NEW ISSUE - BOOK-ENTRY-ONLY RATINGS: (See "Ratings" herein)

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2019 Bonds (defined herein), including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Series 2019 Bonds are exempt from personal property taxes and interest on the Series 2019 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.

On the Settlement Date (defined herein) of the Series 2020 Bonds (defined herein), assuming delivery of and payment in full of the Purchase Price (defined herein) of the Series 2020 Bonds on the Settlement Date and no change in any applicable law, regulation or ruling, or interpretation thereof, or in any other facts or circumstance (tax or otherwise) which, in its view, affect or are material to its opinion (including, without limitation, the existence of any litigation), Co-Bond Counsel will issue its opinion that under existing statutes, regulations, rulings and court decisions, interest on the Series 2020 Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended, and that under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date thereof, the Series 2020 Bonds are exempt from personal property taxes and interest on the Series 2020 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

THE SCHOOL DISTRICT OF PHILADELPHIA

THE SCHOOL DISTRICT OF PHILADELPHIA

$481,080,000 GENERAL OBLIGATION BONDS, SERIES OF 2019
Consisting of:
$406,820,000 General Obligation Bonds, Series A of 2019
$24,840,000 General Obligation Bonds, Series B of 2019 (Green Bonds)
$24,420,000 General Obligation Refunding Bonds, Series C of 2019
and
$25,000,000 General Obligation Bonds, Series D of 2019

$123,805,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES OF 2020 (FORWARD DELIVERY)

Dated: Applicable Date of Delivery **Due: As Shown on Inside Cover Page**

The $481,080,000 School District of Philadelphia General Obligation Bonds, Series of 2019, consisting of $406,820,000 General Obligation Bonds, Series A of 2019 (the "Series A Bonds"), $24,840,000 General Obligation Bonds, Series B of 2019 (Green Bonds) (the "Series B Bonds"), $24,420,000 General Obligation Refunding Bonds, Series C of 2019 (the "Series C Bonds") and $25,000,000 General Obligation Bonds, Series D of 2019 (the "Series D Bonds," and together with the Series A Bonds, the Series B Bonds, and the Series C Bonds, the "Series 2019 Bonds"), and $123,805,000 School District of Philadelphia General Obligation Refunding Bonds, Series of 2020 (Forward Delivery) (the "Series 2020 Bonds," and collectively with the Series 2019 Bonds, the "Bonds") are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry-only form. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds. The Bonds will be issuable in denominations of $5,000 or any integral multiple thereof. Principal and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Philadelphia, Pennsylvania, as sinking fund depository, fiscal agent, registrar and paying agent (the "Fiscal Agent"), directly to Cede & Co., as nominee for DTC, for redistribution by DTC to its participants and in turn to purchasers of the Bonds as described herein. See APPENDIX F attached hereto. Interest on the Bonds shall be paid on each March 1 and September 1, commencing on March 1, 2020 in the case of the Series C Bonds, and on September 1, 2020 in the case of the Series A Bonds, the Series B Bonds, the Series D Bonds, and the Series 2020 Bonds.

The proceeds of the Series A Bonds are being used by The School District of Philadelphia (the "School District") to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series A Bonds. The proceeds of the Series B Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District which are designed to be environmentally beneficial by reducing energy usage in School District buildings; and (ii) the costs of issuance of the Series B Bonds. The proceeds of the Series C Bonds are being used by the School District to pay: (i) the costs of currently refunding a portion of the School District's General Obligation Refunding Bonds, Series A of 2007; and (ii) the costs of issuance of the Series C Bonds. The proceeds of the Series D Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series D Bonds. The Series 2020 Bonds are forward delivery bonds which have been authorized by the School District to be issued on June 5, 2020, and the proceeds of which will be used by the School District to pay: (i) the costs of currently refunding a portion of the School District's General Obligation Refunding Bonds, Series C, D, and E of 2010; and (ii) the costs of issuance of the Series 2020 Bonds.

The School District has covenanted that it will provide in its budget in each fiscal year, and will appropriate from its general revenues in each such fiscal year, the amount of the debt service payable on the Bonds for such fiscal year and will duly and punctually pay or cause to be paid from the respective sinking fund established for each series of the Bonds under a resolution adopted by the School District on October 17, 2019 (the "Resolution"), or from any of its other revenues or funds, the principal or redemption price of, and interest on, the Bonds at the dates and places and in the manner stated in the Bonds. The School District has pledged its full faith, credit and taxing power for such budgeting, appropriation and payment. Certain limitations on the taxing power of the School District are described herein. See "SECURITY FOR THE BONDS" and "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE."

The School District has further covenanted in the Resolution to make daily deposits into the sinking funds established for the Bonds of certain School District tax revenues. See "SECURITY FOR THE BONDS - Daily Sinking Fund Deposits."

The Public School Code of 1949, as amended (the "School Code"), provides that if a school district fails to pay (or provide for payment of) any principal or interest or the amount required as a sinking fund deposit on indebtedness of the school district, the Secretary of Education of the Commonwealth of Pennsylvania is required to withhold, out of any Commonwealth appropriation due to such school district, and to pay directly to the sinking fund depository for such bonds, an amount equal to the sum of the interest and principal amount maturing or subject to mandatory redemption or the amount required as a sinking fund deposit which is owing by such school district. The Bonds are entitled to the benefits of the intercept provisions of the School Code; however, the intercept provisions of the School Code are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation. See "SECURITY FOR THE BONDS - Direct Payment of State Appropriations to Fiscal Agent."

The Bonds are subject to redemption as provided herein. See "DESCRIPTION OF THE BONDS."

The scheduled payment of principal of and interest on the Series A Bonds maturing on September 1, 2033 in the principal amount of $11,820,000 (CUSIP NO.: 717883 WH1) and September 1, 2034 in the principal amount of $12,425,000 (CUSIP NO.: 717883 WJ7) and the Series D Bonds (collectively, the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp ("AGM").

ASSURED GUARANTY MUNICIPAL

This cover page contains certain information regarding the School District and the Bonds for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision regarding the Bonds.

The Bonds are offered when, as and if issued to the Underwriters, subject to approval as to legality of issuance by Eckert Seamans Cherin & Mellott, LLC, and Ahmad Zaffarese LLC, both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the School District by the Office of the General Counsel to the School District and for the Underwriters by their co-counsel Cozen O'Connor and Turner Law, P.C., both of Philadelphia, Pennsylvania. It is expected that the Series 2019 Bonds will be available for delivery in definitive form through DTC in New York, New York on or about November 20, 2019. It is expected that the Series 2020 Bonds will be available for delivery in definitive form through DTC in New York, New York on or about June 5, 2020. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS" for certain conditions regarding the obligations of the Underwriters to purchase the Series 2020 Bonds and certain risks to the purchasers of the Series 2020 Bonds resulting from the forward delivery thereof.

BofA Securities

Citigroup **PNC Capital Markets LLC**

Barclays **Loop Capital Markets** **Morgan Stanley** **Siebert Cisneros Shank & Co., L.L.C.**

Official Statement dated: October 17, 2019

$481,080,000
THE SCHOOL DISTRICT OF PHILADELPHIA
GENERAL OBLIGATION BONDS, SERIES OF 2019

$406,820,000 General Obligation Bonds, Series A of 2019

Due (September 1)	Amount	Interest Rate	Yield	Price	CUSIP** NO.
2020	$3,945,000	5.00%	1.320%	102.846	717883 VN9
2021	10,250,000	5.00	1.360	106.379	717883 VP4
2022	10,775,000	5.00	1.410	109.753	717883 VQ2
2023	11,330,000	5.00	1.470	112.932	717883 VR0
2024	8,280,000	5.00	1.560	115.785	717883 VS8
2025	8,705,000	5.00	1.670	118.274	717883 VT6
2026	9,150,000	5.00	1.770	120.549	717883 VU3
2027	9,620,000	5.00	1.880	122.482	717883 VV1
2028	10,110,000	5.00	1.990	124.136	717883 VW9
2029	10,630,000	5.00	2.090	125.617	717883 VX7
2030*	16,085,000	5.00	2.140	125.115	717883 VY5
2031*	16,910,000	5.00	2.200	124.515	717883 VZ2
2032*	17,780,000	5.00	2.240	124.117	717883 WA6
2033*†	11,820,000	5.00	2.130	125.215	717883 WH1
2033*	6,870,000	5.00	2.300	123.524	717883 WK4
2034*†	12,425,000	5.00	2.170	124.814	717883 WJ7
2034*	7,225,000	5.00	2.340	123.130	717883 WL2
2035*	20,550,000	4.00	2.640	111.652	717883 WB4
2036*	21,390,000	4.00	2.680	111.287	717883 WC2
2037*	22,265,000	4.00	2.720	110.924	717883 WD0
2038*	23,170,000	4.00	2.760	110.562	717883 WE8
2039*	24,120,000	4.00	2.800	110.201	717883 WF5

$113,415,000 5.00% Term Bonds Due September 1, 2044* Price: 119.745 Yield: 2.690% CUSIP** NO. 717883 WG3

*Yield/Price to the first optional redemption date of September 1, 2029, at par.
† Insured by Assured Guaranty Municipal Corp.

$24,840,000 General Obligation Bonds, Series B of 2019 (Green Bonds)

Due (September 1)	Amount	Interest Rate	Yield	Price	CUSIP** NO.
2020	$5,000	5.00%	1.320%	102.846	717883 WM0
2021	5,000	5.00	1.360	106.379	717883 WN8
2022	5,000	5.00	1.410	109.753	717883 WP3
2023	5,000	5.00	1.470	112.932	717883 WQ1
2024	3,635,000	5.00	1.560	115.785	717883 WR9
2025	3,825,000	5.00	1.670	118.274	717883 WS7
2026	4,020,000	5.00	1.770	120.549	717883 WT5
2027	4,225,000	5.00	1.880	122.482	717883 WU2
2028	4,445,000	5.00	1.990	124.136	717883 WV0
2029	4,670,000	5.00	2.090	125.617	717883 WW8

$24,420,000 General Obligation Refunding Bonds, Series C of 2019

Due (September 1)	Amount	Interest Rate	Yield	Price	CUSIP** NO.
2020	$5,000	5.00%	1.320%	102.846	717883 WX6
2021	5,000	5.00	1.360	106.379	717883 WY4
2022	5,000	5.00	1.410	109.753	717883 WZ1
2023	5,000	5.00	1.470	112.932	717883 XA5
2024	5,000	5.00	1.560	115.785	717883 XB3
2025	5,000	5.00	1.670	118.274	717883 XC1
2026	5,000	5.00	1.770	120.549	717883 XD9
2027	5,000	5.00	1.880	122.482	717883 XE7
2028	5,000	5.00	1.990	124.136	717883 XF4
2029	5,000	5.00	2.090	125.617	717883 XG2
2030*	5,000	5.00	2.140	125.115	717883 XH0
2031*	5,000	5.00	2.200	124.515	717883 XJ6
2032*	5,000	5.00	2.240	124.117	717883 XK3
2033*	24,355,000	5.00	2.300	123.524	717883 XL1

*Yield/Price to the first optional redemption date of September 1, 2029, at par.

$25,000,000 General Obligation Bonds, Series D of 2019†

$25,000,000 3.00% Term Bonds Due September 1, 2044 Price: 98.617 Yield: 3.080% CUSIP** NO.: 717883 XM9

† Insured by Assured Guaranty Municipal Corp.

$123,805,000
THE SCHOOL DISTRICT OF PHILADELPHIA
GENERAL OBLIGATION REFUNDING BONDS, SERIES OF 2020 (FORWARD DELIVERY)

Due (September 1)	Amount	Interest Rate	Yield	Price	CUSIP** NO.
2021	$42,195,000	5.00%	1.690%	104.038	717883 VJ8
2022	44,340,000	5.00	1.710	107.193	717883 VK5
2023	36,645,000	5.00	1.770	110.121	717883 VL3
2024	625,000	5.00	1.860	112.739	717883 VM1

** Registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the School District and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other secondary market enhancement by bondholders that may be applicable to all or a portion of certain maturities of the Bonds. The School District and the Underwriters have not undertaken responsibility for any CUSIP number changes resulting from the purchase of secondary market enhancement.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized by the School District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and other sources which are believed to be reliable, but, as to information from other sources, is not guaranteed as to accuracy or completeness by the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District or with respect to other matters set forth herein since the date hereof or the date as of which particular information is given, if earlier.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The School District assumes no responsibility for any of the statements contained under the heading "UNDERWRITING" in the Official Statement, other than the statements contained in the first three paragraphs under such heading, or for the information contained in APPENDICES C or F hereto.

This Official Statement, including the appendices hereto, speaks only as of the date printed on the cover page hereof, or as otherwise indicated herein. The information contained herein is subject to change. The Underwriters have agreed to deliver this Official Statement to the Municipal Securities Rulemaking Board so that it will be made available through the Electronic Municipal Market Access System ("EMMA"), which is the sole Nationally Recognized Municipal Securities Information Repository.

If and when included in this Official Statement, including the appendices hereto, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The Bonds are not and will not be registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, or under any state securities laws, in reliance upon exemptions contained therein. Neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement. In making an investment decision, investors must rely on their own examination of the Bonds and the terms of the offering, including the merits and risks involved.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and Appendix H – Specimen Bond Insurance Policy".

THE SCHOOL DISTRICT OF PHILADELPHIA

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BOARD OF EDUCATION

Joyce Wilkerson, Board President
Wayne Walker, Board Vice President
Julia Danzy
Leticia Egea-Hinton
Mallory Fix Lopez
Lee Huang
Maria McColgan
Chris McGinley
Angela McIver

SUPERINTENDENT OF SCHOOLS

WILLIAM R. HITE, JR., ED.D

CHIEF FINANCIAL OFFICER

URI MONSON

GENERAL COUNSEL

LYNN R. RAUCH, ESQUIRE

CO-BOND COUNSEL

ECKERT SEAMANS CHERIN & MELLOTT, LLC

AHMAD ZAFFARESE LLC

FINANCIAL ADVISOR

PHOENIX CAPITAL PARTNERS, LLP

TABLE OF CONTENTS*

**The Table of Contents does not list all of the subjects in the Official Statement and in all instances reference should be made to the complete Official Statement to determine the subjects set forth herein.*

OFFICIAL STATEMENT

Relating to

THE SCHOOL DISTRICT OF PHILADELPHIA

$481,080,000 GENERAL OBLIGATION BONDS, SERIES OF 2019

Consisting of:
$406,820,000 General Obligation Bonds, Series A of 2019
$24,840,000 General Obligation Bonds, Series B of 2019 (Green Bonds)
$24,420,000 General Obligation Refunding Bonds, Series C of 2019
and
$25,000,000 General and Obligation Bonds, Series D of 2019

$123,805,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES OF 2020 (FORWARD DELIVERY)

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide information concerning $481,080,000 The School District of Philadelphia General Obligation Bonds, Series of 2019, consisting of $406,820,000 General Obligation Bonds, Series A of 2019 (the "Series A Bonds"), $24,840,000 General Obligation Bonds, Series B of 2019 (Green Bonds) (the "Series B Bonds"), $24,420,000 General Obligation Refunding Bonds, Series C of 2019 (the "Series C Bonds"), and $25,000,000 General Obligation Bonds, Series D of 2019 (the "Series D Bonds," and together with the Series A Bonds, the Series B Bonds, and the Series C Bonds, the "Series 2019 Bonds"), and $123,805,000 The School District of Philadelphia General Obligation Refunding Bonds, Series of 2020 (Forward Delivery) (the "Series 2020 Bonds," and collectively with the Series 2019 Bonds, the "Bonds"). The Bonds will be dated, mature and bear interest, and will be subject to redemption prior to scheduled maturity, all as described herein. The Series 2020 Bonds are forward delivery bonds and will not be issued until June 5, 2020.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. Any capitalized term used in the forepart of this Official Statement, unless otherwise defined herein, shall have the meaning ascribed to such term in the Resolution (hereinafter defined).

If and when included in this Official Statement, including the appendices hereto, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The School District of Philadelphia

The School District of Philadelphia (the "School District") is a separate and independent home rule school district of the first class established by the Philadelphia Home Rule Charter (the "Home Rule Charter"). The School District is the only school district of the first class in the Commonwealth of Pennsylvania (the "Commonwealth"). Pursuant to the Home Rule Charter, the School District is governed by a nine-member Board of Education (the "Board") appointed by the Mayor (the "Mayor") of The City of Philadelphia (the "City").

The School District is the largest school district in the Commonwealth, with Fiscal Year 2019 enrollment, of approximately 204,514 students, including approximately 73,670 charter school students and approximately 3,850 students attending alternative educational schools. The School District has the thirteenth largest enrollment in the nation and employs approximately 18,500 professional and nonprofessional persons with one central administrative office and 16 learning networks. The boundaries of the School District are coterminous with the boundaries of the City. The School District's fiscal year is July 1 to June 30, identical to that of the City and the Commonwealth. The term "Fiscal Year," when followed by a year, refers to the fiscal year ended June 30 of that year. For example, "Fiscal Year 2020" refers to the Fiscal Year commencing on July 1, 2019 and ending June 30, 2020.

On December 21, 2001, pursuant to criteria provided by the Public School Code of 1949, as amended (the "School Code"), the School District was declared financially distressed by the Secretary of Education of the Commonwealth. A school reform commission ("SRC") was established and members were appointed. On November 16, 2017, the SRC adopted a resolution recommending dissolution of the SRC and rescission of the declaration of distress and recommending to the Secretary of Education that he issue a declaration that the SRC be dissolved effective June 30, 2018. On December 26, 2017, pursuant to Section 696(n) of the School Code, the Secretary approved the dissolution of the SRC and rescinded the School District's declaration of distressed school district status effective June 30, 2018. An education nominating panel was appointed by the Mayor which nominated persons to serve as members of the Board. In April 2018, the Mayor appointed nine members to serve on the Board and the Board assumed governance of the School District on July 1, 2018. On and after such date, the Board governs the School District.

See APPENDIX A hereto for a description of the School District and its affairs, including its organization and financial procedures.

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the School District, issued pursuant to the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82, as amended (the "Debt Act" or the "Act"), and a resolution of the School District adopted by the Board on October 17, 2019 (the "Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Resolution. Pursuant to the Act and the Resolution, the School District has covenanted with the holders of the Bonds that it shall (i) include in its budget for each fiscal year, the amount of debt service on the Bonds payable in such fiscal year, (ii) appropriate such amounts from its general revenues for the payment of such debt service, and (iii) duly and punctually pay, or cause to be paid from its sinking funds, or any other of its revenues or funds, the principal or redemption price of, and interest on, the Bonds at the dates and places and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District has pledged its full faith, credit and taxing power. The Act provides that this covenant is specifically enforceable. See "SECURITY FOR THE BONDS" herein.

The School District may levy taxes only upon the authorization of the General Assembly of the Commonwealth (the "General Assembly") or the Council of the City ("City Council"), as described in "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE" herein.

See "SECURITY FOR THE BONDS – Daily Sinking Fund Deposits" herein for a description of the daily deposits into the sinking funds established for the Bonds (as well as the other outstanding fixed rate general obligation bonds of the School District, each series of fixed rate general obligation bonds to be issued by the School District in the future and, at the option of the School District, any series of variable rate general obligation bonds to be issued by the School District in the future) of School District tax revenues collected by the Revenue Commissioner of the City, as School Tax Collector, and "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE - Local Tax Revenues" for a description of the School District Real Estate Tax, Business Use and Occupancy Tax, Liquor Sales Tax and Non-Business Income Tax collected by the Revenue Commissioner of the City, as School Tax Collector.

For a description of the intercept provisions of Section 633 of the School Code applicable to the Bonds, see "SECURITY FOR THE BONDS" herein and "APPENDIX A – SCHOOL DISTRICT DEBT." For a description of the features of the School District's general obligation bonds, including the Bonds, and the bonds issued by the State Public School Building Authority (the "SPSBA") for the benefit of the School District and the intercept agreement applicable to the bonds issued by the SPSBA for the benefit of the School District, see "APPENDIX A – SCHOOL DISTRICT DEBT." For a description of the provisions of Section 1703-E.4 of the Fiscal Code (as defined herein) allowing certain intercept payments under the School Code to be made in the event that the Commonwealth does not timely enact annual appropriations for public education for a fiscal year, see "SECURITY FOR THE BONDS - Direct Payment of State Appropriations to Fiscal Agent" herein.

Purpose of the Bonds

The proceeds of the Series A Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series A Bonds. The proceeds of the Series B Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District which are designed to be environmentally beneficial by reducing energy usage in School District buildings; and (ii) the costs of issuance of the Series B Bonds. The proceeds of the Series C Bonds are being used by the School District to pay: (i) the costs of currently refunding a portion of the School District's General Obligation Refunding Bonds, Series A of 2007 on November 20, 2019; and (ii) the costs of issuance of the Series C Bonds. The proceeds of the Series D Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series D Bonds. The Series 2020 Bonds are forward delivery bonds which have been authorized by the School District to be issued on June 5, 2020 and the proceeds of which will be used by the School District to pay: (i) the costs of currently refunding a portion of the School District's General Obligation Refunding Bonds, Series C, D and E of 2010 on September 1, 2020; and (ii) the costs of issuance of the Series 2020 Bonds. See "PLAN OF FINANCE" herein.

Continuing Disclosure

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended, the School District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with the Fiscal Agent, as Dissemination Agent, in substantially the form of APPENDIX E to this Official Statement. See "CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION" herein. Certain information concerning the School District, required or permitted to be filed pursuant to the School District's prior continuing disclosure agreements, is on file with the Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org. Such information is not incorporated herein by reference.

Green Bonds

The Series B Bonds are being issued to finance projects that are designed to be environmentally beneficial ("Green Projects") by reducing energy usage in School District buildings. See "PLAN OF FINANCE – Green Bonds Use of Proceeds" herein. See APPENDIX G for a description of Green Projects expected to be financed with proceeds of the Series B Bonds.

Forward Delivery of Series 2020 Bonds

The Series 2020 Bonds are expected to be delivered on June 5, 2020. See "PLAN OF FINANCE – Forward Delivery Bond Purchase Contract for Series 2020 Bonds." See also "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS."

Other Financings

Concurrently with the issuance of the Series 2019 Bonds by the School District, the SPSBA also intends to issue its $167,535,000 School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series A 2019 (Federally Taxable) and $20,755,000 School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series B of 2019 (Federally Taxable) (collectively, the "SPSBA 2019 Bonds"), at the request of the School District for the purposes described under "PLAN OF FINANCE" herein. The SPSBA 2019 Bonds will be offered under a separate Official Statement by the underwriters named therein. The SPSBA 2019 Bonds are lease rental debt secured under a Trust Indenture dated September 1, 2003, as amended and supplemented between the SPSBA and the Bank of New York Mellon Trust Company, N.A.

Concurrently with the issuance of the Series 2019 Bonds by the School District, the School District expects to issue tax and revenue anticipation notes (the "Notes") in the principal amount of $347,080,000. The Notes are equally and ratably secured, until paid or until deposits for such payment have been made into the sinking fund created for the Notes, by a pledge of, a security interest in and a lien and charge on the taxes and revenues of the School District to be received from the date of issuance to June 30, 2020. Notwithstanding the foregoing, the amounts irrevocably directed by the School District to be deposited on a daily basis directly in the School District's fixed rate general obligation bond sinking funds ("Daily Sinking Fund Deposits") are not subject to such pledge, security interest, lien and charge. The proceeds of the Notes will be used to pay (i) certain of the current operating expenses of the School District prior to the receipt of School District taxes and certain other School District revenues to be received during Fiscal Year 2020, (ii) currently refund tax and revenue anticipation notes previously issued by the School District in Fiscal Year 2020, and (iii) to pay the costs of issuance of the Notes.

Other Information

Certain information relating to the School District's operations and financial affairs is available on the School District's website www.philasd.org. Such information is not incorporated herein by reference. See "CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION" herein.

The School District's financial statements are audited by the City Controller of the City (the "City Controller"). The School District has included its audited financial statements for Fiscal Year 2018 in "APPENDIX B" herein. See "CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION-Financial Statements" herein and APPENDIX B hereto.

Certain City socioeconomic information is attached hereto as APPENDIX C.

This Official Statement speaks only as of its date, unless otherwise expressly noted, and the information contained herein is subject to change.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery thereof, will be issued as fixed rate bonds and will bear interest at the rates and will mature on September 1 of the years set forth on the inside front cover page hereof until maturity or redemption. Interest on the Bonds shall be paid on each September 1 and March 1 (each an "Interest Payment Date") commencing on March 1, 2020 in the case of the Series C Bonds, and on September 1, 2020 in the case of the Series A Bonds, the Series B Bonds, the Series D Bonds and the Series 2020 Bonds. Interest on Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. "Record Date" with respect to the Bonds means the fifteenth (15^{th}) day of the month next preceding the Interest Payment Date. The Bonds shall be issued in fully registered form in the denomination of $5,000 and any integral multiple thereof ("Authorized Denominations").

The Bonds shall be registered on the registration books kept by the Fiscal Agent (hereinafter defined), as registrar and fiscal agent, in the name of The Depository Trust Company, New York, New York (the "Securities Depository" or "DTC"), or its nominee, Cede & Co. Beneficial owners ("Beneficial Owners") of the Bonds will not receive certificates representing their respective interests in such Bonds, except in the event the Fiscal Agent issues replacement bonds. The Bonds shall be payable as to principal or redemption price in lawful money of the United States of America at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., located in Philadelphia, Pennsylvania, which shall act as Sinking Fund Depository, Fiscal Agent, Registrar and Paying Agent with respect to the Bonds (the "Fiscal Agent"). Interest on the Bonds shall be paid by check or draft in lawful money of the United States to each registered owner of the Bond at his or her address as it appears on the Record Date on the registration books of the School District kept by the Fiscal Agent or by wire transfer to a bank account in the continental United States to registered owners of more than $1,000,000 in aggregate principal amount of the Bonds at the written request of such registered owners delivered to the Fiscal Agent at the time set forth in the Bonds. As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See APPENDIX F hereto. Disbursement of such payments to the Direct Participants (as defined in APPENDIX F hereto) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants (as defined in APPENDIX F hereto), as more fully described in APPENDIX F hereto.

The Bonds may be transferred by the registered owners thereof or by their duly authorized attorneys-in-fact or other legal representative for Bonds of the same series and maturity in the same aggregate principal amount and bearing interest at the same rate upon the registration books maintained by the Fiscal Agent upon delivery to the Fiscal Agent of the Bonds accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Fiscal Agent, duly executed by the registered owner of the Bonds to be transferred or his or her duly authorized attorney-in-fact or other legal representative, containing written instructions as to the details of the transfer of such Bonds. No transfer of any Bond shall be effective until entered on the registration books maintained by the Fiscal Agent or its successor. In like manner Bonds may be exchanged by the registered owners thereof or by their duly authorized attorneys-in-fact or other legal representative for Bonds of the same series, maturity and interest rate and of authorized denomination or denominations in the same aggregate principal amount and bearing interest at the same rate. The Fiscal Agent may impose a charge sufficient to reimburse the School District or the Fiscal Agent for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the School District or the Fiscal Agent incurred in connection therewith, will be paid by the person requesting such exchange or transfer. The Fiscal Agent will not be required to transfer or exchange any Bond: (1) during a period beginning at the opening of business on any date when Bonds, or portions thereof, are selected for redemption and ending at the close of business on the day of the mailing of a notice of redemption of such Bonds; or (2) which has been so selected for redemption in whole or in part.

Redemption Provisions of the Bonds

The Series A Bonds shall be subject to redemption as follows:

Optional Redemption. The Series A Bonds maturing on or after September 1, 2030, are subject to redemption at the option of the School District, from monies available therefor, on or after September 1, 2029, in whole at any time, and in part from time to time, and if in part by lot within a maturity and within particular maturities or portions thereof as determined by the School District, at a redemption price equal to 100% of the principal amount of the Series A Bonds to be redeemed plus accrued and unpaid interest on the Series A Bonds to be redeemed to the date of redemption.

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on September 1, 2044, are subject to mandatory redemption prior to maturity by the School District, in part, by lot, at a redemption price of the principal amount of Series A Bonds to be redeemed plus interest accrued to the date fixed for redemption, from funds which the School District covenants to deposit in the Series A Mandatory Sinking Fund Account created in the Sinking Fund (defined below) for the Series A Bonds established under the Resolution, annually, on or before September 1 of the years and in the principal amounts set forth below:

Date (September 1)	Amount
2040	$20,180,000
2041	21,370,000
2042	22,620,000
2043	23,930,000
2044*	25,315,000

*Stated Maturity

The Series B Bonds are not subject to redemption prior to maturity.

The Series C Bonds shall be subject to redemption as follows:

Optional Redemption. The Series C Bonds maturing on or after September 1, 2030 are subject to redemption at the option of the School District, from monies available therefor, on or after September 1. 2029, in whole at any time, and in part from time to time, and if in part by lot within a maturity and within particular maturities or portions thereof as determined by the School District, at a redemption price equal to 100% of the principal amount of the Series C Bonds to be redeemed plus accrued and unpaid interest on the Series C Bonds to be redeemed to the date of redemption.

The Series D Bonds shall be subject to redemption as follows:

Optional Redemption. The Series D Bonds are subject to redemption at the option of the School District, from monies available therefor, on or after September 1, 2029, in whole at any time, and in part from time to time, and if in part by lot within a maturity and within particular maturities or portions thereof as determined by the School District, at a redemption price equal to 100% of the principal amount of the Series D Bonds to be redeemed plus accrued and unpaid interest on the Series D Bonds to be redeemed to the date of redemption.

Mandatory Sinking Fund Redemption. The Series D Bonds are subject to mandatory redemption prior to maturity by the School District at a redemption price of the principal amount of Series D Bonds to be redeemed plus interest accrued to the date fixed for redemption, from funds which the School District covenants to deposit in the Series D Mandatory Sinking Fund Account created in the Sinking Fund for the Series D Bonds established under the Resolution, annually, on or before September 1 of the years and in the principal amounts set forth below:

Date (September 1)	Amount
2040	$5,000,000
2041	5,000,000
2042	5,000,000
2043	5,000,000
2044*	5,000,000

*Stated Maturity

The Series 2020 Bonds are not subject to redemption prior to maturity.

General Redemption Provisions

Selection of Bonds for Redemption. If less than all of a series and maturity of the Bonds are to be redeemed, the particular Bonds of such series and maturity to be redeemed shall be selected by the Fiscal Agent by lot in such manner as the

Fiscal Agent in its discretion may determine and which shall provide for the selection for redemption of portions of the principal of Bonds in Authorized Denominations.

Notice of Redemption. The Fiscal Agent shall mail a notice of redemption by first class mail not more than 45 days and not less than 30 days before the date of redemption to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. Failure to give such notice by mailing to any registered owner of any Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of other Bonds. Deposit of any such notice in the United States mail shall constitute constructive receipt by such registered owner of such Bonds. The Fiscal Agent shall redeem on each respective redemption date the principal amount of such Bonds or portions thereof aggregating the amount to be then redeemed. So long as the Securities Depository is the sole registered owner of the Bonds, the Fiscal Agent shall send a notice of redemption to the Securities Depository at the time and in the manner specified in DTC's Operational Arrangements. Any failure of the Securities Depository to advise any of its participants or any failure of any direct or indirect participant therein to notify any Beneficial Owner of any such notice and its content or effect shall not affect the validity of the proceedings for redemption of the Bonds called for redemption or of any other action premised on such notice. No further interest shall accrue on any Bond called for redemption on and after the redemption date if payment of the redemption price is on deposit with the Fiscal Agent, and the registered owner of the Bond shall have no rights except to receive payment of the redemption price and the unpaid interest accrued on the Bond to the date of redemption.

If such notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Fiscal Agent, then such notice shall be conditioned upon the deposit of the redemption moneys with the Fiscal Agent on or before the date fixed for redemption and such notice shall be of no effect (and shall so state) unless moneys are so deposited.

SECURITY FOR THE BONDS

General Obligation

The Bonds are general obligations of the School District. Pursuant to the Act and as provided in the Resolution, the School District covenants with the holders of the Bonds that it shall (i) include in its budget for each fiscal year the amount of debt service on the Bonds payable in such fiscal year, (ii) appropriate such amounts from its general revenues for the payment of such debt service, and (iii) duly and punctually pay, or cause to be paid, from its sinking funds or any other of its revenues or funds, the principal or redemption price of, and the interest on, the Bonds at the dates and places and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District has pledged its full faith, credit and taxing power. The Act provides that this covenant is specifically enforceable.

The School District may levy taxes only upon the authorization of the General Assembly or City Council as described in "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE" herein.

The issuance of the Bonds by the School District constitutes the incurrence of non-electoral debt by the School District pursuant to the Debt Act and must be approved in advance by the Pennsylvania Department of Community and Economic Development ("DCED"). This approval will be obtained prior to issuance and delivery of the Bonds. See "APPENDIX A – SCHOOL DISTRICT DEBT."

Sinking Funds

Pursuant to the Act and the Resolution, sinking funds for each series of the Bonds, designated "Sinking Fund - Series A of 2019", "Sinking Fund – Series B of 2019", "Sinking Fund – Series C of 2019", "Sinking Fund – Series D of 2019" and "Sinking Fund – Series of 2020," respectively (each a "Sinking Fund" and collectively, the "Sinking Funds"), shall be established with the Fiscal Agent and held segregated from all other funds of the School District. The Act requires that the School District deposit into each Sinking Fund, not later than the date when the interest and principal is to become due on the respective series of Bonds, amounts sufficient to pay the interest and principal then due. The School District has covenanted in the Resolution to provide for the full amount of each debt service payment due on the Bonds by a date which is 15 days prior to each debt service payment date (each, a "Sinking Fund Deposit Date"). See "Direct Payment of State Appropriations to Fiscal Agent" below for further information regarding the making of sinking fund deposits.

The sinking fund depository for the Bonds is The Bank of New York Mellon Trust Company, N.A., the Fiscal Agent.

Moneys in each of the Sinking Funds may be invested by the Fiscal Agent in securities or deposits authorized by law and the Resolution, upon direction of the School District, all as provided in the Act and the Resolution. Such deposits and securities shall be in the name of the School District, but shall be subject to withdrawal or collection only by the Fiscal Agent, and such deposits and securities, together with the interest thereon, shall be a part of such Sinking Fund.

The Fiscal Agent is irrevocably authorized and directed to pay from the Sinking Funds pursuant to the Debt Act and the Resolution the principal of, and interest on, the Bonds when due and payable.

The Debt Act provides that all moneys deposited in each of the Sinking Funds and all investments and proceeds of investments thereof shall be, without further action or filing, subject to a perfected security interest in favor of the owners of the applicable series of Bonds.

Daily Sinking Fund Deposits

In conjunction with the sale of fixed rate general obligation bonds in 1982, the School District covenanted to make daily deposits into each sinking fund established for each of its outstanding fixed rate general obligation bond issues from School District tax revenues collected by the Revenue Commissioner of the City, as School Tax Collector. All subsequent issues of fixed rate general obligation bonds have contained such a covenant, and the Resolution contains a similar covenant with respect to the Bonds. The School District may, in its sole discretion, covenant to make daily deposits into sinking funds established for any variable rate general obligation bonds that the School District may issue in the future. See "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE - Local Tax Revenues" for a description of the Real Estate Tax, Business Use and Occupancy Tax, Liquor Sales Tax and Non-Business Income Tax collected by the Revenue Commissioner of the City, as School Tax Collector.

Each total daily deposit represents the aggregate pro-rata amount required to accumulate in each of the sinking funds on the Sinking Fund Deposit Date (the "Accumulation Date") which is 15 days in advance of a debt service payment date (including a mandatory sinking fund installment deposit date with respect to the School District's 2011 qualified school construction bonds and 2016 qualified school construction bonds (together, the "QSCBs")), an amount sufficient to make the ensuing interest and principal or mandatory redemption payment required to be paid from such sinking fund (including the next mandatory sinking fund installment deposit with respect to the QSCBs). For example, if the School District is required to make an interest and principal payment on fixed rate bonds (including for a mandatory sinking fund installment deposit with respect to the QSCBs) on September 1, 2020, the required funds must be accumulated in the required sinking fund by August 17, 2020. The daily amount to be set aside for interest is calculated by dividing the amount of the interest payment by the actual number of City business days occurring during the period February 14, 2020, to August 17, 2020. The daily amount to be set aside for principal (and, as applicable, for a mandatory sinking fund installment deposit with respect to the QSCBs) is calculated by dividing the amount of the principal payment (or, as applicable, the mandatory sinking fund installment with respect to the QSCBs) by the actual number of City business days occurring during the period August 17, 2019, to August 17, 2020. Although the Resolution permits interest income to be taken into account in calculating the daily deposits, the School District's current practice is that the interest income earned on investments in the respective sinking funds is not considered in calculating the required total daily deposits.

All of the School District tax revenues subject to this daily deposit covenant are collected for the School District by the Department of Collections (the "Department of Revenue") of the City, acting pursuant to the requirements of the Home Rule Charter and the School Code as the School Tax Collector for the School District. The School District, pursuant to the Resolution, has irrevocably directed the Department of Revenue to make the required total deposits from School District tax revenues directly to the Sinking Fund. With respect to each of the School District's outstanding series of fixed rate General Obligation Bonds, the School District, in each bond resolution, has irrevocably directed the Department of Revenue to make the required total daily deposits for such bonds from School District tax revenues directly to the appropriate sinking funds. After making such deposits, the balance of the revenues, if any, is then deposited to the credit of the School District for general operating purposes. The daily deposit covenant is not considered breached if the revenues collected on a given day are insufficient to cover that day's required total daily sinking fund deposit. Such deficiencies are to be made up out of the next days' receipts and no further deposits are to be made to the credit of the School District for general operating purposes until the sinking funds are current.

It is possible that the debt service requirement for the Bonds, with the debt service requirements for outstanding fixed rate and variable rate general obligation bonds, if hereafter issued and determined by the School District to have the benefit of the daily deposit covenant, and additional fixed rate general obligation bonds and variable rate general obligation bonds issued by the School District in the future may create occasional deficiencies in certain of the sinking funds on certain of the Accumulation Dates. The Accumulation Dates are also Sinking Fund Deposit Dates. The School District has covenanted in the resolutions for its fixed rate general obligation bonds, including the Resolution, that if, on any Accumulation Date, the amount on deposit in a sinking fund is less than the full amount due on the next maturity, redemption or interest payment date, the School District shall deposit, from any available revenues, the amount of such deficiency in such sinking fund.

The foregoing daily deposit covenants are in addition to, and not in place of the pledge by the School District of its full faith, credit and taxing power for the budgeting, appropriation and payment of debt service on the Bonds. Certain limitations on the taxing power of the School District are described in "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE - Local Tax Revenues."

The holders of each respective Series of the Bonds will have a claim only to moneys deposited into the sinking fund for such Series of Bonds and do not have a claim on the sinking fund for any other Series of Bonds. The Act provides that each sinking fund is subject to a perfected security interest in favor of the holders of the Series of Bonds for which such sinking fund is established without any requirement for filing or recording.

Direct Payment of State Appropriations to Fiscal Agent

The School Code provides that where a school district fails to pay or to provide for the payment of any principal or interest or the amount required as a sinking fund deposit on indebtedness of the school district, the Secretary of Education of the Commonwealth is required to withhold, out of any Commonwealth appropriation due to such school district, and to pay directly to the sinking fund depository for such bonds an amount equal to the sum of the interest and principal amount maturing or subject to mandatory sinking fund redemption or the amount required as a sinking fund deposit which is owing by such school district. The general obligation bonds of the School District are entitled to the benefits of the intercept provisions of the School Code. Section 633 of the School Code states:

> "In all cases where the board of directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory sinking fund redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date, or on any sinking fund deposit date in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligations and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory sinking fund redemption and interest owing by such school district, or such sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depositary for such bond issue."

The intercept provisions of Section 633 of the School Code will apply to the Sinking Fund Deposit Dates established by the School District in the Resolution.

The School Code also requires each school district to report to the Secretary of Education of the Commonwealth within 120 days after the close of its fiscal year as part of its annual financial report, the amount of bonds or other indebtedness that became due during the fiscal year together with amounts paid on such indebtedness. Failure to include such information in the annual report permits the Secretary of Education of the Commonwealth to withhold any Commonwealth appropriation until such report is filed.

In the Resolution, the Fiscal Agent, as sinking fund depository, is directed to make demand on the Secretary of Education of the Commonwealth if there is a deficiency on a Sinking Fund Deposit Date in order to cause the implementation of the provisions of Section 633 of the School Code in advance of an actual debt service payment date. The declaration of distress by the Secretary of Education of the Commonwealth does not affect the application of the withholding provisions of Section 633 of the School Code.

All public school subsidies made by the Commonwealth are subject to appropriation by the General Assembly. The withholding provisions of Section 633 of the School Code are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation. Furthermore, the schedule of installments and payment dates for the basic education subsidy, which is the largest State appropriation to the School District, is statutorily established and is subject to change by legislative action. Other Commonwealth appropriations are paid at the discretion of the executive branch. The Commonwealth has the right, but not the obligation, to pay appropriations in advance of their due dates. Although the Constitution of the Commonwealth provides that "the General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth," the General Assembly is not legally obligated to appropriate such subsidies and there can be no assurance that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various school districts throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth's ability to make such disbursements will be dependent upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in, among other things, the inability of the Treasurer to make direct payments of school district subsidies pursuant to the intercept provisions described below and increased interim borrowing by school districts pending the appropriation and payment of state aid. Consequently, there can be no assurance that financial support from the Commonwealth for school districts, either for capital projects or education programs in general, will continue at present levels or that appropriations will be available for payments to bondholders if indebtedness of such school district is not paid when due. See "APPENDIX A – SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Subsidies" and "– CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT – Operating Budget Revenues, Obligations and Changes in Fund Balances" herein for information concerning current payments made by the Commonwealth.

Certain bonds have been previously issued on behalf of the School District by the SPSBA (the "SPSBA Bonds"). The Public School Code contains certain debt service intercept provisions applicable to the School District's debt obligations related to the SPSBA Bonds and the School District is a party to an intercept agreement relating thereto. In Fiscal Year 2016, due to the Commonwealth's Fiscal Year 2016 budget impasse, certain payments of base rental payments required to be paid pursuant to the Intercept Agreement (as defined herein) were not made and such payments were timely made in full directly by the School District as required by the sublease and the indenture related to the SPSBA Bonds. For a description of the intercept agreement (the "Intercept Agreement") among the SPSBA, the School District and the Treasurer of the Commonwealth of Pennsylvania (the "State Treasurer") and acknowledged and agreed to by the Pennsylvania Department of Education ("PDE") and the trustee for the bonds issued on behalf of the School District by the SPSBA, see "APPENDIX A – SCHOOL DISTRICT DEBT" and – "SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Subsidies."

Over the last fifteen years, the Commonwealth has experienced a number of budget stalemates which resulted in the related fiscal year operating budgets being enacted after July 1 of the Commonwealth's fiscal year as required by law. In certain cases, the delayed enactments caused a delay in the payment of Commonwealth funds to school districts, including the School District. On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by PDE from a school district subject to an intercept statute or an intercept agreement in the event of a budget impasse in any fiscal year ("Article XVII-E.4"). Section 1701-E.4 of the Fiscal Code includes in the definition of "intercept statutes" Section 633 of the Public School Code, which applies to the School District's general obligation bonds, including the Bonds; Section 785 of the Public School Code, which applies to the SPSBA Bonds and the SPSBA 2019 Bonds; and Section 8125(b) of the Debt Act, which applies to the School District's tax and revenue anticipation notes, including the Notes. "Intercept agreements" are defined in Section 1701-E.4 as agreements entered into under the authority of an intercept statute. Section 785 of the Public School Code governs the Intercept Agreement. For additional information concerning the Intercept Agreement, see "APPENDIX A – SCHOOL DISTRICT DEBT" and – "SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Subsidies."

Article XVII-E.4 of the Fiscal Code provides that the amounts as may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year: (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due; (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The School District has not been advised as to whether PDE will submit a justification covering all school districts at the beginning of a budget impasse on July 1 of a fiscal year or on a case by case basis. The School District will include in its fiscal agent agreements which govern its general obligation bonds, including the Bonds, and which require the Section 633 intercept to be triggered if insufficient funds are in a sinking fund fifteen (15) days before a debt service payment date provisions requiring notice to be given to PDE that the justification required by Article XVII-E.4 must be submitted to the appropriation committee chairs immediately (if it has not already been submitted) so that the steps necessary for the intercept payment to be made by the applicable debt service payment date can be implemented in sufficient time.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total non-federal general fund subsidy payments made to that school district in the prior fiscal year. Any payments pursuant to Article XVII-E.4 are also limited to available cash balances in the General Fund of the Commonwealth.

Section 1703-E.4 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. As required by PDE and in PDE's required format, the School District will file schedules of principal and interest payments for all series of obligations outstanding, including sinking fund deposit dates or intercept payment dates, as applicable, and scheduled debt service payment dates for each series, including the Bonds. The School District will also file a hard copy of the Official Statement.

Section 1703-E.4 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Article XVII-E.4 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Statutory Remedies

The Act provides that if principal or interest on bonds issued pursuant to the Act is not paid when due and such failure continues for 30 days, the holder of such bonds, subject to any prior rights of holders of tax and revenue anticipation notes and the right of the court to require the deposit of moneys in any sinking fund by writ of mandamus, shall have the right to recover the amount due in an action brought in the court of common pleas and any such judgment shall have an appropriate priority upon moneys next coming into the treasury of the issuer and may be a judgment upon which funding bonds may be issued.

The Act further provides that in the event of such default and its continuance for 30 days, the holders of 25 percent in aggregate principal amount of the bonds may appoint a trustee to represent their interests. The trustee is entitled, by mandamus or other suit, to enforce the rights of the holders of the bonds and require the issuer to carry out agreements with holders of the bonds, bring suit on the bonds, petition the court of common pleas to levy, after a hearing upon notice to the owners of assessable real estate, the amount due before or after the exercise of any right to acceleration, upon all taxable real estate and other property subject to ad valorem taxation in the jurisdiction of the issuer in proportion to the value thereof as assessed for tax purposes. Such assessments may be collected as by foreclosure of a mortgage or security interest on the realty or other property if not paid on demand. In addition, such trustee may by suit in equity seek to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds, and, upon thirty (30) days' prior written notice to the School District, subject to any limitation in the Resolution, may declare the unpaid principal amount of such bonds due and payable.

Limitation of Remedies

The rights and remedies of holders of the Bonds are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code (the "United States Bankruptcy Code"). In general, Chapter 9 permits, under prescribed circumstances, a political subdivision of a state to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such political subdivision is generally not paying its debts as they become due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the United States Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision.

In order to proceed under Chapter 9, state law must authorize the political subdivision to file a petition under the United States Bankruptcy Code. Pennsylvania law prohibits the School District from filing such a petition unless the petition has first been submitted to, and its filing, together with the plan for adjustment of debts, has been approved in writing by DCED. DCED is required to investigate the financial condition of the School District in order to determine whether the presentation of the petition is justified or represents an unjust attempt to evade payment of some of the petitioner's contractual obligations before approving the petition and plan. DCED has the right to require modification of any proposed plan before granting approval of a petition.

The filing of such a petition in bankruptcy operates as an automatic stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitant thereof. The petitioner must file a plan for adjustment of the debts, which may include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The United States Bankruptcy Code establishes procedures for confirmation of such a plan, and, under certain circumstances, allows confirmation of a plan over the objection of one or more classes of creditors.

The foregoing references to the United States Bankruptcy Code are informational only, and are not to be construed as any indication that the School District expects to request permission from DCED to resort to the provisions of the United States Bankruptcy Code or that if it did, permission would be granted by DCED, or that any proposed plan of adjustment would include a dilution of the sources of payment and security for the Bonds.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Series 2019 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series A Bonds maturing on September 1, 2033 in the principal amount of $11,820,000 (CUSIP NO.: 717883 WH1), and September 1, 2034 in the principal amount of $12,425,000 (CUSIP NO.: 717883 WJ7), and the Series D Bonds (collectively, the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At June 30, 2019:

- The policyholders' surplus of AGM was approximately $2,530 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,082 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

PLAN OF FINANCE

Purpose of the Bonds

The proceeds of the Series A Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series A Bonds.

The proceeds of the Series B Bonds (sometimes referred to herein as "Green Bonds") are being used by the School District to pay: (i) the costs of Green Projects; and (ii) the costs of issuance of the Series B Bonds. See "Green Bonds –*Use of Proceeds Below*" below.

The proceeds of the Series C Bonds are being used by the School District to pay: (i) the costs of currently refunding the $30,000,000 July 1, 2034 maturity with a 4.375% coupon of the School District's General Obligation Refunding Bonds, Series A of 2007 (the "Refunded 2007 Bonds") as further described below; and (ii) the costs of issuance of the Series C Bonds.

The proceeds of the Series D Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series D Bonds.

The proceeds of the Series 2020 Bonds when issued on June 5, 2020 will be used by the School District to pay: (i) the costs of currently refunding a portion of the School District's General Obligation Refunding Bonds, Series C, D and E of 2010 consisting of the September 1, 2021 through September 1, 2024 maturities, inclusive (the "Refunded 2010 Bonds") as further described below; and (ii) the costs of issuance of the Series 2020 Bonds.

The SPSBA expects to issue the SPSBA 2019 Bonds as further described under "INTRODUCTION – Other Financings." The proceeds of the SPSBA 2019 Bonds, together with other available moneys, will be used to (i) advance refund, on a federally taxable basis, a portion of the State Public School Building Authority School Lease Revenue Bonds (The School

District of Philadelphia Project) Series 2012 (the "Refunded SPSBA 2012 Bonds") and (ii) pay the costs of issuance of the SPSBA 2019 Bonds.

The School District is refunding the Refunded 2007 Bonds, the Refunded 2010 Bonds and the Refunded SPSBA 2012 Bonds (collectively, the "Refunded Bonds") to achieve net present value savings for the School District.

Green Bonds

Use of Proceeds. The Series B Bonds will finance various capital projects that are designed to be environmentally beneficial (referred to herein as Green Projects).

Proceeds of the Green Bonds are expected to be used to fund the Green Projects for energy efficiency and conservation purposes in certain School District buildings. These Green Projects are designed to reduce energy costs in existing School District buildings and reduce the School District's environmental footprint. The Board has approved the engagement of Johnson Controls International PLC ("JCI") for an approximately ten-year term to provide design, construction and energy conservation and savings analysis (collectively, "ESCO Services") for Green Projects under GESA-1 (defined below) to be financed with proceeds of the Green Bonds. The Green Projects which the School District currently anticipates completing as part of GESA-1 are set forth in APPENDIX G hereto.

Project Evaluation and Selection Process. The School District has already identified Green Projects at three existing schools as further described in APPENDIX G hereto which are expected to comprise a portion (i.e., Task #1 of five total Tasks identified in APPENDIX G) of the first phase of the School District's overall Guaranteed Energy Savings Agreement ("GESA") program. The School District previously undertook a guaranteed energy saving agreement pilot program (the "Pilot GESA") at three high schools. The Pilot GESA is scheduled for completion before the end of 2019 and includes approximately $22.4 million of capital upgrades including LED lighting and window, boiler, unit vent and control improvements. The Pilot GESA is not being financed by the Green Bonds.

The School District expects to expend approximately $26 million on Task #1 of the GESA program ("GESA-1"). Proceeds of the Green Bonds are expected to finance Task #1 and a portion of Task #2 of GESA-1. GESA-1 involves Green Projects at twelve schools as set forth in APPENDIX G. The particular schools (or other buildings) at which Green Projects will be financed and the Green Project components that will be financed with proceeds of the Green Bonds are subject to change due to timing and other considerations related to the School District's capital improvement plans. Any changes in the selection of particular Green Projects to be financed with proceeds of the Green Bonds are expected to be made among projects at the twelve schools identified as part of the five Tasks of GESA-1. Such alternative Green Projects, if any, will also be described in the post-issuance reporting described below.

Proceeds Management. The proceeds of the Green Bonds will be deposited into a segregated account, and expenditure of such proceeds will be tracked by the School District.

Post-Issuance Reporting. Contracts entered into with JCI or any other vendor to perform ESCO Services will require JCI and any other vendor to provide industry standard annual reports on the performance of the Green Projects which the School District will make publicly available by posting such reports on the School District's website.

Series C Refunding Plan

The proceeds of the Series C Bonds to be applied to refunding the Refunded 2007 Bonds will be applied to the payment of the interest on and redemption price of the Refunded 2007 Bonds due on November, 20, 2019, which is the date fixed for redemption of the Refunded 2007 Bonds.

Series 2020 Refunding Plan

The proceeds of the Series 2020 Bonds to be applied to refunding the Refunded 2010 Bonds will, on June 5, 2020, be deposited in an escrow fund established under an escrow deposit agreement between the School District and The Bank of New York Mellon Trust Company, N.A., as escrow agent, invested in United States Treasury obligations, and applied to the payment of the interest on and redemption price of the Refunded 2010 Bonds due on September 1, 2020, which is the date fixed for redemption of the Refunded 2010 Bonds.

See "VERIFICATION" herein.

Forward Delivery Bond Purchase Contract for Series 2020 Bonds

The Series 2020 Bonds are being sold pursuant to a Forward Delivery Bond Purchase Contract dated October 17, 2019 (the "Forward Delivery Bond Purchase Contract") between the School District and BofA Securities, Inc., acting on its own behalf, and as representative (the "Representative") of the underwriters named therein (collectively, the "Underwriters") and will be delivered on or about June 5, 2020, subject to delivery by Co-Bond Counsel of its opinion of co-bond counsel and the satisfaction of certain other conditions set forth in the Forward Delivery Bond Purchase Contract. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS" herein.

An investment in the Series 2020 Bonds involves certain additional risks due to the forward delivery of the Series 2020 Bonds. The issuance and delivery of the Series 2020 Bonds is subject to satisfaction of certain conditions precedent. For a discussion of certain factors that should be considered by prospective investors in evaluating an investment in the Series 2020 Bonds, see "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS" herein. Such factors are not intended to be exhaustive of all of the potential factors which might apply to the issuance and delivery of the Series 2020 Bonds. Each prospective purchaser of the Series 2020 Bonds should make an independent evaluation of all of the information presented in this Official Statement, including the information under the caption "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS."

SOURCES AND USES OF FUNDS

	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Series 2020 Bonds	Total
Sources of Funds						
Principal Amount of Bonds	$406,820,000.00	$24,840,000.00	$24,420,000.00	$25,000,000.00	$123,805,000.00	$604,885,000.00
Original Issue Premium/(Discount)	71,572,714.75	5,319,454.15	5,740,895.20	(345,750.00)	8,681,669.50	91,148,983.60
Other Available Monies Provided by School District	--	--	616,145.83	--	3,356,556.25	3,972,702.08
Total	$478,572,714.75	$30,159,454.15	$30,777,041.03	$24,654,250.00	$135,843,225.75	$700,006,685.68
Uses of Funds						
Deposit to Project Fund	$475,891,467.23	$ --	$ --	$24,108,532.77	$ --	$500,000,000.00
Deposit for Green Projects	--	30,000,000.00	--	--	--	30,000,000.00
Refunding of 2007A Bonds	--	--	30,616,145.83	--	--	30,616,145.83
Refunding of 2010 C/D/E Bonds	--	--	--	--	135,271,556.25	135,271,556.25
Cost of Issuance[†]	2,681,247.52	159,454.15	160,895.20	545,717.23	571,669.50	4,118,983.60
Total	$478,572,714.75	$30,159,454.15	$30,777,041.03	$24,654,250.00	$135,843,225.75	$700,006,685.68

† Includes legal fees and expenses, underwriters' discount, financial advisory fees, Fiscal Agent's fees, rating agency fees, bond insurance premium, escrow and verification fees, printing and miscellaneous fees and expenses.

Additional Financing

The School District has other outstanding debt and may, from time to time, issue additional debt to finance certain projects or to refund certain outstanding debt of the School District. For additional information concerning the School District's outstanding debt, see "SCHOOL DISTRICT DEBT" in APPENDIX A attached hereto.

SCHOOL DISTRICT DEBT SERVICE REQUIREMENTS

The table below sets forth total debt service on the Bonds when issued, and the table on the following page shows the School District's outstanding general obligation bonds and lease rental debt, in each case for the fiscal years ending June 30, 2020, and thereafter:

Debt Service on the Bonds

	Series A Bonds			Series B Bonds			Series C Bonds			Series D Bonds			Series 2020 Bonds		
Fiscal Year	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2020	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$342,558	$342,558	$ --	$ --	$ --	$ --	$ --	$ --
2021	3,945,000	24,521,400	28,466,400	5,000	1,590,325	1,595,325	5,000	1,220,875	1,225,875	--	960,417	960,417	--	4,573,907	4,573,907
2022	10,250,000	18,772,550	29,022,550	5,000	1,241,625	1,246,625	5,000	1,220,625	1,225,625	--	750,000	750,000	$42,195,000	5,135,375	47,330,375
2023	10,775,000	18,246,925	29,021,925	5,000	1,241,375	1,246,375	5,000	1,220,375	1,225,375	--	750,000	750,000	44,340,000	2,972,000	47,312,000
2024	11,330,000	17,694,300	29,024,300	5,000	1,241,125	1,246,125	5,000	1,220,125	1,225,125	--	750,000	750,000	36,645,000	947,375	37,592,375
2025	8,280,000	17,204,050	25,484,050	3,635,000	1,150,125	4,785,125	5,000	1,219,875	1,224,875	--	750,000	750,000	625,000	15,625	640,625
2026	8,705,000	16,779,425	25,484,425	3,825,000	963,625	4,788,625	5,000	1,219,625	1,224,625	--	750,000	750,000	--	--	--
2027	9,150,000	16,333,050	25,483,050	4,020,000	767,500	4,787,500	5,000	1,219,375	1,224,375	--	750,000	750,000	--	--	--
2028	9,620,000	15,863,800	25,483,800	4,225,000	561,375	4,786,375	5,000	1,219,125	1,224,125	--	750,000	750,000	--	--	--
2029	10,110,000	15,370,550	25,480,550	4,445,000	344,625	4,789,625	5,000	1,218,875	1,223,875	--	750,000	750,000	--	--	--
2030	10,630,000	14,852,050	25,482,050	4,670,000	116,750	4,786,750	5,000	1,218,625	1,223,625	--	750,000	750,000	--	--	--
2031	16,085,000	14,184,175	30,269,175	--	--	--	5,000	1,218,375	1,223,375	--	750,000	750,000	--	--	--
2032	16,910,000	13,359,300	30,269,300	--	--	--	5,000	1,218,125	1,223,125	--	750,000	750,000	--	--	--
2033	17,780,000	12,492,050	30,272,050	--	--	--	5,000	1,217,875	1,222,875	--	750,000	750,000	--	--	--
2034	18,690,000	11,580,300	30,270,300	--	--	--	24,355,000	608,875	24,963,875	--	750,000	750,000	--	--	--
2035	19,650,000	10,621,800	30,271,800	--	--	--	--	--	--	--	750,000	750,000	--	--	--
2036	20,550,000	9,719,550	30,269,550	--	--	--	--	--	--	--	750,000	750,000	--	--	--
2037	21,390,000	8,880,750	30,270,750	--	--	--	--	--	--	--	750,000	750,000	--	--	--
2038	22,265,000	8,007,650	30,272,650	--	--	--	--	--	--	--	750,000	750,000	--	--	--
2039	23,170,000	7,098,950	30,268,950	--	--	--	--	--	--	--	750,000	750,000	--	--	--
2040	24,120,000	6,153,150	30,273,150	--	--	--	--	--	--	--	750,000	750,000	--	--	--
2041	20,180,000	5,166,250	25,346,250	--	--	--	--	--	--	5,000,000	675,000	5,675,000	--	--	--
2042	21,370,000	4,127,500	25,497,500	--	--	--	--	--	--	5,000,000	525,000	5,525,000	--	--	--
2043	22,620,000	3,027,750	25,647,750	--	--	--	--	--	--	5,000,000	375,000	5,375,000	--	--	--
2044	23,930,000	1,864,000	25,794,000	--	--	--	--	--	--	5,000,000	225,000	5,225,000	--	--	--
2045	25,315,000	632,875	25,947,875	--	--	--	--	--	--	5,000,000	75,000	5,075,000	--	--	--
TOTAL	$406,820,000	$292,554,150	$699,374,150	$24,840,000	$9,218,450	$34,058,450	$24,420,000	$16,803,308	$41,223,308	$25,000,000	$17,085,417	$42,085,417	$123,805,000	$13,644,282	$137,449,282

Total School District Debt Service

Fiscal Year	Total Debt Service On the Series 2019 Bonds	Total Debt Service On the Series 2020 Bonds	Other General Obligation Principal	Other General Obligation Interest	Other General Obligation Debt Service[(1)(3)]	Total General Obligation Debt Service	Total Lease Revenue Bonds Debt Service[(2)]	Total School District Debt Service[(4)(5)]
2020	$342,558	$ --	$128,755,667	$98,297,459	$227,053,125	$227,395,684	$68,548,392	$295,944,076
2021	32,248,017	4,573,907	133,920,667	85,813,172	219,733,839	256,555,763	68,179,530	324,735,292
2022	32,244,800	47,330,375	92,000,667	80,858,154	172,858,821	252,433,996	68,121,111	320,555,107
2023	32,243,675	47,312,000	81,290,667	77,078,319	158,368,985	237,924,660	68,076,014	306,000,674
2024	32,245,550	37,592,375	71,395,000	73,896,122	145,291,122	215,129,047	89,664,954	304,794,001
2025	32,244,050	640,625	103,400,000	70,004,170	173,404,170	206,288,845	90,508,487	296,797,332
2026	32,247,675	--	109,275,000	65,152,477	174,427,477	206,675,152	89,838,275	296,513,426
2027	32,244,925	--	102,300,000	60,696,250	162,996,250	195,241,175	99,297,177	294,538,351
2028	32,244,300	--	101,670,000	55,175,799	156,845,799	189,090,099	104,141,987	293,232,086
2029	32,244,050	--	102,044,750	50,529,570	152,574,320	184,818,370	104,796,369	289,614,739
2030	32,242,425	--	105,021,089	45,989,241	151,010,330	183,252,755	96,874,760	280,127,516
2031	32,242,550	--	82,946,089	37,830,995	120,777,084	153,019,634	122,118,790	275,138,425
2032	32,242,425	--	45,236,089	30,881,047	76,117,136	108,359,561	155,881,075	264,240,636
2033	32,244,925	--	46,956,089	28,926,171	75,882,261	108,127,186	134,485,500	242,612,686
2034	55,984,175	--	93,211,089	26,876,067	120,087,156	176,071,331	18,252,750	194,324,081
2035	31,021,800	--	50,626,089	22,503,255	73,129,344	104,151,144	18,257,000	122,408,144
2036	31,019,550	--	52,601,089	20,249,507	72,850,597	103,870,147	14,831,250	118,701,397
2037	31,020,750	--	50,896,089	17,980,384	68,876,473	99,897,223	--	99,897,223
2038	31,022,650	--	52,876,089	15,695,869	68,571,958	99,594,608	--	99,594,608
2039	31,018,950	--	52,331,089	13,366,183	65,697,272	96,716,222	--	96,716,222
2040	31,023,150	--	37,586,089	11,420,173	49,006,263	80,029,413	--	80,029,413
2041	31,021,250	--	25,296,089	9,909,222	35,205,311	66,226,561	--	66,226,561
2042	31,022,500	--	25,961,089	9,243,997	35,205,086	66,227,586	--	66,227,586
2043	31,022,750	--	26,656,089	4,823,449	31,479,538	62,502,288	--	62,502,288
2044	31,019,000	--	17,020,000	371,425	17,391,425	48,410,425	--	48,410,425
2045	31,022,875	--	--	--	--	31,022,875	--	31,022,875
Total[(4)]:	$816,741,325	$137,449,282	$1,791,272,667	$1,013,568,473	$2,804,841,140	$3,759,031,747	$1,411,873,422	$5,170,905,169

(1) Excludes debt service on the bonds to be refunded by the Series C Bonds and Series 2020 Bonds.

(2) Includes debt service on the SPSBA 2019 Bonds. Excludes debt service on the bonds to be refunded by the SPSBA 2019 Bonds.

(3) Includes gross debt service on the Build America Bonds Series B of 2010, Qualified School Construction Bonds Series A Bonds of 2011 and Qualified School Construction Bonds Series E of 2016. Other General Obligation Debt Service reflects Mandatory Sinking Fund Installments due on Qualified School Construction Bonds Series A Bonds of 2011 and Qualified School Construction Bonds Series E of 2016.

(4) Totals may not add due to rounding.

(5) Reflects the School District's full debt service payments for 2020. As of November 20, 2019, $136,209,225 of Total School District Debt Service remains to be paid in 2020. Of this, $72,893,833 is remaining General Obligation Debt Service and $63,315,392 is remaining Lease Revenue Bonds Debt Service.

CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS

The School District entered into the Forward Delivery Bond Purchase Contract for the Series 2020 Bonds with the Representative acting on behalf of itself and on behalf of the Underwriters. Subject to the terms of the Forward Delivery Bond Purchase Contract, the School District expects to issue and deliver the Series 2020 Bonds on June 5, 2020, or such later date as may be mutually agreed by the School District and the Underwriters (the "Settlement Date").

The obligation of the Underwriters to purchase the Series 2020 Bonds from the School District is subject to the satisfaction of certain conditions, as outlined in the Forward Delivery Bond Purchase Contract on the preliminary closing date (November 20, 2019) (the "Preliminary Closing Date") and on the Settlement Date. The conditions to be satisfied during the period from and including the date of the Forward Delivery Bond Purchase Contract to the Preliminary Closing Date are, in general, comparable to those required in connection with bond closings that use a customary period of up to six weeks between sale dates and settlement dates. Because of the longer period between the sale and settlement of the Series 2020 Bonds, there are certain certificate, legal opinion and other document delivery requirements and settlement conditions that must be met as of the Settlement Date, and certain of those requirements and conditions are summarized below. All the conditions with respect to the sale and settlement of the Series 2020 Bonds are set forth in the Forward Delivery Bond Purchase Contract. The following is a description of certain provisions of the Forward Delivery Bond Purchase Contract. The following description is not to be considered a full statement of the terms of the Forward Delivery Bond Purchase Contract and accordingly is qualified by reference thereto and is subject to the full text thereof, a copy of which is available from the School District and the Underwriters.

