

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series A Notes, 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, interest on the Series A Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See “TAX MATTERS” herein.



\$399,040,000
THE SCHOOL DISTRICT OF
PHILADELPHIA, PENNSYLVANIA
Tax and Revenue Anticipation Notes, Series A of 2023-2024

Dated: Date of Delivery**Due: June 28, 2024**

The Tax and Revenue Anticipation Notes, Series A of 2023-2024 (“Series A Notes”) issued by The School District of Philadelphia (the “School District”), will bear interest at the interest rate shown below. The Series A Notes are issuable as fully registered notes 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 Series A Notes. Purchases of beneficial ownership interests in the Series A Notes will be made in book-entry-only form in the denomination of \$5,000 or any whole multiple thereof. Principal of and interest on the Series A Notes is payable directly to Cede & Co. for redistribution by DTC to its participants and in turn to purchasers of the Series A Notes (“Beneficial Owners”) as described herein. Purchasers will not receive certificates representing their ownership interest in the Series A Notes purchased. U.S. Bank Trust Company, National Association, Philadelphia, Pennsylvania, is acting as sinking fund depository, registrar and paying agent (“Fiscal Agent”).

The Series A Notes are equally and ratably secured, until paid or until deposits for such payment have been made into the Series A Sinking Fund (as herein defined) 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 of the Series A Notes to June 30, 2024. Notwithstanding the foregoing, the amounts irrevocably directed by the School District to be deposited on a daily basis directly into 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 Series A Notes are payable from funds required to be deposited by the School District in the Series A Sinking Fund established under the Resolution (as herein defined). See “SECURITY FOR THE SERIES A NOTES” herein.

The Series A Notes are not subject to redemption prior to maturity.

<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP* No.</u>
\$399,040,000	June 28, 2024	5.000%	4.200%	100.522	717883 ZJ4

This cover page contains certain information 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.

The Series A Notes are offered when, as and if issued, 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 Cozen O’Conner, Philadelphia, Pennsylvania, Underwriters’ Counsel. It is expected that the Series A Notes will be available for delivery in definitive form in New York, New York on or about October 26, 2023.

BoFA Securities

Loop Capital Markets

Morgan Stanley

PNC Capital Markets LLC

RBC Capital Markets

This Official Statement is dated October 19, 2023

* Registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services (“CGS”), which is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP number listed above is being provided solely for the convenience of noteholders only at the time of issuance of the Series A Notes and the School District and the Underwriters do not make any representation with respect to such number or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number is subject to change after the issuance of the Series A Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series A Notes or as a result of the procurement of secondary market portfolio insurance or other secondary market enhancement by noteholders that may be applicable to all or a portion of the Series A Notes. 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 SERIES A NOTES 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 Series A Notes 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 or the Underwriters. 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.

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

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 "BOOK-ENTRY-ONLY SYSTEM" and "UNDERWRITING" in the Official Statement, other than the statements contained in the first paragraph under such latter heading.

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. Readers should not place undue reliance on forward-looking statements. 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 Series A Notes 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 Series A Notes and the terms of the offering, including the merits and risks involved.

References to website addresses presented herein are for informational purposes only and, unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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

THE SCHOOL DISTRICT OF PHILADELPHIA

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Philadelphia, Pennsylvania
Telephone: 215-400-4000
www.philasd.org

BOARD OF EDUCATION

(Voting Members)

Reginald L. Streater, Esquire, Board President
Mallory Fix-Lopez, Board Vice President
Sarah-Ashley Andrews
Julia Danzy
Leticia Egea-Hinton
Chau Wing Lam
Lisa Salley
Cecilia Thompson
Joyce Wilkerson

SUPERINTENDENT OF SCHOOLS

TONY B. WATLINGTON, SR., ED.D

CHIEF FINANCIAL OFFICER

MICHAEL HERBSTMAN

GENERAL COUNSEL

LYNN R. RAUCH, ESQUIRE

CO-BOND COUNSEL

ECKERT SEAMANS CHERIN & MELLOTT, LLC

AHMAD ZAFFARESE LLC

FINANCIAL ADVISOR

PHOENIX CAPITAL PARTNERS, LLP

OFFICIAL STATEMENT

relating to

\$399,040,000

THE SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

Tax and Revenue Anticipation Notes, Series A of 2023-2024

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide information concerning The School District of Philadelphia (“School District”) in connection with the issuance by the School District of \$399,040,000 principal amount of its Tax and Revenue Anticipation Notes, Series A of 2023-2024 (“Series A Notes”).

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. References to section headings in this introduction are references to such sections in the body of this Official Statement following this introduction. The offering of the Series A Notes is made only by means of this Official Statement and is subject in all respects to the information contained herein.

If and when included in this Official Statement, including the appendices hereto, the words “expects,” “forecasts,” “forecasted,” “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. Readers should not place undue reliance on forward-looking statements. 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.

Changes to the Preliminary Official Statement

The Preliminary Official Statement for the Series A Notes, dated October 11, 2023 (the “Preliminary Official Statement”), was supplemented and amended by two Supplements, dated October 17, 2023 and October 24, 2023, respectively, which updated certain information within the Preliminary Official Statement under “SECURITY FOR THE SERIES A NOTES - Series A Sinking Fund” and within APPENDIX A - THE SCHOOL DISTRICT OF PHILADELPHIA.

The School District of Philadelphia

The School District of Philadelphia 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”). The Home Rule Charter provides that the School District will be 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 a Fiscal Year 2023 enrollment of approximately 197,290 students, including approximately 77,900 charter school students

and approximately 3,625 students who attended alternative educational programs. The School District has the eighth largest enrollment in the nation and employs approximately 20,000 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. 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 2024" refers to the fiscal year commencing on July 1, 2023 and ending June 30, 2024. See APPENDIX A hereto for a more detailed description of the School District and its affairs, including its organization and financial procedures.

Since July 1, 2018, governance of the School District is vested in the Board of Education whose members are appointed by the Mayor.

Dr. Tony B. Watlington Sr. serves as Superintendent of the School District. He was appointed on April 1, 2022 and was sworn in on June 16, 2022.

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 Series A Notes

The Series A Notes are issued pursuant to the Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82, (the "Act"), and a resolution of the School District expected to be considered for adoption on October 19, 2023 (the "Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Resolution.

The Series A Notes are general obligations of the School District (but do not carry the pledge of the full faith, credit and taxing powers of the School District) and are equally and ratably secured, until paid or until deposits for such payment have been made into the Series A Sinking Fund (as herein defined) 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 of the Series A Notes to June 30, 2024. Notwithstanding the foregoing, the amounts irrevocably directed by the School District to be deposited on a daily basis directly into 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. See "SECURITY FOR THE SERIES A NOTES." The Series A Notes, until paid or until deposits for such payment have been made with the Series A Sinking Fund, are also equally and ratably secured with any Additional Notes (hereinafter defined) issued. See "DESCRIPTION OF THE SERIES A NOTES-Additional Notes."

The School District may levy taxes only with the authorization of the General Assembly of the Commonwealth ("General Assembly") or the City Council of the City ("City Council") as described in SOURCES OF SCHOOL DISTRICT REVENUES-Local Tax Revenues" in APPENDIX A.

Purpose of the Series A Notes

The proceeds of the Series A Notes will be used to (i) pay certain of the current operating budget 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 2024 and (ii) pay the costs of issuance of the Series A Notes.

Description of the Series A Notes

Denominations. The Series A Notes will be issued in denominations of \$5,000 each or any whole multiple thereof.

No Redemption Prior to Maturity. **The Series A Notes are not subject to redemption prior to maturity.**

Registration and Transfer. U.S. Bank Trust Company, National Association, Philadelphia, Pennsylvania, will act as sinking fund depository, registrar and paying agent ("Fiscal Agent"). As registrar, it will be responsible for maintaining the books for registration, exchange and transfer of the Series A Notes. The Series A Notes may be transferred upon the registration books of the School District,

upon delivery of the Series A Notes to be transferred to the Fiscal Agent, together with 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 or by his duly authorized attorney-in-fact or other legal representative, containing written instructions as to the details of the transfer of such Series A Notes.

The Series A Notes are issuable as fully registered notes and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series A Notes. Purchases of beneficial ownership interests in the Series A Notes will be made only in book-entry form. Transfers of beneficial interests in the Series A Notes will be accomplished by DTC’s participants (“Participants”) or others who act for the owners of such beneficial interests, in accordance with DTC procedures and applicable state law. See “BOOK-ENTRY-ONLY SYSTEM.”

Payment. So long as the Series A Notes shall be in book-entry-only form, the principal of, and interest on, such Series A Notes are payable by check or draft mailed to or wire transfer to Cede & Co. as nominee for DTC and the registered owner thereof. DTC in turn will immediately credit the accounts of the Participants. The Participants will credit the payments to the owners of beneficial interests in the Series A Notes in accordance with standing instructions and customary practices between DTC and the Participants.

For a more detailed description of the Series A Notes and the provisions relating to book-entry, see “DESCRIPTION OF THE SERIES A NOTES” and “BOOK-ENTRY-ONLY SYSTEM.”

Other Financings

On or about November 16, 2023, the School District intends to issue \$292,855,000 of General Obligation Bonds, Series A of 2023 and \$49,800,000 of General Obligation Bonds, Series B of 2023 (“Green Bonds”) (collectively, the “School District 2023 GO Bonds”) to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the School District 2023 GO Bonds. The School District 2023 GO Bonds carry the pledge of the full faith, credit and taxing power of the School District, are to be issued for capital projects to be undertaken by the School District, and are to be issued under a separate plan of finance.

Professionals Involved in the Offering

U.S. Bank Trust Company, National Association, having a corporate trust office in Philadelphia, Pennsylvania, is the Fiscal Agent for the Series A Notes. Certain legal matters incident to the authorization, issuance and sale of the Series A Notes are subject to the approval of the legality of issuance of the Series A Notes 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 Cozen O’Connor, Philadelphia, Pennsylvania, Underwriters’ Counsel. Phoenix Capital Partners, LLP, of Philadelphia, Pennsylvania, is acting as Financial Advisor to the School District in connection with the authorization and issuance of the Series A Notes.

Offering and Delivery of the Series A Notes

The Series A Notes are offered when, as and if issued, subject to the opinion on certain legal matters relating to their issuance by Co-Bond Counsel, and the satisfaction of certain other conditions. It is anticipated that the Series A Notes in definitive form will be available for delivery in New York, New York, on or about October 26, 2023.

Continuing Disclosure Undertaking

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 Digital Assurance Certification, L.L.C., as Dissemination Agent, in substantially the form of APPENDIX C to this Official Statement. See “Continuing Disclosure Undertaking” herein. Certain information concerning the School District, required or permitted to be filed pursuant to the

School District's continuing disclosure agreements currently in effect, is on file with the Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org>. Such information is not incorporated herein by reference. See "CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION - Continuing Disclosure Undertaking" herein.

Certain Information Concerning the School District's Operating Budget

The School District adopted its Fiscal Year 2024 operating budget on May 25, 2023. See "APPENDIX A - THE SCHOOL DISTRICT OF PHILADELPHIA" for a discussion of the operating budget.

Other Information

As noted above, certain information concerning the School District is on file with EMMA at <http://emma.msrb.org>. Certain additional information relating to the School District's operations and financial affairs is made available by the School District at its website (www.philasd.org) or upon request. Such information is not incorporated herein by reference. See "CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION - Continuing Disclosure Undertaking" herein. The School District's financial statements are audited by the City Controller of the City ("City Controller"). The School District has included its audited financial statements with respect to Fiscal Year 2022 in APPENDIX B. ACTUAL CASH FLOWS OF THE SCHOOL DISTRICT FOR FISCAL YEAR 2023, ACTUAL AND FORECASTED CASH FLOWS OF THE SCHOOL DISTRICT FOR FISCAL YEAR 2024, AND FORECASTED DEBT SERVICE COVERAGE TABLE FOR FISCAL YEAR 2024 are included in APPENDIX E. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

GENERAL

The Series A Notes will be issued in the principal amount of \$399,040,000, will be dated their date of issuance and will mature on June 28, 2024. The Series A Notes will bear interest, payable at maturity, at the rate of 5.000% per annum, calculated on the basis of actual days elapsed in a 365/366 day year.

Principal of, and interest on the Series A Notes, will be payable upon presentation of the Series A Notes at maturity at the designated office of the Fiscal Agent in Philadelphia, Pennsylvania. The Series A Notes will be issued as fully registered notes and when issued, will be registered in the name of Cede & Co., as nominee of DTC. Purchases of beneficial interests in the Series A Notes will be made in book-entry-only form (without certificates) in the denomination of \$5,000 or any whole multiple thereof. As provided in the Resolution, under certain circumstances, such beneficial interests could be exchanged for one or more fully registered notes of like principal amount and series in the denomination of \$5,000 or any whole multiple thereof.

So long as the Series A Notes shall be in book-entry-form, the principal of, and interest on, such Series A Notes are payable by check or draft mailed to or wire transfer to Cede & Co. as nominee for DTC and the registered owner thereof for redistribution by DTC to the Participants and in turn to owners of beneficial interests in the Series A Notes as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

The Resolution and all provisions thereof are incorporated by reference in the text of the Series A Notes, and the Series A Notes provide that each registered owner, beneficial owner, Direct Participant or Indirect Participant (as such terms are hereinafter defined) in DTC, by acceptance of a Series A Note (including receipt of a book-entry credit evidencing an interest therein), assents to all of such provisions as an explicit and material portion of the consideration running to the School District to induce it to adopt the Resolution and to issue such Series A Note. Copies of the Resolution, including the full text of the form of the Series A Notes, are on file at the designated corporate trust office of the Fiscal Agent in Philadelphia, Pennsylvania.

No Redemption Prior to Maturity

The Series A Notes are not subject to redemption prior to maturity.

Additional Notes

Without the consent of the holders of the Series A Notes, additional series of tax and revenue anticipation notes may be authorized to be issued from time to time under a separate resolution or resolutions to be adopted by the Board to be issued from time to time (“Additional Notes”) in accordance with the Act for the purpose of funding cumulative cash flow deficits of the School District, if any, that may hereafter occur or may hereafter be forecasted to occur in the 2024 Fiscal Year with respect to which the Series A Notes are issued.

Any Additional Notes will be equally and ratably secured with the Series A Notes, until paid or until deposits for such payment have been made into a trust or sinking fund established for such Additional Notes, by a pledge of, 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 of such Additional Notes until June 30, 2024. Owners of Additional Notes will have no claim on or security interest in the Series A Sinking Fund (as defined herein). Any Additional Notes shall mature on the Maturity Date of the Series A Notes. The Series A Notes have no claims to sinking funds established for Additional Notes, further, the sinking fund payment dates of Additional Notes must be on a Deposit Date (hereinafter defined) and any deposits to a sinking fund established for Additional Notes must be made pro rata with any deposit to the Series A Sinking Fund for the Series A Notes. See also “SECURITY FOR THE SERIES A NOTES - Security for Additional Notes.”

The School District has not previously issued any tax and revenue anticipation notes in Fiscal Year 2024 and does not have outstanding tax and revenue anticipation notes.

BOOK-ENTRY-ONLY SYSTEM

The information has been provided by DTC for use in securities offering documents, and the School District takes no responsibility for the accuracy or completeness thereof. The School District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Series A Notes or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series A Notes, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will 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 DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series A Notes. The Series A Notes will be issued as fully-registered securities 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 Series A Note will be issued for the Series A Notes and will be deposited with DTC.

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. 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. The information contained on this Internet site is not incorporated herein by reference.

Purchases of Series A Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A Notes on DTC’s records. The ownership interest of each actual purchaser of each Series A Note (“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 Series A Notes 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 Series A Notes, except in the event that use of the book-entry system for the Series A Notes is discontinued.

To facilitate subsequent transfers, all Series A Notes 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 Series A Notes 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 Series A Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series A Notes 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 Series A Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A Notes, such as tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series A Notes may wish to ascertain that the nominee holding the Series A Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series A Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District 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 Series A Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Interest payments, and principal payments on the Series A Notes 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 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 securities 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 Fiscal Agent, or School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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 will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series A Notes at any time by giving reasonable notice to School District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Series A Note certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series A Notes will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy thereof.

SECURITY FOR THE SERIES A NOTES

As required by the Act and as set forth in the Resolution, the Series A Notes are equally and ratably secured until paid or until deposits for such payment have been made into the Series A Sinking Fund, 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 during the period when the Series A Notes are outstanding and in no event later than June 30, 2024. Notwithstanding the foregoing, the amounts irrevocably directed by the School District to be deposited on a daily basis directly into 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 Daily Sinking Fund Deposits are made from School District tax revenues collected by the Revenue Commissioner of the City, as school tax collector, consisting of Real Estate Taxes, Business Use and Occupancy Tax, Liquor Sales Tax, and Non-Business Income Tax. See Appendix A – "Sources of School District Revenue – Local Tax Revenues."

The Act provides that any tax and revenue anticipation notes issued in compliance therewith shall be general obligations of the School District, but do not carry the pledge of the full, faith, credit and taxing powers of the School District, and if principal and interest due on such notes are not paid in the fiscal year of issuance shall be deemed to be nonelectoral debt enforceable in the manner of a general obligation unless funded in an unfunded debt proceeding pursuant to the Act, shall be included in the budget of the School District for the ensuing fiscal year, and shall be payable from taxes and revenues of such ensuing fiscal year. The Act recites that the terms of a resolution authorizing tax and revenue anticipation notes and of the Act as in effect when such notes were authorized shall constitute a contract between the local government unit (in this case, the School District) and the holders from time to time of such notes.

Sources of School District Revenue

For a detailed discussion of sources of School District revenues, including with respect to Commonwealth subsidies and other sources, see "SOURCES OF SCHOOL DISTRICT REVENUE" in Appendix A, and actual cash flows of the School District for Fiscal Year 2023, actual and forecast cash flows of the School District for Fiscal Year 2024, and a forecasted debt service coverage table for Fiscal Year 2024 are included in APPENDIX E hereto.

Series A Sinking Fund

The Resolution establishes a sinking fund ("Series A Sinking Fund") with the Fiscal Agent, which shall be held in trust, segregated from all other funds of the School District and the Fiscal Agent. The School District has covenanted in the Resolution that it will make payments to the Fiscal Agent for irrevocable deposit into the Series A Sinking Fund in the amount of \$133,013,000.00 on or before April 1, 2024 (the "First Deposit Date"), the amount of \$133,013,000.00 on or before May 1, 2024 (the "Second Deposit Date") and on or before June 3, 2024 (the "Final Deposit Date") (the First Deposit Date, the Second Deposit Date and the Final Deposit Date are each a "Deposit Date") in the amount equal to \$146,424,360.66 which includes principal plus all interest due on the Series A Notes on June 28, 2024 (the "Debt Service Requirement"). The Resolution provides that the Fiscal Agent must, no later than noon, Philadelphia time, on June 4, 2024, determine whether there is a deficiency in the Series A Sinking

Fund and that the Fiscal Agent shall immediately notify the School District no later than 3:00 p.m. on June 4, 2024, as to the amount of any deficiency and that the School District shall deposit the amount of such deficiency on the business day immediately following the date of receipt of such notice, but in no event later than noon, Philadelphia time, on June 5, 2024. See “Enforcement of Security Interest; Other Statutory Remedies” for a discussion of the Fiscal Agent’s obligation to enforce the pledge of security interest in, and lien and charge on, the pledged taxes and revenues of the School District upon failure to fully fund the Series A Sinking Fund on any Deposit Date.

Moneys on deposit in the Series A Sinking Fund may be invested by the Fiscal Agent, at the written direction of the School District, only in direct obligations of the United States of America, obligations the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America, senior debt obligations rated “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”), obligations issued by Fannie Mae or the Federal Home Loan Mortgage Corporation, senior debt obligations of the Federal Home Loan Bank System, and obligations of the Resolution Funding Corporation, which obligations are not guaranteed by the United States of America (collectively, “Government/GSE Obligations”), certain shares of an investment company registered under the Investment Company Act of 1940 as described further below, or interest bearing deposits in any bank, or bank and trust company, or national banking association having a combined net capital and surplus in excess of \$100,000,000 (including the Fiscal Agent or any of its affiliates), provided that such deposits are insured or collateralized, or collateralized agreements for the repurchase of such obligations of the type described above, all as more fully described in the Resolution. The Resolution requires that all such investments shall mature or be subject to redemption, and all such agreements for repurchase shall be subject to resale, at the option of the holder at not less than par or the repurchase price therefor on or prior to June 28, 2024.

The Resolution requires that with respect to investments of the Series A Sinking Fund in shares of an investment company, such shares must be registered under the Securities Act of 1933. Permitted investment companies may include any such investment company for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian. The Resolution further requires that the following conditions are met for investments of the Series A Sinking Fund in a registered investment company: (1) investments of that company are only in Government/GSE Obligations or collateralized repurchase agreements authorized by the Resolution; (2) the investment company is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (3) the investment company is rated at the time of investment in the highest category by a nationally recognized rating agency.

The Fiscal Agent is irrevocably authorized and directed to pay from the Series A Sinking Fund, pursuant to the Resolution, the principal of and interest on the Series A Notes when due and payable.

The Resolution provides that the Fiscal Agent shall, at the request of the School District, transfer to the School District amounts in the Series A Sinking Fund in excess of the Debt Service Requirement.

Enforcement of Security Interest; Other Statutory Remedies

The Act provides that on the filing of required financing statements, holders of the Series A Notes will be entitled to, *inter alia*, the rights and remedies available to secured parties under the Pennsylvania Uniform Commercial Code.

Pursuant to Section 8125(b) of the Act, the holders of the Series A Notes have the right, through the Fiscal Agent, to enforce such pledge of, security interest in, and lien and charge on, the pledged taxes and revenues of the School District against all Commonwealth and local public officers in possession of any such taxes and revenues at any time, which taxes and revenues may be collected directly from such officers upon notice by the Fiscal Agent for application to the payment of the Series A Notes when due. In addition, the holders of the Series A Notes, through the Fiscal Agent, shall also have the right to enforce such pledge of, security interest in, and lien and charge on, the pledged taxes and revenues of the School District in the manner described in the preceding sentence upon the failure of the School District to make

the required payment to the Fiscal Agent for deposit in the Series A Sinking Fund on any Deposit Date. The Act provides that any Commonwealth or local public official in possession of any of the taxes and revenues shall make payment directly to the Fiscal Agent upon receiving notice. The Act further states that Section 8125(b) remedies described in this paragraph shall be construed and applied to fulfill the legislative purpose of clarifying and facilitating temporary borrowings by a first class school district by assuring to holders of tax anticipation notes the full and immediate benefit of the security therefor without delay, diminishment or interference based on any statute, decision, ordinance or administrative rule or practice.

Contemporaneously with the delivery of the Series A Notes, the School District and the Fiscal Agent will enter into an agreement (the "Fiscal Agent Agreement") providing for, among other things, the procedures that the Fiscal Agent is to follow in the enforcement of the foregoing pledge of security interest, lien and charge if the School District fails to make the required deposit in full on any Deposit Date.

The Fiscal Agent Agreement provides that if the School District at any time shall fail to pay the amounts as and when required by the Resolution, the Fiscal Agent shall promptly enforce the pledge and security interest by giving written notice to the appropriate Commonwealth and local public officials that the School District has failed to make a required payment to the Series A Sinking Fund, specifying the amount of the deficiency and demanding that such official pay directly to the Fiscal Agent all pledged revenues in possession or coming into possession of such public official until the entire deficiency has been satisfied.

Notwithstanding the rights of holders of the Series A Notes under Section 8125(b) of the Act, the general obligation bonds of the School District are entitled to the benefits of the intercept provisions of Section 633 of the School Code and the School District's lease revenue bonds issued by the Pennsylvania State Public School Building Authority (the "SPSBA") are entitled to the benefits of Section 785 of the School Code, and are subject to an intercept agreement entered into in accordance with Section 785. For additional information, see "APPENDIX A – SCHOOL DISTRICT DEBT."

In addition to the rights of the holders of the Series A Notes pursuant to Section 8125(b) of the Act, Section 8262(a) of the Act provides that if a school district (such as the School District) fails or neglects to pay or cause to be paid the principal of or interest on any tax anticipation note, including the Series A Notes, as such note shall become due and payable, whether at the stated maturity or upon call for prior redemption, and the failure continues for thirty days, the holder thereof may, subject to any limitations upon individual rights of action properly provided in the bond ordinance (which includes the Resolution) or any indenture, recover the amount due in an action in the court of common pleas. The judgment recovered shall have an appropriate priority upon the moneys next coming into the treasury of the local government unit and shall be a judgment upon which funding bonds may be issued pursuant to the Act.

Act 85 of 2016

Over the last two decades, 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 the Pennsylvania Department of Education ("PDE") from a school district (such as the 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 8125(b) of the Act, which applies to tax and revenue anticipation notes of the School District. The School District's general obligation bonds and bonds issued by the SPSBA for the benefit of the School District are also subject to the provisions of Act 85 of 2016.

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 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 its tax and revenue anticipations notes such as the Series A Notes, and including sinking fund deposit dates for the Series A Notes, and scheduled debt service payment dates for the Series A Notes. 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 Series A Notes and may be amended or repealed by future legislation.

Because the Commonwealth has enacted education appropriations for Fiscal Year 2024, Act 85 of 2016 is not expected to be of use to the holders of the Series A Notes. However, in the event the School District fails to pay principal and interest on the Series A Notes, when due, the pledged and unpaid subsidy payments receivable and other pledged Commonwealth receivables pledged to secure the Series A Notes in Fiscal Year 2024 would be available for intercept under the regular operation of Section 8125(b) of the Act.

Security for Additional Notes

As required by the Act, any series of Additional Notes will be equally and ratably secured by a pledge of, security interest in, and lien and charge on, the taxes and revenues of the School District remaining to be received from the date of issuance of such series of Additional Notes and while such Additional Notes are outstanding. Notwithstanding the foregoing, moneys on deposit in the Series A Sinking Fund for the benefit of the holders of the Series A Notes are not subject to any pledge, security interest, lien and charge of holders of any Additional Notes. The Resolution provides that in connection with the issuance of any series of Additional Notes, the School District must establish and designate, pursuant to a supplemental resolution, a sinking fund for such series of Additional Notes to be held by the Fiscal Agent separate and apart from the Series A Sinking Fund and all other funds of the School

District and the Fiscal Agent. The School District must specify in such supplemental resolution the amounts to be deposited to any sinking fund for a series of Additional Notes and the dates of deposit thereof, and must covenant to deposit or cause to be deposited such amounts as set forth in such supplemental resolution. The maturity date for any Additional Notes must occur on the maturity date for the Series A Notes and the sinking fund payment dates of Additional Notes must be on a Deposit Date. Further, any deposits to a sinking fund established for Additional Notes must be made pro rata with any deposit to the Series A Sinking Fund for the Series A Notes. The Series A Notes have no claims to sinking funds established for any Additional Notes.

