.4320
2013	4.4620	5.3090	9.7710
2014	0.6018	0.7382	1.3400 (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
2019	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	2019 (1)			2010 (2)		
	Rank	Assessment Value	Percentage of Total Assessments (3)	Rank	Assessment Value	Percentage of Total Assessments
Liberty Property Phila	1	\$ 347.7	0.29%		\$ -	-
EQC Nine Penn Center Prop	2	341.1	0.28%	3	54.1	0.44%
NG 1500 Market St. LLC	3	339.7	0.28%	4	48.0	0.39%
Phila Liberty Place East LP	4	305.1	0.25%	2	54.4	0.44%
Park Towne Place Assoc.	5	302.6	0.25%		-	-
Commerce Square Partners	6	258.0	0.21%	8	33.3	0.27%
Maquire/Thomas Partners	7	244.7	0.20%	7	33.9	0.28%
Philadelphia Market Street	8	244.2	0.20%	10	28.8	0.23%
Brandywine Operating	9	229.0	0.19%	5	40.6	0.33%
401 North Broad Fee Inter.	10	223.1	0.18%		-	-
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>\$ 2,835.2</u>	<u>2.45%</u>		<u>\$ 416.2</u>	<u>3.39%</u>
Taxable Assessments (before Homestead Exemption & Adjustments)		<u>\$ 121,904.6</u>	<u>100.00%</u>		<u>\$ 12,276.3</u>	<u>100.00%</u>
Taxable Assessments (before Homestead Exemption) (3)		\$ 121,904.6			\$ 12,276.3	
Less: Homestead Exemption (3)		6,349.1			-	
Total Taxable Assessments (4)		<u>\$ 115,555.5</u>			<u>\$ 12,276.3</u>	

Note:

(1) Obtained from City of Philadelphia 2019 CAFR Table 10

(2) Obtained from City of Philadelphia 2010 CAFR Table 10

(3) In calendar year (CY) 2014, the City re-evaluated all real property at its current market value, based upon Actual Value Initiative (AVI)

(4) Total Taxable Assessments for CY 2019 represents gross taxable assessments less homestead exemptions.

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2010 through 2019

Calendar Year	Tax Levy for the Calendar Year (Original Levy) (a)	For the Calendar Years 2010 through 2019				
		Collected within the Calendar Year of the Original Tax				Total Collected to Date
		Adjusted Total Levied Tax (c)	Amount (\$) (d)	Percent of Original Levy (%)	Delinquent Taxes Collections in Subsequent Years (d)	Amount (\$) (e)
2010	608,707,615	(21,170,912)	587,536,703	88.76%	51,676,083	591,963,683
2011	612,265,808	(16,541,052)	595,724,756	89.67%	44,001,046	593,037,125
2012	655,005,955	(18,049,782)	636,956,173	83.90%	48,570,321	598,128,341
2013	659,127,013	(19,166,892)	639,960,121	90.37%	62,463,344	658,100,536
2014	737,777,950	(28,060,172)	709,717,778	82.06%	48,041,208	653,496,022
2015	731,692,538	(30,560,730)	701,131,808	83.02%	38,937,419	607,462,012
2016	703,064,816	(17,962,527)	685,102,289	91.25%	32,184,852	641,567,436
2017	753,705,217	6,617,076	760,322,293	88.62%	25,987,492	667,954,497
2018	854,532,826	(30,319,815)	824,213,011	87.68%	13,292,513	749,239,893
2019	862,438,749 (e)	(29,563,893)	832,874,856 (e)	93.42% (f)	N/A	805,647,314

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 2010 through 2019-Gross, Principal Only.
 (e) Memorandum City of Philadelphia Department of Revenue 2019 Monthly Real Estate Billed/Balance Due dated 12/31/2019 as of January 06, 2020.
 (f) Real Estate Taxes collected during CY2019 were valued at the net adjusted amount. Prior year amounts were at gross (see note (d) above).
 N/A = Data Not Available