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE SERIES 2020 BONDS, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT THE SERIES 2020 BONDS ARE BEING SOLD ON A "FORWARD DELIVERY" BASIS, THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE SERIES 2020 BONDS ON THE SETTLEMENT DATE SUBJECT TO THE CONDITIONS IN THE FORWARD DELIVERY BOND PURCHASE CONTRACT. EACH PURCHASER ACKNOWLEDGES AND AGREES THAT IT WILL REMAIN OBLIGATED TO PURCHASE SUCH SERIES 2020 BONDS EVEN IF THE PURCHASER DECIDES TO SELL SUCH SERIES 2020 BONDS FOLLOWING THE DATE OF PURCHASE, UNLESS THE PURCHASER SELLS SUCH SERIES 2020 BONDS TO ANOTHER INSTITUTION WITH THE PRIOR WRITTEN CONSENT OF THE REPRESENTATIVE OF THE UNDERWRITERS AND SUCH INSTITUTION PROVIDES A WRITTEN ACKNOWLEDGEMENT OF CONFIRMATION OF PURCHASE ORDER.

Settlement Date

The issuance of the Series 2020 Bonds and the Underwriters' obligations under the Forward Delivery Bond Purchase Contract to purchase, accept delivery of and pay for the Series 2020 Bonds on the Settlement Date are conditioned upon the performance by the School District of its obligations thereunder, the delivery of certain certificates, legal opinions and other documents, including, without limitation, the delivery of an opinion of Co-Bond Counsel dated the Settlement Date, substantially in the form and to the effect as set forth in Appendix D-2 to this Official Statement (the "Bond Counsel Opinion"), and the satisfaction of other conditions as of the Settlement Date, certain of which are described below.

No Change in Law. The Forward Delivery Bond Purchase Contract provides as a condition to the Underwriters' obligation to purchase, accept delivery of and pay for the Series 2020 Bonds, that as of the Settlement Date, no Change in Law shall have occurred. For purposes of this condition, "Change in Law" shall mean any of the following events that occur at any time after the Preliminary Closing Date and on or prior to the Settlement Date: (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States or introduced into Congress and recommended for passage by the President of the United States (whether or not such enacted or recommended legislation has a proposed effective date which is on or before the Settlement Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (whether or not such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Settlement Date), or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case cited in (i) through (iv) above would on the Settlement Date: (A) as to the Underwriters, legally prohibit (if enacted, adopted, passed or finalized) their purchase of the Series 2020 Bonds, as provided in the Forward Delivery Bond Purchase Contract or their sale of the Series 2020 Bonds or beneficial ownership interests therein to the public; or (B) as to the School District, make illegal the issuance, sale or delivery of the Series 2020 Bonds (if enacted, adopted, passed or finalized); or (C) eliminate the exclusion from gross income of interest on the Series 2020 Bonds (if enacted, adopted, passed or finalized); or (D) require the Series 2020 Bonds to be registered under the Securities Act of 1933, as amended or under the Securities Exchange Act of 1934, as amended or require the Resolution to be qualified under the Trust Indenture Act of 1939, as amended (if enacted, passed, finalized or adopted). The Underwriters' right to cancel their obligation to purchase the Series 2020 Bonds pursuant to the provisions of the Forward Delivery Bond Purchase Contract described in this paragraph shall only arise on the Settlement Date and only if a Change in Law exists on the Settlement Date, irrespective of when such Change in Law arose.

Existence of Ratings. It shall also be a condition to the Underwriters' obligation to purchase, accept delivery of, and pay for the Series 2020 Bonds that the Chief Financial Officer of the School District deliver a certificate to the Underwriters to the effect that as of the Settlement Date, he or she has not been advised that the Series 2020 Bonds are not rated by either Moody's Investors Service ("Moody's") or Fitch Ratings, Inc. ("Fitch") or that the ratings which are required to be obtained by the Preliminary Closing Date have been withdrawn or suspended as of the Settlement Date. See "RATINGS" herein for information about the ratings for the Series 2020 Bonds to be obtained by the Preliminary Closing Date.

Confirmation of Representations. It shall also be a condition to the Underwriters' obligation to purchase, accept delivery of and pay for the Series 2020 Bonds that the School District deliver a certificate to the Underwriters, dated the Settlement Date, signed by the Superintendent and Chief Financial Officer of the School District to the effect that, to the best of their knowledge, the School District's representations and warranties in the Forward Delivery Bond Purchase Contract are true and correct in all material respects on and as of the Settlement Date.

Delivery of Updated Official Statement. During the period of time subsequent to the Preliminary Closing Date and up to and including the Settlement Date (the "Forward Delivery Period"), certain information contained in this Official Statement could change in a material respect. The School District has agreed in the Forward Delivery Bond Purchase Contract to deliver an updated Official Statement (the "Updated Official Statement") not more than twenty-five (25) days nor less than ten (10) days prior to the Settlement Date. The Updated Official Statement is expected to provide, among other things, a discussion of, and any updates with respect to, matters of the type addressed under "TAX MATTERS" which are applicable to the Series 2020 Bonds as of the date of the Updated Official Statement.

If, on the Settlement Date, the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Series 2020 Bonds as set forth in the Forward Delivery Bond Purchase Contract have not been met or waived, the Forward Delivery Bond Purchase Contract will terminate and neither the Underwriters nor the School District will be under any further obligation under the Forward Delivery Bond Purchase Contract.

If the Change in Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of, interest payable on "state or local bonds," the School District may, nonetheless, be able to satisfy the requirements for the delivery of the Series 2020 Bonds. In such event, the Underwriters would be obligated to purchase the Series 2020 Bonds from the School District and the purchasers would be required to accept delivery of the purchased Series 2020 Bonds from the Underwriters.

The Underwriters may not refuse to purchase the Series 2020 Bonds from the School District except as expressly provided in the Forward Delivery Bond Purchase Contract.

THE UNDERWRITERS (AND, IN TURN, THE PURCHASERS OF THE SERIES 2020 BONDS FROM THE UNDERWRITERS) MAY NOT REFUSE TO PURCHASE THE SERIES 2020 BONDS BY REASON OF GENERAL MARKET OR CREDIT CHANGES INCLUDING, BUT NOT LIMITED TO, CHANGES IN THE RATINGS ANTICIPATED TO BE ASSIGNED TO THE SERIES 2020 BONDS, CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE SCHOOL DISTRICT AFTER THE PRELIMINARY CLOSING DATE AND PRIOR TO THE SETTLEMENT DATE, CHANGES IN THE GENERAL LEVEL OF INTEREST RATES OR CHANGES IN VALUE OF THE SERIES 2020 BONDS OR FOR ANY OTHER REASON EXCEPT A FULL ELIMINATION OF TAX EXEMPTION, ANY OTHER "CHANGE IN LAW" DESCRIBED ABOVE, OR THE FAILURE OF THE DELIVERY OF THE CERTIFICATES, LEGAL OPINIONS AND DOCUMENTS REQUIRED TO BE DELIVERED ON OR BEFORE THE SETTLEMENT DATE PURSUANT TO THE FORWARD DELIVERY BOND PURCHASE CONTRACT.

Additional Risks Related to the Forward Delivery Period

The discussion of risks set forth below has been provided by the Underwriters and may not be exhaustive of all of the risks that may arise during the Forward Delivery Period. The School District disclaims any responsibility therefor.

During the Forward Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriters to terminate the Forward Delivery Bond Purchase Contract unless the change results in the School District's inability to satisfy the conditions set forth in the Forward Delivery Bond Purchase Contract or release the purchasers of their obligation to purchase the Series 2020 Bonds.

In addition to the risks set forth above, purchasers of the Series 2020 Bonds are subject to certain additional risks, some of which are described below, and which will not constitute grounds for purchasers to refuse to accept delivery of and pay for the Series 2020 Bonds.

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the Series 2020 Bonds. The following discussion, while not setting forth all of the factors that should be considered, contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the Series 2020 Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors which will become material in the future.

Bond Counsel Opinion: Tax Law Risk. Subject to the additional conditions of settlement described under "Settlement Date" above, the Forward Delivery Bond Purchase Contract obligates the School District to deliver and the Underwriters to acquire the Series 2020 Bonds if the School District delivers the Bond Counsel Opinion. During the Forward Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Co-Bond Counsel from rendering their opinion or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the Series 2020 Bonds for purposes of federal income taxation payable on "state or local bonds," the School District might be able to satisfy the requirements for the delivery of the Series 2020 Bonds. In such event, the Underwriters would be required to accept delivery of the Series 2020 Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers. Any Change in Law occurring during the Forward Delivery Period does not relieve the Underwriters of their obligation under the Forward Delivery Bond Purchase Contract at any time prior to the Settlement Date. The facts and circumstances giving rise to any Change in Law occurring during the Forward Delivery Period may change due to legislative or regulatory action or other facts and circumstances at any time prior to the Settlement Date with the resulting effect that a Change in Law may then no longer exist as of the Settlement Date.

Ratings Risk. Ratings have been assigned to the Series 2020 Bonds as described under "RATINGS." No assurances can be given that the ratings assigned to the Series 2020 Bonds on the Settlement Date will not be different from those currently assigned to the Series 2020 Bonds. Issuance of the Series 2020 Bonds and the Underwriters' obligations under the Forward Delivery Bond Purchase Contract are not conditioned upon the assignment of any particular ratings for the Series 2020 Bonds as of the Settlement Date or the maintenance of ratings of the Series 2020 Bonds during their Forward Delivery Period at the levels assigned at the Preliminary Closing Date. Any suspension or withdrawal of any such rating during the Forward Delivery Period may be cured up to the Settlement Date and does not relieve the Underwriters of their obligation under the Forward Delivery Bond Purchase Contract at any time prior to the Settlement Date.

Market Value Risk. The market value of the Series 2020 Bonds as of the Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the Series 2020 Bonds, the financial condition and operations of the School District, and federal and state income tax rates and/or law and other laws. The market value of the Series 2020 Bonds as of the Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Series 2020 Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the Series 2020 Bonds if the conditions in the Forward Delivery Bond Purchase Contract are satisfied on the Settlement Date. **NEITHER THE SCHOOL DISTRICT NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF THE SERIES 2020 BONDS AS OF THE SETTLEMENT DATE.** Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the Series 2020 Bonds as of the Settlement Date or thereafter or not have a materially adverse impact on any secondary market for the Series 2020 Bonds.

Circumstances That May Result in Failure of Conditions of Forward Delivery Bond Purchase Contract to be Satisfied. The Underwriters' obligation to purchase, accept delivery of, and pay for the Series 2020 Bonds is subject to certain conditions of the Forward Delivery Bond Purchase Contract being satisfied as of the Settlement Date. Although the School District is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Bond Purchase Contract on the Settlement Date, no assurances can be made that, as of the Settlement Date: (i) there will have been no Change in Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Preliminary Closing Date; or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the Series 2020 Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Settlement Date conditions in the Forward Delivery Bond Purchase Contract may not be met, with the possible result that the delivery of the Series 2020 Bonds will not occur.

Secondary Market Risk. The Underwriters are not obligated to make a secondary market in the Series 2020 Bonds, and no assurances can be given that a secondary market will exist for the Series 2020 Bonds during the Forward Delivery Period. Purchasers of the Series 2020 Bonds should assume that the Series 2020 Bonds will be illiquid throughout the Forward Delivery Period.

NO LITIGATION AFFECTING THE BONDS

Upon the respective deliveries of the Bonds, the Office of the General Counsel to the School District shall furnish an opinion, in form satisfactory to Co-Bond Counsel and the Underwriters, to the effect that, among other things, except as disclosed in this Official Statement or the Updated Official Statement (with respect to the Series 2020 Bonds), there is no litigation or other legal proceeding pending, or to the best of its knowledge, threatened, to restrain or enjoin the issuance or delivery of such Bonds or challenging the validity of the proceedings of the School District taken in connection therewith or the covenant of the School District with respect to the payment of the Bonds, or contesting the powers of the School District with respect to any of the foregoing.

See "APPENDIX A - LEGAL PROCEEDINGS" herein for a summary of certain legal proceedings affecting the School District.

FINANCIAL ADVISOR

In connection with the authorization and issuance of the Bonds, the School District has retained Phoenix Capital Partners LLP, Philadelphia, Pennsylvania, an independent registered municipal advisor, as its financial advisor (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. The Financial Advisor is a registered municipal advisor and an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other securities.

UNDERWRITING

BofA Securities, Inc. is acting as the representative for the Underwriters shown on the cover page of this Official Statement.

The Underwriters have agreed to purchase the Series A Bonds from the School District, subject to the terms of the bond purchase contract between the School District and the Underwriters dated October 17, 2019 (the "Current Delivery Bond Purchase Contract"), at a purchase price of $476,983,011.87 (which is equal to the par amount of $406,820,000.00, plus original issue premium of $71,752,714.75, and less the Underwriters' discount of $1,589,702.88).

The Underwriters have agreed to purchase the Series B Bonds from the School District, subject to the terms of the Current Delivery Bond Purchase Contract, at a purchase price of $30,066,344.15 (which is equal to the par amount of $24,840,000.00, plus original issue premium of $5,319,454.15, and less the Underwriters' discount of $93,110.00).

The Underwriters have agreed to purchase the Series C Bonds from the School District, subject to the terms of the Current Delivery Bond Purchase Contract, at a purchase price of $30,069,360.20 (which is equal to the par amount of $24,420,000.00, plus original issue premium of $5,740,895.20, and less the Underwriters' discount of $91,535.00).

The Underwriters have agreed to purchase the Series D Bonds from the School District, subject to the terms of the Current Delivery Bond Purchase Contract, at a purchase price of $24,545,047.03 (which is equal to the par amount of $25,000,000.00, less original issue discount of $345,750.00, and less the Underwriters' discount of $109,202.97).

The Underwriters have agreed to purchase the Series 2020 Bonds from the School District, subject to the terms of the Forward Delivery Bond Purchase Contract, at a purchase price of $132,251,289.50 (which is equal to the par amount of $123,805,000.00, plus original issue premium of $8,681,669.50, and less the Underwriters' discount of $235,380.00). The Forward Delivery Bond Purchase Contract provides that the obligations of the Underwriters are subject to certain conditions and may be terminated as further described under "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS -- Conditions to Settlement."

The Underwriters will be obligated to purchase all the Series 2019 Bonds if any such Bonds are purchased. The Underwriters will be separately obligated to purchase all of the Series 2020 Bonds if any such Bonds are purchased.

The Underwriters may offer and sell the Bonds to certain dealers and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) at prices lower than the public offering prices stated on the inside cover page hereof.

The Underwriters have provided the following three paragraphs for inclusion in this Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the School District, for which it received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the School District.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The preceding three paragraphs have been furnished by BofA Securities, Inc., Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, respectively, for inclusion in this section of the Official Statement. The School District has not requested or been furnished with any documents relating to the distribution arrangements described above (collectively, the “Distribution Agreements”) and has not entered into any agreement or arrangement with any of the parties who are entering into any of the Distribution Agreements with respect to the offering and sale of the Bonds (other than the Current Delivery Bond Purchase Contract and the Forward Delivery Bond Purchase Contract).

RATINGS

Moody’s and Fitch have assigned their respective municipal bond ratings of “A2” (with a Stable outlook) and “A+” (with a Stable outlook) to the Bonds, based on intercept provisions of the School Code.

Moody’s has assigned the Bonds an underlying rating, without regard to the intercept provision of the School Code of “Baa3” (with a Stable outlook). Fitch has also assigned the Bonds an underlying rating, without regard to the intercept provisions of the School Code of “BB+” (with a Stable outlook). See “SECURITY FOR THE BONDS” herein.

Moody’s and S&P Global Ratings, a division of S&P Global Inc. (“S&P”) are expected to assign the Insured Bonds ratings of “A2” (with a Stable Outlook) and “AA” (with a Stable Outlook), respectively, with the understanding that upon the delivery of the Insured Bonds, the Policy guaranteeing the payment when due of principal of and interest on the Insured Bonds will be issued by AGM.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Moody’s, Fitch and S&P certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. Any explanation of the significance of each of such ratings may only be obtained from the rating agency furnishing the rating. There is no assurance that any rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely, if in the rating agency's judgment circumstances so warrant. Any downward change in or withdrawal of such ratings, or any of them, may have an adverse effect on the price at which the Bonds may be resold.

Any ratings assigned represent only the views of the respective rating agency. Further information is available upon request from:

Moody's Investors Service 7 Trade Center at 250 Greenwich Street New York, NY 10007 (212) 553-0377	Fitch Ratings, Inc. One State Street Plaza New York, NY 10004 (212) 908-0500	S&P Global Ratings 55 Water Street New York, NY 10004 (212) 438-1000

With respect to the Series 2020 Bonds, which are being delivered on a forward basis, there is no requirement that the ratings for the Series 2020 bonds be confirmed at the time of the delivery of the Series 2020 Bonds. There is only a requirement that the Series 2020 Bonds have ratings. See "CERTAIN FORWARD DELIVERY CONSIDERATIONS FOR THE SERIES 2020 BONDS."

Neither the School District nor the Underwriters have assumed any responsibility to maintain any particular rating on the Bonds. The School District has agreed to report actual rating changes on the Bonds. See "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

TAX MATTERS

Series 2019 Bonds

Federal Exclusion of Interest from Gross Income

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2019 Bonds, including interest in the form of original issue discount, will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code").

In rendering its opinion, Co-Bond Counsel has assumed compliance by the School District with its covenants contained in the Resolution and the Tax Compliance Certificate executed and delivered in connection with the issuance of the Series 2019 Bonds, that are intended to comply with the provisions of the Code relating to actions to be taken by the School District in respect of the Series 2019 Bonds after issuance thereof to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the Series 2019 Bonds. These covenants relate to, inter alia, the use of and investment of proceeds of the Series 2019 Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Series 2019 Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Series 2019 Bonds.

Other Federal Tax Matters

Ownership or disposition of the Series 2019 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Series 2019 Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2019 Bonds.

Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the sub-caption "Federal Exclusion of Interest from Gross Income" and expressly stated in the form of the opinion of Co-Bond Counsel included as APPENDIX D-1 hereto. Prospective purchasers of the Series 2019 Bonds should consult their independent tax advisors with regard to all federal tax matters.

Pennsylvania

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, interest on the Series 2019 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the Series 2019 Bonds are exempt from personal property taxes in Pennsylvania; however, under the laws of the

Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Series 2019 Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Other

The Series 2019 Bonds and interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth of Pennsylvania under applicable state or local tax laws.

Co-Bond Counsel is not rendering any opinion on state tax matters other than those described under the caption "Pennsylvania" and expressly stated in the form of the Co-Bond Counsel opinion included in APPENDIX D-1 hereto.

Prospective purchasers of the Series 2019 Bonds should consult their independent tax advisors with regard to all state and local tax matters.

Series 2020 Bonds

On the Settlement Date of the Series 2020 Bonds and assuming delivery of and payment in full of the Purchase Price (as defined in the Forward Delivery Bond Purchase Contract) of the Series 2020 Bonds on the Settlement Date and no change in any applicable law, regulation or ruling, or interpretation thereof, or in any other facts or circumstance (tax or otherwise) which, in its view, affect or are material to its opinion (including, without limitation, the existence of any litigation), Co-Bond Counsel will issue its opinion substantially in the form of Appendix D-2 hereof, that under existing statutes, regulations, rulings and court decisions, interest on the Series 2020 Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code, and that under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date thereof, the Series 2020 Bonds are exempt from personal property taxes and interest on the Series 2020 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

Prospective purchasers of the Series 2020 Bonds should consult their independent tax advisors with regard to all federal, state and local tax matters.

VERIFICATION

Robert Thomas CPA, LLC (the "Verification Agent") will deliver to the School District, on or before the Preliminary Closing Date, its report (the "Verification Report") indicating that it has verified the mathematical accuracy of the information provided by the School District and its representatives with respect to the refunding requirements of the Refunded 2010 Bonds. Included within the scope of its engagement will be a verification of the mathematical accuracy of the computations of the adequacy of the cash to be placed in the escrow account to meet the scheduled payment of interest on the Refunded 2010 Bonds until redemption, and the payment of the redemption price of the Refunded 2010 Bonds on their redemption date, as described under "PLAN OF FINANCE."

The verification performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent by the School District and its representatives. The Verification Report will state that the Verification Agent has no obligation to update the Verification Report for events occurring or data or information coming to its attention subsequent to the date of the Verification Report.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of the legality of issuance of the Bonds by Eckert Seamans Cherin & Mellott, LLC, and Ahmad Zaffarese LLC both of Philadelphia, Pennsylvania, Co-Bond Counsel. The forms of opinions of Co-Bond Counsel expected to be delivered at the time of issuance of the respective Bonds are attached hereto as APPENDICES D-1 and D-2. Certain legal matters will be passed upon for the School District by the Office of the General Counsel to the School District and for the Underwriters by Cozen O'Connor and Turner Law, P.C., both of Philadelphia, Pennsylvania.

CERTAIN RELATIONSHIPS

Eckert Seamans Cherin & Mellott, LLC, Co-Bond Counsel, represents the School District in matters unrelated to the issuance of the Bonds, and from time to time represents certain of the Underwriters in matters unrelated to the School District and the Bonds.

Cozen O'Connor, co-counsel to the Underwriters, represents the School District in matters unrelated to the issuance of the Bonds.

Certain of the Underwriters are also acting as underwriters for the SPSBA 2019 Bonds or the Notes.

CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION

Continuing Disclosure Undertakings

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated under the Securities Exchange Act of 1934, as amended, the School District will enter into the Continuing Disclosure Agreement in substantially the form of APPENDIX E to this Official Statement, which should be read in its entirety.

The School District has previously entered into various continuing disclosure agreements relating to its general obligation bonds and to bonds issued on its behalf by the SPSBA. For continuing disclosure agreements entered into by the School District prior to 2006 (the "Pre-2006 Continuing Disclosure Agreements"), the School District is required to provide its annual financial information within 180 days of the close of each fiscal year of the School District. The School District has two existing Pre-2006 Continuing Disclosure Agreements. For the fiscal years ending June 30, 2007 through June 30, 2018, the annual financial information required to be posted within 180 days was not posted with the applicable repository or EMMA by the date required (although such annual financial information was subsequently posted) due to delays in the completion of the audited financial statements and the issuance of the City Controller's audit report on the School District's annual financial statements. For Fiscal Year 2015, 2016 and 2018, the School District's unaudited financial statements were posted on EMMA within 180 days of the close of each fiscal year. The School District's Annual Financial Information (including its audited financial statements) for each of Fiscal Years 2014 through 2017 was posted on EMMA within 240 day of the close of the fiscal year, except as otherwise described herein. The School District's Annual Financial Information for Fiscal Year 2018 was not posted on EMMA in its entirety until the School District posted its Comprehensive Annual Financial Report on March 26, 2019, which was more than 240 days after the end of Fiscal Year 2018.

All of the School District's other continuing disclosure agreements (the "2006 and Later Continuing Disclosure Agreements") relating to its general obligation bonds, and bonds issued by the SPSBA for the benefit of the School District, including the Continuing Disclosure Agreement, require the School District to file its annual financial information with EMMA within 240 days of the close of each fiscal year of the School District. In the past five years, the School District has filed its annual financial information in a timely manner pursuant to the 2006 and Later Continuing Disclosure Agreements except as otherwise described herein including: (i) as described in the preceding paragraph with respect to the late filing of certain Annual Financial Information for Fiscal Year 2018 and (ii) that the annual financial information for Fiscal Year 2014 was timely filed but mislabeled as being for Fiscal Year 2015 and was indexed under "Other Financial Information." This filing has been refiled under the correct indexing and relabeled.

In its filing for Fiscal Year 2017, certain information relating to "Local Tax Revenues Subject to Daily Deposit Covenant by Month" required by certain of the continuing disclosure agreements of the School District was omitted from the School District's annual financial information. This information has been filed with EMMA.

Under certain of the continuing disclosure agreements of the School District, event notices with respect to certain bond rating changes related to third-party credit enhancer downgrades, the state intercept program and other ratings (including underlying ratings of the School District) were not filed in a timely manner. Certain event filings and annual financial information were filed timely but were not linked to all relevant CUSIPs. These have been corrected.

The foregoing descriptions of instances of non-compliance by the School District should not be construed as an acknowledgement by the School District that any such instance was material.

As of the date of this Official Statement, except as noted above, the School District has complied for the past five years in all material respects with its continuing disclosure agreements. All of the School District's continuing disclosure agreements currently provide for The Bank of New York Mellon Trust Company, N.A., as the single dissemination agent. The School District has retained Digital Assurance Certification, L.L.C. ("DAC") for certain dissemination services and intends to have DAC succeed The Bank of New York Mellon Trust Company, N.A. as its sole dissemination agent.

Other Information

Certain information concerning the School District is on file with EMMA. Certain additional information relating to the School District's operations and financial affairs is made available from the School District at its website (www.philasd.org).

Information on EMMA and the School District's website is not incorporated by reference in this Official Statement and prospective purchasers of Bonds should rely only on the information contained in this Official Statement. Persons wishing to obtain copies of the School District's Annual Financial Report, and operating or capital budgets should address such requests to: Chief Financial Officer, The School District of Philadelphia, Administration Building, 440 North Broad Street, Philadelphia, Pennsylvania 19130. The School District may charge a fee for costs of reproduction and mailing of any information requested.

Financial Statements

The School District has included its audited financial statements for Fiscal Year 2018 in APPENDIX B.

The School District's financial statements are audited by the City Controller. The City Controller has not participated in the preparation of this Official Statement and has not participated in the preparation of any budget estimates or projections of the School District included in APPENDIX A hereto. Consequently, the City Controller expresses no opinion on any of the data contained in this Official Statement relating to the School District other than the financial statements included in APPENDIX B hereto.

MISCELLANEOUS

Negotiable Instruments

The Act provides that obligations issued thereunder which have all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code of the Commonwealth shall be negotiable instruments.

Certain References

All references to the provisions of the Bonds and the security therefor, the Act, the Resolution, the escrow documents related to the Refunded 2007 Bonds and Refunded 2010 Bonds, and the Continuing Disclosure Agreement set forth herein, and all summaries and references to other materials not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof or for the information contained therein. A copy of the Resolution is on file at the designated corporate trust office of the Fiscal Agent. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

NEITHER ANY ADVERTISEMENT FOR THE BONDS NOR THIS OFFICIAL STATEMENT IS TO BE CONSTRUED AS CONSTITUTING A CONTRACT WITH PURCHASERS OF THE BONDS.

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The distribution of this Official Statement has been approved by the School District.

THE SCHOOL DISTRICT OF PHILADELPHIA

By: /s/ Joyce Wilkerson
Name: Joyce Wilkerson
Title: President, Board of Education

APPENDIX A - THE SCHOOL DISTRICT OF PHILADELPHIA

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APPENDIX A

THE SCHOOL DISTRICT OF PHILADELPHIA

The School District of Philadelphia ("School District" or "District") is a separate and independent home rule district of the first class established by the Philadelphia Home Rule Charter ("Home Rule Charter"). It is the largest school district in the Commonwealth of Pennsylvania ("Commonwealth" or "State") with Fiscal Year 2019 enrollment, of approximately 204,514 students, including approximately 73,670 charter school students and approximately 3,850 students attending alternative educational programs. The School District has the thirteenth largest enrollment in the nation and employs approximately 18,500 full-time professional and nonprofessional persons with one central administrative office and 16 learning networks.

The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia, Pennsylvania ("City"). The School District is an agency of the Commonwealth created to assist in the administration of the General Assembly's duties under the Pennsylvania 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 an agency of the Commonwealth, the School District is governed by both the Public School Code of 1949, as amended ("School Code"), and the Home Rule Charter, and is subject to the jurisdiction of the Secretary of Education of the Commonwealth of Pennsylvania ("Secretary of Education").

The School District also serves as the agent for Intermediate Unit No. 26 ("IU"), an entity established by the Commonwealth to provide programs in and for special education, special education transportation, non-public school services and other management services. All IU services are performed by the School District pursuant to contracts between it and the IU. The School District's Board of Education ("Board") also constitutes the Board of Directors of the IU, and the boundaries of the IU are coterminous with those of the School District.

The City was authorized to adopt the Home Rule Charter provisions establishing the School District as a home rule school district by the First Class City Public Education Home Rule Act, approved August 9, 1963, P.L. 643 ("Home Rule Act"). The Home Rule Act expressly limits the powers of the City with respect to the School District 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 with respect to setting maximum tax rates for school purposes as authorized by the General Assembly of the Commonwealth ("General Assembly"). Thus, the School District is a distinct legal entity separate and apart from the City. The Home Rule Act and the Home Rule Charter vest title to all property, real and personal, tangible and intangible, all easements and all evidences of ownership, in whole or in part, in or to the School District.

The Home Rule Charter requires the Board of the School District to levy taxes annually, within the limits and upon the subjects authorized by the General Assembly or the Council of the City of Philadelphia ("City Council"), in amounts sufficient to provide funds for operating expenses, debt service charges and for the costs of any other services incidental to the operation of public schools. See "SOURCES OF SCHOOL DISTRICT REVENUES – Local Tax Revenues" herein.

The School District's Fiscal Year is July 1st to June 30th, and is identical with those of the City and the Commonwealth. The term "Fiscal Year" or "FY" when followed by a year, refers to the Fiscal Year ended June 30th of that year. For example, "Fiscal Year 2020" refers to the Fiscal Year ending June 30, 2020.

Board of Education

The School District is governed by the Board.[1] The Board consists of nine members appointed by the Mayor of the City ("Mayor") from a list of persons nominated by an Educational Nominating Panel established according to provisions set forth in the Home Rule Charter. The Board is responsible for the management and governance of the School District. Pursuant to the Home Rule Charter: (i) members of the Board are appointed by the Mayor for four-year terms commencing on May 1st of the year a Mayor's term of office began[2]; (ii) members serve no more than three full terms and the balance of an unexpired term; (iii) members serve at the pleasure of the Mayor; and (iv) the Board, the Mayor and City Council are required to meet publicly at least twice during the school year to discuss the administration, management, operations and finances of the School District in order to develop and adopt their activities for the improvement and benefit of plans to coordinate public education in the City.

Specific duties of the Board include, among other things, formulation of educational policy, the adoption of the annual operating budget, the capital budget and a capital program, the submission of an annual request to the Mayor and City Council for authority to levy certain taxes, and the incurrence of indebtedness of the School District. The Board is to regularly monitor proposed changes within the overall budget framework, including, for example, personnel transactions and contractual commitments.

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[1] On December 21, 2001, the School District was declared financially distressed by the Secretary of Education, effective December 22, 2001. Pursuant to provisions of the School Code, a school reform commission ("SRC") was established and members were appointed. On November 16, 2017, the SRC adopted a resolution recommending dissolution of the SRC and rescission of the declaration of distress and recommending to the Secretary of Education that he issue a declaration that the SRC be dissolved effective on June 30, 2018, the end of the then current school year. On December 26, 2017, pursuant to Section 696(n) of the School Code, the Secretary of Education approved the dissolution of the SRC and rescinded the School District's declaration of distressed school district status effective June 30, 2018. The SRC dissolved on June 30, 2018. The Board assumed governance of the School District on July 1, 2018.

[2] The Board members' initial term is July 1, 2018 through April 30, 2020. Pursuant to the Home Rule Charter, the next Mayor may reappoint current board members or appoint new members with terms commencing on May 1, 2020.

The current members of the Board are:

Name	**Title**	**Appointment**
Joyce Wilkerson	President	July 1, 2018
Wayne Walker	Vice President	July 1, 2018
Julia Danzy	Member	July 1, 2018
Leticia Egea-Hinton	Member	July 1, 2018
Mallory Fix Lopez	Member	July 1, 2018
Lee Huang	Member	July 1, 2018
Maria McColgan.	Member	July 1, 2018
Christopher McGinley	Member	July 1, 2018
Angela McIver	Member	July 1, 2018

Joyce Wilkerson, President. Ms. Wilkerson serves as a senior advisor for community relations and development at Temple University working to strengthen and expand the university's relationship with its North Philadelphia neighbors. A Cleveland native, Ms. Wilkerson started her career in Philadelphia as an attorney representing public housing tenants with Community Legal Services of Philadelphia. She went on to spend six years at the Philadelphia Redevelopment Authority, as legal counsel to the housing division.

In 1992 when John Street became City Council president, Ms. Wilkerson joined his staff. She continued to work as Mr. Street's chief of staff when he became Mayor in 2000, and played a major role in the development and oversight of his signature program, the Neighborhood Transformation Initiative, the turnaround of the Philadelphia Gas Works, and the coordination of work throughout government.

More recently, Ms. Wilkerson served as executive director of the New Orleans Redevelopment Authority. For two years she led efforts to restore the historic city's neighborhoods after Hurricane Katrina. Ms. Wilkerson has served on a number of boards and is currently a member of the board of directors at the Merchant Fund, Scribe Video Center, Project Home, and the Committee of Seventy. Ms. Wilkerson earned a Bachelor's Degree in psychology from the University of Pennsylvania and a law degree from the University of California, Berkeley.

Wayne Walker, Vice President. Mr. Walker is president of Walker Nell Partners, Inc. ("Walker Nell"), an international business consulting firm, focused on corporate governance, turnaround management and corporate restructuring with clients across multiple industries. He advises clients on matters such as board structure and policies, leadership effectiveness and organizational performance.

Before founding Walker Nell in 2003, Mr. Walker worked for 15 years at the DuPont Company in Wilmington, Delaware in the Securities and Bankruptcy group, where he served as Senior Counsel. He also served as lead lawyer and member of the global management teams for the DuPont Corian ® and Electronic Materials businesses. Mr. Walker is also a former partner of Parente Randolph, a consulting and accounting firm, now known as Baker Tilly.

Mr. Walker currently serves as the Chairman of the Board of Trustees of National Philanthropic Trust, a public charity that holds over eight billion dollars and has disbursed more than one billion dollars around the world. Mr. Walker serves as an independent director for Wrap Technologies, Inc., an innovator of policing solutions (NASDAQ: WRTC), and the Pitcairn Company, an innovator and leading family office. Mr. Walker is a member of the Audit Subcommittee of the Union League of Philadelphia.

Mr. Walker is former Chairman of the Board of Directors of Habitat for Humanity International, a non-profit housing organization operating in 70 countries. Other previous directorships include Last Call Holdings LLC (owner of Fox & Hound, Champs and Bailey's Bar & Grill restaurants), Bridge Street Corporate Housing Worldwide, and Seaborne Airlines.

Mr. Walker has a Doctor of Jurisprudence from Catholic University (Washington, DC) and a Bachelor of Arts from Loyola University (New Orleans, LA).

Julia Danzy, Board Member. Ms. Danzy has an extensive career in Social Services. Ms. Danzy worked at the Department of Human Services (DHS) as Director of Protective Services and Operations Director. During her tenure, she started the 24-hour response to child abuse reports; established first distinct unit specializing in investigations of sexual abuse; and worked with advocates to establish an organization that created an integrated process between DHS, police and medical providers for the investigation and treatment of sexual abuse cases. Ms. Danzy served as Deputy Secretary for PA Department of Human Services Office of Children, Youth and Families where she established a state-wide training requirement for all Children Protective Services (CPS) staff. Ms. Danzy served as Deputy Commissioner for Children Services in the Philadelphia Health Department where she, in conjunction with Philadelphia School District developed a seamless enrollment process for children receiving early intervention services moving into the public-school system. Her last position with the City was as Director of Social Services, where she was responsible for the DHS, Behavioral Health, Office of Supportive Housing, Recreation Department and Prisons. During this tenure, she coordinated the development of an integrated data system (CARES) for all of the city's social service departments. Ms. Danzy has served as board member for the Philadelphia Housing Authority, Black Administrators in Child Welfare and Carson Valley Children's Aid.

Ms. Danzy received her Bachelor of Arts from Howard University, Masters of Social Work from Columbia University, and Master of Government Administration from University of Pennsylvania. Ms. Danzy is an ACSW member of National Association of Social Workers.

Leticia Egea-Hinton, Board Member. Fluent in English and Spanish, Ms. Egea-Hinton has specialized for 28 years in homeless services, having served as the Director of the Office of Emergency Shelter and Services and as Deputy Director of the Office of Supportive Housing. During this time, Ms. Egea-Hinton oversaw the early development of transitional housing and the transformation of the City's homeless services. Ms. Egea-Hinton has served as an advisory board member at Public Health Management Corporation/Care Clinic and is a member of the National Association of Social Workers and a board member of Trinity Health/Nazareth Hospital. Ms. Egea-Hinton is a former Philadelphia public school parent and is currently an adjunct professor of social welfare at Alvernia College.

Ms. Egea-Hinton was the first in her family to earn a high school degree and to graduate from college. Ms. Egea-Hinton graduated from Chestnut Hill College with a Bachelor of Science in Psychology, earned a Master of Arts in Public Administration from Antioch University and earned a Master in Social Work from the University of Pennsylvania.

Mallory Fix Lopez, Board Member. Ms. Fix Lopez is an educator and a small business owner, who is committed to supporting neighborhood schools. She began her career in Philadelphia schools as a teacher of social studies and English as a second language ("ESL"), and today she is a full-time faculty member at the Community College of Philadelphia, where she specializes in ESL. Ms. Fix Lopez has worked to organize job skills training for local immigrant restaurant workers. Ms. Fix Lopez has been an active member of Neighbors Invested in Child's Elementary, supporting G.W. Child's Elementary, where she plans to send her child in the next few years.

Ms. Fix Lopez has lived in Philadelphia for 15 years, after moving here to pursue a Bachelor's and then a Master's degree in Education. During her graduate work, she studied Teaching English to Speakers of Other Languages and concentrated in Curriculum, Instruction, and Technology in Education

Lee Huang, Board Member. Mr. Huang has worked at The Enterprise Center and currently serves as the Senior Vice President and Principal at Econsult Solutions, a Philadelphia-based economic consulting firm. Mr. Huang has served on the boards of Community Design Collaborative, Sustainable Business Network for Greater Philadelphia, Greater Philadelphia Cultural Alliance, Preservation Alliance for Greater Philadelphia, and Welcoming Center for New Pennsylvanians. His service on advisory boards includes the Asian American Chamber of Commerce, Philadelphia Association of Community Development Corporations, and Urban Affairs Coalition.

Mr. Huang has lived in Philadelphia for more than 26 years. He lives in University City and has three children, all of whom attend or will attend Philadelphia public schools. He earned a Bachelor of Science in Economics at the Wharton School of Business and a Master in Public Administration from the Fels Institute of Government.

Maria McColgan, Board Member. Dr. McColgan's career has always centered on children and education. Her experience as a teacher in Philadelphia public schools helped shape her passion for learning and education. As a child abuse pediatrician, Dr. McColgan has provided medical care for thousands of vulnerable children, first at St. Christopher's Hospital for Children where she was the Medical Director of the Child Protection Program, and now at the CARES Institute and Cooper Hospital where she serves as Fellowship Director. A graduate of Philadelphia public and parochial schools and Temple University, Dr. McColgan is the parent of two current charter school students.

Christopher McGinley, Board Member. Dr. McGinley is the product of Philadelphia schools, and comes from a family of educators. Dr. McGinley is a professor of practice in Educational Leadership at Temple University where he is the Department Chair for Policy, Organizational and Leadership Studies. Dr. McGinley became a mayoral appointee to the School Reform Commission in January 2017, and in that year helped to shepherd significant progress for the District, including a new contract with the Philadelphia Federation of Teachers and the decision to return the District to local control. Dr. McGinley has experience as a Philadelphia public school teacher, principal, and district level administrator. Dr. McGinley has also served as a Superintendent in Lower Merion and Cheltenham Township school districts.

Dr. McGinley earned a Bachelor's degree from Temple University in Elementary Education, a Masters in Special Education from Antioch University, and a Doctorate in Organizational Leadership from the University of Pennsylvania. Dr. McGinley has served on the boards of Public Citizens for Children and Youth, Research for Action, the National Adoption Center, and the Rendell Center for Civics and Civic Engagement. Dr. McGinley is the chairman of the board for Freedom Credit Union.

Angela McIver, Board Member. Dr. McIver is a former middle school math teacher with 25 years of experience working with students in urban settings. Her work with low-income students as Director of the Upward Bound Math/Science program prompted her to pursue a Ph.D. at the University of Pennsylvania, where she studied urban middle school students' numerical reasoning. Dr. McIver is the founder of Trapezium Math, a research-based program which, over the past 10 years, has helped children, schools and parents build strong foundational math skills through engaging curriculum and after-school programming. Dr. McIver also has a Bachelor's degree in History with a minor in Economics from Hampton University, and a Master's in Teaching and Learning from Temple University with an emphasis on middle school math. Dr. McIver has lived in Philadelphia for over 25 years and lives with her husband and three children, who attend Penn Alexander School and Central High School.

Senior Management and Administration

CEO/Superintendent of Schools. The Superintendent of Schools ("Superintendent") is the chief executive officer of the School District and is responsible for the administration and operation of the public school system and the supervision of all matters subject to the policies and directions of the Board. The Superintendent identifies goals and develops policies relating to the operation of the School District, submits such policies to the Board with recommendations for their adoption, and coordinates the implementation of immediate and long-range strategies to achieve the objectives of those adopted. The Superintendent is accountable for ensuring fiscal responsibility and the effective and equitable allocation of all School District resources. The Superintendent submits reports showing the financial condition of the School District and the annual School District budget, including periodic updates to the Board. The Superintendent supervises the work of the School District's leadership team, which includes the: Chief of Staff, Chief Academic Support Officer, Chief Financial Officer, Chief Operating Officer, the Chief Information Officer, Chief Talent Officer, General Counsel, Chief of Schools, Chief of Research Evaluation and Accountability, Chief of Communications and External Relations, and the Chief of Student Support Services. The Superintendent represents the School District before students and families, the media, government officials, community organizations and other stakeholders. As provided in the Home Rule Charter and the School Code, the Superintendent is the Treasurer and Secretary of the Board.

Chief Academic Support Officer. The Chief Academic Support Officer reports directly to the Superintendent and is responsible for establishing and meeting academic standards, developing instructional resources, constructing best-in-class educational offerings that address the needs of all of the District's students, and providing ongoing learning opportunities for teachers. The Chief Academic Support Officer manages the following offices within the District: Curriculum, Instruction and Assessment, Specialized Services, Multilingual Curriculum and Programs, Career and Technical Education, Early Childhood Education, Postsecondary Readiness, Athletics, Arts and Academic Enrichment, Teaching and Learning, and High School Supports.

Chief Financial Officer. The Chief Financial Officer ("CFO") determines, defines and implements procedures and policies for achieving the financial and operational goals, objectives and priorities of the School District. The CFO develops short and long-range strategic plans for School District budgets and fiscal stability and evaluates the efficiency and effectiveness of the School District's financial and operations activities. The CFO is responsible for the preparation and implementation of the School District's operating and categorical budgets and the five-year plan. The CFO also oversees and directs Accounting Services and Audit Coordination, Financial Services, and Management and Budget. Together with the Superintendent, the CFO articulates the School District's position on a variety of issues to government officials, community groups and other stakeholders, and confers with representatives of corporations, government agencies, legal authorities and the public with regard to the School District's financial services and operations.

Chief Operating Officer. The Chief Operating Officer ("COO") reports directly to the Superintendent. The COO is responsible for overseeing the day-to-day operation of Capital Programs, Environmental Services, Facilities and Maintenance, Food Services, Procurement, Real Property, School Safety and Transportation. The COO provides ongoing leadership and support to provide safe, comfortable, welcoming and healthy school facilities that support teaching and learning opportunities while offering nutritious food and safe and effective transportation to principals, students, teachers, administrators, district colleagues and the school community.

General Counsel. The General Counsel reports directly to the Board and the Superintendent. The General Counsel oversees the Office of General Counsel ("OGC") and is responsible for providing, in an efficient and timely manner, legal advice and representation on litigation, civil rights, labor and employment, special education, transactional, and other matters affecting the School District. OGC is responsible for providing legal services to the Superintendent, District program offices, the IU, and the Board.

Certain Officials of the School District

The following sets forth brief resumes of certain officials who are part of the current management structure of the School District:

Dr. William R. Hite, Jr., Superintendent of Schools. Dr. Hite was named Superintendent by the School Reform Commission on June 29, 2012 and assumed his responsibilities as Superintendent and the Executive Director of the I.U., the week of September 17, 2012.

From April 3, 2009, until joining the School District, Dr. Hite was the superintendent of Prince George's County Public Schools ("PGCPS"), Maryland's second largest school system, and the eighteenth largest in the nation with 135,000 students, 200 schools, and a budget of $1.6 billion. Dr. Hite served as interim superintendent from December 2008, and as the deputy superintendent from June 2006. Dr. Hite has led major efforts resulting in increased student achievement, significant improvements in teaching and learning, and school improvement status. This included work on the Intensive Support and Intervention Schools model that provided significant support to schools most in need based on student and school performance indicators, as well as work in partnership with the Institute for Learning at the University of Pittsburgh, which focused on improving the capacity of teachers and administrators to strengthen the teaching and learning process. He also oversaw a major reorganization of PGCPS's regions into zones to reduce costs and provide greater support to schools, and developed systems that measure central leadership effectiveness against student and school performance. Before joining PGCPS, Dr. Hite served as area assistant superintendent for the Cobb County School District in Atlanta, Georgia. In this role, he supervised 15 high school, middle school and elementary school principals and was responsible for the instructional program for more than 18,000 students. Dr. Hite has also served as director of middle school instruction for the Henrico County Public School System in Richmond, Virginia, and was an urban middle and high school principal.

Dr. Hite holds a Master's degree in Educational Leadership from the University of Virginia, and a Bachelor's degree and Doctorate in Educational Leadership from Virginia Tech University.

Dr. Malika Savoy-Brooks, Chief of Academic Support. Dr. Brooks was appointed by Dr. Hite on July 1, 2018 to set the strategic vision and direction for the instructional framework and pedagogical approach to the District's academic programs and supports. As Chief Academic Support Officer, Dr. Brooks works to create authentic partnerships between offices and schools that ensure closer alignment of resources with school needs in order to implement effective teaching and to create conditions that ensure the systemic improvement of practice over time in every classroom.

Dr. Brooks' extensive professional experience includes serving in various roles in the District, including teacher, teacher coach, principal, and Assistant Superintendent. As Assistant Superintendent from 2017 until 2018, she led a network of District schools and is credited with increasing School Progress Report scores. From 2016 - 2017, Dr. Brooks served as Director of Instructional Resources for the District's network of historically low-performing schools. As Director of Instructional Resources, she led numerous professional development sessions for administrators, teachers, and parents on effective teaching and learning practices, curriculum development, school improvement, and academic achievement. Before rejoining the District in 2016 as Director of Instructional Resources, Dr. Brooks spent three years in the Chester Upland School District as the Director of Curriculum and Instruction (Pre-K-12). There she developed and led plans to implement research-based instructional practices aligned to Pennsylvania's Academic and Core Standards.

Dr. Brooks holds a Master of Science degree in Elementary Education and educational leadership from St. Joseph's University. She also holds a Doctorate degree in educational leadership from the University of Phoenix with a focus on curriculum and instruction. She holds multiple Pennsylvania certifications including ones in elementary education, supervision and administration of K-12, as well as a Superintendent's Letter of Eligibility.

Uri Monson, Chief Financial Officer. Mr. Monson began serving as the Chief Financial Officer for the School District in February 2016. He brings extensive governmental experience to this role. From January 2012 until joining the School District, Mr. Monson served as the Chief

Financial Officer for Montgomery County, Pennsylvania where he advised the Commissioners on County fiscal matters and was responsible for the overall management of County funds, including formation of the County's operating and capital budgets, monitoring County spending throughout the year, producing reports to promote better internal management and public awareness of County revenues and expenditures, managing the County's debt portfolio, and overseeing the County's Pension Fund. From 2008 to 2012, Mr. Monson served as the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority for Cities of the First Class (PICA). In this role, he monitored the City of Philadelphia's budget; reviewed the City's annual $20 billion Five-Year Financial Plan; and authored reports on the City's financial and economic outlook. Prior thereto he worked as PICA's Deputy Executive Director from October 2001, after serving as PICA's Director of Budgetary Analysis for two years.

Mr. Monson previously served as Assistant Budget Director for the City of Philadelphia where his primary responsibilities included analyzing proposed policies for the Finance Director and the Mayor's Cabinet. Additionally, Mr. Monson worked for the United States Department of Education in Washington, D.C. as a Congressional Liaison and as a policy analyst for the Office of Postsecondary Education. In these roles he proposed initiatives on organizational restructuring and program development and helped to redesign and facilitate passage of the Higher Education Reauthorization Act of 1998. Mr. Monson also served as manager of the Javits Graduate Fellowship Program and co-managed the National Resource Center Program.

Mr. Monson has a Master's Degree in Public Policy, with a concentration in education policy, from the Columbia University School of International and Public Affairs. He has a Bachelor's Degree in Political Science from Columbia University, as well as a Bachelor's Degree in Midrash from the Jewish Theological Seminary of America.

Danielle J. Floyd, Chief Operating Officer. Ms. Floyd was appointed Chief Operating Officer for the School District in October 2017. In her capacity, Ms. Floyd is responsible for the daily activities of the Office of Facilities, Division of Maintenance, Office of School Safety, Division of Transportation, Office of Capital Programs, Office of Procurement and the Division of Transportation.

Ms. Floyd previously served as the Director of Office of Capital Programs for the School District and was responsible for identifying and prioritizing over $100 million annually in capital investments for facilities within the District's building portfolio. Ms. Floyd began her service with the School District in October 2002 and has served in various positions in the Office of the Superintendent, Office of Development, Office of Chief Financial Officer, and Chief Operations Office. Ms. Floyd received her Bachelor's degree from the University of Pennsylvania with concentrations in Urban Studies and Political Science. She has also successfully completed the Pennsylvania Education Policy Program, the Public Education Leadership Project at Harvard University, and Leadership Philadelphia Core Program.

Lynn Rosner Rauch, General Counsel. Ms. Rauch joined the School District as General Counsel in 2017. In this role, she advises the Superintendent and other School District leaders, the Board, and program offices throughout the District. Ms. Rauch manages the Office of General Counsel, overseeing the provision of legal services by attorneys in OGC and outside counsel. Her experience with the District dates back to the mid-1990's, having since represented the District in desegregation, constitutional and civil rights, equitable and adequate funding, and environmental proceedings. Ms. Rauch graduated from Duke University, and earned her law degree from the University of Pennsylvania Law School. Before joining the School District, Ms. Rauch was a partner at Dilworth Paxson LLP, and Manko, Gold, Katcher & Fox, LLP, representing clients in complex litigation in federal and state courts, administrative forums, and mediation.

SCHOOL DISTRICT DEBT

Outstanding Debt

As of October 21, 2019, the School District's outstanding general obligation bond and lease rental indebtedness was in the principal amount of $3,290,117,667.00[2]. The School District has never defaulted in the payment of debt service on any of its bonds, notes, or lease rental obligations.

Debt Practices

The Local Government Unit Debt Act (the "Debt Act" or the "Act") which governs all debt incurrence by the School District, includes requirements that local governmental units, including the School District, 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 level debt service within a particular classification of debt. For purposes of this requirement, general obligation debt and lease-rental debt are treated as a single classification.

Tax and Revenue Anticipation Notes

The School District, in 33 of the last 35 fiscal years, has issued tax and revenue anticipation notes pursuant to the Debt Act to relieve temporary cyclical cash flow deficiencies. Such tax and revenue anticipation notes are required under the Debt Act to be paid in the fiscal year in which they are issued and are not considered "debt" for purposes of determining the School District's debt limits and borrowing capacity. Due to advances by the Commonwealth of portions of installments of basic education subsidies payable in Fiscal Year 2001 and Fiscal Year 2002, the School District did not issue tax and revenue anticipation notes for those fiscal years. On July 11, 2019, the School District issued $50.0 million of Tax and Revenue Anticipation Notes, Series A of 2019-2020 and $50.0 million of Tax and Revenue Anticipation Notes, Series B of 2019-2020 (together with the Series A Notes, the "FY 2020 Notes"), in direct purchase transactions with two financial institutions. The FY 2020 Notes are scheduled to mature on March 31, 2020. The School District plans to issue additional notes in the amount of $350 million and with a portion of the proceeds thereof, redeem the FY2020 Notes during the fourth quarter of calendar year 2019. The balance of the additional notes will be used to relieve temporary cyclical cash flow deficiencies.

General Obligation Debt

Fixed Rate. The School District has covenanted to make daily deposits of school tax revenues collected on behalf of the School District by the Department of Revenue of the City, as

[2] Includes $481,080,000 of general obligation bonds and general obligation refunding bonds authorized and expected to be issued on November 20, 2019, $123,805,000 of general obligation refunding bonds authorized and expected to be issued on June 5, 2020 and $188,290,000 of lease rental refunding debt which has been authorized, and is expected to be issued, on November 20, 2019.

School Tax Collector, to each sinking fund established for each of its outstanding fixed rate general obligation bond issues ("Daily Deposit Covenant"). As of October 21, 2019, the aggregate principal amount of fixed rate general obligation debt outstanding, including Qualified Zone Academy Bonds and Qualified School Construction Bonds described below, was $2,326,192,667.00[3]. For information on the School taxes subject to the Daily Deposit Covenant, *see "SCHOOL DISTRICT FINANCIAL PROCEDURES – Tax Collection" herein*.

Variable Rate. The School District has from time to time issued a portion of its debt as variable rate obligations. The School District currently has no outstanding variable rate debt. The Debt Policy of the School District, originally adopted by the School Reform Commission on February 18, 2009 ("Debt Policy"), limits the amount of unhedged variable rate debt the School District may issue and have outstanding, to 20% of its total outstanding debt. The Debt Policy, like all other policies adopted by the School Reform Commission or the Board may be amended at any time in the sole discretion of the Board, subject to applicable law.

Qualified Zone Academy Bonds. Qualified Zone Academy Bonds (or "QZABs") are general obligation bonds and are entitled to the benefit of the Daily Deposit Covenant. The Commonwealth receives an allocation each year of the amount of QZABs permitted to be issued within the Commonwealth which it, in turn, grants to local school districts pursuant to an application process. QZABs may be purchased only by qualified purchasers and provide the qualified purchasers with a federal tax credit under the Internal Revenue Code of 1986, as amended. As of September 9, 2019, the School District has three outstanding issues of general obligation bonds which are QZABs in the aggregate principal amount of $21,717,667.00.

Qualified School Construction Bonds. Qualified School Construction Bonds (or "QSCBs") are general obligation bonds and are entitled to the benefit of the Daily Deposit Covenant. The School District issued $147,245,000 of Federally Taxable Direct Subsidy QSCBs on November 16, 2016 based upon the 2009 QSCB allocation Volume Cap issued by the Secretary of the Treasury. The aggregate principal amount outstanding on the QSCBs is $291,280,000.00 as of September 9, 2019.

Lease Rental Debt

The School District has also financed a portion of its Capital Improvement Program through the incurrence of lease rental debt under the Debt Act. In August of 2003, the School District incurred $588,140,000 of lease rental debt through the issuance of bonds (the "2003 Bonds") by the Pennsylvania State Public School Building Authority (the "Authority.") The sublease agreement securing payment of the 2003 Bonds is an instrument evidencing such lease rental debt (the "Sublease Agreement.") The School District also entered into an Intercept Agreement (the "Intercept Agreement") with the Treasurer of the Commonwealth ("State Treasurer"), acknowledged by the Pennsylvania Department of Education and the Trustee for the 2003 Bonds, in order to provide for Base Rental Payments (as defined in the Sublease Agreement) due under the Sublease Agreement to be made directly to the Trustee from Commonwealth

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[3] Includes $481,080,000 of general obligation bonds and general obligation refunding bonds authorized and expected to be issued on November 20, 2019 and $123,805,000 of general obligation refunding bonds authorized and expected to be issued on June 5, 2020

appropriations. Payments under the Intercept Agreement are made directly to the Trustee by the State Treasurer from Commonwealth appropriations due to the School District.

In December 2006, the School District incurred lease rental debt through the issuance of bonds (the "2006A Bonds" and the "2006B Bonds" collectively, the "2006 Bonds"), by the Authority in two series in the aggregate principal amount of $862,695,000. The Sublease Agreement was amended to continue to secure payment of the 2003 Bonds which were not refunded and to secure payment of the 2006A Bonds and the 2006B Bonds. The 2006A Bonds were issued in the amount of $317,125,000 to finance portions of the School District's Capital Improvement Program. The 2006B Bonds were issued in the amount of $545,570,000 to, inter alia, advance refund a portion of the 2003 Bonds. In connection with the issuance of the 2006A Bonds and the 2006B Bonds, the Intercept Agreement was amended to provide for payment of Base Rental Payments to become due under the Sublease Agreement with respect to the 2003 Bonds which were not refunded by the 2006A Bonds and the 2006B Bonds, as well as Base Rental Payments to become due under a supplement to the Sublease Agreement for the 2006A Bonds and the 2006B Bonds.

In November 2012, the School District incurred lease rental debt through the issuance of bonds (the "2012 Bonds"), by the Authority in the principal amount of $264,995,000 to finance the acquisition of a leasehold interest in certain real estate, including the buildings, fixtures, improvements, furnishings and equipment thereon in order to provide the School District with funds to pay certain operating expenses of the School District. In connection with the issuance of the 2012 Bonds, the Sublease was further supplemented to provide for Base Rental Payments with respect to the 2012 Bonds and the Intercept Agreement amended so that Base Rental Payments to become due under the Sublease Agreement with respect to the 2012 Bonds are made directly to the Trustee from Commonwealth appropriations due to the School District.

In 2015, the School District incurred lease rental debt through the issuance of the Authority's School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series 2015A (the "2015 SPSBA Bonds") in the amount of $80,000,000 which constitutes lease rental debt which refunded a portion of the 2006A Bonds. In connection with the issuance of the 2015 SPSBA Bonds, the Sublease was amended to reflect the Base Rental Payments to become due under the Sublease with respect to the 2006 Bonds that were not refunded by the 2015 SPSBA Bonds, as well as the 2015 SPSBA Bonds and the Intercept Agreement was similarly amended so that it provides for the Base Rental Payments with respect to the 2015 SPSBA Bonds.

In FY2016, due to the Commonwealth's FY2016 budget impasse, certain payments of lease rentals required to be paid pursuant to the Intercept Agreement were not made to the Trustee and such payments were made (when required to be made) directly by the School District. See: "SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Operating Budget Impasse" herein. On November 16, 2016, the School District incurred lease rental debt through the issuance of the Authority's School Lease Revenue Refunding Bonds, Series 2016A (the "2016 Bonds") in the aggregate principal amount of $570.0 million to advance and currently refund the then-outstanding 2006A Bonds and the 2006B Bonds, except for the 2006B Bonds scheduled to mature on June 1, 2027 and June 1, 2029. In connection with the issuance of the 2016 Bonds, the Sublease Agreement was amended and supplemented to provide for the payment of Base Rental Payments to become due under the Sublease Agreement with respect to the 2006B Bonds which were not refunded by the 2016 Bonds, as well as Base Rental Payments to become due under the Sublease

Agreement for the 2016 Bonds. The Intercept Agreement was further amended so that the Base Rental Payments to become due under the Sublease Agreement with respect to the 2016 Bonds are made directly to the Trustee from Commonwealth appropriations due to the School District.

As of October 21, 2019, the aggregate principal amount outstanding of lease rental debt is $963,925,000[4].

Rating Agency Actions

On December 11, 2015, Standard & Poor's Ratings Services ("S&P") withdrew its ratings on Pennsylvania school districts and community colleges that are based on Pennsylvania's State Aid Intercept Program and on December 22, 2015, Moody's Investors Service ("Moody's") downgraded the ratings on Pennsylvania School District Enhancement Programs to the underlying rating of the school district plus one notch, with a floor of B1 and a ceiling of Baa1. On August 15, 2016, as a result of the passage of Article XVII-E.4 of the Fiscal Code, Moody's upgraded the Pennsylvania School District Enhancement Programs referred to by Moody's as the "Fiscal Agent agreement" or "Pre-default" program to A2 from Baa1 and revised the outlook to stable from negative. As a result, the School District's outstanding bonds (including bonds issued by the State Public School Building Authority for the benefit of the School District) (i) have no rating from S&P (the School District's bonds do not have an unenhanced underlying rating from S&P), and (ii) were then assigned an enhanced rating from Moody's of A2 and a Moody's underlying rating of Ba3. See "Ratings" in the forepart of this Official Statement for a description of the ratings assigned to the Bonds.

On December 18, 2018, Moody's upgraded the School District's unenhanced bond rating on its general obligation and lease rental debt from Ba2 to Baa3 with a stable outlook. The School District's enhanced intercept rating from Moody's was affirmed at A2. Strengths cited in the Moody's report include stable charter school enrollment for the past three years; structural balance and operating surpluses for the last three years; experienced management that brings control of finances and detailed management of daily school operations; and the City's willingness to support the School District with permanent new dedicated tax revenue and an increased governance link between the City and the District.

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 at A+ with a stable outlook. See "Ratings" in the forepart of this Official Statement.

Interest Rate Management Plan

General. The School District is authorized, under amendments to the Debt Act enacted in September of 2003, to enter into "qualified interest rate management agreements," which term is defined as agreements determined in the judgment of the School District to be designed to manage interest rate risk or interest costs of the School District on any debt which the School District is authorized to incur under the Debt Act. The School District has, heretofore, entered into various swaps of which only the basis swaps, described herein, remain outstanding. Such qualified interest

[4] Includes $188,290,000 of lease rental refunding debt which has been authorized, and is expected to be issued, on November 20, 2019.

rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and floor agreements, forward agreements, float agreements and other similar financing arrangements.

The Debt Act requires that, prior to entering a qualified interest rate management agreement, the School District must adopt a written interest rate management plan ("Interest Rate Management Plan") prepared or reviewed by an independent financial advisor, which includes: (i) schedules of all outstanding debt of the School District and all outstanding qualified interest rate management agreements, including outstanding debt service and estimated and maximum periodic scheduled payments of all outstanding qualified interest rate management agreements; (ii) a schedule of all consulting, advisory, brokerage or similar fees paid or payable by the School District in connection with the qualified interest rate management agreement and of all such fees and finder's fees, if any, paid or payable by any other party in connection with qualified interest rate management agreements; (iii) analyses of the interest rate risk, basis risk, termination risk, credit risk, market-access risk, and other risks of entering into such agreements and of the net payments due for all debt outstanding and for all qualified interest rate management agreements; and (iv) the School District's plan to monitor interest rate risk, basis risk, termination risk, credit risk, market-access risk, and other risks. Monitoring requires valuation of the market or termination value of all outstanding qualified interest rate management agreements.

<u>The Interest Rate Management Plan</u>. The School District adopted its Interest Rate Management Plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, and supplemented the Interest Rate Management Plan on March 24, 2004, May 26, 2004, May 25, 2005, October 6, 2005, November 15, 2006, November 21, 2006, April 23, 2008, April 6, 2010, January 3, 2011 and September 2, 2011. The Interest Rate Management Plan, as supplemented, was prepared by the School District's independent financial advisors within the meaning of the Debt Act.

The Interest Rate Management Plan states, in pertinent part, that derivatives are appropriate interest rate management tools that can assist the School District in managing its interest rate risk or interest cost. If and when properly used, these instruments can increase the School District's financial flexibility, provide opportunities for interest rate savings or enhanced investment yields, and help the School District manage its balance sheet through better matching of assets and liabilities. Derivatives may not be used for speculative purposes.

The Interest Rate Management Plan also provides that the School District will only utilize derivatives if it is determined that the proposed transaction will be designed to manage interest rate risk or interest cost to the School District on any debt that the School District is authorized to incur, and:

Optimize capital structure including the schedule of debt service payments and/or fixed versus variable rate allocations;
Achieve appropriate asset/liability match;
Reduce risk, including:

- Interest rate risk;
- Tax risk; or
- Liquidity renewal risk;

Provide greater financial flexibility;
Generate interest rate savings;

Enhance investment yields; or

Manage exposure to changing markets in advance of anticipated bond issuances (through the use of anticipatory hedging instruments).

The Interest Rate Management Plan further provides that the School District will seek to maximize the benefits and minimize the risks of derivative instruments by actively managing its derivative program. The School District engages an independent swap monitoring firm to assist in the monitoring of market conditions. The independent swap monitor provides monthly reports, including the Mark to Market ("MTM") values of any outstanding swaps. Active management shall include:

(a) Early termination;
(b) Shortening or lengthening the term;
(c) Sale or purchase of options; or
(d) Utilization of basis swaps.

The Interest Rate Management Plan requires monitoring reports that include, among other things, the valuation of all outstanding qualified interest rate management agreements to be delivered by the Chief Financial Officer to the Board at least quarterly. The reports must include the following:

(i) A description of all outstanding qualified interest rate management agreements, including bond series, type of derivatives, rates paid and received by the School District, total notional amount, forward start dates, average life of each swap agreement, remaining term of each derivative, and option terms;
(ii) Description of all material changes to qualified interest rate management agreements or new qualified interest rate management agreements entered into by the School District since the last report;
(iii) Market value including termination exposure of each of the School District's qualified interest rate management agreements;
(iv) The credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments;
(v) Information concerning any default by a counterparty, including, but not limited to, the financial impact, if any, to the School District;
(vi) Information concerning any default by the School District to any counterparty, if applicable;
(vii) Summary of qualified interest rate management agreements that were terminated or that have expired and the financial impact there from since the last report;
(viii) For a qualified interest rate management agreement entered into to generate debt service savings, calculation on an annual basis of the actual debt requirements compared to the projected debt service on the swap transaction at the original time of execution. The calculation shall include a determination of the cumulative actual savings (or, if applicable, additional payments made by the School District) compared to the projected or expected savings at the time the swap was executed; and
(ix) The status of any collateral related to any swap transaction including, the type and amount of collateral, the market value of that collateral and the identity of the custodian.

The Debt Policy stipulates that the School District will limit the notional amount of its outstanding swaps to not more than 45.0% of the total outstanding long-term debt. At the present time, the School District's notional amount of outstanding swaps, all of which are the basis swaps described below, totals 17% of its total outstanding debt.

Basis Swaps. By Resolution of the School Reform Commission adopted on November 15, 2006, the School District was authorized to enter into one or more basis swaps related to a portion of the outstanding lease rental debt associated with the 2003 Bonds and any lease rental debt incurred by the School District in connection with the partial refunding of the 2003 Bonds.

On November 21, 2006, the School District entered into two basis swaps related to a portion of the lease rental debt associated with the 2003 Bonds and all or a portion of the lease rental debt to be incurred by the School District in connection with the partial refunding of the 2003 Bonds, for the purpose of managing interest costs of the School District, that provide for periodic payments at a floating rate by the School District in exchange for an upfront cash payment and periodic scheduled payments at a floating rate and fixed spread by counterparties on the notional amount of $500 million (the "2006 Basis Swaps"). As of June 30, 2019, the mark to market value for the 2006 Basis Swaps is $4,894,973.27.