Limitation of Remedies

The rights and remedies of holders of the Series A Notes are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code (“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 became due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they became 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 school districts such as 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 the Pennsylvania Department of Community and Economic Development (“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 Series A Notes.

NO LITIGATION AFFECTING THE SERIES A NOTES

Upon the delivery of the Series A Notes, the Office of the General Counsel to the School District shall furnish an opinion, in form satisfactory to Co-Bond Counsel, to the effect that, among other things, except as disclosed in this Official Statement, 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 the Series A Notes 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 Series A Notes, or contesting the powers of the School District with respect to any of the foregoing.

FINANCIAL ADVISOR

In connection with the authorization and issuance of the Series A Notes, the School District has retained Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania, as its financial advisor (“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

The Series A Notes are being purchased by the underwriters listed on the cover page of this Official Statement (the “Underwriters”), for whom BofA Securities, Inc., is acting as Representative. The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series A Notes pursuant to the note purchase contract between the School District and the Underwriters dated October 19, 2023 (the “Note Purchase Contract”). The purchase price of the Series A Notes is \$400,495,759.76 (which is equal to the aggregate principal amount of the Series A Notes, plus original issue premium of \$2,082,988.80, less the Underwriters’ fee of \$627,229.04 paid in connection with the purchase of the Series A Notes).

The Underwriters may offer and sell the Series A Notes 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 price stated on the 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 sales and trading, commercial and investment banking, providing credit support, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the School District in connection with such activities. 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 they received or will receive customary fees and expenses.

In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the School District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the School District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities.

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 (including in respect of this securities offering or other offerings of the School District) 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 Series A Notes, 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 Series A Notes.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series A Notes, 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 securities to retail investors through

the financial 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 underwriting efforts with respect to the Series A Notes.

PNC Capital Markets LLC, one of the Underwriters of the Series A Notes, may offer to sell to its affiliate, PNC Investments, LLC (“PNCI”), securities in PNC Capital Markets LLC’s inventory for resale to PNCI’s customers, including securities such as the Series A Notes.

The preceding three paragraphs have been furnished by BofA Securities, Inc., Morgan Stanley & Co. LLC and PNC Capital Markets 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 arrangement, 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 Series A Notes (other than the Note Purchase Contract).

RATINGS

Moody’s Investors Service (“Moody’s”) and Fitch Ratings, Inc. (“Fitch”), have assigned their municipal bond ratings of “MIG 1” and “F1+,” respectively, to the Series A Notes.

No application has been made to any other service for a rating on the Series A Notes. 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 Series A Notes may be resold. Any ratings assigned represent only the views of Moody’s and Fitch. Further information is available upon request from:

Moody’s Investors Service	Fitch Ratings, Inc.
7 World Trade Center at 250	33 Whitehall Street, 19 th Floor
Greenwich Street	New York, NY 10004
New York, NY 10007	(212) 908-0500
(212) 553-0300	

The Underwriters have not assumed any responsibility to advise the holders of the Series A Notes of any change in any rating on the Series A Notes and the School District has not assumed any responsibility to maintain any particular rating on the Series A Notes.

TAX MATTERS

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 A Notes, 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.

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 A Notes, 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 A Notes after issuance thereof to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the Series A Notes. These covenants relate to, inter alia, the use of and investment of proceeds of the Series A Notes 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 A Notes becoming includible in gross income for federal income tax purposes from the date of issuance of the Series A Notes.

Other Federal Tax Matters

Ownership or disposition of the Series A Notes 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 A Notes 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 A Notes. In addition, ownership or disposition of the Series A Notes may result in other federal tax consequences to “applicable corporations” (within the meaning of Section 59(k) of the Code enacted as part of the Inflation Reduction Act of 2022) for tax years beginning after December 31, 2022, in that interest on the Series A Notes may be included in the calculation of the alternative minimum tax imposed on applicable corporations under Section 55(b) of the Code.

Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the 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 hereto. Prospective purchasers of the Series A Notes 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 enacted and construed on the date hereof, interest on the Series A Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, 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 A Notes will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Other

The Series A Notes 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 Co-Bond Counsel opinion included in APPENDIX D hereto.

Purchasers of the Series A Notes should consult their independent tax advisors with regard to all state and local tax matters.

The Series A Notes are offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Series A Note through reductions in the holder’s tax basis for the Series A Note for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series A Notes are subject to the approval of the legality of issuance of the Series A Notes by Eckert Seamans Cherin & Mellot, 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 Cozen O’Connor, Philadelphia, Pennsylvania, Underwriters’ Counsel.

CERTAIN RELATIONSHIPS

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

From time to time, Ahmad Zaffarese LLC, Co-Bond Counsel, represents the School District in matters unrelated to the issuance of the Series A Notes, and represents certain of the Underwriters in matter unrelated to the issuance of the Series A Notes.

Cozen O'Connor, Underwriters' Counsel, provides certain other legal services to the School District unrelated to the issuance of the Series A Notes.

Certain of the Underwriters are also serving as underwriters for the School District 2023 GO Bonds.

CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION

Continuing Disclosure Undertaking

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 relating to the Series A Notes with Digital Assurance Certification, L.L.C. ("DAC"), in substantially the form of APPENDIX C 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 for its benefit 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 specified annual financial and operating data ("Annual Financial Information") within 180 days of the close of each fiscal year of the School District. For Fiscal Years 2018 through 2022, the Annual Financial Information required to be posted within 180 days was not posted with 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 Years 2018, 2019 and 2020 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 2019 through 2022 was posted on EMMA within 240 days of the close of fiscal year. 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 and certain tabular information on July 17, 2019, which dates were 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 as described in the preceding paragraph with respect to the late filing of certain Annual Financial Information for Fiscal Year 2018.

The School District posted on EMMA on September 6, 2023 event notices of the incurrence of two previously retired privately placed tax and revenue anticipation notes which the School District issued on July 15, 2021 and July 21, 2022, respectively.

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. Since May 1, 2019, all of the School District's continuing disclosure agreements provide for DAC to serve as the School District's sole Dissemination Agent, including as successor to the School District's previous 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, from time to time, 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 Series A Notes 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 2022 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 Series A Notes and the security therefor, the Act, the School Code, the Fiscal Code, the Resolution 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. Copies of the Resolution and the Continuing Disclosure Agreement are on file at the principal 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 SERIES A NOTES NOR THIS OFFICIAL STATEMENT IS TO BE CONSTRUED AS CONSTITUTING A CONTRACT WITH PURCHASERS OF THE SERIES A NOTES.

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

THE SCHOOL DISTRICT OF PHILADELPHIA

By: _____

Name:

Title: Board Member

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 with Fiscal Year 2023 enrollment of approximately 197,290 students, including approximately 77,900 charter school students and approximately 3,625 students attending alternative educational programs. The School District is the eighth largest school district in the nation and employs approximately 20,000 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 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

* Certain of the information in this Appendix A was supplemented and amended pursuant to a Supplement to the Preliminary Official Statement dated October 24, 2023.

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 1 to June 30, 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 30 of that year. For example, “Fiscal Year 2023” refers to the Fiscal Year ended June 30, 2023.

Board of Education

From December 22, 2001 through June 30, 2018, the School District was governed by a School Reform Commission (“SRC”). Currently, and since July 1, 2018, 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 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 began¹; (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. The following sets forth a list and brief biographies of the current Board members:

¹ Board President Streater, Board Member Thompson and Board Member Salley were sworn in on February 19, 2021. Board Members Lam and Andrews were sworn in on June 28, 2022. Board Members Wilkerson, Egea-Hinton and Danzy were sworn in on April 6, 2018 and Vice President Fix-Lopez was sworn in on April 12, 2018.

<u>Name</u>	<u>Title</u>
Sarah-Ashley Andrews	Member
Julia Danzy	Member
Leticia Egea-Hinton	Member
Mallory Fix-Lopez	Vice President
Chau Wing Lam	Member
Lisa Salley	Member
Reginald Streater	President
Cecelia Thompson	Member
Joyce Wilkerson	Member

Sarah-Ashley Andrews, Board Member. Ms. Andrews is committed to educational equity and to helping all the City’s students reach their greatest potential today, so they have a better life tomorrow. Ms. Andrews works as a family therapist at TAG Inspires, and previously served as a social worker with Philadelphia Health Management Coalition. In addition, Ms. Andrews founded Dare 2 Hope, a suicide prevention non-profit, serving more than 5,000 students locally and nationally. She is concerned about the “whole child” and advocating for life-changing educational opportunities for all the City’s children. Ms. Andrews also serves on Mayor Jim Kenney’s Reconciliation Steering committee, which seeks to build a more equitable city for all Philadelphians. Ms. Andrews has also published “Move Making Monday,” a motivational book about moving forward and living your best life. Ms. Andrews, who attended W.B. Saul High School, holds a master’s degree in Counseling from Lincoln University and a bachelor’s degree in Biblical Studies with a minor in Human Services from Lancaster Bible College. Ms. Andrews also attended undergraduate classes at Bloomsburg University.

Julia Danzy, Board Member. Ms. Danzy has dedicated her life to the welfare of Philadelphia’s children. Julia has served as the Deputy Secretary for the Office of Children, Youth and Families in the Pennsylvania Department of Welfare and as Deputy Secretary of the Department of Human Resources for the State of Maryland. Ms. Danzy has also served as a Staff Member of the Philadelphia City Council and as Deputy Commissioner for Children Services in the Philadelphia Health Department. In addition, as Philadelphia’s Director of Social Services, Ms. Danzy facilitated the first integrated data system for the City’s Social Service Departments. Ms. Danzy attended Howard University and earned a Master in Social Work from Columbia University and a Master in Government Administration from the University of Pennsylvania.

Leticia Egea-Hinton, Member. Ms. Egea-Hinton is a native New Yorker, born in Brooklyn, who experienced many firsts: the first generation born stateside to parents born in Puerto Rico; the first person in her family to graduate with a high school diploma; the first bilingual/bicultural female Social Worker in the Philadelphia Prisons; the first Latina to be hired as a Bilingual Social Service Program Analyst at the Department of Human Services; and the first of many other achievements that have kept her grounded in the belief that achievement is possible from wherever you begin.

Ms. Egea-Hinton attended Chestnut Hill College and earned a B.S. in Psychology from Antioch University, earned a Master in Public Administration, and attended the University of Pennsylvania where she earned a Master in Social Work. Ms. Egea-Hinton has had a long career in social services which started in nonprofits working with adolescents and addiction services. Ms.

Egea-Hinton started her career with the City in 1982 and worked with the Philadelphia Prisons in a therapeutic community and pre-release services. Ms. Egea-Hinton was promoted to the Department of Human Services as a Bilingual Social Service Program Analyst and moved onto Adult Services where she specialized for 28 years in homeless services, having served as the Director of the Office of Emergency Shelter and Services and as Director of the Office of Supportive Housing. During this time, Ms. Egea-Hinton oversaw the early development of transitional housing, intake services, emergency housing for families and adults, and played a key role in the transformation of the City's homeless services. Ms. Egea-Hinton retired in 2015 after serving the City for 33 years.

Ms. Egea-Hinton was appointed to the Board of Education in 2018 and continues her service to date. Ms. Egea-Hinton co-chaired the Finance and Facilities Committee, was co-chair of the Superintendent Search Committee, and presently chairs the Governance Workgroup for the Board. Ms. Egea-Hinton was also the Vice President of the Board of Education until December 2022.

Ms. Egea-Hinton is a former Philadelphia public school parent whose children attended a charter school and traditional public school.

Mallory Fix-Lopez, Vice President. Ms. Fix-Lopez is currently an Assistant Professor of English-ESL (English as a Second Language) at the Community College of Philadelphia and is an adjunct faculty member in Educational Linguistics at the Graduate School of Education at the University of Pennsylvania. Ms. Fix-Lopez also regularly consults with biomedical research institutions across the United States to support professional development efforts focused on effective science communication for their international researchers.

Ms. Fix-Lopez has been an educator in Philadelphia for more than 15 years, having started her career as an educator in the School District as a high school Social Studies teacher. Ms. Fix-Lopez has also worked in the areas of curriculum design and program management, served as a faculty member of education at several local institutions of higher education, and taught middle school in Mexico.

Ms. Fix-Lopez holds a Bachelor of Science in Secondary Education History and a Master of Science in TESOL (Teaching English to Speakers of Other Languages) from Temple University. Ms. Fix-Lopez lives in South Philadelphia with her husband, Juan, and two children.

Chau Wing Lam, Board Member. Ms. Lam, a public school graduate and charter school parent, has extensive experience in educational strategy, policy and administration. Ms. Lam previously worked in the School District's Superintendent's Office and in the Office of Evaluation, Research and Accountability. Ms. Lam also served on a Commonwealth panel to advise on cyber charter authorizations. Ms. Lam holds degrees from the University of Pennsylvania. "Public education is the backbone of our society, and our collective goals for education are much more complex than PSSA and Keystone scores," Ms. Lam said. "At high-quality schools, children discover passions, integrate learning, resolve conflict, dream big, and most importantly, they matter." Ms. Lam's career has been dedicated to ensuring that all young people have pathways to success that do not depend on background or origin. As a Board Member, Ms. Lam draws on her

experience in public finance, policy, leadership development and change management. Ms. Lam also advocates “on behalf of children across Philadelphia as if they were my own.”

Lisa Salley, Board Member. Ms. Salley’s family tree is loaded with generations of educators who pushed for equal quality education, prior to and since *Brown v. Board of Education*. She is a product of the Philadelphia public school system and is a graduate of The Philadelphia High School for Girls.

Ms. Salley is a trained and credentialed metallurgical engineer and senior business executive, who currently advises Arduro on its intellectual property, product strategy and commercialization. Arduro is a cleantech, materials science company that develops, manufactures, and commercializes recycled carbon black. Ms. Salley has spent her career in corporate America leading global strategy and operations in Energy, Specialty Chemicals and Emerging Technologies, which includes officer-level roles at General Electric (GE), Underwriters’ Laboratories, and the American Petroleum Institute. Additionally, Ms. Salley is an angel investor and advises advanced stage start-ups, especially those that close diverse economic gaps.

Ms. Salley has taught growth and risk management in the Goldman Sachs 10,000 small business program since its inception in Philadelphia and at Babson College. Ms. Salley holds a Bachelor of Science in Metallurgical and Materials Engineering and a Master of Science in Simulation and Modeling of Manufacturing Systems from Carnegie Mellon University and Rensselaer Polytechnic Institute, respectively.

Ms. Salley also sits on the Advisory Alumni Council of the Materials Engineering Department at Carnegie Mellon University, serves as the Vice President of the American Association of Blacks in Energy and sits on the board of the Delaware Valley Industrial Resource Center. She is also a member of Alpha Kappa Alpha Sorority, Inc., an avid reader, a chaplain focused on supporting families impacted by dementia, and a genealogist.

Although her career has literally taken her all over the world, Ms. Salley has never lost sight of the community or her desire to create paths that help sustain future generations and help close generational wealth gaps. Ms. Salley believes that all students must have an education that prepares them to be global-minded citizens who embrace technology to live their personal dreams and make positive impacts on society.

Reginald L. Streater, President. Mr. Streater, who believes that public education is not only a civil right but also a human right, is a graduate of Germantown High School and has two children attending a Philadelphia public school. Mr. Streater is a trial attorney at Feldman Shepherd in Philadelphia. Prior to his most recent position, he was an attorney at Berger Montague, PC., in Philadelphia, practicing in the Employment and Unpaid Wage and Consumer Protection groups. He previously worked as an attorney at Archer and Greiner, as a Federal Judicial Honors Clerk for the Honorable Chief Judge Theodore McKee in the Federal Third Circuit Court of Appeals, and as a Law Clerk/Intern for the Pennsylvania Innocence Project. Mr. Streater holds a Juris Doctorate (doctoral degree) from Temple University Beasley School of Law and a Bachelor of Arts in Political Science and African American Studies from Temple University, College of Liberal Arts. As a member of Alpha Phi Alpha Fraternity, Inc., Rho Chapter, and as an executive board member to the Barristers’ Association of Philadelphia, Mr. Streater engages in various community service

initiatives. He has sought to grow his knowledge of public education by developing and completing a project for his 2022 USA Justice Fellowship with the Eisenhower Fellowships.

Through his lived experiences as a Philadelphia citizen, a practicing attorney and Board Member, Mr. Streater aspires to do what is in the best interest of all of Philadelphia's children.

Finally, Mr. Streater's worldview as a servant-leader has been shaped by the John S. Mbiti quote: "I am because WE are and, since we are, therefore I am."

Cecelia Thompson, Board Member. Ms. Thompson, a Philadelphia native and longtime special education advocate, is the proud parent of an adult son living with autism who is a recent graduate of the Philadelphia public school system. Ms. Thompson, a graduate of the Philadelphia High School for Girls, serves as a Family Interviewer through the University of Pennsylvania under the Philadelphia System of Care and served as a Community Education Outreach Coordinator at the Arc of Philadelphia. Ms. Thompson is Chairperson of the Philadelphia Right to Education Local Task Force and Secretary for the Governor-appointed Special Education Advisory Panel (SEAP). She participates as a member of the Pennsylvania Department of Education's Bureau of Special Education Cyclical Monitoring for Continuous Improvement team, and is a founding and former member of Parents United for Public Education. Ms. Thompson is a member of PARENT POWER, an organization for families, a mayoral appointee to the Mayor's Commission on People with Disabilities, and a member of the Advisory Committee for the Philadelphia Autism Project. Ms. Thompson served as one of the first members on the Parent and Community Advisory Council to the Board of Education, is a member of the Special Education Coalition of Advocates and participates on the Promise Zone Housing, Health and Wellness, and Workforce and Economic Opportunity Committees. She is currently pursuing a Master's Degree in Special Education at Grand Canyon University. Ms. Thompson believes that families, schools and communities must partner to provide children with a holistic education to help them reach their full potential as productive, innovative, and compassionate leaders in society.

Joyce Wilkerson, Member. Ms. Wilkerson has an extensive career in public service. Ms. Wilkerson served as a mayoral appointee and Chair of the SRC, where she oversaw milestones such as the creation of a new teachers' contract and the return to local control. Ms. Wilkerson started off in Philadelphia as an attorney with Community Legal Services, and later served as Chief of Staff to Mayor John Street. Ms. Wilkerson helped to stabilize the Philadelphia Gas Works and chaired the board of the Philadelphia Housing Authority. Ms. Wilkerson is currently a member of the board at Project Home and an executive team member of the Council of Great City Schools. Ms. Wilkerson earned a Bachelor's degree in Psychology from the University of Pennsylvania and a law degree from the University of California, Berkeley.

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 of Communications; General Counsel; Deputy Superintendent of Academic Services; Deputy Superintendent of Talent, Strategy and Culture; Deputy Chief of Community Relations; Chief Executive Officer of The Fund Chief Financial Officer; Chief Operating Officer; Chief of Evaluation, Research & Accountability; and Chief of Safety. 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.

Deputy Superintendent of Academic Services. The Deputy Superintendent of Academic Services reports directly to the Superintendent and is responsible for driving the School District's academic strategy, accelerating student academic achievement, achieving the Board's Goals and Guardrails, and providing ongoing learning opportunities for teachers. The Deputy Superintendent of Academic Services supervises the following offices within the School District: Elementary Schools, Secondary Schools, Curriculum and Instruction, Diverse Learners, Student Support Services, Student Life, School Organization and Management, and Early Childhood Education.

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 to the Superintendent. The COO is responsible for establishing policies that promote the culture and vision of the School District and support the day-to-day operation of Capital Programs, Environmental Services, Facilities and Maintenance, Food Services, Real Property, 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, School District program offices, the IU, and the Board.

Certain Officials of the School District

The following sets forth a list and brief biographies of certain officials who are part of the current management structure of the School District:

<u>Name</u>	<u>Title</u>
Dr. Tony B. Watlington Sr.	Superintendent of Schools
Dr. Jermaine Dawson	Deputy Superintendent of Academic Services
Michael Herbstman	Chief Financial Officer
Oz Hill	Chief Operating Officer
Lynn Rosner Rauch	General Counsel

Dr. Tony B Watlington Sr., Superintendent of Schools. On June 16, 2022, Dr. Watlington was appointed Superintendent of the School District. A collaborative and results-oriented leader, Dr. Watlington began his tenure by launching an aggressive Entry Plan composed of 3 phases. Phase one included a listening and learning tour with 90 sessions in his first 100 days, phase 2 included a Transition Team composed of 100 diverse Philadelphians and K-12 national experts who issued a formal report with short and long-term recommendations, and phase 3 included the development of an aggressive 5-year strategic plan to position the School District to become the fastest improving large, urban school district in the country.

Prior to joining the School District, Dr. Watlington served as superintendent of the Rowan-Salisbury Schools, where he launched a new equity-focused strategic plan and accountability model. Under his leadership, the district's 3rd-grade district literacy ranking among the state's 115 school districts rose from 96 in 2019 to 74 in 2021, the percentage of schools that met or exceeded state growth targets increased from 55% to 71%, and the percentage of schools that exceeded state growth targets increased from 6% to 29%. Additionally, the district ranked #4 among 115 school districts in the state for career and technical (CTE) concentrator students.

Dr. Watlington previously served as Chief of Schools in Guilford County Schools, the third largest school district in North Carolina and the 47th largest among 14,000 school districts in the United States. He was responsible for improving systems that lead to excellence and equity for all students, and which resulted in improved academic outcomes in all subjects, at all grade levels, and for all student groups. In addition to achieving 4 of the 5 top-ranked high schools in the state of North Carolina (according to *US News and World Report*), the district increased graduation rates and teacher satisfaction while reducing teacher turnover, student absenteeism, and student discipline incidents.

Dr. Watlington began his career as a history teacher in Guilford County, NC in 1994 and was named district Teacher-of-the-Year in 1998. He was honored as the North Carolina PTA Administrator of the Year in 2014 and he received the Communities-in-Schools Champion's Cup and Business Leaders Movers and Shakers Award. He received his undergraduate degree in History Education from N.C. A&T State University, a Master Degree in American Political

History from The Ohio State University, a Master Degree in School Administration and a Doctoral Degree in Educational Leadership from UNC-Chapel Hill (where he was a North Carolina Principal Fellow). He also holds training certificates from Harvard and Yale Universities and is a member of the National Urban Superintendent's Academy sponsored by Howard University and the American Association of School Administrators (AASA). Dr. Watlington is also a life member of Alpha Phi Alpha Fraternity.

Dr. Jermaine Dawson, Deputy Superintendent of Academic Services. Dr. Dawson began serving as the Deputy Superintendent of Academic Services in August 2023. He brings a wealth of experience and knowledge to the School District as well as a demonstrated track record of leading significant academic growth and closing achievement gaps. In his most recent role prior to the School District, he served as the Chief Academic and Accountability Officer for the Birmingham City Schools. Under his leadership, third grade reading data improved by nine percentage points and reading proficiency improved by twelve percentage points between 2019 and 2021. Reading achievements outperformed “pre-pandemic” reading proficiency scores by five percentage points, and math achievements outperformed “pre-pandemic” math proficiency scores by ten percentage points. His exemplary work also contributed to:

- More than 41% of students being ranked in the highest level of growth in one year in reading,
- More than 37% of students being ranked in the highest level of growth in one year in mathematics,
- An increase in college and career readiness from 54% in 2020 to 70% in 2022, and
- An 85% graduation rate.

Prior to that position, Dr. Dawson held senior leadership roles at the Houston Independent School District (200,000 students), Duval County Public Schools (135,000 students), Fulton County Schools (90,300 students), and Charter Schools USA (CSUSA) where academic performance increased and the number of failing schools decreased. He is a former elementary and middle school math teacher and served as an elementary and middle school principal in the Atlanta Public Schools.

Dr. Dawson received his undergraduate degree in Sociology from Morehouse College, a Master Degree in Educational Leadership and Administration from Kennesaw State University and a Doctoral Degree in Educational Leadership and Administration from Northcentral University. He also holds an Educational Leadership certificate from the Harvard Business School.

Michael Herbstman, Chief Financial Officer. Mr. Herbstman began serving as the Chief Financial Officer for the School District in February 2023. He brings extensive local government finance experience to his role. For the prior five years before joining the School District, Mr. Herbstman served as the Chief Financial Officer for Prince George's County Public Schools (“Prince George's District”), the second largest school district in Maryland with more than 130,000 students, nearly 20,000 employees and an operating budget in excess of \$2.8 billion. There he led the Business Management Services Division consisting of Budget, Payroll, Benefits, Accounts

Payable, Treasury, Grants Financial Management, Risk Management, Medicaid and Accounting & Financial Reporting. He helped the Prince George's District navigate through operating budget deficits in excess of \$150 million annually and move the Prince George's District from a structural deficit to fiscal sustainability.

In prior roles, Mr. Herbstman served as Chief Financial Officer and Director of Budget and Financial Systems for the Alexandria City Public Schools in Virginia as well as a Finance Director for Cook County Government in Illinois. Before that, Mr. Herbstman held various positions at Chicago Public Schools, beginning as a Budget Analyst and rising to an Assistant Director. Throughout his career, he has helped to improve school districts and local governments through effective budget development and monitoring, continuous improvement in operational efficiency, implementation of enhanced procedures and exemplary financial reporting.

Mr. Herbstman has three master's degrees: A Master of Arts in Public Policy from the University of Chicago, a Master of Science in Finance from DePaul University and a Master of Business Administration also from DePaul University. Additionally, he holds a Certificate in Advanced Accounting from Northwestern University and is credentialed as a Project Management Professional (PMP), Certified Administrator of School Finance and Operations (SFO) and Society for Human Resources Management Senior Certified Professional (SHRM-SCP). Mr. Herbstman is an Adjunct Lecturer at the University of Maryland College of Education, co-teaching a doctoral course on Finance and Resource Management.

Oz Hill, Chief Operations Officer. Mr. Hill joined the Operations team in 2021 and currently serves as the Chief Operating Officer for the School District. In this role, he oversees the Offices of Capital Programs, Environmental Management, Facilities and Maintenance, Facilities Planning, Fire and Life Safety, Food Services, and Transportation Services. As one of the largest urban school districts in the country, the School District is responsible for 246 school facilities, including 217 district-operated facilities and 29 Alternative Education programs.