Fiscal Year	Fiscal Years 2010 through 2019		
	Current Tax Collections	Prior Year Tax Collections	
		Total Tax Collections	
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
2019	800,298,689	46,632,416	846,931,105

Source: The School District of Philadelphia - Accounting System fiscal year records as of 12/31/2019.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2010 through 2019
(dollars in thousands)

Fiscal Year	Governmental Activities (1)					Per Capita (4)	
	Gross General Obligation Bonds (2)	Lease Revenue Bonds	Add/(Deduct): Premiums/ (Discounts)	Total Governmental Activities	Percentage of Personal Income (5)	Actual	In Constant Dollars - 2010 as Base Year (3) (4)
2010	\$ 2,113,215	\$ 889,955	\$ 98,026	\$ 3,101,196	5.18 %	\$ 2,047	\$ 2,047
2011	2,107,915	884,010	97,407	3,089,332	4.95	2,021	1,952
2012	2,279,738	877,780	90,628	3,248,146	4.99	2,109	2,003
2013	2,439,355	871,240	90,628	3,401,223	4.80	2,192	2,046
2014	2,331,073	864,370	119,112	3,314,555	4.46	2,127	1,945
2015	2,248,225	851,330	109,959	3,209,514	4.15	2,050	1,872
2016	2,145,953	843,380	124,303	3,113,636	3.90	1,982	1,792
2017	1,987,710	988,520	113,118	3,089,348	3.60	1,960	1,744
2018	2,137,195	968,245	245,294	3,350,734	4.03	2,120	1,834
2019	2,009,670	947,700	225,036	3,182,406	3.60	2,009	1,709

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 2010 through 2019
(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 Bonds (2)	Gross General Bonds (2)	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 - 2010 as Base Year (5)/(6)
2010	\$ 1,792,685	\$ 83,950	\$ 236,580	\$ 889,955	\$ 3,003,170	\$ 98,026	\$ (47,944)	\$ 3,101,196	\$ (47,944)	\$ 3,053,252	5.10 %	\$ 2,016	\$ 2,016
2011	1,800,745	83,945	223,225	884,010	2,991,925	97,407	(59,126)	3,089,332	(59,126)	3,030,206	4.86	1,983	1,915
2012	1,842,043	228,565	209,130	877,780	3,157,518	90,628	(62,208)	3,248,146	(62,208)	3,185,938	4.89	2,068	1,965
2013	1,751,550	228,560	459,245	871,240	3,310,595	119,112	(69,059)	3,429,706	(69,059)	3,360,647	4.74	2,166	2,022
2014	1,686,383	205,630	439,060	864,370	3,195,443	109,959	(65,170)	3,305,402	(65,170)	3,240,232	4.36	2,079	1,901
2015	1,604,975	198,180	445,070	851,330	3,099,555	124,303	(98,627)	3,223,858	(98,627)	3,125,231	4.05	1,996	1,823
2016	1,538,695	205,040	402,218	843,580	2,989,333	113,118	(117,341)	3,102,452	(117,341)	2,985,111	3.74	1,900	1,718
2017	1,146,005	352,285	489,420	988,520	2,976,230	242,014	(133,669)	3,218,244	(133,669)	3,082,575	3.59	1,955	1,740
2018	1,784,910	352,285	220,575	747,670	3,105,440	245,294	(154,382)	3,350,734	(154,382)	3,196,352	3.84	2,023	1,750
2019	1,562,305	332,950	323,735	738,380	2,957,370	225,036	(162,432)	3,182,406	(162,432)	3,019,974	3.42	1,906	1,622