Security for Qualified Interest Rate Management Agreements. Pursuant to the Debt Act, periodic scheduled payments due from the School District under a qualified interest rate management agreement (other than termination payments) are payable on parity with debt service on the bonds or lease rental debt related to the applicable qualified interest rate management agreement. The School District: (i) has covenanted to budget, appropriate and make such payments from its general revenues; and (ii) has pledged its full faith, credit and taxing power (within the limits prescribed by law) to secure such periodic scheduled payments. Termination payments are subject and subordinate to periodic scheduled payments and are not secured by the foregoing pledge.

The School District purchased swap insurance insuring periodic scheduled payments, but not termination payments, for the 2006 Basis Swaps.

Under the Debt Act, if a school district fails to provide for the payment of periodic scheduled payments under a qualified interest rate management agreement, the school district shall notify the Secretary of Education and the Secretary of Education shall notify the Department of Community and Economic Development. If the Secretary of Education finds that the amount due and payable by the school district has not been paid, the Secretary of Education shall withhold, out of any state appropriation due to the school district, an amount equal to the amount due pursuant to the qualified interest rate management agreement and shall pay over the same so withheld to the party to whom the amount is due under the qualified interest rate management agreement. This provision of the Debt Act is applicable with respect to periodic scheduled payments due from the School District under its qualified interest rate management agreements.

Current Policy. The School District does not presently expect to enter into any further interest rate management agreements.

Borrowing Capacity

THE SCHOOL DISTRICT OF PHILADELPHIA

Borrowing Base and Debt Limit Calculations

As of October 21, 2019[5]

BORROWING BASE

Gross Revenues: General, Special Revenue and Debt Service Fund for the fiscal years ended June 30, 2016, 2017 and 2018		$10,015,044,416
Less: Statutory exclusions		1,212,146,587
Net Revenues		$ 8,802,897,829
Borrowing Base (average of net revenues for the fiscal years ended June 30, 2016, 2017 and 2018)		$ 2,934,299,276

DEBT LIMIT

Electoral Debt Limit		No Limit
Electoral Debt Outstanding		$ 0
Electoral Debt Capacity		No Limit
Non-Electoral Debt Limit (100% of Borrowing Base)		$2,934,299,276
Non Electoral Debt	$2,326,192,667	
Exclusion for Deficit/Term Bond Outstanding	(143,113,789)	
Less: Non-Electoral Debt Outstanding		$2,192,078,878
Non-Electoral Debt Capacity		$742,220,398
Non-Electoral and Lease Rental Debt Limit (200% of Borrowing Base)		$5,898,598,552
Non-Electoral Debt Outstanding	$2,192,078,878	
Lease Rental Debt Outstanding	942,405,000	
Less: Non-Electoral Debt and Lease Rental Debt Outstanding		$3,134,483,878
Non-Electoral and Lease Rental Borrowing Capacity		$2,734,114,674

[5] Includes $481,080,000 of general obligation bonds and general obligation refunding bonds which have been authorized and are expected to be issued on November 20, 2019, $123,805,000 of general obligation refunding bonds which have been authorized and are expected to be issued on June 5, 2020 and $188,290,000 of lease rental refunding debt which has been authorized, and is expected to be issued, on November 20, 2019, and assumes the refunding or redemption of the bonds to be refunded or redeemed with the proceeds of the refunding bonds to be issued.

CAPITAL IMPROVEMENT PROGRAM

Capital Budget and Capital Improvement Program. The Capital Improvement Program, detailing the School District's capital plan for the ensuing six years, as well as a capital budget detailing the expenditure requirements of the current fiscal year of the Capital Improvement Program or CIP, must be adopted by the Board not later than the date of the adoption of the Proposed Operating Budget and follows the same procedures related to public hearings, as mandated by the Home Rule Charter. Implementation of the capital budget is contingent upon the receipt of proceeds of debt obligations of the School District or other funds made available for capital improvement purposes. On May 30, 2019, the School District adopted its FY2020 Capital Budget and the Capital Improvement Program which totals approximately $1,725 million. The FY2020 Capital Budget of $319.5 million includes partially funding 108 active construction projects at 85 locations; $91.3 million in life-cycle replacements, such as boiler, chiller, and control replacements, structural and façade restorations, electrical system upgrades, and roof replacements; and the design of 53 additional projects. The CIP assumes that the School District will incur $300 million of debt in Fiscal Year 2020, $250 million of debt in Fiscal Year 2022 and $250 million of debt in Fiscal Year 2024.

Facility Condition Assessments. As part of a two year operations strategic plan, the Office of Capital Programs undertook a comprehensive facility condition assessment (FCA) which began in 2015 and was released in December 2016. The information collected from the FCA, as revised from time to time, serves as the basis to prioritize future capital projects and establish priorities in the annual capital budget and six-year capital improvement program. As part of the FCA, the School District engaged a professional firm to perform a visual survey and assessment of 308 educational and athletic facilities with a total area of about 25.7 million square feet. The FCA accomplished the following goals:

- Created one central depository of data on critical building systems, life expectancy, however maintaining the progress of new capital investments remains an objective.

- Calculated Facility Condition Index (FCI) Scores for buildings including FCI scores for individual building systems.

- Prioritized building systems based on need, observed deficiencies, remaining useful life, and classify each system based on a recommended timeframe for when these systems should be replaced.

- Determined the District's overall outstanding capital expenditure needs which were estimated in the original FCA at approximately $4.3 billion and a recommended annual plan to address deferred maintenance.

- Used data gathered from the FCI scores to develop 3-year capital improvement plans beginning in FY 2017. Use of the data to develop a 5- and 10-year capital improvement plan remains an open objective.

The FCA is a planning tool and the School District was not required to either accept it when it is was presented in final form or to implement any part of the FCA. A final report was delivered in December 2016.

SCHOOL DISTRICT FINANCIAL PROCEDURES

Budgetary Process

The Home Rule Charter requires that the School District adopt an operating budget, a capital budget and a capital improvement program in each fiscal year. The capital budget is prepared as part of a six-year capital improvement program, of which the first year is the applicable budget for the current fiscal year. All proposed expenditures included in the Capital Improvement Program require the Board of Education's authorization on a project by project basis.

<u>Operating Budget.</u> The operating budget is comprised of the General Fund, the Intermediate Unit Fund, and the Debt Service Fund. See "CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT - Operating Budget Revenues, Obligations and Changes in Fund Balances" herein.

In October of each year, the District begins its preparation of the following year's operating budget. From October through May, the budget is developed to project anticipated revenues and projected expenditures, including both the cost of continued operations and new programs for the following year. At various stages throughout this time, the District publicly presents updated current year projections, as well as subsequent and multi-year projections. Additionally, during this time, the District publishes quarterly reports on the current fiscal year, which detail comparisons to the Adopted Operating Budget, updated budget projections, cash flow, and other supporting finance documents.

The Board must observe specific timing requirements outlined in the Home Rule Charter as follows:

1. At least thirty days prior to the end of the current fiscal year, the budget must be adopted (no later than May 31st of each year);

2. At least thirty days prior to adoption, public hearings must be held (no later than April 30th of each year); and

3. 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).

Budgets for Categorical Funds, including federal, state and private grants, the uses of which are restricted to the pursuit of specific objectives of the legislative act under which funding is authorized or conditions set forth by the foundation or charitable grantor, are not required to be submitted for adoption.

A lump sum statement of estimated receipts and expenditures for the current fiscal year and the ensuing fiscal year ("Lump Sum Statement") is submitted to the Mayor and the President of City Council on or before March 31st of each year. Since the School District has limited taxing power, City Council must establish the rates and subjects of local taxation for school purposes to fund the estimated expenditures of the School District after taking into account, under current law, the estimated revenues from the Commonwealth. 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 Home Rule Charter. The ensuing balanced budget becomes the adopted financial plan for the School District for the forthcoming fiscal year. Thereupon, budgetary appropriations for all principal administrative units by Object Class of expenditure are finalized.

Basis of Accounting

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants (AICPA) audit and accounting guide or otherwise "Audits of State and Local Governments."

Basis of Reporting

The School District's comprehensive annual financial report is prepared following guidelines recommended by the Government Finance Officers of America ("GFOA.") GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting ("Certificate") to the School District for its component unit financial reports for each fiscal year beginning in 1984 through 2017. The School District also received the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International for its annual financial reports for each Fiscal Year from 1985 to 2018. The School District filed its applications for GFOA certificate for Fiscal Year 2018. A government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements in order to be considered for the Certificate. A Certificate is valid for a period of one year only.

Although the School District issues its own annual financial report, it is considered a discretely reported component unit of the City for financial reporting purposes only and is included in the City's Comprehensive Annual Financial Report. The determination that the School District is a component unit of the City is in accordance with GASB Statement No. 14 and Statement No. 39, as amended by GASB Statement No. 61 and Statement No. 80.

Cash Management

As previously mentioned, the Superintendent serves as the Treasurer of the School District. For practical administration of treasury functions, these responsibilities are delegated to the Chief Financial Officer, whose principal subordinate for this purpose is the Deputy Chief Financial Officer, Financial Services.

All moneys of the School District are held separate and apart from the funds of any other entity, including the City. The Deputy Chief Financial Officer accounts for all moneys received and disbursed by the School District and develops twelve-month cash flow forecasts (updated monthly) based on adopted budgets and historical and projected receipts and expenditure data.

These forecasts form the basis for cash management activities during the fiscal year, including the forms and sources of funding, temporary cash deficiencies and negotiating the best forms of investment of idle moneys consistent with legal limitations. To facilitate cash management activities and related borrowing/investment programs, the School District established a pooled cash account, as described below.

Pursuant to the School Code and resolutions of the School Reform Commission and the Board ("Investment Resolution"), all School District funds, except sinking funds, shall be invested in United States Treasury bills, in short-term obligations of the United States Government or its agencies or instrumentalities, in obligations of the United States Government or its agencies or instrumentalities backed by the full faith and credit of the United States of America, in certain approved school and local government investment pools, Act 10 of March 25, 2016 permissible investments and in savings accounts and time deposits of financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") which are collateralized in amounts in excess of FDIC insurance in accordance with state law. Neither the School Code nor the Investment Resolution permits the School District to use reverse repurchase agreements or other means to leverage its investment portfolio, nor do they authorize the School District to invest in derivative products. The requirements for investment in United States government securities (including collateralized repurchase agreements for the same) contained in the Investment Resolution conform to the Guidelines for Municipal Investment in U.S. Government Securities issued by the Office of the Auditor General of the Commonwealth. Investment of the School District's sinking funds is governed by both the Debt Act and the resolutions authorizing the issuance of the School District's related bonds.

The Investment Resolution, adopted by the Board of Education in September of 1994, amended in December of 1995, and most recently amended by the School Reform Commission in April of 2004, reflects an investment policy based on the recommendations of the initial and supplemental reviews and amendments to the investment provisions of the School Code. The School District intends to continue this review process and make formal adjustments to these policies as the Board deems appropriate.

As the District has maintained more reliable fund balances there is more of an opportunity to achieve a better investment rate of return on public funds while minimizing risk. In 2018, PFM Asset Management, LLC was awarded an investment management contract through November 2019 with an option for the School District to renew for three additional years. Their investment management approach combines Local Government Investment Pools (LGIPs) offering daily liquidity and a market rate of return in conjunction with a portfolio of high grade fixed income securities balanced with future cash flows.

Pooled Cash Account. The School District maintains a Pooled Cash Account to facilitate cash management and coordinated borrowing, investment and accounting activities. All funds that can be legally and practically combined are included in the Pooled Cash Account. Proceeds of general obligation bonds issued for capital improvements and interest earnings thereon, however, are deposited in the Capital Projects Fund (which is not included in the Pooled Cash Account.)

Financial Control Procedures

The Board is required to adopt an annual operating budget by principal administrative unit and by object class of expenditure. Allocations are made from each principal administrative unit, e.g. Business and Financial Services, to programs which represent a specific function, e.g., Chief Financial Officer, and then to activities which represent sub-functions, e.g., Accounting, Payroll, etc. These allocations are posted to an automated accounting system, which for selected transactions, electronically compare encumbrances or expenditure documents to available funds and rejects those in excess of available funding. Budgetary transactions are updated daily and are available on-line for each activity and to all program managers.

The Office of Management and Budget must review the allotment of personnel and verify the availability of funding. In addition, the Board is required to approve all personnel appointments and purchases of materials, supplies, books and equipment in excess of $25,000. The School Code requires all individual contracts in excess of $100 to receive Board approval; however, the Board delegated limited contracting authority up to $20,000 per activity to principals, area academic officers and cabinet-level positions. The contracts are limited to professional services or the use of facilities and associated costs in support of the instructional program. An Oversight Committee empowered by the Board which is comprised of central administrators meets weekly to review application for and approval of these limited contracts and reports quarterly to the Board.

The Office of Accounting Services, which performs pre-audit functions, reviews payment vouchers for propriety before any checks are issued or released.

The School Reform Commission, by resolution on November 15, 2006 and several subsequent resolutions, adopted and expanded upon certain existing fiscal and budgetary policies. In addition, the Board of Education, which assumed governance of the School District on July 1, 2019, has further enhanced fiscal and budgetary policies to strengthen internal controls and financial oversight within the School District. In addition to enhanced controls, the Chief Financial Officer, and his designees, will continue to monitor expenditures and budget adjustments and report their findings to the Superintendent and the Board of Education.

Tax Collection

Pursuant to the School Code and the Home Rule Charter, School District local taxes (except for the public utility realty tax, cigarette tax, sales tax, and rideshare tax described below) are collected by the City's Department of Revenue, in its capacity as School Tax Collector, subject to the same collection procedures applicable to City taxes. Such taxes collected by the City on behalf of the School District, are wire-transferred to the School District on the next business day following collection by the City, except for deposits to the School District sinking funds established for each series of general obligation bonds issued by the School District which are entitled to receive daily deposits of school taxes to fund deposits currently required, which are wire transferred first to such sinking funds on the same business day and then, to other School District-designated bank accounts. School District local taxes collected by the City's Department of Revenue, even when held overnight by the City, are at all times the property of the School District.

The School Code requires that the Department of Revenue pay all school taxes when and as collected to or upon the order of the School District and that a duplicate receipt for such taxes be filed with the City Controller, formally recognized as School Auditor. The School Code further requires that the Department of Revenue report the amount of school taxes collected on a monthly basis to the Board and the City Controller. A Standard Accounting Procedure of the City, adopted in 1961 and effective since that date requires that such information be furnished to the School District on a daily basis.

School Auditor

The Home Rule Charter requires that the Office of the City Controller of the City ("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 for the fiscal year ended June 30, 2018. The independent audit examined evidence supporting the amounts and disclosures contained in these financial statements on a test basis; assessed the accounting principles used and significant estimates made by senior management; and evaluated the overall presentation of these financial statements. The Office of the City Controller concluded that there was a reasonable basis for rendering an unmodified opinion that the School District's financial statements, for the Fiscal Year ended June 30, 2018, are fairly presented in conformity with accounting principles generally accepted in the United States. The Independent Auditor's Report is included as Appendix B hereto.

The City Controller has not participated in the preparation of this Appendix A nor in the preparation of the budget or current estimates of the School District set forth herein, nor has the City Controller reported on any financial statements of the School District included herein, other than the financial statements for the Fiscal Year ended June 30, 2018, attached hereto as Appendix B. The opinion of the City Controller which is part of the financial statements attached hereto contains the following language: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America." *See* Appendix B – Note 1.E *for a full description and the complete opinion*. The City Controller expresses no opinion on any of the data contained in this Appendix A relating to the School District.

SOURCES OF SCHOOL DISTRICT REVENUE

In Fiscal Year 2018, the School District's actual operating revenue and other financing sources were derived primarily from three sources: (i) the Commonwealth, which represents approximately 50.3%; (ii) local, which represents approximately 49.1%; and (iii) federal and other financing sources, which represent approximately 0.5%.

Commonwealth Subsidies

The General Assembly is required by the Pennsylvania Constitution to provide for and maintain a system of public education, and for that purpose, makes subsidy payments to school districts located within and throughout the state. Commonwealth education appropriations have been constitutionally mandated since 1874, but are subject to legislative changes in amounts and funding formulae and to annual appropriation. Commonwealth education subsidies are included in the Commonwealth's operating budget each fiscal year. Total Commonwealth education subsidies to the School District increased annually in each Fiscal Year from 1982 to 2011. Fiscal Year 2012 was the first year in over three decades in which education subsidies declined. There have been increases in education subsidies in Fiscal Years 2013 through 2020.

The largest component of Commonwealth subsidies is the basic education funding allocation, which the School District can use for any costs attendant to the operation of the public school system.

In Fiscal Year 2019, the School District's Amended Budget revenues were $1,112.9 million from the basic education funding allocation. Other Commonwealth revenues included (i) $145.7 million in special education funding and (ii) $339.5 million in other funding, the largest component of which was reimbursements for a portion of pension costs. Commonwealth revenues for Fiscal Year 2020 are budgeted to be $1,724.4 million, of which $1,200.2 million is the basic education funding allocation and $155.6 million is special education funding.

Pursuant to federal law, school districts are required to pay the full employer's share of social security taxes directly to the Federal government. The Commonwealth reimburses school districts, on a quarterly basis, for a portion of such employer's share. With respect to contributions to the Public School Employee Retirement System ("PSERS") school entities are required to pay 100% of the employer's share of such contributions to PSERS. The Commonwealth makes quarterly payments to school districts to reimburse each for a portion of retirement contributions made.

The School District is also eligible to receive a Commonwealth subsidy for a portion of the debt service on the School District's lease rental and general obligation debt related to capital projects which constitute eligible capital projects (although the Commonwealth has not made such payments on a timely basis). The Commonwealth also subsidizes the IU for special education programs, special education transportation, and non-public school services. Advance funding for special education transportation is partially reimbursed to the Commonwealth in the subsequent fiscal year.

The School District annually reports total subsidy revenues net of this reimbursement in order to reflect the net resources actually provided by the Commonwealth to finance operations. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement for a description of provisions of the School Code providing for the intercept for debt service of Commonwealth Subsidies.

THE SCHOOL DISTRICT OF PHILADELPHIA
COVERAGE RATIOS OF NET CASH RECEIVED FROM
COMMONWEALTH SUBSIDIES TO DEBT SERVICE PAYMENTS
Fiscal Years 2015-2019 *(a)*
(Dollar Amounts in Thousands)

	ACTUAL				**AMENDED**
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Net Commonwealth Subsidies *(b)*	$1,337,985	$1,382,298	$1,464,185	$1,533,279	*$1,598,151*
Long-term Debt Service (including State Public School Building Authority)	264,516	259,203	267,859	272,292	*300,349*
Ratios	5.06	5.33	5.47	5.63	*5.32*
Long-term and Short-term Debt Service *(c)*	566,152	1,087,903	646,984	678,732	*758,083*
Ratios	2.36	1.27	2.26	2.26	*2.11*
Short-term note debt service*(d)*	301,666	828,700	379,125	406,440	*457,734*

(a) Actual data is derived from the School District's Comprehensive Annual Financial Reports. The estimated data is derived from the School District's Amended Budget, as approved by the Board of Education on May 30, 2019.

(b) Net Commonwealth subsidies reflect Gross receipts for General Fund, Area Vocational Technical Fund and Intermediate Unit, less certain cash deductions made by the State for payments to other educational entities
.

(c) Includes both Long-term Debt Service and Short-term Debt Service principal and interest. Does not include issuance costs.

(d) Short-term debt service represents interest and principal payments on the School District's borrowings in each fiscal year, in anticipation of the receipt of taxes and other revenues.

Local Tax Revenues

Under the Home Rule Charter, the Board is required to levy taxes, upon subjects and within the limits prescribed by either the General Assembly or City Council, sufficient to provide funds to pay operating expenses, debt service and the costs of any other service incidental to the operation of public schools.

The General Assembly has authorized the School District to levy up to 16.75 mills on taxable real estate in the City without City Council approval. *See "SOURCES OF SCHOOL DISTRICT REVENUES – Local Tax Revenues – House Bill 1857" herein*.

The Board is required to submit to the Mayor and City Council an annual request for authority to levy taxes to balance the School District's operating budget for the ensuing Fiscal Year. After reviewing such a request, City Council has the power to alter the rates or subjects of taxation for school purposes (except for the rate of real estate tax of 16.75 mills authorized by the General Assembly which can be levied by The School District directly, but the use of which is limited. *See: SOURCES OF SCHOOL DISTRICT REVENUES – Local Tax Revenues – House Bill 1857" herein* As described herein under the caption: Local Tax Revenues -"Real Estate Tax," the City has reassessed approximately 577,000 parcels of real estate within the City to more nearly approximate the market values thereof. City Council authorized the School District to levy its taxes for Fiscal Year 2020 by ordinance as adopted on June 9, 2017. Neither City Council nor the Mayor has ever failed to authorize taxes for school purposes. The ordinances authorizing the levy of the liquor sales tax and the cigarette tax do not require annual re-enactment and remain in effect. *See "SOURCES OF SCHOOL DISTRICT REVENUE—Local Tax Revenues—Liquor Sales Tax" herein*.

The School District's Board authorized the levy of the following taxes for Fiscal Year 2020 by resolution on June 27, 2019. The following is a brief description of those taxes levied for school purposes:

Real Estate Tax. The City's Office of Property Assessment (OPA) completed in tax year 2014, its Actual Valuation Initiative ("AVI") which involved reassessing approximately 577,000 properties to more nearly approximate the market values of such properties. Those assessments are used for purposes of assessing taxes which are applicable in Fiscal Year 2014 and thereafter. As this was the City's first city-wide reassessment in decades and the fact that the reassessment substantially increased the total assessed value of real property, OPA received more than 51,000 requests for first level review, the informal review process used to expedite review and resolution of assessment matters prior to seeking a formal appeal through the Board of Revision of Taxes. There were more than 24,000 formal appeals to the Board of Revision of Taxes in tax year 2014 and another 4,800 formal appeals for tax year 2015. For tax year 2016, there were more than 3,700 appeals filed of which approximately 30 remain outstanding to date. The net impact of appeals on property taxes is built into the School District's total collections.

House Bill 1857. On October 18, 2012, the Pennsylvania Legislature enacted and on October 24, 2012, the Governor of Pennsylvania signed into law, House Bill 1857 (which was originally introduced as Senate Bill 1303 at the request of the City). House Bill 1857 permits downward adjustments to the School District millage tax rates in the face of higher assessments, which would otherwise be prohibited under current Pennsylvania School Code provisions by providing that (i) for the reassessment year (defined as the year immediately following the year in which the Director of Finance of the City first certifies that the total assessed value of all real property in the City is at full market value) and the two years thereafter, the rate of any tax authorized by the City to be levied for the School District or dedicated to the School District may be adjusted so that the yield on taxes based on assessed values of real estate authorized by the City for the School District, as estimated and certified by the Director of Finance of the City, is equal to an amount equal to or greater than the highest yield of the taxes based on assessed values of real estate authorized by the City to be levied by the School District or dedicated to the School District during any of the three full preceding years prior to the reassessment year; and (ii) in the third and fourth years following the reassessment year, the rate of any tax authorized by the City to be levied for the School District or dedicated to the School District shall be not less than the rate authorized in the immediately preceding year.

House Bill 1857 further provides that in the reassessment year and each year thereafter, in any year in which the School District is subject to a declaration of distress, the School District may only levy taxes on real estate using the authorization for 16.75 mills (which the School District may levy directly pursuant to legislative authorization by the General Assembly without any further action by the City), to the extent the estimated yield on all taxes on real estate for the year is less than an amount equal to the yield in the year prior to the reassessment year, increased by an amount equal to the yield in the year prior to the reassessment year, increased by an amount proportional to the increase since the year prior to the reassessment year in total assessed value of real estate in the City. For Fiscal Year 2016, the Director of Finance certified that the yield on taxes based upon assessed value of real estate would be equal to or greater than the highest yield during the three full preceding years prior to the assessment year and for Fiscal year 2016 the tax rate was increased. Accordingly, the School District did not levy any of the 16.75 mills of direct authorization from the Commonwealth since the implementation of AVI. For a discussion of certain litigation relating to the reassessment and its potential impact on the School District, see "LEGAL PROCEEDINGS – Litigation – Duffield House Assocs, et al v. City of Phila, et al" herein.

On June 9, 2017 City Council authorized the School District to levy tax of 0.7681% on assessed value of real estate and on June 27, 2019, the School District authorized the levy for Fiscal Year 2020.

Assessments are certified on the first Monday of each October, subject to certified revisions, and taxes are levied as of January 1st. If paid by the last day of February, real estate taxes are discounted by 1%. If the tax is paid during the month of March, the gross amount of the tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. If the tax remains unpaid on January 1st of the succeeding year, a tax addition of 1.5% is added, the tax additions (totaling 15%) which accumulated from the time the tax was due are capitalized and the tax is registered delinquent and subject to lien ("Tax Claim Principal Amount.") Interest is then computed on the Tax Claim Principal Amount at a rate of 0.75% per month or 9% per annum until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. After the seven-month period, no further tax additions are assessed, although interest continues to accrue on the unpaid tax at the delinquent rate of 9% per annum until paid in full. In addition to current collections in any given year, the School District also receives delinquent real estate taxes applicable to prior tax years.

Business Use and Occupancy Tax. City Council authorized the Board of the School District to impose a tax for general public school purposes on the use or occupancy of real estate within the School District for the purpose of conducting any business, trade, occupation, profession, vocation, or any other commercial or industrial activity. This tax for Fiscal Year 2020 is 1.21%. This tax is due monthly.

Non-Business Income Tax. This tax is applied to the non-business income of residents from the ownership, lease, sale or disposition of certain real or personal property, including net income from dividends and interest on securities. The rate of this tax cannot exceed the rate of wage and net profits tax imposed on City residents. For FY 2020, the rate is 3.8712%, and is payable by April 15th of the following calendar year.

Public Utility Realty Tax (PURTA). Act 66 of 1970 enacted by the General Assembly provides for distribution to local taxing authorities, on a varying percentage basis, of the amounts of this tax collected by the Commonwealth on realty of various public utilities located throughout the Commonwealth. Amendments to the PURTA Act, enacted on May 5, 1999, changed the base of the tax and the timing of payment of the tax, among other things.

Liquor Sales Tax. City Council authorized the Board to levy a liquor sales tax effective January 1, 1995, on the retail sale of liquor and malt and brewed beverages at the rate of ten percent of the sales price. This tax is payable monthly on or before the 25th day of the month following collection of the tax by the retail establishment.

Cigarette Tax. On September 24, 2014, the Governor of Pennsylvania signed into law House Bill 1177 which authorizes the School District to impose and assess an excise tax upon the sale or possession of cigarettes within the School District at a rate of 10 cents per cigarette.

Pursuant to an ordinance of the City enacted June 6, 2013 and resolutions of the School District adopted June 27, 2013 and June 30, 2014, the School District has imposed the cigarette tax, effective October 1, 2014.

As required by House Bill 1177, the tax is collected by the Department of Revenue of the Commonwealth of Pennsylvania (the "Department") and is paid by the Department to the State Treasurer (net of the Department's costs of collection) for payment directly to the School District on or before the 10th day of each month.

House Bill 1177 provides that the School District may lower the rate of the tax imposed or repeal the tax, in each instance, upon certain prior notice to the Department (20 days for a change; 30 days for a repeal).

Ridesharing Revenue. Act 85 of 2016 provides that a transportation network company operating in Philadelphia shall pay an assessment amount equal to 1.4% of the gross receipts from all fares charged to all passengers for prearranged rides. The State Treasury shall distribute 66.67% to the School District and 33.33% to the Philadelphia Parking Authority.

Proceeds of 1% City Sales Tax. Effective September 28, 1991, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the Pennsylvania Intergovernmental Cooperation Authority Act in response to the City's financial crisis. The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax is collected for the

City by the Commonwealth Department of Revenue. On October 8, 2009, the General Assembly of the Commonwealth enacted legislation authorizing an additional 1% City Sales tax which expired on June 30, 2014.

In July 2013, the General Assembly of the Commonwealth enacted legislation authorizing the imposition of an additional City Sales Tax of 1% replacing the expiring 1% tax, effective July 1, 2014. The legislation provides that (1) the first $120 million of this tax collected in a fiscal year will be paid directly to the School District by the State Treasurer upon certification by the Secretary of Education that the School District is implementing reforms that provide for fiscal stability, educational improvement, and operational control; (2) for Fiscal Years 2015 through 2018, the next $15 million collected was applied to payment of debt service on obligations issued by the City for the benefit of the School District (and thereafter such amount will be paid to the Municipal Pension Fund) (3) the remainder will be paid to the City pursuant to Act 205 for application to the Municipal Pension Fund. City Council authorized this sales tax by ordinance which was signed into law by Mayor Nutter on June 12, 2014 and became effective on July 1, 2014.

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The following sets forth, for each tax, the actual tax revenues collected in Fiscal Years 2016 through 2018, the estimated tax revenues set forth in the amended budget for Fiscal Year 2019 and the adopted budget for Fiscal Year 2020:

The School District of Philadelphia
Local Tax Revenues
Fiscal Years 2016-2020
(Dollar Amounts In Thousands)

	Actual (a)			**Amended (b)**	**Adopted (b)**
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Real Estate Tax	$657,408	$715,212	$791,806	$840,666	$848,014
Business Use and Occupancy Tax	137,333	144,877	81,162	186,572	185,140
Non-Business Income Tax	40,345	42,251	48,048	49,650	51,041
Public Utility Tax	1,043	1,193	1,153	1,182	1,182
Liquor Sales Tax	65,831	74,640	76,650	79,040	81,608
Sales Tax	120,000	120,000	120,000	120,000	120,000
Cigarette Tax	58,766	58,000	58,000	58,000	58,000
Ridesharing Tax	0	1,399	3,269	4,200	3,150
Total Taxes	$1,120,726	$1,157,572	$1,280,087	$1,339,310	$1,348,135

(a) Derived from the School District's Comprehensive Annual Financial Reports. For Fiscal Year 2019, estimated actual.

(b) The FY2019 and FY2020 figures reflect the School District's Amended and Adopted Budget, as approved by the Board on May 30, 2019.

Local Non-Tax Revenues

City Grants. City Grant revenues for Fiscal Year 2020 are expected to be $214.0 million.

The table below sets forth local tax revenues by month subject to daily deposits, which are first deposited by the Fiscal Agent into the sinking funds for the School District's general obligation bonds. *See "SCHOOL DISTRICT FINANCIAL PROCEDURES – Tax Collection" herein.*

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

Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
39,166	*29,217*	*29,197*	*32,478*	*30,918*	*41,984*	*80,302*	*451,157*	*252,647*	*93,635*	*50,433*	*35,680*	*1,166,814*

Source: The School District's actual monthly cash receipts.

The following table sets forth the School District's Real Estate Tax Levies and Collections for the calendar years 2010-2019:

THE SCHOOL DISTRICT OF PHILADELPHIA
REAL ESTATE TAX LEVIES AND COLLECTIONS
For the Calendar Years 2010 through 2019
(Dollars in Thousands)

			Collected within the Calendar Year of the Original Tax Levy			Total Collected to Date	
Calendar Year	Tax Levy for the Calendar Year (Original Levy)(a)	Adjusted Total Levied Tax (c)	Current Tax Collections ($) (d)	Percent of Original Levy (%)	Delinquent Tax Collections (d)	Total Tax Collections ($)	Percentage of Original Tax Levy (%)
2010	608,708	587,537	540,288	88.76%	51,509	591,797	97.22%
2011	612,266	595,725	549,036	89.67%	43,795	592,831	96.83%
2012	655,006	636,956	549,558	83.90%	48,318	597,876	91.28%
2013	659,127	639,960	595,637	90.37%	62,142	657,780	99.80%
2014	737,778	709,718	605,455	82.06%	47,602	653,057	88.52%
2015	731,692	701,131	607,462	83.02%	38,349	607,462	83.02%
2016	703,065	685,102	641,567	91.25%	31,285	641,567	91.25%
2017	753,705	760,322	667,954	88.62%	24,468	667,954	88.62%
2018	854,533	824,213	749,240	87.68%	11,966	749,240	87.68%
2019	862,439 (e)	838,682 (e)	782,425 (e)	90.72%	N/A	782,425	90.72%

(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 adjustments 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 as of July 31, 2019.

The following table sets forth Assessed and Market Value of Taxable Real Estate in the City for the calendar years 2010-2019:

THE SCHOOL DISTRICT OF PHILADELPHIA
ASSESSED AND ESTIMATED ACTUAL MARKET VALUE OF TAXABLE REAL ESTATE
For the Calendar Years 2010 through 2019
(Dollars in Millions)

	Certified Assessed Values							
Calendar Year of Levy (a)	Total Assessed Value (b)(f)	Less: Tax Exempt Property, Homestead Exemption, & Certification & Billing Adjustments (b) (c)	Total Taxable Assessed Value (b)	Percentage Increase Over Prior Year	Certified (STEB & AVI) Assessed Value Ratio (d) (f)	Estimated Actual Taxable Ratio (f)	Percentage Increase over Prior Year	Millage for School Purposes
2010	$ 17,615	$ 5,339	$ 12,276	0.25 %	0.2846 %	$ 42,887	1.66 %	49.59
2011	17,940	5,593	12,347	0.59	0.2673	45,926	7.09	49.59
2012	18,022	5,685	12,337	(0.08)	0.2805	44,017	(4.16)	49.59
2013	18,181	5,765	12,416	0.64	0.2887	42,734	(2.92)	53.09
2014	137,404	42,891	94,513	661.22	0.2868	43,290	1.30	53.09
2015	136,341	43,928	92,413	(2.22)	1.0000	94,513	118.32	7.382
2016	136,295	44,758	91,537	(0.95)	1.0000	92,413	(2.22)	7.382
2017	136,681	44,940	91,741	0.22	1.0000	91,537	(0.95)	7.681
2018	152,995	48,006	104,989	14.44	1.0000	91,741	0.22	7.681
2019	164,672	49,927	114,745	9.29	1.0000	114,745	25.07	7.681

(a) 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.

(b) Source: The City of Philadelphia, Department of Finance Statistics via Board of Revision of Taxes (CY2010) and the Office of Property Assessment (CY2011-2019). 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

City Tax Reductions. The Pennsylvania Intergovernmental Cooperation Authority ("PICA"), an instrumentality of the Commonwealth, and the City entered into an Intergovernmental Cooperation Agreement in January of 1992. The Intergovernmental Cooperation Agreement requires the City to submit a five-year financial plan of the City annually to PICA for its approval. The first three five-year financial plans were based on the assumption that tax rate increases would be harmful to the economic health of the City. Beginning in the

City’s 1996 fiscal year, the City implemented a program of incremental reductions in the City’s key taxes, namely the City wage tax and the business privilege tax, as part of an effort to rebuild Philadelphia’s economy. The only School District tax affected by these reductions is the Non-Business Income Tax since the rate of this tax cannot be higher than the resident City wage tax. The incremental reductions have not had a material adverse effect on the School District’s local tax revenues.

SCHOOL DISTRICT EXPENDITURES

Since the School District is a service-oriented organization, it is labor intensive. In the Fiscal Year 2019 Amended Budget, approximately 45.0% of the School District’s operating budget expenditures (excluding refunding and other financing uses) involve personnel services and related employee benefits. Charter school payments represent approximately 30.2%; debt service payments represent approximately 9.5%; property, transportation and communication expenses represent approximately 5.6%; payments to other educational entities and alternative programs represent approximately 3.4%; utilities represent approximately 1.3%; professional and technical contracted services represent approximately 3.0%, materials, supplies, books, instructional aids and equipment represent approximately 1.7%; and other items represent approximately 0.2%.

Personnel services principally encompass costs of instructional staff (teachers), school-based support staff, administrative staff and custodial, maintenance and transportation staff. Staffing patterns and salary costs are largely determined by enrollment levels, collective bargaining agreements, state mandates and policies established by the Board. Related employee benefits consist of a variable contribution and a per capita contribution. Variable employee benefits contributions are determined by gross earnings levels and include social security contributions, retirement contributions and wage continuation plans. Per capita contributions principally relate to medical insurance coverage and health and welfare contributions for unions, as agreed to in collective bargaining agreements.

Contracted services, materials, supplies, books, instructional aids and equipment are principally related to school-based and administrative programming, as well as new initiatives of the Board.

Utility costs are affected by weather conditions and inflation; however, an aggressive energy conservation program has been successful in reducing utility usage, thereby helping to minimize the magnitude of increases in utility unit prices.

Debt service costs relate to interest and/or principal payments on long-term debt of the School District, which includes outstanding general obligation bonds (fixed rate, QZABs and QSCBs) and lease rental debt. Other expenditures include items not easily assignable to previously defined categories, including short-term borrowing costs. Other financing uses include internal service fund transfers and the local share of federally-funded programs.

CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT

Summary of Operating Results

The table on the following page reflects the revenues, expenditures and changes in the fund balance of the General Fund, Intermediate Unit Fund, and Debt Service Fund (which comprise the Operating Budget) for Fiscal Years 2016 through 2018, the amended budget for FY 2019 and the adopted budget for FY 2020. *See* "CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT – Operating Budget Revenues, Expenditures and Changes in Fund Balances" and "Five-Year Financial Plan" herein.

	ACTUAL 2016	ACTUAL 2017	ACTUAL 2018	AMENDED 2019 (a)	ADOPTED 2020 (a)
REVENUES (in 000s):	$	$	$	$	$
Local Sources:					
Total Taxes (b)	1,120,731	1,157,577	1,280,096	1,339,310	1,348,135
Non-tax Revenues (c)	143,556	139,474	141,813	220,621	249,000
Total Local Sources	1,264,287	1,297,051	1,421,909	1,559,931	1,597,135
State Subsidies:					
Gross Instruction (d)	1,019,963	1,066,993	1,097,360	1,112,921	1,200,219
Less: Reimbursement of Prior Year I.U. Advances	(53,385)	(55,578)	(56,831)	(67,101)	(76,010)
Net Instruction	966,578	1,011,414	1,040,529	1,045,820	1,124,209
Debt Service	0	12,448	0	0	8,892
School Dist. Special Education	135,435	138,757	143,477	145,749	155,587
Other (e)	220,678	242,264	260,366	269,129	291,811
I.U. Advances	120,503	130,042	144,032	137,453	143,857
Total State Subsidies	1,443,194	1,534,925	1,588,404	1,598,151	1,724,356
Federal:					
Non-categorical	11,387	13,104	16,968	17,001	16,857
Total Revenues	2,718,868	2,845,081	3,027,280	3,175,083	3,338,348
Other Financing Sources (f)	356,651	1,313,545	3,037	402	2,304
Total Revenues & Other Financing Sources	3,075,519	4,158,626	3,030,317	3,175,485	3,340,652
EXPENDITURES (in 000s):					
Personnel Services:					
Salaries & Wages	735,060	736,502	810,382	832,339	895,170
Employee Benefits	508,494	536,046	568,246	582,967	634,226
Subtotal (g)	1,243,554	1,272,548	1,378,628	1,415,306	1,529,397
Professional/Technical Services	53,756	75,129	85,036	94,633	96,594
Utilities	38,910	36,781	36,202	42,437	46,151
Books, Supplies & Equipment	90,833	36,754	61,398	53,863	47,008
Debt Service (including issuance costs)	260,604	267,859	274,925	300,349	293,171
Non-Public School Services (only direct 3000)	13,497	13,310	13,528	0	0
Charter Schools (h)	711,274	779,382	850,321	950,334	1,055,446

Property/Transportation/Communication	131,985	141,838	157,610	175,461	185,284
Payments to Other Educational Entities & Partner (i)	91,387	95,010	100,860	107,542	112,584
Other (j)	28,231	27,490	8,852	5,177	14,463
Subtotal Expenditures	2,664,032	2,746,102	2,967,360	3,145,102	3,380,098
Other Financing Uses (k)	351,745	1,325,626	3,486	1,865	2,172
Total Expenditures & Other Financing Uses	3,015,777	4,071,728	2,970,846	3,146,966	3,382,270
Excess (Deficiency) Revenues and Proceeds Over (Under) Expenditures and Other Uses	59,742	86,897	59,471	28,519	(41,618)
Fund Balance (Deficit) July 1	88,048	131,228	124,697	169,466	206,805
Changes in Reserve & Designations (l)	(16,562)	(9,702)	(14,702)	4,633	(13,321)
Prior Period Adjustment (m)	0	(83,727)	0	4,187	0
Fund Balance (Deficit) June 30 (n)	131,228	124,697	169,466	206,805	151,866

Notes Relating to the Summary of Operating Results

a. The Board of Education on May 30, 2019 amended the Fiscal Year 2019 Budget and adopted a Fiscal Year 2020 Budget.

b. Total taxes from local sources reflect the temporary 2009 1% City sales tax increase made permanent in July 2014. Beginning on July 1, 2014, the first $120 million of the 1% City sales tax is paid directly to the School District by the State Treasurer.

c. In Fiscal Year 2016 Local Non-Tax Revenues increased by $12.5 million due to a $5.1 million increase in the Grant from the City, a $7.1 million increase in debt service local non tax revenue offset by a ($1.9) million reduction in a casino settlement, and a $2.2 million net increase in all other areas. In Fiscal Year 2017 local non tax revenue was ($4.1) million lower primarily due to a ($7.9) million reduction in Debt Service non tax revenue, offset by a $1.9 million increase in a casino settlement and a $1.9 million increase in all other areas. In Fiscal Year 2018 local non tax revenue was $2.3 million higher due to a $3.6 million increase in interest earnings and a $3.3 million increase in the parking authority contribution, partially offset by a net ($3.9) million reduction for the elimination of the casino settlement, and ($0.7) million in all other areas. In Fiscal Year 2019 local non tax revenue was budgeted to be $78.8 million higher due to a $76.5 million increase in the Grant from the City and a $2.9 million increase in interest earnings, partially offset by a net ($0.6) million reduction in all other areas. In Fiscal Year 2020 local non tax revenue is budgeted to be 28.4 million higher due to a $33.1 million increase in the Grant from the City, partially offset by a ($2.8) million reduction in interest earnings and a net ($1.9) million reduction in all other areas.

d. The Gross Instruction Subsidy increased from FY 2016 to FY 2017 by $47.0 million and from FY 2017 to FY 2018 by $30.4 million due to increases in the enacted State budget. The FY 2019 Gross Instruction Subsidy amended budget represents a $15.6 million increase over FY 2018. The FY 2020 Gross Instruction Subsidy was budgeted to increase by $46.9 million based on the Governor's FY 2020 proposed budget, which shifted the Ready to Learn Grant from categorical funds to the Basic Instruction Subsidy.

e. Other includes the State's partial reimbursement of the School District's pension contribution, approximately, $137.7 million in Fiscal Year 2016, $157.5 million in Fiscal Year 2017, $180.6 million in Fiscal Year 2018, a budgeted $190.9 million in FY 2019, and a budgeted $211.7 million in FY 2020.

f. Fiscal Years 2016 and 2017 include issuance of refunding bonds which yielded proceeds of $350.0 million and $1,306.7 million respectively. Proceeds from the sale of property in fiscal years 2016, 2017, and 2018 include $5.7 million, $5.2 million, and $0.1 million respectively. Budgeted proceeds from the sale of property in fiscal year 2019 included a projected $0.1 million.

g. In FY 2018, the District reached labor agreements with its Philadelphia Federation of Teachers (PFT), Commonwealth Association of School Administrations (CASA), and School Police Association of Philadelphia (SPAP) labor unions. These agreements included one-time payments in FY 2018 and resulted in increased salary and benefit expenditures over the period of the agreements. Employee Benefit increases are primarily due to the employer's contribution rate increase for retirement costs mentioned in note (e) above.

h. Charter expenditure increases are due to certain mandated increases in per pupil costs and an increase of students attending charter schools from Fiscal Year 2016 to Fiscal Year 2019, and projected in FY 2020. See "Enrollment". These expenditures do not include costs for transportation of charter students. The Commonwealth budget included a partial reimbursement of prior year's payments for charter schools in Fiscal Year 2011. The Commonwealth eliminated such reimbursements beginning with Fiscal Year 2012.

i. These expenditures are primarily for Philadelphia students who are placed by the courts and City departments of health and human services in facilities located outside the City. Also included in this expenditure category are payments for approved private schools and alternative education schools.

j. "Other" expenditures include allocated costs, cancellations of encumbrances, lapsed appropriations, refund of prior year revenues, scholarships and stipends, interest on temporary borrowing, and other components of miscellaneous expenses such as losses and judgments.

k. These amounts primarily reflect bond defeasements of $349.7 million in Fiscal Year 2016, and $1,315.9 million in Fiscal Year 2017. Other financing uses include local share and internal service fund transfers.

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

For Debt Act purposes, amounts in the sinking funds may be excluded in determining net debt.

m. The negative ($83.7) million Fiscal year 2017 prior period adjustment reflects accounting adjustments made at the end of Fiscal Year 2017, which changed the process by which salaries are recognized throughout the fiscal year. The positive $4.2 million Fiscal Year 2019 budgeted prior period adjustment reflects accounting adjustments made at the end of Fiscal Year 2019.

n. Includes Unreserved and Undesignated Fund Balance (Deficit) in the General Fund and Reserved Fund Balance in the Debt Service Fund.

Five Year Plan

On May 30, 2019, the School District adopted as its Operating Budget for FY2020, the first year of a Five Year Financial Plan (the "Financial Plan") introduced in March 2019 as part of the process of the introduction and adoption of the Lump Sum Statement. The Financial Plan reflects Fiscal Years 2020-2024 and is a budget and spending estimate which strives for structural balance while determining investments designed to achieve the mission of equity in educational opportunity for all children. It utilizes projections which the School District believes are reasonable for revenues and expenditures based on the Mayor's proposed operating budget and revenue measures and the Governor's proposed budget, actual activity, current law, and historic trends. The Financial Plan projects a positive year-end fund balance through the end of Fiscal Year 2021 and narrow negative fund balances thereafter. It also includes a $22.5 million reserve for potential Federal funding reductions in FY 2021 through FY 2024. The Financial Plan may be amended and modified at any time.

The Financial Plan contains forward looking statements which may or may not be achieved and the differences between projected results and actual results may be material. The School District has no independent authority to increase its revenues and its ability to utilize its powers under the School Code to limit expenditures may be limited by current federal and Commonwealth education mandates, court decisions and future legislation.

No assurance can be given that the School District will be able to continue to provide the programs and services which it currently provides or which are assumed to be provided in the then current Financial Plan without additional sources of or increases to existing sources of revenues and/or relief from some of its non-discretionary expenditure obligations.

Operating Budget Revenues, Expenditures and Changes in Fund Balances

Fiscal Year 2016 Adopted Operating Budget. On June 30, 2015, the School Reform Commission adopted the Operating Budget for Fiscal Year 2016 with anticipated revenues and other financing sources of $2,659.2 million and expenditures and other financing uses of $2,684.0 million, resulting in a projected zero ending fund balance on June 30, 2016.

Revenues increased by $84.5 million from the revenues in the Fiscal Year 2015 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by $67.3 million due to increased real estate and use and occupancy taxes and the full year implementation of the cigarette tax; (2) Local Non-Tax Revenues increased by $1.8 million due to a $5 million increase in the grant from the City offset by reductions in the casino settlement and miscellaneous debt service revenue; (3) State Revenues increased by $15.5 million due to a $22.5 million increase in retirement reimbursements from higher employer contribution rates, and other net increases of $1.9 million offset by a $8.9 million decrease due to an increased payback to the State for transportation prior year advances. Other Financing Sources declined by $313.9 million due to non-recurring refinancing savings of $295.2 million, and a sale of property reduction of $21.1 million, offset by an increased transfer from Capital Projects fund of $2.4 million for issuance costs.

Expenditures increased by $124.0 million from the expenditures in the Fiscal Year 2015 Amended Operating Budget (excluding refunding) due to the following changes: (1) a $63.8 million increase in salaries and benefits driven primarily by an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries from 21.4% in Fiscal Year 2015 to 25.84% in Fiscal Year 2016; (2) Per Pupil Payments to Charter Schools increased by $40.6 million; and (3) increases of $19.6 million in all other areas.

Subsequent Events. On December 24, 2015, HB1460 was signed in the Pennsylvania House of Representatives and presented to Governor Wolf. On December 29, 2015, the Governor signed the act but also exercised his line item veto power to veto in whole or in part certain appropriations made in that act (State line item spending plan). The act, as signed by the Governor and containing the line item vetoes, appropriated approximately 45% of the basic education subsidy allocated to each School District in addition to partially appropriating other State revenues.

The Fiscal Year 2016 State Budget impasse and the December 2015 State Line Item Spending Plan had a number of impacts on the School District. The total financial impact to the District was approximately $7.1 million in Fiscal Year 2016 due to: additional short term borrowing costs (estimated Fiscal Year 2016 cost of approximately $2.0 million), additional letter of credit interest cost due to budget impasse – State Intercept Program ratings downgrade and rating withdrawal (estimated Fiscal Year 2016 cost of $5.1 million).

In Fiscal Year 2016, the District refunded certain variable rate bonds to reduce the interest rate on its bond series. This transaction resulted in an impact to revenues & sources of $349,965,000 and obligations and uses of $348,991,000, which nets to a $1.0 million positive impact to the bottom line.

Fiscal Year 2016 Amended Operating Budget. On May 26, 2016, the School Reform Commission amended the Operating Budget for Fiscal Year 2016 with anticipated revenues and other financing sources of $3,083.9 million, expenditures and other financing uses of $3,037.5 million, and transfers from reserves of negative $16.6 million resulting in a projected $117.9 ending fund balance on June 30, 2016.

Subsequent Events. Subsequent to the Fiscal Year 2016 Amended Operating Budget the School District created its own Health Insurance (HI) Fund and transferred $9.5 million of operating funds reserved for self-insured health-related costs to it. Employer contributions, COBRA premiums, and employee contributions will be combined in this fund and used to cover District self-insured medical, optical, and prescription services (excluding Health & Welfare payments to unions).

Fiscal Year 2016 – Actual. The School District ended Fiscal Year 2016 with a $131.2 million positive fund balance representing a $13.3 million surplus over the Fiscal Year 2016 Amended Budget. The surplus can be attributed to: (1) a revenue and other financing sources deficit of $8.4 million over the Fiscal Year 2016 Amended Budget, primarily due to lower than budgeted payments of local taxes and state revenues offset by slightly higher local non-tax revenues; and (2) approximately $21.7 million in expenditure savings, primarily in the following areas: a) full time salaries and associated benefits, and b) savings in non-District operated schools including charters, debt service, and transportation.

Fiscal Year 2017 Adopted Operating Budget. On May 26, 2016, the School Reform Commission adopted the Operating Budget for Fiscal Year 2017 with anticipated revenues and other financing sources of $2,855.3 million, expenditures and other financing uses of $2,862.6 million, and transfers from reserves of negative $9.7 million resulting in a projected $100.9 ending fund balance on June 30, 2017.

Revenues increased by $126.3 million from the revenues in the Fiscal Year 2016 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by $12.9 million due primarily to an increase of $15.1 million in real estate taxes, offset by a $4.0 million budgeted reduction in cigarette tax revenue and a $1.8 million increase in all other taxes, (2) Local Non-Tax Revenues decreased by $11.3 million due to a $3.1 million decrease in parking authority revenue and a $6.9 million decrease in miscellaneous revenue refund of prior year expenditure. And a net $1.3 million decrease in all other local non tax revenue. (3) State Revenues increased by $124.9 million due to a $87.5 million increase in gross Basic Education subsidy, $27.2 million increase in retirement reimbursements from higher employer contribution rates, an increase of $7.9 million in Special Education revenue, and a $3.3 million increase in IU Special Education Transportation revenue offset by other net decreases of $1 million, and (4) Operating Federal revenue decreased by $0.2 million primarily due to a decrease in the Federal Debt Service Subsidy.

Other Financing Sources declined by $354.8 million due to non-recurring refinancing proceeds of $350.0 million, and a sale of property reduction of $5.3 million, offset by an increased transfer from Capital Projects fund of $0.5 million for issuance costs.

Expenditures increased by $173.4 million from the expenditures in the Fiscal Year 2016 Amended Operating Budget (excluding refunding) due to the following changes: (1) a $73.9 million increase in salaries and benefits driven primarily by a decrease in budgeted salary savings due to vacancies and an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries from 25.84% in Fiscal Year 2016 to 30.03% in Fiscal Year 2017; (2) Per Pupil Payments to Charter Schools increased by $116.7 million; and (3) decreases of $6.2 million in all other areas. Other Financing Uses declined in the FY 2017 Adopted Operating Budget by $348.3 million due to non-recurring refinancing uses of funds.

Subsequent Events. Funds not included in the Fiscal Year 2017 Adopted Operating Budget that were included in the Fiscal Year 2016 Amended Operating Budget but received in Fiscal Year 2017 include: $12.4 million of State Debt Service PlanCon funding revenue; and $3.0 million of State Health Services revenue. In addition, on July 11, 2016, the Fiscal Year 2017 Commonwealth budget became law without the Governor's signature, which included the following revenue impacts relative to the Fiscal Year 2017 Adopted Operating Budget:

a) The Basic Education subsidy was reduced by $40.5 million with $40.4 million of that amount shifted back to the pre-existing Ready to Learn grant. The Governor's proposed budget, which was the basis for the Fiscal Year 2017 Adopted Operating budget, eliminated the Ready to Learn grant (which is not part of the Operating Fund) and shifted those funds into the Basic Education subsidy. The Fiscal Year 2017 Commonwealth budget included a $40.4 million Ready to Learn grant not included in the Governor's budget and had a corresponding decrease in the Basic Education subsidy. As a result, this was not a reduction of overall State revenues to the District, only a shift in the mix of Operating and Grant fund revenue. The Ready to Learn grant is a categorical fund and so its funding will not be included in Operating Fund results.
b) Cigarette tax revenues in the State budget increased by $4.2 million from $53.8 million to $58.0 million. The School District will receive at least $58 million annually from this tax by virtue of an amendment to the Fiscal Code contained in Act 85.
c) The Philadelphia School District Special Education subsidy was reduced by $4.7 million from $143.3 million to $138.6 million.

The District recorded a prior period adjustment in Fiscal Year 2017 for the correction of an error for the accounting from a cash basis to a modified accrual basis for accrued salary and benefit expenditures for returning 10-month employees who are paid out over a 12-month period. In applying generally accepted accounting principles, the District should have recorded the 2-month accrual for salaries and related benefits which were earned through June 30, but not paid out until July and August at the governmental fund level as a short-term liability as of June 30 each year. The result of this practice, which was in place since Fiscal Year 1983, was to recognize 12 months of salary and related benefits, however two months related to the prior year of service and ten months related to the subsequent year of service. This adjustment in effect restated the FY2016 budgetary ending fund balance from $131.2 million to $47.5 million.

Fiscal Year 2017 Amended Operating Budget. On May 25, 2017, the School Reform Commission amended the Operating Budget for Fiscal Year 2017 with anticipated revenues and other financing sources of $4,126.0 million, expenditures and other financing uses of $4,055.6 million, and transfers from reserves of negative ($9.7) million resulting in a projected positive $108.1 million ending fund balance on June 30, 2017.

Fiscal Year 2017 – Actual The School District ended Fiscal Year 2017 with an $124.7 million positive fund balance representing a $16.5 million surplus over the Fiscal Year 2017 Amended Budget. The $16.5 million surplus can be attributed to: a) revenue and other financing sources increase of $32.6 million over the Fiscal Year 2017 Amended Budget, primarily due to higher than budgeted payments of local and state revenues, and sale of property; and b) approximately a $16.1 million expenditure deficit, primarily driven by higher than budgeted expense in charter school payments and losses and judgments.

Fiscal Year 2018 Adopted Operating Budget. On May 25, 2017, the School Reform Commission adopted the Operating Budget for Fiscal Year 2018 with anticipated revenues and other financing sources of $2,949.5 million, expenditures and other financing uses of $2,953.1 million, and transfers from reserves of negative ($14.7) million resulting in a projected $89.8 million ending fund balance on June 30, 2018.

Revenues increased by $131.3 million (excluding refunding and other financing sources) from the revenues in the Fiscal Year 2017 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by $97.0 million due primarily to an increase of $83.1 million in real estate taxes, an increase of $13.4 million in business use and occupancy tax, and an increase in liquor sales tax of $0.5 million, (2) Local Non-Tax Revenues decreased by ($11.4) million due to a ($6.2) million decrease in parking authority revenue, a ($3.9) million decrease due to the elimination of the casino settlement, and ($1.3) million decrease in all other areas, (3) State Revenues increased by $42.0 million due to a $30.8 million increase in gross Basic Education subsidy, a $21.4 million increase in retirement reimbursements from higher employer contribution rates, an increase of $4.0 million in Special Education revenue, and a $3.1 million increase in IU Special Education Transportation revenue offset by a decrease in Debt Service of ($13.7) million, a decrease in school health program revenues of ($3.0) million, and a decrease in all other areas of ($0.6) million, and (4) Operating Federal revenue increased by $3.7 million primarily due to an increase in the Federal Debt Service Subsidy.

Other Financing Sources declined by $1,307.8 million due to non-recurring refinancing proceeds of $1,306.7 offset by a $0.7 million increase for the sale of property, and an increase in other transfers of $0.3 million.

Expenditures increased by $213.3 million from the expenditures in the Fiscal Year 2017 Amended Operating Budget (excluding refunding) due to the following changes: (1) a $88.9 million increase in salaries and benefits which included additional headcount related to investments, a budgeted increase for labor contracts, and an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries from 30.03% in Fiscal Year 2017 to 32.57% in Fiscal Year 2018; (2) increases in non-District operated schools and Charter Schools of $77.0 million; (3) increase of $17.5 million as a reserve against the proposed elimination of Title II funding; (4) increase of $29.9 in transportation, alternative education contracts, and all other non-personnel areas. Other Financing Uses declined in the FY 2018 Adopted Operating Budget by $1,315.9 million due to non-recurring refinancing uses of funds.

Subsequent Events. After budget adoption, the District reached labor agreements with the Philadelphia Federation of Teachers (PFT), Commonwealth Association of School Administrators (CASA), and School Police Association of Philadelphia (SPAP) labor unions. These contracts resulted in a net ($36.2) million negative fund balance impact over the FY 2018 adopted budget, which is a result of increased salary and benefit expenditures partially offset by corresponding State revenue reimbursements and elimination of investments included in the adopted budget (hold harmless at leveling for grades K-3, and elimination of 1st and 2nd grade combined classes).

Fiscal Year 2018 Amended Operating Budget. On May 24, 2018, the School Reform Commission amended the Operating Budget for Fiscal Year 2018 with anticipated revenues and other financing sources of $3,010.9 million, expenditures and other financing uses of $2,972.3 million, and transfers from reserves of negative ($14.7) million resulting in a projected positive $148.6 million ending fund balance on June 30, 2018.

Fiscal Year 2018 – Actual. The School District ended Fiscal Year 2018 with a $169.5 million positive fund balance representing a $20.8 million surplus over the Fiscal Year 2018 Amended Budget. The surplus can be attributed primarily to: (1) higher than budgeted local revenue totaling $16.8 million over the Fiscal Year 2018 Amended Budget, made up of $11.5 million in local tax revenue and $5.2 million in local non-tax revenue; (2) higher than budgeted state revenues of $2.6 million over the Fiscal Year 2018 Amended Budget; and (3) $1.5 million of reduced expenditures relative to the Fiscal Year 2018 Amended Budget.

Subsequent Events. The School Reform Commission (SRC) dissolved, based on a resolution adopted on November 16, 2017, recommending that the Secretary of Education issue a declaration that the District was no longer distressed and therefore no longer required SRC control. A Board of Education was created, members were appointed by the Mayor, and local governance through the Board of Education was assumed on July 1, 2018.

Additionally, in December 2018, Moody's upgraded the District's underlying bond rating by two notches to Baa3 and set the outlook at Stable. This marked the first time the District has had an unenhanced investment grade rating from Moody's since 1977.

Fiscal Year 2019 Adopted Operating Budget. On May 24, 2018, the Board of Education adopted the Operating Budget for Fiscal Year 2019 with anticipated revenues and other financing sources of $3,188.3 million, expenditures and other financing uses of $3,129.6 million, transfers from reserves of $4.6 million, and $17.5 million in reserve for potential Federal funding cuts to Title II, resulting in a projected $194.6 million ending fund balance on June 30, 2019.

Revenues increased by $177.4 million from the revenues in the Fiscal Year 2018 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by $88.8 million due primarily to an increase of $90.9 million in real estate taxes due to a proposed increase in the Mayor's proposed budget and an increase in liquor sales tax of $2.4 million, partially offset by a reduction in business use and occupancy tax and school income tax of ($3.1) million and ($1.6) million respectively. (2) Local Non-Tax Revenues increased by $67.3 million due to a $68.7 million increase in the contribution from the City, and offset by a reduction of ($1.3) million from the Parking Authority Contribution, (3) State Revenues increased by $24.1 million, primarily due to a $7.0 million increase in net Basic Education subsidy, a $3.1 million increase in the Special Education subsidy, a $8.9 million increase in debt service subsidy, a $9.9 million increase in Transportation Reimbursement, and a $8.4 million increase in retirement reimbursements from higher employer contribution rates, offset by a $14.5 million decrease in Act 89 revenues which were moved to categorical funds.

Expenditures increased by $157.2 million in the FY 2019 Adopted Operating Budget from the expenditures in the Fiscal Year 2018 Amended Operating Budget (excluding refunding) primarily due to: (1) a $39.7 million increase in salaries and benefits which included additional employees related to investments, a budgeted increase for labor contracts, and an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries; (2) a $87.6 million increase in Charter Schools payments; and (3) an increase in debt service of $28.0 million.

Fiscal Year 2019 Amended Operating Budget. On May 30, 2019, the Board of Education amended the Operating Budget for Fiscal Year 2019 with anticipated revenues and other financing sources of $3,175.5 million, expenditures and other financing uses of $3,147.0 million, and transfers from reserves of $4.6 million, resulting in a projected positive $206.8 million ending fund balance on June 30, 2019.

Fiscal Year 2020 Adopted Operating Budget. On May 30, 2019, the Board of Education adopted the Operating Budget for Fiscal Year 2020 with anticipated revenues and other financing sources of $3,340.7 million, expenditures and other financing uses of $3,382.3 million, and transfers from reserves of negative ($13.3) million, resulting in a projected $151.9 million ending fund balance on June 30, 2020.

Revenues and other sources are budgeted to increase by $165.2 million from the revenues and other sources in the Fiscal Year 2019 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by $8.8 million due primarily to an increase of $7.3 million in real estate taxes, an increase of $1.4 million in school income tax and an $2.6 million increase in liquor tax, partially offset by a ($1.4) million reduction in business use and occupancy tax, and a ($1.1) million reduction in rideshare revenue, (2) Local Non-Tax Revenues increased by $28.4 million due primarily to a $33.1 million increase in the contribution from the City, partially offset by a ($2.8) million reduction in interest earnings, and a net ($1.9) million reduction in all other areas, (3) State Revenues increased by $126.2 million due primarily to a $78.3 million increase in net Basic Education subsidy, of which $40.4 million was from the shift of the Ready to Learn Grant to Operating based on the Governor's proposed budget, $9.8 million in the Special Education subsidy, $23.9 million increase in PSERS and Social Security reimbursement, and $8.9 million in debt service reimbursement.

Expenditures and other uses increased by $235.3 million from the expenditures and other uses in the Fiscal Year 2019 Amended Operating Budget due primarily to a $114.1 million increase in salaries and benefits from additional headcount related to investments, a budgeted increase for labor contracts, and an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries and $105.1 million of increases in charter school payments.

Subsequent Events. The Governor's proposed budget, which was the basis for the Fiscal Year 2020 Adopted Commonwealth Operating budget, shifted the Ready to Learn Grant (categorical funds) to the Basic Education subsidy (operating funds). At State budget adoption, the Ready to Learn was maintained as a grant and not included in the Basic Education subsidy. Therefore, the Basic Education subsidy was reduced by $40.4 million with the total amount shifted back to the pre-existing Ready to Learn Grant. This was not a reduction in overall State revenues to the District, only a shift in the mix of Operating and Grant fund revenue.

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. Although many steps remain in this process, and the initial ruling could be overturned, this judgement if upheld in the courts, would have an adverse effect on the District's future finances (represents a potential loss of more than sixteen percent of the District's estimated FY19 ending Fund Balance). *See "LEGAL PROCEEDINGS – Litigation – Duffield House Assocs., et al v. City of Phila., et al" herein*.

SCHOOL DISTRICT OPERATIONS

The School District is the thirteenth largest district in the nation based on enrollment data, with over 204,514 pupils in Fiscal Year 2019, including approximately 73,670 students attending both brick and mortar and cyber charter schools, and approximately 3,850 students in alternative schools.

School Organization

The Fiscal Year 2019 organizational structure for the School District includes 215 public schools comprised of the following: 48 elementary schools; 99 K-8 schools; 14 middle schools; 1 K-12 school; and 53 high schools (seven of which serve lower grades). Additionally, there are currently 86 charter schools and 29 alternative educational schools and programs.

In an effort to advance the School District of Philadelphia's vision for all children to have a great school close to where they live, the District has launched a multi-year Comprehensive School Planning Review (CSPR). Beginning in fall 2019, the District will partner with industry experts to take a strategic, system-wide look at how populations and communities across our city are projected to change in the coming years. The overall goal is for the District to design schools in every neighborhood that meet the educational needs of the changing population by:

- optimizing utilization of our buildings to ensure students have access to a high-quality school close to where they live
- investing limited capital dollars where needed most
- creating thoughtful transitions for students at elementary and middle grades

The review will be conducted in four cycles, each of which will focus on different areas of the City. Information gained during each review cycle will be combined with school performance and building quality data to guide recommendations to the Superintendent and Board of Education. The District is committed to the collaborative development of options that balance the desires of the students and families in each study area with its overarching responsibility to do what is best for all learners.

Enrollment

The School District's Performance Office, Office of Talent Administration and Office of Management and Budget monitor enrollment trends and prepare enrollment projections for future planning purposes. These projections are based upon actual birth rate numbers from the Philadelphia Department of Vital Statistics and historical enrollment trends for the School District.

Although the number of school age children in Philadelphia has been dropping gradually over the past two decades, certain areas of the City experienced higher enrollment levels than other parts as evidenced by data published in accordance with the 2010 Census. Since 1998, nearly 30% of public school students have exited traditional public schools and opted to enroll in charter and cyber charter schools. *See* "SCHOOL DISTRICT OPERATIONS – Charter Schools" herein. The School District continues to take steps to alleviate the overcrowding in certain areas of the City by the use of leased facilities, construction of primary grade annexes, and the reconfiguration of various school facilities throughout the City.