Mr. Hill is a product of Hillsborough County Public Schools in Tampa, Florida. He is an executive-level operations, policy, and plans professional with more than thirty-five years of experience. Most of his career was spent leading and managing multi-disciplined teams and organizations in complex public institutions and dynamic private enterprises. A former U.S. Army Officer with twenty years of honorable service to the nation, he also brings relevant operations experience and expertise as a former Senior Director for the City of Atlanta, a Senior Adviser to the Afghanistan First Deputy Minister of Defense, and the State of Illinois, COVID Joint Task Force, Statewide COVID Vaccine Distribution Field Operations Manager.

Mr. Hill's service to the community over the years includes the City of Sandy Springs (GA) Board of Zoning Appeals, Atlanta-Fulton County Atlanta Land Bank Authority Board, Atlanta Public Schools - Partners in Education (Barack and Michelle Obama Academy), Veterans of Foreign Wars, Rotary Club of Sandy Springs (GA), and the Colorado Black Health Collaborative. Mr. Hill is also a STEDI.org certified substitute classroom teacher.

Mr. Hill possesses a Master in Public Administration, and he is a U.S. Air Force Command and Staff College graduate. He is the proud father of four daughters.

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 School 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 School District dates back to the mid-1990's, having represented the School District in desegregation, constitutional and civil rights, equitable and adequate funding, and environmental proceedings while in private practice. 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 September 1, 2023, the School District's outstanding general obligation bond and lease rental indebtedness was in the principal amount of \$2,912,645,000. 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 36 of the last 38 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.

The School District plans to issue tax and revenue anticipation notes (i.e., the Series A of 2023-2024 Notes) to cover anticipated cash flow deficits in the amount of not to exceed \$400.0 million in Fiscal Year 2024.

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 School Tax Collector, to each sinking fund established for each of its outstanding fixed rate general

obligation bond issues (“Daily Deposit Covenant”). As of September 1, 2023, the aggregate principal amount of fixed rate general obligation debt outstanding, including Qualified School Construction Bonds described below, was \$2,049,775,000. 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 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 \$144,625,000 of Federally Taxable Direct Subsidy QSCBs on December 20, 2011 and also 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. As of September 1, 2023, the aggregate principal amount outstanding on the QSCBs is \$291,280,000. The School District has no remaining allocation of volume cap for QSCBs.

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” or “SPSBA”). 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 (“PDE”) and the trustee for the 2003 Bonds and additional Authority bonds issues for the benefit of the School District (the “Trustee”), 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 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 by the 2006 Bonds 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 2006 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 2006 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 was 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 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 FY 2016, due to the Commonwealth’s FY 2016 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. 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.

In 2019, the School District incurred lease rental debt through the issuance of the Authority’s \$167,535,000 aggregate principal amount, School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series A of 2019 (Federally Taxable) (the “Series A Bonds”) and \$20,755,000 aggregate principal amount, School Lease Revenue Refunding Bonds, Series B of 2019 (Federally Taxable) (The School District of Philadelphia Project) (the “Series B Bonds” and, together with the Series A Bonds, the “2019 SPSBA Bonds”) which refunded a portion of the 2012 Bonds. In connection with the issuance of the 2019 SPSBA Bonds, the Sublease was amended to reflect the Base Rental Payments to become due under the Sublease with respect to the 2012 Bonds that were not refunded by the 2019 SPSBA Bonds, as well as the debt service on the 2019 SPSBA Bonds and the Intercept Agreement was amended so that it provides

for the Base Rental Payments with respect to the 2019 SPSBA Bonds, and the un-refunded 2012 Bonds.

As of September 1, 2023, the aggregate principal amount outstanding of the School District's lease rental debt was \$862,870,000.

Interest Rate Management Plan; No Outstanding Swaps

The School District is authorized under the Debt Act 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. Such qualified interest 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 School District has previously entered into various swaps. However, at the present time, the School District has no outstanding swaps and the School District does not presently expect to enter into any further interest rate management agreements.

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.

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.

Pursuant to the Debt Act, periodic scheduled payments due from a 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 interest rate management agreement.

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 the same so withheld to the party to whom the amount is due under the qualified interest rate management agreement.

Borrowing Capacity

THE SCHOOL DISTRICT OF PHILADELPHIA

Borrowing Base and Debt Limit Calculations

As of September 1, 2023

Based upon audited financial statements for the years June 30, 2020 to 2022, inclusive.

BORROWING BASE

Gross Revenues: General, Special Revenue and Debt Service Fund for the fiscal years ended June 30, 2020, 2021 and 2022	\$12,267,712,657
Less: Statutory exclusions	<u>2,447,103,707</u>
Net Revenues	<u>\$ 9,820,608,950</u>
 Borrowing Base (average of net revenues for the fiscal years ended June 30, 2020, 2021 and 2022)	 <u>\$3,273,536,317</u>

DEBT LIMIT

Electoral Debt Limit	No Limit
Electoral Debt Outstanding	<u>\$ 0</u>
 Electoral Debt Capacity	 <u>No Limit</u>
 Non-Electoral Debt Limit (100% of Borrowing Base)	 <u>\$3,273,536,317</u>
Non Electoral Debt	\$2,049,775,000
Exclusion for Deficit/Term Bond Outstanding	<u>(45,220,612)</u>
Less: Non-Electoral Debt Outstanding	<u>\$2,004,554,388</u>
Non-Electoral Debt Capacity	<u>\$1,268,981,929</u>
 Non-Electoral and Lease Rental Debt Limit (200% of Borrowing Base)	 <u>\$6,547,072,742</u>
Non-Electoral Debt Outstanding	\$2,049,775,000
Lease Rental Debt Outstanding	<u>862,780,000</u>
Less: Non-Electoral Debt and Lease Rental Debt Outstanding	<u>\$2,912,645,000</u>
Non-Electoral and Lease Rental Borrowing Capacity	<u>\$3,634,427,742</u>

CAPITAL IMPROVEMENT PROGRAM AND FACILITIES

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 (CIP), must be adopted by the Board no 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 25, 2023, the Board adopted the amended FY 2023 CIP for \$2,863 million and approved the FY 2024 Capital Budget. The approved FY 2024 Capital Budget of \$330.0 million includes partial funding for 106 active construction projects, 55 “in-design” projects including life-cycle replacements such as boiler and chiller replacements, new HVAC and control replacements, structural and façade restorations, building envelope, electrical system upgrades, roof replacements, 65 in planning phase, and 18 active central office projects. The approved FY 2024 Capital Budget anticipates the School District will incur \$250 million of debt in FY 2024 (a portion of which is projected to be used toward FY 2025 approved capital projects) and \$250 million of debt in FY 2026.

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 September 2020, to refresh the data reported in 2017, per the previous assessment of 2015 through 2017. The School District engaged a professional firm (PARSONS) 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 effort was planned to be executed over four phases. The first phase was completed in May 2021, and the final phase is not yet scheduled. The reports will be serving as the basis to prioritize future capital projects and to establish priorities in the annual capital budget and six-year capital improvement program. The FCA accomplished the following goals:

- Updated the central depository of data for critical building systems and their 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 classified each system based on a recommended timeframe for when these systems should be replaced.
- Determined the School District’s overall outstanding capital expenditure needs which were estimated at \$4.5 billion to correct deficient building conditions and a recommended annual plan to address deferred maintenance.

- Used data gathered from the FCI scores and developed a 3-year capital improvement plan.

In February 2022, the Board approved the Facilities Planning Process (“FPP”). The FPP began by refreshing data, including facilities conditions, building capacities, enrollment, utilization, and adding a new data point, educational suitability. Nine community conversations were hosted with hundreds of participants. Several key themes emerged which emphasized safety, repairs, racial equity, school closures, transparency and community centered communication, among others.

In May 2023, Dr. Watlington presented to the Board the new School District five-year strategic plan, “Accelerate Philly.” The strategic plan is designed to improve outcomes for all students and achieve the Board’s Goals and Guardrails. The five main priorities of the strategic plan are:

- Priority Area 1: Improve safety and well-being
- Priority Area 2: Partner with families and community
- Priority Area 3: Accelerate academic achievement
- Priority Area 4: Recruit and retain diverse and highly effective educators
- Priority Area 5: Deliver efficient, high-quality, cost-effective operations

The FPP which had begun the previous year was used to inform Priority Area 1 - Strategy 1.1 of the strategic plan. The main goal of this strategic initiative is to develop a Facilities Master Plan (FMP) Project Team. This team will identify investments needed to significantly improve academic achievement, aligning with the Board’s Guardrails: 1) Welcoming and Supportive Schools and 2) Enriching and Well-rounded School Experiences.

The FMP aims to guide limited capital investments strategically while improving academic achievement. It provides a framework for managing and optimizing physical assets, prioritizing critical and strategic projects, and impacting the capital budget positively.

Environmental Programs. The School District has continued its ongoing environmental management efforts, particularly with respect to asbestos inspections and response actions, lead paint inspections and stabilization, and lead in water testing and facility improvements. During FY 2023, the School District invested significant resources in environmental programs, including opening a \$23.0 million contract with an outside firm to conduct asbestos inspections, continued investment in the lead paint stabilization program including hiring a new program lead, and being awarded a \$5.0 million grant from the United States Environmental Protection Agency related to the installation of hydrations stations to provide filtered water for reduction of lead in potable water. In addition, design of capital projects includes a review of environmental issues and response action.

In the past year, the School District accelerated its schedule of asbestos inspections performed pursuant to the federal Asbestos Hazard Emergency Response Act (“AHERA”), completing more than 300 inspections of School District buildings since August 2022. Between August 2022 and July 2023, every school facility underwent a three-year asbestos inspection,

consistent with AHERA, to assess asbestos-containing materials and identify damage to be repaired; and every District building will have had at least one AHERA inspection during the 2023 calendar year. As committed to in an August 1, 2023 settlement of litigation with the City (see “LEGAL PROCEEDINGS”), the School District is further accelerating its inspection program to revisit all such buildings within a seven-to-eight-month time frame of the last inspection, with the goal of further accelerating the program such that by August 26, 2024, all such buildings should be re-inspected on a six-month time frame. The School District has worked with the City Department of Public Health to normalize the schedule for three-year re-inspections in all such buildings over the three-year AHERA time frame, so that all schools receive timely three-year AHERA inspections, with the goal of performing three-year inspections of roughly 100 buildings per year, in addition to timely six-month surveillance inspections.

It is our understanding that the Department of Justice is currently conducting an investigation related to the School District’s asbestos practices. The School District is cooperating with the investigation and is not in a position to express any opinion as to the outcome of the Department of Justice’s investigation into this matter.

Guaranteed Energy Savings Agreements. The District has implemented a “Guaranteed Energy Savings Agreement” (GESA) plan to improve building conditions that support teaching and learning through investments that reduce energy consumption, reduce utility costs, improve building quality, and replace critical building systems beyond their useful life. To date, the District has completed nine (9) GESA projects. By the end of FY 2024, four (4) additional school projects are scheduled to be completed as part of the GESA program.

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.

Operating Budget. 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 School 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 sixty days prior to the to the adoption of the budget, a lump sum budget must be adopted and submitted to the Mayor and City Council;
3. At least thirty days prior to adoption, public hearings must be held (no later than April 30th of each year); and
4. 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 to the 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 considering, 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 annual comprehensive 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 1985 through 2021 and the School District fully anticipates receiving it for the application filed for 2022. The School District also received the Certificate of Excellence in Financial Reporting from the

Association of School Business Officials (ASBO) International for its annual financial reports for each Fiscal Year from 1985 to 2022. The School District will file its applications for GFOA and ASBO certificates for Fiscal Year 2023. A government unit must publish an easily readable and efficiently organized annual comprehensive 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 Annual Comprehensive 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 CFO, whose principal subordinate for this purpose is the Deputy CFO, 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 CFO 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 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 SRC 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 and notes.

The Investment Resolution, adopted by the Board in September of 1994, amended in December of 1995, and most recently amended by the SRC 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 with the School District. 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 \$22,500. The School Code requires all individual contracts in excess of \$100 to receive Board approval. 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 applications for approval of these limited contracts and reports quarterly to the Board.

The Office of Accounting Services, which performs pre-audit functions, reviews invoices entered into the accounting system for propriety before any checks are issued or released.

The SRC, by resolution on November 15, 2006, and several subsequent resolutions, adopted and expanded upon certain existing fiscal and budgetary policies. In addition, the Board, which assumed governance of the School District on July 1, 2018, 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.

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. The School District sinking funds established for each series of general obligation bonds issued by the School District 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, 2022. 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, 2022, 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, 2022, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, 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 2022, the School District’s actual operating revenue and other financing sources were derived from three sources: (i) the Commonwealth, which represents approximately 40.4%; (ii) local, which represents approximately 40.5%; and (iii) federal and other financing sources, which represent approximately 19.1%. Federal operating funds are typically 0.5% of total operating revenues. Other financing sources vary year to year. In FY 2022 the 19.1% component consisted primarily of American Rescue Plan Act (ARPA) and ESSER (hereafter defined) funds.

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 2024, except Commonwealth education subsidies budgeted in Fiscal Year 2021 which was the same as Fiscal Year 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 2023, the School District’s Amended Budget revenues from the Commonwealth were \$1,400.7 million from the basic education funding allocation. Other revenues from the Commonwealth included (i) \$169.6 million in special education funding and (ii) \$407.2 million in other funding, the largest component of which was reimbursements for a portion of pension costs. The Commonwealth’s Fiscal Year 2024 budget was signed by Governor Shapiro on August 3, 2023, subsequent to the July 1, 2023 commencement of the Fiscal Year. This was the first time the Commonwealth’s budget was not timely enacted since July 2016. The delay in enactment of the Commonwealth’s budget for the current Fiscal Year did not impact the School District because it was only a one month delay and the School District had sufficient available funds. Please see the discussion of “Act 85 of 2016 – School District Intercepts for the Payment of Debt Service During Budget Impasse” in the Official Statement 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. Act 85 applies to the School District's general obligation bonds, lease rental debt and tax and revenue anticipation notes. The Commonwealth's Fiscal Year 2024 budget included an additional \$85.4 million in basic education subsidies and an additional \$1.1 million in special education funding for the School District above the amounts included in the School District's Fiscal Year 2023 Amended Budget.

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 since Fiscal Year 2017). 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.

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THE SCHOOL DISTRICT OF PHILADELPHIA
COVERAGE RATIOS OF NET CASH RECEIVED FROM
COMMONWEALTH SUBSIDIES TO DEBT SERVICE PAYMENTS
Fiscal Years 2019-2023 (a)
(Dollar Amounts in Thousands)

	<u>ACTUALS</u>				<u>ESTIMATED</u>
	Fiscal Year <u>2019</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2021</u>	Fiscal Year <u>2022</u>	Fiscal Year <u>2023</u>
Net Commonwealth Subsidies (b)	\$1,555,035	\$1,637,781	\$1,637,869	\$1,576,906	\$1,948,853
Long-term Debt Service (including State Public School Building Authority)	\$300,332	\$448,569	\$311,423	\$312,028	\$354,854
Ratios	5.18	3.65	5.26	5.05	5.49
Long-term and Short-term Debt Service (c)	\$758,132	\$802,464	\$865,433	\$863,392	\$868,622
Ratios	2.05	2.04	1.89	1.83	2.24
Short-term note debt service (d)	\$457,800	\$353,895	\$554,010	\$551,364	\$513,768

(a) Actual data is derived from the School District’s Annual Comprehensive Financial Reports. Estimated data is derived from the School District’s FY 2023 Amended Budget, as approved by the Board of Education on May 25, 2023 and preliminary FY2023 Annual Comprehensive Financial Reports.

(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 note 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.

By City Council ordinance adopted on June 9, 2017 the School District is authorized to levy its taxes for Fiscal Year 2024. 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 2024 by resolution on June 29, 2023. The following is a brief description of those taxes levied for school purposes:

Real Estate Tax. For tax year 2023 (as certified on April 30, 2022), the City’s Office of Property Assessment (“OPA”), revised the assessed values of over 550,000 parcels throughout the City as part of its citywide revaluation since tax year 2020. The International Association of Assessing Officers (“IAAO”) conducted a ratio study on the 2023 assessments for single-family homes and determined that OPA met industry standards for both uniformity and equity. As of August 16, 2023, OPA has received approximately 19,751 First Level Reviews (“FLRs”), with approximately 41% that have yet to be decided. As of July 5, 2023, the Board of Revision of Taxes (“BRT”) has received 13,406 appeals, with approximately 5,895 that have yet to be decided. The net impact of appeals on property taxes is built into the School District’s total collections.

For tax year 2024 (as certified on March 31, 2023), the City did not conduct a citywide revaluation so that OPA can focus on reviewing FLR applications submitted for tax year 2023. As such, the City carried forward the assessed values from tax year 2023, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments.

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.

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, given the conditions imposed by House Bill 1857 the School District did not levy any of the 16.75 mills of direct authorization from the Commonwealth since the implementation of the City's Actual Value Initiative.

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 29, 2023, the School District re-authorized the levy for Fiscal Year 2024.

Assessments are certified in March, subject to certified revisions, and taxes are levied as of January 1. If paid by the last day 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 and the total 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. On June 9, 2017, City Council authorized the Board of the School District to impose a tax of 1.21% 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. On June 29, 2023, the Board re-authorized the levy for Fiscal Year 2024. 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. By ordinance enacted on June 23, 2023 (Bill No. 230417), the rate authorized for FY 2024 is 3.75%, 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. Additionally, the legislation sets a floor of \$58 million in annual cigarette tax revenue for the School District.

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). The School District has (not) taken any action to lower the rate of, or repeal, this cigarette tax.

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. The Rideshare Assessment is currently set to expire on December 31, 2027.

1% City Sales Tax. Effective September 28, 1991, the City adopted 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 additional 1% City Sales 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

annual 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); and (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.

The following sets forth, for each tax, the actual tax revenues in Fiscal Years 2020 through 2022, and the estimated tax revenues set forth in the amended budget for Fiscal Year 2023 and adopted budget for Fiscal Year 2024:

**The School District of Philadelphia
Local Tax Revenues
Fiscal Years 2020-2024
(Dollar Amounts in Thousands)**

	<u>Actual (a)</u> Fiscal Year <u>2020</u>	<u>Actual (a)</u> Fiscal Year <u>2021</u>	<u>Actual (a)</u> Fiscal Year <u>2022</u>	<u>Amended (b)</u> Fiscal Year <u>2023</u>	<u>Adopted (b)</u> Fiscal Year <u>2024</u>
Real Estate Tax	845,447	879,774	852,086	987,087	1,014,674
Business Use & Occup. Tax	177,150	178,919	175,794	185,231	185,231
Non-Business Income Tax	51,560	55,210	59,074	59,494	60,590
Public Utility Tax	1,176	1,318	1,313	1,239	1,239
Liquor Sales Tax	58,845	37,755	70,008	85,525	88,091
Sales Tax	120,000	120,000	120,000	120,000	120,000
Cigarette Tax	57,771	58,146	58,071	58,000	58,000
Ridesharing Tax	5,138	3,150	5,108	6,200	6,000
Payments in Lieu of Taxes	5	5	5	5	5
Total Taxes	\$1,317,092	\$1,304,648	\$1,341,457	\$1,502,781	\$1,533,829

- (a) Derived from the School District’s Annual Comprehensive Financial Reports.
 (b) The FY 2023 and FY 2024 figures reflect the School District’s Amended FY 2023 and FY 2024 Adopted budget, each approved by the Board on May 25, 2023.

Local Non-Tax Revenues

City Grants. City Grant revenues for FY 2023 were \$270.9 million and estimated to be approximately \$282.1 million in FY 2024.

Gaming Revenue. The School District receives the first \$5 million of revenue distributed to Philadelphia County from each licensed facility located in the county as well as from interactive gaming revenue.

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 2023
(Dollars in Thousands)**

Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
38,757	40,732	11,853	43,571	61,892	22,919	72,218	100,390	488,395	325,393	60,087	31,950	1,298,156

Source: The School District's actual monthly cash flow of certain receipts subject to the Daily Deposit Covenant

The following table sets forth the School District's Real Estate Tax Levies and Collections for the calendar years 2013-2022:

SCHOOL DISTRICT OF PHILADELPHIA
REAL ESTATE TAX LEVIES and COLLECTIONS
For the Calendar Years 2013 through 2022

Calendar Year	Tax Levy for the Calendar Year (Original Levy) (a)	Adjusted Total Levied Tax (b) (c)	Collected within the Calendar Year of the Original Tax		Delinquent Taxes Collections in Subsequent Years (d)	Total Collected to Date	
			Amount (\$) (d)	Percent of Original Levy (%)		Amount (\$)	Percentage of Original Tax Levy (%)
2013	\$ 659,127,013	\$ 639,960,121	\$ 595,637,192	90.37%	\$ 63,590,806	\$ 659,227,998	100.02%
2014	737,777,950	709,717,778	605,454,814	82.06%	49,680,151	655,134,965	88.80%
2015	731,692,538	701,131,808	607,462,012	83.02%	40,780,768	648,242,780	88.59%
2016	703,064,816	685,102,289	641,567,436	91.25%	34,464,534	676,031,971	96.15%
2017	753,705,217	760,322,293	667,954,497	88.62%	30,585,271	698,539,768	92.68%
2018	854,532,826	824,213,011	749,239,893	87.68%	3,649,605	752,889,498	88.11%
2019	862,438,749	832,874,856	805,647,314	93.42%	15,548,590	821,195,904	95.22%
2020	878,853,757	857,369,390	823,724,858	93.73%	16,579,883	840,304,741	95.61%
2021	884,971,898	872,148,566	856,269,045	96.76%	15,456,917	856,269,045	96.76%
2022	890,257,487 (e)	882,056,807 (e)	822,097,286 (f)	92.34%	N/A	822,097,286	92.34%

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 2013 through 2022-Gross Principal Only.
 - (e) Memorandum City of Philadelphia Department of Revenue 2022 Monthly Real Estate Billed/Balance Due through September 30, 2022 dtd October 31, 2022.
 - (f) Real Estate Taxes collected during CY2022 were valued at the net adjusted amount. Prior year amounts were at gross (see note (d) above).
- N/A = Data Not Applicable

Source: The School District of Philadelphia 2022 Annual Comprehensive Financial Report – Statistical Table 12

The following table sets forth Assessed and Market Value of Taxable Real Estate in the City for the calendar years 2013-2022:

THE SCHOOL DISTRICT OF PHILADELPHIA
ASSESSED AND ESTIMATED ACTUAL MARKET VALUE OF TAXABLE REAL ESTATE
For the Calendar Years 2013 through 2022
(Dollars in Millions)

Calendar Year of Levy (a)	Certified Assessed Values			Percentage Increase Over Prior Year (Total Assessed Value of Property)	Certified STEB & AVI Assessed Value Ratio (d) (f)	Estimated Actual Taxable Value (e)	Percentage Increase Over Prior Year Estimated Actual Taxable Value	Millage for School Purposes
	Total Assessed Value of Property (b)(f)	Exempt Property, Homestead Exemption, & Certification & Billing Adjustments (b) (c)	Total Tax Assessed Value of Property (b)					
2013	\$ 18,181	\$ 5,765	\$ 12,416	0.64 %	0.2868 %	\$ 43,291	1.31 %	53.09
2014	137,404	42,891	94,513	661.22	1.0000	94,513	118.32	7.382
2015	136,341	43,928	92,413	(2.22)	1.0000	92,413	(2.22)	7.681
2016	136,295	44,758	91,537	(0.95)	1.0000	91,537	(0.95)	7.681
2017	136,681	44,940	91,741	0.22	1.0000	91,741	0.22	7.681
2018	152,995	48,006	104,989	14.44	1.0000	104,989	14.44	7.681
2019	164,672	49,116	115,556	10.06	1.0000	115,556	10.06	7.681
2020	168,263	52,687	115,576	0.02	1.0000	115,576	0.02	7.681
2021	170,224	54,070	116,154	0.50	1.0000	116,154	0.50	7.681
2022	171,352	55,386	115,967	(0.16)	1.0000	115,967	(0.16)	7.681

NOTES:

- (a) Real property tax bills are normally 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, Office of Property Assessment (CY2013-2015). 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 (in November); henceforth, the Certification Date was changed 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 year 2013. In calendar years 2014 through 2022, 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.

Source: *The School District of Philadelphia 2022 Annual Comprehensive Financial Report – Statistical Table 9*

SCHOOL DISTRICT EXPENDITURES

Since the School District is a service-oriented organization, it is labor intensive. In the Fiscal Year 2023 Amended Budget, approximately 44.1% 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 29.2%; debt service payments represent approximately 8.9%; professional and technical contracted services represent approximately 6.0%, property, transportation and communication expenses represent approximately 4.0%; materials, supplies, books, instructional aids and equipment represent approximately 2.6%; payments to other educational entities and alternative programs represent approximately 2.5%; utilities represent approximately 1.7%; and other items represent approximately 1.0%.

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. 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.

Of the School District's FY 2023 Amended Budget operating expenditures (including expenditures using Federal Elementary and Secondary School Emergency Relief ("ESSER") funds), \$3.44 billion, or 87% of its budget, was budgeted on District and Non-District operated schools. Of that \$3.44 billion, approximately \$2.19 billion was spent on District schools, \$1.16 billion was spent on charter schools and transportation for charter students, and \$97 million was spent on other Non-District operated schools and transportation for students attending those schools. The School District's FY 2024 Adopted Budget reflects \$3.95 billion to be spent on operating expenses for District and Non-District operated schools with \$2.4 billion spent on District schools.

The remainder of the School District's FY 2024 budget is comprised of debt service, administrative support, and undistributed budgetary adjustments. In FY 2023, the School District estimates that it spent \$368.9 million, or 9.3% of its budget, on debt service. In FY 2024 the School District has budgeted \$340.3 million in debt service. Debt service costs relate to interest and principal payments on the School District's long-term debt.

School District administration supports schools directly through academic and climate support, and provides key business, technology, and operational support. In FY 2023, \$176.1 million, or approximately 4.4% of the School District’s operating budget, was spent on administration. In FY 2024, the School District has budgeted \$195.5 million on administration.

Undistributed budgetary adjustments were negative (\$9.3) million in FY 2023 and negative (\$4.7) million in FY 2024. Undistributed budgetary adjustments account for credits that are not distributed to specific budget lines.

For information regarding the major categories of the School District’s expenditures for the Amended FY 2023 Budget and the Adopted FY 2024 Budget, see the table below under “CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT – Summary of Operating Results.”