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 2010 through Fiscal Year 2014 for Defeasance in Substance Error.
- (3) Includes Deficit Bond Series 2005B which partially refunded GOB Series 2002B and State Public Building Authority Series 2012B.
- (4) Beginning in Fiscal Year 2016 the "Amount Available in Debt Service Fund for principal payments" 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 Capita 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, 2019
(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	\$ 3,182.4	100.0%	\$ 3,182.4
City of Philadelphia Direct Debt			3,969.1
Total Direct and Overlapping Debt			<u>\$ 7,151.5</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 adjusted for bond premiums and discounts under the outstanding debt. See Tables #13 and #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 2019 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 2010 through 2019
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2019										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 2,208.0	\$ 2,272.0	\$ 2,277.4	\$ 2,285.4	\$ 2,315.3	\$ 2,432.3	\$ 2,572.9	\$ 2,708.9	\$ 2,838.1	\$ 3,013.8
General Obligation Bonds										
Lease Refunding Bonds	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	2,957.4
Lease Refunding Bonds	(690.0)	(884.0)	(877.8)	(1,136.2)	(1,124.9)	(1,102.9)	(1,084.9)	(987.2)	(958.2)	(947.2)
Non-electoral Debt Outstanding	2,113.2	2,107.9	2,279.7	2,174.4	2,070.5	1,997.0	1,904.4	1,988.3	2,137.2	2,009.7
Exclusions:										
Deficit Bonds	(246.5)	(222.2)	(209.1)	(194.3)	(178.6)	(173.3)	-	-	-	-
Termination Bonds	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-	-	-
Student Bonds	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)	(5.3)
Deficit Bonds outstanding -2015C	-	-	-	-	-	(128.6)	(128.6)	(112.3)	(95.1)	(77.0)
Termination Bonds outstanding -2015C	-	-	-	-	-	(44.6)	(43.9)	(40.1)	(36.1)	(32.1)
Non-electoral Debt Outstanding applicable to Debt Limit	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,768.7	1,719.5	1,825.8	1,998.2	1,895.3
Borrowing Base for Non-electoral Debt Capacity (3) (Debt Limit)	2,208.0	2,272.0	2,277.4	2,285.4	2,315.3	2,432.3	2,572.9	2,708.9	2,838.1	3,013.8
Less: Non-electoral Debt Outstanding applicable to Debt Limit	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,768.7	1,719.5	1,825.8	1,998.2	1,895.3
Non-electoral Debt Capacity (2)	\$ 417.1	\$ 468.7	\$ 283.7	\$ 377.5	\$ 490.6	\$ 663.6	\$ 853.4	\$ 883.1	\$ 839.9	\$ 1,118.5
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	% 81.1	% 79.4	% 87.5	% 83.5	% 78.8	% 73.5	% 66.8	% 67.4	% 65.9	% 62.9
General Obligation Bonds										
Lease Refunding Bonds	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	2,957.4
Lease Refunding Bonds	(236.5)	(213.2)	(209.1)	(194.2)	(178.6)	(173.3)	-	-	-	-
Student Bonds	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-	-	-
Deficit Bonds outstanding -2015D	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)	(5.3)
Termination Bonds outstanding -2015C	-	-	-	-	-	(128.6)	(128.6)	(112.3)	(95.1)	(77.0)
Net Non-electoral Debt and Lease Refunding Outstanding	2,680.9	2,687.3	2,871.5	3,044.2	2,949.7	2,891.2	2,804.4	2,813.8	2,966.4	2,843.0
Borrowing Base for Non-electoral Debt and Lease Refunding Capacity (2)	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	6,027.6
Less: Net Non-electoral Debt and Lease Refunding Outstanding	2,680.9	2,687.3	2,871.5	3,044.2	2,949.7	2,891.2	2,804.4	2,813.8	2,966.4	2,843.0
Non-electoral Debt and Lease Refunding Capacity	\$ 1,735.0	\$ 1,856.8	\$ 1,683.4	\$ 1,526.7	\$ 1,680.9	\$ 1,973.4	\$ 2,341.4	\$ 2,604.1	\$ 2,749.7	\$ 3,184.6
Net Non-electoral Debt and Lease Refunding Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Refunding Capacity (2)	% 60.7	% 59.1	% 63.0	% 66.6	% 63.7	% 59.4	% 54.5	% 51.9	% 51.9	% 47.2

Notes:

(1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Refunding Capacity (limit). Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.
(2) Debt Capacity represents borrowing base less the amount of outstanding Non-electoral debt (as certain encumbrances). It is the maximum allowable debt that does not exceed the average revenue for the three preceding fiscal years.
(3) Borrowing Capacity represents 200% of the borrowing base (from debt capacity) less Non-electoral debt and lease refunding debt and lease refunding debt without exceeding twice the borrowing base annuals.