The following table sets forth the actual fall enrollment by grade in the School District for the academic school years 2013-14 to 2018-19:

THE SCHOOL DISTRICT OF PHILADELPHIA

Fall Enrollment

2014–15 through 2018-19

Grade	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
K	11,979	11,579	10,970	10,790	10,331
1	12,761	12,393	11,963	11,249	10,865
2	12,166	12,390	11,684	11,331	10,807
3	11,389	11,883	11,684	11,260	10,994
4	10,935	11,310	11,420	11,287	10,990
5	10,160	10,345	10,374	10,616	10,624
6	8,988	9,180	9,274	9,359	9,839
7	8,617	8,820	8,962	9,005	8,950
8	8,426	8,448	8,441	8,531	8,783
9	9,951	10,573	10,149	9,686	9,951
10	9,101	9,334	9,099	9,385	8,962
11	7,918	8,076	7,981	7,975	8,102
12	7,182	6,905	7,033	7,166	7,245
Ungraded	--	--	--	--	--
Subtotal	129,573	131,236	129,034	127,640	126,443
Alternative Education	3,324	2,529	2,751	4,013	3,854
PA Virtual Academy	336	311	455	462	551
Total Public Schools	133,233	134,076	132,240	132,115	130,848
Charters	64,301	62,713	64,750	64,999	66,153
Cyber Charters	6,619	5,522	4,604	5,424	6,224

Non-Philadelphia Charter	263	375	228	1,106	1,289
Total Charters	71,183	68,610	69,582	71,529	73,666
Total	204,416	202,686	201,822	203,644	204,514

Sources: District Performance Office; Office of Talent; and Office of Management and Budget.

Curriculum, Instruction and Assessment

The Office of Curriculum, Instruction and Assessment has continued to support the development, implementation, and monitoring of quality, high-level instruction. Enhancements have been made to the ELA, Mathematics, Science and Social Studies online curriculum engine to include alignment between the curricula, core materials, formative assessments and/or PA core standards.

Expanded Focus on Literacy

As an expansion to the School District's early literacy initiatives, the Office of Curriculum, Instruction, and Assessment has developed a comprehensive literacy framework that extends from Pre-K to Grade 3, up to grade 8. This focus includes strengthening instruction across the Pre-K to Grade 8 continuum by promoting rigorous curricular standards that are aligned across grade levels, while providing tools and training for teachers that enable them to differentiate and tailor instruction to meet students' individual learning needs. The School District has continued its partnership with Children's Literacy Initiative, with the implementation of Early Literacy Specialists and Literacy Leads assigned to schools to work directly with individual teachers, teacher teams, and school leadership. The intent is to ensure implementation of best practices in literacy instruction for grades Pre-K to Grade 8. These staff members continue to provide specialized professional feedback to shape classroom practice and lesson planning and ensure utilization of student data to inform and differentiate instruction. In addition, Reading Specialists have been assigned to select Focus and Priority Schools to provide intensive intervention to students reading below grade level. The School District has also expanded the week-long Summer Literacy Institute to grades 4-5 Literacy. Teachers and school leaders are provided workshops that include content related to the five pillars of literacy instruction, the Comprehensive Literacy Framework, assessment and data, and family engagement. Attendees receive classroom libraries in grades 4-5 to enhance the literacy materials available to students. During the summer of 2020, the Summer Institute initiative will expand to grades 6-8.

Cultural and Identity Inclusive Teaching Practices

During the 2019-2020 school year, the District will convene an advisory committee to provide diverse perspectives to collaborate on the design and implementation of frameworks to be used to assess how inclusive its teaching practices are for its students. These teaching practices encompass what the School District teaches (content), how it teaches (pedagogy), where it teaches (classroom & school environments), and the tools used (instructional resources).

As a result of this work, the School District intends to accomplish the following:

- Develop K-12 frameworks that serve as a shared language to articulate the expectations for cultural and identity inclusive teaching that can be applied to all content areas and is accessible to all members of the school community.
- Create a way for educators and District central office staff to assess the existing state of what the School District teaches (content), how it teaches (pedagogy), where it teaches (environments), and the tools used (resources).
- Ensure that the academic tasks and the learning environment reflect our students' culture and identity.

Other Areas of Support

The Office of Curriculum, Instruction and Assessment also provides support in the areas of Library Services, and Gifted and Talented Programs.

The School District continues to support its school libraries. Currently 41 schools have functioning libraries with active check-in, check-out systems. The number of school libraries is growing given the active support of parent groups and a network of community partners. Libraries are staffed by certified librarians (7) and library instruction media assistants (3), and several schools have other staff or volunteers maintaining collections and book circulation. PowerLibrary, the PA State Library online system, is available to all schools, grades K-12, throughout the District. This subscription service provides access to newspapers, journals, historical documents, early learning titles, and more. Students may also chat in real-time with a state librarian.

The Gifted and Talented program is fully site based within schools under the leadership of each school principal. Enrichment resources used to differentiate instruction within the classroom serve our academically advanced students. High school students in every school have opportunities to enroll in Advanced Placement (AP), Honors, or International Baccalaureate (IB) courses onsite or online. STEM projects and Coding are part of many schools' academic activities. Currently, the School District has over 1,700 gifted students identified within 117 schools. The six-year goal for this program is to expand the identification of and services to gifted and talented students to all neighborhood networks. In an effort to reach this goal, all second grade students are screened for academic talent in the spring, with follow up evaluation where appropriate. In addition, professional development for teachers on the characteristics of the gifted student is being offered district wide.

Health, Safety and Physical Education Curriculum and Programs

The Office of Health, Safety, and Physical Education focuses much of its Health and Physical Education curriculum on preventing and delaying chronic diseases, reducing risk factors, and promoting healthy decision making, fitness and wellness in children. Students are taught a comprehensive Health curriculum and a fitness and skills-based based Physical Education curriculum. There are over 340 certified Health and Physical Education teachers providing instruction in Philadelphia public schools.

This year, the School District is introducing a K-12 Healthy Behaviors/Sexual Health Education curriculum. In its high schools, the Health Education teachers are providing the newly state mandated Hands Only CPR curriculum. The School District's commitment to improving Health Literacy is evidenced by the Chief Academics Office statement of expected instructional minutes: grades K-3 are expected to receive 30 minutes/week of Health instruction, while grades 4-8 are expected to have 45 minutes/week of Health. Additionally, 6th-8th grade students should receive Health Education instruction by a certified Health and Physical Education teacher.

All School District schools are offered a variety of nutrition education services and programs for students and caregivers. The Eat.Right.Philly program is a partnership with six organizations who, along with the School District, receive Supplemental Nutrition Assistance Program Education federal funding, to foster behavioral changes related to nutrition and physical activity including the importance of healthy lifestyle choices.

The Office of Health, Safety and Physical collaborates with a number of partners to supplement instructional opportunities. Some of the relationships with partner organizations include: the American Heart Association, American Red Cross, Special Olympics Unified programs, Playworks socialized recess program, The Food Trust Healthy You Positive Energy (HYPE) program, Activity Works movement breaks program, Youth Heart Watch, Think AED and Keeping the Beat CPR/AED programs, the Centers for Disease Control HIV/Teen Pregnancy Prevention programs, the Philadelphia Department of Public Health Get Healthy Philly program and many more.

MTSS & RtII

Response to Instruction and Intervention ("RtII") is a student support process which is used to improve student achievement using research-based interventions/programs matched to the instructional need and level of the student. The RtII process identifies, addresses, monitors and revisits the needs of students from an academic, attendance and behavioral health perspective. In 2012-2013, the School District implemented RtII in all schools K-12 as part of a five-year plan to maximize student achievement and to reduce attendance and behavioral health issues. Since that time the School District has transitioned from RtII to PA's Multi-Tiered System of Supports (PA-MTSS), or MTSS-RtII as directed by the Pennsylvania Department of Education. We have developed an online Student Information System (SIS) for teachers to develop and document student plans for students in Tier III, Literacy in Grades K-10. The goal of these plans is to implement a comprehensive system of supports to students in need, that includes standards-aligned, culturally responsive and high-quality core instruction, universal screening, data-based decision-making, tiered services and supports, parental engagement, central/building level leadership, and professional development. MTSS-RtII helps all students meet with continual academic, attendance and behavioral success. As we expand our district-wide focus, we plan to expand the development of plans by grade level and content area in the upcoming years.

Assessment

The 2019-2020 academic year is the fourth year of the new, more rigorous Pennsylvania System of School Assessment ("PSSA"). After seeing little to no year-over-year change in 2015-16 District-wide, the School District observed positive increases two years in a row, 2016-17 and 2017-18, on both the English Language Arts and math PSSAs and one year of improvement in 2017-18 on the science PSSA.

The percentage of students scoring Proficient/Advanced on the PSSA in English Language Arts in 2017-18 was 35% (up from 33% in 2016-17 and 32% in 2015-16) in all grade levels 3-8. Most notably, the School District observed a 5%-pt increase for 7th grade students (35% to 40%) and 8th grade students (33% to 38%) in 2017-18 compared to 2016-17. Additionally, the School District reduced the number of students in Below Basic. About 2,700 (or 5%-pts) fewer 3rd to 8th grade School District students scored Below Basic on the English Language Arts PSSA.

The percentage of students scoring Proficient/Advanced in math was 20% (up from 19% in 2016-17, and 18% in 2015-16. Most notable were 2%-pt increases for 3rd, 5th, 6th, and 7th graders in 2017-18 compared to 2016-17.

The percentage of students scoring Proficient/Advanced in science was 35%, representing a 3%-pt improvement from 32% in 2016-17. There was also a 3%-pt reduction in the percent of students scoring Below Basic on the science PSSA.

Keystone Examinations were administered for the first time in the 2012-2013 school year, after a pilot administration the previous spring. The 2017-2018 represented the sixth year of Keystone Examinations testing. Keystone Examinations are end-of-course assessments designed to assess proficiency in the areas of Algebra I, Literature, and Biology.

The School District saw a small improvement in the Commonwealth's Keystone assessment in 2017-18 for Algebra I, remained stable for Biology, and declined slightly in Literature. The Proficient/Advanced rates increased from 21% to 22% (+1%-pt) for Algebra I, remained stable at 29% for Biology, and declined from 43% to 42% (-1%-pt) for Literature. Additionally, the School District saw a 3%-pt increase in the percent of students scoring Advanced in Literature and a 2%-pt increase in Biology.

Career and Technical Education

The mission of the Office of Career and Technical Education (CTE) is to deliver the highest quality CTE programs that provide students with the opportunity to acquire challenging academic and technical skills, and thus, be prepared for the high-skill, high wage, and high priority occupations in the global economy. Currently, the School District operates five (5) CTE schools and 117 CTE Programs with close to 6,000 students. CTE programs are also offered in an additional 28 comprehensive and special admission high schools. In the school year 2018-2019, 2073 CTE students earned 3,432 industry-recognized credentials.

CTE Programs of Study (POS) incorporate secondary and post-secondary education elements that include rigorous content aligned with challenging academic instruction and relevant career and technical competency attainment to adequately prepare students to succeed in post-secondary education, technical training centers, apprenticeships, or entry into careers with industry certifications. The School District of Philadelphia's Career and Technical Education offerings include agriculture, culinary arts, business, construction, advanced manufacturing, communication, information technology, transportation and health, education, personal care.

In an effort to ensure that the highest quality CTE programming is provided to our students and aligned with workforce and economic development needs, the Office of Career and Technical Education seeks advice from subject-matter experts from both business and community stakeholders. These meaningful partnerships, which include representatives from business, industry, organized labor, Philadelphia Workforce Investment Board, economic development agencies, community based organizations, and post-secondary education, provide for informed decision-making regarding the improvement in the overall quality of current CTE programs, as well as new and emerging 21st century occupations for which education should be provided.

Multilingual Curriculum & Programs

The Office of Multilingual and Programs (OMCP) supports instructional programs to approximately 15,000 English Learners (ELs) across the School District. The education of ELs is a shared responsibility; therefore, OMCP works with all educators to ensure ELs have access to grade-level curriculum and standards as well as instruction to support academic language development in English. To accomplish this, there are a variety of instructional programs in place including English as a Second Language (ESL) in more than 100 schools, bilingual programs in six elementary schools, and one Newcomer Learning Academy (NLA) for ELs in high school with significant gaps in formal education.

The Arts & Creative Learning

The Office of The Arts & Creative Learning provides multiple learning opportunities that ensure a high quality well-rounded education for every student in the District by: (1) providing a curriculum that is rigorous, standards driven, guided by the individual learning needs, rich cultural heritages, and the diverse perspectives of each student; (2) providing professional development to teachers and school leaders in Art, Music Theater, and Dance (3) providing in and out of school enrichment and extra-curricular opportunities for students through a shared delivery model including School District educators and community partners.

Art Education. The School District of Philadelphia offers a rigorous art education program taught by certified PreK-12 Visual Arts specialists. The arts promote creative problem-solving skills and lead students to discover that there can be multiple answers to a problem. Developing this skill set encourages students to think creatively, become innovators and have the confidence in their ability to compete in the 21st Century workforce. The visual arts program through traditional and digital art media, facilitates learning in and through the arts for children Pre-K through grade12. In FY2019 there are over 200 Art Specialists teaching throughout the District, some serving in more than one school.

Theatre Education. The School District of Philadelphia (SDP) offers arts credit for theatre education courses in many District high schools. Certified Communications/English teachers 7-12 teach these courses. The State of Pennsylvania passed a Theatre Endorsement in May 2015 to ensure quality theatre programs in our schools. PreK-6 grade theatre classes are available in some schools within individual classrooms. Theatre productions are encouraged as a creative art form in SDP schools. Community Theatre partners work with our teachers and schools to enhance the theatre arts.

Dance Education. The School District of Philadelphia (SDP) offers arts credits for dance education courses in several high schools taught by certified Vocational Dance, Physical Education and Communications teachers. The State of Pennsylvania passed a Creative Movement Endorsement in December 2015 as a guide to address a set of competencies relative to creative movement courses and is currently pursuing a unified State Dance Certification. Community Dance partners work with SDP teachers and schools to enhance and encourage the art of creative movement and dance.

Music Education. The School District of Philadelphia continues its long-standing tradition of excellence in music education while establishing itself as a recognized leader in innovative practices, striving to provide opportunities for all students in grades Prek-12 with opportunities to enjoy the benefits of participating in learning music as part of a "well-rounded" education. In FY2019, 153 music teachers facilitated music education in District Schools through rostered programs and classes, with an additional 66 itinerant Class Instrumental Music Teachers visiting196 schools each week offering small group instruction. Programs include an emphasis on culturally relevant music and ensembles and exposure to career opportunities in the Music Industry.

High School Supports

In close coordination with the District's continued program of work and ongoing focus to ensure that 100% of students graduate from high school ready for college and career, the Office of High School Supports works to promote academic excellence and enhance educational opportunities for all high school students. The strategic focus of the Office of High School Supports encompasses the following:

- Engaging students in rigorous, standards-aligned content accessed through authentic, responsive, and relevant learning experiences
- Engaging students in social and emotional learning so they can understand and manage emotions, set and achieve positive goals, feel and show empathy for others, establish and maintain positive relationships, and make responsible decisions
- Increasing student engagement and participation in decision and participation in decision-making processes regarding learning experiences inside and outside of school
- Increasing opportunities for students to develop the knowledge, skills, and mindsets needed to succeed in college, work, and life

Postsecondary Readiness

In support of the School District's Action Plan 3.0, Anchor Goal 1, 100% of students graduating from high school ready for college and career, the District has established 22 College and Career Readiness pilot schools tasked with implementing individual high school plans for all students, exploring coursework and non-cognitive skills needed for post-secondary success, and aligning internal and external resources to the High School Plan. In addition to piloting the College and Career Readiness schools, the work of the Office of Postsecondary Readiness embodies the following foci:

- Promoting college and career access and awareness
- Implementing the Future Ready PA Career Profile Scope and Sequence
- Supporting college and career academic planning through Naviance
- Implementing GEAR UP grant initiatives
- Creating collaborative community and corporate partnerships

Alternative Education

The School District offers a variety of multiple pathways for students to earn their high school diploma including 15 Accelerated high school programs (over-age/under-credited), four Continuation or Transition (disciplinary) school programs, four evening high school diploma programs for adults, one dual-enrollment program (Gateway to College). These programs are operated either by the School District or in partnership with an outside provider. The School District also oversees two placement and support centers and operates two schools within Juvenile Justice facilities in the City of Philadelphia.

Charter Schools

The General Assembly enacted legislation, Act No. 1997-22 ("Charter School Law"), on June 19, 1997, to amend the School Code to provide for the establishment of charter schools. Since 1997, there have been a limited number of amendments to the Charter School Law. In December 2017, the Charter School Law was amended to add provisions concerning multiple charter school organizations ("MCSO's") to enable academically high performing charter schools to consolidate to form MCSOs after approval from the local school district and the Pennsylvania Department of Education ("PDE"). PDE released the MCSO application form in early February 2018. As of September 3, 2019, no MCSOs have been approved yet. No new comprehensive charter school legislation has been introduced in the Pennsylvania House or Senate since a proposed bill was considered in June 2018, but not enacted.

Charter schools are independently operated schools that are publicly funded. Monthly payments for each student enrolled in an approved charter school are made by the school district of the student's residence to the charter school based on a formula in the Charter School Law. The annual payment rate per student differs on whether the student is a regular education student or a special education student. The Charter School Law permits a charter school to apply directly to the Secretary of Education to request payment from state subsidy payments otherwise due to the applicable school district in the event the charter school claims the school district did not pay the charter school the correct amount for the students the charter school claims are enrolled in the charter school. The Charter School Law requires the Secretary to withhold amounts requested by charter schools from school district subsidies and hold a hearing if a school district objects to the charter school's request for payment; however, only a limited number of administrative hearings before PDE have been proceeding.

The School District is the largest charter school authorizer in the Commonwealth. Nearly 35% of Philadelphia's students attend a variety of charter schools: (i) charter schools authorized by the School Reform Commission and the Board of Education: consisting of standard brick and mortar charter schools and Renaissance Charter Schools, which are schools formerly operated by the School District that have been converted to charter schools; (ii) cyber charter schools authorized by PDE; and (iii) charter schools located in school districts outside of Philadelphia County. The Board has the authority to grant new charters, and to revoke or non-renew the charters of operating charter schools within Philadelphia's boundaries. Additionally, the Board has considered amendment requests submitted by charter schools, including requests for changes in (generally increases to) contractually agreed-to maximum authorized enrollments. *See "THE SCHOOL DISTRICT OF PHILADELPHIA – Board of Education," herein*.

At the commencement of the 2019-20 school year, there are 87 brick and mortar charter schools in operation in Philadelphia. Two charter schools closed at the end of the 2018-19 school year

Renaissance Charter Schools. As part of its strategic plan, beginning in 2010, the School District embarked on a reform initiative, the Renaissance Schools Initiative, to identify chronically under-performing School District operated schools and transform them into high-achieving schools through conversion into Renaissance Charter Schools. Renaissance Charter Schools are managed by third-party educational services organizations or charter management organizations. In the 2019-20 school year, there are 21 Renaissance Charter Schools. These schools include a mixture of elementary, middle and high schools. The process to convert School District schools into Renaissance Charter Schools involves soliciting proposals and Renaissance charter applications from educational services organizations or charter management organizations that have a proven track record of academic improvement and achievement through a Request for Proposals process. All Renaissance Charter Schools remain neighborhood schools, and are required to accept and enroll students already attending the school and/or who reside within school catchment areas up to the maximum authorized enrollment in the Renaissance Charter School's charter.

Cyber Charter Schools and Non-Philadelphia Charter Schools. Cyber charter schools, which are authorized by PDE, primarily provide educational programs through the Internet or other electronic means. Additionally, a limited number of students in Philadelphia choose to attend charter schools operated outside of Philadelphia.

As of October 4, 2019, for the 2019-2020 school year, it is estimated that approximately 7,018 Philadelphia students were enrolled in cyber charter schools and that approximately 1,362 Philadelphia students were enrolled in eight brick and mortar charter schools located outside of the City. The School District's total payments for all charter schools for the 2019-20 fiscal year are projected to be approximately $865 million. Under the Charter School Law, school districts are required to provide certain transportation for charter school students. The costs of transportation for charter school students for the School District during the 2019-20 fiscal year are estimated to be approximately $38 million.

The following table shows by year, the number of new charter school openings and total charter schools in operation in Philadelphia, exclusive of cyber charter schools:

SCHOOL YEAR	**NEW CHARTERS**	**TOTAL CHARTERS IN OPERATION**	**SCHOOL YEAR**	**NEW CHARTERS**	**TOTAL CHARTERS IN OPERATION**
1998-99	9	13	2009-10	6	67*
1999-00	12	25	2010-11	7	74
2000-01	9	34	2011-12	6	80
2001-02	5	39	2012-13	4	84*
2002-03	7	46	2013-14	3	86
2003-04	3	48*	2014-15	0	84*
2004-05	4	52	2015-16	1	83
2005-06	3	55	2016-17	6	86

2006-07	1	56	2017-18	0	84*
2007-08	5	61	2018-19	3	87
2008-09	2	63	2019-20	2	87

* *One charter school closed in 2004, two in 2009-10, one in 2013, two in 2014, two in 2015, three in 2016, two in 2017, one in 2018, and one in 2019.*

New Charter School Applications. House Bill 1177, approved in September 2014, required the School District in November 2014 to accept new charter applications for the first time in seven years. In November 2017, the Charter Schools Office accepted nine applications for new charter schools; however, two of these applications were withdrawn by the applicants prior to consideration by the former School Reform Commission. In February, 2018, the former School Reform Commission conditionally approved one application for a new charter school and denied the six other active applications. In February 2019, the Board of Education denied three applications for new charter schools. The total projected approved new charter seats by the 2023-24 school year is 1,300. The Charter School Law allows for resubmission of a denied new charter application. Applicants for two of the three applications denied in February 2019 resubmitted applications; the Board of Education denied both of these resubmitted applications. Under the timeline set forth in the Charter School Law, revised applications must be voted on by the Board of Education at the first scheduled public Board of Education meeting 45 days after receipt of the revised application. Under the Charter School Law, applicants may appeal the denial of an application to the State Charter Appeal Board ("CAB"). Decisions of the CAB can be appealed to the Commonwealth Court. An applicant for a new charter application which was granted with conditions in 2018 appealed the grant with conditions to CAB. CAB announced its vote granting the applicant's appeal on September 17, 2019. The School District is considering its options concerning next steps in this matter.

Specialized Services

The School District is the public school system (IU26) for 32,516 students identified and eligible to receive special education supports and services pursuant to the Individuals with Disabilities Act (IDEA) and the Pennsylvania regulations as of the 2018-2019 school year.

The School District provides special education services to its students in 215 brick and mortar buildings as well as a virtual academy. Approximately 19,409 students with disabilities are enrolled in School District programs. The educational portfolio also contains and provides a charter school opportunity for parents and students in the form of over 87 authorized charter schools. There are approximately 11,907 students with disabilities attending charter schools in the City.

The Office of Specialized Services (OSS) provides operational and programmatic support to schools in a variety of ways to meet the needs of students with disabilities under IDEA. In the broadest sense, OSS provides support that is operational and programmatic. Specifically, OSS provides technological and consultative support to all schools and charter schools in the context of mandated regulatory reporting. In addition, program specific support is provided through the development, opening, staffing, academic materials and equipment purchases for specialized settings. Research validated interventions are provided and training supplied for those staff working with students whose needs require the use of an intervention as part of the educational program.

Technical assistance and consultative service is provided to school teams in the areas of: behavioral support; inclusive practices; transition services; meeting the needs through IEP goals and specially designed instruction specific to the learner with intellectual disability; autism; blindness or visual impairment; deafness or hearing impairment; emotional disturbance; traumatic brain injury, other health impairments, multiple disabilities, orthopedic impairments, speech and language impairment, and specific learning disabilities. Evaluation services are provided to students by 126+ certified school psychologists who also support building staff responding to struggling learners and those in crisis. Students with fine and/or gross motor deficits receive support through occupational and physical therapy staff who are deployed by OSS as are itinerant vision and hearing therapists. For students with communication challenges, OSS provides assistive technology evaluations and augmentative communication devices along with speech and language support to remediate articulation deficits, stuttering and expressive and receptive communication delays.

The provisions of IDEA allow for students with disabilities to be educated in the public school setting by meeting graduation requirements up to and through the age of 21 if necessary. For many students this provides an opportunity to spend time exploring and preparing for the world of work, vocation, and independent or supported living. An array of transition services and supports are provided to school teams for these students and include: itinerant vocational teachers, work opportunities in school and the community, travel training, and independent living skills.

Some Philadelphia students have needs that require a program response that is more structured and intense. For these students the District provides a placement in a more restrictive setting that may be located in Philadelphia or in a neighboring county. OSS continues to monitor the progress of these students, and staff participates in IEP teams and OSS staff re-evaluates these students consistent with the regulatory requirements.

A large number of students with disabilities require additional learning opportunities beyond the 180-day school calendar. OSS organizes and staffs this additional learning experience referred to as extended school year (ESY) services. OSS identifies school sites, arranges transportation, moves materials and equipment, trains and organizes staff and ensures that all materials and equipment is transported to the appropriate locations following the ESY experience.

OSS supports the provision of specialized transportation for students with disabilities by funding additional adult support or an alternative mode of travel if this is needed for the student to be safely transported to and from school.

Parent engagement is a critical component of IDEA and a successful school experience. OSS provides parent training through a parent coordinator and linkages to parent advocacy groups.

Planning and Evidence-based Support Office (PESO): Every Student Succeeds Act (ESSA)

The Pennsylvania ESSA Consolidated Plan was approved by the U.S. Department of Education thereby ushering in new accountability measures for the Local Education Agencies. The School Performance Profile (SPP) is used to support Educator Effectiveness ratings and The Future Ready Index dashboard reports Local Education Agency achievements in student proficiency and growth, English language acquisition, graduation and post-graduation success, student access to

Advanced Placement (AP), International Baccalaureate (IB), college credit and CTE courses and career pathways with industry credentials.

New State accountability systems (and related interventions) took effect in school year 2018-19. In Fall 2018 under the new ESSA legislation, 43 School District schools were identified as Comprehensive Support and Improvement (CSI) and 17 as Additional Targeted Support and Improvement (A-TSI). Currently, all schools, regardless of federal designation, receive technical assistance supervised and provided by the PESO with specialized supports provided to CSI and A-TSI schools. Currently, technical assistance represents significant intervention in a school and is specifically designed to remedy the school's persistent inability to make progress toward all students becoming proficient in reading and mathematics, with an added layer of focusing on subgroup progress in additional to whole school. PESO staff work with schools in areas of data analysis, utilizing data to improve instruction, monitoring innovations, building capacity, and leading change within the school's environment.

In alignment with indicators of school performance in the PA ESSA Consolidated Plan, the School District utilizes a local performance and accountability tool called the School Progress Report (SPR). The SPR looks at schools on multiple dimensions - academic achievement, academic progress, climate, and (for high schools only) college and career readiness - reflecting the richness and complexity of the educational experience. The SPR puts the most emphasis on progress, reflecting the School District's focus on and commitment to ensuring that all students are learning. The School District uses the SPR to celebrate schools that are meeting or exceeding a standard of educational excellence for all students. It is also used to learn from principals and teachers who are realizing exceptional success in serving particular student populations or establishing a positive school climate. The SPR tool is used to identify schools needing interventions and supports - and also the principals and teachers with innovative, evidence-based approaches for breaking down barriers to student success.

In an effort to align the School District's practice to the ESSA for the 2019-2020 school year, the Planning and Evidence-based Support Office will provide targeted specialized support to a pilot group of schools designed to offer targeted support and evidence-based interventions through collaboration with other District offices in the identification, implementation and monitoring of the targeted evidence-based interventions for the schools.

Transportation

The School District provides school bus and cab service to approximately 43,000 students who attend public, charter and non-public schools. In Fiscal Year 2019, an additional 64,000 public, charter and non-public students will receive free student transpasses for use on the City's mass transit system (SEPTA).

School District policy provides for the provision of free transportation for the following: students who live 1.5 miles or more from school, attend a school that is overcrowded, and are in a special education program. The School District has a combination of 13 percent School District-operated routes and 87 percent contractor-operated routes.

A number of initiatives are underway that are intended to increase the efficiency and safety of transportation services provided by the School District. Specific activities include improved training for drivers and bus attendants to be conducted as part of Professional Development, to ensure staff is effectively trained in dealing with students with disabilities and other special needs. The department is also implementing GPS-based operations. Additionally, the transportation services department is actively pursuing a modernization of the fleet, effectively reducing the average age of the fleet by nearly 25%, while employing cleaner more efficient technologies and vehicles with significant safety enhancements.

Personnel

The School District currently employs approximately 18,500 full-time employees funded from and by all sources (i.e. general fund, I.U. fund, categorical fund, et cetera). The following table enumerates the instructional and non-instructional staff positions budgeted for each of the school years 2010-11 through 2019-20 from the Operating Budget:

THE SCHOOL DISTRICT OF PHILADELPHIA

Personnel*

SCHOOL YEAR	INSTRUCTIONAL PROFESSIONAL	NON PROFESSIONAL	NON-INSTRUCTIONAL	TOTAL
2010-11	9,719	1,507	5,103	16,329
2011-12	8,941	1,161	4,197	14,300
2012-13	8,653	1,126	4,164	13,944
2013-14	7,810	1,468	3,770	13,048
2014-15	7,747	1,371	3,717	12,835
2015-16	7,579	1,550	3,624	12,753
2016-17	7,687	1,795	3,625	13,106
2017-18	7,891	2,410	3,811	14,112
2018-19	8,047	2,524	4,011	14,506
2019-20	7,999	2,685	4,022	14,706

* *Personnel funded by the operating budget.*

Pension Plan

School districts throughout the Commonwealth must participate in the Commonwealth of Pennsylvania's Public School Employees Retirement System ("PSERS"), a state-administered pension program. Under the Internal Revenue Service (IRS) Code, the PSERS pension plan is classified as a 401(a), governmental defined benefit plan. A defined benefit plan means that an individual's retirement benefit is determined by a formula which includes a retirement factor, years of credited service, and the final average salary. Under this program, contributions are made by each of three parties - participating employees, local educational entities (school districts, Intermediate Unit and Area Vocational Technical Boards) and the Commonwealth. All of the School District's full time employees and hourly employees participate in the program. Each party to the program contributes a percentage of an employee's gross earnings. The employees' rate was 5.25 percent for employees hired prior to July 23, 1983, and 6.25 percent for employees hired subsequent to that date. Act 9 of 2001 established a new employee contribution rate of 7.50 percent effective January 1, 2002, for employees electing to participate in the new membership class. Effective July 1, 2011, all new employees to PSERS have the option to remain as a T-E member (min 7.5% - max 9.5%) or elect to become a class T-F member (min. 10.3% - max. 12.30%).

Effective July 1, 2019 all new employees to PSERS have the option to remain in a T-G hybrid (5.50% - 8.25%) or elect to become a class T-H member (7.5%) which both have a "shared risk" provisions or Class DC (Defined Contribution of 7.5%) where the member assumes all investment risk in a DC Plan with no guaranteed defined benefit monthly payments in retirement. Current PSERS members have the option to elect one of the new plans during a one-time election window from September 1 through December 1, 2019 for a January 1, 2020 effective date.

The T-E, T-F, T-G and T- H plans have "shared risk" provisions, meaning the contribution rate may increase or decrease by 0.50% or 0.75% within the specified range once every three years.

The Commonwealth reimburses the School District 50 percent of the School District's payment 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 value/personal income aid ratio for Fiscal Year 2017 is 74.48 percent.

In Fiscal Year 2018, the employer rate was 32.57 percent of payroll costs; the employer rate in Fiscal Year 2019 was 33.43 percent and the School District has been advised that in Fiscal Year 2020 the employer rate is increasing to 34.29 percent of payroll for all employees, regardless of their PSERS class.

The School District has no authority over benefits and no responsibility or authority for the operation and administration of PSERS nor does it have any related liability except for the annual contribution requirements which include payments for current normal costs plus amortization of the PSERS unfunded liability. See the PSERS website at www.psers.state.pa.us for information about the state-administered pension program. In its Fiscal year 2018 Financial Statements, the School District reported its "net pension liability" as required by GASB 68 and 71– See Appendix B attached hereto.

SCHOOL DISTRICT LABOR RELATIONS

The School District engages in collective bargaining with the Philadelphia Federation of Teachers ("PFT"), which represents approximately 12,498 employees; Service Employees International Union Local 32BJ ("Local 32BJ"), formerly the International Brotherhood of Firemen and Oilers, AFL-CIO, Local 1201, which represents approximately 2,034 employees; the School Cafeteria Employees Union, Local 634 ("Local 634"), which represents approximately 1,946 employees; the Commonwealth Association of School Administrators ("CASA"), which represents approximately 617 employees; and the School Police Association of Philadelphia

("SPAP"), which represents approximately 347 employees. Some represented employees are included in more than one bargaining unit.

The School District negotiated and settled a seven-year collective bargaining agreement with the PFT effective September 1, 2013 through August 31, 2020. This Agreement provided for annual salary increments beginning in 2016, annual lump sum payments for employees at the maximum of the salary schedules beginning in 2017, and a two percent (2%) across the board increase in wages effective September 1, 2019. It also provided for reductions in the School District's contributions to the PFT Health and Welfare Fund, restructured other medical benefits including increasing co-pays and employee contributions.

The School District negotiated and settled a five-year collective bargaining agreement with CASA. This collective bargaining agreement, which runs from September 1, 2016 through August 31, 2021, generally follows the PFT pattern for salary increases. It continues to provide a cost-saving medical plan and requires employees represented by CASA to contribute to medical premium costs. In addition, employees represented by CASA shall be required to pay a $40/pay surcharge, which increases to $100/pay by 2020, if they elect to enroll a spouse in a School District medical plan and the spouse has employer-provided medical coverage elsewhere.

The School District negotiated and settled a four-year collective bargaining agreement with SPAP for the period from September 1, 2013 through August 31, 2020, and generally follows the PFT wage pattern. Effective June 10, 2016, the School District and Local 32BJ entered into a four (4) year collective bargaining agreement. This agreement expires on August 31, 2020 and provides for a three percent (3%) lump sum bonus, two step increases, and three percent (3%) across the board wage increases on September 1, 2017, September 1, 2018, and September 1, 2019.

The School District and Local 634 negotiated and settled a four (4) year collective bargaining agreement covering the period from October 1, 2019 through September 30, 2023. The agreement provides for across the board increases effective August 25, 2020, August 25, 2021, August 25, 2022 and August 25, 2023. Effective August 25, 2023, Local 634 bargaining unit members will pay between 1% and 1.5% of the total medical premium contributions. Over the life of the contract, each position will receive a pay increase of 6-12.4%, which includes an increase of 3% for all positions in the final year of the contract.

Collective Bargaining following Dissolution of the School Reform Commission

With dissolution of the School Reform Commission, the following statutory provisions apply: Section 11-1127A of the School Code provides that any school district of the first class with an appointed board shall comply with and be subject to the binding arbitration provisions of the Pennsylvania Employee Relations Act ("PERA") and is not subject to provisions in Sections 11-1123A, 11-1124A, or 11-1125-A.5 of the School Code regarding arbitration. A school district of the first class remains subject to the other sections of Article XIA of the School Code, including those governing mediation and fact-finding. Section 805 of PERA, which otherwise applies to units of guards and court employees, requires binding arbitration when the parties have reached impasse in collective bargaining. The School District and its employees, have been subject to the binding arbitration provisions of PERA since July 1, 2018. School District administrators are subject to binding arbitration pursuant to the Administrative Code, 71 PS § 371.

INSURANCE

The School District is self-insured for most of its risks. However, the School District does purchase certain insurance. The types of insurance purchased by the School District include: (i) property and casualty insurance or surety bonds when required by law, leases or other contracts; (ii) property and casualty insurance when categorical funds are available to pay the premiums; (iii) excess property insurance in the amount of $250.0 million per loss; (iv) property insurance for special property, such as computer equipment, boilers and machinery, and fine arts; (v) excess workers' compensation insurance; (vi) employee dishonesty bonds; and (vii) Board members and Chief Officers' travel accident insurance and other various accidental insurance.

The School District is self-insured for workers' compensation, unemployment compensation and weekly indemnity (salary continuation during employee illness) coverage which is shared by the School District and covered employees and annually budgets an amount believed to be adequate, based on past experience, to provide for these claims. Actual payments in Fiscal Year 2019 for workers' compensation totaled $27.9 million. Payments for unemployment compensation and weekly indemnity coverage totaled $0.9 million and $8.8 million, respectively. As of June 30, 2019, there existed a cumulative total potential liability of $95.2 million for workers' compensation claims and $2.0 million for unemployment compensation claims. The School District does not anticipate a significant increase in any amounts which may have to be accrued to FY 2019.

LEGAL PROCEEDINGS

General

The School District receives financial assistance from numerous federal, state and local governmental agencies and other entities in the form of grants or subgrants to conduct a variety of educational programs. Generally, the expenditure of funds from such grants must comply with government regulations and/or terms and conditions of the grants (subject to audit by the grantor).

The District is a party to various claims, arbitrations and litigation in the ordinary course of business. For Fiscal Year 2018, the amount paid from the Operating Funds for losses and judgments, which includes settlements and judgments in personal injury, property damage, civil rights and special education matters, including plaintiffs' attorneys' fees and costs, labor and employment, and commercial matters, was approximately $11.3 million, which included a $5 million settlement. The total amount paid in Fiscal Year 2019 for losses and judgments was approximately $9.3 million. The amount budgeted for Fiscal Year 2020 is $9.5 million.

Under Pennsylvania law, school districts are immune from liability in tort on account of injury to persons or damage to property, except for negligent acts by a school district or its employees arising out of the operation of motor vehicles; care, custody, or control of certain personal property of others in the District's possession, care, custody, or control of certain animals; and a dangerous condition of real property, trees, traffic controls, street lighting, utility service facilities, streets, and sidewalks. Damages in most personal injury and property damage cases in which the District is not immune are capped by statute at $500,000 in the aggregate arising from the same or a series of causes of action or transactions or occurrences. Immunity, which is subject to challenge and judicial interpretation, does not extend to civil rights, contract, commercial, and certain state statutory claims. The District is required to defend and indemnify employees acting within the scope of their offices or official duties.

Charter School Withholding Requests

The District is defending the following suits brought by numerous charter schools which if decided for the plaintiffs could result in a material adverse effect on the School District:

First Phila. Prep. Charter School, et al. v. Pa. Dept. of Educ., et al., Pa. Commw. Ct., 59 M.D. 2017 – This case was brought in 2017 by seven Philadelphia charter schools against PDE, the District, Superintendent, Governor, Attorney General, and members of the General Assembly. At issue is the validity of PDE's interpretation of 24 P.S. §§ 17-1725-A(a)(2) and (3), as stated in PDE's former PDE-363 Guidelines. Based on PDE's Guidelines, which applied statewide, the School District made payments to charter schools in accordance with prior-year *budgeted* expenditures, but toward the end of the school year, the 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, 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. §§ 17-1725-A(a)(2) and (3). On February 22, 2018, a Commonwealth Court panel overruled the preliminary objections presented by the School District, and PDE, and held that PDE's Guidelines were invalid. The case has now been remanded to the Court of Common Pleas for a determination as to whether the charter schools have been paid the correct amounts. On March 19, 2018, PDE rescinded the Guidelines by posting a notice on its website.

Antonia Pantoja Charter School et al. v. Pa. Dept. of Educ., et al., Pa. Commw. Ct., 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, the charter schools here 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 (not the District) after October 1, 2016. In July 2016, the General Assembly 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 1 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 District under authority of 24 P.S. § 17-1725-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 moved for summary relief. On August 5, 2019, the Commonwealth Court denied the District's motion and found that the only significance of the schools' missing the October 1 deadline was that it relieved PDE of the obligation to make withholdings. The Court held that, regardless of whether charter schools meet the October 1 deadline, the District has a "*duty* to pay charter schools the statutory amount." The School District has decided not to appeal the Court's decision to allow the matters to proceed before PDE so a record may be developed and the Secretary may decide the federal deductions issue.

Antonia Pantoja Charter School et al. v. Pa. Dept. of Educ., et al., Pa. Commw. Ct., 167 M.D. 2019 – This is a charter school funding dispute raised by eight brick and mortar and cyber charter schools against PDE and the District. The District initially objected to withholdings for payments made to the charter schools for the 2016-2017 school year. The Commonwealth Court in *First Philadelphia* then invalidated PDE's 363 Guidelines. The District later paid these charter schools at the proper rates—rates calculated using budgeted expenditures, as required under the *First Philadelphia* decision. Accordingly, the District withdrew its objections to the withholdings made by PDE. The charter schools still wanted to be heard, however, on their claims that in the calculation of per-pupil rates PDE permits the District (and all school districts) to deduct amounts from total expenditures that are not expressly permitted under the Charter School Law. Therefore, the charter schools brought this separate action. The District and PDE filed preliminary objections, and the charter schools filed responses. The District's brief was filed on September 12, 2019.

Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al., Pa. Commw. Ct., 431 M.D. 2019 – This is a charter school funding case brought by five brick and mortar and cyber charter schools against PDE and the School District. The District initially 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 District's response to the petition for review was filed in early October 2019.

Federal Grants

The U.S. Department of Education Office ("DOE")'s Office of the Inspector General ("OIG") conducted an audit of the School District's controls over federal expenditures for the period 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 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 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 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. The District anticipates these grantback funds to be available during FY20.

Litigation

The District is defending the following lawsuits, each of which alleges potential material damages and which if decided for the plaintiffs could result in a material adverse effect on the School District:

T.R., et al. v. School Dist. of Phila., U.S. Dist. Ct. for E.D. Pa., C.A. No. 15-4782 – Plaintiffs filed this putative class action challenging the sufficiency of translation and interpretation services provided to Limited English Proficient (LEP) parents of special education students. Plaintiffs allege violations of the Individuals with Disabilities Education Act, for depriving LEP parents of meaningful participation in the Individualized Educational Plan process, and related violations of other laws, including Section 504, and the Equal Education Opportunity Act. The complaint seeks injunctive, declaratory relief, and attorneys' fees and costs. The District Court denied plaintiffs' motion for class certification in April 2019; and the Third Circuit denied their request for interlocutory appellate review of the class certification denial. The case is proceeding on the named-plaintiffs' individual claims. The District moved for summary judgment in late September, and briefing will occur through Fall 2019. The District believes it has strong defenses. If plaintiffs were to prevail, however, the Court could order the District to pay plaintiffs some portion of their reasonable attorneys' fees.

Duffield House Assocs., et al. v. City of Phila., et al., Phila. Cty. CCP, No. 17091536 (Cons.) – 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 District intervened as a defendant. The Court denied the plaintiffs' requested preliminary injunction but stayed their individually filed BRT appeals 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). The City and School District moved for post-trial relief, which the Court denied. The City and School District intend to appeal. If the lower court's ruling stands, it would have an estimated $35 million impact on the District. Although many steps remain in this process, and the initial ruling could be overturned, this judgement if upheld in the courts, would have an adverse effect on the District's future finances (represents a potential loss of more than sixteen percent of the District's estimated FY19 ending Fund Balance).

Wible v. School Dist. of Phila., et al., Pa. Commw. Ct., 1392 CD 2018 – Plaintiff, a former District student, brought claims under the Pennsylvania Human Relations Act alleging the District failed to take adequate steps in response to bullying and harassment of plaintiff by other students based on her gender and gender presentation. After a bench trial, the Court awarded plaintiff $500,000 in damages and $578,000 for attorneys' fees and costs. The Court denied the School District's motion for post-trial relief. The District appealed the judgment, which appeal is pending in Commonwealth Court. Oral argument is tentatively scheduled for November 12, 2019.

Berry v. School Dist. of Phila., et al., Pa. Supreme Ct., 16 EAP 2019 – Plaintiffs brought claims under the Pennsylvania Human Relations Act alleging race and gender discrimination by the School District's failure to take adequate steps in response to claims of bullying and harassment of plaintiff by other students. The District prevailed in the trial court. Plaintiff appealed, and Commonwealth Court affirmed on statute of limitations grounds. Plaintiff filed a Petition for Allowance of Appeal to the Pennsylvania Supreme Court, which was granted in June 2019, regarding statute of limitations issues. The parties have submitted briefs and are awaiting notice from the Court concerning an oral argument schedule.

APPENDIX B - CERTAIN FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT

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SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

440 N. BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19130

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2018

Marcy F. Blender, CPA

Comptroller

Prepared by

Office of General Accounting

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SCHOOL DISTRICT OF PHILADELPHIA

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FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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THE SCHOOL DISTRICT OF PHILADELPHIA
OFFICE OF THE SUPERINTENDENT
440 NORTH BROAD STREET, SUITE 301
PHILADELPHIA, PENNSYLVANIA 19130

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

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

February 6, 2019

To the Members of the Board of Education, Honorable Mayor and Citizens of the City of Philadelphia:

We are pleased to present this Comprehensive Annual Financial Report ("CAFR") of The School District of Philadelphia ("School District" or "District") for the Fiscal Year ended June 30, 2018. Pursuant to provisions of The Philadelphia Home Rule Charter ("Charter"), these financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States of America. As such, management of the School District assumes full responsibility for the completeness and reliability of all information presented in this report and provides reasonable assurance that its financial statements are free of any material misstatements.

The Charter requires that the Office of the City Controller of the City of Philadelphia ("Office of the City Controller") perform an annual audit of the books of account, as well as financial records and transactions of the School District. The City Controller, an independently elected local official, is required to appoint a Certified Public Accountant as deputy in charge of auditing. Pursuant to these requirements, the Office of the City Controller conducted an independent audit of the School District's financial statements. The independent audit examined evidence supporting the amounts and disclosures contained in these financial statements on a test basis; assessed the accounting principles used and significant estimates made by senior management; and evaluated the overall presentation of these financial statements. The Office of the City Controller concluded that there was a reasonable basis for rendering unmodified opinions that the School District's financial statements, for the Fiscal Year ended June 30, 2018, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented for your formal review and consideration.

As further required, senior management of the School District established a comprehensive system of internal controls that are designed to protect the School District's assets from loss, theft, and misuse. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Internal offices of the School District, namely the offices of Management and Budget, General Accounting, Accounts Payable, Grants Fiscal Services and Compliance, and Audit Services, regularly review expenditures of School District funds and perform selective and random reviews of operations and controls further ensuring that this report is complete and reliable in all material respects and in conformity with GAAP. Furthermore, and as part of the federally mandated "Single Audit" requirement, the Office of the City Controller performs an annual audit of the School District's internal controls and compliance thereto with legal requirements involving the administration of federal awards and grants. The Single Audit is designed to meet the needs of federal grantor agencies. These reports are available in the School District's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the School District

Despite being a component unit of the City of Philadelphia ("City") for financial reporting purposes only, the School District is an agency of the Commonwealth of Pennsylvania ("Commonwealth" or "State") created to assist in the administration of the Commonwealth's responsibility under the Pennsylvania Constitution to "provide for the maintenance and support of a thorough and efficient system of public education." It is by far the largest of the 500 school districts in the Commonwealth employing over 18,300 full time employees as of June 2018 and the thirteenth largest in the United States (including Puerto Rico) based on student enrollment data.

As required by GAAP, the financial statements of the School District include those of the primary government and its component unit, the Intermediate Unit No. 26 (the "IU"). The financial statements of the IU have been included in the School District's reporting entity as a blended component unit. The IU is included in the School District's reporting entity because of the significance of the operational relationship with the School District. All IU services are performed by the School District pursuant to contracts between it and the IU.

Although considered a quasi-state agency, the School District directly serves the citizens of the City of Philadelphia, Pennsylvania, the sixth largest city in the United States with a population of over 1.5 million and a land area of approximately 130 square miles. The School District educates 12% of the Commonwealth's 1.7 million public school students. Total enrollment in the School District managed schools has declined over the past decade while charter school enrollment significantly increased. Enrollment for the School District for the 2017-2018 school year as of October 1, 2017 was over 203,600 students including 71,528 attending charter schools and 4,013 in alternative education programs/schools. The enrollment for the School District for 2018-2019 as of December 1, 2018 was over 204,900 students including 73,886 attending charter schools and 3,916 in alternative education.

During Fiscal Year 2018, there were 215 schools that the School District operated, as well as 24 alternative education programs/schools and 84 charter schools managed by other entities within the city and that serve Philadelphia's children. In Fiscal Year 2018, just over one of every three (36%) public school students in the School District attended charter schools, making the School District a national leader in providing meaningful school choice to parents and students. The Fiscal Year 2018 organizational structure for the School District includes 48 elementary schools; 99 elementary/middle schools; 14 middle schools; and, 54 high schools. At the end of the 2013-2014 School Year, the School District had closed 24 schools that the District operated due to a myriad of factors including: low occupancy levels, the shift of enrollment to charter schools, academics, school climate and building conditions. There were no further school closures in Fiscal Year 2015 and 2016 and in Fiscal Year 2017 one school closed. In Fiscal Year 2018 there were no school closures nor school sales. About 13.5% of the School District's buildings are 40 years old or less, 44.9% are between 41 and 80 years old, 41.6% are 81 years or older.

The School District provides a comprehensive range of mandated educational services that include general, special, International Baccalaureate program, Advanced Placement (AP) program and vocational education at the elementary and/or secondary levels, as well as related support and transportation services. Pre-K educational services have become an increasing strategic priority to expand. The School District provides summer school programs, in addition to pre-school and after-school program services, depending on the needs of a community and available funding. To ensure schools have the administrative support they require and to provide targeted supports and services, schools are assigned to one of nine geographically dispersed Neighborhood Networks and an additional four specialization Networks to include Autonomy, Turnaround, Innovation and Opportunity.

As an agency of the Commonwealth, the School District is governed by both The Public School Code ("School Code") and the City Charter. As such, the School District is a separate and independent home rule school district of the first class established by the Charter under the First Class City Public Education Home Rule Act, approved August 9, 1963, P.L. 643 ("Act"). The Act expressly limits the powers of the City by prohibiting the City from, among other things, assuming the debt of the School District or enacting legislation regulating public education or its administration, except only in setting tax rates authorized for school purposes pursuant to the directive of the General Assembly of the Commonwealth.

Prior to 2001, the School District was governed by the Board of Education ("Board") consisting of nine members appointed generally by the Mayor of the City. In December of 2001, the Secretary of Education of the Commonwealth declared the School District financially distressed suspending the governing powers of the Board and placing management of the School District under the control of a five-member School Reform Commission ("SRC"). The Governor of Pennsylvania from December 2001 through June 30, 2018 appointed three members, including the Chairman, the Mayor of Philadelphia appointed the remaining two members. The SRC exercised all powers and had all the responsibilities and duties of the original Board, along with additional powers. As prescribed, the SRC was responsible for the overall operation, management, and educational programs of the School District, including all budgetary and financial matters. The duties of the SRC generally included, but were not limited to, the formulation of educational policy, the adoption of an annual budget, the development of a comprehensive capital improvement budget and program, and the incurrence of indebtedness. The Superintendent reported to the SRC. During the Fiscal Year 2018 reporting period, the Superintendent was Dr. William R. Hite, Jr. and the Chief Financial Officer was Uri Z. Monson. The SRC voted to turn the governance of the School District over to local control of the City of Philadelphia on November 16, 2017. The dissolution determination by the State Secretary of Education was received on December 27, 2017 to dissolve the state controlled School Reform Commission on June 30, 2018. Local governance by a Board of Education consisting of nine members began on July 1, 2018 to coincide with the dissolution of the SRC at the end of the reporting period of Fiscal Year 2018.

The School District's fiscal year is July 1st to June 30th and is identical with those of both the City and the Commonwealth. The Charter requires that the School District adopt an operating budget, a capital budget, and a capital improvement program each fiscal year. To ensure financial control, the SRC must first approve, by resolution, all personnel appointments, purchases of materials, supplies, books, and equipment in excess of $19,700 and individual contracts for professional services and associated costs in excess of $20,000. The School District maintains further budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget by the SRC and now the Board of Education.

Activities in the General Fund, the Intermediate Unit Fund, the Debt Service Fund, and the Capital Projects Fund are included in the annual appropriated budget. Purchase commitments are subject to an automated accounting system which tests for verification of available allotments and are encumbered, if not in excess of the available allotment, prior to the release of funds to a vendor and do not lapse. At year-end, encumbrances are included as a budgetary assignment in the governmental funds, except in Categorical Funds, since they do not constitute expenditures or liabilities. However, unencumbered appropriations lapse at year-end.

Major Initiatives

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

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

- Our *Strategic Mission* sets forth, "The School District of Philadelphia (SDP) will deliver on the civil right of every child in Philadelphia to an excellent public education and ensure all children graduate from high school ready to succeed, fully engaged as a citizen of the world."
- Our *Vision* is, "All children have a great public school close to home."

- Our *Core Values* place emphasis that all students can and will learn, high quality instruction is central to our work, schools are learning organizations, parents and families are our partners, and we are trusted stewards of public resources.
- Our *Guiding Principles* place emphasis that all students can achieve given the needed supports, there is educational equity for all students and cultural diversity is valued.
- The *Four Anchor Goals* in support of our mission, vision, core values and guiding principles focus on early literacy, academic growth for stronger college and career readiness, principals and teachers who can bring out the best in our students, and finances that are fiscally stable and responsible.

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

Over the past fiscal year, we continued to make very good progress in laying the foundation for the future and we continue to show growth in individual schools and classrooms across the District. Two of our schools were named as national blue ribbon schools out of only nineteen schools throughout Pennsylvania. However, this is difficult work and a multi-year effort, especially in an urban school district, and requires ceaseless energy, determination and support. Increased State and Local funding coupled with a positive fund balance allowed the District to make investments in school performance with a focus on initiatives that lead to improved educational outcomes regardless of demographics or geographical location.

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

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

These investments are paying dividends and we are encouraged by demonstrable progress in each of the *Four Anchor Goals* achievement targets. The achievements of each is below (school information excludes charter schools and is based upon school year 2016-17 data and where available 2017-2018):

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

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

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

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

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

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

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

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

Budget Structure

Included in its enabling legislation pursuant to the Philadelphia Home Rule Charter ("Charter"), the School District is required to adopt an operating budget, a capital budget and a capital improvement program for each fiscal year. Each budget is based on obligations; the most significant budgeted fund being the General Fund. During the course of each fiscal year, the operating budget is amended and approved by the School Reform Commission. The "original" or adopted budget was passed on May 25th of the preceding fiscal year (e.g., May 25, 2017). The "amended" or final budget was passed on May 24th of the current fiscal year (e.g. May 24, 2018). The final amended budget incorporates all of the School District's approved adjustments that were incurred since the initial advertised or adopted operating budget was issued. While all budgets must be approved by the School Reform Commission (now the "Board"), the Charter also requires the governing body to levy taxes annually, within the limits authorized by the Pennsylvania General Assembly and the Philadelphia City Council, respectively, in amounts sufficient to provide funds to cover operating expenses and debt service charges. The Philadelphia City Council annually holds hearings to determine the level of local tax funding for the School District.

The capital budget is prepared as part of a six-year capital improvement program, of which, the first year of the program is the budget for the current fiscal year. All proposed expenditures included in the School District's Capital Improvement Program (CIP) require the authorization and approval of the Board of Education on a project by project basis. The CIP is a set of projects that construct, replace and/or modernize District facilities to offset the effects of age and use that has occurred in the school buildings and to improve the educational environment for our students. The CIP identified over $1.29 billion in facility needs through Fiscal Years 2018 - 2023 to improve major infrastructure systems and buildings. On May 24, 2018, the School District adopted its 2019 Capital Budget and six-year capital improvement program for Fiscal Years 2019-2024, which identified $1.36 billion in facility needs. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprised of HVAC, structural, roofs, windows and doors, electrical systems, site improvements, security equipment and the ongoing condition assessment. The School District also amended its Capital Budget for Fiscal Year 2018 on May 24, 2018 to total approximately $155.5 million.

Local tax rates for the School District are authorized by the City Council. The City of Philadelphia collects current and delinquent local taxes and other locally generated non-tax revenues for the School District. These taxes represent about 41% of the Fiscal Year 2018 overall governmental fund revenues. The City and the School District have successfully focused attention on improving the collections of all taxes and expanding revenue sources.

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

The School District currently spends approximately 3% of its budget on administrative costs (excluding re-funding costs) and approximately 97% of its budget on capital financing and other items directly benefitting the schools. Of the 97%, approximately 88% is spent on education and other support services and the remaining 9% is spent on capital financing. The biggest cost drivers are mandatory or contractual in nature and include personnel and related healthcare benefit and pension costs, charter school costs, and debt service costs.

Factors Affecting Financial Conditions

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

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

Recognizing the need for more revenues to avoid a fiscal cliff while at the same time investing in the programming to ensure our students' success, the District was successful in obtaining and sustaining recurring revenues from the State in Fiscal Year 2017 and 2018. Recurring State revenues include the Cigarette Tax which will no longer sunset in Fiscal Year 2019 with the District receiving at least $58 million annually and a rideshare program effective through Fiscal Year 2019 in which the District will receive a portion of the revenues estimated to be more than $2 million annually. The State also corrected the Basic Education formula and provided a reimbursement adjustment for special education and increased basic education and special education subsidies along with retirement and transportation revenues which was partially offset with a delay in Plan Con reimbursements. During 2018 the Pennsylvania Department of Education clarified the procedure for determining the Charter rates for payments to Charter schools. This resulted in better predictability for total year end Charter costs and a reduction in the number of appeals of Charter payment amounts in Fiscal Year 2018. At the local level, the District is continuing its three-year pilot program to identify city properties whose assessed value is at least $1 million under-valued and file formal appeals for these properties. Property reassessments are projected to result in recurring revenues of $65 million which began in Fiscal Year 2018 and were realized. The District receives about 28% of its general fund revenues from local property taxes. Other funding sources resulting from a Fiscal Year 2016 bond refunding of over $1 billion in high interest debt will save over $100 million over 20 years. In addition, securing a fix to the State reimbursement formula (AVI) in Fiscal Year 2017 prevented the loss of $250 million in State reimbursement revenues through Fiscal Year 2022. A capital borrowing in March of 2018 generated $275 million in proceeds for our Capital Improvement Program. As a result of the District's improved credit rating and outreach to investors, we realized a reduction on average of our credit spread of over 50 basis points as compared to our 2016 transaction, saving over $18 million in interest costs on the Fiscal Year 2018 issuance. With the recent Moody's additional upgrade, we anticipate this positive financing trend to continue.

To adequately plan for the future, operating costs which are fixed and/or mandated (which make up a significant portion of the overall expenditures), along with new expenditures must be considered. The District incurred in Fiscal Year 2018 additional operating costs of about $36 million associated with newly negotiated labor agreements with all bargaining units including the two largest unions representing teachers (PFT) and principals (CASA) were necessary to move the District forward to a 21st Century learning environment. In addition, there was a moderate reduction in federal funding associated with the Title II program.

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

As we enter the fourth year of this $526 million investment plan in our children's future, the District's longer-term finances although steadily improving, continue to pose challenges. Inadequate revenues to cover mandated expenditures, increases in expenditures such as payments to charter schools and contractually obligated compensation and benefits, combined with an unsustainable cost structure with fixed and mandated expenditures outpacing revenue growth unless alternatives are found, could impact the steady progress the District has shown over the past four years. Several years of significant program sacrifices has already been an indicator for us of the devastation this can have on our student's success and we will do everything in our power to ensure these drastic cuts do not repeat in the future.

In summary, the District is in a better financial position than it has been in several years. This is directly because we have taken and will continue to take the necessary steps to build the financial foundation upon which teaching and learning can grow which includes: continuing to close low performing and underutilized District schools and Charter schools; becoming a better authorizer of Charter schools; negotiating contracts which fairly compensate employees while providing for 21st century learning environments; expanding high quality seats; taking measures to identify and mitigate rising expenditure areas such as special education, transportation, facilities costs and benefits and, establishing baseline expectations for all of its schools because in our view all students can succeed.

The Local Economy: Over the past year the key factors highlighting Philadelphia's overall economic well-being fell into two distinct areas – the economy and social indicators. The economic factors were mostly positive whereas the social indicators are considerably less so. On the economic front, the City had a booming local economy with strong job growth, population gains and a strong housing and commercial construction market. The City had the highest jobs increases since 1991 and the average unemployment rate fell to 6.2%, although higher than the national average of 4.7%, percentage wise it improved better than the national average for the second straight year. But, there remain troubling trends in the social indicators. The poverty rate remained at 26% and Philadelphia retained its title as the poorest of America's 10 most populated cities. The cities homicide rate was the highest since 2012 and marked an increase of 14% in a single year. Philadelphia is hard hit by the opioid crisis and in 2018 had one of the highest drug death rates in the country.

The population of 1.58 million (based upon the US Census Bureau 2016 population estimates as reported by the Pew Charitable Trusts in April 2018) rose for the 11th straight year, although at a slower growth rate than in the earlier years and modest in comparison to other cities including New York, Boston and Washington. During the period 2000 to 2010 the population of the City increased from 1.517 million to 1.526 million, an increase of 0.6% over the 10 years, ending six decades of population decline. In the six years following the 2010 Census, the City's population grew by an additional 2.56% to 1.57 million residents, which exceeded the rate projected by the Philadelphia Planning Commission. In the period, 2006 to 2016 Philadelphia's population increased by 120,000 residents or 8.25%. Contributing to the population growth is the increase in the number of millennials remaining in Philadelphia (born between 1980 and 2000). This creates an exciting opportunity and challenge for Philadelphia to retain young families by continuing to make progress on the perceived quality of our public schools. In addition to the increase in millennials, the City's immigrant population has grown significantly over the past 25 years and they accounted for nearly 15 percent of the city headcount in the most recent census, the greatest share since 1940. Nearly 27% of Philadelphia's population are school aged (age 5-17). Enrollment in Philadelphia-district run and Catholic schools fell while the number of students enrolled in Charters continued to grow. Philadelphia had the sixth largest higher education sector among major U.S. cities in 2016. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force.

The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. Philadelphia has developed an increasingly diverse economy centered on the healthcare industry, higher education, professional and business services and leisure and hospitality. The cost of living index is the second lowest compared to other major Northeast cities and is 20% less than Washington DC is and 48% lower than Manhattan. In 2016, the Education and Health Services, Professional and Business Services, Financial Activities and Hospitality sectors represented 61.9% of the total employment for the City for the year. The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area. Children's Hospital of Philadelphia is ranked number one in U.S. children's hospitals.

The City is in the heart of a five-county metropolitan area with approximately six million residents making it the Country's sixth largest by population and is both the largest city in the Commonwealth and the only city of the first class. The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. Since 2008, substantial private and public investment has led to a revitalization of the City. Philadelphia is experiencing a construction boom. After nearly ten years of house price deflation and sluggish recovery, 2015-2018 proved to be the best years for Philadelphia housing since the recession. Recent major development investments completed or under construction since 2016 as of March 2018 were $7.3 billion. Total vacancy rates for office space remained strong at 10.2% in 2016 compared with an average of 14.1% in selected office markets across the nation.

"The City of Brotherly Love" is a cultural center and the centerpiece of early American history and is home to many national historical sites that relate to the founding of the U.S. As a major urban center and the birthplace of this country, Philadelphia is increasingly gaining national recognition for its cultural and recreational resources, which include the many tourism assets concentrated within city limits. Expansion of the Convention Center in 2011 increased the City's appeal as a tourist destination. The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions abound in Philadelphia. Some of the more prominent ones are: the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, the Academy of Music, the Pennsylvania Ballet, the Constitution Center, the Kimmel Center, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, the Jewish History Museum, the Rodin Museum, the Barnes Foundation Museum and the recent addition of the American Revolution Museum. The South Philadelphia sports complex is home to the Philadelphia 76ers, Flyers, Phillies, and Eagles football team which won the NFL Super bowl in February 2018. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park and the nation's first zoo. Leisure demand grew in recent years due to high profile events such as the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, the 2016 Democratic National Convention and the NFL Draft in the spring of 2017. Legislation passed by the Pennsylvania General Assembly authorized two stand-alone casino licenses. Philadelphia's first casino, Sugarhouse, opened in 2010 and in November 2014, the City's second casino license was awarded.

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

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

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

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

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

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

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

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

Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2017. Similarly, the Association of School Business Officials International ("ASBO") awarded a Certificate of Excellence to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1985 up to and including 2017. In order to be awarded a Certificate of Achievement or a Certificate of Excellence (collectively "Certificates"), a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificates are valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet legal requirements and all applicable mandates and guidelines. Consequently, the School District is submitting it to both the GFOA and the ASBO to determine its eligibility for additional certificates for Fiscal Year 2018.

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of certain business and financial offices, especially the Office of Accounting Services. We express our sincere appreciation to all participants who assisted in and contributed to the preparation of this report. We also thank the Office of the City Controller for their cooperation, support and continued assistance.

Respectfully submitted,

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

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

School District of Philadelphia

Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

The School District of Philadelphia

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.