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 FY 2020 through and including 2022, the amended budget for FY 2023 and the adopted budget for FY 2024. For FY 2021 through and including FY 2024, the numbers are inclusive of the federal relief funds approved in response to the COVID-19 pandemic and federal ESSER Relief Funds. The majority of the revenue associated with the COVID-19 federal ESSER Relief Funds will expire on September 30, 2024 with an anticipated extension through September 30, 2025 for construction projects. The ARPA and ESSER federal relief funds have been fully allocated by the School District by the times required pursuant to federal eligibility deadlines pursuant to the School District’s FY 2024 budget and in accordance with the current Five-Year Plan.

No assurances can be provided that the School District’s final results for FY 2023 will not differ materially from the amended budget. Further, no assurances can be provided that the FY 2024 budget, as adopted, may not need to be materially amended. The School District budgets are publicly available on its website which is not incorporated by reference herein.

See “CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT – Operating Budget Revenues, Expenditures and Changes in Fund Balances” and “Five Year Plan” herein.

SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY OF OPERATION RESULTS
(Dollar Amounts in Thousands)

	Actual 2020	Actual 2021	Actual 2022	Amended 2023 (a)	Adopted 2024 (a)
REVENUES (in 000s):	\$	\$	\$	\$	\$
Local Tax Revenue	1,317,092	1,334,275	1,341,457	1,502,781	1,533,829
Local Non-Tax Revenue	267,796	269,788	293,007	325,900	333,352
State Revenue	1,665,073	1,636,695	1,628,842	1,977,442	2,073,978
Federal Revenue	17,015	16,764	16,524	16,667	16,246
Subtotal Operating Revenues	3,266,976	3,257,523	3,279,830	3,822,790	3,957,404
Federal COVID-19 Relief Revenue (b)	0	184,519	736,784	369,369	550,476
Total Other Financing Sources (c)	7,553	22,921	19,666	13,309	15,069
Total Operating Revenues & Other Sources	3,274,529	3,464,963	4,036,281	4,205,469	4,522,949
	Actual 2020	Actual 2021	Actual 2022	Amended 2023 (a)	Adopted 2024 (a)
EXPENDITURES (in 000s):	\$	\$	\$	\$	\$
District Operated Schools	1,719,832	1,737,659	1,990,662	2,186,985	2,449,498
Non-District Operated Schools (d)	1,174,064	1,265,775	1,346,940	1,261,292	1,496,134
Debt Service (e)	295,949	333,580	315,735	368,868	340,345
Administration	119,286	126,527	151,362	176,138	195,540
Undistributed Budgetary Adjustments	(26,909)	(31,230)	16,499	(9,253)	(4,676)
Subtotal Expenditures	3,282,223	3,432,310	3,821,198	3,984,031	4,476,842
Other Financing Uses	1,904	2,406	9,928	1,868	2,075
Total Expenditures	3,284,127	3,434,716	3,831,127	3,985,899	4,478,917
	Actual 2020	Actual 2021	Actual 2022	Amended 2023 (a)	Adopted 2024 (a)
FUND BALANCE (in 000s):	\$	\$	\$	\$	\$
Net Impact Refunding Sources & Uses	(1,860)	0	0	0	0
Transfers from Reserves	(13,321)	(13,321)	(13,321)	28,259	(9,395)
Reserve for Facilities	(25,000)	12,500	12,500	0	0
Operating Surplus (Deficit)	(49,779)	29,426	204,333	247,829	34,637
Fund Balance (Deficit) July 1	222,607	172,828	202,513	404,183	656,003
Adj. of Prior Year Fund Balance (f)	0	259	(2,663)	3,991	0
Fund Balance (Deficit) June 30	172,828	202,513	404,183	656,003	690,640

Notes Relating to the Summary of Operating Results

- a. On May 25, 2023, the Board approved the Amended Operating Budget for FY 2023 and adopted the Operating Budget for FY 2024. The amounts shown as Federal COVID-19 Relief Revenue were not included in the Amended Operating Budget for FY 2023 nor in the Operating Budget for FY2024 because, while fungible with Operating funds, they are considered categorical funds not operating.
- b. These revenues include projected State reimbursement for pension costs associated with the federal relief funds.
- c. Other Financing Sources consist of revenues from the sale of property, transfers from other funds, and payments associated with debt financing for short-term borrowings.
- d. These expenditures are for Philadelphia students who are in charter operated schools and students 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.
- e. The School District issued Qualified Zone Academy Bonds (QZABs) Series 2007C, and 2007D, which required annual mandatory sinking fund deposits or cash to be held in trust with the fiscal agent until the debt under these instruments matured. The principal and interest of: (1) QZAB Series 2007C of \$13.5 million was paid at maturity on December 28, 2022 and (2) QZAB Series 2007D of \$28.2 million was paid at maturity on December 28, 2022. For Debt Act purposes, amounts in the sinking funds may be excluded in determining net debt.
- f. The actual prior period adjustments reflect accounting adjustments made at the end of Fiscal Years 2021, 2022, and 2023.

Five Year Plan

On May 25, 2023, the Board adopted its Operating Budget for FY 2024, the first year of a Five Year Financial Plan (the “Financial Plan”) introduced in March 2023 as part of the process of the introduction and adoption of the Lump Sum Statement. The Financial Plan reflects estimates of revenues and expenses for Fiscal Years 2024-2028 and is a budget and spending estimate designed to achieve the mission of equity in educational opportunity for all children. It utilized projections which the School District believes are reasonable for revenues and expenditures based on, among other things, available budget information provided by the City and Commonwealth, historical trends, as well as the significant impacts of the global COVID-19 pandemic and Federal Government and other measures taken in response to it. The Financial Plan projects annual operating deficits in the last four years of the plan (FY 2025-FY 2028), a positive year-end fund balance through the end of Fiscal Year 2026, and a negative year-end fund balance in FY 2027 and FY 2028. The Financial Plan may be amended and modified at any time and such amendments may be material. The School District has no obligation to update or publish Financial Plans covering subsequent Fiscal Years.

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. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. The School District has no independent authority to increase its revenues and its ability to utilize its powers under the School Code to reduce 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 Financial Plan or 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 2020 Adopted Operating Budget. On May 30, 2019, the Board 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 were 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 sales 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 March 2020, the COVID-19 global pandemic disrupted School District operations. As a result of the shutdown, the District incurred additional expenses in certain areas, but also saw expense reductions in other areas. Schools were closed after March 13, 2020 by order of the Governor, and the District developed a new system for delivering educational services via distance learning platforms. The pandemic also disrupted and reduced certain District revenue sources, including liquor sale tax and Use and Occupancy tax revenues. The Commonwealth passed Act 751 which guaranteed that State subsidies would not be reduced throughout FY 2020, waived certain educational requirements, and provided guidance as to what activities must continue.

Fiscal Year 2020 Amended Operating Budget. On May 28, 2020, the Board approved an amended Operating Budget for Fiscal Year 2020 with anticipated revenues excluding other financing sources of \$3,267.1 million, and anticipated expenditures and other financing uses, of \$3,298.2 million. When including the net impact of refunding of negative (\$1.8) million, transfers from reserves of negative (\$13.3) million, and a (\$25.0) million reserve for facilities, the District projected to end the year with a positive \$159.0 million ending fund balance on June 30, 2020.

Fiscal Year 2020 Actual. The School District ended Fiscal Year 2020 with a \$172.8 million positive fund balance representing a \$13.9 million surplus over the Fiscal Year 2020 Amended Budget. The surplus can be attributed primarily to \$14.0 million of reduced expenditures relative to the Fiscal Year 2020 Amended Budget. These reduced expenditures were primarily due to a \$17.3 million reduction in District-Operated schools, a \$3.4 million decrease in charter school and charter transportation expenditures, and a \$4.5 million decrease in Other Non-District Operated Schools expenditures, partially offset by increased expenditures associated with Debt Service

Fiscal Year 2021 Adopted Operating Budget. On May 28, 2020, the Board approved an Operating Budget for Fiscal Year 2021 with anticipated revenues and other financing sources of \$3,401.9 million, expenditures and other financing uses of \$3,526.2 million, and net transfers from reserves of negative (\$0.8 million), and use of fund balance of \$125.1 million, resulting in a projected positive \$33.8 million ending fund balance on June 30, 2021.

Subsequent Events. The COVID-19 pandemic affected the School District. Liquor Tax collections were approximately half of the FY 2021 adopted budget estimates for such revenue source. Some planned expenditures were reduced as school buildings were closed, while the District saw increased spending on technology for students and staff, personal protective equipment (PPE), increased cleaning, and payments to cyber charter schools.

Subsequent to the adoption of the FY 2021 Budget, the federal government enacted the American Rescue Plan Act of 2021 related to the COVID-19 pandemic that included funding of over \$1 billion for the benefit of the School District. These funds were used in FY 2021 through and including FY 2022 and were anticipated to be used through and including FY 2024 to support certain costs related to student learning recovery, provide social and emotional supports, improve District facilities, and maintain operations.

Fiscal Year 2021 Amended Operating Budget. On May 27, 2021, the Board approved an Amended Operating Budget for Fiscal Year 2021. The Amended Operating Budget did not include

categorical funds and therefore did not include the new federal relief funds. However, certain federal relief funds are treated as fungible with Operating Funds so they are included in the subsequent table and sections.

The Operating and federal relief fund amended budget included anticipated revenues, including other financing sources, of \$3,455.9 million, and anticipated expenditures and other financing uses of \$3,493.5 million. When including net transfers from reserves of negative (\$0.8) million, the District was projected to end FY 2021 with a positive \$134.4 million ending fund balance on June 30, 2021.

Subsequent Events. On August 13, 2021, the District released its FY 2021 4th Quarter School Manager Report, which included updated projections for FY 2021. The Quarterly Report included anticipated final revenues and other financing sources of \$3,473.1 million and anticipated final expenditures and other financing uses of \$3,457.2 million, resulting in a projected year-end fund balance of \$188.0 million. This anticipated fund balance increase of \$53.6 million relative to the FY 2021 Amended Budget was due primarily to \$17.3 million of increased revenues, driven by higher than anticipated local revenues, and expenditure savings of \$36.3 million, related primarily to the timing of a \$20 million technology purchase which occurred in FY 2022 and an \$11.5 million decrease in Other Non-District Operated Schools, primarily due to reduced students enrolled in state programs.

Fiscal Year 2021 Actual. The School District ended Fiscal Year 2021 with a \$202.5 million positive fund balance representing a \$68.1 million surplus over the Fiscal Year 2021 Amended Budget. The surplus can be attributed primarily to \$58.7 million of reduced expenditures relative to the Fiscal Year 2021 Amended Budget. These reduced expenditures were primarily due to a \$23.5 million reduction in District-Operated schools, a \$13.8 million decrease in Other Non-District Operated Schools expenditures, an \$11.1 million reduction in undistributed budgetary adjustments, a \$7.0 million decrease in charter school and charter transportation expenditures, and a net \$3.3 million in lower budgeted expenditures in all other areas.

Fiscal Year 2022 Adopted Operating Budget. On May 27, 2021, the Board approved an adopted Operating Budget for Fiscal Year 2022. The Adopted Operating Budget did not include categorical funds and therefore did not include the new federal relief funds. However, certain federal relief funds are treated as fungible with Operating Funds so they are included in the subsequent table and sections.

The Adopted Operating Budget included operating revenues, federal COVID-19 relief funds, and other financing sources totaling \$4,076.3 million, and anticipated expenditures and other financing uses, of \$3,926.0 million. When including net transfers from reserves of negative (\$0.8) million, the School District was projected to end FY 2022 with a positive \$283.9 million ending fund balance on June 30, 2022.

This represented a revenue and other financing sources increase of \$620.4 million and an expenditure and other financing uses increase of \$432.6 million over the FY 2021 Amended Budget. The proposed revenue increase resulted primarily from the new federal relief funds. The expenditure increase was primarily in District Operated Schools, as the School District directed its

federal relief funds to support students with learning recovery, social and emotional supports, and facilities improvements.

Subsequent Events. At State Budget adoption, the basic education subsidy for the School District was increased to \$1,224.1 million from the School District's Adopted Budget projection of \$1,158.3 million, an increase of \$65.8 million. Additionally, the State's Adopted Budget included a special education subsidy of \$162.6 million, which was an \$8.4 million increase above the School District's FY 2022 Adopted Budget special education subsidy of \$154.2 million.

Fiscal Year 2022 Amended Operating Budget. On May 26, 2022, the Board approved an Amended Operating Budget for Fiscal Year 2022. The Amended Operating Budget did not include the new federal relief funds but the School District intended to use those funds for new investments to support students and to sustain operations. Therefore, the numbers reported here are inclusive of the District's new federal relief funds.

The Operating and federal relief fund amended budget included anticipated revenues, including other financing sources, of \$4,058.7 million, and anticipated expenditures and other financing uses, of \$3,841.3 million. When including net transfers from reserves of negative (\$13.3) million and a favorable \$12.5 million reserve for facilities, the District was projected to end FY 2022 with a positive \$419.1 million ending fund balance on June 30, 2022.

Subsequent Events. Commercial property owners and tenants in the City pursued a consolidated proceeding, in *Duffield House Assocs., et al. v. City of Phila., et al.*, 445 EAL 2021, in which they alleged that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. Plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. In July 2019, the Philadelphia Court of Common Pleas ruled against the City and, in effect, adverse to the School District's interests. After an unsuccessful appeal to Commonwealth Court, the City and the District sought leave to appeal to the Pennsylvania Supreme Court in October 2021, which was ultimately denied in June 2022. The City was to provide tax credits to plaintiffs for the 2022 tax bill that was due in April 2023, and the cost to the District of the tax credit was to be carried as a liability from fiscal year 2022 and offset in fiscal year 2023. The City withheld \$28.7 million in revenue from the School District during the 2023 fiscal year as an overpayment.

Fiscal Year 2022 Actual. The School District ended Fiscal Year 2022 with a \$404.2 million positive fund balance representing a (\$14.9) million reduction when compared to the Fiscal Year 2022 Amended Budget. The reduction can be attributed to a \$22.4 million reduction in overall revenues, primarily driven by \$19.6 million lower than budgeted Federal COVID-19 Relief Revenue, and a \$2.7 million adjustment to prior year fund balance. This reduction was partially offset by \$10.1 million lower than budgeted expenditures.

Fiscal Year 2023 Adopted Operating Budget. On May 26, 2022, the Board approved an adopted Operating Budget for Fiscal Year 2023. The Operating Budget did not include the new federal relief funds but the School District expected to use a portion of those funds for new investments to support students and to sustain operations. Therefore, the numbers reported here are inclusive of the District's new federal relief funds.

The Adopted Operating Budget included operating revenues, federal COVID-19 relief funds, and other financing sources totaling \$4,523.3 million, and anticipated expenditures and other financing uses, of \$4,404.1 million. When including net transfers from reserves of \$28.3 million, the District is projected to end FY 2023 with a positive \$566.5 million ending fund balance on June 30, 2023.

Subsequent Event. Subsequent to the District's budget adoption, the Fiscal Year 2023 budgets for the City and the State were finalized. Changes included: reductions in City real estate tax estimates, reductions in Basic Education, Level Up, and Special Education funding from the State relative to the Governor's original proposed budget, and a loss in savings associated with the Governor's proposed, but not approved, changes to the cyber charter school tuition formula and changes to the charter school special education tuition formula. In addition, the District did not make the "TBD Expenditures" which were dependent on the full funding proposal being approved.

Fiscal Year 2023 Amended Operating Budget. On May 25, 2023, the Board approved an Amended Operating Budget for Fiscal Year 2023. The Amended Operating Budget did not include the new federal relief funds but the School District intended to use those funds for new investments to support students and to sustain operations. Therefore, the numbers reported here are inclusive of the District's new federal relief funds.

The Operating and federal relief fund amended budget includes anticipated revenues, including other financing sources, of \$4,205.5 million, and anticipated expenditures and other financing uses, of \$3,985.9 million. When including net transfers from reserves of \$28.3 million, the District was projected to end FY 2023 with a positive \$656.0 million ending fund balance on June 30, 2023.

Fiscal Year 2024 Adopted Operating Budget. On May 25, 2023, the Board approved an adopted Operating Budget for Fiscal Year 2024. The Operating Budget did not include the new federal relief funds but the School District expects to use a portion of these funds for new investments to support students and to sustain operations. Therefore, the numbers reported here are inclusive of the District's new federal relief funds.

The Adopted Operating Budget includes operating revenues, federal COVID-19 relief funds, and other financing sources totaling \$4,522.9 million, and anticipated expenditures and other financing uses, of \$4,478.9 million. When including net transfers from reserves of negative (\$9.4) million, the District is projected to end FY 2024 with a positive \$690.6 million ending fund balance on June 30, 2024.

No assurances can be provided that such budget, as adopted, may not be materially amended.

SCHOOL DISTRICT OPERATIONS

The School District is the eighth largest district in the nation based on enrollment data, with over 197,290 pupils in Fiscal Year 2023, including approximately 77,900 students attending both brick and mortar and cyber charter schools, and approximately 3,625 students in alternative schools.

School Organization

The Fiscal Year 2023 organizational structure for the School District includes 217 public schools comprised of the following: 45 elementary schools; 103 K-8 schools; 14 middle schools; two K-12 schools; and 53 high schools (six of which serve lower grades). Additionally, there are currently 82 charter schools and 29 alternative educational schools and programs.

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 2020 Census. Currently, approximately 40% 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 2018-2019 to 2022-2023:

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THE SCHOOL DISTRICT OF PHILADELPHIA

Fall Enrollment

2018-19 through 2022-23

Grade	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
K	10,331	9,881	7,143	8,272	8,188
1	10,865	10,299	9,515	8,322	8,978
2	10,807	10,345	9,771	8,775	8,497
3	10,994	10,373	9,872	8,926	8,728
4	10,990	10,473	9,925	9,008	8,792
5	10,624	10,093	9,672	8,820	8,717
6	9,839	9,623	9,150	8,349	8,212
7	8,950	9,561	9,239	8,400	8,259
8	8,783	8,756	9,253	8,603	8,317
9	9,951	9,963	9,827	10,487	10,283
10	8,962	9,122	9,548	9,017	9,783
11	8,102	7,914	8,344	8,229	7,880
12	7,245	9,274	7,596	7,769	7,906
Ungraded	--	--		--	--
Subtotal	126,443	123,677	118,855	112,977	112,540
Alternative Education	3,854	3,207	2,956	2,766	3,624
Philadelphia Virtual Academy (a)	551	507	637	1,925	903
Total Public Schools	130,848	127,391	122,448	117,668	117,067

Charters	66,153	67,699	68,364	66,890	64,498
Cyber Charters	6,224	7,677	9,481	11,374	13,405
Non-Philadelphia Charter	1,289	1,867	1,556	1,638	1,302
Total Charters	73,666	77,243	79,401	79,902	79,205
Total (b)	204,514	204,634	201,849	197,570	196,272

(a) Philadelphia Virtual Academy students are not included in grade-level breakouts.

(b) Figures do not include students enrolled in non-public schools and Intermediate Unit #26.

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

Curriculum and Instruction

The Office of Curriculum and Instruction (C&I) encompasses several departments, including Multilingual Curriculum and Programs and Arts and Creative Learning. The Office of Curriculum and Instruction supports the development, implementation, and progress monitoring of high-quality, standards-aligned, culturally and linguistically inclusive instruction. Significant enhancements have been made to curriculum and instructional guidance for teachers and school leaders. All of these instructional enhancements culminated with the creation of an Academic Framework. The Academic Framework is an all-inclusive resource that contains content-specific academic expectations and essential practices to support educators in making instructional decisions. The Academic Framework actualizes our commitment to cultural and linguistic inclusivity, standards alignment, equity-based MTSS, and serving English Learners & students with special needs.

The Academic Framework

The Academic Framework provides high quality instructional guidance backed by educational research and best practices. The Academic Framework includes:

- expectations for the instructional block for Math and English Language Arts;
- access to the curriculum units for Math and English Language Arts;

- a menu of options for determining tier 2 and tier 3 supports for students;
- essential practices for making learning accessible to all students, particularly students with IEPs and English learners;
- guidance for developing instructional routines and a classroom environment that supports a culture of learning in a safe and welcoming space;
- explicit connections between assessments and implementation of the instructional expectations; and
- provision of a clear description of what successful implementation of instructional expectations looks like.

In addition, the Academic Framework is aligned to the Board of Education’s Goals & Guardrails. The Goals set the expectation for what students can do, measure student outcomes in reading, math, and college and career readiness while the Guardrails stipulate the non-negotiable conditions that must exist in schools in order to reach our Goals.

Culturally & Linguistically Inclusive Foundation

With a shared commitment to dismantling racist systems and providing equitable learning experiences, the School District in partnership with students, educators, families, and community members, developed the Culturally and Linguistically Inclusive Foundation (CLIF). The CLIF serves as a guide for students, families, school-based and district-level staff, community members, and partners for creating learning environments that:

- affirm racial, linguistic, and cultural identities;
- develop stakeholders’ abilities to connect across lines of differences;
- elevate historically marginalized voices;
- empower stakeholders as agents of social change; and
- prepare all students for rigor and independent learning.

The CLIF features four strategic principles around curriculum and instructional resources, professional learning, grading and progress monitoring, and teaching and learning. These principles promote culturally and linguistically responsive education in order to meet the diverse needs of all students, families, and communities we serve.

Multilingual Curriculum & Programs

The Office of Multilingual Curriculum and Programs (OMCP) oversees the language instruction educational programs (LIEPs) for approximately 22,000 English Learners (ELs) and about 850 Dual Language Learners (DLLs) across the School District. The education of ELs is a shared responsibility. To this end, OMCP works with all stakeholders to ensure ELs have access to grade-level content and standards, as well as quality instruction designed to support students’ academic language development in English. To accomplish these fundamental goals, there are instructional programs in place, which include English as a Second Language (ESL) in more than

200 schools, dual language in eight elementary schools, and two Newcomer Learning Academy (NLA) that are designed to meet the needs of high school ELs new to the U.S., demonstrating beginning levels of English language proficiency (i.e., 1.0-1.9) and may have limited or interrupted 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 and 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 Dance, Music, Theatre, and Visual Art, (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.

Dance Education. The School District offers arts credits for dance education courses in several high schools taught by certified Dance Pre-K-12, Vocational Dance, Physical Education and Communications teachers. Pennsylvania passed a Creative Movement Endorsement in December 2015 as a guide to address a set of competencies relative to creative movement courses and enacted a new Dance Pre-K-12 certification in January 2023. Community Dance partners work with School District teachers and schools to enhance and encourage the art of creative movement and dance.

Music Education. The School District 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 Pre-K-12 to enjoy the benefits of participating in learning music as part of a well-rounded education. In FY 2023, 152 music teachers facilitated music education in district schools through rostered programs and classes, with an additional 71 itinerant Class Instrumental Music Teachers serving 204 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.

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

Visual Art Education. The School District offers a rigorous art education program taught by certified Pre-K-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 programs, through traditional and digital art media, facilitate learning in and through the arts for children Pre-K through Grade 12. In FY 2023 there were 228 Visual Art Specialists teaching throughout the District, some serving in more than one school.

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 Physical Education curriculum. There are over 320 Health and Physical Education teachers providing instruction in Philadelphia public schools.

The School District implements a K-12 Healthy Behaviors/Sexual Health Education curriculum. It is a progression-based, comprehensive curriculum. In its high schools, the Health Education teachers are providing the state mandated Hands Only CPR curriculum supplied and supported by the American Heart Association and Youth Heart Watch. The School District's commitment to improving Health Literacy is evidenced by the Chief Academics Office statement of expected instructional minutes: kindergartners receive 30 minutes/week of Health instruction, while grades 1-8 are rostered for 45 minutes/week of Health. Additionally, 6th-8th grade students receive Health Education instruction provided 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 Education manages the First Aid/CPR/AED certification training for district employees who are Health and Physical Education teachers.

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 120 CTE Programs with close to 6,000 students. CTE programs are also offered in an additional 36 comprehensive and special admission high schools. During the 2022-2023 school year, students successfully earned about 3,797 certifications collectively.

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's CTE offerings include agriculture, culinary arts, business, construction, advanced manufacturing, communication, information technology, transportation and health, education, and 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.

Postsecondary Readiness/Pathways to Graduation

The Office of Postsecondary Readiness/Pathways to Graduation promotes postsecondary awareness, exposure, and immersion in grades Pre-K through 12. The work of this office aims to prepare students with the knowledge, skills, and tools needed to succeed in college, career, and life after high school. Each program and initiative play an important role in supporting schools, students, families, and partners.

The key components of postsecondary readiness are centered on five areas of focus:

- *Career & Education Work Standards* - The standards include identifying, building, and navigating future career pathways by increasing students' understanding of the knowledge, skills, and abilities necessary to be successful, and the integration of the standard(s) into the core curriculum.
- *On-Track to Graduation* - Our focus in this area is on support for 9th Grade Academies, academic advising, CTE retention and completion, credit recovery, and support for student-athletes and special populations. This is inclusive of English Language Learners (ELL), and students with Special Needs (SPED), and Individualized Education Plans (IEPs). This work also supports the District's ability to meet the requirements of Act 158, a Pennsylvania law that provides alternative pathways to graduation for high school students.
- *Rigorous Coursework* - The focus here is on fostering students' leverage of Advanced Placement courses, Dual Enrollment opportunities, International Baccalaureate programs, Senior Year Only Programs, and Industry skill articulation through CTE in preparation to pursue various pathways after graduation.
- *Postsecondary Transition* - The emphasis here is on the transition to high school, grounded in K-8 exposure to career pathways, summer transition, and support. This also includes support in the transition from high school into postsecondary education, including college and career pathway exposure and immersion.
- *Industry & Work-Based Learning* - This area encompasses support for high quality CTE programming, administration of National Occupational Competency Testing Institute examinations, career connected learning, alternative opportunities in meeting graduation requirements, and opportunities for earning industry certifications.

Alternative Education

The School District offers a variety of school programs which provide multiple pathways for students to earn their high school diploma. There are five program models – accelerated, continuation, transition, adult diploma and dual enrollment. These include 14 accelerated high school programs (over-age/under-credited), four Continuation programs, two Transition (disciplinary) school programs, five evening high school diploma programs for adults and one dual-enrollment high school 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 re-engagement and transition centers offering students placement and support services and additionally operates two schools within Juvenile Justice facilities in the City.

Specialized Services

IU26 is the public school system for approximately 34,156 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 2022-2023 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 20,658 students with disabilities are enrolled in School District programs. There are approximately 14,000 students with disabilities attending charter schools in the City.