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 2010 through 2019
(dollars in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Bonded Debt Principal ⁽¹⁾	\$ 68,475	\$ 63,168	\$ 29,290	\$ 105,378	\$ 103,773	\$ 101,233	\$ 100,493	\$ 451,893	\$ 104,795	\$ 127,525
General Bonded Interest ⁽²⁾	83,864	92,775	87,041	97,230	91,114	91,755	81,246	82,758	98,066	103,582
State Public School Building Authority ⁽³⁾	49,058	49,060	42,522	49,056	71,346	69,052	71,382	719,402	69,186	69,142
Total Debt Service Expenditures ⁽⁴⁾	\$ 201,397	\$ 205,003	\$ 158,853	\$ 251,664	\$ 266,233	\$ 262,040	\$ 253,121	\$ 1,254,053	\$ 272,047	\$ 300,249
Total General Expenditures Excluding Categorical/NonMajor	\$ 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	\$ 3,352,811
Ratio of Debt Service to Total General Expenditures Excluding Categorical/NonMajor	8.15	7.77	6.61	9.63	10.43	10.32	9.40	32.33	8.80	8.96
Total General Expenditures ^{(4) (5)}	\$ 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	\$ 3,815,935
Ratio of Debt Service to Total General Expenditures	6.60	6.29	5.57	8.18	9.27	9.06	8.33	29.28 (6)	7.69	7.87

Notes:

(1) Adjusted Fiscal Year 2010 through Fiscal Year 2014 for Defeasance in Substance Error; Adjustment of Mandatory Sinking Fund Deposits for Quality Zone Academy Bonds increase the investment and liabilities under the Debt Service Fund and restored the prior year 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, administrative expenses, 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 2010 through 2019

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)
2010	1,528	\$ 40,815	\$ 62,376,985	10.6	% \$ 687.8	\$ 55,047	\$ 17,615	\$ 34,669	\$ 11,504
2011	1,540	42,288	65,136,586	10.7	690.9	56,062	17,940	35,594	15,244
2012	1,552	45,677	70,880,763	10.9	699.3	56,320	18,022	32,267	12,311
2013	1,558	47,688	74,314,854	10.3	698.3	56,816	18,181	33,453	11,901
2014	1,566	49,341	77,249,069	8.1	690.6	137,404	137,404	31,925	9,108
2015	1,571	50,784	79,794,538	7.1	695.0	136,341	136,341	40,241	10,766
2016	1,576	54,405	85,767,703	6.8	703.3	136,295	136,295	38,718	11,079
2017	1,580	52,629	83,165,714	6.2	704.8	136,681	136,681	39,431	10,792
2018	1,584	55,747	88,311,658	5.5	709.6	152,995	152,995	38,443	12,351
2019	1,588 (7)	59,050 (7)	93,776,011 (7)	5.4 (8)	695.9 (8)	164,672	164,672	46,507	3,316

Notes:

- (1) Data for calendar years 2010 through 2018 obtained from U.S. Census Bureau.
- (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis-updated November 2019
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated NOVEMBER 2019
- (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 .025 percent, 5.92 percent, and 6.18 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, October 2018–November 2019