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

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

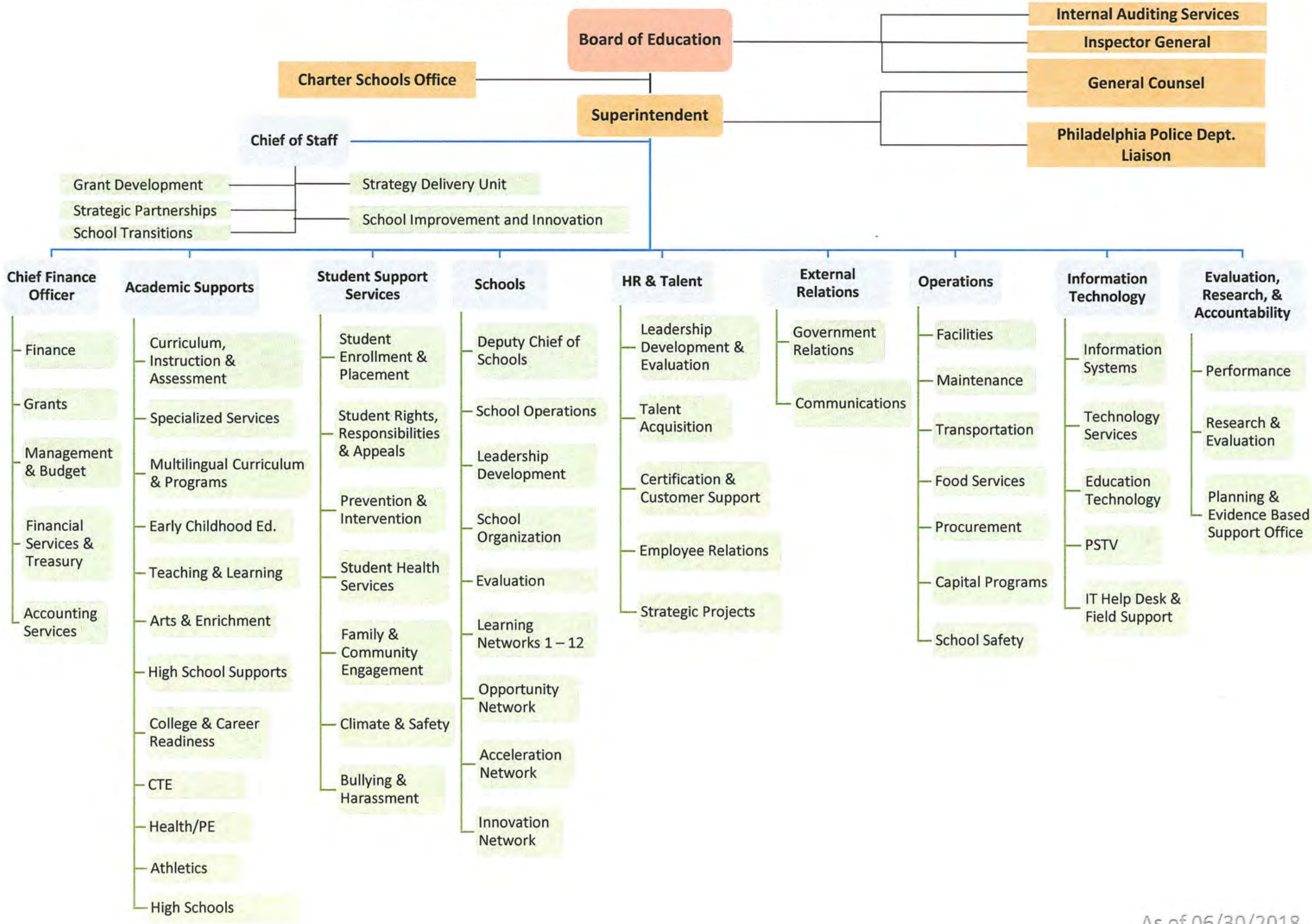
Charles E. Peterson, Jr.

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

John D. Musso

John D. Musso, CAE
Executive Director

SCHOOL DISTRICT OF PHILADELPHIA



As of 06/30/2018

SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AS OF THE FISCAL YEAR ENDING JUNE 30, 2018

List of Principal Officials of the School District

School Reform Commission

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

School District of Philadelphia

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

Naomi Wyatt
Chief of Staff
Acting Chief of External Relations

Lynn Rosner Rauch
General Counsel

Louis Bellardine
Chief Talent Officer

Uri Z. Monson
Chief Financial Officer

Karyn T. Lynch
Chief of Student Support Services

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

Melanie S. Harris
Chief Information Officer

Danielle Floyd
Chief Operating Officer

Shawn Bird, Ed.D.
Chief Schools Officer

Tonya Wolford
Chief of Evaluation, Research and Accountability

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CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
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Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of
The Board of Education of the
School District of Philadelphia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Philadelphia, Pennsylvania (School District), a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter – Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit for the year ended June 30, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2018, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2018, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the School District's basic financial statements as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated February 13, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The 2017 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2017 financial statements. The 2017 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of

Budgetary and Actual Revenues and Obligations information have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other Information

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

Christy Brady

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

SCHOOL DISTRICT OF PHILADELPHIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

I. INTRODUCTION

As part of the Financial Section of the Comprehensive Annual Financial Report ("CAFR"), the Management's Discussion and Analysis narrative ("MD&A") is an important element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."*

This section of the CAFR represents management's discussion and analysis of the School District of Philadelphia's ("School District") overall financial performance during the Fiscal Year that ended June 30, 2018. The intent of this narrative discussion and analysis is to provide readers with brief explanations of the types of presentations that set forth the School District's basic financial statements, results of operations, long-term debt activity and significant variations from the original adopted and final amended budgets pertaining to certain major funds.

The School District presents comparative financial information between the current and prior fiscal years in its MD&A in an effort to illustrate its overall financial performance and condition. The intent of the MD&A is to help the reader identify the reasons for changes in net position, expenses, revenues and fund balances from the prior fiscal year. The MD&A also assists the reader with identifying significant financial issues, identifying changes or any material deviations from the School District's prior financial position, and identifying any individual fund issues or concerns. As such, this section is to be read in conjunction with and as a complement to the School District's Letter of Transmittal located at the front of this CAFR and the Financial Statements immediately following.

II. FINANCIAL HIGHLIGHTS

For seventeen years, the School District operated under the governance of the School Reform Commission following the declaration of financial distress by the Secretary of Education of the Commonwealth of Pennsylvania in December of 2001. Based on the regulations in Section 691 of the Public School Code governing financial distress, the District is no longer meeting the circumstances for distress and therefore the SRC and the State took measures to put governance under local control of a Board of Education after June 30, 2018. Since the time of its formation, the SRC helped to improve both the quality of education and the fiscal stability of the District. As anticipated, the local governance of the District began July 1, 2018. This action had a strong positive impact on the current and future financial outlook of the District and cited as a key factor in a recent Investment Grade Bond Rating of the District's outstanding debt for the first time in 40 years.

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

- Total revenues were $3,557.7 million. A little under half of total revenues and subsidies were from the State with PA Basic Education Subsidy (BES) representing approximately two thirds and grants awarded and appropriated by the Pennsylvania State government comprising about one third. About 41% of the District's revenues are from the collection of local taxes and local non-tax sources. The remaining 10% is subsidies and grants awarded and appropriated by the Federal government.

- Total revenues increased by $225.3 million compared to Fiscal Year 2017. Program revenues increased by $40.7 million primarily from $46.2 million under operating grants and contributions with $5.5 million decreases in other program categories. This increase is due to the timing of Title I increases in grants and carryover amounts in federal awards. Timing variances can occur from year to year between these grants because they span over multiple years. Local revenues increased by $115.3 million mostly due to Property taxes, Use and Occupancy taxes, and Rideshare revenues increases of $121.6 million offset by a decrease of $6.3 million in collections of Liquor and School revenue. Local grants and contributions not restricted to specific programs increased by $9.3 million primarily from Investment Income and other miscellaneous revenues. State and Federal grants and subsidies increased by $53.6 million primarily due to increases in the basic education appropriation, transportation reimbursement and pension plan reimbursement.

- Total expenses were $3,386.8 million. Approximately 96% of all expenses are for instructional services, direct student-related costs and services directly benefitting students and schools such as transportation, utilities and debt service for school renovations and construction. A significant portion of these expenses are fixed and/or mandated by regulatory and contractual obligations (e.g., for benefits per the Collective Bargaining Agreements, mandated pension plan contributions, debt service costs, and charter school transportation and per pupil payments).

- Total expenses increased by $229.5 million compared to Fiscal Year 2017. The causes of the increases under Governmental Activities were primarily for expenses in instruction, student support services, administrative support services, operation & maintenance of plant services, and pupil transportation by $240.5 million offset by $18.8 million decreases in expenses under all other support services, early childhood education, and interest. In addition, expenses under Business-type activities increased by $7.8 million.

- At the end of the current fiscal year, total net deficit was $4,415.4 million. A major factor, which affected the net deficit, was the adoption of GASB's No. 68 and 71 related to pension reporting requiring the recognition of an unfunded net pension liability of $3,572.0 million for Fiscal Year 2018. In addition, the District adopted GASB No.75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which required the recognition of an unfunded net PSERS OPEB and Life Insurance OPEB liability of $147.4 million and $16.4 million in Fiscal Year 2018, respectively. Bonds payable and premiums on general obligation bonds and other unfunded liabilities, such as termination pay liabilities, workers compensation and derivative instruments are additional liabilities affecting this balance. Other liabilities affecting the net deficit include accounts payable balances, accrued salaries and benefits payable and overpayment of tax revenues.

- The Operating Fund consists of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2018 ending Operating Fund balance is $264.7 million. Of the total $264.7 million fund balance for the Operating Fund at June 30, 2018, $34.1 million is non-spendable or encumbered for existing purchase commitments and $61.1 million is restricted for future debt service payments, leaving an ending budgetary operating fund balance of $169.5 million.

- The Operating Fund balance of $264.7 million as of June 30, 2018 reflects a $62.5 million increase from the Fiscal Year 2017 balance. This balance includes $33.5 million of encumbrances for the General and Intermediate Funds, $0.6 million of General Fund inventories, and $61.1 million for future debt payments resulting in a $169.5 million ending budgetary operating fund balance. The increase from Fiscal Year 2017 is primarily the result of several factors: higher local and state revenues partially offset by increased expenditures for general fund and intermediate unit instructional and student support services and increased charter school payments.

- Under bond covenants, the School District is required to set aside, with the District's fiscal agent from daily local revenue receipts, amounts sufficient to meet debt service obligations due at future dates. At fiscal year end, the sinking funds in the fiscal agent's custody totaled $191.1 million. Of this amount, $154.4 million is to pay obligations for the next fiscal year, $36.3 million represents mandatory deposits for future debt payments, and $0.4 million represents amounts to pay debt on certain buildings sold by the District.

- The Debt Service Fund is a separate governmental fund (within the Operating Funds) established for the accumulation of resources to pay bond principal and interest, and for payment of other associated costs. The Debt Service Fund balance ended Fiscal Year 2018 with a $10.0 million net change, which represented a $28.2 million decrease in the net change from Fiscal Year 2017 to Fiscal Year 2018. This decrease resulted from the following: 1) $33.9 million decrease in other financing sources mostly for tax revenue transfers; 2) $12.9 net decrease for refunding financing sources; 4) $5.3 million increase mostly from federal revenues; and, 5) $13.3 million decrease in variable rate payments, issuance costs and administrative expenditures.

III. USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Financial Section of the CAFR generally consists of three parts: (1) Management's Discussion and Analysis; (2) a series of Financial Statements and Notes to those statements; and (3) Required Supplementary Information. The financial statements are organized to first provide an understanding of the fiscal performance of the School District as a whole. The financial statements are then later organized to provide a detailed look at the School District's specific financial activities.

District-Wide Statements

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

The School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are detailed in the Statement of Net Position. From this statement, the reader can identify which assets the School District owns, the amount of debt that is outstanding and the nature of the remaining net assets. This information is used to assess the School District's ability to cover operating costs and finance those services in the future as well as its remaining borrowing capacity. This statement can also be used to determine how much of the School District's net assets can be used as collateral to fund new services, programs or special initiatives as compared to how much is either currently invested in capital assets or restricted for specific purposes.

While the Statement of Net Position provides the reader with a long-term view of the School District's financial condition, the Statement of Activities contains detailed information pertaining to the School District's direct costs of providing services (i.e., expenses) and the resources used to fund those services (i.e., revenues). This presentation is also used to identify the costs of various services and functions and the extent to which those services are able to cover their own costs with, for example, user fees, charges and grants, as opposed to being financed with general revenues. Moreover, the statement provides comparative data regarding whether the financial status of the School District has improved or deteriorated during the reported fiscal year.

Fund Financial Statements

Principally, fund financial statements provide the reader with more detail concerning current operations than the district-wide financial statements by providing the reader with detailed information and data regarding the School District's major governmental funds: General, Intermediate Unit, Categorical, Debt Service and Capital Projects. From these statements, the reader can understand how services were financed on a short-term basis as well as what funding remains available for future spending to cover those services.

In contrast to district-wide financial statements, the fund financial statements utilize the modified accrual basis of accounting and the current financial resource measurement focus. Under modified accrual accounting, the fund recognizes revenues when they become available and measurable and expenditures when the liability is incurred and measurable, except for long-term debt and obligations, which are recognized as they become due. Modified accrual accounting measures cash and all other financial assets that can be readily converted to cash and, as such, provides a more detailed short-term view of the School District's general operations.

Fiduciary Responsibilities

The Statement of Fiduciary Net Position presents financial information that captures activities where the School District acts solely as an agent for the benefit of employees, students and/or parents. These types of activities are excluded from the district-wide financial statements since the School District cannot use these assets to finance its operational needs. As such, the School District is legally responsible for ensuring that the assets reported in these funds and statements are used for their intended purposes. The School District is and acts as a trustee for the Fiduciary Funds.

IV. REPORTING BY THE SCHOOL DISTRICT AS A WHOLE

As previously mentioned the Statement of Net Position and the Statement of Activities provide the financial status and operating results of the School District as a whole. The data presented in these statements provides the reader with insight as to how the School District performed financially in Fiscal Year 2018. These two statements report the School District's net position and any changes in net position that are shown on Table 1 and Table 2 below. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the fiscal year as compared to the prior fiscal year.

Net Position

Table I provides a summary of the School District's net deficit position as of June 30, 2018 and reflects GASB Statements No. 68, No. 71 and No. 75. The District restated its July 1, 2017 net position liabilities, deferred outflows and deferred inflows in accordance with the requirements of GASB Statement No. 75 as of July 1, 2017. Refer to Footnotes 1D (13), 4E (2) and 4N. A more detailed Statement of Net Position is on page 34 of the Basic Financial Statement section:

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

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

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

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

Changes in Net Position

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

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

Changes in Net Position
Fiscal Year Ended June 30, 2018
(Dollars in Millions)
Table 2

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

The ending Fiscal Year 2018 Net Deficit of a $4,415.4 million, represents a positive $170.9 million change from Fiscal Year 2017 Net Deficit of $4,586.3 million, as adjusted. The Fiscal Year 2018 Net Deficit is comprised of: 1) revenues of $3,557.7 million with $1,105.1 million of program revenues and $2,452.6 million of general revenues, and 2) $3,386.8 million of expenses mostly comprised of instruction related costs. Table 3 below provides the revenue sources in more detail and Table 4 below provides the expenses by major cost category.

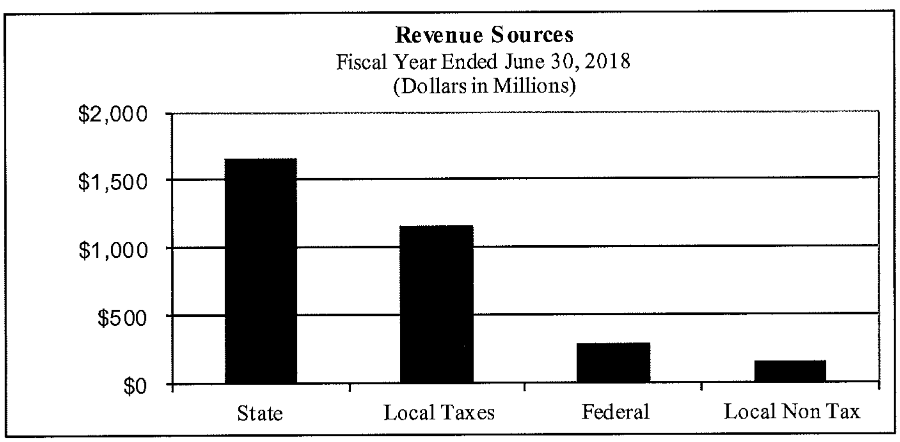
Major Sources of Revenues

The School District's overall revenues are derived primarily from three sources: (i) state grants and subsidies; (ii) local taxes and non-tax revenues; and (iii) federal grants and subsidies. The largest component of state subsidies is the basic education funding allocation, which the School District can use to cover any costs associated with the operation of the public school system. The largest component of local revenue is the levy and collection of taxes such as real estate, business use and occupancy, sales tax, cigarette tax, non-business income, liquor by the drink, ridesharing and public utility realty. A third source of revenue is both federal and state grants dedicated to providing specific programs and services.

Revenue by Source and Type
Fiscal Year Ended June 30, 2018
(Dollars in Millions)
Table 3

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

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



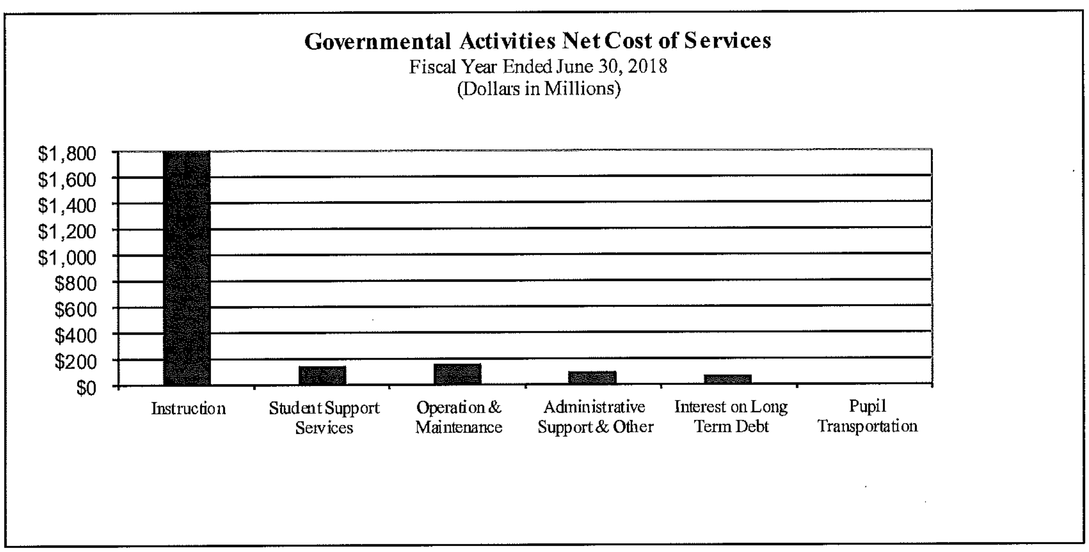
As previously illustrated in Table 2, most of the School District's revenues are considered general as opposed to program related. Table 3 provides further detail on the School District's sources of revenues. Total revenues for all funds of $3,557.7 million can be found on page 35 in the Statement of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

Cost of Services by Major Functional Expense Category

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

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

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



V. *FUND HIGHLIGHTS*

While the School District maintains and accounts for a number of funds, six of these funds are considered major funds. These funds are the General Fund, Intermediate Unit Fund, Categorical Funds, Debt Service Fund, Capital Projects Fund and Food Service Enterprise Fund.

General Fund

The General Fund serves as the School District's main operating fund that records all financial activity except for those transactions that must be specifically accounted for under the other funds, such as the Debt Service Fund. The General Fund had a positive ending fund balance of $72.9 million on June 30, 2018. For Fiscal Year 2018, there was an excess of revenues over expenditures of $585.9 million, offset by $532.3 of other financing uses, and ($0.2) million of a change in inventory reserves. These together resulted in a $53.4 million favorable impact to the ending fund balance.

Intermediate Unit Fund

The Intermediate Unit Fund accounts for state appropriations for special education and non-public school programs as well as certain administrative costs. Programs include Autistic Support, Blind or Visually Impaired Support, Deaf or Hearing Impaired Support, Emotional Support, Learning Support and Multiple Disabilities Support while related administrative costs include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2018, the Intermediate Unit Fund had a deficiency of revenues under expenditures of $267.9 million, other financing sources to cover the revenue shortfall of $267.0 million totaling a net decrease of $0.8 million to fund balance resulting in an ending fund balance of $0.7 million at June 30, 2018.

Categorical Funds

Categorical Funds account for specific purpose federal, state, city or private grants to cover the costs of dedicated programs and special initiatives. Categorical Funds had a $2.7 million negative net change in fund balance, which resulted in a negative $9.7 million at June 30, 2018. The reason for the decrease in fund balance was an increase of $2.7 million in receivables over 90 days past due not recorded as revenues in Fiscal Year 2018. As of June 30, 2018, there were $9.7 million still outstanding from grantors and recorded as unavailable revenue, not yet recognized as current revenues.

Debt Service Fund

The Debt Service Fund accounts for the School District's accumulation of resources for the payment of debt service and bond issuance costs. During Fiscal Year 2018, the Debt Service Fund reflects a $10.0 million net increase in fund balance to $191.1 million as of June 30, 2018. Causes of the net increase related to: 1) $2.7 million increase for debt service requirements for principal and interest payments, 2) $14.7 million set aside for mandatory sinking fund payments, and, 3) $2.0 million decrease for funds assigned for defeasance purposes.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to cover the costs associated with the acquisition of capital assets and for the construction, modernization, alteration, repair, and improvements to the School District's major capital facilities and buildings. During Fiscal Year 2018, the Capital Projects Fund increased by $150.6 million to a fund balance of $326.5 million. During Fiscal Year 2018, revenues of $4.0 million with net debt issuance proceeds of $277.7 million and transfers to other funds for debt issuance of $2.6 million. New building construction totaled $19.1 million, capital alterations and improvements, environmental management totaled $94.7 million, major renovations, and equipment acquisitions totaled $14.7 million.

Enterprise Funds

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

The financial performance and position of each of the previously discussed major and non-major funds can be found in the Statement of Revenues, Expenditures and Changes in Fund Balances on pages 40-41, as well as page 44 for the Enterprise Funds, and are summarized in Table 5 and Table 6 that immediately follows:

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

Fiscal Year Ended June 30, 2018
(Dollars in Millions)
Table 5

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

Total Fund Balances for Major and Non-Major Funds

As of June 30, 2018
(Dollars in Millions)
Table 6

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

Internal Service Fund

In addition, the District has an Internal Service Fund which accounts for the Healthcare Self Insurance Fund. This fund was established for self-insurance medical, vision and prescription service costs (excluding Health & Welfare payments to unions) to allow better visibility and analyses by type of medical coverage due to these costs being a major cost factor of the District's expenses. At June 30, 2018, the Healthcare Self Insurance Internal Service Fund had a total net position balance of $44.8 million, which includes $9.5 million of restricted self-insurance funds for claim expenditures to fund incurred claim expenditures that have not been billed to the District.

VI. BUDGETING HIGHLIGHTS

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

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

General Fund Budget

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

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

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

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

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

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

General Fund Budget Comparison
Fiscal Year Ended June 30, 2018
(Dollars in Millions)
Table 7

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

During Fiscal Year 2018, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to the following:

- Revenues had a $17.4 million favorable variance due to an $11.6 million favorable variance in Local Tax revenues, a $5.2 million favorable variance in Local Non-Tax revenues, and $0.6 million favorable variance in State and Federal revenues.

- Obligations were $6.2 million less than budgeted primarily due to benefit savings of ($6.8) million, materials and supplies saving of ($2.9) million, savings in other areas of ($4.2) million, offset by increases over budget of $6.6 million in charter payments and $1.1 million in salaries.

- Other Financing uses were $9.2 million unfavorable from the final budget. This is primarily due to increases of $6.5 million to the Debt Service Fund, and $2.7 million to Special Education.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

Debt Administration

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

Almost all outstanding bonds issued prior to 2010 (except for its Qualified Zone Academy Bonds and Qualified School Construction Bonds) were insured and carried mid-grade credit ratings from Standard & Poor's Rating Services (S&P), Moody's Investors Service (Moody's) and Fitch IBCA (Fitch). The School District when issuing bonds, thereafter, has relied on the enhanced security that the State Intercept Program provides.

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

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

- Payments cannot exceed 50% of a school district's annual general fund subsidy.
- Funds are limited to available cash balances at the time of the intercept.
- The Commonwealth is restricted from issuing tax anticipation notes or entering into a loan agreement with the PA Treasury for liquidity to provide intercept payments.

- A 10-day period giving the chair and the minority chair of the appropriations committee of the PA House time to "review and comment" on the request is required.

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

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

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

Long-Term Obligations Outstanding
As of June 30, 2018
(Dollars in Millions)
Table 9

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

The Total Long-term Obligations Outstanding increased by $276.5 million. This includes an increase in bonded debt of $132.4 million and an increase in employee obligations of $126.6 million. All other long-term obligations increased by $17.5 million. Refer to Footnote 4E (2) for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

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

The adoption of the new GASB Statement No. 75 reporting requirements this fiscal year for Postemployment Benefits Other Than Pensions (OPEB) and the adoption of GASB Statements No. 68 & 71 requirements for pension reporting two years ago, has had and will continue to have a profound effect on the financial statements and net position of school districts in Pennsylvania and across the nation.

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

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

The adoption of the GASB Statement No. 68 and GASB Statement No. 71, requirements for pension reporting continues to have a significant effect on the financial statements and net position in the current fiscal year. As described in Footnote 1D (14), the District contributes to the Pennsylvania Public School Employees' Retirement System (PSERS), a defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The new standards shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District reports its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements.
In Fiscal Year 2018, the reporting requirements for GASBS No. 68 resulted in a cumulative net effect of $3,146.8 million. Of the $3,146.8 million cumulative net effect, $3,099.9 million and $46.9 million effected the Governmental activities section and Business-activities section, respectively. For the cumulative net effect of $3,099.9 million under the Governmental section, this included $3,518.7 million net pension liability, $648.6 million in deferred pension outflows, and $229.8 million in deferred pension inflows. For the cumulative net effect of $46.9 million under the Business-activities section, this included $53.2 million net pension liability, $9.8 million in deferred pension outflows, and $3.5 million in deferred pension inflows. The cumulative net effect of $46.9 million effected deferred pension outflows, net pension liability, deferred pension inflows of the food service fund and print shop fund enterprise funds statements, respectively. Reporting on the governmental fund statement is not affected.

As of the end of the first quarter of Fiscal Year 2019, the School District projected a positive $164.0 million fiscal year ending June 30, 2018 budgetary operating fund balance. The projected Fiscal Year 2018 operating fund budget was achieved primarily through a projected beginning fund balance at the time of $124.7 million, a projected operating surplus of $54.0 million, and projected changes in reserves of ($14.7) million.

As of the end of the first quarter of Fiscal Year 2019, the School District projected a $179.3 million ending fund balance for Fiscal Year 2019.

Major Factors Driving Costs

A major cost driver that has affected the School District's spending was Federal regulations requiring school choice options. As part of school choice options, the School District, in 2018, supported 84 Charter Schools where any student may apply to attend. Funding Charter Schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997 has had a significant fiscal impact on the School District since its passage with approximately 37% or $850.3 million of the General Fund obligation budget going to charters in Fiscal Year 2018. A recent Pennsylvania Supreme Court Decision stated that the School Reform Commission was not able to suspend certain provisions of the Pennsylvania School Code to include caps on enrollment numbers of charter schools unless contractually agreed to by both parties. Although this has not had a significant financial impact in the three years since passed; future impacts of this decision cannot be determined. In March of 2018, the Pennsylvania Department of Education rescinded the charter payment guidelines, clarifying the calculations utilized to calculate the annual charter rate in accordance with the Charter law. As a result, the District and charter schools agree on the methodology utilized for calculating the annual charter rate.

Charter Schools remain highly dispersed geographically, with the students enrolled in Charter Schools not all coming from the same classroom, grade level or even from the same school or neighborhood. Therefore, given these realities, the School District has been unable to make dollar-for-dollar reductions in cost areas such as the number of principals, custodians and bus drivers it employs. Fiscal Year 2018 expenditures from all funds were $861.7 million representing a $70.1 million increase over the prior fiscal year. Fiscal Year 2018 was the seventh year the State did not provide any Charter School reimbursement. At its highest level of reimbursement, the State provided $109.5 million in Fiscal Year 2011. As a result, the impact of Charter Schools to the District's operating budget has increased due to increases in Charter School costs driven by increased enrollments and per pupil costs and decreases in State Reimbursement.

Federal regulations also mandate that all teachers of core academic subjects must be considered "Appropriately State Certified". To meet this standard, all teachers must be fully certified and/or licensed by the state; hold at least a bachelor's degree from a four-year institution; and demonstrate competence in each core academic subject area they teach. By the end of Fiscal Year 2017, 94.27% of the teachers in the School District were considered highly qualified, and 99.2% considered fully certified. Due to recruitment and retention strategies, on-going professional development, and staffing process improvements, the internally calculated percentage of highly qualified teachers increased to 95.16% in Fiscal Year 2018. The percentage of highly certified teachers of core academic subjects decreased to 96.59%.

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

School Safety

The District has had a strong focus on safety programs in its schools and has invested resources to ensure a safe and productive learning environment for all students. Federal regulations require that all states establish and implement standards for identifying "Persistently Dangerous Schools (PDS)." In Pennsylvania, a school is labeled "Persistently Dangerous" based on and as determined by the number of dangerous incidents (defined as weapon possession or violence) that result in arrest in the school, on school premises and on the highway (to and from School). The District has had no PDS for a period of four consecutive years. The number of all District serious incidents decreased by 3% from Fiscal Year 2017 to Fiscal Year 2018. There has been significant focus and much improvement to school safety over the past several years. Much of this improvement has been due to an emphasis on de-escalation training and a continued, strong collaboration between the Office of School Safety and the Philadelphia Police Department. The Office of School Safety also maintains a targeted, focused intervention for identified high incident schools. In addition, the School District has been investing in security hardware upgrades and new installations to increase the number of security hardware and equipment in the schools. The School District continues to emphasize reporting all incidents while focusing on improving the quality of school based de-escalation, mediation and arrest diversion programs.

Capital Improvement Program

The School District of Philadelphia (SOP) faces many diverse challenges as it continues to pursue educational excellence for students throughout the city; one such difficulty is addressing the extensive physical needs of the school facilities. The District's Capital Improvement Program (CIP) is a set of projects that construct, replace and/or modernize District facilities to offset the effects of age and use that has occurred in the school buildings and to improve the educational environment for our students. The current CIP covers $1,360.0 million from Fiscal Years 2019 to 2024 and is updated every year with the planned annual expenditure levels dependent on the District's ability to fund and issue long-term debt instruments as determined by the annual operating budget's debt capacity. The Capital Budget for Fiscal Year 2019 is $274.7 million, and as of May 2018, will partially fund 84 active construction contracts and primarily fund 67 projects currently in the design phase. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprised of HVAC, structural, roofs, windows and doors, electrical systems, site improvements, security equipment and the ongoing condition assessment.

IX. THE SCHOOL DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the financial conditions of the School District. If you have questions about the report or need additional financial information, please contact Uri Z. Monson, Chief Financial Officer or Marcy F. Blender, CPA, Comptroller, at 440 North Broad Street, Philadelphia, PA 19130.

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Position
June 30, 2018

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

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

School District of Philadelphia
Statement of Activities
For the Year Ended June 30, 2018

			Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities								
Instruction	$ 2,479,247,376	$ -	$ 373,019	$ 622,299,258	$ -	$ (1,856,575,099)	$ -	$ (1,856,575,099)
Student Support Services	255,493,652	-	-	126,069,095	-	(129,424,557)	-	(129,424,557)
Administrative Support	133,874,500	-	4,442,689	58,006,592	-	(71,425,219)	-	(71,425,219)
Operation & Maintenance of Plant Services	183,581,209	(3,500,000)	552,609	24,081,675	594,727	(154,852,198)	-	(154,852,198)
Pupil Transportation	91,443,224	-	-	91,546,551	-	103,327	-	103,327
All Other Support Services	14,020,047	-	-	1,739,888	-	(12,280,159)	-	(12,280,159)
Early Childhood Education	161,472	-	-	161,472	-	-	-	-
Interest on Long-Term Debt	146,760,676	-	-	85,998,369	-	(60,762,307)	-	(60,762,307)
Total Governmental Activities	3,304,582,156	(3,500,000)	5,368,317	1,009,902,900	594,727	(2,285,216,212)	-	(2,285,216,212)
Business-Type Activities:								
Food Service	81,013,686	3,500,000	104,645	88,268,281	35,976	-	3,895,216	3,895,216
Print Shop	1,229,455		696,241	119,174	-	-	(414,040)	(414,040)
Total Business-Type Activities	82,243,141	3,500,000	800,886	88,387,455	35,976	-	3,481,176	3,481,176
Total	$ 3,386,825,297	$ -	$ 6,169,203	$ 1,098,290,355	$ 630,703	(2,285,216,212)	3,481,176	(2,281,735,036)

	Governmental Activities	Business-type Activities	Total
General Revenues, Investment Income and Transfers:			
Property Taxes	789,512,428	-	789,512,428
Use & Occupancy Taxes	179,759,341	-	179,759,341
Liquor Taxes	73,660,582	-	73,660,582
School (Non-Business) Income Taxes	43,616,676	-	43,616,676
Public Utility / PILOT Taxes	1,162,415	-	1,162,415
Cigarette Sales Tax	58,000,000	-	58,000,000
Sales Tax	120,000,000	-	120,000,000
Ridesharing Revenue	3,269,197	-	3,269,197
Grants and Contributions Not Restricted to Specific Programs	139,242,408	-	139,242,408
State & Federal Subsidies Not Restricted to Specific Programs	1,041,867,006	-	1,041,867,006
Transfers	(124,571)	124,571	-
Investment Revenue	2,512,134	-	2,512,134
Total General Revenues /Investment Revenue/Transfers:	2,452,477,616	124,571	2,452,602,187
Change in Net Position	167,261,404	3,605,747	170,867,151
Net Deficit- As of July 1, 2017, as Previously Stated	(4,406,943,902)	(22,971,247)	(4,429,915,149)
Prior Period Adjustment	1,993,991	-	1,993,991
Prior Period Restatement	(156,118,336)	(2,190,410)	(158,308,746)
Net Deficit- As of July 1, 2017, as Adjusted	(4,561,068,247)	(25,161,657)	(4,586,229,904)
Net Deficit - As of June 30, 2018	$ (4,393,806,843)	$ (21,555,910)	$ (4,415,362,753)

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

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

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

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

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

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

Fund Balances - Total Governmental Funds (page 37)	$	587,904,899
Amounts reported for governmental activites in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,709,550,086
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		139,297,077
Deferred outflows and inflows of resources for refunding losses and gains are not available for the current period, therefore, are not reported in the governmental funds.		100,741,460
Long-term liabilities, including bonds payable and unfunded net pension payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(7,399,893,427)
Derivative instruments, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(2,042,051)
Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and therefore are not in the governmental funds.		425,787,533
Net position of the Internal Service Fund (Self Insurance) is not reported in the governmental funds but is blended in the net deficit of the govenmental activities.		44,847,580
Net deficit of governmental activities (page 34)	$	(4,393,806,843)

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

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School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2018

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	$ 1,280,096,328	$ -	$ -
Locally Generated Non Tax	138,216,223	328,718	9,515,661
State Grants and Subsidies	1,444,371,266	144,032,388	132,037,490
Federal Grants and Subsidies	184,655	-	300,603,683
Total Revenues	2,862,868,472	144,361,106	442,156,834
EXPENDITURES			
Current:			
Instruction	1,020,472,519	277,152,377	283,396,861
Student Support Services	35,952,599	125,274,913	103,120,984
Administrative Support	77,683,132	9,851,019	47,140,782
Operation & Maintenance of Plant Services	185,581,749	-	993,602
Pupil Transportation	92,947,505	-	-
All Other Support Services	14,016,405	-	-
Early Childhood Education	-	-	161,472
Payments to Charter Schools	850,321,494	-	11,348,900
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Major Renovations	-	-	-
Equipment Acquistions	-	-	-
Total Expenditures	2,276,975,403	412,278,309	446,162,601
Excess (Deficiency) of Revenues over (under) Expenditures	585,893,069	(267,917,203)	(4,005,767)
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	266,974,702	1,338,814
Transfers Out	(532,371,872)	-	-
Capital Asset Proceeds	115,081	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources/(Uses)	(532,256,791)	266,974,702	1,338,814
Net Change in Fund Balances	53,636,278	(942,501)	(2,666,953)
Fund Balances (Deficit), July 1, 2017	19,425,171	1,702,216	(7,008,176)
Change in Inventory Reserve	(179,311)	-	-
Fund Balances (Deficit), June 30, 2018	$ 72,882,138	$ 759,715	$ (9,675,129)

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

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 1,280,096,328
3,267,655	2,392,627	97,899	153,818,783
-	1,574,815	-	1,722,015,959
16,782,994	-	-	317,571,332
20,050,649	3,967,442	97,899	3,473,502,402
-	-	40,438	1,581,062,195
-	-	-	264,348,496
-	-	-	134,674,933
-	-	-	186,575,351
-	-	-	92,947,505
-	-	-	14,016,405
-	-	-	161,472
-	-	-	861,670,394
104,795,000	-	-	104,795,000
98,066,048	-	-	98,066,048
69,185,875	-	-	69,185,875
2,632,656	-	-	2,632,656
245,455	-	-	245,455
-	19,125,188	-	19,125,188
-	6,758,015	-	6,758,015
-	87,872,434	-	87,872,434
-	8,678,661	-	8,678,661
-	6,064,854	-	6,064,854
274,925,034	128,499,152	40,438	3,538,880,937
(254,874,385)	(124,531,710)	57,461	(65,378,535)
266,566,441	-	-	534,879,957
-	(2,632,656)	-	(535,004,528)
-	-	-	115,081
-	254,950,000	-	254,950,000
-	22,769,792	-	22,769,792
(1,698,433)	-	-	(1,698,433)
264,868,008	275,087,136	-	276,011,869
9,993,623	150,555,426	57,461	210,633,334
181,080,416	175,921,362	6,329,887	377,450,876
-	-	-	(179,311)
$ 191,074,039	$ 326,476,788	$ 6,387,348	$ 587,904,899

School District of Philadelphia
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the Statement of Activities (page 35) are different because:

Net change in fund balances - total governmental funds (page 41)	$	210,633,334
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		34,549,365
Non capitalized purchases that exceed capital outlays - capital purchases.		(9,902,521)
The net effect of miscellaneous transactions involving losses arising from disposal, donation and sale of capital assets are not reported as expenditures in the governmental funds.		(368,443)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(5,918,161)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.		(151,979,792)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		67,448,222
The change in net position of the Internal Service Fund is reported with the governmental activities.		22,799,400
Change in net position of governmental activities (page 35)	$	167,261,404

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

School District of Philadelphia
Statement of Net Position
Proprietary Funds
June 30, 2018

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

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

School District of Philadelphia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

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

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

School District of Philadelphia
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2018

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

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

School District of Philadelphia
Statement of Net Position
Fiduciary Funds
June 30, 2018

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

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

School District of Philadelphia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

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

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

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SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2018, conform to Generally Accepted Accounting Principles ("GAAP") for local government units as prescribed by the Governmental Accounting Standards Board (the "GASB").

The most significant accounting policies are summarized below:

A. Reporting Entity

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

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

Effective December 2001, in a cooperative effort with the City to address the School District's financial needs, the Commonwealth assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949. Shortly thereafter the Commonwealth assumed governance, a five-member School Reform Commission (the "SRC") was established. The SRC exercised all powers and had all duties of the original Board of Education through June 30, 2018. The Governor of Pennsylvania appointed the chairman and two other members of the SRC while the Mayor of the City of Philadelphia appointed the remaining two members. The five-member commission performed its fiscal oversight responsibility for the Philadelphia public school system through the Fiscal Year 2018 reporting period which is the reporting period of this report. The SRC delegated all its duties to a local Board of Education beginning July 1, 2018 (See Footnote 4O Subsequent Events for details).

Prior to the formation of the SRC, the School District implemented a new management structure where a Chief Executive Officer (the "CEO") was appointed in lieu of a "Superintendent" effective November 1, 2000. Although the CEO performs all duties imposed on the Superintendent of Schools by both the Charter and the Public School Code of 1949 (the "School Code") and serves as the Secretary and Treasurer of the Governing Body of the School District, the new designation was designed to provide the Governing Body with more freedom and to avoid being constrained to select a traditional "academic scholar" ignoring the business experience that is equally necessary for such a large school district. In addition, the new administrative and management structure of the School District recognized the enormity of the job of CEO of a large, urban public school system and successfully sought to implement a more corporate accountability structure and team management approach to ensure that the School District would accomplish specific objectives and overall goals.

The organizational structure at June 30, 2018 included a Superintendent/CEO, Chief of Staff, General Counsel, Chief of School Police, Chief Financial Officer, Chief Academic Supports Officer, Chief Student Support Services Officer, Chief of Schools Officer, Chief of Talent Officer, Chief of School Operations Officer, Chief of Information Technology Officer, Chief of External Relations Officer, Chief of Evaluation, Research and Accountability Officer, Strategic Partnerships and Grants Development Office, School Improvement and Innovation Office, Strategy Delivery Office, Inspector General, Internal Audit Office and Charter Schools Office. The Charter Schools Office, Inspector General and Internal Audit reported to the School Reform Commission (SRC) during Fiscal Year 2018. General Counsel had a dual reporting relationship to the Superintendent/CEO and SRC. All other Chiefs and Offices report directly to the Superintendent/CEO. This structure remained in place after July 1st, with the exception of the School Board replacing the SRC.

The Superintendent/CEO is responsible for the general supervision of all business affairs of the School District, the furnishing of all reports to the Department of Education of the Commonwealth and other matters prescribed by the School Code, as amended. As Treasurer, the Superintendent/CEO receives all Commonwealth appropriations, School District taxes and other monies of the School District; makes payments on orders approved by the Governing Body; and is responsible for the investment of School District funds. Under this management structure, the Superintendent/CEO still performs the duties of the Superintendent of Schools under the Charter, including the pre-audit duties and functions of the school controller.

Moreover, the School District also serves as the agent for the Intermediate Unit No. 26 (the "IU"); a separate entity established by the Commonwealth to provide special education, special education transportation, and non-public school services. Similar to the School District, the SRC also constitutes the Board of Directors of the IU; the boundaries of the IU are coterminous with those of the City and School District. The School District performs all IU services, pursuant to contracts between the two. As required by GAAP, the financial statements of the IU have been included in the School District's reporting entity as a blended component unit. The IU is included in the School District's reporting entity because of the significance of the operating relationship the IU has with the School District.

B. **District-Wide and Fund Financial Statements**

GASB Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" establishes requirements and a reporting model for the annual financial reports of state and local governments. This statement was specifically developed to make annual reports easier to understand and more useful to other people who use governmental financial information to make decisions.

The financial reporting model includes a requirement that the financial statements are accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of Management's Discussion and Analysis ("MD&A"). This analysis is similar to the analysis that private sector entities provide in their annual reports and is Required Supplementary Information (the "RSI"). The basic financial statements include both district-wide (based on the School District as a whole) and fund financial statements. District-wide and fund financial statements categorize primary activities as either governmental or business-type. Required supplementary information other than MD&A, including the required budgetary comparison information, are presented immediately following the notes to the financial statements.

Management's Discussion & Analysis – MD&A discusses the current-year results in comparison with the prior year, with emphasis on the current year. The MD&A is a fact-based analysis discussing the positive and negative aspects of the comparison with the prior year. It uses charts, graphs, and tables to enhance the understandability of the information. The MD&A analyzes overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. It presents the information needed to support this analysis of financial position and results of operations required.

More specifically, the MD&A analyzes: (1) the balances and transactions of individual funds; and (2) any significant variations between original and final budget amounts and between final budget amounts and actual results for the general fund. The MD&A also describes: (1) any significant capital asset and long-term debt activity that occurred during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services; and (2) any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

District-Wide Financial Statements – The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are prepared using full accrual accounting for all of the government's activities. This approach includes not only current assets and liabilities (such as cash and accounts payable), but also capital assets, deferred outflows of resources, long-term liabilities, and deferred inflows of resources as amended by GASB Statement No.63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*".

Accrual accounting also reports all of the revenues and costs associated with providing such services each year, not just those received or paid in the current fiscal year or soon thereafter. Fiduciary funds are not included in district-wide financial statements.

Statement of Net Position – The Statement of Net Position is designed to present the financial position of the primary government. The School District reports all capital assets in the district-wide Statement of Net Position and reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net position of the School District is presented in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. In the district-wide Statement of Net Position, activities' for assets, deferred inflow/outflow of resources, and liabilities: (a) are presented on a consolidated basis; and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

Statement of Activities – The Statement of Activities presents expenses and revenues in a format that focuses on the cost of each function to the School District. The expense of individual functions is compared to the revenue generated by the function (for instance, through user charges or governmental grants). These directly matched revenues are called program revenues. This format enables the district-wide Statement of Activities to reflect both the gross and net cost per functional category (instruction, student support services, pupil transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects only capital-specific grants. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. Direct expenses are considered those that are clearly identifiable with a specific function. The School District allocates indirect expenses to their applicable functions.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the School District are organized by fund types. Each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities of balances and changes therein. Each fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. A reconciliation is also presented which briefly explains adjustments necessary to reconcile the fund financial statements to the governmental activities column of the district-wide financial statements.

The School District's fiduciary funds are presented in the fund financial statements as well. Since by definition, these assets are held for the benefit of a third party and cannot be used to address activities or other obligations of the School District, these funds are not incorporated into the district-wide financial statements.

There are three major fund types presented in this report. A brief description of each is summarized below:

(1) Governmental Fund Types - These are the funds through which most costs of district functions are typically paid for or financed. The funds included in this category are:

(a) General Fund - the principal operating fund of the School District; accounts for and reports all financial resources not accounted for and reported in another fund.

(b) Special Revenue Funds – these funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. Special Revenue funds include:

(i) Intermediate Unit Fund - used to account for State appropriations for special education and non-public school services as well as certain administrative costs to IU No. 26, a blended component unit of the School District, therefore it does not issue its own financial statements;

(ii) Categorical Funds - used to account for specific purpose Federal, State, City or Private grants;

(iii) Trust Funds – used to account for funds where both principal and earnings may be used to support School District programs that benefit either the district itself or its students.

(c) Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

(d) Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(e) Permanent Fund - used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support District programs that benefit the District or its students.

(2) Proprietary Fund Types - These are funds that account for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The funds included in this category are:

(a) Enterprise Fund

(i) Food Service - used to account for the operation of the Food Service Division; and

(ii) Print Shop - used to account for the operation of the Print Shop and outsourced reproduction of materials for printing and copy services provided to various School District divisions and third-parties.

(b) Internal Service Fund – used to account for the self-insured health benefits provided to employees.

(3) Fiduciary Fund Types - These funds account for assets held by the School District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:

(a) Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments, most of which are through scholarships and awards; and

(b) Agency Funds - used to account for assets held by the School District as trustee or agent for others. At June 30, 2018, the School District administered the Payroll Liabilities, Student Activities and Unclaimed Monies Funds.

During the course of operations the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column on the Statement of Net Position. Similarly, balances between the funds included in business-type activities (enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column of the Statement of Net Position.

The School District reports the General, Intermediate Unit (a blended component unit), Categorical, Debt Service, Capital Projects, and the Food Service Enterprise Fund as its major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment of transactions or events is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting similar to that used for Proprietary and Private Purpose Trust Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Agency Funds report only assets and liabilities and therefore do not have a measurement focus. Agency Funds, however, use the accrual basis of accounting that recognizes both receivables and payables.

Non-exchange transactions represent activities where the School District either gives or receives value without directly receiving or giving equal value in exchange and includes grants and donations. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements are satisfied.

It is the School District's policy to first use restricted assets for expenses incurred for which restricted and unrestricted assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This type of presentation focuses on the determination of and changes in financial position, and generally only current assets and current liabilities, are included on the balance sheet.

Revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current fiscal period, or soon thereafter, to pay liabilities of the current fiscal period. For this purpose, the School District considers revenues to be available for the General Fund if they are collected within 60 days of the end of the current fiscal period or beyond the normal time of receipt because of highly unusual circumstances and within 90 days of the current fiscal period for Categorical Funds.

Revenues from grants and donations, however, are recognized in the fiscal year in which all eligibility requirements were satisfied and the resources are available. Expenditures generally are recorded when a liability is incurred as required by accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Local taxes, such as liquor by the drink, school income and business use and occupancy, associated with the current fiscal period are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District receives the vast majority of its revenues from governmental entities. These revenues primarily come in the form of state subsidies (gross instruction, special education and transportation, retirement and social security reimbursement etc.), local taxes (real estate, school income, use and occupancy, liquor sales etc.), federal & state grants and non-tax revenues (City contributions, Parking contributions etc.)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges rendered; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes. Indirect costs, such as depreciation, are allocated as specific program expenses.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund (Food Service and Print Shop) and Internal Service Fund (Healthcare Self-Insurance) reflect charges for sales and services. Operating expenses for these funds include the costs of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity

(1) Cash, Investments and Investments with Fiscal Agents

Cash and cash equivalents include currency on hand, deposits, short-term highly liquid investments and investments with original maturities of three months or less from the date of acquisition. State statutes require the School District to invest in obligations of the United States Treasury and Commonwealth and/or collateralized repurchase agreements.

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

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

(2) Real Estate Taxes

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

The real estate tax in Philadelphia is based on a calendar year basis. For fiscal year 2018, the tax rate was 13.998 mills. Of the 13.998 mills, 7.681 mills was for public school purposes.

Although assessments are certified and taxes are levied on January 1st, taxes are not due and payable until March 31st of each calendar year. Interest and penalty accrue at the rate of 1.5 percent per month beginning April 1st. Unpaid taxes are considered delinquent the following January 1st and are then subject to lien. The City has established real estate investment and improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties or, are otherwise known as "tax abatements," and typically forgive tax increases for up to ten (10) years. See Footnote 4C Tax Abatements for details.

(3) Due from Other Governments

This refers to amounts due from Federal, State, City and Grantors for entitlements, subsidies, taxes, and grants. It represents primarily receivables for (1) retirement, FICA, transportation, and special education revenue recognized for current year expenditures and (2) grant revenues are recognized when all the applicable eligibility requirements are met and the resources are available.

(4) Receivables and Payables

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

(5) Inventories

Inventories in the General Fund are valued at an average cost of $0.6 million. Included are expendable supplies of $0.3 million held for consumption by the Maintenance and Transportation Departments and Warehouse furniture and forms of $0.3 million. The cost is recorded as an expenditure at the time expendable inventories are purchased and as an expense at the time the warehouse inventories are issued. In The District reports non expendable inventory along with the expendable supplies as an offset to the non-spendable fund balance reserve, which indicates that, although they are a component of net current position, they do not constitute available resources.

Food Service inventories include $0.6 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

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

(6) Restricted Assets

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

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

(7) Artwork

Collections of art and historical treasures (artwork) meet the definition of a capital asset and normally should be reported in the financial statements at lower of cost or market value at the time of donation. Due to the immateriality of the artwork held by the District, no artwork is reported in the Statement of Net Position.

(8) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of at least $500 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated acquisition value as of the date donated. The costs associated with the normal maintenance and repair of capital assets, that do not add to the value of the asset or materially extend its useful life, are not capitalized.

GASB Statement No. 51 "*Accounting and Financial Reporting for Intangible Assets*" requires the capitalization of intangible assets. The most common circumstances in which GASBS 51 applies to the School District is in cases involving computer software. The School District capitalizes internally generated software applications and modifications to existing internally generated software applications as well as purchased software and modifications.

Land and Construction in Progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	10-30
Equipment	5-20
Vehicles	8-10
Office equipment	10
Computer equipment	5
Intangibles	10

Capital assets acquired or constructed for governmental fund purposes are recorded as expenditures in the fund incurring the obligation and are capitalized at cost in the district-wide Statement of Net Position.

Proprietary Fund equipment acquisitions are capitalized in the appropriate fund and depreciated over 5 to 20 years in the Enterprise or Internal Service Funds also using the straight-line method.

With regards to sale of School District real property, on August 15, 2013, School Reform Commission ("SRC") suspended that portion of Section 707(3) of the Public School Code (the "School Code") requiring court approval of any private sale and the portion of Section 7-709 of the School Code which provides that the School District may lease unused and unnecessary lands and buildings for any lawful purpose, other than educational use, by suspending the limitations on leasing for educational use.

Since only Section 707(3) of the School Code had been suspended, the remaining provisions of Section 707, including the provision which requires the School District to use the proceeds from the sale of property only for the payment of debt service or for capital projects remained in effect.

By suspending portions of the School Code the District is allowed to use sales proceeds for operating purposes after all callable bonds on the property are defeased, the funds are set aside for capital purposes in an amount equal to the non-callable bonds, and transaction costs are paid.

(9) Unearned Revenues

Unearned revenues represent monies received in advance of being earned. Unearned revenues are reported on the Balance Sheet, Governmental Funds for the Categorical Fund and Capital Projects Fund. For both these Funds, unearned revenue represents grant funds received prior to expenditure and prior to meeting all eligibility requirements. As of June 30, 2018, the Categorical Funds reported unearned revenue of $15.9 million while the Capital Projects Fund reported $0.3 million.

(10) Insurance

A self-funded, self-insured medical plan was implemented in Fiscal Year 2011. The District's actuary concluded that, if implemented well, self-funded self-insured plan would mitigate the level of annual increases the District would experience in medical costs. The School District's experience since its full implementation beginning with Fiscal Year 2012 to-date supports the actuarial conclusion that we are managing these costs better.

The School District is also self-insured for most of its risks including casualty losses, public liability, unemployment, and weekly indemnity. Workers' Compensation is covered by excess insurance over a $5.0 million self-insured retention per occurrence with a limit of $25.0 million. The School District does purchase certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from Windstorm, Fire, Flood and Earthquake. The general policy deductible is $0.5 million. With the perils of Windstorm, Flood & Earthquake subject to a $1.0 million deductible. The policy is subject to a limit of $250.0 million per occurrence with certain sub-limits as specified in the policy terms. Certain insurance coverage's, including employee performance bonds, student accident and employee dishonesty bonds, are also procured regularly. Medical self-insured benefits, unemployment and workers' compensation coverage are funded by pro-rata charges to each fund, while the cost of weekly indemnity coverage is shared by the School District and some covered employees.

Liabilities expected to be liquidated with available resources are shown as accrued expenditures in the General Fund. Amounts expected to be paid from future years' resources are shown in the district-wide Statement of Net Position.

(11) Compensated Absences

It is School District policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The District accrues a liability for these benefits in the district-wide Statement of Net Position if they have matured (i.e. unused reimbursable leave) and reports a liability for these amounts in the governmental funds for employees who have resigned or retired as of June 30th. Employees that resign or retire prior to the end of June receive a pro-rated amount of the leave accrued in the year of termination. The School District's leave policy is as follows:

(a) Vacation and Personal Leave - Vacation and personal leave may be used or accumulated within certain limits until paid upon retirement or termination at the rate of pay at the time of separation for each employee. Upon retirement or termination, such employees are paid for 100% of unused vacation and personal leave days.

(1) School District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary depending on length of service or job classification. Unused vacation days are paid at the actual daily earning rate of the employee, depending on time of hire.

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

(b) Sick Leave - Most School District employees are credited with 10 days of sick leave annually with no limitation on accumulation. Upon retirement or termination, such employees are paid 25% of the value of their accumulated sick leave balance at the rate of pay at the time of separation. The District determines each employee's rate of pay for unused sick days at time of separation by "leave day value" labor agreements.

(c) The School District of Philadelphia 403 (b) Plan and 457 (b) Deferred Compensation Plan - Pursuant to resolutions approved by the School Reform Commission, the School District implemented The School District of Philadelphia 403(b) Plan ("403(b) Plan") and The School District of Philadelphia 457(b) Deferred Compensation Plan (the "457(b) Plan") (collectively, the 403(b) Plan and the 457(b) Plan shall be known as the "Plans") in fiscal years 2005 and 2006. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. For employees retiring or resigning during or after the calendar year in which they attain age 55, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Termination pay contributions to the 403(b) Plan are treated as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld FICA taxes from its termination payments made to the 457(b) Plan. Employer contributions to the 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan.

(12) Long-Term Obligations

In the district-wide financial statements and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, prepaid bond insurance premium costs and refunding charges are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported separately from the applicable bond premium or discount while prepaid bond insurance premium costs are reported as assets and deferred refunding charges are reported as deferred outflows of resources or inflows of resources on the Statement of Net Position.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current fiscal period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as net adjustments against gross proceeds under the applicable fund. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. All payments made from sources other than refunding bonds proceeds are also reported as expenditures.

(13) Other Postemployment Benefits

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

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

Life Insurance Benefits OPEB:

(a) The School District provides up to $2,000 of life insurance coverage for retired and disabled employees. For this purpose, benefit payments are recognized when the District pays for OPEB expense on a pay-as-you-go-basis. The District's contributions equal the premiums paid for the retirees' life insurance coverage. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees and disabled employees.

(b) For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB life insurance liability, OPEB expense, and additions to/deductions from have been actuarially determined. These include portions of changes related to differences between expected and actual experience, changes in assumptions, and to differences between expected and actual earnings on plan investments.

PSERS OPEB:

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

(b) General Information about the Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

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

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

(e) Employer's Contributions: The School District of Philadelphia's contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS OPEB plan from the School District were $8.6 million for the year ended June 30, 2018.

(14) Pensions

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

(b) General Information about the Pension Plan

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

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

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

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

Contributions

Members Contributions:

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

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

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

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

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS pension plan from the School District were $325.7 million for the year ended June 30, 2018.

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2018 was 73.14 percent.

(15) Deferred Outflows and Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are: (1) deferred refunding charges losses and (2) deferred OPEB and Pension related transactions. Deferred refunding charges losses result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt as a deduction against the related outstanding long-term debt. Deferred OPEB and pension related transactions involve (a) the difference between OPEB contributions made by the School District during the measurement date and subsequent to the measurement, (b) changes of proportions for OPEB, (c) the difference between pension contributions made by the School District during the measurement date and subsequent to the measurement, (d) changes of assumption for pensions, and (e) net difference between projected and actual investment earnings for OPEB and pensions.

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

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

In addition, the School District's Statement of Net Position has two deferred inflows of resources type of item that qualify for reporting in this category. They are: (1) deferred refunding charges gains and (2) changes in the net pension and OPEB liability related to GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*" and GASB Statement No. 75. Deferred refunding charges gains result from the difference in the carrying value of refunded debt and its reacquisition price. Deferred refunding charges gains are deferred and amortized over the shorter of the life of the refunded or refunding debt as an addition to the related outstanding long-term debt. The other item, changes in the net pension and OPEB liability related to GASBS 68 and GASBS 75 consist of (a) differences between expected and actual experience, (b) changes in proportion, and (c) difference between employer contributions and proportionate share of total contributions.

(16) Fund Equity

In accordance with GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*, in the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balance amounts.

(a) Nonspendable Fund Balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

(b) Restricted Fund Balance: The restricted fund balance classification includes amounts when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.

(c) Committed Fund Balance: The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of a resolution of the School Reform Commission (SRC). Those committed amounts cannot be used for any other purpose unless the SRC removes or changes the specified use by resolution. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

(d) Assigned Fund Balance: The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Currently only the SRC itself can assign fund balance. If the SRC delegates the authority it can only be done through a resolution and may be delegated to (a) a budget committee, (b) finance committee, or (c) a specific School District official.

(e) Unassigned Fund Balance: The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the nonspendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding nonspendable. To the extent that funds are available for expenditure in other categories except for the nonspendable fund balance, the order of use shall be 1) committed balances, 2) assigned amounts 3) unassigned amounts.

(17) Comparative Data

Comparative data from Fiscal Year 2017 is provided as a key element of the MD&A section of this report to better enhance the analysis and comprehension of financial data of the current fiscal period.

2. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Position

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

Cost of Capital Assets	$	3,533,008,481
Accumulated Depreciation		(1,823,458,395)
Net Cost of Capital Assets	$	1,709,550,086

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

Unavailable Tax Revenue	$	128,072,649
Unavailable Accounts Receivable Revenue		1,181,149
Unavailable Grant Revenue		10,043,279
Total Adjustment of Other Assets	$	139,297,077

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current fiscal period and therefore are not reported as liabilities in the governmental funds." The details of the ($7,399,893,427) difference are as follows:

Bonds Payable	$	(3,105,440,000)
Deduct: Discount on Bonds Payable		1,879,846
Deduct: Prepaid Bond Insurance Premium Cost		7,547,830
Add: Premium on Bonds Payable		(247,173,856)
Bond Interest Payable		(35,230,726)
Funds Due to Other Governments		(45,278,566)
Workers' Compensation Payable		(97,707,640)
Unemployment Compensation Payable		(3,880,829)
Compensated Absences Payable		(188,967,354)
Claims and Judgments Payable		(5,430,000)
Arbitrage Rebate Payable		(50,759)
OPEB Liability		(161,440,736)
PSERS Pension Liability		(3,518,720,637)
Net adjustment to reduce fund balance - total governmental funds - to arrive at net position governmental activities.	$	(7,399,893,427)

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

Other Deferred Outflows/(Inflows) of Resources:

Net Deferred Outflows of Resources Pension Beginning Balance 7/1/2017		$	212,368,288
Change in OPEB			6,958,089
Prior Period Restatement -OPEB	6,288,006		
Contributions During the Measurement Period	(7,872,752)		
Contributions Subsequent to Measurement Date	8,986,011		
Current Year Amortization -Change in Assumption/Investment Earnings/Proportions	(443,176)		
Change in Pension			206,461,156
Contributions During the Measurement Period	(272,164,947)		
Contributions Subsequent to Measurement Date	320,839,061		
Current Year Amortization - Proportions/Earnings	157,787,042		
Adjustment of Deferred Outflows/(Inflows) of Resources not available to pay for current period expenditures		$	425,787,533

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the district-wide Statement of Activities. One element of the reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the $34,549,365 difference are as follows:

Capital outlay	$	128,499,152
Depreciation expense		(93,949,787)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	$	34,549,365

Another element of the reconciliation explains that "Governmental funds report capital purchases as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The District purchases additional capital items in its General and Categorical Funds which are offset by purchases from the Capital Fund that are not properly classified as capital purchases. The details of the ($9,902,521) difference are as follows:

Capital Purchases	$	6,190,772
Capital Outlays - Non Capitalized Purchases		(16,093,293)
Net Adjustment to decrease net changes in fund balance – total government funds – to arrive at changes in net position of governmental activities	$	(9,902,521)

Another element of that reconciliation states that "The net effect of miscellaneous transactions involving capital asset disposals and sales is an increase to net position." The Statement of Activities reports losses and gains arising from the disposal and sale of capital assets. Conversely, governmental funds do not report any loss on the disposal or sale of capital assets. The details of this ($368,443) difference are as follows:

Gain on Donated Capital Assets	$	768,808
Loss on Disposal of Capital Assets		(1,137,251)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	$	(368,443)

Another element of that reconciliation states that "Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds." The details of this ($5,918,161) difference are as follows:

Deferred Inflows of Resources-Unavailable Tax Revenue	$	(11,115,688)
Deferred Inflows of Resources-Unavailable Grant Revenue		2,666,953
Derivative Investment Revenue		2,512,134
Miscellaneous Revenue		18,440
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	$	(5,918,161)

Another element of the reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments." The details of this ($151,979,792) difference are as follows:

Principal Repayment on Bonds	$	104,475,000
Principal Repayment on Authority Obligations		19,685,000
Principal Repayment on Refunding of Authority Obligations		320,000
Bond Issuance and Defeasance		(276,459,792)
Net effect of differences in the treatment of long-term debt	$	(151,979,792)

Another element of the reconciliation states that, "Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds." The details of the $67,448,222 difference are as follows:

Change in Compensated Absences Payable	$	(2,241,016)
Change in Workers' Compensation Payable		(979,174)
Change in Unemployment Compensation Payable		(990,873)
Change in Claims and Judgments Payable		869,395
Change in PSERS Pension Liability and Related Deferred Inflows and Outflows		63,121,220
Change in Arbitrage Rebate Payable		(3,502)
Change in Net Accrued Bond Interest		(1,372,348)
Change in Prepaid Bond Insurance Premium Costs		290,208
Change in Bond Premium, Bond Discount, and Net Bond Refunding Losses		5,204,931
Change in OPEB Liability and Related Deferred Inflows and Outflows		3,728,692
Change in Inventory Reserve		(179,311)
Net adjustment to increase/(decrease) net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities.	$	67,448,222

C. **Explanation of Computation of Net Investment in Capital Assets**

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

	Governmental Activities		Business-Type Activities	
Capital Assets: (June 30th balances) Statement of Net Position-(Excludes Internal Service Fund)	$ 3,533,008,481		$ 17,749,277	
Less: Accumulated depreciation	(1,823,458,395)		(14,947,724)	
Net Capital Assets		$ 1,709,550,086		$ 2,801,553
Less: Outstanding Principal of Related Debt	$ (3,105,440,000)			
Deduct: Outstanding Bonds not Capital Related	402,687,000			
Other Adjustments to Outstanding Bonds for Non-Capital Related Items	(129,451,322)			
Undercapitalized Expenditures-Cumulative Year-to Date	341,245,797			
Adjustment for Undercapitalized Expenditures - Expired	(182,796,819)			
Unspent Bond Proceeds Governmental Activities Only	326,476,788			
Net Adjusted Outstanding Bonds Related to Capital Assets		(2,347,278,556)		
Net Investment in Capital Assets		$ (637,728,470)		$ 2,801,553

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

A. **Budgetary Information**

(1) General Budget Policies

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

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

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

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

(b) At least thirty days prior to adoption, public hearings must be held (no later than April 30th of each year); and

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

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

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

Control of the operating budget is exercised at the expenditure object class level within principal administrative units. Management is authorized to transfer budget amounts between personal services and employee benefits and among materials, supplies, books and equipment, but only within an administrative unit. Transfers between other expenditure classes or between administrative units require the approval of the SRC with appropriate notice, public hearing and debate. No supplementary budgetary appropriations are necessary during the fiscal year. Unencumbered appropriations lapse at year-end.

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

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

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

Enterprise (Food Services and Print Shop) and Internal Service (Self Insurance) Funds budgets are not adopted; however, formal budgets are prepared and approved by management and expenses are controlled and monitored according to appropriate line items.

Likewise, Fiduciary Funds are not formally budgeted; however, each individual expenditure request is reviewed for compliance with legal provisions and for availability of funding.

(2) Encumbrance Accounting

Encumbrance accounting, by which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in governmental funds except for Categorical Funds.

B. Fund Equity/Deficit Net Position

For governmental activities and business-type activities, the unrestricted net deficit amounts of $3,962.7 million and $24.4 million, respectively, include the effect of deferring the recognition of pension and other post-employment benefits contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension and other post-employment benefits liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

The operating funds, which consist of the General Fund, Intermediate Unit Fund and Debt Service Fund, experienced a fund balance of $264.7 million. This amount is comprised of a $72.9 million fund balance in the General Fund, a $191.1 million fund balance in the Debt Service Fund and $0.7 million fund balance in the Intermediate Unit Fund.

Categorical Funds experienced a deficit of $9.7 million. The deficit in the Categorical Funds is due to the GASB Statement No. 33 provision which states that grant revenue can only be recognized when collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of the current fiscal period.

The Enterprise Funds had a net deficit amount of $21.6 million. This deficit amount is due to the retroactive adoption of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*", in Fiscal Year 2015 and the retroactive adoption of GASB Statement No. 75, "*Accounting and Financial Reporting for Post-employment Benefits Other than Benefits*", in Fiscal Year 2018.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

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

Cash and Cash Equivalents	$	347,161,364
Cash and Investments with Fiscal Agent		195,034,726
Equity in Pooled Cash and Investments		375,548,059
Investments		200,013
Total Cash and Investments	$	917,944,162

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

The School District's investment policy is contained in a formal resolution of the SRC, namely SRC-1, adopted on October 5, 2011 and revised on June 15, 2017 under SRC Policy #609. It allows the District to invest School District funds consistent with Pennsylvania Public School Code Section 440.1. The resolution delineates the standards and specifications for banks and other institutions permitted to be used for investments/deposits of School District funds.