The Office of Special Education and Diverse Learners (“OSDL”) provides operational and programmatic support to schools in a variety of ways to meet the needs of students with disabilities under IDEA. Specifically, OSDL 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 staff development, class openings, contract staffing, and the provision of 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 are provided to school teams in the areas of: behavioral support; inclusive practices; transition services; meeting student needs through IEP goals and specially designed instruction specific to the learners with intellectual disabilities; 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 150+ 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 OSDL, as are itinerant vision and hearing therapists. For students with communication challenges, OSDL 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 22 if necessary.

For many students, this provides an opportunity to spend time exploring and preparing for the world of work, and/or 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 assistance in developing independent living skills.

Some Philadelphia students have needs that require a program response that is more structured and intense. For these students, the District secures a placement in a more restrictive setting that may be located in Philadelphia or in a neighboring county. OSDL continues to monitor the progress of these students, participates in IEP meetings, and 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. OSDL organizes and staffs this additional learning experience referred to as extended school year (ESY) services. OSDL identifies school sites, arranges transportation, moves materials and equipment, trains and organizes staff and ensures that all materials and equipment are transported to the appropriate locations for the ESY programming.

OSDL supports the provision of specialized transportation for students with disabilities by funding additional adult support or an alternative mode of travel if 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. OSDL provides parent training through a parent coordinator and linkages to parent advocacy groups.

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 (“MCSOs”) to enable academically high performing charter schools to consolidate to form MCSOs after approval from the local school district and PDE. PDE released the MCSO application form in early February 2018. As of September 15, 2023, no MCSOs have been approved.

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 based upon 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. In FY2023 charter school withholdings were \$3.9 million.

The School District is the largest charter school authorizer in the Commonwealth. Nearly 40% of Philadelphia's students attend a variety of charter schools: (i) charter schools authorized by the Board 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 outside of Philadelphia County. The Board has the authority to grant new charters, and to revoke or not renew the charters of operating charter schools within Philadelphia's boundaries. Additionally, the Board has discretion under Board charter school policy to consider amendment requests submitted by charter schools, including requests for changes in (generally increases to) contractually agreed-to maximum authorized enrollments and changes in facility location. See "THE SCHOOL DISTRICT OF PHILADELPHIA – Board of Education," herein.

At the commencement of the 2023-2024 school year, there were 82 brick and mortar charter schools in operation in Philadelphia. One charter school closed at the end of the 2022-2023 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 2023-2024 school year, there are 17 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 involved 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 prior to conversion to a charter 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.

For the 2022-2023 school year, approximately 13,405 Philadelphia students were enrolled in cyber charter schools and that approximately 1,302 Philadelphia students were enrolled in nine brick and mortar charter schools located outside of the City. The School District's total payments for all charter schools for the 2022-2023 fiscal year are estimated to have been approximately \$1,116 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 2022-2023 fiscal year are estimated to be approximately \$49 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
1999-00	12	25	2012-13	4	84
2000-01	9	34	2013-14	3	84
2001-02	5	39	2014-15	0	84*
2002-03	7	46	2015-16	1	83
2003-04	3	48*	2016-17	6	86*
2004-05	4	52	2017-18	0	84
2005-06	3	55	2018-19	3	87
2006-07	1	56	2019-20	2	86*
2007-08	5	61	2020-21	0	85
2008-09	2	63	2021-22	0	85
2009-10	6	67*	2022-23	1	83*
2010-11	7	74	2023-24	0	82*
2011-12	6	80			

* One charter school closed in 2004-05, two in 2009-10, three in 2013-14, two in 2015-16, three in 2016-17, two in 2017-18, three in 2019-20, one in 2020-21, three in 2022-23, and one in 2023-24.

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 SRC. In February, 2018, the SRC conditionally approved one application for a new charter school and denied the six other active applications. In February 2019, the Board denied three applications for new charter schools. In February 2020, the Board denied two applications for new charter schools. In March, 2021, the Board denied five applications for new charter schools. In March 2022, the Board denied three applications for new charter schools. In March 2023, the Board denied four applications for new charter schools. The Charter School Law allows for resubmission of a denied new charter application and for applicants to appeal denials of applications to the State Charter School Appeal Board (“CAB”). Decisions of the CAB can be appealed to the Commonwealth Court. To be eligible for an appeal, an applicant must obtain signatures of at least two per centum of the residents of the school district or of one thousand (1,000) residents, whichever is less, and obtain a determination by the court of common pleas that the signatures are sufficient to perfect an appeal to CAB. An applicant for one of the applications denied in February 2020 perfected its appeal to CAB, and CAB upheld the Board’s denial of the application in a decision issued on Jun 16, 2023. The applicant has appealed CAB’s decision to the Commonwealth Court. The matter is in the briefing process, and at this point it is not clear when the matter would be scheduled for argument or when the Commonwealth Court would decide

the case. An applicant for a resubmitted application denied in June 2021 perfected its appeal to CAB. Argument before CAB was held in September 2023, and CAB voted on October 17, 2023 to uphold the Board's denial of the charter application. CAB issues a written decision generally sixty (60) days after it votes on a matter.

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. Original designations named in Fall 2018 have been updated in Fall 2022 under the ESSA legislation, 56 School District schools were identified as Comprehensive Support and Improvement (CSI), 32 as Additional Targeted Support and Improvement (A-TSI), and 91 School District schools were designated as Targeted Support and Improvement (TSI), 23 of which also hold the A-TSI designation for additional subgroups. 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 addition to the whole school. PESO staff work with schools in areas of data analysis, utilizing data to improve instruction, monitoring approaches, 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 now called the School Progress Report on Education and Equity (SPREE). The SPREE 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 SPREE puts the most emphasis on equity, with many metrics scored for the overall school population and subgroups of students, reflecting the School District's focus on and commitment to ensuring that all students are learning. The School District uses the SPREE 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 SPREE tool is used to identify schools needing interventions and supports and also the principals and teachers using 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 2023-2024 school year, PESO will provide targeted specialized support to schools designed to offer such targeted support and evidence-based interventions by collaborating with other School District offices in the identification, implementation and monitoring of the targeted evidence-based interventions for the schools.

Multi-Tiered System of Supports & Response to Instruction and Intervention

The Office of School Climate and Culture (OSCC) supports safe, positive, equitable learning environments in which all students can experience belonging, build strong relationships, and fully engage with academic and social-emotional learning. The team provides specific support to school leaders and staff that include professional development, school-based coaching, planning, and assistance with using data to improve learning environments for all students.

All of the work of the OSCC is aligned with Multi-Tiered Systems of Support (MTSS). MTSS is a process that takes place at the school level to help educators ensure that all students have the support and resources they need to be successful academically, socially, and emotionally. More specifically, the MTSS process ensures that all students have access to high-quality grade-level instruction, a safe and welcoming learning environment, and extra help in areas where they need it. The MTSS process brings teams of school leaders and staff together on a regular basis to review information about student progress.

Assessment

The 2021-2022 school year represented the first year since the start of the COVID-19 pandemic during which most students participated in state standardized assessments, and is the most recent year for which performance data is publicly available. Before the COVID-19 pandemic, elementary and middle school students' proficiency in English Language Arts and Math had been steadily increasing; however, overall proficiency in the School District fell after the pandemic-related disruptions. For elementary and middle school students, the School District followed similar patterns to statewide trends but showed a smaller decline than the statewide average decline in each subject.

During the 2021-22 school year, the percentage of School District students scoring Proficient/Advanced on the Pennsylvania System of School Assessment (PSSA) in English Language Arts was 34.4% - a drop of 1.3 percentage points from the 2018-19 school year. This is compared to a 6 percentage point decline statewide. Additionally, nearly nine percent of School District students were Advanced in English Language Arts.

The percentage of School District students scoring Proficient/Advanced on the PSSA in Math was 16.6%. While this represents a decline of 5 percentage points from 2018-19, the School District's decline was smaller than the statewide decline of 8 percentage points. In Science, the percentage of Grade 4 and Grade 8 students scoring Proficient/Advanced in 2021-22 was 37.3%. Science proficiency on the PSSA had been growing steadily prior to the COVID-19 pandemic, but declined by nearly 3 percentage points for District students from 2018-19 to 2021-22. By comparison, the statewide decline in performance was 6 percentage points between 2018-19 and 2021-22. Moreover, in 2021-22 11.5% of District students performed at the Advanced level on the PSSA Science – a higher rate than at any time since the PSSA was revised to align with new, more rigorous standards in 2014-15.

The Keystone Examinations, administered as end-of-course assessments in Algebra I, Literature, and Biology, were administered for the first time in the 2012-13 school year, after a pilot administration the previous spring. Results for the 2021-22 school year include as proficient any students who were exempt from the Keystone assessment due to state policy adjustments

resulting from the COVID-19 pandemic. As a result, 2021-22 results are not directly comparable to prior-year data.

The Commonwealth examines Keystone proficiency for all 11th grade students within a year, regardless of when students took a Keystone examination in the subject. The School District has historically looked at assessments taken within the school year, but examines the same “best by 11th” rate as the Commonwealth as part of the Board of Education’s Goals and Guardrails process.

In 2021-22, 29.6% of School District 11th grade students were proficient on all three Keystone exams, when students who were exempted from a Keystone examination are included as proficient for that subject. 28.3% of 11th grade students performed below the Basic level on at least one of the three Keystone examinations. Reviewed by subject, over half of 11th grade students in the School District (54.2%) were Proficient/Advanced in Literature, and one in five (19.7%) were below the Basic level. Moreover, 85.1% of 11th grade District students were Proficient/Advanced on the Algebra I assessment, with fewer than 10% (8.1%) below the basic level. Finally, 53.6% of 11th grade students in the District were Proficient/Advanced in Biology during 2021-22. Again, the subject-specific rates include students as Proficient if they were exempt from participating in the Keystone assessment due to COVID-19-related policy changes made by PDE.

Transportation

In Fiscal Year 2022, 35,749 students enrolled in public, charter and non-public schools who opted for some form of in-person learning were eligible for bus and cab service from the School District. An additional 55,660 public, charter and non-public students were eligible for free student Fare Card for use on the City’s mass transit system (SEPTA). Approximately 10,576 students were transported to and from school by their parents. The District provides monthly payments to eligible parents who choose to opt out of bus, van, or cab assignments and instead drive their child to and from school. All registered families receive \$300 per month (\$3,000 for the school year) for transporting their child to and from school or \$150 per month (\$1,500 for the school year) for transporting their child to school in the morning but still utilizing bus, van or cab service in the afternoon. In FY 2023 10,083 parents/guardians were sent payments totaling \$26.2 million.

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 12 percent School District-operated routes and 88 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, and ensuring staff is effectively trained in dealing with students with disabilities and other special needs. The transportation services 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%. This initiative involves the

incorporation of cleaner and more efficient technologies, as well as vehicles with significant safety enhancements.

Personnel

The School District employs approximately 20,089 full-time employees funded from and by all sources. The following table enumerates the instructional and non-instructional staff positions budgeted for each of the school years 2014-2015 through 2023-2024 from the Operating Budget:

THE SCHOOL DISTRICT OF PHILADELPHIA

Personnel*

<u>SCHOOL YEAR</u>	<u>INSTRUCTIONAL PROFESSIONAL</u>	<u>NON PROFESSIONAL</u>	<u>NON-INSTRUCTIONAL</u>	<u>TOTAL</u>
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	14,582
2019-20	7,999	2,685	4,022	14,706
2020-21	8,243	2,657	4,014	14,914
2021-22	8,186	2,785	4,069	15,040
2022-23	8,023	2,636	4,124	14,782
2023-24	8,059	2,770	4,159	14,987

* *Personnel funded by the operating budget.*

The School District of Philadelphia hires and reclassifies approximately 3,500 employees annually, including approximately 1,000 teachers, 150-200 school leaders, 300-350 central office employees, and 2000 school-based support staff members.

The School District has achieved a number of achievements related to recruitment and staffing in recent years:

- In School Year 2017-2018, the School District implemented a teacher residency program in partnership with a number of IHE partners. Now serving cohort 7, the Teacher Residency Program has trained more than 300 teachers of record who are now serving in hard-to-fill content areas, including Spanish, Special Education, and Middle Years Math.

- In School Year 2018-2019, the School District implemented in-house onboarding for all employees being paid less than \$40,000 annually. To date, the district has processed more than 5,000 new hires into critical, school-based-support roles with this initiative.
- In School Year 2022-2023, in conjunction with the Philadelphia Federation of Teachers, the School District implemented paraprofessional pipeline programming, allowing for nearly 200 paraprofessionals to participate in college, finish college, obtain graduate degrees, and receive their teacher certifications.
- In School Year 2023-2024, the district has achieved improved fill rates in a number of critical roles, including but not limited to the following:
 - Principals (99.6% filled)
 - Counselors (98.4% filled)
 - Assistant Principals (98.2% filled)
 - Secretaries (97.8% filled)
 - Teachers (96% filled)
 - General Cleaners (92.8% filled)
 - Climate Staff (89.5% filled)

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.

Members who are or currently enrolled in classes prior to July 1, 2019 have lifetime enrollments in those classes. The “footprint” rule outlined by PSERS requires members to remain in the class chosen at the time of hire even if there is a separation of service or withdrawal of pension funds upon separation. Returning to a Pennsylvania school district after separation will still require the same class enrollment prior to separation. Class enrollments prior to July 1, 2019 are: TC with a rate of 5.25% and 6.25% depending upon enrollment; Class TD with a rate of 6.50% and 7.50% depending upon enrollment; and Classes TE and TF with rates of 8.00% and 10.8% respectively. Classes TE, TF, TG, TH and DC have a shared risk provisions where the rate can increase or decrease by .50% to .075% every three fiscal years.

The Commonwealth reimburses the School District a blended rate of approximately 69.22% for all employees.

In Fiscal Year 2023 the employer rate was 35.26 percent, and in Fiscal Year 2024 the employer rate decreased to 34.00 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 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. Such information is not made a part hereof and is not incorporated herein by reference. In its Fiscal Year 2022 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 13,000 employees; Service Employees International Union Local 32BJ (“Local 32BJ”), formerly the International Brotherhood of Firemen and Oilers, AFL-CIO, Local 1201, which represents approximately 2,000 employees; UNITE HERE, Local 634 (“Local 634”), which represents approximately 2,060 employees; the Commonwealth Association of School Administrators (“CASA”), which represents approximately 950 employees; and the School Police Association of Philadelphia (“SPAP”), which represents approximately 300 employees. Some represented employees are included in more than one bargaining unit.

The School District negotiated and settled a three-year collective bargaining agreement with the PFT effective September 1, 2021 through August 31, 2024. This agreement provided for annual salary increments, across the board increases of wages of 2.75% effective September 1, 2021, 3.25% effective September 1, 2022, and 3% effective September 1, 2023, and a \$1,500 lump sum payment in September 2021 and a \$1,000 lump sum payment in September 2022 to employees. It also provided for reductions in the School District’s contributions to the PFT Health and Welfare Fund of approximately \$10.5 million in FY24.

The School District negotiated and settled a four-year collective bargaining agreement with CASA. This collective bargaining agreement, which runs from September 1, 2021 through August 31, 2025, generally follows the PFT pattern for salary increases for the first three years of the agreement. It also provides for a 2% across the board wage increase and \$1,000 lump sum payment effective September 1, 2024.

The School District negotiated and settled a four-year collective bargaining agreement with SPAP for the period from September 1, 2021, through August 31, 2025, and generally follows the CASA wage pattern. The agreement provides for a \$750 lump sum payment effective September 1, 2021, a \$1,000 lump sum payment for employees at the top of the salary schedule and a \$500 lump sum payment for other employees effective September 1, 2022, and a \$500 lump sum payment for employees effective September 1, 2024.

The School District and Local 32BJ negotiated and settled a four-year collective bargaining agreement covering the period from September 1, 2022 through August 31, 2026. The agreement provided for annual increments and adjustments to salary schedules, including across the board wage increases of 3% effective September 1, 2022, 3% effective September 1, 2023, 2.5% effective September 1, 2024, and 2.5% effective September 1, 2025. Maintenance employees received a \$1,000 lump sum payment effective September 1, 2023.

On October 12, 2023, the Board voted to approve a four-year collective bargaining agreement with Local 634 covering the period from October 1, 2023, through September 30, 2027. The agreement provided for across the board increases effective August 25, 2023; October 1, 2023; August 25, 2024; August 25, 2025; August 25, 2026; and August 25, 2027. Over the life of the contract, each position received a pay increase of \$4.60 per hour, and each Local 634 employee received \$500 retention bonus.

Collective Bargaining

The following statutory provisions apply to the School District: 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; (vii) cybersecurity insurance, and (viii) Board members and Chief Officers’ travel accident insurance and other various accident 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 through payroll deductions. The School District annually budgets an amount believed to be adequate, based on past experience, to provide for these claims. Actual payments in Fiscal Year 2022 as of June 30, 2022, for workers’ compensation totaled \$17,741,818. Payments for unemployment compensation and weekly indemnity coverage totaled \$0.5 million and \$11.4 million, respectively. As of June 30, 2023, the School District estimates there was a cumulative total potential liability of \$25.2 million for workers’ compensation claims and \$5.4 million for unemployment compensation claims.

Cybersecurity

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber

threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys and banks, as well as vendors with respect to outsourced critical digital network operations and functions. However, no assurance can be given that future cyber threats and attacks against other third-party entities or service providers will not impact the School District.

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 School District is a party to various claims, arbitrations, and litigation in the ordinary course of business. For Fiscal Year 2021, 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 \$9.2 million. The total amount paid in Fiscal Year 2022 for losses and judgments was approximately \$7.8 million. The amount paid in Fiscal Year 2023 for losses and judgments was approximately \$7.6 million. The Fiscal Year 2024 adopted budget includes \$8.5 million for losses and judgments.

Under Pennsylvania law, school districts are immune from liability in tort on account of injury to persons or damage to property, except for that caused by negligent acts of a school district or its employees arising out of the operation of motor vehicles; damage to personal property of others in the district's possession; care, custody, or control of certain animals; a dangerous condition of real property, trees, traffic controls, street lighting, utility service facilities, streets, sidewalks; and certain sexual abuse conduct. Damages in most state law personal injury and property damage cases in which the School 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, except that there is no limitation on damages for claims made under the sexual abuse exception. Immunity, which is subject to challenge and judicial interpretation, does not extend to civil rights, contract, commercial, and certain state statutory claims. The School District is required to defend and indemnify employees acting within the scope of their offices or official duties.

Charter School Withholding Requests

The School 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:

Federal Funds Deduction Administrative Actions. There are two sets of administrative actions, all pending before PDE or on appeal to the Commonwealth Court. Between these two sets of actions, fifteen brick and mortar and cyber charter schools claim that PDE impermissibly permits the School District (and all school districts) to deduct amounts constituting expenditures of federal funds, prekindergarten expenses, and certain portions of the Ready to Learn grant funds from total expenditures when calculating per-pupil rates and those deductions are not expressly permitted under the Charter School Law. Some of the administrative matters had originated in actions brought by the charter schools against the School District and PDE in the Pennsylvania Commonwealth Court. The Commonwealth Court in *Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 289 M.D. 2017, related to the 2015-16 school year, ordered the matter to proceed at PDE, and the charter schools moved their claims for the 2016-17 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 167 M.D. 2019) and 2017-18 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 431 M.D. 2019) school years to PDE. For the charter schools involved in Set 1, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen docketed matters related to the 2016-2017 school year, and twelve docketed matters related to the 2017-2018 school year. After a 7-day hearing and briefing, in November 2022, the Secretary issued a decision in favor of the School District in Set 1 regarding the rates used for the 2015-2016 and 2016-2017 school years (2017-2018 has not yet been addressed), a significant win for the School District and all districts in Pennsylvania. Five of the 8 charter schools in Set 1 appealed the Secretary's decision to Commonwealth Court ("Commonwealth Court Appeals"). The Commonwealth Court Appeals remain pending with briefs due on October 25, 2023 (charter schools' brief) and November 24, 2023 (School District's brief). PDE has stayed the administrative actions in Set 2 ("PDE Appeals") while the Commonwealth Court appeal moves forward.

On September 21, 2023, the School District entered into a Release and Settlement Agreement ("Release and Settlement Agreement") with Antonio Pantoja Charter School ("Pantoja"), Eugenio Maria de Hostos Charter School ("Hostos"), and Aspira Inc. of Pennsylvania ("Aspira"), the management company for Pantoja and Hostos. Pantoja and Hostos are two of the brick and mortar charter schools in the Federal Funds Deduction Administrative Actions. In addition, Pantoja and Hostos, respectively, have sought and received from the Secretary and PDE amounts withheld from the School District's State payments for additional funds related to Hostos's enrollment in the 2018-2019, 2019-2020, 2020-2021, 2021-2022 and 2022-2023 school years, to which the School District filed multiple objections and hearing demands ("Hostos PDE Administrative Appeals"), and to Pantoja's enrollment in the 2018-2019, 2019-2020, and 2020-2021 school years, to which the School District filed multiple objections and hearing demands ("Pantoja PDE Administrative Appeals").

Pursuant to the Release and Settlement Agreement, in addition to other provisions including the renewal of the Hostos Charter and the Pantoja Charter and Aspira's agreement to withdraw two resubmitted new charter applications, (i) Hostos and Pantoja agreed that they will promptly withdraw any requests for subsidy withholdings submitted to PDE for which withholdings have not yet been made from the School District's subsidy, including the PDE Appeals; (ii) Hostos and Pantoja agreed they will withdraw or dismiss their claims in the pending Commonwealth Court Appeals and take whatever action is requested or required by the Commonwealth Court to withdraw and terminate their claims in the Commonwealth Court Appeals with prejudice, leaving only three charter schools continuing to assert claims in the Commonwealth Court Appeals; (iii) Hostos agreed to pay the School District the total amount of \$3,163,986 to settle the Hostos PDE Administrative Appeals; and (iv) Pantoja agreed to pay the School District the total amount of \$371,537 to settle the Pantoja PDE Administrative Appeals.

Tort Liability Under the Sexual Abuse Exception to Governmental Immunity

The School District is defending the below lawsuits filed by or on behalf of current and former students who allege negligence under the exception to immunity, related to sexual abuse, in the Pennsylvania Tort Claims Act, as amended pursuant to House Bill 962 signed by Governor Wolf on November 26, 2019, and codified at 42 Pa C.S.8542(b)(9). Unlike the \$500,000 damages cap applicable to the other exceptions to immunity under the Tort Claims Act, this exception does not cap damages. In addition, the two-year statute of limitations applicable to most negligence claims does not apply to this exception and cases may be brought for an extended period of time after the alleged cause of action accrued. Given the relatively recent enactment of this exception, Pennsylvania Courts of Common Pleas and Commonwealth Court are just starting to interpret its scope and reach. It is not possible at this time to predict the potential financial exposure to the School District of cases under this exception to immunity. Among other unknown risks is the extent to which the School District may need to reallocate funds from programmatic and other purposes to satisfy monetary judgments or settlements in such cases.

The School District is vigorously defending the cases, has prevailed in some cases under this exception, and has settled certain cases for nonmaterial amounts. Among legal theories being developed, the School District is currently challenging the applicability of the exception as applied to sexual abuse perpetrated by individuals who are not School District employees in the Pennsylvania Commonwealth Court in two cases: *Steify De Los Santos v. The School District of Philadelphia*, Philadelphia County Court of Common Pleas No. 211100142, Commonwealth Court of Pennsylvania No. 1508 C.D. 2022; and *L.F.V., through her p/n/g K. Varano and J. Varano v. The School District of Philadelphia*, Philadelphia County Court of Common Pleas No. 220801649, Commonwealth Court of Pennsylvania No. 218 C.D. 2023. These and other pending cases under the sexual abuse exception to immunity, which could result in settlements or verdicts above \$1 million, are further described below.

N.N. o/b/o K.W. v. The School District of Philadelphia, Philadelphia County Court of Common Pleas No. 211101055. Plaintiff-mother, filing on behalf of her child, alleges her child was sexually assaulted by another student with special needs on a School District owned and operated bus. Plaintiff claims that School District negligence in its oversight of the school bus allowed the sexual assault to occur. The School District filed a motion to stay pending disposition

of the *De Los Santos* and *L.F.V.* matters in Commonwealth Court, which the Court denied on October 2, 2023. Discovery closed on October 2, 2023. Trial is scheduled for April 2024.

Steify De Los Santos v. School District of Philadelphia, Philadelphia County Court of Common Pleas No. 211100142; Commonwealth Court of Pennsylvania No. 1508 C.D. 2022. Plaintiff (now an adult) alleges that school staff negligently released her to a person other than her parent/guardian in 2004, and that that person drugged, raped, and impregnated her. This matter is currently before the Commonwealth Court, where the School District asserts that it cannot be held liable for sexual abuse perpetrated by a person who was not employed by the School District. On May 22, 2023, plaintiff's counsel notified the trial court of plaintiff's death, and on June 16, 2023, filed a Praecipe to Discontinue and End the lawsuit with prejudice. On September 26, 2023, Commonwealth Court issued an order to show cause to be filed by October 26, 2023, on the School District's position on issues regarding the timing of the appeal and whether it should be dismissed as moot due to plaintiff's death and the lack of a substituted party.

A.B. v. The School District of Philadelphia and Andrea Surratt, Philadelphia County Court of Common Pleas No. 22050611. The complaint alleges that a Kelly Services ("Kelly") substitute hall monitor sexually assaulted a minor child at an off-campus location in March 2018, when the minor was a student at Rhodes Elementary School. Plaintiff asserts that the School District and Rhodes Principal Andrea Surratt negligently failed to report and investigate earlier allegations of inappropriate behavior by the substitute, which allowed the substitute to sexually assault plaintiff. The School District joined Kelly and the substitute as defendants in November 2022, after Kelly denied the School District's tender of defense and indemnification. Kelly consolidated this case with another filed by A.B. against Kelly and the substitute. The consolidated matters were stayed pending resolution of criminal charges against the substitute. In June 2023, the stay was lifted after criminal charges against the substitute were dismissed. Discovery in this case is scheduled to close in December 2023.

Angelina Matos, individually and as p/n/g of S.M., a minor v. The School District of Philadelphia, RM Knox Transportation, LLC, Mastery Charter School, and Charles Johnson, Philadelphia County Court of Common Pleas No. 230602332. Plaintiff, mother of a Mastery Charter School student S.M., alleges that S.M. was sexually assaulted by Johnson, an employee of RM Knox Transportation, on a bus operated by RM Knox. Mastery Charter School contracted with RM Knox for the transportation of Mastery Charter School students. Plaintiff alleges that the School District negligently oversaw Mastery Charter School's contract with RM Knox. The School District filed preliminary objections on September 13, 2023. The court denied the preliminary objections on October 16, 2023. The School District is reviewing the court's decision and considering an appeal.