School District of Philadelphia

Table 19

Principal Employers

Current Calendar Year and Nine Years Ago

2019 (1)			2010 (2)		
Employers	Number of Employees	Percentage of Total of Employment (3)	Employers	Number of Employees	Percentage of Total of Employment (3)
University of Pennsylvania/University of Pennsylvania Hospital	41,676	5.98 %	City of Philadelphia	29,862	4.86 %
City of Philadelphia	28,659	4.11	School District of Philadelphia	23,894	3.88
Thomas Jefferson University/Thomas Jefferson University Hospitals Inc.	30,500	4.38	University of Pennsylvania/University of Pennsylvania Hospital	20,433	3.32
School District of Philadelphia	19,171	2.75	SEPTA	15,000	2.44
Comcast Corporation	14,444	2.07	Independence Blue Cross	9,500	1.54
Drexel University	10,225	1.47	Temple University	9,061	1.47
Temple University Health System	9,722	1.40	Thomas Jefferson University Hospitals Inc.	8,701	1.41
BAYADA Home Health Care	8,806	1.26	Children's Hospital of Philadelphia	7,000	1.14
Einstein Healthcare Network	8,800	1.26	Temple University Health System	6,500	1.06
Independence Health Group (parent of Independence Blue Cross)	7,403	1.06	Albert Einstein Healthcare Network	5,732	0.93
Wells Fargo	6,138	0.88	Cardone Industries, Inc.	4,000	0.65
PwC	1,900	0.27	Philadelphia Media Holding LLC	3,500	0.57

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2019, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2019; (c) and Philadelphia Business Journal dated July 26, 2019 page 16-20 Employers Ranked By Number of Local Employees.
- (2) Information obtained from (a) Hoover's Company Directory by Geography Philadelphia website: www.hoovers.com/company; (b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2010 and (c) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2010.
- (3) Based on 2010 thru 2019 annual averages and Labor force data by county, not seasonally adjusted,
U.S. Bureau of Labor-Labor force data by county, not seasonally adjusted, October 2018 – November 2019