(2) Cash Management Practices

The average yield on all maturing investments during fiscal year 2018 was approximately 0.78% and total interest income was $7.6 million. This was a $5.0 million increase in total interest income over fiscal year 2017. The increase in interest income is a result of the higher average yield, higher cumulative principal balances invested in the debt service sinking fund, and as well as higher capital fund balances invested due to issuance of GOB Series 2018A and GOB Series 2018B.

(3) Investments

As of June 30, 2018, the School District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity in Years
Morgan Stanley Institutional Liquidity Fund Treasury Securities Portfolio (MUSUXX)	$ 147,953,021	.008
Federal National Mortgage Association (FNMA)	17,953,110	.330
Federal Home Loan Bank (FHLB)	9,005,854	.167
US Treasury Bills	11,411,500	.496

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

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

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

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

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

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

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

(4) Investment Derivative Instruments

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

(a) *Objective, Terms, Fair Value and Accounting of Derivative Instruments:* The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB Statement No. 53 "*Accounting and Financial Reporting for Derivative Instruments*". Fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Fair values reflect the effect of non-performance risk, which includes The School District's credit risk.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

The table below displays the objectives, terms, and fair values of the School District's derivative instruments outstanding as of June 30, 2018 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notational	Current Notational	Effective Date	Maturity Date	Rate Paid	Rate Received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2006B & 2016A School Lease Revenue Bonds	$150,000,000	$150,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USI	($612,615)	Wells Fargo Bank N.A.	Aa2/A+/AA
Series 2006B & 2016A School Lease Revenue Bonds	$350,000,000	$350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USI	($1,429,436)	JPMorgan Chase Bank, N.A.	Aa3/A+/AA
							($2,042,051)		

Basis risk/Interest rate risk: The School District anticipated that, on average and over time, the BMA-based variable rate paid on the Basis Swaps will approximately equal (and therefore offset) the LIBOR-based variable rate received on the Basis Swaps, therefore leaving the School District as a net receiver with (i) net positive receipts from the fixed percentage spread and (ii) the up-front payment. The effect of the Basis Swaps is to compensate the School District for its assumption of tax risk in exchange for an expected interest expense reduction (i.e. the expected positive cash flows under the Basis Swaps). The School District receives a percentage of 1-Month LIBOR plus a spread of 0.2788% and pays the SIFMA tax-exempt rate, with the expectation of a 0.2788% net benefit over the life of the swap as long as tax rates remain the same. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus SIFMA Swap Rates (short-term tax-exempt rates), a direct function of income tax rates, is approximately 67%. Therefore, there needs to be a spread payable to the School District in exchange for 67% of LIBOR over the long term and this is the value of the benefit, the risk being tax rates change over the life of the basis swap. This additional receipt of 0.2788% to the School District is the expected benefit and reduction to interest cost on the associated bonds for the life of the basis swap transaction. From the date of execution of the two basis swaps through June 30, 2018, the net benefit to the School District has been $16,401,318.

The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

Credit risk: This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk, at the reporting date, is the total mark-to-market value of swaps netting, or aggregating, under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2018, the School District has no credit risk exposure on the remaining two basis swap contracts because the swaps under each netting agreement with each counterparty have negative mark-to-market values. This means the counterparties are exposed to the School District in the amount of the derivatives' mark-to-market values, a total negative mark-to-market value of $2,695,560 as of June 30, 2018. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk.

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

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

(5) Depositary Investment Accounts

(a) *Depositary Agreement*:

(i) SRC-9 resolution issued on May 29, 2014 allowed the SRC to suspend requirements of the School Code and regulations of the State Board of Education which then allowed the Chief Financial Officer and his subordinates to enter into a Depositary Agreement and to use the building sales proceeds for Debt Service and Capital Projects. On June 2, 2014 the School District of Philadelphia (SDP) and The Bank of New York Mellon Trust Company, N.A. (BONY) (Depositary) entered into a Depositary Agreement for the purpose of providing for the deposit of funds with the Depositary held on behalf of SDP from the sale of buildings. This agreement required the Depositary to establish two separate accounts for each building sold- (1) Property Sales Defeasance Account and (2) Property Sales Capital Funds Account.

(ii) Deposits into these "Accounts" constitute the property of the SDP and would be on behalf of SDP by the Depositary. Depositary shall have custody of the Account, held on behalf of SDP and kept separate from other assets of the Depositary. Money on deposit in the Account shall be held, invested and disbursed as directed by SDP. The Depositary agreed to invest and reinvest funds in the Property Sales Defeasance Account in a 100% U.S. Treasury Money Market Fund and Property Sales Capital Funds Account in U.S. Treasury Bills.

(iii) The agreement also authorized that moneys deposited from sales of unused and unnecessary SDP property in the "Accounts" shall be paid out from time to time by the Depositary pursuant to directions provided by an authorized officer of the SDP.

(b) There was no additions to the Depositary Investment Account during Fiscal Year 2018. The School District did not sell any buildings and other capital properties that effected these accounts. Changes in the Depositary Investment Accounts during Fiscal Year 2018 were as follows:

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

(6) Fair Value of Investments

In February 2015, the GASB issued Statement No. 72 "*Fair Value Measurement and Application*", addressing the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk. The Statement is effective for reporting periods beginning after June 15, 2015. The School District adopted GASB Statement No. 72 beginning Fiscal Year ended 2016.

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

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

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

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

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

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

	Level 1	Level 2	Level 3
Morgan Stanley Institutional Liquidity Fund Treasury Securities Portfolio	$ 147,953,021	$ -	$ -
Federal National Mortgage Association (FNMA)	-	17,953,110	-
Federal Home Loan Bank (FHLB)	-	9,005,854	-
US Treasury Bills	11,411,500	-	-
SIFMA Swap	-	(2,042,051)	-
Total	$ 159,364,521	$ 24,916,913	$ -

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

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

B. Receivables

(1) Net Receivables

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

(Dollars in Thousands)

	General	Debt Service	Intermediate Unit	Capital Projects	NonMajor	Fiduciary	Total
Receivables							
Interest	$ 57.4	$ 422.6	$ -	$ 16.4	$ -	$ -	$ 496.4
Taxes	261,078.2	-	-	-	-	-	261,078.2
Accounts (Net)	32,425.8	-	917.2	-	1.1	0.6	33,344.7
Gross Receivables	293,561.4	422.6	917.2	16.4	1.1	0.6	294,919.3
Less: Allowances for Uncollectible							
Taxes	97,708.4	-	-	-	-	-	97,708.4
Total Allowances	97,708.4	-	-	-	-	-	97,708.4
Net Total Receivables	$ 195,853.0	$ 422.6	$ 917.2	$ 16.4	$ 1.1	$ 0.6	$ 197,210.9

(2) Taxes Receivable

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

(Dollars in Millions)

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

During July and August 2018, $22.2 million in real estate taxes receivable and $13.1 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2018 revenues.

(3) Due From Other Governments

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

(Dollars in Thousands)

	General	Intermediate Unit	Categorical	Capital Projects	Enterprise	Total
Due From Other Governments:						
Federal	$ -	$ -	$ 66,268.5	$ -	$ 3,372.7	$ 69,641.2
State	69,454.6	18,916.5	15,798.8	374.1	1,444.7	105,988.7
City	1,585.1	499.2	436.3	16.4	-	2,537.0
Grantors	-	-	995.1	368.1	-	1,363.2
Total Due From Other Governments	$ 71,039.7	$ 19,415.7	$ 83,498.7	$ 758.6	$ 4,817.4	$ 179,530.1

Amounts due from Other Governments under the General Fund and Intermediate Unit Fund primarily include $83.9 million for grant, retirement and FICA reimbursements from the Commonwealth of Pennsylvania and $6.6 million for transportation and special education reimbursements from other miscellaneous governments.

Amounts due from Other Governments under the Categorical Funds and Capital Projects Funds include $67.7 million federal and state grant revenues which are recognized when all the applicable eligibility requirements are met and the resources are available to pay the current expenditures (or the excess of grant expenditures over funds collected) and $16.6 million for retirement, FICA, and miscellaneous reimbursements from the Commonwealth of Pennsylvania.

The amount due from Other Governments under the Enterprise Funds includes $3.4 million reimbursements from Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs, and $1.4 million for retirement, and breakfast and lunch program reimbursements from the Commonwealth of Pennsylvania.

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

(a) Unearned Revenue: Governmental funds report unearned revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period and also in connection with resources that have been received but not yet earned. A summary of unearned revenues for the individual major governmental funds and non-major governmental funds in the aggregate of $16.2 million at June 30, 2018 are as follows:

	(Dollar Amount in Millions)
Categorical	$ 15.9
Capital Projects	0.3
	$ 16.2

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

i. Deferred Refunding Charges-Losses resulted from the difference of the reacquisition price (funds required to be deposited into escrow account to refund old bonds) and the net carrying amount of the old bonds. This item is valued at $104.6 million and has been reported as deferred outflows on the Statement of Net Position under Governmental Activities as of June 30, 2018.

(Dollars in Thousands)

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

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

	(Dollars in Thousands)			
Deferred Outflows or Resources	Life Insurance	PSERS Healthcare	Total OPEB	PSERS Pension
Net Difference between expected and actual experience	$ -	$ -	$ -	$ 37,264.0
Changes of assumptions	-	-	-	97,035.0
Net Difference between projected and actual investment earnings	-	156.0	156.0	82,769.0
Changes of proportion	-	5,875.0	5,875.0	115,618.0
Contributions by School District Subsequent to the Measurement Period	511.2	8,608.6	9,119.8	325,694.1
Difference between employer contributions and proportionate share of total contributions	-	6.3	6.3	-
	$ 511.2	$ 14,645.9	$ 15,157.1	$ 658,380.1

(c) Deferred Inflows of Resources: Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be reported in the District-Wide Statements. They are reported as unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The School District has three items that qualify for reporting in this category.

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

(a) Deferred Refunding Charges Gains, valued at ($3.8) million, has been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2018.

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

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

Deferred Inflows or Resources	Life Insurance	PSERS Healthcare	Total OPEB	PSERS Pension
	(Dollars in Thousands)			
Effect of assumptions changes or inputs	$ (1,221.0)	$ -	$ (1,221.0)	$ -
Differences between expected and actual experience	-	(6,857.0)	(6,857.0)	(21,584.0)
Changes in Proportion	-	-	-	(207,016.3)
Difference between employer contributions and proportionate share of total contributions	-	-	-	(4,612.8)
	$ (1,221.0)	$ (6,857.0)	(8,078.0)	$ (233,213.1)

ii. On the modified accrual statements the School District has one item that qualifies for reporting in this category. This item has three components which the District reported $139.3 million as deferred inflows on the Governmental Balance Sheet as of June 30, 2018. They are as follows:

	General Fund	Categorical Funds	Capital Projects Funds	Total
	(Dollars in Thousands)			
Unavailable taxes revenue	$ 128,072.7	$ -	$ -	$ 128,072.7
Unavailable accounts receivable revenue	1,181.1	-	-	1,181.1
Unavailable grant revenue	-	9,675.1	368.2	10,043.3
	$ 129,253.8	$ 9,675.1	$ 368.2	$ 139,297.1

C. **Tax Abatements**

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

The City currently authorizes four (4) types of real estate tax abatement agreements to property owners to incentivize development. Three are authorized by legislation enacted through Philadelphia's City Council ordinance, and one is authorized through State Act 175. These agreements are intended to encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home-and business-owners to the city of Philadelphia, and reduce development costs for commercial and residential projects. None of the four tax abatement programs contains provisions to recapture abated taxes. In addition, there are no commitments, other than described below, made by recipients. A description of each of the abatement programs where the City promised to forgo taxes for tax year 2018 are as follows:

1. Rehab Construction for Residential Properties (Ordinance 961) - (as amended to section 19-1303 (2) of the Philadelphia Code) This program offers an abatement from Real Estate Taxes on improvements to existing residential properties containing one (1) or more units. (Ordinary upkeep and maintenance are not improvements.) The criteria for eligibility of this abatement program requires owner/developers rehabbing residential properties to be sold or owner-occupied that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner. Real estate tax revenues for the School District in gross dollar of $6.3 million were reduced as a result of this program.

2. Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130) - (as amended to section 19-303 (2) of the Philadelphia Code) This program offers abatement from Real Estate Taxes due to new construction or improvements to deteriorated industrial, commercial or other business properties. The criteria for eligibility of this abatement program requires owner/developers building or rehabbing residential properties to be sold or owner-occupied that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner. Real estate tax revenues for the School District in gross dollar of $33.9 million were reduced as a result of this program.

3. New Construction for Residential Properties (Ordinance 1456-A) - (as amended to section 19-303 (2) of the Philadelphia Code) This program offers abatement from Real Estate Taxes due to new construction or improvements to deteriorated industrial, commercial or other business properties. The criteria for eligibility of this abatement program requires owner/developers that make improvements, under City issued permits that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning the 1st month after the title date. Real estate tax revenues for the School District in gross dollar of $18.2 million were reduced as a result of this program.

4. Development Abatement for New or Improved Residential Properties (State Act 175) – (of 1984, as amended. 72 P. S. § 5020-205) This program offers an abatement from Real Estate Taxes during new construction of single and multiple dwellings constructed for residential purposes or improvements to existing unoccupied residential dwellings or improvements

to existing structures for purposes of conversion to residential dwellings. The authority for this program is State Act 175. The criteria for eligibility of this abatement program requires developers building or rehabbing residential properties for lease or sale that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first. Real estate tax revenues for the School District in gross dollar of $2.7 million were reduced as a result of this program.

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

The criteria for eligibility of this abatement program requires a business to own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone. The qualified business must receive initial certification from DCED.
The tax abatement recipient's real estate taxes are waiver or reduction will apply when filing the following tax forms/returns: (1) Personal Income Tax (partners or Sole Proprietors), (2) Sales & Use Tax, (3) Mutual Thrift Institutions Tax, (4) Insurance Premiums Tax and/or to their respective City Business income & Receipt Tax, Net Profit Tax, and Real Estate Tax filings. Abatement/credit amounts are based on the recipients' tax return filings and real estate tax valuations. Real estate tax revenues for the School District in gross dollar of $12.6 million were reduced as a result of this program.

D. **Capital Assets**

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

	(Dollars in Millions)				
	Balance July 1,2017	Additions	Deletions	Transfers	Balance June 30,2018
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	$ 126.8	$ -	$ -	$ -	$ 126.8
(1) Construction in Progress	49.9	79.7	-	(48.6)	81.0
Total Capital Assets - Not Depreciated	$ 176.7	$ 79.7	$ -	$ (48.6)	$ 207.8
Capital Assets - Depreciated					
(2) Buildings	$ 1,738.4	$ 6.7	$ -	$ 14.0	$ 1,759.1
(3) Improvements	1,240.4	21.8	-	34.6	1,296.8
(4) Intangible Assets	69.7	0.1	-	-	69.8
Personal Property	212.2	11.1	(23.7)	-	199.6
Total Capital Assets - Depreciated	$ 3,260.7	$ 39.7	$ (23.7)	$ 48.6	$ 3,325.3
Less Accumulated Depreciation					
(5) Buildings	$ (702.0)	$ (30.8)	$ -	$ -	$ (732.8)
(6) Improvements	(845.4)	(44.0)	-	-	(889.4)
(7) Intangible Assets	(48.0)	(4.0)	-	-	(52.0)
Personal Property	(156.7)	(15.1)	22.5	-	(149.3)
Total Accumulated Depreciation	$ (1,752.1)	$ (93.9)	$ 22,5	$ -	$ (1,823.5)
Net Capital Assets Depreciated	$ 1,508.6	$ (54.2)	$ (1.2)	$ 48.6	$ 1,501.8
Governmental Activities - Net Capital Assets	$ 1,685.3	$ 25.5	$ (1.2)	$ -	$ 1,709.6
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	$ 17.0	$ 1.0	$ (0.3)	$ -	$ 17.7
Less Accumulated Depreciation	(14.9)	(0.3)	0.3	-	(14.9)
Business-Type Activities - Net Capital Assets	$ 2.1	$ 0.7	$ -	$ -	$ 2.8

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

Depreciation expense was charged to the following activities as follows:

	(Dollars in Millions)
Governmental Activities:	
Instruction	$ 80.6
Student Support Services	6.0
Administrative Support	6.6
Operation & Maintenance of Plant Services	0.6
All Other Support Services	0.1
Total Depreciation Expense	$ 93.9
Business-Type Activities:	
Food Service	$ 0.3
Print Shop	-
Total Depreciation Expense	$ 0.3

E. Obligations

(1) Short-Term Obligations

The School District issued $400.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 6, 2017 as authorized by the SRC. The School District used the proceeds of the Notes to address the District's cyclical cash flow needs. The terms of the TRANS are as follows:

- The District borrowed $200.0 million under Series A, consisting of $200.0 million at a fixed interest rate of 1.66% (Series A Notes). The fixed interest cost of the Series A Notes was $3.2 million.
- The District borrowed $200.0 million under Series B, consisting of $200.0 million at a fixed interest rate of 1.66% (Series B Notes). The fixed interest cost of the Series B Notes was $3.2.

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

(Dollars in Millions)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Tax and Revenue Anticipation Note (Series A of 2017-2018-Fixed Rate)	$ -	$ 200.0	$ (200.0)	$ -
Tax and Revenue Anticipation Note (Series B of 2017-2018-Fixed Rate)	-	200.0	(200.0)	-
Total	$ -	$ 400.0	$ (400.0)	$ -

(2) Long-Term Obligations

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

Long Term Obligations (1)
(Dollars in Millions)

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

(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.

(3) GASB Statement No.75 implemented new requirements for OPEB Life Insurance Liabilities. Also, GASBS No.75 required OPEB Liability to be restated as of the beginning period July 1, 2017 (See Footnote 4N, Prior Period Restatement).

(4) The beginning balance of Long-term Liabilities under both Governmental and Business Type Activities changed due to the implementation of GASBS No.75. GASBS No. 75 required PSERS OPEB Liability to be restated as of the beginning period July 1, 2017 (See Footnote 4N, Prior Period Restatement).

(a) General Obligation Bonds & Lease Rental Debt

(i) *Authority to Issue*

- General obligation debt is issued pursuant to the Local Government Unit Debt Act of July 12, 1972, P.L. 781 as amended and re-enacted by Act 177, approved December 1996 (the "Debt Act"). The Debt Service Fund is used to account for the accumulation of resources and the payment of principal, interest and issuance costs on general obligation bonds and lease rental debt. The School District has issued various general obligation bonds and lease rental debt throughout the years to fund budgeted capital projects and to refund higher interest rate bonds with bonds bearing lower costs, and to provide level debt service payments for the District.

- The School District is authorized, under amendments to the Debt Act enacted in September 2003, to enter into "qualified interest rate management agreements." These qualified interest rate management agreements are, defined in the Debt Act, as agreements determined in the judgment of the School District designed to manage interest rate risk or interest cost of the School District on any debt which the School District is authorized to incur under the Debt Act. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements. The School District's Debt Policy places limits on the amount of qualified interest rate management agreements the School District may enter.

General obligation bonds and lease obligations at June 30, 2018 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue[1]	Interest Rates	Maturity Year Ending 30-Jun	Original Principal Issued	Principal Outstanding [11]	Interest	Total	Due Within One Year
2003B-SPSBA [3]	5.500	2028	$ 588,140	$ 43,505	$ 23,928	$ 67,433	$ -
2004E-QZAB	-	2019	19,335	19,335 [7]	-	19,335	19,335
2005D	5.500	2022	29,920	7,815	875	8,690	2,470
2006B-SPSBA [3]	3.875 - 5.000	2033	545,570	83,365	42,169	125,534	-
2007A	4.748 - 5.000	2034	146,530	146,410	86,090	232,500	15
2007C-QZAB	-	2023	13,510	13,510 [8]	-	13,510	-
2007D-QZAB	1.250 [2]	2023	28,160	28,160 [8]	1,584	29,744	-
2008E	5.000 - 5.125	2039	282,365	12,445	630	13,075	6,295
2008F	5.000	2028	114,215	19,640	970	20,610	10,070
2009B	4.000 - 5.000	2019	30,710	6,280	284	6,564	6,280
2010B	5.289 - 6.765 [4]	2040	221,485	208,415	182,116 [4]	390,531	6,115
2010C	5.000	2022	300,045	109,760	10,910	120,670	26,980
2010D	3.375 - 5.000	2023	49,365	42,120	5,011	47,131	7,600
2010E	5.000 - 5.250	2025	125,880	101,700	23,690	125,390	4,325
2011A-QSCB	5.995 [5]	2031	144,625	144,035 [9]	107,936 [5]	251,971	-
2011B	2.500 - 3.250	2022	16,970	7,430	473	7,903	1,775
2011C	5.000	2022	41,185	17,025	1,755	18,780	3,945
2011D	3.000 - 5.000	2022	16,330	8,005	577	8,582	1,890
2012B-SPSBA [3]	5.000	2032	264,995	220,575	91,391	311,966	11,255
2015A-SPSBA [3]	3.375 - 5.000	2026	80,000	71,930	15,617	87,547	8,390
2015A	4.000 - 5.000	2036	46,770	43,820	22,582	66,402	1,560
2015C	2.512 - 4.038	2026	44,565	36,115	5,637	41,752	4,030
2015D	5.000	2023	128,620	95,065	11,875	106,940	18,080
2016A-SPSBA [3]	5.000	2036	570,010	548,870	350,835	899,705	900
2016D	5.000	2029	92,345	86,455	25,451	111,906	6,190
2016E-QSCB	5.060 [6]	2043	147,245	147,245 [10]	182,540 [6]	329,785	-
2016F	5.000	2039	582,155	581,460	292,292	873,752	565
2018A	3.000 - 5.000	2039	176,820	176,820	110,554	287,374	5
2018B	4.000 - 5.000	2043	78,130	78,130	79,909	158,039	-
Total			$ 4,925,995	$ 3,105,440	$ 1,677,681	$ 4,783,121	$ 148,070

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

(2) Prior to 2006, Qualified Zone Academy Bonds (QZAB) were interest free to the issuer. The 2007D QZABS bear interest at 1.25%.

(3) Lease rental debt issued through the State Public School Building Authority (SPSBA).

(4) Bonds issued as ARRA Federal Taxable Build American Bonds receive a cash subsidy from United States Treasury equal to 35% of interest

payable. In Fiscal Year 2018, the Federal government reduced this subsidy by $0.3 million due to the Federal Budget Sequestration.

(5) Bonds issued as ARRA Qualified School Construction Bonds (QSCBs) receive a cash subsidy from United States Treasury that is set at the time of the sale. The School District receives a 4.87% subsidy on bonds issued at a 5.995% interest rate. In Fiscal Year 2018, the Federal government reduced this subsidy by $0.5 million due to the Federal Budget Sequestration

(6) Bonds issued as ARRA Qualified School Construction Bonds (QSCBs) receive a cash subsidy from United States Treasury equal to the lesser of (i) 100% of interest payable or (ii) 100% of the interest set at the time of the sale. In Fiscal Year 2018, the Federal government reduced this subsidy by $04 million due to the Federal Budget Sequestration

(7) QZAB bond series 2004E issued for $19.3 million on August 1, 2014. The aggregate principal of $19.3 million is due September 1, 2018. The School District irrevocably places $1.4 million in trust under a mandatory sinking fund with its fiscal agent each September 1st. These annual deposits are invested in a forward purchase agreement to be used solely for satisfying the scheduled principal payment of September 1, 2018. As of June 30, 2018, $16.6 million had been placed under the mandatory sinking fund. The $16.6 million had an investment value of $17.8 million.

(8) QZAB bond series 2007C and 2007D issued for $13.5 and $28.2 million, respectively, on December 28, 2008 an the aggregate amounts of the debt is due December 28, 2022. The School District irrevocably places $0.9 million in trust under a mandatory sinking fund with its fiscal agent each December 15th for the 2007C bonds. These annual deposits are invested in a forward purchase agreement to be used solely for satisfying the scheduled principal payment of $13.5 million on December 28, 2022. As of June 30, 2018, $8.1 million had been placed under the mandatory sinking fund. The $8.1 million had an investment value of $9.2 million.

(9) On December 20, 2011, the School District issued QSCB bond series 2011A in the principal amount of $144.6 million. The School District has an agreement with its fiscal agent to irrevocably deposit $7.5 million each September 1st to a mandatory sinking fund. The first deposit was required on September 1, 2014, however, the fiscal agent erroneously paid bondholders instead of depositing the funds into the mandatory sinking fund account. Bondholders of $6,860,000 principal amount of the Bonds, which were paid agreed to reverse the payment received on the Bonds, such payments were returned to the fiscal agent, and those Bonds remain outstanding. The remaining $555,000 principal amount of the Bonds are no longer outstanding. For each subsequent deposit due date, the fiscal agent will irrevocably deposit $7.5 million each September 1st to a mandatory sinking fund to be used solely for satisfying the scheduled principal payment of $144.0 million of Bonds on September 1, 2030. As of June 30, 2018, $29.1 million had been deposited in the mandatory sinking fund. The $29.1 million had an investment value of $29.5 million. (See Note 4E (13) for details).

(10) QSCB bonds series 2016E issued for $147.2 million November 16, 2016. The District has an agreement with the fiscal agent to irrevocably deposit funds each September 1st to a mandatory sinking fund. The first deposit was required on September 1, 2017.

(11) The "Amount of Installments and the range of maturities" are shown on the Schedule of Bonds Outstanding.

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

Governmental Activities
(Dollars in Thousands)

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

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

Governmental Activities
(Dollars in Thousands)

Year Ending June 30	Interest Rates	Principal	Interest	Total
2019	3.875-5.000	$ 20,545	$ 48,597	$ 69,142
2020	4.000-5.000	21,520	47,570	69,090
2021	4.000-5.000	22,570	46,494	69,064
2022	4.125-5.000	23,640	45,366	69,006
2023	3.375-5.000	24,780	44,184	68,964
2024 – 2028	5.000-5.500	288,635	189,247	477,882
2029 – 2033	5.000	519,800	97,897	617,697
2034 – 2038	5.000	46,755	4,585	51,340
Total		$ 968,245	$ 523,940	$ 1,492,185

(ii) *Sinking Fund Covenants*

- Fixed Rate General Obligation Bonds: The School District has irrevocably directed the City, on each business day, to deposit with the Fiscal Agent for the bonds, from School District tax revenues collected that day, for payment into each sinking fund for the bonds, approximately equal daily installments which, together with other available resources in the sinking fund equal sufficient to accumulate the sum required to pay the next principal or redemption price and the amount required to pay the next interest payment. Such debt service resources are required to be accumulated in full by this method by the 15th day prior to each specified payment date.

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

Local Tax Revenues Subject to Daily Deposit Covenant by Month

Fiscal Year 2018

(Dollars in Thousands)

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

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

- Lease Rental Debt: The School District has entered into an intercept agreement with the Treasurer of the Commonwealth of Pennsylvania who will irrevocably deposit semi- annually, with the paying agent for these bonds, from any Commonwealth revenues due the School District into a sinking fund, an amount equal to the Base Rental payments due under the sublease on or prior to each Base Rental payment. These payments are due on or prior to the fifteenth (15th) day of the calendar month immediately preceding each debt service date for the State Public School Building Authority bonds. These covenants were established to enhance the credit underlying the School District's Lease Rental Debt and to assure timely payment of debt service.

- Interest Rate Management Agreements: Pursuant to the Debt Act, periodic scheduled payments due from the School District under a qualified interest rate management agreement are payable on a parity with debt service on the bonds related to the applicable qualified interest rate management agreement. The School District has covenanted to budget, appropriate and pay such periodic scheduled payments from its general revenues, and has pledged its full faith and credit and taxing power (within the limits prescribed by law) to secure such payments. Termination payments are subject and subordinate to periodic scheduled payments and are not secured by the foregoing pledge.

(b) Derivative Instruments

Summary

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

The District in Fiscal Year 2017, adopted the provisions GASBS No. 72 "*Fair Value Measurement and Application.*" GASBS No. 72 addresses the accounting and financial reporting issues related to fair value measurements. GASBS No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the non-performance risk.

The fair values balances as defined by GASBS No. 72 and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type, and the change in fair value per GASBS No. 72 of such derivative instruments for the year then ended as reported in the 2018 financial statements are as follows (amounts in thousands: debit (credit)):

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

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

(c) General Obligation Bonds and Defeasements

(i) *General Obligation Bonds:*

(a) On April 18, 2018, the School District issued General Obligation Bonds Series A of 2018 in the aggregate principal amount of $176.8 million with a $20.3 million net premium for the Capital Improvement Program. The District used bond proceeds of $1.1 million to pay for underwriting fees and other issuance costs.

(b) On April 18, 2018, the School District issued General Obligation Bonds Series B of 2018 in the aggregate principal amount of $78.1 million with a $2.5 million net premium for the Capital Improvement Program. The Series B bonds maturing in 2043 were structured with $50.0 million of insurance provided by Assured Guaranty. The District used bond proceeds of $1.5 million to pay underwriting fees and other issuance costs.

(c) For accounting purposes, when advance refundings resulted a loss or a gain which is the net difference between the reacquisition price and the net carrying amount of the old debt, the District amortizes the refunding charges of the debt through the operations in the District-wide statements until fiscal year 2038.

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

(a) As of June 30, 2018, $286.6 million of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.

(b) In addition, as of June 30, 2018, the Defeasance Accounts from the Sale of SDP Property had $4.8 million of bonds outstanding considered to be defeased and the liability was removed from long-term liabilities.

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

(i) During May 2017, the School District sold nine buildings and other capital properties that have were financed with outstanding general obligation bonds, Internal Revenue Code and the federal arbitrage rebate regulations dictated distinguishing between current and advance refundings by using the 90-day repayment threshold cited in these. As such, the District established defeasance depository accounts with an escrow agent for property sales proceeds during FY2018 for this purpose. The funds under the defeasance depository accounts are held until the proceeds for payment of principal and interest, at a future time (advance refunding).

(ii) During FY2018, the School District of Philadelphia reported the following transaction for the defeasance accounts related to Internal Revenue Code and the federal arbitrage rebate regulations to current and advance refunding:

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

(b) Advance Refunding: On August 17, 2017, the School District used $1,481,790 of SDP Property

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

(iii) SDP Property Sales Defeasance Escrow Accounts: As of June 30, 2018, the Bank of New York Mellon, SDP's Escrow Agent, maintained 17 escrow sinking fund accounts valued at $5.0 million.

(e) Debt Limits

The Pennsylvania Local Government Unit Debt Act of 1996 (Act No. 177) establishes borrowing base and debt limits for municipalities and school districts within the Commonwealth. The Act provides no limitation on debt approved by the voters (electoral) and excludes Tax and Revenue Anticipation Notes from the computation of the non-electoral debt limit along with certain other exclusions e.g., self-liquidating debt, subsidized debt and debt issued to fund an unfunded actuarial accrued liability. As of June 30, 2018, the non-electoral and lease rental borrowing capacity or debt limit for the School District was $2,749.7 million.

(f) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2018, the arbitrage rebate calculation indicates a liability totaling $50,759.

This arbitrage liability of $50,759 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required "Installment Rebate Payment Date" is subject to change due to bond and investment activity, if any, occurring after June 30, 2018. Pursuant to the Regulations, the next required "Installment Rebate Payment" must be paid no later than 60 days after June 30, 2020. The School District will continue to perform an annual rebate calculation until all funds have been expended.

The School District has reserved as of June 30, 2018 $50,759 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(3) Leases

Operating Leases

The School District is committed under various leases for building, office space and equipment. These leases are considered operating leases for accounting purposes. Lease expenditures for the fiscal year ended June 30, 2018 amounted to $7.1 million. Future minimum lease payments for these leases are as follows:

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

These amounts include gross expenditures for the District's lease for Metropolitan Fiber-Optic Network during July 2017 through June 30, 2031; The District is eligible for reimbursement through the Universal Service Program for Schools and Libraries (E-Rate) of approximately 90 percent of monthly recurring leasing costs. Estimated reimbursement based on the lease agreement would be $17.6 million over the life of the agreement.

(4) Termination Compensation Payable

Termination pay consists of accumulated leave not expected to be paid with available resources. It includes accumulated liabilities for unused personal illness, personal leave, and vacation balances that are payable upon termination. See footnote 1D (11), Compensated Absences, for the School District's leave policies.

(5) Incurred but Not Reported (IBNR) Payable

Beginning in fiscal year 2011, the School District of Philadelphia revised its method of providing health care insurance to its employees. The revision involves a change from premium-based coverage to a self-insurance program. As part of this program, the District has contracted with an administrator to provide the claims review and payment function and with an insurance consultant for the program advisory services. Through the self-insurance program, the District will gain greater oversight and control over its fringe benefits costs.

An actuary estimated the Incurred but Not Reported (IBNR) liability for the School District of Philadelphia's self-insured Medical and Prescription Drug plans as of June 30, 2018. The IBNR is technically a subset of the total unpaid claims liability, which also includes claims incurred and reported to the administrator but awaiting processing and incurred and processed but not yet paid.

Beginning in fiscal year 2016, the District transferred this liability its' new Self Insurance Healthcare Internal Service Fund. As of June 30, 2018, the Incurred but Not Reported Payable amounted to $14.0 million.

(6) Other Postemployment Benefits (OPEB)

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

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

(7) Due to Other Governments

Deferred Reimbursement – The Commonwealth of Pennsylvania has agreed to continue to defer amounts due from prior years totaling $45.3 million for reimbursement of advanced funds provided for Special Education transportation costs.

(8) Other Liabilities

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

(9) Pension (PSERS) Liability

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

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

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

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

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

On May 10, 2016 the School District received notice from the Internal Revenue Service (IRS) of a routine audit of the Series A of 2011 Bonds the outcome of which cannot be determined. The audit included inquiry from the IRS concerning the erroneous redemption. The School District entered into a Closing Agreement with the IRS, paying $332,737, representing the total of two quarterly direct subsidies to the School District as issuer of qualified bonds. The Internal Revenue Service determination the nonqualified bonds shall be treated as if they had not been redeemed in September 2014. The District made the payment to the U.S. Treasury on July 14, 2017.

F. Interfund Receivables, Payables and Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Categorical Fund	$ 10,922,369
General Fund	Print Shop Fund	30,757

Interfund receivables and payables arose from operating activity between funds. Any unpaid balance at the end of the fiscal year is reported as an interfund receivable and/or payable.

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

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

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

Interfund transfers are used to: (a) move revenues from the fund that statute or budget requires for collection to the fund that statute or budget requires for expenditure; (b) move receipts to the Debt Service Fund from the Enterprise Fund as a transfer to cover Fiscal Year 2018 allocations of cafeteria renovations; and (c) to transfer General Fund assets to cover the costs of additional salary and benefits accrual.

G. Commitments

(1) Capital Projects Fund Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2018 are summarized as follows:

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

(2) Operating Fund Services and Supplies Commitments
Outstanding contractual commitments in the School District's operating funds at June 30, 2018 are as follows:

	General Fund	Intermediate Unit Fund
Services and Supplies	$ 32,765,287	$ 759,715

(3) Categorical Fund Commitments
Categorical Funds encumbrances totaled $8.2 million at June 30, 2018.

H. Intermediate Unit

As previously noted, the School District is also an Intermediate Unit established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an Intermediate Unit for a fiscal year is partially financed by state appropriations. In certain instances (i.e. transportation), the School District reimburses the Commonwealth for the funds advanced in the previous fiscal year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances and efficiency of vehicle utilization.

I. Litigation and Contingencies

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

(1) ***Special Education and Civil Rights Claims*** – There are estimated nine hundred fifty (950) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $2.0 million .

Of those, four hundred fifty (450) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, four hundred fifty (450) unfavorable outcomes are deemed probable in the aggregate of $2.0 million.

(2) ***Other Matters*** - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of $18.0 million. In the opinion of the General Counsel of

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

(3) ***Federal Audits*** - U.S. Department of Education ("DOE") Office of the Inspector General ("OIG") conducted an audit of the School District's controls over federal expenditures for the period commencing July 1, 2005 through June 30, 2006. After the School District responded to a preliminary draft audit report (by supporting the vast majority of the questioned expenditures), the OIG issued an audit report on January 15, 2010, assessing the School District's management of federal grant funds during the 2006 fiscal year. The report identified $138.8 million in findings resulting from the audit of controls over federal expenditures, of which the OIG considered $121.1 million to be inadequately supported and $17.7 million to be unallowable costs. The report included five findings, the largest of which related to alleged undocumented salary and benefits charged to federal programs in the amount of $123.0 million, which the District was able to subsequently substantiate to DOE.

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

The first PDL demanded a recovery of $9.9 million (down from the initial $138.8 million finding, which DOE stipulated should be further reduced to $7.2 million based on the application of the statute of limitations). Administrative and federal court appeals culminated in a Third Circuit panel decision dated March 10, 2016, sustaining the $7.2 million liability. PDE and the School District filed a petition for certiorari with the Supreme Court which was denied on October 3, 2016. On February 3, 2017, PDE received a letter from DOE demanding payment for the $7.2 million liability by March 1, 2017. The School District paid the liability in full on February 27, 2017.

The second PDL demanded a recovery of $2.5 million, but after PDE and the School District presented documentation demonstrating the application of the statute of limitations to DOE on April 4, 2016, DOE decided not to seek recovery of this amount.

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

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

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

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

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

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

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

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

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

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

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

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

J. Other Postemployment Life Insurance Benefits

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

1. Life Insurance Benefits

Plan Description:

The School District provides up to $2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The School District is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2016, the effective date of the biennial OPEB valuation, follows. There have been no significant changes between the valuation dates and the measurement year ends in the number covered or the type of coverage since that date.

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

Total OPEB Life Insurance liability:

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

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

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

Actuarial Methods and Assumptions:

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

If less than 5 Years of Service		If 5 or more Years of Service	
Years of Service	Rate	Age	Rate
< 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

Age	Male	Female
55	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates

Age	Male	Female
55	26.59%	10.02%
60	30.87%	35.77%
65	21.39%	22.23%
74	100.00%	100.00%

- Disability: None assumed.
- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2016 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.
- Special Data Adjustments: PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

Actuarial Cost Method:

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

Changes since Prior Valuation:

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

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

The mortality, retirement, and disability assumptions were revised.

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

Total OPEB Life Insurance Liability

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

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

Changes in the Total OPEB Life Insurance Liability:

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

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

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

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

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

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

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

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

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

(a) For the year ended June 30, 2018, the District recognized net OPEB expense of $.02 thousand of which all under the Governmental Activity section of the Government-wide Statements.

(b) All of the $1,220.9 thousand reported as deferred inflows was under the Governmental-Activities column of the Government-wide statements. Amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

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

2. **PSERS Other Postemployment Benefits**

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

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

(b) For the year ended June 30, 2018, the District recognized net OPEB expense of $1,363.3 thousand of which $1,342.1 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $21.2 thousand was under the Business-type Activity section of the Government-wide Statements.

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

(Dollars in Thousands)

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

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

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

(Dollars in Thousands)

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

Of the $819,709 reported as net deferred inflows, $806,968 was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at $12,455 and $286 respectively.

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.50%, which comprised of inflation of 2.75% and 2.25% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
- Eligible retirees will elect to participate Pre age 65 at 50%
- Eligible retirees will elect to participate Post age 65 at 75%

The following assumptions were used to determine the contribution rate:

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

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

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

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

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

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

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

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

(Dollars in Thousands)

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

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

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

(Dollars in Thousands)

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

OPEB plan fiduciary net position:

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

K. Pension Plan

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

(a) At June 30, 2018, the District reported a liability of $3,572.0 million for its proportionate share of the net pension liability of which $3,518.7 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System) total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2017, the District's proportion was 7.2324 percent, which was an increase of .03182 percent from its proportion measured as of June 30, 2016.

(b) For the year ended June 30, 2018, the District recognized net pension expense of $64,076.4 thousand of which $63,121.2 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of $955.2 thousand was under the Business-type Activity section of the Government-wide Statements.

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

(Dollars in Thousands)

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

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

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

Of the $99,473.2 thousand reported as deferred outflows, $97,990.4 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at $1,439.3 thousand and $43.5 thousand, respectively.

Actuarial assumptions:

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.50% includes inflation at 2.75%.
- Salary growth - Effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public markets global equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	100.00%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount rate: The discount rate used to measure the total pension liability was decreased from 7.50% to 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percenage point higher (8.25%) than the current rate:

(Dollars in Thousands)

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

Pension plan fiduciary net position:

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

L. Risk Management

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

The School District maintains property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of $0.5 million except for losses incurred from windstorm, fire, flood and earthquake which has a $1.0 million and a limit of $250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages including Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling $121.1 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro-rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

At June 30, 2018, the amount of these liabilities totaled $121.1 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

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

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

M. Prior Period Adjustment

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

N. Prior Period Restatement

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

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

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

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

O. Subsequent Events

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

(1) Tax Anticipation Revenue Notes (TRAN)

In July 2018, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the School Reform Commission, through a resolution, authorized the issuance and sale of TRAN Note Series of 2017-2018 which was issued as fixed and variable rate notes in the aggregate of $400.0 million which matures on June 28, 2019.

On July 12, 2018, the District issued Series 2018-2019 TRAN under two separate subseries and sold them to two separate private banks. The District issued and sold (1) Series A 2017-2018 as a fixed rate mode for $225.0 million and (2) Series B of 2017-2018 as a fixed rate mode for $225.0 million. Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2019.

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

On December 21, 2001, the Pennsylvania Secretary of Education declared that the School District of Philadelphia was a "distressed" school district within the meaning of Section 691(c) of the Pennsylvania Public School Code. The School Reform Commission was appointed and assumed governance of the School District for the period of distress. On November 16, 2017, the School Reform Commission adopted a resolution recommending that the Secretary issue a declaration that the School Reform Commission dissolve effective June 30, 2018, as the School District is no longer distressed and therefore no longer requires governance by a School Reform Commission. The Secretary was required to make a dissolution determination at least 180 days prior to the end of the current school year, i.e. by December 31, 2017, which he did on December 27, 2017, for the School Reform Commission to dissolve on June 30, 2018, and a new Board of Education, whose members are appointed by the Mayor of the City Philadelphia, assumed governance of the School District on July 1, 2018. The new Board of Education smoothly transitioned from the School Reform Commission as planned and has been in governance since the start of Fiscal Year 2019.

(3) Rating Agency Action

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

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

School District of Philadelphia
Budgetary Comparison Schedules
General and Intermediate Unit Funds
For The Year Ended June 30, 2018

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

Intermediate Unit Fund

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

Refer to notes to the required supplementary information

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

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

Notes to Schedule:

Changes since prior valuation of June 30, 2016.

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

(1) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB LIFE INSURANCE CONTRIBUTIONS (1)

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

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

Notes to Schedule:

Valuation date	June 30, 2016

Methods and Assumption Used to Determine Contribution Rates:

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

(1) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) HEALTHCARE LIABILITY (2)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

(2) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR NET PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) HEALTHCARE LIABILITY (2)
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

(2) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (3)
PENNSYLVANIA PUBLIC SHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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

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

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

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

SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

1. BASIS OF BUDGETING

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

2. RECONCILIATION BETWEEN THE BASIS OF BUDGETING AND GAAP

Statements prepared on a GAAP basis can be reconciled to those prepared on the basis of budgeting as follows:

(Dollars in Thousands)

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

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

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

A. General Fund

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

B. Intermediate Unit Fund

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

Variances considered by management to be significant are explained below:

General Fund

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

The negative variance of $24,351,484 in Allocated Costs results from the distribution of actual expenditures across agencies in the Administrative Support and Operation & Maintenance of Plant Services categories. These actual expenditures represent costs allocated to the Intermediate Unit and to Categorical Funds reflecting administrative, operational and indirect support costs originally expensed to the General Fund.

Intermediate Unit Fund

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

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

The negative variance of $451,793 in Allocated Costs results from the required distribution of actual expenditures across agencies in the Administrative Support and Operation & Maintenance of Plant Services categories. These actual expenditures represent costs allocated to the Intermediate Unit reflecting administrative, operational and indirect support costs originally expensed to the General Fund.

4. ALLOCATED COSTS

Allocated costs represent the School District's distribution of certain expenditures incurred by the General Fund on behalf of the Intermediate Unit and Categorical Funds. The costs are initially recorded in the General Fund and are subsequently transferred to the appropriate fund. The costs include, but are not limited to, managerial and staff support functions in the following areas: Accountability and Assessment, Health Services, Facilities Management Services, Human Resources, Information Technology, Security Operations, Curriculum Support, Transportation, Accounting Services, Payroll, Budget, Treasury Operations, etc.

In the General Fund, allocated costs are budgeted with a credit balance due to Intermediate Unit operations and allocated costs attributable to other funds and other adjustments. The original and final budget, for the credit balance, was $17,068,242 and $24,351,484, respectively.

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

5. OTHER

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

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OTHER SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue funds include Trust Funds for which both principal and earnings may be used to support School District programs that benefit either the School District or its students.

For external reporting purposes the School District reports one Non-Major Special Revenue Trust Fund. However, at June 30, 2018 there were thirty-five individual Special Revenue Trust Funds administered by the School District.

Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support School District programs that benefit the School District or its students.

For external reporting purposes the School District reports one Permanent Fund. However, at June 30, 2018 there were eighty-seven Permanent Funds administered by the School District.

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

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

School District of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

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

Governmental Funds

Governmental funds are the funds through which costs of School District functions are typically financed.

The funds included in this category are:

- General Fund - The principal operating fund of the School District; accounts for all financial resources except those required to be in another fund.

- Intermediate Unit Fund – used to account for State appropriations for special education and non-public programs.

- Debt Service Fund - used to account for the accumulation of resources for the payment of debt service and bond issuance costs.

- Capital Projects Fund - used to account for financial resources used for capital asset acquisition, construction, and improvement.

School District of Philadelphia
Schedule of Detailed Budgetary and Actual Revenues
General Fund
For The Year Ended June 30, 2018

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

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2018

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

(Continued on pages 110 through 115)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2018

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

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2018

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

(Continued on pages 112 through 115)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2018

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

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2018

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

(Continued on pages 114 through 115)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2018

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

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2018

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

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2018

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

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

School District of Philadelphia
Schedule of Bndgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2018

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

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Debt Service Fund
For The Year Ended June 30, 2018

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

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Capital Projects Fund
For The Year Ended June 30, 2018

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

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Fiduciary Funds

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

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

  For external reporting purposes, the School District reports one combined Private Purpose Trust Fund. However, at June 30, 2018 there were twelve Private Purpose Trust Funds administered by the School District.

- Agency Funds - used to account for assets held by the School District as trustee or agent for others. Agency funds report only assets and liabilities and do not have a measurement focus. They use the accrual basis of accounting to recognize receivables and payables.

  At June 30, 2018 there were three Agency Funds administered by the School District: Payroll Liabilities, Student Activities, and Unclaimed Monies.

School District of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2018

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

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

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

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

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

Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2019 Debt Service Requirements: Interest	Fiscal 2019 Debt Service Requirements: Principal
SEPTEMBER 10, 2003	588,140,000	43,505,000	JUNE 1, 2028-32	5.500	2,392,775	-
(SERIES B) (BS03)						
State Public School						
Building Authority						
Capital Obligation Bonds						
		43,505,000			2,392,775	-
AUGUST 1, 2004	19,335,000	19,335,000	SEPT 1, 2018	-	-	19,335,000
2004 QZAB CSF P						
(SERIES E) (EQ04)						
		19,335,000			-	19,335,000
OCTOBER 20, 2005	29,920,000	2,470,000	JUNE 1, 2019	5.500	135,850	2,470,000
(SERIES D) (D005)		2,600,000	JUNE 1, 2020	5.500	143,000	-
GOB-Non Refunding		2,745,000	JUNE 1, 2021	5.500	150,975	-
		7,815,000			429,825	2,470,000
DECEMBER 28, 2006	545,570,000		JUNE 1, 2019	3.875	316,705	-
(SERIES B) (BS06)			JUNE 1, 2020	4.000	326,922	-
GOB-Refunding			JUNE 1, 2021	4.000	326,922	-
State Public School			JUNE 1, 2022	4.125	337,138	-
Building Authority			JUNE 1, 2023	5.000	408,652	-
Capital Obligation Bonds		36,820,000	JUNE 1, 2024-28	5.000	2,043,260	-
		46,545,000	JUNE 1, 2029-33	5.000	408,651	-
		83,365,000			4,168,250	-
MAY 22, 2007	146,530,000	15,000	JUNE 1, 2019	5.000	750	15,000
(SERIES A) (A007)		15,000	JUNE 1, 2020	5.000	750	-
GOB Non Refunding		215,000	JUNE 1, 2021	5.000	10,750	-
		505,000	JUNE 1, 2022	5.000	25,250	-
		860,000	JUNE 1, 2023	5.000	43,000	-
		64,690,000	JUNE 1, 2024-28	5.000	3,234,500	-
		5,640,000	JUNE 1, 2029-33	5.000	282,000	-
		74,470,000	JUNE 1, 2034-38	4.748	3,536,000	-
		146,410,000			7,133,000	15,000
DECEMBER 28, 2007	13,510,000	13,510,000	DEC 28, 2022-26		-	-
(SERIES C) (CQ07)						
QZAB						
		13,510,000			-	-
DECEMBER 28, 2007	28,160,000		DEC 15, 2018	1.250	70,400	-
(SERIES D) (DQ07)			DEC 15, 2019	1.250	70,400	-
QZAB			DEC 15, 2020	1.250	70,400	-
			DEC 15, 2021	1.250	70,400	-
		28,160,000	DEC 15, 2022	1.250	70,400	-
			DEC 28, 2023-27			
		28,160,000			352,000	-
NOVEMBER 20, 2008	282,365,000	6,295,000	SEPT 1, 2018	5.000	157,375	6,295,000
(SERIES E) (E008)		6,150,000	SEPT 1, 2019	5.125	315,188	-
GOB Non Refunding						
		12,445,000			472,563	6,295,000
NOVEMBER 20, 2008	114,215,000	10,070,000	SEPT 1, 2018	5.000	251,750	10,070,000
(SERIES F) (F008)		9,570,000	SEPT 1, 2019	5.000	478,500	-
GOB Refunding						
		19,640,000			730,250	10,070,000
MAY 28, 2009	30,710,000	6,280,000	JUNE 1, 2019	4.518	283,700	6,280,000
SERIES B (B009)						
GOB Refunding						
		6,280,000			283,700	6,280,000
APRIL 6, 2010	221,485,000	6,115,000	JUNE 1, 2019	5.289	323,422	6,115,000
SERIES B (B010)		6,325,000	JUNE 1, 2020	5.419	342,752	-
(BAB-Federal Subsidy)		6,550,000	JUNE 1, 2021	5.589	366,080	-
		6,785,000	JUNE 1, 2022	5.739	389,391	-
		7,040,000	JUNE 1, 2023	5.909	415,994	-
		39,635,000	JUNE 1, 2024-28	6.423	2,550,376	-
		48,835,000	JUNE 1, 2029-33	6.705	3,276,230	-
		60,475,000	JUNE 1, 2034-38	6.765	4,091,134	-
		26,655,000	JUNE 1, 2039-43	6.765	1,803,211	-
		208,415,000			13,558,590	6,115,000
APRIL 6, 2010	300,045,000	26,980,000	SEPT 1, 2018	5.000	674,500	26,980,000
SERIES C (C010)		27,995,000	SEPT 1, 2019	5.000	1,399,750	-
GOB Refunding		29,040,000	SEPT 1, 2020	5.000	1,452,000	-
		25,745,000	SEPT 1, 2021	5.000	1,287,250	-
		109,760,000			4,813,500	26,980,000
APRIL 6, 2010	49,365,000	7,600,000	SEPT 1, 2018	4.976	189,106	7,600,000
SERIES D (D010)		8,000,000	SEPT 1, 2019	4.974	397,900	-
GOB Refunding		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	-
		42,120,000			1,807,906	7,600,000

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

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

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

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

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.

Contents | **Page**

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

School District of Philadelphia
Table 1
Net Position by Component
For the Fiscal Years 2009 through 2018
(accrual basis of accounting)
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	$ 17,712	$ (27,665)	$ (125,999)	$ (210,988)	$ (238,240)	$ (372,517)	$ (569,899)	$ (585,039)	$ (633,454)	$ (637,729)
Restricted										
Medical Self-Insurance	-	-	18,375	18,375	18,375	18,375	9,500	9,500	9,500	9,500
Debt Service	71,650	76,811	94,901	109,544	98,228	93,491	122,992	142,049	178,655	190,677
Student Health	2,109	2,166	3,495	3,466	3,447	3,428	3,411	3,407	3,401	3,410
Scholarships	4,121	4,149	2,891	2,838	2,836	2,866	2,895	2,909	2,929	2,978
Arbitrage Rebate Payable	4,286	4,286	3,646	286	265	266	694	309	47	51
Unrestricted Deficit	(1,275,930)	(1,302,757)	(1,344,779)	(1,355,846)	(1,482,974)	(4,714,160)	(4,371,010)	(4,177,825)	(3,968,022)	(3,962,694)
Total Governmental Activities Net Deficit	(1,176,052)	(1,243,010)	(1,347,470)	(1,432,325)	(1,598,063)	(4,968,251)	(4,801,417)	(4,604,690)	(4,406,944)	(4,393,807)
Business-type Activities										
Net Investment in Capital Assets	3,281	3,247	2,927	2,466	2,122	1,739	1,676	2,108	2,145	2,802
Unrestricted Deficit	(11,196)	(11,162)	(9,342)	(6,747)	(5,003)	(50,154)	(47,497)	(36,490)	(25,116)	(24,358)
Total Business-type Activities Net Deficit	(7,915)	(7,915)	(6,415)	(4,281)	(2,881)	(48,415)	(45,821)	(34,382)	(22,971)	(21,556)
Total School District										
Net Investment in Capital Assets	20,993	(24,418)	(123,072)	(208,522)	(236,118)	(370,778)	(568,223)	(582,931)	(631,309)	(634,927)
Restricted	82,166	87,412	123,308	134,509	123,151	118,426	139,492	158,174	194,532	206,616
Unrestricted Deficit	(1,287,126)	(1,313,919)	(1,354,121)	(1,362,593)	(1,487,977)	(4,764,314)	(4,418,507)	(4,214,315)	(3,993,138)	(3,987,052)
Total School District Net Deficit	$ (1,183,967)	$ (1,250,925)	$ (1,353,885)	$ (1,436,606)	$ (1,600,944)	$ (5,016,666)	$ (4,847,238)	$ (4,639,072)	$ (4,429,915)	$ (4,415,363)

Notes:

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

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

School District of Philadelphia

Table 2

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

For the Fiscal Years 2009 through 2018

(accrual basis of accounting)

(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015 (5)	2016	2017	2018
Expenses:										
Governmental Activities										
Instruction	$ 1,869,789	$ 2,033,799	$ 2,268,293	$ 2,087,983	$ 2,189,735	$ 4,349,968	$ 2,146,447	$ 2,154,999	$ 2,324,850	$ 2,479,247
Student Support Services	205,374	240,883	254,991	181,595	180,348	651,187	184,429	174,820	200,431	255,494
Administrative Support	122,523	135,194	147,661	108,120	102,855	418,487	107,528	102,475	113,885	133,875
Operation & Maintenance of Plant Services (3)	261,750	256,291	241,486	197,205	198,762	415,568	181,625	169,125	172,241	180,081
Pupil Transportation	73,636	76,175	81,154	81,983	82,015	159,516	80,471	81,860	88,413	91,443
All Other Support Services	1,591	(3,362)	(21,283)	(10,373)	15,123	(25,224)	(19,244)	19,045	30,010	14,020
Early Childhood Education	24,157	20,515	1,487	189	197	138	139	158	227	161
Interest on Long-Term Debt	139,001	142,337	147,505	139,023	153,707	153,381	145,608	144,419	149,522	146,761
Total Governmental Activities Expenses (1)	2,697,821	2,901,832	3,121,294	2,785,725	2,922,742	6,123,021	2,827,003	2,846,901	3,079,579	3,301,082
Business-type Activities: (4)										
Food Service	81,008	80,638	81,035	77,246	76,036	120,692	81,633	75,436	76,807	84,514
Print Shop	-	-	-	-	-	-	1,188	984	1,009	1,229
Total Business-type Activities Expenses	81,008	80,638	81,035	77,246	76,036	120,692	82,821	76,420	77,816	85,743
Total School District Expenses	$ 2,778,829	$ 2,982,470	$ 3,202,329	$ 2,862,971	$ 2,998,778	$ 6,243,713	$ 2,909,824	$ 2,923,321	$ 3,157,395	$ 3,386,825
Program Revenues										
Governmental Activities										
Charges for Services (2)										
Instruction	$ 1,037	$ 664	$ 745	$ 642	$ 847	$ 820	$ 970	$ 902	$ 331	$ 373
Student Support Services	69	2	-	-	-	-	-	-	-	-
Administrative Support	3,963	3,882	3,922	322	4,752	4,512	4,862	4,744	5,337	4,443
Operation & Maintenance of Plant Services	1,213	1,114	1,171	872	894	225	4,837	2,836	4,477	553
Early Childhood Education	536	60	-	28	-	-	-	-	-	-
Operating grants and contributions	904,656	1,001,353	1,046,867	788,546	865,562	778,766	826,236	857,497	963,557	1,009,902
Capital grants and contributions	500	92	1,200	(211)	1,000	-	82	1,260	1,514	595
Total Governmental Activities Program Revenues	911,974	1,007,167	1,053,905	790,199	873,055	784,323	836,987	867,239	975,216	1,015,866
Business-type Activities: (4)										
Charges for Services:										
Food Service	3,089	3,237	2,674	2,094	1,582	1,409	251	163	94	105
Print Shop							657	539	557	696
Operating grants and contributions										
Food Service	72,063	76,870	79,553	77,291	76,071	74,039	85,789	86,559	88,378	88,268
Print Shop							64	93	109	119
Capital grants and contributions	-	-	-	211	-	-	-	-	-	36
Total Business-type Activities Program Revenues	75,152	80,107	82,227	79,596	77,653	75,448	86,761	87,354	89,138	89,224
Total School District Program Revenues	$ 987,126	$ 1,087,274	$ 1,136,132	$ 869,795	$ 950,708	$ 859,771	$ 923,748	$ 954,593	$ 1,064,354	$ 1,105,090
Net (Expense)/Revenue										
Governmental Activities	(1,785,847)	(1,894,665)	(2,067,389)	(1,995,526)	(2,049,687)	(5,338,698)	(1,990,016)	(1,979,662)	(2,104,363)	(2,285,216)
Business-type Activities	(5,856)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322	3,481
Total School District Net (Expense)/Revenue	$ (1,791,703)	$ (1,895,196)	$ (2,066,197)	$ (1,993,176)	$ (2,048,070)	$ (5,383,942)	$ (1,986,076)	$ (1,968,728)	$ (2,093,041)	$ (2,281,735)

Notes:

(1) Expenses for instruction, student support services, pupil transportation, operation & maintenance of plant services, and interest on long-term debt have progressively increased primarily due to implementing the "No Child Left Behind" requirements and the capital improvement initiative.

(2) Reclassified Charges for Services, under Program Revenues, by functional activities.

(3) Direct and indirect expenses were combined starting in Fiscal Year 2010.

(4) Business Activities from Fiscal Year 2009 - 2014 included only the Food Service Fund. Business Activities include the Food Service Fund and Print Shop Fund begininng with Fiscal Year 2015 and thereafter.

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

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

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

	2009	2010	2011	2012	2013	2014	2015 (1)	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	$ (1,785,847)	$ (1,894,665)	$ (2,067,389)	$ (1,995,526)	$ (2,049,687)	$ (5,338,698)	$ (1,990,016)	$ (1,979,662)	$ (2,104,363)	$ (2,285,216)
Business-type Activities	(5,856)	(531)	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322	3,481
Total School District Net (Expense)/Revenue	(1,791,703)	(1,895,196)	(2,066,197)	(1,993,176)	(2,048,070)	(5,383,942)	(1,986,076)	(1,968,728)	(2,093,041)	(2,281,735)
General Revenues/Contributed Capital/Transfers:										
Governmental Activities										
Property Taxes	604,962	608,377	605,249	658,540	650,633	661,263	683,471	669,424	703,934	789,513
Other Taxes										
Use & Occupancy Taxes	112,225	111,801	115,361	113,843	130,142	137,677	127,711	137,662	145,560	179,759
Liquor Taxes	41,136	42,787	45,185	52,314	50,780	62,105	62,327	66,085	75,783	73,661
School (Non-Business) Income Taxes	25,240	21,590	24,738	29,691	27,225	37,274	43,507	40,946	47,782	43,617
Public Utility/PILOT Taxes	965	1,098	1,115	1,103	1,053	1,071	1,104	1,048	1,198	1,163
Cigarette Sales Tax	-	-	-	-	-	-	50,245	58,766	58,000	58,000
Sales Tax	-	-	-	-	-	-	120,000	120,000	120,000	120,000
Ridesharing Revenue	-	-	-	-	-	-	-	-	1,399	3,269
Grants and Contributions Not Restricted to Specific Programs	102,249	63,462	69,057	87,921	100,580	164,524	123,325	128,522	129,974	139,242
State & Federal Subsidies	922,965	1,018,811	1,089,698	969,264	925,831	912,421	925,825	942,152	988,294	1,041,867
Reimbursements of Insurance Deposits	-	-	-	-	-	-	-	1,008	-	-
Gain/(Loss) on Sale of Capital Assets	-	(6)	-	-	-	21,116	3,803	2,031	-	-
Transfers	(1,283)	(534)	(308)	217	(431)	290	(177)	(62)	(53)	(125)
Investment Revenue/(Expense)	-	2,261	13,348	4,170	(1,864)	838	13,724	8,725	(3,890)	2,512
Total Governmental Activities	1,808,459	1,869,647	1,963,443	1,917,063	1,883,949	1,998,579	2,154,865	2,176,307	2,267,981	2,452,478
Business-type Activities										
Contributed Capital	-	(3)	-	-	-	-	-	410	34	-
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	-	-	(57)	33	-	-
Transfers	1,283	534	308	(217)	(217)	(290)	177	62	54	125
Total Business-type Activities	1,283	531	308	(217)	(217)	(290)	120	505	88	125
Total School District General Revenues/Contributed Capital/Transfers	1,809,742	1,870,178	1,963,751	1,916,846	1,883,732	1,998,289	2,154,985	2,176,812	2,268,069	2,452,603
Changes in Net Position:										
Governmental Activities	22,612	(25,018)	(103,946)	(78,463)	(165,738)	(3,340,119)	164,849	196,645	163,618	167,262
Business-type Activities	(4,573)	-	1,500	2,133	1,400	(45,534)	4,060	11,439	11,410	3,606
Total School District Change in Net Position	$ 18,039	$ (25,018)	$ (102,446)	$ (76,330)	$ (164,338)	$ (3,385,653)	$ 168,909	$ 208,084	$ 175,028	$ 170,868

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

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

School District of Philadelphia
Table 4
Fund Balances of Governmental Funds [1]
For the Fiscal Years 2009 through 2018
(modified accrual basis of accounting)
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable										
Inventories	$ 1,306	$ 1,232	$ 1,154	$ 1,102	$ 904	$ 1,257	$ 1,206	$ 1,022	$ 788	$ 609
Long-term Interfund Loan	-	10,561	9,061	7,061	4,061	-	-	-	-	-
Restricted										
Medical Self-Insurance	-	-	18,375	18,375	18,375	18,375	9,500	-	-	-
Assigned	-	-	-	-	-	-	-	66,284	28,607	32,765
Unassigned	8,368	(9,866)	(71,967)	(138,150)	(64,128)	(116,452)	(6,886)	25,090	(9,970)	39,508
Total General Fund	$ 9,674	$ 1,927	$ (43,377)	$ (111,612)	$ (40,788)	$ (96,820)	$ 3,820	$ 92,396	$ 19,425	$ 72,882
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	$ 1,291	$ 1,336	$ 1,366	$ 1,366	$ 1,368	$ 1,365	$ 1,365	$ 1,365	$ 1,365	$ 1,365
Restricted										
Retirement of Long-term Debt	49,138	47,944	59,126	62,208	69,059	65,170	98,627	80,629	89,255	93,267
Debt Service Interest	22,512	28,867	35,775	47,335	29,169	28,321	24,364	24,709	42,986	36,295
Mandatory Deposits for Future Debt Payments	-	-	-	-	-	-	-	36,712	46,414	61,115
Arbitrage Rebate Payable	4,286	4,286	3,646	286	265	266	693	309	47	51
Trust purposes	4,960	4,982	5,021	4,939	4,915	4,928	4,941	4,950	4,965	5,022
Capital Purposes	165,315	257,067	82,591	169,653	103,138	73,364	93,319	10,223	175,874	326,426
Committed	9,886	19,886	-	-	-	-	-	-	-	-
Assigned	2,383	1,220	2,645	1,359	967	9,350	2,320	3,351	4,128	1,157
Unassigned	(18,972)	(15,620)	(54,588)	(9,467)	(5,815)	(4,021)	(4,428)	(6,195)	(7,008)	(9,675)
Total All Other Governmental Funds	$ 240,799	$ 349,968	$ 135,582	$ 277,679	$ 203,066	$ 178,743	$ 221,201	$ 156,053	$ 358,026	$ 515,023
Total Fund Balance	$ 250,473	$ 351,895	$ 92,205	$ 166,067	$ 162,278	$ 81,923	$ 225,021	$ 248,449	$ 377,451	$ 587,905

Notes:

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

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

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

REVENUES	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Federal Sources										
Grants and Subsidies	$ 301,723	$ 557,950	$ 632,055	$ 444,504	$ 400,086	$ 253,064	$ 266,508	$ 236,541	$ 286,785	$ 317,571
Total Federal Sources	301,723	557,950	632,055	444,504	400,086	253,064	266,508	236,541	286,785	317,571
State Sources										
Grants and Subsidies	1,526,794	1,456,916	1,458,468	1,349,514	1,390,157	1,433,040	1,475,762	1,551,555	1,657,768	1,722,016
Total State Sources	1,526,794	1,456,916	1,458,468	1,349,514	1,390,157	1,433,040	1,475,762	1,551,555	1,657,768	1,722,016
Local Sources										
Local Taxes										
Real Estate										
Current	548,166	546,352	549,717	597,788	601,533	592,906	604,940	633,998	660,223	743,355
Prior Years	50,662	55,684	39,555	51,606	52,028	64,512	57,153	63,410	54,989	48,450
Payment in Lieu of Taxes	5	5	-	5	5	4	5	5	5	9
Use and Occupancy	112,266	117,295	109,273	112,540	132,689	138,080	127,808	137,333	144,877	181,162
School (Non-Business) Income	25,335	22,175	24,011	27,744	28,105	40,501	40,358	40,345	42,251	48,048
Liquor Sales	41,016	43,280	43,892	50,122	54,238	60,527	61,712	65,831	74,640	76,650
Cigarette Sales Tax	-	-	-	-	-	-	50,245	58,766	58,000	58,000
Sales Tax	-	-	-	-	-	-	120,000	120,000	120,000	120,000
Public Utility Realty	960	1,093	1,115	1,099	1,048	1,067	1,099	1,043	1,193	3,269
Ridesharing Revenue	-	-	-	-	-	-	-	-	1,399	1,153
Total Local Taxes	778,410	785,884	767,563	840,904	869,646	897,597	1,063,320	1,120,731	1,157,577	1,280,096
Locally Generated Non Tax										
Interest and other income	20,771	9,101	5,986	7,903	7,838	8,773	11,449	12,130	9,381	17,470
City Contributions	38,490	38,540	38,600	48,930	68,990	96,050	99,110	104,185	104,264	104,348
Legal Settlements	2,710	2,735	2,613	2,485	2,744	-	-	-	-	-
Casino Settlement	-	-	-	-	-	-	3,872	1,928	3,857	-
Stadium Agreements	3,000	3,000	3,000	2,815	2,717	2,755	2,755	2,744	2,744	2,744
Parking Authority	3,801	7,284	7,789	13,956	13,264	9,723	11,063	10,279	10,274	13,593
Gaming Revenue	-	-	5,793	5,894	4,791	4,829	5,132	4,810	4,716	5,859
One Time State Grant Received from City of Philadelphia	-	-	-	-	-	45,000	-	-	-	-
Reimbursements from Other Funds	7,576	14 (1)	14	14	14	14	14	14	14	14
Variable Rate Income/Basis Swap Income	8,471	2,656	1,445	1,492	1,406	1,686	1,740	1,921	447	875
Other Miscellaneous/Voluntary Contributions	-	7,975	7,533	11,209	8,368	8,260	6,354	17,628	12,734	8,916
Total Local Generated Non Tax	84,819	71,305	72,773	94,698	110,132	177,090	141,489	155,639	148,431	153,819
Total Local Sources	863,229	857,189	840,336	935,602	979,778	1,074,687	1,204,809	1,276,370	1,306,008	1,433,915
Total Revenues	$ 2,691,746	$ 2,872,055	$ 2,930,859	$ 2,729,620	$ 2,770,021	$ 2,760,791	$ 2,947,079	$ 3,064,466	$ 3,250,561	$ 3,473,502

(1) In Fiscal Year 2010, "Reimbursements from Other Funds" reflects a change in policy that reports these amounts as a reduction in expenditures rather than a revenue.