Jane Doe v. The School District of Philadelphia, Margaret Holloman and Catherine Blunt, Philadelphia County Court of Common Pleas No. 2204-1107; and United States District Court for the Eastern District of Pennsylvania No. 22-3947. Plaintiff, a former student at Parkway Center City Middle College, alleges in state and federal court cases that a former teacher committed statutory rape against her from 2006-2010. In the state court action, plaintiff alleges

School District staff knew of previous sexual assaults by the teacher and negligently failed to prevent his criminal acts towards her. In the federal court case, which is based on the same underlying facts, plaintiff alleges state created danger and other Section 1983 civil rights claims. The School District moved to dismiss plaintiff's claims in federal court. In April 2023, the Court dismissed her claim based on a state created danger theory of liability, but allowed her other claims to proceed. Discovery in both cases is scheduled to end in November 2023. Trial in the federal case is set for April 29, 2024. Trial in state court is set for May 2024.

L.F.V., through her p/n/g K. Varano and J. Varano v. The School District of Philadelphia, Philadelphia County Court of Common Pleas No. 220801649; Commonwealth Court of Pennsylvania No. 218 C.D. 2023. Parents of an intellectually disabled student allege that their daughter was raped while in gym class by two other intellectually-disabled students. This matter is currently before the Commonwealth Court, where the School District asserts that it cannot be held liable because the perpetrators were not School District employees. The trial court proceedings are stayed pending disposition of appellate proceedings.

N.J. P/N/J of R.J v. The School District of Philadelphia and Jeffrey Bauer, Philadelphia County Court of Common Pleas No. 220802827. Parent alleges their son was molested by former teacher Jeffrey Bauer while in middle school grades, and that the School District negligently failed to supervise Bauer and protect their son. The District answered the complaint with new matter and cross-claimed against Bauer. In June 2023, the School District moved to stay pending disposition of criminal charges against Bauer. In a hearing on August 11, 2023, the Court indicated that it would not rule on the motion to stay until the close of discovery in November 2023. This case is currently set for trial in March 2024.

John Doe v. Tyree Dumas, Dollar Boyz, Inc., Y-NOT and The School District of Philadelphia, Philadelphia County Court of Common Pleas No. 230301438. Plaintiff alleges he was sexually abused by Howard Rubin in 2013 and 2014. Plaintiff alleges that Rubin was employed by the School District as a School Police Officer between 2008 and 2010, that the School District negligently failed to report Rubin's inappropriate conduct towards other students, and that the failure to report Rubin's inappropriate conduct allowed him to later sexually abuse Plaintiff, while Rubin was employed by a charter school and associated with Tyree Dumas, Dollar Boyz, Inc. and Y-Not. Dollar Boyz and Y-Not are or were dance troupes run by Dumas. On May 10, 2023, the School District filed preliminary objections, arguing immunity from liability because the assault was not committed by a School District employee. On September 19, 2023, the Court granted the School District's preliminary objections and dismissed the complaint in its entirety with prejudice. Plaintiff filed a notice of appeal on October 17, 2023.

Y.P.S., through her guardian, Kristal Parks v. School District of Philadelphia and John Does 1-10, Philadelphia County Court of Common Pleas No. 230801489. Y.P.S. alleges that, while in first grade, she witnessed her younger sister, E.P., being sexually assaulted by another minor student, identified as J. Doe. Parks, Y.P.S.'s mother, alleges Y.P.S. reported this to Parks and Parks reported it to E.P.'s teacher, but that the School District did not respond or take action, and that J. Doe sexually assaulted Y.P.S. less than two months later. After Y.P.S. informed Parks of the incident involving J. Doe and Y.P.S., Parks filed a police report and met with the principal,

and the School District prepared a safety plan. Parks alleges the plan was never put in place and that she therefore had to find a new school for her children. A school-based investigation determined the allegations to be unfounded. In addition to alleging negligence, Plaintiff alleges negligent and intentional infliction of emotional distress and breach of fiduciary duty. On October 12, 2023, the court sustained in part and denied in part the School District's preliminary objections and dismissed Plaintiff's claims for intentional infliction of emotional distress and breach of fiduciary duty. Plaintiff's claims for negligence and negligent infliction of emotional distress are preserved. The School District is considering an appeal.

Other Litigation

The School District is defending the following lawsuits, each of which alleges damages of more than \$1 million:

DELTA/B.J.D.S., Inc. v. Ernest Bock & Sons, Inc., et al. vs. The School District of Philadelphia, et al., Philadelphia County Court of Common Pleas No. 220401486. Defendant Ernest Bock & Sons filed a joinder complaint on behalf of its subcontractor Delta/B.J.D.S, Inc., alleging that an Environmental Remediation Work Plan developed by a School District consultant was not a "legally performable abatement plan." Bock alleges that as a result of the deficient Environmental Remediation Work Plan, Delta/B.J.D.S. had to perform abatement work in a "different, significantly more expensive, manner," resulting in a \$1,436,353.57 claim against the School District. The School District demanded contractual defense and indemnification from the consultant, which was denied in November 2022. After the Court overruled the School District's preliminary objections, the School District answered the joinder complaint with new matter and cross claim against the consultant. The consultant filed preliminary objections to the School District's cross claim, which were denied. Discovery is scheduled to close on November 6, 2023, and the case is set for trial in April 2024.

Vicinity Energy Philadelphia, Inc. v. School Dist. of Philadelphia, Philadelphia County Court of Common Pleas No. 23080334. Plaintiff alleges that the School District breached a contract to provide steam energy to five School District schools, and that the School District's decision to stop using steam at one of the five schools in 2013 and another in 2019 triggered a "Termination Payment" in the amount of \$2,158,773. The complaint in this matter was served on September 8, 2023, and the School District is developing its defenses for the action.

While the following cases did not result in an adverse effect on the School District, they are referenced below because they resolved positively for the School District, with monetary resolution to the School District of more than \$1 million:

The School District of Philadelphia v. City of Philadelphia, et al., United States District Court for the Eastern District of Pennsylvania, No. 23-cv-0238. In January 2023, the School District filed a lawsuit related to the City's oversight of how environmental hazards are managed in School District buildings. The case challenged a revised City ordinance (Bill No. 210685AA) that the School District asserted conflicted with federal law, purported to impact the

School District's ability to open school buildings, and contemplated the School District could be subject to environmental regulation based on recommendations of a committee of individuals, to be appointed by the Mayor, without requisite expertise. The School District challenged the ordinance under federal and state law. On August 1, 2023, after months of mediation, the parties executed a settlement agreement which included, among other things, provisions for dismissal of the case without prejudice and allocation of \$2.5 million in supplemental funding from the Philadelphia Department of Public Health to the School District in FY2024, to support the School District's efforts to improve management and reporting of environmental data.

The School District of Philadelphia v. JUUL Labs, Inc., et al., United States District Court for the Northern District of CA, Civ. Act. No. 22-cv-08928, MDL No. 19-md-02913-WHO. The School District joined a Multi-District Litigation (MDL) case, along with many other school districts and governmental entities, asserting claims against JUUL and its parent company, Altria, alleging damages relating to defendants' vaping products. The action alleged violations of Pennsylvania's Public Nuisance Law and the federal Racketeer Influenced and Corrupt Organizations Act. The School District agreed to settle its claims against JUUL for \$3,217,443, and its claims against Altria Group, Inc. and related entities for \$968,959.

Other Matters

On February 7, 2023, the Commonwealth court issued a Memorandum Opinion in *William Penn School District et al. v. Pennsylvania Department of Education et al.* At this time the School District cannot anticipate the actions that the General Assembly or the Governor are planning to take, if any, to comply with the court's decision.

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APPENDIX B

FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
440 N. BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19130

ANNUAL COMPREHENSIVE FINANCIAL REPORT
A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2022



Marcy F. Blender, CPA
Comptroller

Prepared by
Office of General Accounting

STUDENT ART

The art displayed throughout this report is the work of the School District of Philadelphia's art students. The winners were chosen from the entries submitted for the 2021-22 Annual Financial Report Cover Design Contest. The theme for this year is "**My Favorite Philly Things**". Students were challenged to share, where are their favorite places to go in Philadelphia? Who are their favorite Philadelphia sports team? What are their favorite things to do that is uniquely Philadelphia? What are their favorite Philly foods? This concept is about happiness and our love of the city which can be found almost everywhere from our fun at Penn's Landing to summer play at the city's water fountains to cheering our favorite sports teams on to victory down Broad Street. Students were encouraged to pick their favorite Philadelphia thing that makes them happy - a Philadelphia place, activity, festival, food or sports team. The goal was to illustrate the happiness, and the appreciation we have for our community and city and think about the lens they see our communities and city through.

This contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, influences, experiences that have had an impact on their lives, especially how they embrace happiness and joy. For this competition, students were encouraged to select one subject or topic (Philadelphia place, activity, festival, food or sports team) under the theme, "My Favorite Philly Things". For this competition, students were encouraged to interpret this theme two dimensionally using their own stylistic approach. Exemplary artwork selected for the **Annual Financial Report** has been used on the front and back covers and dividers in the book. This publication is distributed nationally and has received prominent attention for its outstanding illustrations produced by The School District of Philadelphia K-12 public school students.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Johnny Zheng Castor Gardens Middle School 8 th Grade	Ms. Kimberley Colasante
2 nd Prize Back Cover	Kaylah Davis Castor Gardens Middle School 7 th Grade	Ms. Kimberley Colasante
3 rd Prize Front Inside Cover	Agniia Boreiko Loesche Elementary School Kindergarten	Ms. Mary Lisabeth Shean
Back Inside Cover	Aden Monteiro Baldi Middle School 8 th Grade	Ms. Margarita Logvinov
Divider: 1 st	Susan Dong Northeast Community Propel Academy 6 th Grade	Ms. Linda Keels
	Viktoriiia Vasileva Loesche Elementary School 4 th Grade	Ms. Alla Karetny
2 nd	Amilly Freitas Castor Gardens Middle School 7 th Grade	Ms. Kimberley Colasante
	Youlin Chen Northeast Community Propel Academy 8 th Grade	Ms. Linda Keels
3 rd	Weichen Lin Loesche Elementary School 4 th Grade	Ms. Mary Lisabeth Shean
	Concepcion Escobar-Leon George W. Nebinger Elementary School 7 th Grade	Ms. Leslie Marie Grace

Mrs. Lynette Brown-Edwards, Director of Visual Arts, Dance, and Theater
Office of Creative Arts and Learning

SCHOOL DISTRICT OF PHILADELPHIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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OFFICE OF THE SUPERINTENDENT
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Tony B. Watlington, Sr., Ed.D.
Superintendent

February 14, 2023

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

We are pleased to present this Annual Comprehensive Financial Report (“ACFR”) of The School District of Philadelphia (“School District” or “District”) for the Fiscal Year ended June 30, 2022. 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, 2022, 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 from any material misstatements. Internal offices of the School District regularly review expenditures of School District funds and perform selective and random reviews of operations and controls further ensuring that this report is complete and reliable in all material respects and in conformity with GAAP. Furthermore, and as part of the federally mandated “Single Audit” requirement, the Office of the City Controller performs an annual audit of the School District’s internal controls and compliance thereto with legal requirements involving the administration of federal awards and grants. The Single Audit is designed to meet the needs of federal grantor agencies. These reports are available in the School District’s separately issued Single Audit Report.

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

Profile of the School District

Despite being a component unit of the City of Philadelphia (“City”) for financial reporting purposes only, the School District is an agency of the Commonwealth of Pennsylvania (“Commonwealth” or “State”) created to assist in the administration of the Commonwealth’s responsibility under the Pennsylvania Constitution to “provide for the maintenance and support of a thorough and efficient system of public education.” It is by far the largest of the nearly 500 school districts in the Commonwealth and the only School District of the first class, employing over

20,400 full time employees as of June 2022 and the tenth largest in the United States (including Puerto Rico) based on student enrollment data.

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

Although considered a quasi-state agency, the School District directly serves the citizens of the City of Philadelphia, Pennsylvania, the sixth largest city in the United States with a population of 1.58 million and a land area of approximately 130 square miles. The School District educates 10.5% of the Commonwealth's 1.9 million public school students. Total enrollment in the School District managed schools has declined over the past decade while charter school enrollment significantly increased and cyber charters increased due to the pandemic. Enrollment for the School District for the 2021-2022 school year as of October 1, 2021 was over 197,500 students including 79,902 attending charter schools and 2,750 in alternative education programs/schools. The enrollment for the School District for 2022-2023 as of December 1, 2022 was 196,391 students including 79,143 attending charter schools and 3,308 in alternative education. The District serves a highly diverse student population of 52% Black, 22% Latino/Hispanic, 13% White, 7% Asian, and 6% Multi-racial/Other.

During Fiscal Year 2022, there were 216 schools that the School District operated, as well as 22 alternative education programs/schools and 85 charter schools managed by other entities within the city that serve Philadelphia's children. In addition, there are 13 cyber charter schools and 6 brick and mortar charter schools that students may attend. In Fiscal Year 2022, approximately 40% of 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 2022 organizational structure for the School District includes 45 elementary schools; 103 elementary/middle schools; 14 middle schools; and 54 high schools. About 13.6% of the School District's buildings are 40 years old or less, 42.7% are between 41 and 80 years old, 43.7% are 81 years or older.

The School District provides a comprehensive range of mandated educational services that include general, special, International Baccalaureate program, Advanced Placement (AP) program and vocational education at the elementary and/or secondary levels, as well as related support and transportation services. Pre-K educational services have become an increasing strategic priority to expand. The School District provides summer school programs, in addition to pre-school and after-school program services, depending on the needs of a community and available funding. To ensure schools have the administrative support they require and to provide targeted supports and services, schools are assigned to one of thirteen geographically dispersed Neighborhood Networks and an additional three specialization Networks to include Opportunity, Acceleration and Innovation. There is also a Charter School Network, although the Charter Schools are considered Philadelphia Public Schools they are their own independent Local Educational Authority (LEA's).

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.

The governance of the School District was turned-over from the Commonwealth of Pennsylvania to local control of the City of Philadelphia beginning on June 30, 2018 and local governance by a Board of Education ("Board"), consisting of nine members appointed by the Mayor of the City of Philadelphia, began on July 1, 2018. The Superintendent reports to the Board. During the Fiscal Year 2022 reporting period, the Superintendent was Dr. William R. Hite, Jr. and the Chief Financial Officer was Uri Z. Monson. The Superintendent retired after a decade-long tenure at the end of the 2021-2022 School Year and a new Superintendent, Dr. Tony B. Watlington, Sr. assumed leadership of the District for the Fiscal Year 2023 reporting period.

The School District's fiscal year is July 1st to June 30th and is identical with those of both the City and the Commonwealth. The Charter requires that the School District adopt an operating budget, a capital budget, and a capital improvement program each fiscal year. To ensure financial control, the Board must first approve, by action item, all personnel appointments, purchases of materials, supplies, books, and equipment in excess of \$21,900 and individual contracts for professional services and associated costs in excess of \$20,000. The School District maintains further budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget by the Board.

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

Fiscal Year 2022 can best be described as a year of recovery and preparation for a shift in leadership to the new Superintendent who began his tenure in mid-June 2022. The influx of one-time federal rescue funds and increased Fiscal Year 2023 funding from State and Local revenues allowed the acceleration of this recovery process and shaped the major initiatives for the current fiscal year and into the immediate future. In addition to recovery, the District is faced with aging school buildings which need repair, a national teacher and staffing shortage, and inadequate funding levels for the longer term. In addition, District operated schools' enrollment has been decreasing over the last ten years as students leave the City or enroll in Charter Schools.

The 2021-2022 School Year was the first time that students returned to their classrooms five days a week in nearly 1 ½ years due to the COVID-19 pandemic that swept through the world and continues to impact our schools and communities. Student educational progress has been drastically impacted by the effects of the global pandemic which caused all in-person learning to cease on March 13, 2020 through the end of the 2020/2021 school year and summer except on a limited hybrid basis. Outside of student safety, improving academic outcomes for all our students will be the highest priority.

Fiscal Year 2022 has been a year of recovery and thanks to our receipt of federal rescue funds of \$1.2 billion, resources are available to invest more in learning acceleration, social-emotional needs, facilities and infrastructure improvements and supports for educators. This allowed the highest investment in our schools and students in the past ten years. We now have a teacher for every 12.3 students and a school-based staff member for every 6.6 students and we can continue this investment into the upcoming school year. The increased gun violence within the City of Philadelphia has been a major concern. The emotional wellbeing and safety of our students and staff combined with the lasting effects of the pandemic has been a major issue to address within our schools and communities.

School Districts throughout the U.S. have experienced staffing shortages, including the School District of Philadelphia. A key focus has been to develop inventive ways to recruit and retain teachers and other educational administrators. Part of this strategy has been to successfully negotiate Collective Bargaining Agreements with three labor unions (PFT/Teachers, CASA/Principals and SPAP/School Police). Another factor impacting the SDP has been the decrease in the number of students attending Philadelphia Public Schools as residents have moved out of the City and students shifted to Cyber Charter and Charter Schools.

Due to the combination of Operating Funds and American Rescue Plan Act (ARPA) funds, the District has been able to provide many resources, including before and after-school programs, increased climate and trauma supports, additional technology, retention and re-engagement bonuses, and environmental and facilities improvements. The District has engaged in careful short and long term fiscally responsible planning to not only address the short-term needs, but ensure fiscally sustainable future supports, as well. Some of the highlights of these investments include: additional discretionary positions for schools especially those who are off track to meet the School Board's Goals and Guardrails, additional supports for special education and students who are English

learners, providing programs for schools and communities most impacted by gun violence, personal computing devices for every student, and formalization of the equity work the District has engaged in.

The budgeted investments in the current fiscal year as we returned to full time in-person learning was aided by federal rescue funds and include:

- Activities that address educational recovery related to the COVID-19 pandemic including enhanced summer learning, extended school year, after school programs, tutoring, or other evidence-based interventions.
- Additional supports in schools to help all learners and educators succeed, including investments aligned to the Board's strategy and action plans found in the Goals and Guardrails, and elimination of "leveling down" resources for all schools in Fiscal Year 2022.
- Facilities repair and rehabilitation to supplement the existing budgeted investments and capital plan for facilities improvements.
- Student behavioral, emotional and social needs supports including investments in social services for schools and increased number of counselors across the District, increased discretionary spending weighted to the highest need schools, and targeted professional development for school-based climate staff.

On the operational front, The Facilities Master Plan and Equity Coalition initiatives and related investments strive to ensure every school environment is healthy and welcoming for teaching and learning. Due to the age of our buildings, construction projects continue to be an increased focus of the District's initiatives to ensure a welcoming, safe and modern learning environment for our students and educators and a major use of capital funds, primarily financed through bond issuances, a private grant, and most recently through increased stimulus funding related to ARPA.

At the same time, we have focused on student outcomes, we are also maintaining a strong fiscal focus. We had a positive year-end fund balance for the eighth straight year. This positive Fund Balance was accomplished by core spending in line with available resources, and utilizing federal funds to support supplemental learning supports and social and emotional supports to help students as they recover from the impacts of the pandemic. We are proud of our progress, but there is still much work we must do to ensure we are structurally balanced once these funds are no longer available currently projected after 2025.

Our organizational priorities are driven by our strategic mission, vision, goals and guardrails which together form our multi-year districtwide strategic plan. In that regard, the locally-appointed School Board, the governing body of the District, re-prioritized their public meetings and accountability on ensuring successful student educational outcomes and equity across all schools. This was implemented in Fiscal Year 2021 and hit its strides in Fiscal Year 2022. This was the second year of progress monitoring of Goals and Guardrails, the Board's five-year plan to increase student achievement. Good progress was measured on the Goals discussed below. In addition, guardrails are near or on-track based upon the measures established.

Our **Strategic Mission** sets forth, "We believe that education is the key to fostering equity in society, and that education itself must be equitable, especially in a city with a high rate of poverty and in a school district with a majority of students of color and many with special needs. Educational equity means giving each student what they need to reach their fullest potential. This means that some students will require more support and resources than others; and we need to be prepared to meet those needs."

- Our **Vision** is to ensure that all students are given an education that allows them to thrive, succeed and lead in a global society.
- Our **Goals** over the next five years in support of our mission and vision focus on three primary areas:
 - 1) Every student reads on or above grade level,
 - 2) Every student performs on or above grade level in math,
 - 3) Every student graduates ready for college and careers.
- Our **Guardrails** place emphasis that we will have schools that are:

- 1) Welcoming and Supportive Schools,
- 2) Enriching and Well-rounded School Experiences,
- 3) Partnering with Parents and Family Members,
- 4) Addressing Racist Practices.

As a District we are encouraged by performance related to the Board of Education's Goals and Guardrails but there is still much work to be done. The achievements related to each are below (school information excludes charter schools and is based upon school year 2021-2022 data if available and unless otherwise noted).

Due to changes in state policy regarding the timing of and participation requirements for state assessments throughout the COVID-19 pandemic, as well as changes in local assessment policies, 2021-2022 data remains limited and are able to be compared to earlier years' data only in limited cases.

- **Reading** – 34% of District students in grades 3-8, and 28% of those in grade 3 were proficient or advanced on the PSSA English Language Arts (ELA) assessment. 41% of students in grades K-3 and 29% of students in grades 3-8 are at or above Benchmark (on or above grade level) on the local reading assessment (STAR). Participation in these exams increased over 14 percentage points, with 93% of K-3 and 90% in grades 3-8 students participating in the spring STAR.
- **Math** – 17% of District students in grades K-3 were proficient or advanced on the PSSA Math Assessment. Local math assessments resulted in 19% of students in grades 3-8 at or above Benchmark. As with the local reading assessment, participation in the math assessments increased over 14 percentage points, with 90% of 3-8 students participating.
- **College and Career** – The District's 2020-2021 four-year graduation rate was 70% (including alternative programs). The graduation rate for traditional district schools held steady at 80%. About half of 11th grade students were proficient or advanced on the Algebra 1 and Literature Keystone Assessments. Regarding the local reading assessment results for grades 9-11, 53% participated and 31% ended at or above grade level. For the math assessment, 24% were at or above grade level, with a 54% participation rate. In addition, 96% of high schools offered advanced courses.
- **Safe and Welcoming Schools** – More than half (57%) of K-12 students attended at least 90% of instructional days and 92% of students in grades K-8 took visual/performing arts classes.

The District's results for the 2022 National Assessment of Educational Progress (NAEP), deemed the nation's report card, which nationally compares results in English Language Arts and Math for 4th and 8th grades are encouraging compared to the 2019 pre-pandemic results. The District's results were not statistically different in three of the four tested areas between 2019 and 2022, except for 4th grade math. However, scaled scores for the SDP are lower than for comparable public school districts. Nationally, most public school districts experienced statistically significant declines versus 2019 due to the pandemic, most notably in math scores.

Focus on academic achievement is a key priority as we develop our new five-year strategic plan, with a goal of being one of the fastest improving large urban school districts in the county for achieving successful outcomes for all students. To this end, the SDP has already begun to implement efforts designed to create a culture of teaching and learning excellence in every school.

The Board's goals and guardrails for our District have led to several priorities focus areas in 2021-2022:

- **Strategy 1** – Implement a Multi-tier System of Supports (MTSS) framework.
- **Strategy 2** – Develop leaders and teachers through implementation of evidence-based learning cycles.
- **Strategy 3** – Implement an academic framework that includes standards-aligned, grade level curriculum.

Budget Structure

Included in its enabling legislation pursuant to the Philadelphia Home Rule Charter ("Charter"), the District is required to adopt an operating budget, a capital budget and a capital improvement program for each fiscal year. Each budget is based on obligations; the most significant budgeted fund being the General Fund. During the course of each fiscal year, the operating budget is amended and approved by the Board. The "original" or adopted budget was passed on May 27th of the preceding fiscal year (e.g., May 27, 2021). The "amended" or final budget

was passed on May 26th of the current fiscal year (e.g. May 26, 2022). The final amended budget incorporates all of the District's approved adjustments that were incurred since the initial advertised or adopted operating budget was issued. While all budgets must be approved by the Board, the Charter also requires the governing body to levy taxes annually, within the limits authorized by the Pennsylvania General Assembly and the Philadelphia (PA) 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 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 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 \$2.0 billion in facility needs through Fiscal Years 2022-2027 to improve major infrastructure systems and buildings. On May 26, 2022, the School District adopted its 2023 Capital Budget of \$415.5 million and six-year capital improvement program for Fiscal Years 2023-2028, which identified \$2.75 billion in facility needs. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprising 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 2022 on May 26, 2022 to total approximately \$332.9 million.

Local tax rates for the School District are authorized by the City Council. The City of Philadelphia collects current and delinquent local real estate taxes and other locally generated non-tax revenues the largest of which are use and occupancy taxes, school taxes, liquor and cigarette sales for the School District. These taxes represent about 36% of the Fiscal Year 2022 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. However, Federal Revenues, representing about 23% of the overall, saw the biggest increases from Fiscal Year 2021 due to the rescue funding discussed above. Under the City of Philadelphia's residential tax abatement program, residential property owners may qualify for a 10-year tax abatement on the value of improvements related to new construction and rehabilitated properties. These abatements help revitalize communities, retain residents, attract home and business owners to Philadelphia, and reduce development costs for commercial and residential projects.

Since the School District is a service-oriented organization, it is labor intensive. Consequently, a substantial portion of its operating expenditures involve personnel costs and related employee benefits. Personnel costs principally encompass the costs of instructional staff (teachers), school support staff, administrative staff, custodial and maintenance staff and transportation staff. Staffing patterns and salary costs are largely determined by school enrollment levels, collective bargaining agreements, state mandates and policies set by the Board. Costs related to contracted services, 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 3.8% of its budget on central administrative costs (including Federal Elementary and Secondary School Emergency Relief (ESSER) funds) and approximately 96.2% of its budget supports directly benefiting schools and financing for capital projects. Of the 96.2%, approximately 87.9% is spent on education and other support services and the remaining 8.3% is spent on capital financing. The biggest cost drivers are mandatory or contractual in nature and include personnel and related healthcare benefits 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: As a direct result of the pandemic, spending has now focused on educational and emotional recovery, the priorities set forth in the Board's goals and guardrails, and school climate and safety. The pace of economic recovery from the pandemic is not yet known and will directly impact the District's finances for the next several years. The new Superintendent embarked on an ambitious schedule to obtain feedback both internally and externally with key stakeholders and completed a transition plan which will form the basis for the District's action plans and strategic initiatives aligned with the Board's Goals and Guardrails.