School District of Philadelphia
Table 20
School District Employees by Function ⁽¹⁾
For the Fiscal Years 2010 through 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Percentage Change 2010 - 2019
Instruction:											
<i>Classroom Teachers</i>											
Opening	8,561	8,313	7,591	7,571	7,100	6,808	6,978	7,085	7,159	7,286	(14.9) %
Grants	2,720	2,900	1,954	1,927	1,247	1,396	1,216	1,157	1,124	1,105	(59.4)
<i>Total Classroom Teachers</i>	11,281	11,213	9,545	9,498	8,347	8,204	8,194	8,242	8,283	8,391	(25.6)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	278	258	232	226	101	1	1	1	1	1	(99.6)
Classroom Assistants	693	779	782	1,218	1,415	1,263	1,557	1,801	2,052	2,183	215.0
Counselor/Librarians	86	13	85	74	5	11	6	9	8	11	(87.2)
Psychologists/Therapists	38	41	36	40	35	35	38	35	40	42	10.5
Supportive Service Assistant	1,252	1,422	1,111	1,100	550	646	586	563	513	507	(59.5)
Other Paraprofessionals	97	102	164	175	100	85	135	159	198	116	19.6
<i>Total Non-Teaching</i>	2,444	2,615	2,410	2,833	2,206	2,041	2,323	2,568	2,812	2,860	17.0
Total Instruction	13,725	13,828	11,955	12,331	10,553	10,245	10,517	10,810	11,095	11,251	(18.0)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	465	479	445	419	289	308	298	347	383	398	(14.4)
Department Heads/Program Mgrs. & Coord.	35	33	1	2	1	1	1	1	-	-	(100.0)
Secretarial	472	453	346	333	237	234	243	237	242	248	(47.5)
Other Clerical	2	5	1	1	-	-	-	-	-	-	(100.0)
<i>Total In-school Instruction Leadership & Support</i>	974	970	793	755	527	543	542	585	625	646	(33.7)
<i>Professional Development & Training</i>											
Director	8	5	-	-	-	-	-	-	-	-	(100.0)
Non-Teaching Professionals	240	246	124	111	89	97	105	122	124	344	43.3
Secretarial	1	1	-	-	-	-	-	-	1	1	-
<i>Total Professional Development & Training</i>	249	252	124	111	89	97	105	122	125	345	38.6
<i>Student Support Services</i>											
Other Technical Staff	36	49	1	1	1	1	1	1	1	1	(97.2)
Non-professional supervisory	90	76	5	5	-	-	-	-	-	-	(100.0)
Counselor/Librarians	471	469	379	290	216	233	245	272	294	317	(32.7)
Psychologists/Therapists	96	113	108	110	111	109	115	110	112	129	34.4
Other Paraprofessionals	536	537	320	243	147	127	125	124	166	184	(65.7)
Bus Drivers/Attendants	1,072	1,053	1,044	908	841	702	621	588	600	570	(46.8)
Health Providers	331	325	221	220	201	212	219	277	279	290	(12.4)
Food Service	868	854	764	772	762	777	792	822	839	843	(2.9)
Other (includes Noon Time Aides)	1,574	1,608	1,288	1,339	1,365	1,289	1,119	1,295	1,335	1,476	(6.2)
<i>Total Student Support Services</i>	5,074	5,084	4,130	3,888	3,644	3,450	3,237	3,489	3,626	3,810	(24.9)
<i>Basic Building Services</i>											
Non-Teaching Assistants	161	120	48	18	-	-	-	-	-	-	(100.0)
Maintenance	365	368	342	315	285	272	246	248	254	264	(27.7)
Custodial	1,415	1,409	1,228	1,119	1,029	1,009	1,058	1,078	1,076	1,191	(15.8)
Warehouse/Distribution	29	27	23	22	19	147	108	133	119	114	293.1
Security	594	592	401	399	397	338	316	347	352	362	(39.1)
<i>Total Basic Building Services</i>	2,564	2,516	2,042	1,873	1,730	1,766	1,728	1,806	1,801	1,931	(24.7)
Total Classroom Support	8,861	8,822	7,089	6,627	5,990	5,856	5,612	6,002	6,177	6,732	(24.0)
Administrative Support											
Executive Management	37	46	-	-	-	-	-	-	-	-	(100.0)
Regional Superintendent	11	6	-	-	-	-	-	-	-	-	(100.0)
Management/Administrative	-	-	642	666	645	649	737	886	966	1,065	159.9 ⁽³⁾
Directors	82	91	-	1	1	2	-	1	1	-	(100.0)
Asst. Directors/Admin Asst.	54	56	-	-	-	-	-	-	-	-	(100.0)
Prog. & Mgmt. Supervisors	185	164	4	6	5	3	3	1	1	1	(99.5)
Mgmt. Level Technicians	147	171	6	8	4	-	-	-	-	-	(100.0)
Other Technical Staff	362	335	15	11	11	19	11	11	12	11	(97.0)
Non-Professional Supervisory	106	103	-	2	1	12	12	10	10	10	(90.6)
Secretarial	101	97	65	63	53	47	47	46	49	48	(52.5)
Other Clerical	238	224	154	131	69	-	52	54	53	53	(77.7)
<i>Total Administrative Support</i>	1,323	1,293	886	888	789	732	862	1,009	1,092	1,188	(10.2)
Total School District	23,909	23,943	19,930	19,846	17,332	16,833	16,991	17,821	18,364	19,171	(19.8)
Add: Municipal Services ⁽²⁾	75	26	4	-	-	-	-	-	-	-	(100.0)
Total School District Wide	23,984	23,969	19,934	19,846	17,332	16,833	16,991	17,821	18,364	19,171	(20.1) %

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 2019 compared to Fiscal Year 2012.

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia.- FY2010 through FY2018; Office of Evaluation, Research and Accountability -FY2019

School District of Philadelphia

Table 21

Operating Statistics

For the Fiscal Years 2010 through 2019

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
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	30.9	47.6	8,283	16.0
2019	130,848	2,340,222	17,885	6.15	3,552,699	27,151	8.66	100.0	33.3	49.2	8,391	15.6

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 2010 through 2019

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 is governed by the Board of Education which consists of nine members appointed by the Mayor from a list of persons nominated by an Educational Nominating Panel, and approved by resolution by members of City Council, in accordance with Charter. The Board is responsible for the administration, management and operation of the School District. Members of the Board are appointed for full terms of four years or to fill unexpired terms, and serve without compensation. They may serve only the balance of an unexpired term and three full terms.