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

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2009 through 2018
(modified accrual basis of accounting)
(dollars in thousands)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENDITURES											
Current:											
Instruction		$ 1,456,534	$ 1,601,033	$ 1,707,424	$ 1,487,078	$ 1,538,187	$ 1,346,144	$ 1,339,359	$ 1,393,171	$ 1,487,137	$ 1,581,062
Student Support Services		199,912	232,526	250,054	200,466	201,931	151,841	178,088	188,946	221,461	264,349
Administrative Support		109,777	131,064	140,202	107,487	102,787	100,134	103,452	104,388	119,602	134,675
Operation & Maintenance of Plant Services		257,910	254,114	237,243	200,893	205,317	200,744	182,659	177,132	180,241	186,575
Pupil Transportation		73,437	76,068	80,279	83,396	84,104	85,520	80,655	83,959	90,510	92,948
All Other Support Services		1,462	(3,647)	(21,612)	(10,661)	14,858	(25,449)	(19,282)	18,962	29,962	14,016
Early Childhood Education		24,157	20,505	1,487	189	197	138	139	158	227	162
Payments to Charter Schools		308,505	338,320	411,713	539,741	600,963	712,512	722,039	723,092	791,589	861,670
Debt Service:											
Loans		3	-	-	-	-	-	-	-	-	-
Bonds											
Principal	2a	71,159	70,762	65,454	31,577	107,664	106,059	101,233	100,493	(3) 451,893	104,795
Interest	2a	82,157	110,433	155,797	87,040	97,230	91,114	91,755	81,246	82,758	98,066
Authority Obligations (SPSBA)											
Principal & Interest	2b	49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382	(3) 719,402	69,186
Issuance Costs		10,281	4,132	2,248	1,836	1,873	-	2,476	1,402	13,320	2,633
Administrative Expenses		8,786	6,306	3,459	3,684	3,134	2,631	2,447	6,082	1,935	245
Capital Outlay: (1)											
New Buildings and Additions		88,048	42,641	88,339	7,923	13,105	4,648	4,212	10,708	6,734	19,125
Environmental Management		3,521	3,367	3,335	2,997	2,893	2,973	3,903	4,134	6,200	6,758
Alterations and Equipment		111,638	90,969	71,323	61,291	49,082	20,252	30,689	70,232	66,848	87,872
Major Renovations		-	-	-	-	-	-	-	2,784	6,713	8,679
Equipment Acquisitions		23,075	24,124	15,952	6,191	2,849	2,892	222	761	6,286	6,065
Total Expenditures		$ 2,879,420	$ 3,051,775	$ 3,261,757	$ 2,853,650	$ 3,075,230	$ 2,873,499	$ 2,893,096	$ 3,039,032	$ 4,282,818	$ 3,538,881
Computation of Debt Service as a percentage of noncapital expenditures (2):											
Total Expenditures		2,879,420	3,051,775	3,261,757	2,853,650	3,075,230	2,873,499	2,893,096	3,039,032	4,282,818	3,538,881
Less: Capital Outlay: (1)		(226,282)	(161,101)	(178,948)	(78,402)	(67,929)	(30,766)	(39,025)	(88,619)	(92,781)	(128,499)
Noncapitalized Expenditures (Excludes Depreciation)		2,653,138	2,890,674	3,082,808	2,775,248	3,007,301	2,842,733	2,854,071	2,950,413	4,190,037	3,410,382
Divide into	/										
Debt Service (Principal/Interest) (2a and 2b)		202,374	230,253	270,311	161,139	253,950	268,519	262,039	253,120	1,254,053	272,047
Debt Service as a percentage of noncapital expenditures (2)	=	7.6%	8.0%	8.8%	5.8%	8.4%	9.4%	9.2%	8.6%	(3) 29.9%	8.0%

Notes:

(1) The School District launched its' comprehensive Capital Improvement Program (CIP) in Fiscal Year 2004. The CIP supports initiatives to make schools more equitable; provide space for reduced class size; enhance academic reform efforts by providing state-of-the-art facilities.

(2) Total expenditures less capital outlays equal non-capital expenditure. Non-capital expenditures were divided by debt service principal and interest for bonds and authority obligations to arrive at the debt service as a percentage of non-capital expenditures.

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

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (Deficiency) of Revenues over (under) Expenditures	$ (187,673,270)	$ (179,719,620)	$ (330,898,060)	$ (124,029,429)	$ (305,209,423)	$ (112,708,402)	$ 53,982,697	$ 25,434,046	$ (1,032,256,633)	$ (65,378,535)
Other Financing Sources/(Uses)										
Debt Issuance (Bond Proceeds)	496,565,000	598,715,000	425,880,000	280,410,000	264,995,000	-	46,770,000	-	239,590,000	254,950,000
Capital Asset Insurance Refunds	-	-	-	-	-	-	-	1,008,215	-	-
Capital Asset Proceeds	11,390,163	276,989	5,764,807	211,481	346,580	32,565,867	23,942,448	6,501,847	9,705,892	115,081
SEPTA Loan Proceeds	-	-	-	35,312,564	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	266,690,000	349,960,000	1,152,166,056	-
Bond Premium	3,809,411	35,336,224	7,724,600	4,636,559	36,908,311	-	34,496,717	-	166,251,767	22,769,792
Bond Discounts	(9,657,934)	-	-	(265,965)	-	-	-	-	-	-
Bond Defeasement	(208,995,106)	(353,329,003)	(368,301,151)	(122,578,020)	-	-	(300,439,989)	(349,730,949)	(314,427,680)	(1,698,433)
Transfers In	400,368,761	428,883,276	459,497,642	384,489,440	482,334,321	494,957,799	501,368,975	488,403,954	559,881,659	534,879,957
Transfers Out	(401,651,694)	(428,666,212)	(459,280,627)	(384,272,425)	(482,765,848)	(495,241,766)	(501,545,714)	(497,966,338)	(559,934,930)	(535,004,528)
Total Other Financing Sources/(Uses)	291,828,601	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
Net Change in Fund Balance	$ 104,155,331	$ 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

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

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

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

Notes:
(1) The School District's own-source revenues are local taxes and locally generated non-tax revenues.

(2) Includes Public utility 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 2018 compared to Fiscal Year 2015

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

Calendar Year of Levy (1)	Major Assessment Categories (2): Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land	Certified Assessed Values: Total Assessed Value of Property	Less: Tax-Exempt Property (2)(3)(5)	Less: Homestead Exempt (3)	Less: Adjustments Between Certification	Total Tax Assessed Value of Property (2)	Total Direct Tax Rate (6)	STEB & AVI Certified Assessed Value Ratio	Estimated Actual Taxable Value (7)
2009	$ 7,440	$ 1,896	$ 314	$ 6,543	$ 746	$ 413	$ 17,352	$ 5,146	$ -	$ -	$ 12,206	4.9590	0.2856 %	$ 42,738
2010	7,580	1,944	326	6,534	807	424	17,615	5,339	-	-	12,276	4.9590	0.2805	43,765
2011	7,695	1,958	327	6,787	789	384	17,940	5,593	-	-	12,347	4.9590	0.2805	44,018
2012	7,776	1,964	324	6,799	781	378	18,022	5,685	-	-	12,337	5.3090	0.2887	42,733
2013	7,831	2,021	324	6,854	758	393	18,181	5,765	-	-	12,416	5.3090	0.2868	43,291
2014	67,031	16,022	3,448	43,594	3,536	3,773	137,404	34,872	5,429	2,590	94,513	0.7382	1.0000	94,513
2015	66,956	16,213	3,305	42,795	3,484	3,588	136,341	35,242	6,705	1,981	92,413	0.7681	1.0000	92,413
2016	67,227	16,735	3,232	42,173	3,462	3,466	136,295	37,018	6,373	1,369	91,536	0.7681	1.0000	91,536
2017	68,335	17,187	3,177	41,174	3,446	3,362	136,681	38,236	6,389	315	91,742	0.7681	1.0000	91,742
2018	69,161	23,773	3,677	46,671	4,655	5,058	152,995	40,927	6,268	811	104,989	0.7681	1.0000	104,989

NOTES:

(1) Real property tax bills are sent out in December and are payable at a one percent (1%) discount until February 28th, otherwise the face amount is due March 31 without penalty or interest.

(2) Source: The City of Philadelphia, Department of Finance Statistics via Board of Revision of Taxes (CY2009-2010) and the Office of Property Assessment (CY2011-2015). Beginning in 2014, the Assessed Value Certification Date was moved up to March 31, 2013. In prior years, the Certification date occurred on or slightly before the Billing Date; henceforth, the Certification Date was change to March 31st.

(3) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments. Starting in 2014, the City provided for a $30,000 Homestead Exemption (amount subject to change) to all homeowners. Also, there are additional adjustments after the certification date of March 31st.

(4) The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, to the STEB. In addition, STEB annually determines for each municipality in the Commonwealth of Pennsylvania a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions. Obtained from STEB website-Market Value.

(5) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.

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

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

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

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

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

(6) Represents total taxable assessed value multiplied by the STEB ratio for calendar years 2006 through 2013. In calendar years 2014, 2015, 2016, 2017 and 2018, the market value represents the actual amounts.

(7) The Office of Property Assessment (OPA) began the Actual Value Initiative (AVI) program in calendar year 2014. AVI is a program for the assessment of all real property - land and buildings - in Philadelphia at their current market value.

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Governments
For the Calendar Years 2009 through 2018
(Per $100 Assessed Value) (1)

Calendar Year	City of Philadelphia	School District of Philadelphia	Total
2009	3.305	4.959	8.264
2010	3.305	4.959	8.264
2011	4.123	4.959	9.082
2012	4.123	5.309	9.432
2013	4.462	5.309	9.771
2014	0.6018	0.7382	1.340 (2)
2015	0.6317	0.7681	1.3998
2016	0.6317	0.7681	1.3998
2017	0.6317	0.7681	1.3998
2018	0.6317	0.7681	1.3998

Note:

(1) The City of Philadelphia and the School District of Philadelphia impose a tax on all real estate. Prior to calendar year 2014, the tax rate was based on mills, a fixed portion was levied pursuant to legislative authorization by the General Assembly of the Commonwealth of PA while the remaining mills (portion) was levied pursuant to legislative authorization and approval by ordinance of the City Council of Philadelphia.

(2) In calendar year 2014, the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI) which represents total taxable assessed value of property. See Table 9 for assessed value of property.

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

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

	2018	2009
Taxable Assessments (before Homestead Exemption)	$ 111,257.1	$ 12,205.7
Less: Homestead Exemption (3)	6,268.2	0.0
Total Taxable Assessments	$ 104,988.9	$ 12,205.7

Note:

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

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

(3) CY 2018 Percentage of Total Taxable Assessments uses amount after Homestead Exemption was deducted.

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2009 through 2018

For the Calendar Years 2009 through 2018

				Collected within the Calendar Year of the Original Tax			Total Collected to Date	
Calendar Year	Tax Levy for the Calendar Year (Original Levy)(a)	Adjustments (b)	Adjusted Total Levied Tax (c)	Amount ($) (d)	Percent of Original Levy (%)	Delinquent Taxes Collections in Subsequent Years (d)	Amount ($)	Percentage of Original Tax Levy (%)
2009	605,206,705	(8,983,608)	596,223,097	543,104,746	89.74%	45,853,164	588,957,910	97.32%
2010	608,707,615	(21,170,912)	587,536,703	540,287,600	88.76%	51,159,955	591,447,555	97.16%
2011	612,265,808	(16,541,052)	595,724,756	549,036,079	89.67%	43,415,399	592,451,478	96.76%
2012	655,005,955	(18,049,782)	636,956,173	549,558,020	83.90%	47,806,525	597,364,545	91.20%
2013	659,127,013	(19,166,892)	639,960,121	595,637,192	90.37%	61,483,503	657,120,695	99.70%
2014	737,777,950	(28,060,172)	709,717,778	605,454,814	82.06%	46,531,066	651,985,880	88.37%
2015	731,692,538	(30,560,730)	701,131,808	607,462,012	83.02%	36,970,512	607,462,012	83.02%
2016	703,064,816	(17,962,527)	685,102,289	641,567,436	91.25%	29,063,970	641,567,436	91.25%
2017	753,705,217	6,617,076	760,322,293	667,954,497	88.62%	20,142,232	667,954,497	88.62%
2018	854,532,826 (e)	(30,319,815)	824,213,011 (e)	749,239,893 (e)	87.68%	N/A	749,239,893	87.68%

Notes:

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

(b) Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

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

(d) Source: City of Philadelphia, Revenue Department Reports-Taxes Collected for Tax Years 2009 through 2018-Gross Principal Only.

(e) Memorandum City of Philadelphia Department of Revenue 2018 Monthly Real Estate Billed/Balance Due dated 01/16/2019 as of December 31, 2018

N/A = Data Not Available

Fiscal Years 2009 through 2018

Fiscal Year	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
2009	548,166,501	50,662,332	598,828,833
2010	546,351,751	55,684,401	602,036,152
2011	549,717,468	39,704,621	589,422,089
2012	597,788,247	51,605,746	649,393,993
2013	601,533,418	52,028,211	653,561,629
2014	592,906,317	64,512,002	657,418,319
2015	604,940,462	57,152,743	662,093,205
2016	633,998,515	63,409,950	697,408,465
2017	660,222,978	54,989,521	715,212,499
2018	743,355,206	48,450,379	791,805,585

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

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

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

Notes:

(1) Includes all long-term debt instruments, including bonds, loans, and capital leases. Details of the School District's outstanding debt can be found in the notes to the financial statements. The School District's business-type activities did not have any long-term debt instruments. Business-type obligations relate to compensated absences and severance payable only.

(2) Adjusted Outstanding Debt for QZABs previously defeased; Restored during Fiscal Year 2015

(3) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.

(4) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year.

(5) Per Capita Income values based on population multiplied by Per Capital Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.

School District of Philadelphia
Table 14
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Years 2009 through 2018
(dollars in thousands)

	Net General Bonded Debt Outstanding (1)										Percentage of Estimated Actual Taxable Value of Property (8)	Per Capita (7)	
Fiscal Year	Gross General Obligation 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 - 2009 as Base Year (5) (6)
2009	$ 1,602,860	$ 83,955	$ 249,235	$ 895,615	$ 2,831,665	$ 67,561	$ 2,899,226	$ (49,138)	$ 2,850,088	4.53 %	6.67 %	1,850	1,850
2010	1,792,685	83,950	236,580	889,955	3,003,170	98,026	3,101,196	(47,944)	3,053,252	5.10	6.98	1,973	1,953
2011	1,800,745	83,945	223,225	884,010	2,991,925	97,407	3,089,332	(59,126)	3,030,206	4.85	6.99	1,986	1,897
2012	1,842,043	228,565	209,130	877,780	3,157,518	90,628	3,248,145	(62,208)	3,185,937	4.90	7.46	2,071	1,946
2013	1,751,550	228,560	459,245	871,240	3,310,595	119,112	3,429,707	(69,059)	3,360,648	4.74	7.76	2,173	2,007
2014	1,686,383	205,630	439,060	864,370	3,195,443	109,959	3,305,402	(65,170)	3,240,232	4.36	3.24	2,087	1,889
2015	1,604,975	198,180	445,070	851,330	3,099,555	124,303	3,223,859	(98,627)	3,125,232	4.04	3.15	2,005	1,812
2016	1,538,695	205,040	402,218	843,380	2,989,333	113,118	3,102,451	(117,341)	2,985,110	3.74	3.26	1,904	1,704
2017	1,146,005	352,285	489,420	988,520	2,976,230	242,014	3,218,244	(135,669)	3,082,575	3.61	3.36	1,966	1,731
2018	1,784,910	352,285	220,575	747,670	3,105,440	245,294	3,350,734	(154,382)	3,196,352	3.63	3.04	2,022	1,731

Notes:

(1) Includes all long-term general obligation bonded debt payable. Details of the School District's outstanding debt can be found in the notes to the financial statements. Deficit Bonds and Lease Revenue Bonds are deducted to determine borrowing capacity (debt limit).

(2) Adjusted Fiscal Year 2007 through Fiscal Year 2014 for Defease in Substance Error.

(3) Includes Deficit Bond Series 2005B which partially refunded GOB Series 2002B and State Public Building Authority Series 2012B.

(4) Beginning in Fiscal Year 2016 includes Mandatory Sinking Fund Deposits Restricted for Future Debt Payments under QZABs and QSCB debt.

(5) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.

(6) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.

(7) Per Capita Income values based on population multiplied by Per Capital Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.

(8) See Table 9- Assessed and Estimated Actual Market Value of Taxable Property for "estimated actual taxable values".

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018
(dollars in millions)

Governmental Unit		Debt Outstanding (1)	Estimated Percentage Applicable		Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	$	3,196.4	100.0%	$	3,196.4
City of Philadelphia Direct Debt					3,858.9
Total Direct and Overlapping Debt				$	7,055.3

Notes:

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

The definition of overlapping governments are those that coincide, at least in part with the geographic boundaries of the city. Real property tax is levied on behalf of both the City of Philadelphia and the School District on a calendar year basis of the assessed value of residential and commercial property. The tax rate for calendar year 2018 is 13.998 mills. The City's share is 6.317 mills while the remainder of 7.681 mills is for the School District. The School District meets the requirement of an overlapping government.

This schedule estimates the portion of the outstanding debt of the School District that is borne by the residents and businesses of the City of Philadelphia. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of the School District.

(2) All long-term obligations of the School District of Philadelphia are overlapping, or 100%.

School District of Philadelphia
Table 16
Legal Debt Margin Information
For the Fiscal Years 2009 through 2018
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	$ 111,257.1
Debt Limit (1)	
Non-electoral Debt Capacity (2)	859.9
Non-electoral Debt and Lease Rental Borrowing Capacity (3)	$ 2,749.7

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	$ 2,128.6	$ 2,208.0	$ 2,272.0	$ 2,277.4	$ 2,285.4	$ 2,315.3	$ 2,432.3	$ 2,572.9	$ 2,708.9	$ 2,858.1
General Obligation Bonds	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.4	3,099.6	2,989.3	2,976.2	3,105.4
Less: (Schedule of Bonds O/S)										
Lease Rental -SPSBA	(895.6)	(890.0)	(884.0)	(877.8)	(1,136.2)	(1,124.9)	(1,102.6)	(1,084.9)	(987.9)	(968.2)
Non-electoral Debt Outstanding	1,936.0	2,113.2	2,107.9	2,279.7	2,174.4	2,070.6	1,997.0	1,904.4	1,988.3	2,137.2
Exclusions:										
Deficit Bonds	(249.2)	(236.5)	(223.2)	(209.1)	(194.3)	(178.6)	(17.3)	-	-	-
Termination Bonds	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-	-
Stadium Bonds	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)
Deficit Bonds-2015D		-	-	-	-	-	(128.6)	(128.6)	(112.3)	(95.1)
Termination Bonds outstanding -2015C							(44.6)	(43.9)	(40.1)	(36.1)
Non-electoral Debt Outstanding applicable to Debt Limit	1,596.9	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5	1,825.8	1,998.2
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	2,128.6	2,208.0	2,272.0	2,277.4	2,285.4	2,315.3	2,432.3	2,572.9	2,708.9	2,858.1
Less: Non-electoral Debt Outstanding applicable to Debt Limit	1,596.9	1,790.9	1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5	1,825.8	1,998.2
Non-electoral Debt Capacity (2)	$ 531.6	$ 417.1	$ 468.7	$ 283.7	$ 377.5	$ 490.6	$ 643.6	$ 853.4	$ 883.1	$ 859.9
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	% 75.0	% 81.1	% 79.4	% 87.5	% 83.5	% 78.8	% 73.5	% 66.8	% 67.4	% 69.9
General Obligation Bonds	2,831.7	3,003.2	2,991.9	3,157.5	3,310.6	3,195.4	3,099.6	2,989.3	2,976.2	3,105.4
Exclusions:										
Deficit Bonds	(249.2)	(236.5)	(223.2)	(209.1)	(194.2)	(178.6)	(17.3)	-	-	-
Termination Bonds	(64.7)	(62.2)	(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-	-
Stadium Bonds	(25.2)	(23.6)	(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)
Deficit Bonds outstanding -2015D		-	-	-	-	-	(128.6)	(128.6)	(112.3)	(95.1)
Termination Bonds outstanding -2015C							(44.6)	(43.9)	(40.1)	(36.1)
Net Non-electoral Debt and Lease Rental Outstanding	2,492.5	2,680.9	2,687.3	2,871.5	3,044.2	2,949.6	2,891.2	2,804.4	2,813.8	2,966.4
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	4,257.3	4,415.9	4,544.1	4,554.9	4,570.9	4,630.6	4,864.6	5,145.8	5,417.9	5,716.2
Less: Net Non-electoral Debt and Lease Rental Outstanding	2,492.5	2,680.9	2,687.3	2,871.5	3,044.2	2,949.6	2,891.2	2,804.4	2,813.8	2,966.4
Non-electoral Debt and Lease Rental Borrowing Capacity	$ 1,764.8	$ 1,735.0	$ 1,856.8	$ 1,683.4	$ 1,526.7	$ 1,681.0	$ 1,973.4	$ 2,341.4	$ 2,604.1	$ 2,749.7
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	% 58.5	% 60.7	% 59.1	% 63.0	% 66.6	% 63.7	% 59.4	% 54.5	% 51.9	% 51.9 %

Notes:

(1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit). Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.

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

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

School District of Philadelphia
Table 17
Ratio of Annual Debt Service
For General Bonded Debt and Authority Payments
To Total Governmental Funds Expenditures Excluding Categorical Funds
For the Fiscal Years 2009 through 2018
(dollars in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Bonded Debt Principal (1)	$ 68,060	$ 68,475	$ 63,168	$ 29,290	$ 105,378	$ 103,773	$ 101,233	$ 100,493	$ 451,893	$ 104,795
General Bonded Interest (2)	82,135	83,864	92,775	87,041	97,230	91,114	91,755	81,246	82,758	98,066
Loans	3	-	-	-	-	-	-	-	-	-
State Public School Building Authority (3)	49,058	49,058	49,060	42,522	49,056	71,346	69,052	71,382	719,402	69,186
Total Debt Service Expenditures (4)	$ 199,256	$ 201,397	$ 205,003	$ 158,853	$ 251,664	$ 266,233	$ 262,040	$ 253,121	$ 1,254,053	$ 272,047
Total General Expenditures Excluding Categorical/NonMajor	$ 2,409,218	$ 2,471,313	$ 2,637,062	$ 2,403,089	$ 2,614,165	$ 2,553,775	$ 2,539,028	$ 2,693,992	$ 3,878,856	$ 3,092,678
Ratio of Debt Service to Total General Expenditures Excluding Categorical/NonMajor	8.27	8.15	7.77	6.61	9.63	10.43	10.32	9.40	32.33	8.80
Total General Expenditures (4) (5)	$ 2,879,420	$ 3,051,775	$ 3,261,757	$ 2,853,650	$ 3,075,230	$ 2,873,499	$ 2,893,097	$ 3,039,032	$ 4,282,817	$ 3,538,881
Ratio of Debt Service to Total General Expenditures	6.92	6.60	6.29	5.57	8.18	9.27	9.06	8.33	29.28	7.69

Notes:

(1) Adjusted Fiscal Year 2009 through Fiscal Year 2014 for Defease in Substance Error; Adjustment of Mandatory Sinking Fund Deposits for Quality Zone Academy Bonds increase the investment and liabilities under the Debt Service Fund and restored the prior years' QZABs principal expenditure of $17.9 million as a prior period adjustment during FY2015.

(2) Includes bond, fixed, and variable interest payments.

(3) Includes both principal and interest authority obligation payments.

(4) Does not include bond issuance costs, defeasement costs, or authority obligation program expenses.

(5) Includes General, Intermediate Unit, Categorical, Debt Service, Capital Projects and Non-Major Funds expenditures.

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

School District of Philadelphia
Table 18
Demographic and Economic Statistics
For the Calendar Years 2009 through 2018

	City of Philadelphia					Property Values (4)		Bank Deposits (6)	
Calendar Year	Estimated Population (1) (in thousands)	Per Capita Personal Income (2)	Personal Income (dollars in thousands) (2)	Unemployment Rate (3)	Civilian Labor Force (in thousands) (3)	Total Market (dollars in millions) (5)	Original Assessed (dollars in millions) (5)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
2009	1,515	$ 39,258	$ 59,904,306	9.7 %	$ 652.4	$ 54,224	$ 17,352	$ 31,624	$ 16,673
2010	1,528	40,791	62,429,999	10.6	687.8	55,047	17,615	34,669	11,504
2011	1,540	42,272	65,084,551	10.7	690.9	56,062	17,940	35,594	15,244
2012	1,552	45,656	70,855,006	10.9	699.3	56,320	18,022	32,267	12,311
2013	1,558	47,663	74,263,724	10.3	698.3	56,816	18,181	33,453	11,901
2014	1,564	49,499	77,418,502	8.1	691.0	137,404	137,404	31,925	9,108
2015	1,571	50,764	79,725,467	7.1	695.5	136,341	136,341	40,241	10,766
2016	1,575	54,256	85,440,146	6.8	703.6	136,295	136,295	38,718	11,079
2017	1,581	55,718	88,081,991	6.2	704.1	136,681	136,681	39,431	10,792
2018	1,587 (7)	57,219 (7)	90,805,523 (7)	5.7 (8)	704.5 (8)	152,995	152,995	38,443	12,351

Notes:

(1) Data for calendar years 2009 through 2017 obtained from U.S. Census Bureau.

(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis-updated November 2017

(3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated October 2018

(4) Data provided by the City of Philadelphia Revenue Department. Represents original billings plus tax abatements.

(5) Source: The City of Philadelphia, Board of Revision of Taxes/Office of Property Assessment

(6) Source: Federal Deposit Insurance Corporation Summary of Deposits by County for years ending June 30th.

(7) Source: SDP applied an estimated growth rate of 3.7 tenth of a percent, 16.2 percent, and 17.2 percent based on the change between the previous years amount for the population, per Capita Personal Income and Personal Income respectively.

(8) Source: U.S. Bureau of Labor-Labor Force Data By County, not seasonally adjusted latest 14 months (Sept 17 to Oct 18)

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

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

Notes:

(1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2018, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2018; (c) and Philadelphia Business Journal dated July 28, 2018 page 16-20 Employers Ranked By Number of Local Employees.

(2) Information obtained from The Philadelphia Business Journal dated November 6-12, 2009- Philadelphia County Private Sector Employers. (Ranked by number of county employees) Identified by name from the 2009 CAFR for City of Philadelphia and School District.

(3) Based on 2009 thru 2017 annual averages and Labor force data by county, not seasonally adjusted, U.S. Bureau of Labor-Labor Force Data By County, not seasonally adjusted latest 14 months (April 2017-May 2018(p))

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

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

Notes:

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

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

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

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

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

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Accrual) (dollars in thousands) (3)	Cost per Pupil Expenses	Percentage Change of Cost per Pupil Expenses	Percentage of Students Receiving Free or Reduced Price Meals (4)	Percentage of Students Using Bus/Cab (5)	Percentage of Students Using Free/ Subsidized Transpasses (Tokens) (5)	Teaching Staff (6)	Pupil-Teacher Ratio
2009	162,248	$ 2,123,955	$ 13,091	3.78 %	$ 2,697,821	$ 16,628	6.62 %	N/A	22.3 %	35.9 %	10,377	15.6
2010	160,659	2,311,605	14,388	9.91	2,901,832	18,062	8.63	76.7 %	23.6	36.1	11,281	14.2
2011	154,482	2,395,041	15,504	7.75	3,121,294	20,205	11.86	77.2	24.4	38.7	11,213	13.8
2012	146,819	2,068,734	14,090	(9.12)	2,785,725	18,974	(6.09)	79.2	25.4	40.2	9,545	15.4
2013	141,094	2,147,313	15,219	8.01	2,922,742	20,715	9.18	81.0	27.9	41.8	9,498	14.9
2014	135,107	1,859,019	13,760	(9.59)	2,817,340	20,853	0.67	80.8	30.8	44.6	8,347	16.2
2015	133,399	1,865,015	13,981	1.61	2,827,469	21,196	1.64	100.0	29.4	46.0	8,204	16.3
2016	134,227	1,966,683	14,652	4.80	2,846,901	21,210	0.07	100.0	29.2	44.3	8,194	16.4
2017	132,240	2,129,099	16,100	9.89	3,079,579	23,288	9.80	100.0	30.8	46.6	8,242	16.0
2018	132,115	2,273,746	17,210	6.89	3,301,082	24,986	7.29	100.0	46.6	47.6	8,283	16.0

Notes:
(1) See Table 22 - Miscellaneous Statistics for details; Includes public school and alternative education students only.

(2) Represents total expenditures under governmental funds less Debt Service, Capital Projects and Non-Major Funds, as well as charter school payments.

(3) Data obtained from GASB Statement No. 34 Statement of Activities, includes deduction of indirect expenses for Food Service Fund.

(4) Source: Food Services Administration Support, The School District of Philadelphia; Eligible student totals include charter and private schools Food Services operates as independent School Food Authority (SFA) under PDE/USDA regulations which enables individual charter/private schools, which are distinct and separate Local Education Authority's (LEA) under state law, to receive free/reduced meal program benefits should they choose to have District provide student meal services. Data source for eligible, free, and reduced students is the October claim month for each school year which is consistent with PDE standards. Data source for meal volume is aggregation of monthly PDE/USDA National School Lunch Program (NSLP) claim for each school year.

(5) Transportation Department - The School District of Philadelphia. Beginning in FY2008 students were provided SEPTA transpasses and the data was changed from average usage for tokens to approved students for transpasses.

(6) See Table 20- School District Employees by Function for details.

N/A = Data source for eligible, free, and reduced students is not available.

School District of Philadelphia
Table 22
Miscellaneous Statistics
For the Fiscal Years 2009 through 2018

The School District is a separate and independent home rule school district of the first class established in 1965 by the Philadelphia Home Rule Charter.

The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The School District of Philadelphia operated under a five member School Reform Commission. The School Reform Commission exercised all powers and had all duties of the original Board of Education through June 30, 2018. The Governor of Pennsylvania appointed the chairman who has full power and authority of the School Reform Commission and two other members, while the Mayor of Philadelphia appointed the two remaining members. The five-member commission performed its fiscal oversight responsibility for the Philadelphia public school system through the Fiscal Year 2018 reporting period which is the reporting period of this report. The SRC delegated all its duties to a local Board of Education beginning July 1, 2018.

The School District also serves as the agent for Intermediate Unit No. 26 (the "I.U."), an entity established by the Commonwealth to provide programs in special education, special education transportation, non-public school services and related management services. The School Reform Commission constitutes the Board of Directors of the I.U.; the boundaries of the I.U. are coterminous with those of the City and School District. All I.U. services are performed by the School District pursuant to contracts between the School District and the I.U.

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

Notes:

(1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data for FY 2009. Office of Strategic Analytics (OSA) provided FY 2014, FY2015 and FY 2016 number of schools and enrollment data. OSA also updated the number of high school graduates for FY2009 through FY2013.

(2) Data for Fiscal Years 2008 was obtained from the Office of Accountability and Assessment-Performance Targets and Data, School District of Philadelphia. The Office of Strategic Analytics provided date for Fiscal Years 2009 to 2016.

(3) Beginning in Fiscal Year 2008, the School District revised the reporting requirements for Educational Opportunities Program (EOP) which included nine high schools. Currently in Fiscal Year 2018 there are four EOPs. The Educational Opportunities Program is for students who attend designated high schools after core hours.

(4) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2008. School District of Philadelphia, Office of Strategic Analytics for Fiscal Year 2009 to Fiscal Year 2018.

(5) During Fiscal Year 2010, the School District realigned its Alternative Education functions into schools and programs to include: Accelerated High School Programs, an Education Options Program, Oasis Program and other District Schools and Programs.

(6) Represents the average daily membership for entire year for students enrolled in these Non Philadelphia Charter Schools. Number of schools and enrollment data obtain from SDP Special Finance Department which was also updated for previous years.

(7) Beginning in Fiscal Year 2014, includes School of Philadelphia Virtual Academy.

N/A = Data Not Available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 2009 through 2018

Calendar Year	School District (1) (3) Minimum Salary	School District (1) (3) Average Salary	School District (1) (3) Maximum Salary	Percent Change Average Salary	State Average Salary (2) (4) (5)	National Average Salary (5)
2009	$ 40,870	$ 65,066	$ 84,882	4.07%	$ 57,237	$ 54,364
2010	44,038	63,638	87,428	-2.20%	59,156	55,276
2011	44,038	66,372	87,428	4.30%	60,760	55,626
2012	45,359	71,561	90,051	7.82%	61,934	55,476
2013	45,359	71,459	90,051	-0.14%	62,218	56,151
2014	45,359	70,653	90,051	-1.13%	63,705	56,759
2015	45,359	69,652	90,051	-1.42%	64,447	57,611
2016	45,359	68,525	90,051	-1.62%	65,151	58,353
2017	45,359	67,331	90,051	-1.74%	66,265	59,660
2018	45,359	70,200	90,051	4.26%	67,398 (E1)	60,483 (E2)

Notes:

(1) Amounts exclude additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, etc.

(2) Averages for State are based on school year which corresponded to ending fiscal years; For example, data for Calendar Year 2016 represent averages for school year 2015/16, etc.

(3) Obtained from the Human Resources Data Team, School District of Philadelphia

(4) Obtained from the Pennsylvania Department of Education

(5) Obtained from the National Education Association per School Year

(E1) =Estimated a 1.017 percent increase over 2016-17

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

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

Schools	# of Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (2)	Percentage of Capacity Used
ELEMENTARY	40	8 yrs to 129 yrs	2,563,528	23,848	87.43 %
PEC	6	9 yrs to 89 yrs	294,866	3,200	112.66
ELEM LSH	8	17 yrs to 87 yrs	386,087	3,977	98.09
ELEMENTARYMIDDLE	89	10 yrs to 120 yrs	6,942,341	59,722	80.39
ELEMMID ANNEX	10	44 yrs to 112 yrs	415,501	4,176	58.79
ELEMMID LSH	10	17 yrs to 91 yrs	481,244	4,684	88.28
ELEMMID LSH ANNEX	3	18 yrs to 108 yrs	116,759	1,140	46.58
MIDDLE	10	13 yrs to 124 yrs	1,280,058	10,677	64.59
MIDDLE ANNEX	2	46 yrs to 92 yrs	106,992	903	45.51
VOCATIONAL (CTE)	6	33 yrs to 89 yrs	1,246,914	6,615	62.25
SPECIAL (3)	14	21 yrs to 110 yrs	1,886,477	13,125	86.23
SPECIAL (4)	1	65 yrs	84,135	1,034	13.73
SPEC MID (5)	1	94 yrs	120,000	1,202	49.25
SPEC CHAR (6)	1	49 yrs	190,000	1,512	51.06
HIGH (7)	1	88 yrs	74,557	850	36.59
HIGH	2	65 yrs to 90 yrs	312,259	2,239	52.70
HIGH (8)	24	6 yrs to 106 yrs	4,923,318	32,849	51.74
MID HIGH (9)	1	24 yrs	232,815	1,512	46.76
ALTERNATIVE	5	13 yrs to 109 yrs	326,961	1,926	N/A
RENAISSANCE , RENLSH REN ANNEX (10)	23	9 yrs to 110 yrs	2,503,107	20,877	80.22
CHARTER LEASED (11)	4	48 yrs to 97 yrs	488,604	3,314	111.13
EARLY CHILDHOOD-BF HS ANNEX (12)	12	N/A	312,455	0	N/A
CLOSED (13)	16	47 yrs to 115 yrs	1,649,623	0	N/A
Administration					
Administration	2	50 yrs to 70 yrs	843,610	N/A	N/A
Transportation					
Administration Garages	5	N/A	175,133	N/A	N/A
Repair Garages	1	N/A	10,663	N/A	N/A
Athletics					
Fields	11	12 yrs to 78 yrs	147,227	N/A	N/A
Pools	3	40 yrs to 49 yrs	43,968	N/A	N/A
Total Buildings and Other Capital Assets	311				

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

NOTES:
(1) Only School District owned buildings were identified and recorded.
(2) Presently the State uses 25 students per classrooms for official capacity. The capacity enrollment number has varied from 25 to 35 over the years; therefore, official capacities of schools have been adjusted accordingly as allowed by the State.
(3) Two of the Special Schools (Masterman and Girard Music Program), use midddle 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 midddle 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 midddle school (Clemente) and one high school (LINC).
(10) Elemetary. 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".

APPENDIX C - CITY OF PHILADELPHIA SOCIOECONOMIC INFORMATION

This appendix contains certain socioeconomic information regarding the City of Philadelphia (the "City"). Such information is attached as Appendix B to the Philadelphia Authority for Industrial Development Official Statement dated September 12, 2019 relating to $147,615,000 Lease Revenue Refunding Bonds, Series 2019 and speaks as of such date (or any earlier date noted therein). The School District has not undertaken to update or independently verify the information contained herein. The City is not responsible, directly or indirectly, for the payment of debt service on the Bonds. More information about the City is available at the City's investor information webpage at http://www.phila.gov/investor. Such information is not incorporated herein by reference.

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INTRODUCTION

The City of Philadelphia (the "City" or "Philadelphia") is the sixth largest city in the nation by population, and is at the center of the United States' eighth largest metropolitan statistical area, according to 2018 estimates. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City's top priorities include attracting and retaining knowledge workers, increasing educational attainment and employment skills among Philadelphians, attracting real estate development, and promoting Philadelphia as a desirable location for business.

According to the 2010 U.S. Census, the City increased its population by 0.7% to 1.53 million residents in the ten years from 2000 to 2010, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2018, the City increased its population by 3.6% to 1.584 million residents. As described below, the 20 to 34 year-old age group is the largest age group in Philadelphia and the fastest growing.

Philadelphia's recent population and job growth, the latter of which outpaced the national average for the past three years, is expected to provide additional resources to tackle the City's largest challenges. These challenges include underfunded pension liabilities, low estimated General Fund balances in Fiscal Years 2020-2024, high rates of poverty, and the School District of Philadelphia's (the "School District") ongoing fiscal challenges. Given the population shifts and economic development taking place nationwide, coupled with the City's strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, Philadelphia is well-positioned to attract new businesses and investment over the coming years.

Geography

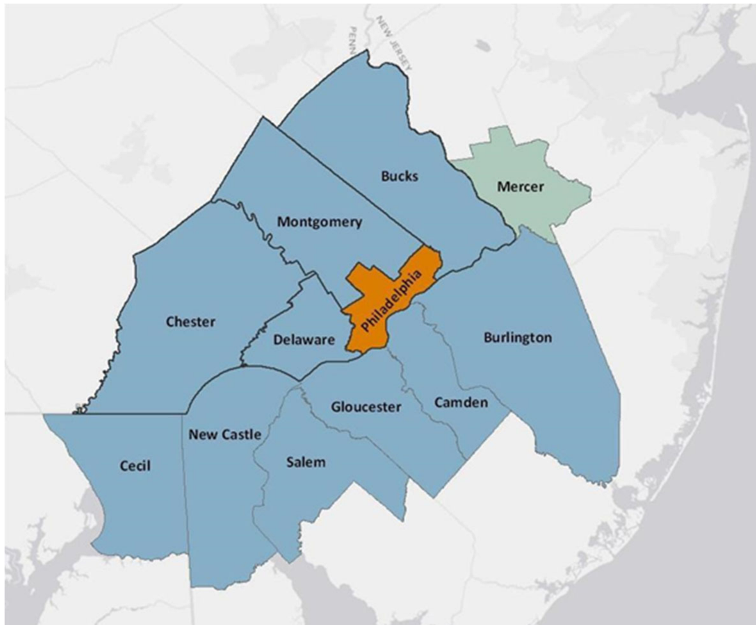
The City has an area of approximately 134 square miles, and is located along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth"), at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is both the largest city and the only city of the first class in the Commonwealth, and is coterminous with the County of Philadelphia.

Philadelphia Metropolitan Statistical Area (the "MSA"), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 6,096,372 residents according to 2018 estimates by the U.S. Census Bureau.[1]

Philadelphia Primary Metropolitan Statistical Area (the "PMSA"), highlighted with bold black outlines, in Figure 1, is a five-county area within the MSA that lies in the Commonwealth and is sometimes called the Philadelphia Metropolitan Division. The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

[1] Due to its close proximity and impact on the region's economy, Mercer County, New Jersey, highlighted in green in Figure 1, is included in the MSA by many regional agencies, although it is not included in the area defined by the U.S. Office of Management and Budget.

Figure 1
Map of Philadelphia Region including the MSA, PMSA, and Mercer County, NJ



Source: 2009 TIGER County Shapefiles

Strategic Location

Philadelphia is at the center of the fourth largest MSA on the East Coast, and is served by a robust transportation infrastructure, including: the Philadelphia International Airport, Amtrak's Northeast Corridor rail service, major interstate highway access, regional train service provided by Southeastern Pennsylvania Transportation Authority ("SEPTA") and New Jersey's PATCO (as defined herein), and the Port of Philadelphia. Due to the transportation infrastructure centered in the City, Philadelphia is accessible to regional and international markets, and is within a day's drive of 50% of the nation's population. Philadelphia's central location along the East Coast, an hour from New York City and less than two hours from Washington, D.C. by high-speed rail, also allows for convenient access to these significant economic centers.

Population and Demographics

Philadelphia is the nation's sixth most populous city, with 1.584 million residents, based on 2018 estimates. The 2000 and 2010 U.S. Census reflect the City's first population gain in 60 years. The City's population reached its nadir in 2006 with 1.45 million residents. Philadelphia's population has increased by 135,744 residents from 2006 – 2018, or by 8.57%.

From 2006 to 2018, the share of the population represented by citizens age 20 to 34 ("millennials") grew from 20% to 26.2%, becoming the largest share of Philadelphia's population. This demographic group tends to be better educated than the City's and the nation's adult population as a whole. In 2017, 42.8% of 25- to 34-year-olds in Philadelphia held a bachelor's degree or higher, while only 34.4% of 25 to 34-year-olds in the United States were college graduates. The City's many universities and diverse employment opportunities are likely draws for residents in the 20 to 34 age group. In addition to an increase in the millennial population, the City's immigrant population also grew significantly, with the City's Asian population increasing from 4.9% to 7.1% and the Hispanic or Latino population increasing from 8.5% to 14.1% between 2000 to 2017, according to the US Census Bureau.

Table 1
Population: City, MSA, Pennsylvania & Nation

	1990	2000	2010	2018	Percent Change 2000 - 2010	Percent Change 2010 - 2018
Philadelphia	1,585,577	1,517,550	1,528,427	1,584,138	0.7%	3.6%
Philadelphia-Camden-Wilmington MSA	5,435,468	5,687,147	5,972,049	6,096,372	5.0%	2.1%
Pennsylvania	11,881,643	12,281,054	12,712,343	12,807,060	3.5%	0.7%
United States	248,709,873	281,421,906	309,348,193	327,167,434	9.9%	5.8%

Source: U.S. Census Bureau, Population Estimates 2018, Census 2010, Census 2000, Census 1990.

Nearly 18% of Philadelphia's population is school-aged (aged 5-19), and in 2017, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 2) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities. Among these cities, while Boston had the highest percentage of its population enrolled in higher education, Philadelphia had 34,634 more students enrolled in higher education than Boston. Philadelphia had the fifth highest percentage of its population enrolled in higher education and the fifth largest university student population.

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Table 2
2017 Total Number of Students, as a Percent of Total Population of Selected Cities, Ranked by Total Number of Students Enrolled in Higher Education

City	Total Number of Students Enrolled in School (all years)	Total Number of Students Enrolled in Higher Education	Percent of All Students Enrolled in Higher Education	Percent of Total Population Enrolled in Higher Education
Los Angeles, CA	1,029,111	356,116	34.6%	9.0%
Chicago, IL	690,284	225,179	32.6%	8.3%
Houston, TX	594,916	160,307	26.9%	6.9%
San Diego	377,644	153,541	40.7%	10.8%
Philadelphia, PA	**403,818**	**139,910**	**34.6%**	**8.8%**
San Antonio, TX	407,331	115,941	28.5%	7.6%
Boston, MA	191,254	105,276	55.0%	15.2%
Phoenix, AZ	418,062	94,858	22.7%	5.8%
Washington, DC	166,054	74,577	44.9%	10.7%
Milwaukee, WI	257,495	74,548	29.0%	7.9%
Baltimore, MD	156,859	55,879	35.6%	9.0%
Detroit, MI	179,090	45,743	25.5%	6.8%
Memphis, TN	168,364	45,284	26.9%	6.9%
Cleveland, OH	98,425	27,645	28.1%	7.2%
United States	81,751,797	22,848,124	27.9%	7.0%

Source: 2017 American Community Survey, 1-Year Estimates.

ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the MSA plus Mercer County, New Jersey.

As shown in Table 10, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas along the East Coast. For example, Philadelphia's cost of living is 20% less than the Washington D.C. metropolitan area and 61% less than Manhattan. The City, as the commercial center of an MSA of 6.1 million people, offers its business community access to a large, diverse, and industrious labor pool. As one of country's education centers, these businesses also enjoy access to a large pool of recent graduates from the institutions of higher education in the MSA.

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Key Industries

Table 3 provides location quotients for Philadelphia's most concentrated industry sectors. Location quotients quantify how concentrated a particular industry is in a region as compared to a base reference area, usually the nation. A location quotient greater than 1.00 indicates an industry with a greater share of the local area employment than is the case in the reference area.

As shown in Table 3, compared to the nation, Philadelphia County has higher concentrations in seven sectors: 1. educational services; 2. health care and social assistance; 3. management of companies and enterprises; 4. arts, entertainment, and recreation; 5. professional and technical services; 6. other services, except public administration; and 7. finance and insurance.[2] Of these seven sectors, the City has a higher concentration of employment than the Commonwealth in five sectors: educational services; health care and social assistance; arts, entertainment and recreation; professional and technical services; and other services, except public administration.

Table 3

Ratio of Philadelphia County and Pennsylvania Industry Concentrations Compared to the United States

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.31	1.57
Health Care and Social Assistance	1.76	1.30
Management of Companies and Enterprises	1.14	1.45
Arts, Entertainment, and Recreation	1.16	1.03
Professional and Technical Services	1.19	0.95
Other Services, Except Public Administration	1.13	1.11
Finance and Insurance	1.07	1.09

Source: Bureau of Labor Statistics: 2018 Annual Average Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of educational services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City's professional services and healthcare industries. As of 2018, there were 118,580 Philadelphia residents between the ages of 25 and 34 with college degrees, and a 2019 Campus Philly report found that 54% of recent graduates in the Greater Philadelphia area have remained in the area, outpacing the retention rate of Boston (42%).

The City is also capitalizing on the region's assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster life science incubator facilities, including University City Science Center, University of Pennsylvania ("Penn"), and Drexel University. University Place Associates (UPA) and the Wistar Institute have recently announced a strategic collaboration to curate a 240,000 square foot building to be dedicated to supporting the life sciences industry with state-of-the-art laboratory/office space in the heart of Philadelphia's University City District. It is expected to be completed early 2021. Johnson & Johnson utilizes Pennovation Works as the

[2] The Bureau of Labor Statistics ("BLS") defines the "Other Services" (except Public Administration) sector as establishments engaged in providing services not specifically provided for elsewhere in the BLS classification system, such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

site for JPOD, an interactive, high-tech conference space. Announced in June 2019, Pennovation Works is to enter its next phase with a $35 million project to renovate the existing building into lab-related space. The four-story, 73,400-square-foot structure will have 35,000 square feet of wet lab, office and flex space. It is expected to be completed August 2020. Penn's Penn Center for Innovation and Temple University's Office of Technology Development and Commercialization are two of several organizations driving tech transfer and commercialization of innovations developed at Philadelphia's major research institutions. The Cambridge Innovation Center occupies part of uCity Square, which includes state-of-the-art wet lab and shared working space. The project expanded the one million square feet in facilities offered by the University City Science Center to 6 million square feet, with a projected investment of over $1 billion. It is expected to be completed in 2027.

Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in Mining, Logging, and Construction; Trade, Transportation, and Utilities; Professional and Business Services; Education and Health Services; Leisure and Hospitality and Other Services. These sectors provide stability to the City's overall economy.

Table 4

Philadelphia Non-Farm Payroll Employment[(1)] (Amounts in Thousands)

Sector	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	% Change 2009-2018
Education and health services	199.5	202.4	206.6	208.4	209.7	213.2	217.3	223.8	230.2	238.2	19.4%
Professional and business services	80.4	81.9	83.3	84.4	86.7	88.6	91.2	95.2	97.4	99.6	23.9%
Trade, transportation, and utilities	85.8	86.5	87.3	88.8	89.4	90.9	92.1	92.5	92.3	92.8	8.2%
Leisure and hospitality	56.9	58.4	60.6	63.2	64.8	66.9	68.5	70.8	73.1	74.3	30.6%
Financial activities	44.9	42.6	41.6	41.0	41.1	41.7	42.3	42.4	41.6	42.5	-5.3%
Other services	26.6	26.5	26.4	26.8	26.9	26.8	27.1	27.8	27.8	28.3	6.4%
Manufacturing	25.7	24.7	23.7	22.9	21.8	21.5	21.0	20.5	20.2	19.9	-22.6%
Mining, logging, and construction	10.1	10.0	10.0	10.2	10.4	11.0	11.5	12.0	12.1	12.6	24.8%
Information	12.6	12.2	12.0	12.0	11.5	11.5	11.8	11.6	11.6	12.1	-4.0%
Private Sector Total	*542.5*	*545.2*	*551.5*	*557.7*	*562.3*	*572.1*	*582.8*	*596.6*	*606.3*	*620.3*	14.3%
Government	110.4	112.1	109.0	105.3	103.5	102.2	101.6	101.3	102.2	103.7	-6.1%
Total	***652.9***	***657.4***	***660.4***	***662.9***	***665.9***	***674.3***	***684.4***	***698.0***	***708.6***	***724.0***	10.9%

Source: Bureau of Labor Statistics, 2018.
[1]Includes person employed within the City, without regard to residency.

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Table 5
Philadelphia Change in Share of Employment Sectors, Ranked by Percent Change of Share

Sector	Share of Total Employment 2009	Share of Total Employment 2018	Change 2009-2018
Education and health services	30.6%	32.9%	2.3%
Leisure and hospitality	8.7%	10.3%	1.5%
Professional and business services	12.3%	13.8%	1.4%
Mining, logging, and construction	1.5%	1.7%	0.2%
Other services	4.1%	3.9%	-0.2%
Information	1.9%	1.7%	-0.3%
Trade, transportation, and utilities	13.1%	12.8%	-0.3%
Financial activities	6.9%	5.9%	-1.0%
Manufacturing	3.9%	2.7%	-1.2%
Government	16.9%	14.3%	-2.6%

Source: Bureau of Labor Statistics, 2018.
[1] Includes persons employed within the City, without regard to residency.

Bureau of Labor Statistics data show that in 2018, the Education and Health Services, Professional and Business Services, Financial Activities, and Leisure and Hospitality sectors collectively represented 62.9% of total employment in the City for the year. From 2009 to 2018, Philadelphia gained 77,800 private sector jobs. Job growth in Philadelphia has outpaced the rest of the nation for the past three years, and the employment rate is the highest in decades.

Unemployment

Although Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels, the effects of the recession on unemployment endured longer in Philadelphia than in many other parts of the country.

As shown in Table 6, employment gains in the latter part of 2013 through 2018 have resulted in a decline in Philadelphia's unemployment rate from a high of 10.9% in 2012 to 5.5% in 2018.

Table 6 below shows unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

Table 6
Unemployment Rate in Selected Geographical Areas
(Annual Average 2009-2018)

Geographical Area	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change in rate from 2009-2018
United States	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	-5.4
Pennsylvania	8.0	8.5	7.9	7.8	7.4	5.9	5.3	5.4	4.9	4.3	-3.7
Philadelphia-Camden-Wilmington MSA	8.3	8.8	8.5	8.4	7.8	6.2	5.4	5.1	4.7	4.2	-4.1
Philadelphia	9.7	10.6	10.7	10.9	10.3	8.1	7.1	6.8	6.2	5.5	-4.2

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2018.

Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn and Thomas Jefferson University and Jefferson Health top this list. Other sectors represented include food services, bio-tech, and broadcasting/cable.

Fortune 500 companies headquartered or maintaining a major presence in Philadelphia include the Comcast Corporation and the Aramark Corporation. As of early 2018, Crown Holdings Inc. was located in Philadelphia, but has recently relocated its headquarters to Bucks County. Two Fortune 1000 companies are also headquartered within the City: FMC Corporation and Urban Outfitters Inc.

Table 7
Largest Private Employers Based in Philadelphia
Ranked by Number of Local Employees, 2019

Employer	Local Employees
University of Pennsylvania	40,697
Thomas Jefferson University and Jefferson Health	30,000
Comcast Corporation	12,349
Drexel University	12,124
Temple University Health System	9,808
Einstein Healthcare Network	8,645
Wells Fargo Bank	6,328
Independence Health Group	6,116
Accenture	2,730
PwC	1,900
Deloitte LLP	1,750
Community College of Philadelphia	1,700
SugarHouse Casino	1,520
Cardone Industries	1,400
Ernst & Young LLP	1,378
Saint Joseph's University	1,374
Day & Zimmerman	1,243
KPMG	1,181
CareersUSA	1,175
Jacobs	1,094
Total	**144,512**

Source: Philadelphia Business Journal, 2019

Certain Other Employers in the City. On June 30, 2019, Philadelphia Academic Health System, LLC ("PAHS"), the parent company of Hahnemann University Hospital and St. Christopher's Hospital for Children, and certain of its subsidiaries and related physician practices, filed for bankruptcy. Through the bankruptcy process, it is expected that Hahnemann University Hospital will close and St. Christopher's Hospital for Children will be sold or have its debt restructured. On July 1, 2019, Hahnemann University Hospital began a wind down of its operations; final closing is expected in September 2019. Hahnemann University Hospital has approximately 496 beds and 2,500 employees, while St. Christopher's Hospital for Children has approximately 88 pediatric beds and 1,900 employees.

In late June 2019, Philadelphia Energy Solutions announced that it will be shutting down its South Philadelphia refinery following an explosion and fire on June 21, 2019, which resulted in significant damage to the refinery complex. The closure is expected to impact more than 1,000 employees. The City does not expect to incur any costs related to cleaning up the refinery complex or any associated environmental remediation. Preliminary investigations by the City have not revealed any threats to the City's water supply as a result of the explosion and fire at the refinery complex.

Hospitals and Medical Centers

The City is a center for health, education, research and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, five medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine located in the City. 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.

Major research facilities are also located in the City, including those located at its universities and medical schools: Children's Hospital of Philadelphia, the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation's 41 National Cancer Institute ("NCI")-designated Comprehensive Cancer Centers (the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System). Additionally, Philadelphia is also home to two NCI-designated Cancer Centers (Kimmel Cancer Center and The Wistar Institute Cancer Center).

Penn Medicine University of Pennsylvania Health System

Penn Medicine includes Pennsylvania Hospital, the nation's first hospital, founded in 1751 and the nation's first medical school, the University of Pennsylvania School of Medicine, opened in 1765. In addition, the Hospital of the University of Pennsylvania was established in 1874 as the nation's first teaching hospital. Penn Medicine's hospitals have been named among the top ten hospitals in the country with the combined University of Pennsylvania and Penn Presbyterian Medical Center ranked #1 in the region by *U.S. News and World Report*. Penn Medicine, which has invested more than $200 million in major capital investments between 2014 and 2015, began construction in 2016 on a new 1.5 million square foot Patient Pavilion, a clinical facility that is projected to be occupied by spring of 2021.

Children's Hospital of Philadelphia Expansion

Children's Hospital of Philadelphia ("CHOP") is the oldest children's hospital in the nation and one of the largest in the world. CHOP was ranked #2 in the nation in 2017-2018 according to the *U.S. News and World Report*. Since 2002, CHOP has invested over $5.3 billion in its expansion in Philadelphia. In 2017, CHOP opened two facilities as a part of this expansion: the $500 million, 700,000 square foot Buerger Center for Advanced Pediatric Care, and the $275 million, 466,000 square foot Roberts Center for Pediatric Research.

Temple University Hospital, Inc.

Temple University Hospital, Inc. ("TUH") is one of the region's most respected academic medical centers. The 732-bed Philadelphia hospital is also the chief clinical training site for the Lewis Katz School of Medicine at Temple University. TUH was ranked among the "Best Regional Hospitals" in six different specialties in *U.S. News & World Report* 2015-2016 regional rankings.

Thomas Jefferson University and Jefferson Health

Thomas Jefferson University Hospitals ("TJUH") has been at the top of the list of hospitals in Pennsylvania (3rd) and the Philadelphia metro area (2nd) in *U.S. News & World Report*'s annual listing of the best hospitals and specialties. TJUH also ranked 16th overall in the U.S. News and World Report listing. Jefferson Health has recently participated in several significant mergers, integrating Magee Hospital, Kennedy Health System, the Aria Health system and Abington Hospital into its system. In 2017, Thomas Jefferson University acquired Philadelphia University to become the fifth largest educational institution in Philadelphia.

Einstein Healthcare Network

Einstein Healthcare Network is a private, not-for-profit organization with several major facilities and many outpatient centers that has been in existence for nearly 150 years. The Einstein Health and Medical Center in Philadelphia has been listed as a top hospital in *U.S. News & World Report*.

In September 2018, Einstein Healthcare Network and Thomas Jefferson University announced a merger agreement and such entities are seeking necessary state and federal regulatory approvals to close the transaction.

Educational Institutions

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with approximately 100 degree granting institutions of higher education and a total enrollment of over 434,000 full and part-time students. Approximately 137,807 students lived within the geographic boundaries of the City in 2016. Included among these institutions are Penn, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

University of Pennsylvania

Penn, the first university in the U.S., founded in 1740, and a prominent Ivy League institution, is located in West Philadelphia across the Schuylkill River from downtown Philadelphia. In the fall of 2018, more than 21,000 full-time undergraduate, graduate and professional full-time students attended Penn, 5,333 of whom are international students. Approximately 3,900 part-time students were enrolled. As of the fall 2018, Penn had a total workforce of over 18,000 faculty and staff, and the University of Pennsylvania Health System had a workforce of 23,275 employees. In September 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator and laboratory that houses researchers, innovators, and entrepreneurs for the commercialization of research discoveries.

Penn has undergone significant expansion in the last decade and has a growing endowment currently valued at $13.8 billion. In 2015, Penn, and related third-party developers, spent $932 million dollars on new buildings and renovations. A recent independent report conducted by Econsult Solutions, Inc. found that Penn and the University of Pennsylvania Health System had a combined economic impact on the City and the Commonwealth of more than $14 billion in Fiscal Year 2015, including $10.8 billion to the City. According to the same study, such Penn entities generate $1 out of every $20 of Philadelphia's general fund and one out of every nine jobs in the Philadelphia economy.

In Fiscal Year 2018, Penn was the fifth largest recipient of funding from the National Institutes of Health ("NIH"), receiving approximately $405.6 million. Penn is consistently one of the largest annual recipients of NIH funding.

Drexel University

Founded in 1891 as the Drexel Institute of Science, Art and Industry, Drexel University ("Drexel") is one of Philadelphia's top 10 private employers, and a major engine for economic development in the region. Drexel is known for its innovation and civic engagement, ranked a "top 15 most innovative school" by *U.S. News and World Report*. Drexel's student body consists of approximately 26,000, making it one of the 15 largest private universities in the country. Drexel is unique in that it provides its students with a co-op work experience every six months throughout the four year college experience. Over the last decade, Drexel has undergone significant expansion and has major plans for future development. In 2011, Drexel opened the doors to the $69 million Constantine N. Papadakis Integrated Sciences Building, a $92 million facility for its LeBow School of Business, and a new mixed use residential and retail project, Chestnut Square.

Temple University

Temple University ("Temple"), founded in 1884, has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and near-campus housing is now in high demand. Temple features 17 schools and colleges, eight campuses, hundreds of degree programs and more than 38,000 students. Currently, an estimated 12,000 students live on or around the Temple campus.

"Visualize Temple," approved in 2014, is Temple's campus master plan to guide the continued growth and evolution of the City's leading public research university. It is the culmination of an 18-month long process driven by the input of over 3,000 Temple students, alumni, faculty, and staff. Such plan identifies challenges and opportunities at each campus and defines a collective vision for further campus transformation. Temple continues to implement key elements of this master plan.

Thomas Jefferson University

In 2017, Thomas Jefferson University and Philadelphia University merged to create the fifth largest university in the City. The new Thomas Jefferson University ("Jefferson") creates a national comprehensive university designed to deliver high-impact education and value for students in medicine, science, architecture, design, fashion, textiles, health, business, engineering, and other disciplines.

In addition to nine colleges and three schools from both universities, the formation of the Philadelphia University Honors Institute and the Philadelphia University Design Institute are key components of the combined university's educational ecosystem. Jefferson includes (i) campuses in Center City, Philadelphia ("Center City"), East Falls, Montgomery County, Bucks County, and Atlantic County (NJ); (ii) a growing online presence; (iii) numerous clinical sites; and (iv) an extensive global footprint with locations in Italy and Japan, study abroad sites and curricular and co-curricular partnerships and networks. Jefferson is home to more than 7,800 students, 4,000 faculty members and 63,000 alumni.

Community College of Philadelphia

The Community College of Philadelphia (the "College") serves over 19,000 students in associate's degree and certificate programs. The College operates four campuses: its main Campus in Center City Philadelphia and three regional campuses in West Philadelphia, Northeast Philadelphia, and Northwest Philadelphia. The College offers more than 70 associate's degree, academic and proficiency certificate, and workforce programs. Graduates continue to strengthen Philadelphia's local economy and workforce, both in Philadelphia and the Greater Philadelphia region.

The College enables students to embark on a smart path to a bachelor's degree program, with transfer agreements and partnerships to assist in the transition. In the 2015-16 academic year, approximately 30,194 students took credit and noncredit courses. The College is embarking on an expansion of its West Philadelphia Campus, to expand its Automotive Center and to establish a Workforce Campus with a new $20 million facility in the heart of Philadelphia's Promise Zone.

The College is one of 30 community colleges in the nation to undertake a new Career Pathways model under which it has expanded its dual enrollment programs, including establishing the first Middle College in the Commonwealth, with the School District of Philadelphia. Upon completion of high school, enrolled students will receive both a high school degree and an associate's degree.

The College has vastly expanded its role in workforce development and economic innovation, establishing a division that is responsible for working directly with Philadelphia employers to meet their workforce hiring and professional development needs. The College has established new post-secondary programs matched with Philadelphia's high priority occupations enabling Philadelphians to earn family sustaining wages without a degree.

Family and Household Income

Table 8 shows median family income, which includes related people living together, and Table 9 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2008-2017, median family income for Philadelphia increased by 9% (see Table 8), while median household income increased by 10.8% over the period 2008-2017 as a result of an influx of higher income households (see Table 9).