While the pandemic has placed new strains on the District's budget, the federal government has committed to provide support through additional funding of \$1.2 billion through September 2024 as part of ARPA. This is in addition to other federal rescue dollars of over \$700 million previously committed. It is anticipated that those funds will support the District's budget through Fiscal Year 2025. Fiscal Year 2023 is projected (based upon the adopted budget) to have a positive operating fund balance of \$566.5 million due to the federal rescue funds from the pandemic and additional State basic education funding. Federal rescue money, the return of higher levels of local tax revenues and more State educational funding, is projected to allow the District to maintain a positive fund balance through Fiscal Year 2025. Nevertheless, the District still faces structural budget issues that will require the District to make difficult financial decisions that could impact our forward progress.

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 and our efforts in these areas will continue. For Fiscal Year 2022, the District was able to maintain a positive budgetary operating fund balance of \$404.2 million, due to increased Federal rescue funding, use of reserves and fund balance, and a strong financial focus resulting in more favorable financing terms and smarter fiscal management coupled with past and current actions taken to ensure the continuance of recurring revenues.

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 has been successful in obtaining and sustaining recurring revenues from the State. Recurring State revenues include the Cigarette Tax with the District receiving at least \$58 million annually and a rideshare program in which the District receives a portion of the revenues. At the local level, the District continued its program to identify city properties whose assessed value is at least \$1.0 million under-valued and file formal appeals for these properties. However, the City of Philadelphia froze property assessment for Fiscal Year 2021 and Fiscal Year 2022, the majority of which would have been shared by the School District. A case to challenge the City's Real Estate assessments requires the District to reimburse certain taxpayers approximately \$28.4 million which is reflected in Fiscal Year 2022 local taxes. The District received about 52% of its general fund revenues from local property taxes and other locally generated taxes.

To plan for the future, operating costs which are fixed and/or mandated (which make up a significant portion of the overall expenditures), along with new expenditures must be considered. Since the District is a service-oriented organization, labor costs (personnel costs and benefits) represent a significant portion of the budget representing nearly 43% of the operating fund expenditures including Federal ESSER rescue funds in Fiscal Year 2022.

The District continued its practice of achieving structural fiscal balance while executing the major initiatives discussed above. Part of the challenge is to continue to make the necessary sustainable investments in educational programming to achieve the strategic goals to ensure all our students get the support they need to succeed while balancing fiscal integrity.

The District's longer-term finances, although steadily improving up until the time of the pandemic, continue to pose challenges. The federal rescue funds will offer a respite, but they are one-time funding resources earmarked for recovery from the pandemic. 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 in recent 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. In addition, the physical aging of the infrastructure has required considerable additional resources to maintain and update the District's buildings and environmental factors.

The Local Economy: COVID-19 continues to have an impact on the demographic and socioeconomic conditions of the City of Philadelphia. While there are signs of economic and health recovery, there remain significant uncertainties and risks to certain of the City's economic sectors and industries and the pace of recovery will continue to change as circumstances and events evolve. It is very difficult to fully know the impacts to the City and its economy and financial position due to the dynamic nature of the outbreak and its variants. The City has experienced reductions to job growth, population growth, enrollment in K-12 public schools and personal income growth, as well as uncertain impacts on retail sales and commercial real estate occupancy. Meanwhile, there are positive signs to the city's economy with the unemployment rate dropping to 5.8% by December 2021, returning to the same rate reported just before the pandemic. The 2021 population dropped by 1.7% in one year, attributed to migration loss and increased mortality intensified by the pandemic, interrupting a period of unprecedented growth pre-pandemic. Deaths due to drug overdoses and gun violence are at record levels, along with violent crimes and robberies with opioid use having negative effects on many neighborhoods. Safety remained a key concern, threatening all aspects of return to pre-pandemic life.

The key factors highlighting Philadelphia's overall economic well-being fall into two distinct areas – the economy and social indicators. Philadelphia had an unemployment rate of 8.9% in 2021 and the Greater Philadelphia Area had an unemployment rate of 6.3% compared to a national average of 5.4% and the second-highest unemployment rate among comparison cities, only better than Detroit. The City prior to the pandemic got 47% of local revenues from wage tax and 40% of that is from commuters. It is unknown whether hybrid and work from home work arrangements will go back to normal levels thereby impacting these revenues into the future. Housing has been a bright spot with the medium home sale price up considerably. With regards to social indicators, high school graduation continued to rise. Although high school graduation rates of 70% for all District schools and 80% for traditional schools are below the national average of 85%, it's considerably higher than it was a decade ago. The poverty rate held steady at 25% and Philadelphia retained its title as the poorest of America's 10 most populated cities. Concerns over public safety and the effects of the pandemic have impacted economic progress. Public safety is one of the major reasons people move out of Philadelphia based on a poll conducted by the Pew Foundation. New vulnerability areas have been exposed in 2021, with Black and Hispanic populations hardest hit by racial equity and social justice outcries growing nationally and locally.

The population of 1.58 million dropped in 2021, the first decline since 2006. Philadelphia maintained its ranking of the sixth largest city in the United States. The City's population is diverse with 34.3% Non-Hispanic or White, 38.3% Black or African American, 14.9% Hispanic, 8.3% Asian and 4.2% Other. Enrollment in Philadelphia-district run schools continued to decrease while the number of students enrolled in Cyber Charters, continued to grow and other Charter Schools remained steady. Among peer cities, Philadelphia had the fifth largest higher education population and enrollment percentage.

The City benefits from its strategic geographical location, affordability, cultural and recreational amenities, and its growing strength in key industries. Philadelphia has developed an increasingly diverse economy centered on the healthcare industry, higher education, professional and business services and leisure and hospitality. The cost of living index is low compared to other major North East cities. The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area. Children's Hospital of Philadelphia is ranked number two in U.S. children's hospitals.

The City is in the heart of a five-county metropolitan area with approximately six million residents making it the Country's sixth largest by population and is both the largest city in the Commonwealth and the only city of the first class. The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation.

"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. The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions abound in Philadelphia. Due to COVID-19 stay at home

orders the leisure and hospitality sectors were amongst the hardest hit in the City limits and although recovering, remain below pre-pandemic levels.

The economic, social and demographic data tell us that in recent years before the pandemic, Philadelphia has many reasons to be proud of its performance and economic progress. But concerns over public safety, increasing gun violence and the unknown permanent effects of the current pandemic situation has and may impact the success and steady economic growth into the future.

Accounting Pronouncements. No new GASB Standards required in Fiscal Year 2022 were applicable to the District. GASB 98, effective in the 2022 fiscal year, was implemented in Fiscal Year 2021.


Long-term Debt As of June 30, 2022, the School District's net general bonded debt outstanding was \$3.5 billion. The District's Board of Education adopted a Debt Policy on May 28, 2020, which is still in effect. 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 Annual Comprehensive Financial Report for each fiscal year beginning in 1984 up to and including 2021. Similarly, the Association of School Business Officials International ("ASBO") awarded a Certificate of Excellence to the School District for its Annual Comprehensive Financial Report for each fiscal year beginning in 1985 up to and including 2021. 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 Annual Comprehensive 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 Annual Comprehensive 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 2022.

The preparation of this Annual Comprehensive Financial Report was made possible by the dedicated service of the entire staff of certain business and financial offices, especially 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 support and continued assistance.

Respectfully submitted,


Tony B. Watlington Sr., Ed.D.
Superintendent and Chief Executive Officer
The School District of Philadelphia


Michael Herbstman
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

School District of Philadelphia

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.**

The district report meets the criteria established for
ASBO International 's Certificate of Excellence in Financial Reporting.



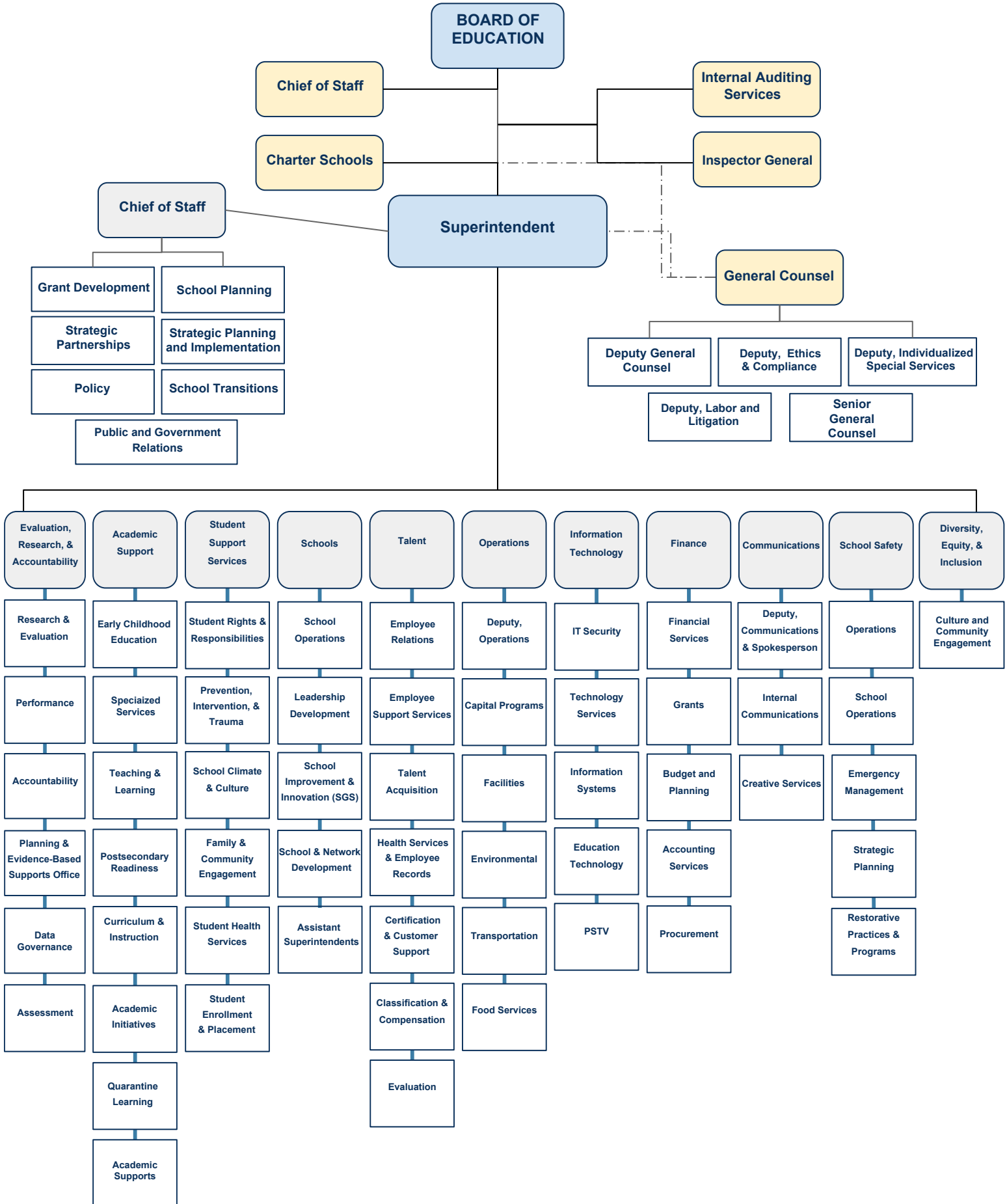
A handwritten signature in black ink, reading 'William A. Sutter'.

William A. Sutter
President

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

David J. Lewis
Executive Director

School District of Philadelphia Organization Chart



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2022

List of Principal Officials of the School District

Board of Education

Joyce S. Wilkerson, Board President
Leticia Egea-Hinton, Board Vice President
Julia Danzy, Member
Mallory Fix-Lopez, Member
Lisa Salley, Member
Reginald Streater, Member
Cecelia Thompson, Member

School District of Philadelphia

Tony B. Watlington, Sr., Ed.D.
Superintendent and CEO

Alicia Prince
Chief of Staff

Kevin Bethel
Chief Safety Officer

Kathryn Block
Chief of Communications

Melanie S. Harris
Chief Information Officer

Sabriya Jubile, Ed.D.
Chief of Diversity, Equity and Inclusion

Karyn T. Lynch
Chief of Student Support Services

Reginald McNeil
Chief Operating Officer

Uri Z. Monson
Chief Financial Officer

Evelyn Nunez, Ed.D.
Chief of Schools

Lynn Rosner Rauch, J.D.
General Counsel

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

Larisa Shambaugh
Chief Talent Officer

Tonya Wolford, Ed.D.
Chief of Evaluation, Research and Accountability

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CITY OF PHILADELPHIA

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

CHARLES EDACHERIL
Acting City Controller

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022, 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.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 33 and the required supplementary information other than management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 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 as listed in the table of contents, is 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 basic financial statements. The Other Supplementary

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

Information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the Introductory Section and the Statistical Section as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Charles Edacheril, CPA
Acting City Controller
Philadelphia, PA
February 14, 2023

SCHOOL DISTRICT OF PHILADELPHIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

I. INTRODUCTION

As part of the Financial Section of the Annual Comprehensive Financial Report ("ACFR"), the Management's Discussion and Analysis narrative ("MD&A") is an important element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in the *Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification")*.

This section of the ACFR 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, 2022. 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 ACFR and the Financial Statements immediately following.

II. FINANCIAL HIGHLIGHTS

The global pandemic has had profound impacts to both the financial results of the District and the prioritization of resources and expenditures in Fiscal Year 2022. The full extent of these impacts cannot be quantified at this time as the pandemic is unpredictable and continues into the foreseeable future. Several key financial highlights for Fiscal Year 2022 include, but are not limited to, the following items: (Certain prior year financial information has been reclassified to conform to the current year presentation)

- At the end of the current fiscal year, the total net deficit was \$3,934.8 million (liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources). Over 84.7% of the net deficit was due to the GASB's reporting requirements for pensions and other postemployment benefits (OPEB). In Fiscal Year 2022, the District recognized an unfunded net pension liability of \$3,205.9 million and an unfunded net PSERS OPEB and Life Insurance OPEB liability of \$185.2 million and \$20.2 million, respectively. The remaining 15.3% of net deficit is due to other unfunded liabilities, such as general obligation debt, compensated absences, workers compensation and claims and judgments.
- The School District's total net position increased \$378.4 million or 8.8%. Cash increased due to the receipt of federal COVID-19 rescue funds (expected to be spent through Fiscal Year 2024) and decreases in total Pension and OPEB liabilities and deferred inflows and outflows offset by an increase in current liabilities, primarily consisting of salaries and benefits accruals, accounts payable, accrued receipts, compensated absences and other accrued expenses.
- At the close of the current fiscal year, the School District's Governmental Funds reported combined fund balances of \$806.0 million, an increase of \$309.2 million in comparison with the prior year. The increase in the Governmental Activities fund balance is mostly attributable to the receipt of federal COVID-19 rescue funds and an increase in our basic education subsidy from the Pennsylvania Department of Education. Of this amount, there is \$177.6 million unassigned fund balance, 22.0% of total fund balance.
- The Operating Funds consist of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2022 ending Operating Fund balance is \$519.8 million. Of this fund balance for the Operating Funds at June 30, 2022, \$19.2 million is non-spendable or encumbered for existing purchase commitments and \$252.0 million is restricted for future debt service payments, leaving an ending unassigned Operating Funds balance of \$248.6 million or 8.1% of total Operating Funds expenditures.

- The Operating Funds balance increased \$214.5 million from Fiscal Year 2021 which is primarily the result of Operating Funds expenditures funded by eligible federal pandemic rescue funds and reported in the Categorical Fund and higher basic education subsidy funding from the Pennsylvania Department of Education.
- On May 27, 2021, the Board of Education adopted the Fiscal Year 2022 Operating Budget (excluding federal relief funds) of \$3,215.3 million in revenues and other financing sources and \$3,065.0 million in obligations and other financing uses. On May 26, 2022, the Board of Education amended the Fiscal Year 2022 Operating Budget (excluding federal relief funds) of \$3,302.3 million in revenues and other financing sources and obligations and other financing uses of \$3,084.9 million. Both the adopted and amended Fiscal Year 2022 Operating Budget resolutions/action items reflect other financing sources and uses net of transfers between the General Fund, Intermediate Unit and Debt Service Fund.

III. USING THIS ANNUAL COMPREHENSIVE FINANCIAL REPORT

This Financial Section of the ACFR 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 / (deficit) 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 2022. 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. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the fiscal year as compared to the prior fiscal year.

Net Position

Table 1 provides a summary of the School District's net deficit position as of June 30, 2022. A more detailed Statement of Net Position is on page 36 of the Basic Financial Statement section:

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Net Position
As of June 30, 2022
(Dollars in Millions)

Table 1

	Governmental		Business-Type		Total		Variance	
	Activities		Activities				Total \$	Total %
Assets	2022	2021	2022	2021	2022	2021		
Current & Other Assets	\$ 1,818.7	\$ 1,349.3	\$ 5.8	\$ (4.1)	\$ 1,824.5	\$ 1,345.2	\$ 479.3	35.6%
Capital Assets	2,271.2	2,074.2	2.8	3.1	2,274.0	2,077.3	196.7	9.5%
Total Assets	<u>4,089.9</u>	<u>3,423.5</u>	<u>8.6</u>	<u>(1.0)</u>	<u>4,098.5</u>	<u>3,422.5</u>	<u>676.0</u>	<u>19.8%</u>
Deferred Outflows of Resources								
Deferred Refunding Charges - Loss	29.0	44.1	-	-	29.0	44.1	(15.1)	(34.2)%
Deferred Pension Related	645.2	652.0	9.7	9.9	654.9	661.9	(7.0)	(1.1)%
Deferred OPEB Related	45.1	30.6	0.7	0.4	45.8	31.0	14.8	47.7%
Total Deferred Outflows	<u>719.3</u>	<u>726.7</u>	<u>10.4</u>	<u>10.3</u>	<u>729.7</u>	<u>737.0</u>	<u>(7.3)</u>	<u>(1.0)%</u>
Liabilities								
Current & Other Liabilities	803.2	643.3	6.8	2.8	810.0	646.1	(163.9)	(25.4)%
Long-Term Liabilities	3,904.5	3,718.4	2.0	2.4	3,906.5	3,720.8	(185.7)	(5.0)%
Net Pension Liability	3,205.9	3,734.1	47.2	56.5	3,253.1	3,790.6	537.5	14.2%
Net OPEB Liability	205.4	183.7	3.0	2.6	208.4	186.3	(22.1)	(11.9)%
Total Liabilities	<u>8,119.0</u>	<u>8,279.5</u>	<u>59.0</u>	<u>64.3</u>	<u>8,178.0</u>	<u>8,343.8</u>	<u>165.8</u>	<u>2.0%</u>
Deferred Inflows of Resources								
Deferred Refunding Charges - Gain	12.4	15.2	-	-	12.4	15.2	2.8	18.4%
Deferred Pension Related	559.4	106.8	9.5	1.6	568.9	108.4	(460.5)	(424.8)%
Deferred OPEB Related	3.6	5.2	0.1	0.1	3.7	5.3	1.6	30.2%
Total Deferred Inflows	<u>575.4</u>	<u>127.2</u>	<u>9.6</u>	<u>1.7</u>	<u>585.0</u>	<u>128.9</u>	<u>(456.1)</u>	<u>(353.8)%</u>
Net Position								
Net Investment in Capital Assets	(562.2)	(599.0)	2.8	2.9	(559.4)	(596.1)	36.7	6.2%
Restricted	272.1	261.7	-	-	272.1	261.7	10.4	4.0%
Unrestricted (Deficit)	<u>(3,595.1)</u>	<u>(3,919.2)</u>	<u>(52.4)</u>	<u>(59.6)</u>	<u>(3,647.5)</u>	<u>(3,978.8)</u>	<u>331.3</u>	<u>8.3%</u>
Total Net Position (Deficit)	<u>\$ (3,885.2)</u>	<u>\$ (4,256.5)</u>	<u>\$ (49.6)</u>	<u>\$ (56.7)</u>	<u>\$ (3,934.8)</u>	<u>\$ (4,313.2)</u>	<u>\$ 378.4</u>	<u>8.8%</u>

Total net deficit of \$3,934.8 million is made up almost entirely of governmental activities, comprising 98.7%. Business activities comprise the Food Service Fund and the Print Shop Fund and are only a deficit of \$49.6 million or 1.3% of the total net deficit.

Total assets increased by \$676.0 million from the prior year. Cash increased due to the receipt of federal COVID-19 rescue funds and additional bond money spent on new capital projects.

Deferred outflows of resources decreased by \$7.3 million from the prior year. This decrease was primarily due to the amortization of deferred charges from refunded bonds and deferred pension costs due to an increase in the District's proportionate share, as calculated by PSERS, from 7.6983% to 7.9234% offset by deferred OPEB costs.

Total liabilities decreased \$165.8 million from the prior year. Pension and OPEB liabilities decreased by \$515.4 million, based on the total PSERS pension liability as calculated by the Pennsylvania Department of Education PSERS Pension Plan Actuary, offset by increases of \$349.6 million in current and other long-term liabilities, primarily due to the issuance of two new general obligation bonds and increased accrued salaries and benefits.

Deferred inflows of resources increased by \$456.1 million primarily from deferred pension costs, based on the net difference between projected and actual investment earnings as calculated by the Pennsylvania Department of Education PSERS Pension Plan Actuary.

The net investment in capital assets' negative balance of \$559.4 million reflects the investment in capital assets (e.g., land building, machinery, equipment, vehicles, infrastructure, and right-to-use leased assets), net of accumulated depreciation/amortization and less the accumulated debt outstanding used to acquire the assets.

The unrestricted portion of the School District's net deficit position of negative \$3,647.5 million, or 92.7%, reflects long-term liabilities consisting of compensated absences, workers compensation and losses and judgments, and the largest portion by far, net pension and OPEB liabilities.

An additional small portion of the School District's net position, \$272.1 million, or 6.9%, represents funds that are subject to various restrictions, primarily, \$252.0 million of this amount is restricted to repay bond principal and interest.

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 37 of the Basic Financial Statement section. Table 2 summarizes the data from that presentation.

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Changes in Net Position
As of June 30, 2022
(Dollars in Millions)
Table 2

	Governmental		Business-Type		Total		Total variance to last year	
	Activities		Activities				\$	%
Revenues	2022	2021	2022	2021	2022	2021		
Program Revenues								
Charges for Services	\$ 14.2	\$ 4.8	\$ 0.5	\$ 0.4	\$ 14.7	\$ 5.2	\$ 9.5	182.7%
Operating Grants & Contributions	1,771.7	1,257.1	78.6	37.0	1,850.3	1,294.1	556.2	43.0%
Capital Grants & Contributions	17.0	0.5	-	-	17.0	0.5	16.5	3300.0%
General Revenues								
Property Taxes	847.3	897.4	-	-	847.3	897.4	(50.1)	-5.6%
Other Taxes	487.5	452.5	-	-	487.5	452.5	35.0	7.7%
Investments Earnings/(Losses)	(0.4)	2.1	-	-	(0.4)	2.1	(2.5)	-119.0%
Grants & Contributions Not Restricted State & Federal Subsidies Not Restricted	277.4	266.0	-	-	277.4	266.0	11.4	4.3%
Miscellaneous Income	1.2	2.2	-	-	1.2	2.2	(1.0)	-45.5%
Total Revenues	4,571.9	3,972.8	79.1	37.4	4,651.0	4,010.2	640.8	16.0%
Expenses								
Instruction	2,871.7	2,772.5	-	-	2,871.7	2,772.5	(99.2)	-3.6%
Student Support Services	312.4	259.3	-	-	312.4	259.3	(53.1)	-20.5%
Administrative Support	298.2	242.9	-	-	298.2	242.9	(55.3)	-22.8%
Operation & Maintenance	287.5	267.9	-	-	287.5	267.9	(19.6)	-7.3%
Pupil Transportation	179.0	143.7	-	-	179.0	143.7	(35.3)	-24.6%
Non Instructional Services	24.2	17.4	-	-	24.2	17.4	(6.8)	-39.1%
Interest on Long-Term Debt	130.5	107.5	-	-	130.5	107.5	(23.0)	-21.4%
Unallocated Depreciation	88.7	68.5	-	-	88.7	68.5	(20.2)	-29.5%
Food Service/Print Shop	-	-	80.4	66.3	80.4	66.3	(14.1)	-21.3%
Total Expenses	4,192.2	3,879.7	80.4	66.3	4,272.6	3,946.0	(326.6)	-8.3%
Excess before Transfers	379.7	93.1	(1.3)	(28.9)	378.4	64.2	314.2	489.4%
Transfers	(8.4)	(0.6)	8.4	0.6	-	-	-	0.0%
Increase (Decrease) in Net Position	371.3	92.5	7.1	(28.3)	378.4	64.2	314.2	489.4%
Net (Deficit) - Beginning	(4,256.5)	(4,346.8)	(56.7)	(28.4)	(4,313.2)	(4,375.2)	62.0	1.4%
Prior Period Adjustments	-	(2.2)	-	-	-	(2.2)	2.2	-100.0%
Net (Deficit) - Ending	\$ (3,885.2)	\$ (4,256.5)	\$ (49.6)	\$ (56.7)	\$ (3,934.8)	\$ (4,313.2)	\$ 378.4	8.8%

The School District's overall net position increased by \$378.4 million or 8.8% from the prior fiscal year total restated net deficit of \$4,313.2 million. (See footnote 4M for details on the prior period adjustment). The reasons for this overall increase are discussed in the following sections for governmental activities and business type activities.

Governmental Activities: During the current fiscal year, net position for governmental activities increased \$371.3 million from the restated prior fiscal year net deficit balance of \$4,256.5 million.

Revenues increased \$599.1 million, a 15.1% increase from the prior year. The increase was primarily comprised of federal pandemic rescue funds and, to a lesser extent, additional basic education subsidy funding from the Pennsylvania Department of Education.

Expenses increased \$312.5 million, an 8.1% increase from the prior year. Increases for instruction and all student related costs increased to support educational recovery, social and emotional needs, and accelerated learning. In addition, transportation, non-instructional and other costs increased to support the return to in-person learning.

Business-type Activities: During the current fiscal year, net position for business type activities increased \$7.1 million from the prior fiscal year net deficit of \$56.7 million comprised almost entirely of deficits in the Food Service Fund. In order to support students’ nutritional needs during remote learning, the District’s food service division set-up sites throughout the city to provide “grab and go” meals to students. Because these meals no longer qualified for federal reimbursement, the General Fund subsidized the losses incurred from Fiscal Year 2020 through 2022.