The duties of the Board include formulation of educational policy, the adoption of the annual operating budget, capital budget and capital program, the annual request to the Mayor and the City Council for authority to levy certain taxes, and the incurrence of indebtedness of the School District.

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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Number of Schools (1)										
Elementary	175	170	168	162	55	55	55	50	48	48
Elementary Middle	-	-	-	-	93	93	93	97	99	99
Middle	28	26	23	23	17	17	16	15	14	14
Special	22	21	23	22	18	19	18	18	19	19
High (7)	32	32	27	25	22	25	27	26	29	29
Vocational/Technical	8	8	8	8	8	8	8	9	6	6
Total Public Schools	265	257	249	240	213	217	217	215	215	215
Charter Schools (2)	67	67	67	67	67	66	63	65	63	66
Renaissance Schools (2)	N/A	7	13	17	20	20	20	21	21	21
Alternative Schools (5)	27	32	26	26	26	25	28	24	27	26
Cyber Charter Schools (6)	11	11	13	15	15	13	14	14	13	13
Brick & Mortar Charter Schools (6)	9	4	6	5	6	7	8	8	7	8
Total Schools	379	378	374	370	347	348	350	347	346	349
School Enrollment (2)										
Elementary	93,476	90,620	90,411	88,398	32,813	32,665	32,908	30,245	28,906	27,967
Elementary Middle	-	-	-	-	52,551	52,923	53,532	54,665	54,584	54,022
Middle	14,848	12,914	11,700	10,349	9,481	8,747	8,333	8,032	8,195	8,366
Special	11,590	11,499	12,671	12,902	12,321	12,196	12,271	12,542	13,330	13,622
High (3) (7)	29,714	27,949	22,163	19,735	20,521	19,599	20,192	18,706	18,969	18,920
Vocational/Technical	6,792	6,594	6,062	5,545	4,234	3,791	4,255	5,299	4,118	4,097
Total Public Schools	156,420	149,576	143,007	136,929	131,921	129,921	131,491	129,489	128,102	126,994
Charter Schools (2)	34,019	36,190	38,148	42,813	45,726	48,771	47,694	48,597	48,251	49,963
Renaissance Schools (2)	-	4,293	9,314	12,930	15,236	15,530	15,747	16,153	16,748	16,190
Alternative Schools (5)	4,239	4,906	3,812	4,165	3,186	3,478	2,736	2,751	4,013	3,854
Cyber Charter Schools (6)	2,935	3,627	4,787	5,961	6,752	6,584	6,135	5,874	5,424	6,224
Brick & Mortar Charter Schools (6)	188	191	164	152	175	240	414	950	1,105	1,289
Total	197,801	198,783	199,232	202,950	202,996	204,524	204,217	203,814	203,643	204,514
Number of Public High School Graduates (1)	10,285	10,235	9,416	9,429	8,374	6,876	8,005	7,769	7,882	8,077
Number of Charter High School Graduates (4)	2,115	2,513	3,220	2,744	3,242	3,572	3,676	3,988	3,849	3,697
Total of High School Graduates	12,400	12,748	12,636	12,173	11,616	10,448	11,681	11,757	11,731	11,774

Notes:

- (1) The number of schools and enrollment data was provided by the School District of Philadelphia, Office of Strategic Analytics (OSA) for FY2010 through FY2012 and the Office of Research and Evaluation (ORE) provided data for Fiscal Year 2013 through FY2019. OSA also updated the number of high school graduates for FY2010 through FY2013 and ORE provided graduate data for FY2014 through FY2019.
- (2) Data for Fiscal Years 2010 to 2016 obtained from the School District of Philadelphia, OSA and data for FY2017 through FY2019 obtained from the School District's ORE.
- (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 2019 there are three EOPs. The Educational Opportunities Program is for students who attend designated high schools after core hours.
- (4) School District of Philadelphia, Office of District Performance provided graduate data for Fiscal Year 2010 to Fiscal Year 2017 and the ORE provided graduate data for Fiscal Year 2018 and FY2019.
- (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 provided data for FY2010 through FY2016 and data for FY2017 through FY2019 obtained from the School District's ORE.
- (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 2010 through 2019

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				
2010	\$ 44,038	\$ 63,638	\$ 87,428	(2.20) %		\$ 59,156	\$ 55,370
2011	44,038	66,372	87,428	4.30		60,760	55,495
2012	45,359	71,561	90,051	7.82		61,934	55,871
2013	45,359	71,459	90,051	(0.14)		62,218	56,212
2014	45,359	70,653	90,051	(1.13)		63,705	56,826
2015	45,359	69,652	90,051	(1.42)		64,447	57,626
2016	45,359	68,525	90,051	(1.62)		65,151	58,316
2017	45,359	67,331	90,051	(1.74)		66,265	59,539
2018	45,359	70,200	90,051	4.26		67,535	60,477
2019	45,359	71,077	90,051	1.25		68,141 (E1)	61,730 (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 0.0089 percent increase over 2017-18 School Year.
- (E2) =Estimated 2.07 percent increase over 2017-18 School Year.

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year (Years) 2018-2019

<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	9 yrs to 130 yrs	2,563,528	23,848	84.37 %
PEC	6	10 yrs to 90 yrs	294,866	3,200	110.97
ELEM LSH	8	18 yrs to 88 yrs	386,087	3,977	94.87
ELEMENTARYMIDDLE	89	11 yrs to 121 yrs	6,942,341	59,722	79.72
ELEMMID ANNEX	10	45 yrs to 113 yrs	415,501	4,176	58.07
ELEMMID LSH	10	18 yrs to 92 yrs	481,244	4,684	85.95
ELEMMID LSH ANNEX	3	19 yrs to 109 yrs	116,759	1,140	42.19
MIDDLE	10	14 yrs to 125 yrs	1,280,058	10,677	66.10
MIDDLE ANNEX	2	47 yrs to 93 yrs	106,992	903	40.64
VOCATIONAL (CTE)	6	34 yrs to 90 yrs	1,246,914	6,615	61.93
SPECIAL (3)	14	22 yrs to 111 yrs	1,886,477	13,125	87.95
SPECIAL (4)	1	66 yrs	84,135	1,034	14.89
SPEC MID (5)	1	95 yrs	120,000	1,202	49.17
SPEC CHAR (6)	1	50 yrs	190,000	1,512	50.79
HIGH (7)	1	89 yrs	74,557	850	33.65
HIGH	2	66 yrs to 91 yrs	312,259	2,239	54.80
HIGH (8)	23	7 yrs to 107 yrs	4,728,993	31,756	54.24
MID HIGH (9)	1	25 yrs	232,815	1,512	42.20
ALTERNATIVE	4	14 yrs to 56 yrs	296,461	1,330	N/A
RENAISSANCE , RENLSH REN ANNEX (10)	22	10 yrs to 111 yrs	2,481,883	20,519	78.90
CHARTER LEASED (11)	4	49 yrs to 98 yrs	488,604	3,314	115.33
EARLY CHILDHOOD-BF HS ANNEX (12)	9	N/A	274,431	N/A	N/A
CLOSED (13)	18	46 yrs to 116 yrs	1,148,674	N/A	N/A
<u>Administration</u>					
Administration	2	51 yrs to 71 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	13 yrs to 79 yrs	147,227	N/A	N/A
Pools	3	41 yrs to 50 yrs	43,968	N/A	N/A
Total Buildings and Other Capital Assets	307				

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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"One small step for man, one giant leap for mankind."



Apollo 11