Table 8
Median Family Income* for Selected Geographical Areas, 2008-2017
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2008	$46.40	$77.60	$63.30	$63.40	73.19%
2009	$45.70	$76.90	$62.20	$61.10	74.96%
2010	$43.10	$74.50	$61.90	$60.60	71.12%
2011	$42.70	$75.70	$63.30	$61.50	69.43%
2012	$44.30	$77.00	$65.10	$62.50	70.88%
2013	$44.60	$78.20	$66.50	$64.00	69.69%
2014	$47.00	$80.60	$67.90	$65.90	71.32%
2015	$49.30	$83.00	$70.20	$68.30	72.18%
2016	$50.30	$84.80	$72.30	$71.10	70.76%
2017	$50.40	$86.20	$72.70	$70.90	71.09%
Change 2008-2017	$4.00	$8.60	$9.40	$7.50	

* Includes related people living together.
Source: 2017 American Community Survey 1-Year Estimates

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Table 9
Median Household Income* for Selected Geographical Areas, 2008-2017
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2008	$37.00	$60.90	$50.70	$52.00	71.15%
2009	$37.00	$60.10	$49.50	$50.20	73.71%
2010	$34.40	$58.10	$49.30	$50.00	68.80%
2011	$34.20	$58.30	$50.20	$50.50	67.72%
2012	$35.40	$60.10	$51.20	$51.40	68.87%
2013	$36.80	$60.50	$52.00	$52.30	70.36%
2014	$39.00	$62.20	$53.20	$53.70	72.63%
2015	$41.20	$65.10	$55.70	$55.80	73.84%
2016	$41.40	$66.00	$56.90	$57.60	71.88%
2017	$41.00	$66.30	$57.00	$57.70	71.06%
Change 2008-2017	$4.00	$5.40	$6.30	$5.70	

* Includes unrelated people living together.
Source: 2017 American Community Survey 1-Year Estimates

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Cost of Living Index

Philadelphia has the second lowest cost of living index among major cities in the Northeast, as shown in Table 10 below. Additionally, the City's Wage, Earnings, and Net Profits Tax Rates have decreased in each of Fiscal Years 2013-2019.

Table 10
2017 Cost of Living Index
Philadelphia Indexed to 100

City	Cost of Living Index
New York	192
San Francisco	150
D.C.	126
Boston	125
Seattle	122
Los Angeles	120
Philadelphia	100
Chicago	100
Baltimore	97
Denver	93
Dallas	85
Atlanta	83
Austin	82
Detroit	80
Pittsburgh	79

Source: Council for Community and Economic Research (C2ER), Cost of Living Index (COLI)

Housing

Growing rapidly from its founding in 1682, Philadelphia's historic housing stock reflects its past roles as the largest city in the British Empire and as "the workshop of the world" during the peak of the industrial revolution. However, its condition and age (among the oldest of any city in the country) is also a reflection of the decades of depopulation and abandonment that marked the second half of the 20th Century. Nevertheless, Philadelphia has undergone a significant revitalization in the most recent decades, particularly in the neighborhoods within and around its downtown core. The period between the 2000 and 2010 Censuses was the first wherein Philadelphia experienced a net population increase since 1940 to 1950, due both to rapid growth in the number of higher income households in these core neighborhoods and to a significant influx in the foreign-born population in more peripheral neighborhoods of the City.

The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices, construction, and sales, for the near future. Nevertheless, the City continues to face significant challenges caused by the persistent problems of poverty, crime, underperforming schools, and lack of employment opportunities.

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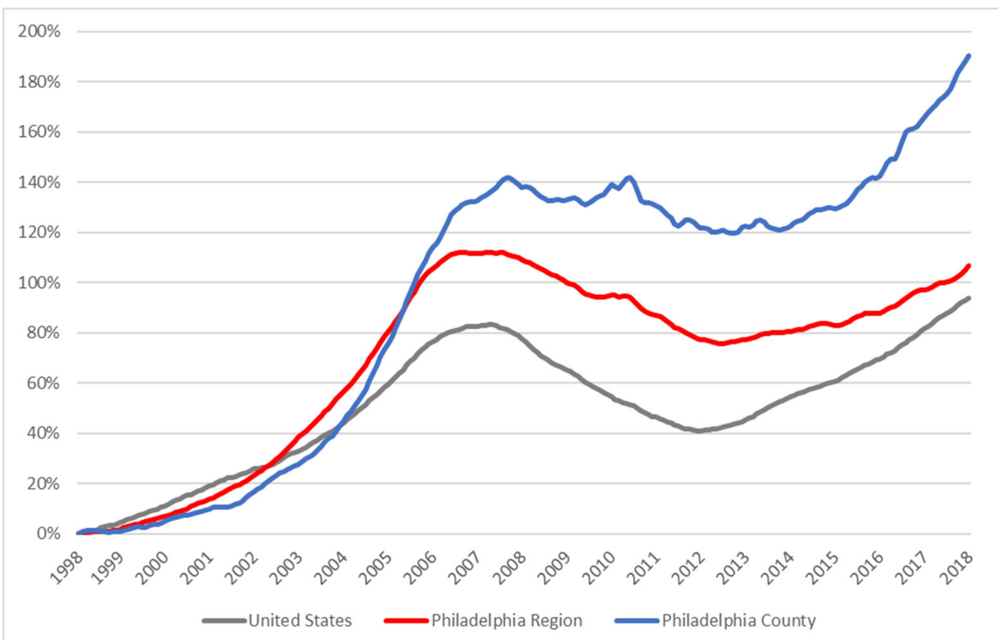
The total housing stock, measured by the number of units, increased by 0.7% from 2010-2016, for a total of 674,500 in 2016.[3] This increase of 4,500 units is the result of a net increase of 6,000 multifamily units and 500 "other" units (such as mobile homes and boats), off-set by a net loss of 2,000 single-family homes (due to multifamily conversions and demolitions).[3] The homeownership rate in the City in 2016 was 52.1%, which represents a decline from 54.1% in 2000.[3] Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in June 2018 equal to $1,214, representing a 10.9% increase over the prior five-year period.[4]

Home Prices

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia's housing market began posting rapid increases in prices, citywide, starting in 2013. In 2015, home values in Philadelphia recovered to their pre-recession peak and have continued to climb to 20% above that peak as of January 2018. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from February 1998 through January 2018.[5]

Percent Change in Median Nominal Home Value (Zillow Home Value Index), 1998-2018



Source: Zillow Research, ZHVI Time Series

In the first years shown in this chart, housing values in Philadelphia were not only lower than the region and country as a whole, in nominal terms, but they also grew at a lower rate. From 2002 to 2007, however, the rate of growth in the City's home values significantly outpaced these comparison regions. Although home values in the City stagnated and declined for eight years, after hitting a peak in 2007, the housing market in Philadelphia retained a much greater share of its pre-recession gains during this period than did either the region or country as a whole. Since then, Philadelphia's housing market has surged,

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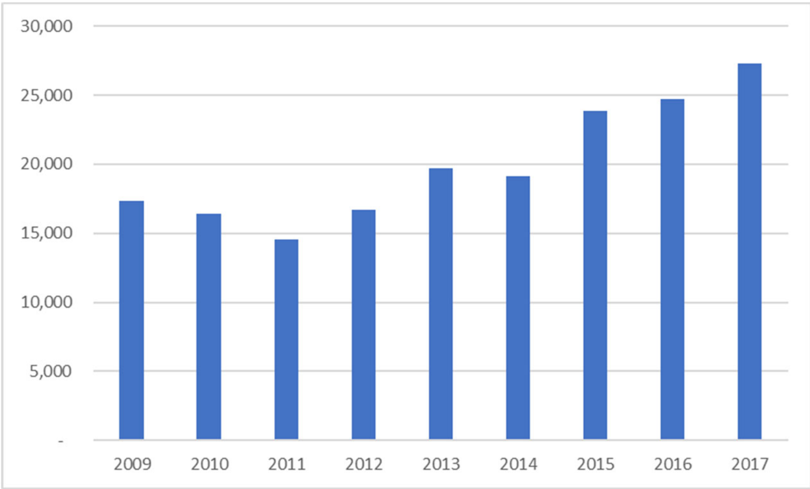
[3] US Census Bureau, American Communities Survey, 1-Year Survey
[4] Zillow Research, ZRI Time Series
[5] Zillow Research, ZHVI Time Series

such that, in nominal terms, housing values within the City have nearly tripled since 1998, a rate of growth that is more than 50% greater than the rest of the country.

Home Sales

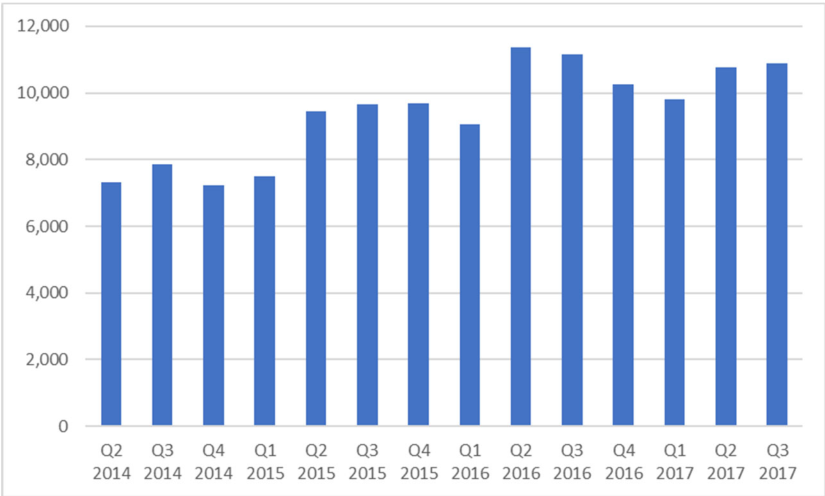
Another indicator of the housing market's recovery is home sales. The following chart shows the annual number of home sales in Philadelphia since 2009. Like prices, home sales dropped significantly following the 2007 recession, but have, seasonal variations notwithstanding, steadily increased since 2011. In 2017, there were 27,327 home sales, nearly double their post-recession nadir of 2011 of 14,542. This trend reflects a recovery of the City's housing market and is likely to continue as the significant increment of new housing construction (described below) is absorbed.

Home Sales in Philadelphia, 2009-2017



Source: Zillow Research, Home Sales Time Series

Home Sales in Philadelphia, April 2014 through September 2017

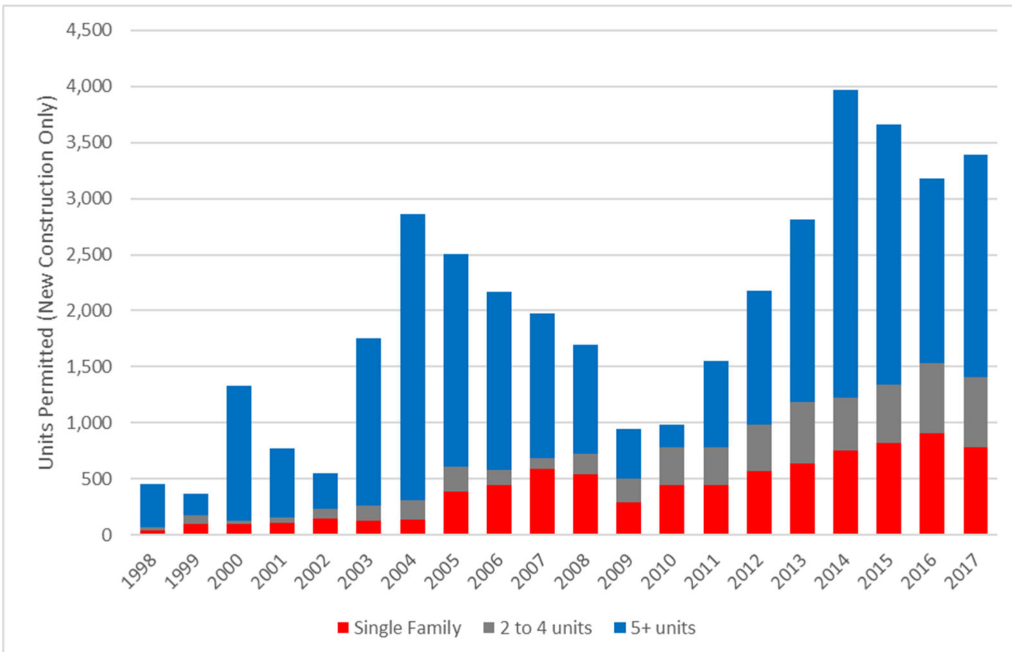


Source: Philadelphia Department of Revenue

Home Construction

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia's housing stock, as represented by the number of building permits issued for such units, from 1998 through 2017.

Building Permits Issued in Philadelphia, New Construction Only (Number of Units by Building Type), 1998-2017



Source: US Census, Building Permits Survey

Prior to 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 947 units in any single year, including during the nadir of the 2007 recession. In 2014, permits were issued to approve the construction of nearly 4,000 new housing units in Philadelphia—an all-time high. Notably, these data do not include additions or substantial alteration to existing buildings, which together account for nearly a third of all new housing units in Philadelphia from 2013 to 2017, based on permit issuance data from the Department of Licenses and Inspections. Although total permitting activity declined in 2015 and 2016, recovering somewhat in 2017, total residential development activity remains quite high, and it appears there is continued population growth in the City's metropolitan core.

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Office Market

The City currently has approximately 48.0 million square feet of office space in the Central Business District ("CBD"), with an additional 149,828 square feet under construction according to Jones Lang LaSalle's ("JLL") statistics for the first quarter of 2019.

The average direct asking rental rates in the City's CBD rose slightly to $32.21 per square foot in the first quarter of 2019. Markedly, the City's CBD enjoys rising rents with low overall total vacancy, while its suburban counterparts have higher overall total vacancy and lower rents during the same period, at 15.0% and $27.42 per square foot.

Table 11 shows comparative overall first quarter 2019 office vacancy rates for selected office markets.

Table 11
Total Office Vacancy Rates of Selected Office Markets
First Quarter 2019

Market	Vacancy Rate
San Francisco	6.0%
New York	7.5%
Seattle	9.4%
San Diego	11.6%
Austin	11.9%
Charlotte	12.3%
Boston	13.1%
Philadelphia	**13.8%**
Baltimore	14.1%
Los Angeles	14.4%
United States CBD, All Markets	14.7%
San Antonio	15.9%
Chicago	16.1%
Washington, DC	16.6%
Atlanta	18.4%
Phoenix	18.9%
Detroit	19.4%
Cleveland	20.4%
Dallas	20.5%
Houston	23.1%

Source: Jones Lang LaSalle, National CBD Data, First Quarter 2019

ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

The City's economic development strategy is to (1) spur job-creation by fostering an improved business environment; (2) increase the City's population and visitation; and (3) enhance quality of life within the City. The City partners with numerous quasi-city and private agencies to accomplish these objectives.

The City utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all new construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth $100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) commercial corridor revitalization through support of Business Improvement Districts and reimbursement for certain storefront and interior retail improvements.

The City has also actively worked to raise its profile in the international business community. In 2015, Philadelphia received the designation of the first World Heritage City in the United States by the Organization of World Heritage Cities. In 2015, the City entered into a "sister city" agreement with Frankfurt, Germany, considered the largest financial center in continental Europe. This agreement is Philadelphia's first sister city since 1992. In recent years, the City has hosted delegations of business leaders and officials on trade missions to the United States and participated in trade missions to Germany, France, Portugal, China, South Korea, and Canada. In 2018, a website was launched, philadelphiadelivers.com, which showcases all that the City has to offer businesses including location, talent, affordability, and amenities. Also in 2018, Philadelphia was one of four cities selected by the Brookings Institute to join the Global Identity Cohort. As such, more than 80 local stakeholders have been engaged to begin crafting a shared brand and narrative around Philadelphia in order to attract residents, businesses and events.

City and Quasi-City Economic Development Agencies and Related Programs

City of Philadelphia Department of Commerce

The mission of the Department of Commerce is to (i) ensure that Philadelphia is a globally-competitive city where employers hire, entrepreneurs thrive, and innovation abounds; (ii) recruit and retain a diverse set of businesses; (iii) foster economic opportunities for all Philadelphians in all neighborhoods; and (iv) partner with workforce development programs and local businesses on talent development with the goal of ensuring that all Philadelphians can find and retain living-wage jobs. The Department of Commerce has three major divisions: Neighborhood & Business Services; Office of Business Development and Office of Economic Opportunity.

City of Philadelphia Department of Planning and Development

The Department of Planning and Development ("Planning and Development") oversees all planning, real estate development support, and commissions such as the Historical Commission, Planning Commission, Art Commission and Civic Design Review. Planning and Development also oversees all housing initiatives and plays a key role in community development.

Philadelphia Industrial Development Corporation ("PIDC")

PIDC is a non-profit organization founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce in 1958. PIDC offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 60 years, PIDC and its affiliates have settled over 7,300 transactions, including more than $16.6 billion in financing that has leveraged over $29 billion in total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. Its direct loan and managed third-party portfolio at year-end 2018 was more than $668 million, representing 495 loans.

Philadelphia Redevelopment Authority ("PRA")

In 1945, the Commonwealth enacted the Urban Renewal Law and created the PRA as the City's urban renewal agency. Today, the PRA continues its role as a key financer, project manager, leader, and expert of developing and maintaining land in the City. The PRA is one of five municipal land holding agencies. Its Real Estate Division facilitates the redevelopment of PRA assets and it provides project management and analysis for real estate sales, acquisitions, redeveloper agreements, developer submissions, and required approvals. Its Housing Department leads the underwriting and loan closing process for all affordable housing projects within the City and works primarily with non-profit and for-profit developers as a lender.

Philadelphia Land Bank ("PLB")

Established in 2013, the PLB is a new institutional partner in land use. The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The PLB can: (i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase or by bidding the City's lien interests at a tax foreclosure; (iii) with consent of the City, clear the title to those properties so new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, non-profit, and for-profit uses.

The Division of Housing and Community Development ("DHCD")

DHCD, formerly known as the Office of Housing and Community Development and now part of Planning and Development, manages planning, policy, and investment in low-income housing through several assistance programs. Most significantly, the DHCD creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant funding.

The Philadelphia Housing Authority ("PHA")

PHA is funded primarily by the federal government and is the largest landlord in Pennsylvania. PHA develops, acquires, leases and operates affordable housing for City residents with limited incomes. PHA works in partnership with the City and Commonwealth governments, as well as private investors. Over 93% of PHA's annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of PHA's budget is derived from resident rent payments. Neither PHA's funds nor its assets are available to pay City expenses, debts, or other obligations, and the City has no power to tax PHA or its property. Neither the City's funds nor its assets are subject to claims for the expenses, debts, or other obligations of PHA.

Rebuilding Community Infrastructure Program ("Rebuild")

The Rebuild program, using funds from the Philadelphia Beverage Tax, will invest hundreds of millions of dollars in Philadelphia's parks, recreation centers, and libraries over a seven-year period. Rebuild prioritizes sites in high-need neighborhoods, as well as sites that are in extremely poor condition. This program is intended to catalyze economic development in some of Philadelphia's most impoverished communities and neighborhoods. Rebuild is not only committed to making transformative capital improvements in neighborhood public and shared spaces, but will also strive to build capacity and opportunities for minority and women-owned businesses and job opportunities for local residents. In November 2018, the Philadelphia Authority for Industrial Development issued $79,460,000 in City Service Agreement Revenue Bonds to finance certain costs of the Rebuild program.

Key Commercial Districts and Development

Over the last two decades the efforts of Philadelphia's economic development agencies and others have spurred significant economic revitalization throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Philadelphia's Historic District, Avenue of the Arts, North Broad Street, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase to Philadelphia's hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, are key to the growth of Philadelphia's leisure and hospitality sector. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past twenty-five years and the population growth since 2000. Recent and current developments in the key commercial districts described below are listed in Table 12.

Center City

A district that has seen a resurgence over the last two and a half decades, Center City is Philadelphia's central business and office region within the City. Center City is the strongest employment center in the City. In addition, the area contains a sizeable residential population and provides ample access to retail, dining, arts and culture, entertainment, and mass transportation services, to both residents and daily commuters. Center City is flanked by neighborhoods that are considered "Greater Center City." Approximately 309,000 riders take public transit into Greater Center City every weekday. Over the last two decades, as there has been an influx of new businesses and residents in these neighborhoods, the boundaries of Greater Center City have moved significantly further North and South, with the Delaware and Schuylkill rivers remaining boundaries on the East and West.

Old City

Old City is home to some of the country's oldest historical assets and is considered America's "most historic square mile." Independence National Historical Park is an international destination, attracting 3.6 million visitors annually. Important culturally and economically, Old City is also home to world-class museums, theaters and art galleries. The neighborhood offers excellent hotels, a wide range of dining and nightlife establishments, independent retailers and a diverse mix of technology, media, professional, and service organizations. Some 8,000 residents live in historic townhouses, industrial loft apartments, and new condominium properties. Old City is located within a Keystone Innovation Zone, meaning that technology, energy, and life sciences businesses may be eligible for up to $100,000 in tax credits.

Old City District ("OCD") is a business improvement district that promotes the area and fosters economic development locally. OCD helps companies find suitable real estate and actively promotes the sector to attract businesses. Over the last few years, technology and creative businesses have established an increasingly important presence in the area.

University City

Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors and accounted for approximately 11% of the City's employment in 2017. It includes the campuses of Penn, Drexel University, University of the Sciences, the University of Pennsylvania Health System, the Children's Hospital of Philadelphia, and The Wistar Institute, as well as the University City Science Center, a biomedical incubator. University City has experienced significant real estate development, driven mostly through the investment of its universities and research institutional anchors.

Penn built the $88 million Singh Center for Nanotechnology in 2013 and is investing $127 million in a new residence hall called New College House at Hill Field. Drexel University invested nearly $300 million in University City in 2013, and is planning for an additional $3.5 billion over 20 years in the development of Schuylkill Yards in partnership with Brandywine Realty Trust. Such project will develop 14 acres of underutilized land near Philadelphia's 30th Street Station into an innovation neighborhood, which will feature a mix of entrepreneurial spaces, educational facilities and research laboratories, corporate offices, residential and retail spaces, hospitality and cultural venues and public open spaces.

The Navy Yard

The Navy Yard is a 1,200 acre mixed-use office, research and industrial park with over 13,000 people working on site across 150 companies. The Navy Yard has diverse tenants such as Philly Shipyard, one of the world's most advanced commercial shipbuilding facilities; the global headquarters for retailer Urban Outfitters, Inc.; a 208,000 square foot, double LEED Platinum corporate office for pharmaceutical company GlaxoSmithKline; and a LEED Silver bakery facility for the Tasty Baking Company. More than 7.5 million square feet of space is currently occupied or in development with significant additional capacity available for office, industrial, retail and residential development.

PIDC and its partners released an updated Navy Yard master plan in 2013, detailing a comprehensive vision for the Navy Yard. The plan calls for a total of over 13.5 million square feet of new construction and historic renovation supporting office, research and development, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit. Under such plan, the fully built out Navy Yard would support more than 30,000 employees and over $3 billion in private investment. PIDC continues to work on this long-term plan for the Navy Yard.

The Navy Yard continues to grow bringing it closer to its strategic targets. Since 2000, the Navy Yard has leveraged more than $150 million in publicly funded infrastructure improvements to spur more than $750 million in new private investment.

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Table 12
Recently Completed Projects or Projects Under Construction in the Key Commercial Districts

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
CENTER CITY			
The Sterling – Redevelopment	Residential	$75	Completed 2017
One Riverside	Residential	$130	Completed 2017
View 32 - 3201 Race Street	Residential	$56	Completed 2017
1213 Walnut	Residential	$125	Completed 2017
East Market (formerly Girard Square)	Mixed Use	$400	Completed 2018
Comcast Innovation and Technology Center	Commercial/Hotel	$1,200	Q3 2019
Park Towne Place – Redevelopment	Residential	$200	Completed 2018
2400 Market	Commercial	$230	Completed 2019
National Building	Residential	$23	Completed 2018
W Hotel/Element	Hotel	$359	Q4 2019
The Hamilton	Residential	$156	Completed 2018
Fashion District Philadelphia	Commercial	400	Q3 2019
1911 Walnut	Mixed Use	$300	2021
Hanover North Broad	Mixed Use	$50	Completed 2018
SLS Residences	Residential and Hotel	$253	2021
Police Headquarters in Inquirer Building	Public	$300	Q4 2020
NAVY YARD			
Adaptimmune	Commercial	$25	Completed 2017
Axalta R & D Facility	Commercial	$70	Completed 2017
OLD CITY			
American Revolution Center	Arts & Culture	$101	Completed 2017
205 Race Street	Residential	$65	Completed 2017
500 Walnut	Residential	$174	Completed 2017
218 Arch	Mixed Use	$58	Completed 2017
OTHER NEIGHBORHOODS			
Divine Lorraine	Residential	$43	Completed 2017
Lincoln Square	Mixed Use	$155	Completed 2018
Philadelphia Metropolitan Opera House	Arts & Culture	$56	Completed 2018
UNIVERSITY CITY			
FMC Tower at Cira Centre South	Mixed Use	$385	Completed 2017
CHOP Schuylkill Ave Expansion (Phase 1)	Health Care	$275	Completed 2017
4601 Market	Mixed Use	$250	Q1 2020
Penn Health Tower	Health Care	$1,500	2021
TOTAL		**$7,414**	

Source: Philadelphia Department of Commerce.

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Waterfront Developments

Taking advantage of the City's geographic assets, the Schuylkill River and the Delaware River, the City is redeveloping its waterfront to accommodate a variety of developments, including mixed-use projects and housing, parks and recreational trails, and hotels. These projects improve quality of life for residents and improve the visitor experience, but also are an impetus for environmental remediation and private development of former industrial property within the City.

Delaware River Waterfront Corporation (the "DRWC")

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. DRWC, in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities. Over the last ten years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the newly-renovated Cherry Street Pier in 2018.

DRWC, the City, and the Commonwealth have partnered to redevelop Penn's Landing, a major public space along the Delaware River waterfront. The resulting civic space will leverage investment from private sources for the redevelopment of the adjoining parcels.

Schuylkill River Development Corporation (the "SRDC")

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, City, and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements, and tourism initiatives on the Schuylkill River. From 1992 to 2017, $70 million was invested by SRDC, the City, and their partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia.

Since 2005, Philadelphia has benefitted from more than $1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

SugarHouse Casino

Philadelphia's first casino, SugarHouse, opened in September 2010. SugarHouse Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining options. Its operations also include a multi-purpose event space with waterfront views, restaurants, and a parking garage. As of August 2018, SugarHouse had approximately 1,500 employees. As reported to the Pennsylvania Gaming Control Board, SugarHouse's gaming revenue was approximately $299.1 million in Fiscal Year 2018.

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TOURISM AND HOSPITALITY

Philadelphia has experienced a significant increase in tourism over the last decade, fueled by several high profile, global events that the City hosted, notably the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, and the Democratic National Convention in 2016. In April 2017, Philadelphia hosted the NFL Draft, which is estimated to have brought approximately 250,000 people to Center City. Both business and convention tourism, as well as leisure tourism were at a record high in 2016. In 2016, Lonely Planet named Philadelphia on its top-10 best list of "unexpectedly exciting places to see," and in 2017, Travel and Leisure named Philadelphia as one of the best places to visit in the world.

The Philadelphia Convention and Visitors Bureau ("PHLCVB") books meetings, conventions and sporting events and supports international marketing of Philadelphia overseas. PHLCVB also books domestic group tours. Tourism Economics, an Oxford Economics Company, reported that international visitors from overseas to Philadelphia in 2017 numbered more than 648,000, spending $651 million generating $1.1 billion in total economic impact to the Philadelphia region. According to the same source, Philadelphia ranks as the 16th most visited city in the U.S. by overseas travelers. Philadelphia's international visitation has seen significant growth over the past decade, a 18% growth in overseas travelers since 2007 (up from 549,000 in 2007).

The PHLCVB currently has 892 meetings, conventions, and sporting events booked for future years. These groups will bring a total of 3.1 million attendees to Philadelphia consuming 3.7 million room nights.

Visit Philadelphia markets Philadelphia domestically, as well as in Canada and Mexico, to promote leisure travel. Philadelphia has attracted more overnight leisure travelers than ever before and Center City hotels reached a landmark 1 million leisure room nights in 2016. Further, several big and new-to-the-city brands are entering the market, along with smaller boutique hotels. Leisure hotel room stays have increased 334% since 1997 and in 2017 the estimated economic impact of leisure travel to the region was $11.5 billion according to the Visit Philly 2018 Annual Report.

Table 13
Greater Philadelphia Visitor Growth, 1997-2017
(In Millions)

	1997	2017	Net Change	% Change
Total Visitation	26.7	43.3	16.6	62%
Leisure- Overnight	7.3	15.1	7.8	107%
Leisure- Day	15.5	23.1	7.6	49%
Business- Overnight	1.4	2.3	0.9	64%
Business- Day	2.5	2.8	0.3	12%

Source: Visit Philadelphia Annual Report, 2018

Philadelphia has seen an influx in new hotel development, with numerous new developments underway or confirmed. Since 2015, there has been notable hotel development in the City, representing over $1 billion in investment. The number of hotel rooms available in the City in 1993 was 5,613, with occupancy at 65%. In 2017, the City's hotel room inventory was 16,334 rooms, with occupancy at 76.6%%. Several hotel projects are currently under development, which will increase hotel room inventory by close to 2,000 rooms.

Museum and Cultural Centers

Crucial to tourism is the City's robust arts and culture sector. One in three tourists who come to Center City cite museums and cultural events as the primary reason for their visit. Top attractions in Philadelphia include Independence National Park, the Philadelphia Museum of Art, the Philadelphia Zoo, and Reading Terminal Market.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and more than 400 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors. The Greater Philadelphia Cultural Alliance reported in 2017 that arts and culture produced $3.4 billion in economic impact and contributed $930 million in household income in the City.

Avenue of the Arts (South Broad Street) Investments

The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue, in the heart of Center City. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for more than two decades. Cultural institutions, the William Penn Foundation, local property owners and civic leaders advanced the idea of a performing arts district on South Broad Street anchored by the Academy of Music and modeled after successful performing arts districts around the country. The Avenue of the Arts became a key element of the City's strategy to strengthen Center City as the region's premier cultural destination and an important element in the City's bid to expand its convention and tourism industries.

The Benjamin Franklin Parkway

Complementing the Avenue of the Arts theater district developments, the Benjamin Franklin Parkway (the "Parkway") is considered the spine of Philadelphia's museum district. Designed by French architect Jacques Gréber, to emulate the Champs Elysées of Paris, the Parkway opened in 1929. It runs from the area of City Hall to the Philadelphia Museum of Art and is a central public space and tourist attraction. Key Parkway features include Love Park (which has undergone major renovations and was reopened in the spring of 2018), the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, the Swann Memorial Fountain, Sister Cities Park, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art.

The Barnes Foundation, which opened in 2012, is a welcome addition to the City's impressive roster of arts facilities, and has had a significant impact on the City's leisure and hospitality industry. In 2015, the Barnes Foundation welcomed its one millionth visitor since opening on the Parkway. With membership over 85,000, it is ranked among the top institutions of its kind in the country.

Historic District

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District, which includes various museums and cultural centers, as well as such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, the Betsy Ross House and Elfreth's Alley, the Nation's oldest residential street. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience. Such district is expected to remain competitive in the national and international tourism markets for years to come.

North Broad Street and the Philadelphia Convention Center

In 1993, with support from the Commonwealth, the Pennsylvania Convention Center (the "Convention Center") was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a $786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history.

In 2014, SMG began managing and operating the Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In 2016, the Convention Center announced that 2015 was its highest booking year ever with 856,663 bookings, a 1.2% increase from 2014, representing an estimated $1.1 billion in future economic impact.

Following the 2011 expansion of the Convention Center, development efforts in the North Broad Street area increased. Improvements include Lenfest Plaza at the Pennsylvania Academy of Fine Arts and two hotels. Development continues to move north along Broad Street, with significant investment taking place to restore the Berry Building, the Philadelphia Metropolitan Opera House, and the Divine Lorraine Hotel.

South Philadelphia Sports Complex

Another key element of Philadelphia's hospitality industry is professional sports. Philadelphia is the only city to have a professional hockey, basketball, baseball, and football team playing in a single district within the City, the Sports Complex Special Services District, created by the City in 2000.

The South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (National Hockey League) and Philadelphia 76ers (National Basketball Association); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (National Football League); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (Major League Baseball). The Phillies and the Eagles are contractually obligated to play in Philadelphia until 2033 and 2034, respectively.

Within the South Philadelphia Sports Complex, there is a sports entertainment and dining complex. There are also plans to expand this area to include retail, hotel, and theater space, a casino, a spa, and a conference center.

Retail Market, Food and Dining

In the last five years, the City's retail market has grown substantially, attracting 77 national retailers. With nearly 193,000 residents, 305,000 workers, 3.5 million occupied hotel room nights and 112,000 college students in and around Center City, the market generates more than $1 billion in annual retail demand. More than 1.4 million square feet of retail space is currently under construction with significant development surging east of Broad Street, with some of Philadelphia's most ambitious retail and mixed-use projects.

Market East, an important commercial area between City Hall and the City's Historic District is experiencing significant development. New developments in Market East represent a $910 million investment that is creating a continuous shopping and dining experience from Independence Mall to the major Center City convention hotels, just east of City Hall. The revitalization of this section of the City, containing a major transport hub, is expected to be transformative. Most notably, the planned redevelopment of The Gallery at Market East into Fashion District Philadelphia is one of the biggest developments in the area. In the last several years, there have also been recent improvements along East Market Street, including retail, residential, hotel, and other mixed-use projects.

Complementing the rise of retail in Philadelphia, the City has experienced a revival of restaurant establishments, especially in Center City and Greater Center City, indicating an improved quality of life and vibrancy of those neighborhoods. Increased investment in Center City to beautify the area, as well as the City's support in making the area more welcoming to visitors and diners, has sparked a significant increase in the number of indoor/outdoor dining establishments throughout Center City.

TRANSPORTATION

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL (as defined herein) and to the surrounding counties. For more information on SEPTA, see "– Southeastern Pennsylvania Transportation Authority."

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation ("PATCO"), a subsidiary of the Delaware River Port Authority. On the average weekday, PATCO brings approximately 15,000 individuals to Philadelphia.

New Jersey Transit operates 19 different bus routes and the Atlantic City Train Line, all of which serve to connect Philadelphia and New Jersey. On the average weekday, the New Jersey Transit bus routes bring approximately 2,000 individuals to Philadelphia and the Atlantic City Line brings approximately 700 individuals to Philadelphia.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Structural improvements of $30 million were recently completed to the station, and an additional $60 million restoration project is awaiting federal approval.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of Interstate 95 ("I-95"); Interstate 676 (the "Vine Street Expressway"), running east-to-west through the CBD between Interstate 76 (the "Schuylkill Expressway") and I-95; and Interstate 476 (the "Blue Route") in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway, which runs to Center City. In addition, more than 100 truck lines serve the Philadelphia area.

The City is served within city limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and shuttles connect Philadelphians to transit hubs, employment, and residences. A rail line reaches PHL in less than 20 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations throughout the City from Temple University in North Philadelphia to Tasker Street in South Philadelphia and from the Delaware River on the east to 44th Street in West Philadelphia. Indego is the first bike share system in the United States to launch with a cash payment option for members. In 2017, the City expanded Indego to 1,100 bicycles and 121 bike share stations, with stations as far north as Dauphin Street in Kensington, as far south as McKean Street in South Philadelphia, and as far west as 52nd Street. In 2017, 780,000 trips were taken.

Southeastern Pennsylvania Transportation Authority

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 302.7 million in Fiscal Year 2018.

SEPTA's operations are accounted for in three separate divisions, the percentages following each division representing its approximate share of SEPTA's expense budget: City Transit (66%); Regional Rail Division (25%); and Suburban (9%). The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 852,000 unlinked passengers trips per weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 120,000 passenger trips per weekday.

SEPTA continues to rehabilitate and replace critical infrastructure and systems, such as substations, bridges and stations. Its long-term capital program includes (i) safety and security enhancements, (ii) modernization of communication, signal equipment, and fare collection systems, (iii) replacement of rail vehicles that have exceeded their useful life, (iv) enhancing accessibility, (v) expanding capacity to address ridership growth, (vi) expanding its fleet of hybrid buses, and (vii) performing vehicle overhauls to optimize vehicle performance.

Airport System

The Airport System serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware, and Maryland. The Airport System consists of the Philadelphia International Airport ("PHL" or the "Airport") and Northeast Philadelphia Airport ("PNE").

Philadelphia International Airport

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the twentieth busiest airport in the United States, serving 29.6 million passengers in calendar year 2017. PHL is located approximately seven miles from Center City on approximately 2,584 acres.

PHL has four runways, consisting of two parallel runways, a crosswind runway, and a commuter runway, as well as interconnecting taxiways. PHL's terminal facilities consist of seven terminal units, totaling approximately 3.2 million square feet. Such terminal facilities include ticketing areas, passenger and baggage screening areas, passenger hold rooms and other amenities, baggage claim areas, approximately 175 food, retail and service establishments, and other support areas. PHL also has six active cargo facilities, a variety of support buildings, training areas, an air traffic control tower, a fixed-base operator, corporate hangars, a fueling supply facility, two American Airlines aircraft maintenance hangars, and a first-class office complex.

Outside of the PHL terminal area, there are a 14-story, 419-room hotel, seven rental car facilities, a 150-vehicle cell-phone lot, and two employee parking lots with more than 4,000 spaces. Such area also includes five parking garages and surface lots consisting of more than 18,900 vehicle spaces, operated by the Philadelphia Parking Authority.

The current Airport-Airline Use and Lease Agreement (the "Airline Agreement") between PHL and the airlines began July 1, 2015 and has a five-year term with options for two one-year extensions. The Airline Agreement was approved by City Council in June 2015.

Capital Development. The Airport System's long-term capital program includes (i) terminal and landside improvements, (ii) airfield improvements, (iii) security and information technology improvements, and (iv) land acquisition and ground transportation improvements, among other things.

PHL Passenger and Other Traffic Activity. The table below shows PHL passenger and cargo activity. In Fiscal Year 2018, PHL enplaned passenger traffic increased by 3.0%, domestic enplanements increased by 3.6%, international enplanements decreased by 1.2%, and total cargo traffic increased by 13.8%.

	Fiscal Year 2018	**Fiscal Year 2017**
Domestic Enplanements	13,238,844	12,775,958
International Enplanements	2,006,609	2,030,924
Total Enplanements	15,245,453	14,806,882
Freight (US tons)	487,086	424,009
Mail (US tons)	23,344	24,659
Total (US tons)	510,430	448,668

Northeast Philadelphia Airport

PNE is located approximately ten miles northeast of Center City on approximately 1,126 acres. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are a variety of hangars (corporate and general aviation) at PNE. There are approximately 175 general aviation aircraft based at PNE. The Airport System's long-term capital program includes PNE improvement projects.

Port of Philadelphia

The Port of Philadelphia (the "Port") is located on the Delaware River within the City limits. The Port's facilities are serviced by two Class I railroads (CSX and Norfolk Southern) and provide service to major eastern Canadian points, as well as Midwestern, southern and southeastern U.S. destinations. Terminal facilities, encompassing four million square feet of warehousing, are located in close proximity to Interstate 95 and Interstate 76. Over 1,600 local general freight trucking companies operate in the MSA, according to Hoover's Inc.

The Philadelphia Regional Port Authority (the "PRPA") reported approximately 6.3 million metric tons of cargo moved through the Port in 2016, the second year of more than 6 million tons of cargo in a single calendar year, representing a 2.7% increase over 2015. The Port is the top-ranked port for meat importing in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel imports. In December 2015, the PRPA secured a new shipping service that will link directly with burgeoning port operations on the Gulf of Mexico at Veracruz and Altamira. This service will target commodities including goods such as avocados, lemons, tomatoes and commercial cargo.

As part of an ongoing project, the PRPA is working to increase the Port's competitiveness by increasing capacity by deepening the main channel of the Delaware River from 40 to 45 feet. In November 2016, the Governor announced $300 million in Commonwealth funding to significantly expand the Port's facilities and double its capacity by 2020. Improvements will double container and auto capacity at the Port and increase the Port's ability to handle wood pulp, a food grade commodity.

KEY CITY-RELATED SERVICES AND BUSINESSES

Water and Wastewater

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department (the "Water Department"). The water and wastewater systems are referred to herein individually as the "Water System" and "Wastewater System", respectively.

The Water System's service area includes the City and has one wholesale water service contract. Based on the 2017 U.S. Census Bureau estimate, the Water System served 1,580,863 individuals.

As of June 30, 2018, the Water System served approximately 480,000 active customer accounts using approximately 3,100 miles of mains and approximately 25,000 fire hydrants.

The City obtains approximately 58% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the "PaDEP") to withdraw up to 423 million gallons per day ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River. On September 27, 2016, the PaDEP issued the Water Department a new water allocation permit, which expires on September 27, 2041. Under the new permit, the amount the City is authorized to withdraw from each river has not changed.

Water treatment is provided by the Samuel S. Baxter Water Treatment Plant on the Delaware River and by the Belmont and Queen Lane Water Treatment Plants on the Schuylkill River. The combined rated treatment capacity of these plants under the Water Department's Partnership for Safe Water procedures is 546 MGD. The combined maximum source water withdrawal capacity from the two rivers that supply these plants is 680 MGD. The excess source water capacity enables higher than normal withdrawal from either river should conditions limit withdrawals from one.

The Wastewater System's service area includes the City and ten wholesale wastewater service contracts. Based on the 2017 U.S. Census Bureau estimate, the Wastewater System served 1,580,863 individuals that live in the City and ten wholesale contracts.

As of June 30, 2018, the Wastewater System served approximately 545,000 accounts, including approximately 50,000 stormwater-only accounts and ten wholesale contracts with neighboring municipalities and authorities.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the "WPCPs"), 19 pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 760 miles of sanitary sewers, 740 miles of stormwater sewers, 13 miles of force mains (sanitary and storm) and 349 miles of appurtenant piping. The three WPCPs processed a combined average of 413 MGD of wastewater in Fiscal Year 2018, have a 522 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,300 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits.

Parks

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, the world's largest landscaped urban park at 9,200 acres, Pennypack Park, and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell. Under the Rebuild initiative, an estimated $500 million will be invested in Philadelphia parks, recreation centers, playgrounds and libraries in the next several years.

Libraries

The Free Library of Philadelphia, the City's public library system, comprises 54 branches and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the "Streets Department") and the divisions within it are responsible for the City's large network of streets and roadways. The City's pavement condition is considered to be a "Fair" pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department invested in critical equipment replacements and began to implement a strategy to address recurring state of good repair needs. This includes critical equipment replacement, street paving and pothole repair, and replacement of traffic control equipment.

The Streets Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of City streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 600,000 tons of rubbish and 125,000 tons of recycling, completes over 48,000 miles of mechanical street cleaning, clears 1,800 major illegal dump sites, and removes over 155,000 abandoned tires.

Sustainability and Green Initiatives

Mayor Kenney continues the City's commitment to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the Philadelphia Energy Authority has been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. The City is investing in and evaluating additional options and investing in green infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public green spaces, such as Love Park in Center City, as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. The City introduced its new bicycle sharing system, Indego, in 2015, as further described in "TRANSPORTATION." Bicycle share programs have been successfully implemented in other cities worldwide.

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APPENDIX D-1 - FORM OF CO-BOND COUNSEL OPINION FOR THE SERIES 2019 BONDS

November 20, 2019

Re: $481,080,000, School District of Philadelphia General Obligation Bonds, Series of 2019, consisting of $406,820,000 General Obligation Bonds, Series A of 2019, $24,840,000 General Obligation Bonds, Series B of 2019 (Green Bonds), $24,420,000 General Obligation Refunding Bonds, Series C of 2019 and $25,000,000 General Obligation Bonds, Series D of 2019

To the Purchasers of the Within-Described Bonds:

We have served as Co-Bond Counsel in connection with the issuance by The School District of Philadelphia ("School District") of $481,080,000, aggregate principal amount, The School District of Philadelphia, General Obligation Bonds, Series of 2019, consisting of $406,820,000, aggregate principal amount, General Obligation Bonds, Series A of 2019 ("Series A Bonds"), $24,840,000, aggregate principal amount, General Obligation Bonds, Series B of 2019 (Green Bonds) ("Series B Bonds"), $24,420,000, aggregate principal amount, General Obligation Refunding Bonds, Series C of 2019 ("Series C Bonds") and $25,000,000, aggregate principal amount, General Obligation Bonds, Series D of 2019 ("Series D Bonds" and together with the Series A Bonds, the Series B Bonds and the Series C Bonds, the "Bonds"). The Bonds are issued pursuant to the Local Government Unit Debt Act, 53 Pa. C.S.A. §§ 8001 et seq. ("Act"), and an authorizing resolution duly adopted on October 17, 2019 ("Resolution"), by the Board of Education of the School District ("Board").

The Series A Bonds are being issued by the School District for the purpose of providing funds to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series A Bonds. The Series B Bonds are being issued by the School District for the purpose of providing funds to pay: (i) the costs of certain capital projects to be undertaken by the School District which are designed to be environmentally beneficial by reducing energy usage in School District buildings; and (ii) the costs of issuance of the Series B Bonds. The proceeds of the Series C Bonds are being issued by the School District for the purpose of providing funds to pay: (i) the costs of currently refunding a portion of the School District's General Obligation Refunding Bonds, Series A of 2007; and (ii) the costs of issuance of the Series C Bonds. The Series D Bonds are being issued by the School District for the purpose of providing funds to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series D Bonds.

As Co-Bond Counsel for the School District, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth of Pennsylvania ("Commonwealth"); (b) the relevant provisions of the Public School Code of 1949, as amended; (c) the Act; (d) the Debt Statement of the School District filed with the Pennsylvania Department of Community and Economic Development ("Department"); (e) the proceedings of the Board with respect to the authorization, issuance and sale of the Bonds; and (f) certain statements, certifications, affidavits and other agreements and documents and matters of law which we have considered relevant, including, without limitation, a certification of officials of the School District having responsibility for the issuance of the Bonds ("Tax Compliance Certificate"), given pursuant to the Internal Revenue Code of 1986, as amended ("Code"), and the other documents and instruments listed on the Closing Agenda in respect of the Bonds dated the date hereof. We have also examined a fully executed and authenticated Bond of each series and we assume all other Bonds are in such respective forms and are similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied upon the opinion of the General Counsel to the School District of even date herewith as to the absence of any litigation or other challenge to actions taken by the School District in connection with the authorization, issuance and sale of the Bonds and other matters incident to, inter alia, the execution and delivery by the School District of the Bonds, and such other documentation as the School District or officers thereof, were required to execute in connection with the issuance of the Bonds.

Except with respect to paragraph 6 below, our opinion is given only with respect to the laws of the Commonwealth as enacted and construed on the date hereof.

On the basis of the foregoing, we are of the opinion that:

1. The School District is authorized under the provisions of the Constitution and laws of the Commonwealth to issue the Bonds for the purposes therein set forth; the School District has duly authorized the issuance thereof and the Department has duly approved such issuance.

2. The present net non-electoral debt of the School District (including the debt evidenced by the Bonds and other bonds issued or authorized to be issued by the School District concurrently with the issuance of the Bonds) and the present net lease rental debt of the School District (including bonds authorized to be issued on behalf of the School District concurrently with the issuance of the Bonds) do not exceed the limitations imposed by the Act.

3. The School District has established sinking funds for the Bonds with The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar, transfer agent and sinking fund depository ("Fiscal Agent"), and has covenanted to deposit into the sinking funds amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and to apply the amounts so deposited to the payment of such principal and interest.

4. The School District has effectively covenanted (i) to include the amount of debt service for the Bonds for each fiscal year in which such sums are due and payable in its budget for that year, (ii) to appropriate such amounts from its general revenues for the payment of such debt service, and (iii) to duly and punctually pay, or cause to be paid, from the sinking funds or any other of its revenues or funds, the principal of and the interest on the Bonds on the dates and in the places and in the manner stated in the Bonds according to the true intent and meaning

thereof; for such budgeting, appropriation and payment the School District has pledged, with respect to the Bonds, its full faith, credit and taxing power.

5. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the School District, payable from the revenues of the School District from whatever source derived, which revenues at the time of the issuance and sale of the Bonds include (within the limits prescribed by law) ad valorem taxes levied upon all the taxable property within the School District, and are enforceable in accordance with the terms thereof, except as enforcement may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code.

In rendering this opinion, we have assumed compliance by the School District with its covenants contained in the Resolution and the representations in the Tax Compliance Certificate relating to actions to be taken or caused to be taken by the School District after the issuance of the Bonds necessary to effect or maintain the exclusion from federal gross income of the interest on the Bonds. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

7. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the Bonds are exempt from personal property taxes in the Commonwealth and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

We express no opinion on any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect any changes in fact or law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion herein with respect to and assume no responsibility for, the accuracy, adequacy or completeness of the Preliminary Official Statement or the Official Statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

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APPENDIX D-2 FORM OF CO-BOND COUNSEL OPINION
FOR THE SERIES 2020 BONDS

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June 5, 2020

Re: $123,805,000, School District of Philadelphia General Obligation Refunding Bonds, Series of 2020 (Forward Delivery)

To the Purchasers of the Within-Described Bonds:

We have served as Co-Bond Counsel in connection with the issuance by The School District of Philadelphia ("School District") of $123,805,000, aggregate principal amount, The School District of Philadelphia, General Obligation Refunding Bonds, Series of 2020 (Forward Delivery) ("Bonds"). The Bonds are issued pursuant to the Local Government Unit Debt Act, 53 Pa. C.S.A. §§ 8001 et seq. ("Act"), and an authorizing resolution duly adopted on October 17, 2019 ("Resolution"), by the Board of Education of the School District ("Board").

The Bonds are being issued by the School District for the purpose of providing funds to pay: (i) the costs of currently refunding a portion of the School District's General Obligation Refunding Bonds, Series C, D and E of 2010; and (ii) the costs of issuance of the Bonds.

As Co-Bond Counsel for the School District, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth of Pennsylvania ("Commonwealth"); (b) the relevant provisions of the Public School Code of 1949, as amended; (c) the Act; (d) the Debt Statement of the School District filed with the Pennsylvania Department of Community and Economic Development ("Department"); (e) the proceedings of the Board with respect to the authorization, issuance and sale of the Bonds; and (f) certain statements, certifications, affidavits and other agreements and documents and matters of law which we have considered relevant, including, without limitation, a certification of officials of the School District having responsibility for the issuance of the Bonds ("Tax Compliance Certificate"), given pursuant to the Internal Revenue Code of 1986, as amended ("Code"), and the other documents and instruments listed on the Closing Agenda in respect of the Bonds dated the date hereof. We have also examined a fully executed and authenticated Bond and we assume all other Bonds are in such form and are similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied upon the opinion of the General Counsel to the School District of even date herewith as to the absence of any litigation or other challenge to actions taken by the School District in connection with the authorization, issuance and sale of the Bonds and other matters incident to, inter alia, the execution and delivery by the School District of the Bonds, and such other documentation as the School District or officers thereof, were required to execute in connection with the issuance of the Bonds.

Except with respect to paragraph 6 below, our opinion is given only with respect to the laws of the Commonwealth as enacted and construed on the date hereof.

On the basis of the foregoing, we are of the opinion that:

1. The School District is authorized under the provisions of the Constitution and laws of the Commonwealth to issue the Bonds for the purposes therein set forth; the School District has duly authorized the issuance thereof and the Department has duly approved such issuance.

2. The present net non-electoral debt of the School District (including the debt evidenced by the Bonds) and the present net lease rental debt of the School District do not exceed the limitations imposed by the Act.

3. The School District has established a sinking fund for the Bonds with The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar, transfer agent and sinking fund depository ("Fiscal Agent"), and has covenanted to deposit into the sinking fund amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and to apply the amounts so deposited to the payment of such principal and interest.

4. The School District has effectively covenanted (i) to include the amount of debt service for the Bonds for each fiscal year in which such sums are due and payable in its budget for that year, (ii) to appropriate such amounts from its general revenues for the payment of such debt service, and (iii) to duly and punctually pay, or cause to be paid, from the sinking fund or any other of its revenues or funds, the principal of and the interest on the Bonds on the dates and in the places and in the manner stated in the Bonds according to the true intent and meaning thereof; for such budgeting, appropriation and payment the School District has pledged, with respect to the Bonds, its full faith, credit and taxing power.

5. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the School District, payable from the revenues of the School District from whatever source derived, which revenues at the time of the issuance and sale of the Bonds include (within the limits prescribed by law) ad valorem taxes levied upon all the taxable property within the School District, and are enforceable in accordance with the terms thereof, except as enforcement may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code.

In rendering this opinion, we have assumed compliance by the School District with its covenants contained in the Resolution and the representations in the Tax Compliance Certificate relating to actions to be taken or caused to be taken by the School District after the issuance of the Bonds necessary to effect or maintain the exclusion from federal gross income of the interest on the Bonds. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

7. Under the laws of the Commonwealth, as enacted and construed on the date hereof, the Bonds are exempt from personal property taxes in the Commonwealth and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

We express no opinion on any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect any changes in fact or law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion herein with respect to and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary official statement or the official statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

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APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered this 20th day of November, 2019, by and between The School District of Philadelphia (the "School District'), and The Bank of New York Mellon Trust Company, N.A., having a corporate trust office in Philadelphia, Pennsylvania, as sinking fund depository, transfer agent, registrar and paying agent (the "Fiscal Agent") under a Fiscal Agent Agreement, dated November 20, 2019 (the "Fiscal Agent Agreement") in connection with the issuance and sale by the School District of $481,080,000 School District of Philadelphia General Obligation Bonds, Series of 2019, consisting of $406,820,000 General Obligation Bonds, Series A of 2019 (the "Series A Bonds"), $24,840,000 General Obligation Bonds, Series B of 2019 (Green Bonds) (the "Series B Bonds"), $24,420,000 General Obligation Refunding Bonds, Series C of 2019 (the "Series C Bonds") and $25,000,000 General Obligation Bonds, Series D of 2019 (the "Series D Bonds," and together with the Series A Bonds, the Series B Bonds, and the Series C Bonds, the "Series 2019 Bonds"), and $123,805,000 School District of Philadelphia General Obligation Refunding Bonds, Series of 2020 (Forward Delivery) (the "Series 2020 Bonds," and collectively with the Series 2019 Bonds, the "Bonds"). The Bonds are being issued by the School District pursuant to (i) the Local Government Unit Debt Act, 53 Pa.C.S. §§8001 et seq. (the "Act"); and (ii) a Resolution of the Board of Education of the School District (the "Board of Education") adopted on October 17, 2019 (the "Resolution").

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Definitions.

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly otherwise requires) terms used as defined terms in the recitals hereto shall have the same meanings throughout this Disclosure Agreement and, in addition, the following terms shall have the meanings specified below:

"Annual Financial Information" means annual financial and operating data of the School District of the nature contained in the sections captioned "School District Financial Procedures" and "School District Operations" and in the charts captioned "The School District of Philadelphia Local Tax Revenues," "The School District of Philadelphia Real Estate Tax Levies and Collections," "Local Tax Revenues Subject to the Daily Deposit Covenant by Month," and "Assessed and Estimated Actual Market Value of Taxable Real Estate" in Appendix A annexed to the Official Statement of the School District relating to the Bonds, dated October 17, 2019. The Annual Financial Information will be included in and will be submitted in the form of the School District's Comprehensive Annual Financial Report ("CAFR"). The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board.

"Business Day" means any day other than a Saturday, Sunday or a day on which the School District or the Fiscal Agent is authorized or required by law, executive order or contract to remain closed.

"Disclosure Representative" means the Chief Financial Officer of the School District, which shall include any individual serving in an interim or acting capacity, or such other official or employee of the School District as the Chief Financial Officer shall designate in writing to the Fiscal Agent.

"EMMA" is the Electronic Municipal Market Access System maintained by the MSRB at http://emma.msrb.org, which serves as the sole nationally recognized municipal securities information repository under the Rule.

"Financial Obligation" shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of either (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriters" means any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase and reoffering of the Bonds.

"Registered Owner or Owners" mean the person or persons in whose name a Bond is registered on the books of the School District kept by the Fiscal Agent for that purpose in accordance with the Resolution and the Bonds. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Fiscal Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds, except those who have filed their names and addresses with the Fiscal Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

"Rule" means Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such Rule may be amended from time to time.

"Securities Depository" means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Resolution.

All words and terms used in this Disclosure Agreement and not defined above or elsewhere herein shall have the same meanings as set forth in the Fiscal Agent Agreement, if defined therein, or in the Resolution, if defined therein.

Section 2. Authorization and Purpose of Disclosure Agreement.

This Disclosure Agreement is authorized to be executed and delivered by the School District pursuant to Section 31 of the Resolution in order to assist the Participating Underwriters in complying with their obligations under the Rule.

Section 3. Annual Financial Information.

Within 240 days of the close of each fiscal year of the School District, commencing with the fiscal year ending June 30, 2019, the Disclosure Representative shall file with the Fiscal Agent Annual Financial Information for such fiscal year. The Fiscal Agent shall promptly upon receipt thereof file the Annual Financial Information with the MSRB via EMMA. The Annual Financial Information will be in the form of the CAFR and will contain unaudited financial statements if audited financial statements are not available. As soon as audited financial statements for the School District are available, commencing with the audited financial statements for the fiscal year ending June 30, 2019, the Disclosure Representative shall file the audited financial statements with the Fiscal Agent. The Fiscal Agent shall promptly upon receipt thereof file the audited financial statements with the MSRB via EMMA.

If the Fiscal Agent has not received the Annual Financial Information by 12:00 noon (Philadelphia Time) on the first business day following the filing date therefor, the School District directs the Fiscal Agent to immediately file a notice with the MSRB via EMMA of such failure.

Section 4. Reportable Events.

(a) The School District agrees that it shall provide through the Fiscal Agent, in a timely manner not in excess of ten Business Days after the occurrence of the event, to the MSRB via EMMA, notice of any of the following events with respect to the Bonds within the meaning of the Rule (each, a "Reportable Event"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of holders of the Bonds, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership, or similar proceeding of the School District;[1]

(13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties.

The sixteen (16) Reportable Events listed in this Section 4(a) are quoted directly from the Rule.

(b) Whenever the School District concludes that a Reportable Event has occurred, the Disclosure Representative shall promptly notify the Fiscal Agent in writing of such occurrence, specifying the Reportable Event. Such notice shall instruct the Fiscal Agent to file a notice of such occurrence with the MSRB via EMMA. Upon receipt, the Fiscal Agent shall promptly file such notice with the MSRB via EMMA.

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[1] This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) Notwithstanding the foregoing, the Fiscal Agent shall, promptly after obtaining actual knowledge of an event listed in Sections 4(a)(l), 4(a)(8) or 4(a)(9), notify the Disclosure Representative of the occurrence of such event and shall, within three (3) Business Days of giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB via EMMA, unless the Disclosure Representative gives the Fiscal Agent written instructions not to file such notice because the event has not occurred or the event listed in Section 4(a) above is not material within the meaning of the Rule.

(d) The Fiscal Agent shall provide confirmation of filing for each notice delivered pursuant to Sections 4(a) hereunder. Such confirmation shall include the date and hour of receipt of such filing by the MSRB and shall be delivered to the School District no later than three (3) Business Days following the date of filing of each such notice by the Fiscal Agent.

Section 5. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the School District and the Fiscal Agent may amend this Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the parties hereto or effective unless:

(1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the School District or the governmental operations conducted by the School District;

(2) the Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Fiscal Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the School District and the Fiscal Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(1), (2), and (3) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Fiscal Agent upon execution of the amendment or waiver and the Fiscal Agent shall promptly file such notice with the MSRB via EMMA. The Fiscal Agent shall also send notice of the amendment or waiver to each Registered Owner (including owners of book-entry credits in the Bonds who have filed their names and addresses with the Fiscal Agent).

Section 6. Other Information; Duties Under the Resolution.

(a) Nothing in this Disclosure Agreement shall preclude the School District from disseminating any other information with respect to the School District or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the notices of Reportable Events specifically provided for herein, nor shall the School District be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the School District to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the School District shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Fiscal Agent of any of its duties and obligations under the Resolution or Fiscal Agent Agreement.

(c) Except as expressly set forth in this Disclosure Agreement, the Fiscal Agent shall have no responsibility for any continuing disclosure to the Registered Owners or the MSRB.

(d) The School District and the Fiscal Agent will make any and all filings with the MSRB via EMMA in an electronic format and accompanied by identifying information, in each case as prescribed by the MSRB.

Section 7. Default.

(a) In the event that the School District or the Fiscal Agent fails to comply with any provision of this Disclosure Agreement, the Fiscal Agent or any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the School District or the Fiscal Agent, as applicable, to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Fiscal Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Fiscal Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for its fees and expenses (including, without limitation, attorneys' fees and expenses) satisfactory to it.

(b) A default under this Disclosure Agreement shall not be or be deemed to be a default under the Bonds, the Resolution, the Act or the Public School Code of 1949, as amended, and the sole remedy in the event of a failure by the School District or the Fiscal Agent to comply with the provisions hereof shall be the action to compel performance described in clause (a) above.

Section 8. Concerning the Fiscal Agent.

(a) The Fiscal Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Fiscal Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Fiscal Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the School District or any other person for actions taken hereunder, except for its own willful misconduct or negligence. None of the provisions contained in this Agreement shall require the Fiscal Agent to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder.

(b) The School District shall pay the Fiscal Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Fiscal Agent and the School District. To the extent permitted by law, the School District will reimburse the Fiscal Agent for claims, damages, fines, penalties and expenses, including reasonable and actual out-of-pocket expenses, including reasonable legal fees and expenses, and the allocated costs and expenses of in-house counsel (to the extent not covered by the Fiscal Agent's fees and expenses referred to in the preceding sentence hereof) (collectively, "Expenses") that are imposed on or are incurred by the Fiscal Agent for following any instructions or directions upon which the Fiscal Agent is authorized to rely hereunder. In addition, to the extent permitted by law, the School District agrees to reimburse the Fiscal Agent for Expenses imposed on or incurred by the Fiscal Agent in connection with or arising out of the Fiscal Agent's performance under this Disclosure Agreement; provided that the Fiscal Agent has not acted with negligence or engaged in willful misconduct. The provisions of this paragraph shall survive termination of this Disclosure Agreement and the resignation or removal of the Fiscal Agent.

(c) The Fiscal Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Fiscal Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. Except as provided in the last paragraph of Section 3 and in Section 4(c) hereof, it is understood and agreed that any information that the Fiscal Agent may be instructed to file with the MSRB shall be prepared and provided to it by the School District. Except as provided in the last paragraph of Section 3 and in Section 4(c) hereof, the Fiscal Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement, and has no liability to any person, including any holder of Bonds, with respect to the content of any such reports, notices or disclosures.

Section 9. Term of Disclosure Agreement.

This Disclosure Agreement shall terminate (1) upon payment or provision for payment in full of the Bonds, or (2) upon repeal or rescission of Section (b)(5) of the Rule, or (3) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the School District, the Fiscal Agent and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. Notices.

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail or by telecopy or electronic means with confirmation of receipt, addressed:

(a) To the Fiscal Agent at:

The Bank of New York Mellon Trust Company, N.A.
1735 Market Street, 9th Floor, AIM No. 193-0950
Philadelphia, Pennsylvania 19103
Attention: Global Corporate Trust - Public Finance
Telecopy No: (215) 553-6915/6919

(b) To the School District or the Disclosure Representative at:

The School District of Philadelphia
440 N. Broad Street - 3rd Floor
Philadelphia, PA 19130
Attention: Chief Financial Officer
Telecopy No: (215) 400-4581
Email: umonson@philasd.org

(c) To the MSRB at:

http://emma.msrb.org

Section 12. No Personal Recourse.

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the Board of Education or the School District (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the Board of Education or the School District or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law.

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. Removal and Resignation of Fiscal Agent.

The provisions of Section 13 of the Fiscal Agent Agreement shall govern resignation or removal of the Fiscal Agent and are hereby incorporated by this reference as if set forth at length herein.

Section 15. Successors and Assigns.

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the School District or by or on behalf of the Fiscal Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not. The provisions of Section 14 of the Fiscal Agent Agreement governing assignment are hereby incorporated by this reference as if set forth at length herein.

Section 16. Headings for Convenience Only.

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. Counterparts.

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 18. Entire Agreement.

This Disclosure Agreement sets forth the entire understanding and agreement of the School District with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

Section 19. Effective Date.

This Disclosure Agreement shall be effective, with respect to the Series A Bonds, Series B Bonds, Series C Bond and Series D Bonds, as of the date hereof and, with respect to the Series 2020 Bonds, as of the date of issuance thereof.

IN WITNESS WHEREOF, THE SCHOOL DISTRICT OF PHILADELPHIA has caused this Disclosure Agreement to be executed by its Chief Financial Officer and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE SCHOOL DISTRICT OF PHILADELPHIA

By: ________________________________
Chief Financial Officer

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Fiscal Agent

By: ________________________________
Authorized Officer

[Signature Page to Continuing Disclosure Agreement]

APPENDIX F - BOOK-ENTRY-ONLY SYSTEM

The information in this APPENDIX F has been obtained from The Depository Trust Company ("DTC"), New York, New York for such purpose. The School District and the Underwriters do not assume any responsibility for the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not a representation of the School District or the Underwriters.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series, maturity, interest rate and original CUSIP identification of the Bonds, each in the aggregate principal amount of such series, maturity, interest rate, and original CUSIP identification will be deposited with DTC or pursuant to its instructions.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a series, maturity, interest rate and original CUSIP identification are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series, maturity, interest rate and original CUSIP identification to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the School District or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the School District or the Fiscal Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of School District or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined herein) will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

THE SCHOOL DISTRICT AND THE FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF, OR INTEREST ON THE BONDS, (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE SCHOOL DISTRICT NOR THE FISCAL AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE FISCAL AGENT AS BEING A BONDHOLDER WITH RESPECT TO (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS.

The School District may determine to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be prepared and delivered as described in the Resolution.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the Holders, holders, owners or registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

In the event that the Book-Entry-Only System is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions applicable to registered owners would apply: (i) Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate in other authorized denominations, upon surrender thereof at the designated corporate trust office of the Fiscal Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Fiscal Agent for such purpose only upon the surrender thereof to the Fiscal Agent together with a duly executed assignment in form satisfactory to the School District and the Fiscal Agent; and (iii) for every exchange or registration or transfer of Bonds, the Fiscal Agent may impose a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds.

APPENDIX G – DESCRIPTION OF GREEN PROJECTS

GESA-1 Upgrades

The capital improvements that are expected to be undertaken in connection with the Green Projects as part of GESA-1 consist of one or more of the following types of upgrades at the School District buildings identified below:

(i) comprehensive HVAC modernization and new controls;

(ii) recommissioning and upgrades to energy management systems;

(iii) electrical infrastructure improvements and full air conditioning installations;

(iv) new intelligent lighting systems; and

(v) water and building insulation improvements.

School District Buildings Identified in GESA-1

Task #1
Lincoln High School
Samuel Gompers Elementary School
Russell Conwell Middle School

Task #2
Frances E. Willard Elementary School
Laura H. Carnell Elementary School
Feltonville School
Juniata Park Academy

Task #3
James R. Lowell Elementary School

Task #4
Aloysius L. FitzPatrick Elementary School

Task #5
Randolph Technical High School
Kennedy C. Crossan Elementary School
John H. Taggart Elementary School

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APPENDIX H - SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

THE SCHOOL DISTRICT OF PHILADELPHIA