Major Sources of Revenues

The School District’s overall revenues are derived primarily from four sources: (i) local taxes; (ii) local non-tax revenues; (iii) state grants and subsidies; and (iv) 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, 2022
(Dollars in Millions)
Table 3

Revenue Source	Program Revenues				General Revenues			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021	2022	2021	2022	2021
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,334.8	\$ 1,349.9	\$ -	\$ -
Locally Generated NonTax	50.3	20.1	0.5	0.4	278.2	270.3	-	-
State and Federal Grants and Subsidies	1,752.6	1,242.3	78.6	37.0	1,156.0	1,090.2	-	-
Total Revenue	\$ 1,802.9	\$ 1,262.4	\$ 79.1	\$ 37.4	\$ 2,769.0	\$ 2,710.4	\$ -	\$ -

- Total revenues were \$4,651.0 million almost all of which are from Governmental Activities. Over 40.1% of total revenues and subsidies were from the State with PA Basic Education Subsidy (BES) representing approximately three fourths of total revenues from the state and grants awarded and appropriated by the Pennsylvania State government comprising about one fourth. About 35.8% of the District’s revenues are from the collection of local taxes and local nontax sources. The remaining 24.1% is subsidies and grants awarded and appropriated by the Federal government.
- Total revenues increased by \$640.8 million compared to Fiscal Year 2021. Program revenues increased by \$582.2 million primarily from: 1) \$555.1 million increase in operating grants and contributions, 2) \$16.5 million increase in capital grants and contributions, and 3) \$10.6 million decrease in service charges. This increase is largely due to additional grant funds received from the federal government and private grantors with most of the increase related to federal COVID-19 rescue funds. General revenues increased by \$58.6 million primarily due to increases in basic education funding from the Pennsylvania Department of Education offset by lower local tax revenues.
- Governmental Activities revenues account for \$4,571.9 million or 98.3% of the total revenues with Business Activities comprising the remaining \$79.1 million.

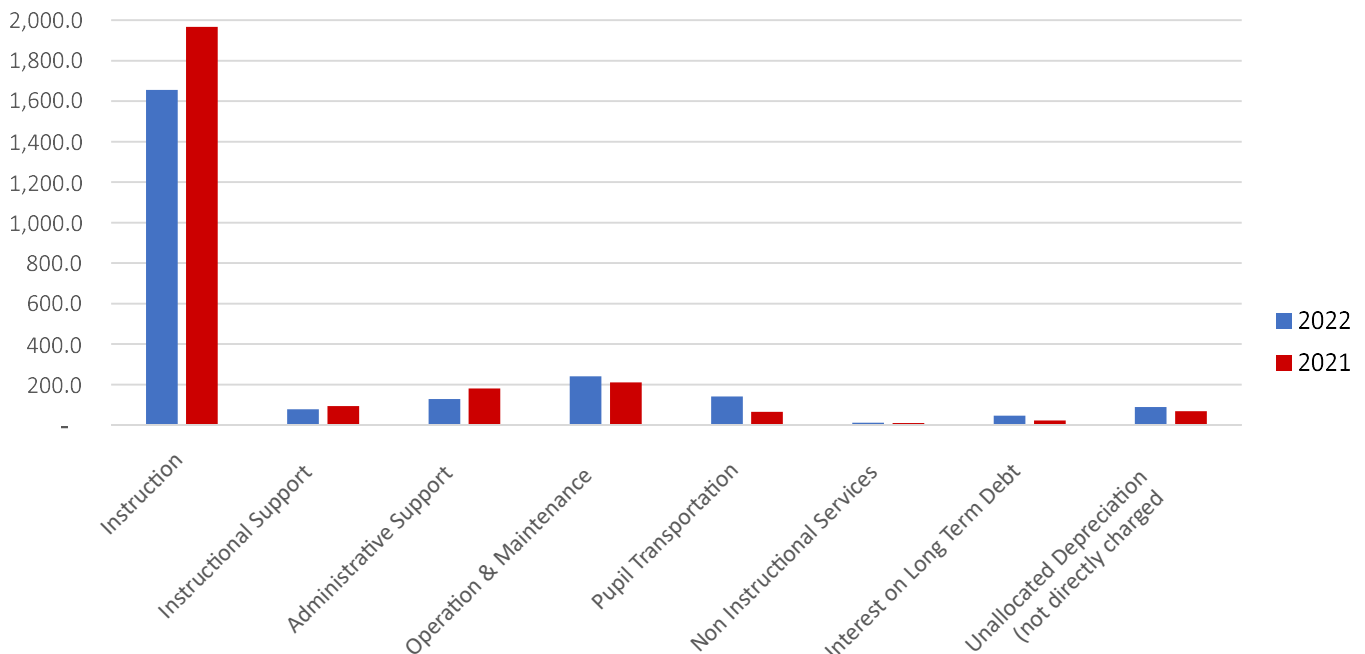
Cost of Services by Major Functional Expense Category

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 and Food Service / Print Shop.

Cost of Services by
Major Functional Expense Category
Fiscal Year Ended June 30, 2022
(Dollars in Millions)
Table 4

Functional Expense	2022		2021	
	Gross Cost of Services	Net Cost of Services	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,871.7	\$ 1,655.2	\$ 2,772.5	\$ 1,966.2
Instructional Support Services	312.4	77.5	259.3	94.5
Administrative Support	298.2	128.6	242.9	180.3
Operation & Maintenance of Plant Services	287.5	241.1	267.9	210.5
Pupil Transportation	179.0	141.5	143.7	65.8
Non Instructional Services	24.2	10.8	17.4	8.8
Interest on Long Term Debt	130.5	45.9	107.5	22.6
Unallocated Depreciation (not directly charged above)	88.7	88.7	68.5	68.5
Food Service / Print Shop	80.4	1.2	66.3	28.9
Total Expenses	\$ 4,272.6	\$ 2,390.5	\$ 3,946.0	\$ 2,646.1

Governmental Activities - Net Cost of Services
Fiscal Year 2022 vs 2021
(Dollars in Millions)



- Total expenses were \$4,272.6 million of which \$4,192.2 million or 98.1% were Governmental Activities. Approximately 96.9% of all Governmental Activity expenses are for instructional services, direct student-related costs and services directly benefiting students and schools such as transportation, utilities and debt service for school renovations and construction. A significant portion of these expenses are fixed and/or mandated by regulatory and contractual obligations (e.g., for benefits per the Collective Bargaining Agreements, mandated pension plan contributions, debt service costs, and charter school transportation and per pupil payments)
- Total expenses increased by \$326.6 million compared to Fiscal Year 2021. The Governmental Activities increase of \$312.5 million is primarily due to an additional \$256.8 million in instruction costs, instructional support services and other student-related services to address COVID-19 loss of learning, emotional support and safety protocols. In addition, expenses under Business-type activities increased by \$14.1 million primarily due to increased expenses in the Food Service fund due to returning to in-person learning.

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.

Governmental Funds

As of June 30, 2022 the School District reported combined fund balances of \$806.0 million, a increase of \$309.2 million in comparison to the prior year fund balance of \$496.8 million. Of this amount, \$177.6 million or 22.0% constitutes unassigned fund balance, which is available at the District's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicated that it is (1) not spendable in form, \$.6 million, (2) not spendable because it is legally required to be maintained, \$2.7 million, (3) restricted for a particular purpose, \$606.5 million, (4) committed for a particular purpose, \$1.2 million, or (5) assigned for a particular purposed, \$17.4 million.

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 an ending fund balance of \$266.5 million on June 30, 2022, an increase of \$201.9 million from prior year's restated fund balance of \$64.6 million. (See footnote 4M for details on the prior period adjustment of \$2.7 million). The increase in fund balance was attributable to shifts in instructional and related student support services funded by pandemic qualified rescue funds in the Categorical Fund offset by increases in Charter School and transportation costs. As a measure of the general fund liquidity, it is useful to compare both unassigned and total fund balance to total general fund expenditures. The unassigned fund balance of \$248.6 million represents 10.7% of total fund expenditures, while total fund balance represents 11.4% of that same amount.

Intermediate Unit Fund

The Intermediate Unit Fund accounts for state appropriations for special education as well as certain administrative costs. Programs include Autistic Support, Blind or Visually Impaired Support, Deaf or Hearing-Impaired Support, Emotional Support, Learning Support and Multiple Disabilities Support while related administrative costs include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2022, the Intermediate Unit Fund had a deficiency of expenditures over revenues of \$285.3 million and the General Fund transferred in \$286.3, net of indirect costs to cover the shortfall, totaling a net increase of \$1.0 million to fund balance. This resulted in an ending fund balance of \$1.3 million at June 30, 2022.

Categorical Funds

Categorical Funds account for specific purpose federal, state, city or private grants and non-public school programs to cover the costs of dedicated programs, capital projects paid with grant funds and special initiatives. Categorical Funds had a negative \$14.9 million net change in fund balance, which resulted in a fund deficit of \$71.0 million at June 30, 2022. There were \$71.0 million still outstanding from grantors and recorded as unavailable revenue for Fiscal Year 2022 compared to \$56.1 million from Fiscal Year 2021.

Debt Service Fund

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 District funds most of its capital projects through debt issuance. During Fiscal Year 2022, the Debt Service Fund increased its fund balance by \$11.5 million to an ending fund balance of \$252.0 million as of June 30, 2022. The primary causes of the net increase were related to a \$3.4 million increase for debt service principal requirements and an increase of \$13.3 million set aside as mandatory sinking fund deposits for future debt payments offset by a \$5.2 million decrease for debt service interest payments.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to cover the costs associated with the acquisition of capital assets and for the construction, modernization, alteration, repair, and improvements to the School District's major capital facilities and buildings paid for with bond proceeds. During Fiscal Year 2022, the Capital Projects Fund increased by \$109.8 million from the restated prior year fund balance of \$236.7 million to a fund balance of \$346.5 million. (See footnote 4M for details on the prior period adjustment). Revenues resulted in a loss of \$0.7 million due to unrealized losses on investments. Other sources (net of other uses) were \$377.8 million primarily due to new bond issuances. New building construction totaled \$143.4 million, capital alterations and improvements \$72.9 million, environmental management totaled \$3.9 million, major renovations \$33.4 million, and other software and technology related projects, including system acquisition costs, totaled \$13.7 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 \$49.6 million at the end of Fiscal Year 2022 with a deficit of \$47.9 million for the Food Service Fund, and a deficit of \$1.7 million for the Print Shop. This reflects a \$7.1 million increase in net position from the prior fiscal year net deficit of \$56.7 million, almost all related to the Food Service Fund. The Food Service Fund realized a \$7.1 million net gain due to a subsidy from the District's General Fund for losses incurred from Fiscal Year 2020 through 2022. In Fiscal Year 2020, the Food Service Fund began realizing operating losses because the food service division set-up sites throughout the city to provide "grab and go" meals to students to support their nutritional needs during remote learning and these meals did not qualify for federal reimbursement.

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 42-43, as well as page 46 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, 2022
(Dollars in Millions)

Table 5

Fund	Fiscal Year 2022	Fiscal Year 2021
General	\$ 201.9	\$ 19.8
Intermediate Unit	1.0	(0.3)
Categorical	(14.9)	(24.2)
Debt Service	11.5	13.1
Capital Projects	109.8	(239.1)
Food Service	7.1	(28.3)
Non-Major Governmental	(0.2)	(0.8)
Total Change in Fund Balance/Net Position	<u>\$ 316.2</u>	<u>\$ (259.8)</u>

Total Fund Balances and Net Position for Major and Non-Major Funds
As of June 30, 2022
(Dollars in Millions)

Table 6

Fund	Fiscal Year 2022	Fiscal Year 2021
General	\$ 266.5	\$ 67.3
Intermediate Unit	1.3	0.2
Categorical	(71.0)	(56.1)
Debt Service	252.0	240.5
Capital Projects	346.5	234.1
Food Service	(47.9)	(55.0)
Non-Major Enterprise	(1.7)	(1.7)
Non-Major Governmental	10.7	10.9
Total Change in Fund Balance/Net Position	<u>\$ 756.4</u>	<u>\$ 440.2</u>

Internal Service Fund

In addition, the District has an Internal Service Fund which accounts for the Healthcare Self Insurance Fund. The Healthcare Self Insurance Fund was established for self-insurance medical, vision and prescription service costs (excluding Health & Welfare payments to unions) to allow better visibility and analyses of medical coverage, by type, due to these costs being a major cost factor of the District's expenses. At June 30, 2022, the Internal Service Fund's net position was \$23.5 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. The decrease in fund balance of \$9.3 million from Fiscal Year 2021 is attributable to higher healthcare claim costs.

VI. BUDGETING HIGHLIGHTS

General Fund Budget (Included in legally adopted Operating Budget)

Original budget compared to final budget. In May 2022, the District amended the original General Fund projected ending fund balance from \$140.1 million to \$267.7 million, an increase of \$127.6 million. The fund balance increase was primarily driven by lower obligations due to the use of federal relief funds for qualified instructional expenses not part of the General Fund revenues in addition to increased State revenues.

For Fiscal Year 2022, the final budgeted General Fund revenue was \$92.7 million higher than the original Fiscal Year 2022 budget adopted in May 2021. State revenue increased \$81.4 million which is primarily made up of an additional \$58.1 million increase in Basic Education and Special Education funding. This increase is due in large part to the Statewide supplement to school districts with higher at-risk populations of students that was approved as part of the FY22 State budget, which was adopted after the District adopted its budget. The remaining State revenue net increase of \$23.3 million is primarily made up of increases in retirement and social security reimbursement due to increases in salary related to new collective bargaining agreements and transportation revenues due to the return of in-person learning.

The anticipated obligations in the final General Fund budget represented an increase of \$56.6 million from the original adopted budget. This increase resulted primarily from a net increase of \$40.8 million in instruction costs and school administration costs due to the return to in-person learning and \$15.8 million of various budgeting increases.

The anticipated Other Financing Sources and Uses in the final General Fund budget were \$27.6 million favorable as compared to the original adopted budget. This is due primarily to a budgeting change in how the District is reporting reimbursements of indirect costs received from other funds.

Final budget compared to actual results. The actual ending General Fund balance at June 30, 2022 of \$248.6 million was \$19.1 million unfavorable as compared to the final budget ending balance of \$267.7 million.

Actual General Fund revenues of \$3,126.8 million are \$1.1 million higher than those estimated in the final General Fund budget. Social security and retirement reimbursements were higher than budgeted by \$22.7 million due to salary increases from the new collective bargaining agreements and an additional \$6.4 million in revenue from the parking authority that was not budgeted offset by a decrease in budgeted tax revenues of \$23.5 million, primarily due to a challenge to city real estate assessments process in FY18, which required the District to reimburse certain taxpayers, and a decrease of \$4.5 million from other miscellaneous budgets.

Actual General Fund obligations, totaling \$2,348.4 million, were \$16.2 million higher than estimated in the final budget. Combined net increases of \$41.9 million in instruction and instructional support costs (including charter schools) and business support services due to the implementation of a new enterprise resource planning finance system were offset by \$22.7 million of lower actual obligations for pupil transportation due to uncertainty from the effects of the pandemic and \$3.0 million lower than budgeted costs in other miscellaneous budgets.

Other financing sources and uses of a negative \$584.6 million were \$1.2 million unfavorable as compared to the final budget. This is due primarily to a budgeting change in how the District is reporting reimbursements of indirect costs received from other funds.

Actual Budgetary Basis compared to GAAP Basis. In addition, \$17.9 million of fund balance is not available for appropriation (a beginning fund balance variance of \$22.1 million is due to encumbrances and other reserves carried forward from Fiscal Year 2021, \$8.2 million of new encumbrances, offset by the release of \$12.4 million primarily reserved for facilities improvements).

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

General Fund Budget Comparison
Fiscal Year Ended June 30, 2022
(Dollars in Millions)
Table 7

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget
	Original	Final		
Total Revenues	\$ 3,033.0	\$ 3,125.7	\$ 3,126.8	\$ 1.1
Total Obligations	2,275.6	2,332.2	2,348.4	(16.2)
Total Other Financing Sources (Uses)	(611.0)	(583.4)	(584.6)	(1.2)
Net Change in Fund Balances	146.4	210.1	193.8	(16.3)
Fund Balances, Beginning of Year	(18.8)	45.1	45.1	-
Change in Non Spendable Fund Balance	-	-	(0.1)	(0.1)
Change in Reserves	12.5	12.5	12.5	-
Prior Period Restatement	-	-	(2.7)	(2.7)
Fund Balances (Deficit), End of Year	<u>\$ 140.1</u>	<u>\$ 267.7</u>	<u>\$ 248.6</u>	<u>\$ (19.1)</u>

During Fiscal Year 2022, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to the following:

- Revenues had an \$1.1 million favorable variance due to a \$22.7 million favorable variance in retirement and social security reimbursements and an additional \$6.4 million in revenue from the parking authority that was not budgeted offset by unfavorable variances in current real estate taxes of \$23.5 million due to a challenge to the city real estate assessments process in Fiscal Year 2018, which required the District to reimburse certain taxpayers, and other variances of \$4.5 million.
- Obligations were \$16.2 million more than budgeted primarily driven by net increases of \$41.9 million in instruction and instructional support costs (including charter schools) to support students in educational recovery, social and emotional needs, and accelerated learning and business support services due to the implementation of a new enterprise resource planning finance system were offset by \$22.7 million of lower actual obligations for pupil transportation due to uncertainty from the effects of the pandemic and \$3.0 million lower than budgeted costs in other miscellaneous budgets.
- Other Financing uses were \$1.2 million unfavorable from the final budget due primarily to a budgeting change in how the District is reporting reimbursements of indirect costs received from other funds.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2022, the School District had \$4,360.4 million invested in capital assets for its governmental and business-type activities. This investment in capital assets includes land, buildings and improvements, building construction, machinery, equipment, vehicles, intangibles and right-to-use leased assets qualifying under GASB 87. Over the years, these assets have depreciated/amortized by \$2,086.5 million leaving a carrying value of \$2,274.0 million. This represents an increase of \$196.6 million or 9.5% over the Fiscal Year 2021 restated ending balance. The increase is primarily related to new building costs and building improvements of \$193.8 million. Table 8 represents Net Capital Assets. Refer to Footnote 1D(8) and 4D for additional information.

Net Capital Assets
As of June 30, 2022
(Dollars in Millions)
Table 8

Capital Asset Category	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 130.6	\$ 130.6	\$ -	\$ -	\$ 130.6	\$ 130.6
Buildings, Improvements & Intangible Assets	1,696.1	1,587.6	-	-	1,696.1	1,587.6
Personal Property	43.7	39.0	2.8	2.8	46.5	41.8
Construction and Development In Progress	373.9	266.7	-	-	373.9	266.7
Intangibles	16.7	40.6	-	-	16.7	40.6
Right to Use Leased Assets	10.2	9.7	-	-	10.2	9.7
Total Net Book Value	\$ 2,271.2	\$ 2,074.2	\$ 2.8	\$ 2.8	\$ 2,274.0	\$ 2,077.0

Debt Administration

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

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

Pennsylvania lawmakers strengthened the Pennsylvania school district intercept program by passing Pennsylvania’s Act 85 of 2016, which the Governor signed into law on July 13, 2016. The law allows the Pennsylvania Department of Education, if needed in the event of a state budget impasse, to request available Pennsylvania General Fund money to make debt service payments.

It is important to understand that while the 2016 intercept provisions strengthen the PA intercept mechanism, they do not guarantee debt service payments will be paid and there are limitations laid out in the law.

In December 2018, Moody’s upgraded the School District’s Bond rating to Baa3 and set the outlook to stable. In June 2020, Moody’s reaffirmed their credit rating and Fitch affirmed the School District’s Issuer Default Rating as BB+. This improved rating has positively influenced the District’s borrowing rates and future financing needs.

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

Long-Term Obligations Outstanding
As of June 30, 2022
(Dollars in Millions)
Table 9

	Governmental Activities			Business-Type Activities			Government-Wide		
	2022	2021	Net	2022	2021	Net	2022	2021	Net
			Change			Change			Change
Total Bonded Debt	\$ 3,508.1	\$ 3,327.6	\$ 180.5	\$ -	\$ -	\$ -	\$ 3,508.1	\$ 3,327.6	\$ 180.5
Employee Related Obligations	3,638.8	4,144.0	(505.2)	52.2	61.3	(9.1)	3,691.0	4,205.3	(514.3)
Due to Other Governments	45.3	45.3	-	-	-	-	45.3	45.3	-
Other	123.6	119.3	4.3	-	0.2	(0.2)	123.6	119.5	4.1
Total Long-Term Obligations	\$ 7,315.8	\$ 7,636.2	\$ (320.4)	\$ 52.2	\$ 61.5	\$ (9.3)	\$ 7,368.0	\$ 7,697.7	\$ (329.7)

The Total Long-term Obligations Outstanding decreased by \$329.7 million. This includes a decrease in pension liability of \$514.3 million offset by an increase in bonded debt of \$180.5 million due to the issuance of two new general obligation bonds in Fiscal year 2022 and an increase in other obligations of \$4.1 million. Refer to Footnotes 4E (2), 4J and 4K for additional information.

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 \$251.9 million from the School District. Of this amount, \$155.5 million is to pay obligations for the next fiscal year, and \$96.4 million represents mandatory deposits for future debt payments.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Economic Factors in Next Year's Budget and Rates

The District's Fiscal Year 2023 operating budget (excluding federal relief funds) adopted on May 26, 2022 includes operating revenues and sources of \$4,064.3 million and operating expenditures and uses of \$3,945.1 million resulting in a projected operating surplus of \$119.2 million for the fiscal year (before reserve adjustments) and an ending Operating Funds balance through Fiscal Year 2023 of \$566.5 million. This represents approximately 7.0 weeks of operating revenues.

The following economic factors were considered in developing the Fiscal Year 2022-2023 fiscal budget, including federal relief funds, for The School District of Philadelphia.

- Focus on continuing to support students with learning recovery, improvements to District facilities, supports to address the social and emotional needs of students, and funding for the Board's Goals and Guardrails.
- The Governor's Budget proposal including significant new revenues and savings related to charter payments.
- One-time, multi-year Federal relief funds of \$1.1 billion for pandemic-related safety costs, pandemic recovery costs for instruction, academic supports for students and other qualified operating expenses which was awarded in Fiscal Year 2021 and can be spent through September 2024.
- Revenues and other financing sources, including Federal relief funds, are projected to increase by approximately 11.4%. The increase is primarily explained by the increase in state revenue associated with the Governor's Budget Proposal, partially offset by a reduction in the Federal relief funds based on timing of associated expenditures.
- Local tax revenues, primarily real estate taxes, and non-tax local revenues will have an increase of 10.7% and 3.2%, respectively.
- Investments focused on maintaining student support, while adjusting for continuing enrollment decline and investing in new priorities based on lessons learned, feedback from prior year investments, and the Board's Goals and Guardrails. Some examples include: 1) Additional special education teachers, ESL teachers, and bilingual counseling assistants, 2) Increased student climate staff hours and investments in safe schools and environmental factors, and 3) Continuing to drive down the student to counselor ratio and reducing the enrollment ratios at which secretaries and assistant principals are allocated.
- District-operated schools will continue to comprise the majority of expenditures, projected at 52%.
- Charter schools including transportation will comprise 23% of operating expenditures based upon the State's per pupil funding formula.
- Debt expenditures comprise 8% of the total budget.

Major Factors Driving Costs

- The adoption of the GASB's Pension and Postemployment Benefits Other Than Pensions (OPEB) reporting requirements in Fiscal Years 2015 and 2018, respectively, 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 net impact to the Governmental Activities net position was \$3.3 billion. See footnotes 4E (2) and 4K for additional information.

- A major cost driver that has affected the School District's spending has been State and Federal regulations requiring school choice options. As part of school choice options, the School District, in 2022, supported 111 Charter Schools including brick and mortar and cyber charter schools where any student may apply to attend. Funding Charter Schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997 has had a significant fiscal impact on the School District since its passage with approximately 40% or \$1.2 billion of the Operating Funds obligation budget going to charters in Fiscal Year 2022.
- 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.
- The District has experienced a rising cost of personnel benefits, which is a major cost driver. Retirement benefits are State mandated expenditures of \$225.2 million (net expenditures of \$72.5 million with State reimbursement portion) in Fiscal Year 2022 and the required employer contribution rates have been growing drastically over the past five fiscal years (from 29.2% in Fiscal Year 2017 to 34.1% in 2021, an increase of 4.9%), 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 2022 were about \$195.2 million (excluding Health & Welfare payments to Unions and dental).
- The District spent \$312.0 million on debt service in Fiscal Year 2022. To manage these debt service costs, the District has been effectively managing debt issuances and refinancing bonds. This along with the positive financial outlook and recent investment grade bond rating has served to reduce these costs further.

Capital Improvement Program

The School District of Philadelphia 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 \$2,747.4 million from Fiscal Years' 2023 to 2028 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 2023 is \$332.9 million, and as of May 2022, will partially fund 95 active construction contracts and primarily fund 49 projects currently in the design phase and 110 projects in the planning phase. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprised of HVAC, structural, roofs, windows and doors, electrical systems, site improvements, security equipment and the ongoing facility condition assessment.

IX. THE SCHOOL DISTRICT'S MANAGEMENT

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

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Basic Financial Statements

School District of Philadelphia
Statement of Net Position
June 30, 2022

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 109	\$ -	\$ 109
Cash and Investments Held by Third Parties	252,429,950	-	252,429,950
Pooled Cash and Investments	672,138,153	-	672,138,153
Taxes Receivable (Net)	161,546,988	-	161,546,988
Due from Other Governments	306,357,898	12,521,735	318,879,633
Accounts Receivable (Net)	24,191,443	5,189	24,196,632
Accrued Interest Receivable	150,307	-	150,307
Internal Balances	7,469,720	(7,469,720)	-
Inventory	317,023	709,247	1,026,270
Prepaid Expenses	243,695	-	243,695
Prepaid Bond Insurance Premium Costs	5,173,278	-	5,173,278
Restricted Assets:			
Cash and Cash Equivalents	185,502,840	-	185,502,840
Investments	193,748,839	-	193,748,839
Funds on Deposit	9,500,000	-	9,500,000
Capital Assets:			
Land	130,605,729	-	130,605,729
Buildings and Improvements	3,605,277,705	210,575	3,605,488,280
Personal Property	117,768,175	17,366,948	135,135,123
Construction and Development in Progress	373,891,810	-	373,891,810
Intangibles	93,068,167	981,939	94,050,106
Right to Use Leased Assets	20,900,099	382,194	21,282,293
Accumulated Depreciation and Amortization	(2,070,343,319)	(16,118,591)	(2,086,461,910)
Total Assets	4,089,938,609	8,589,516	4,098,528,125
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related	645,164,807	9,746,074	654,910,881
Deferred OPEB Related	45,118,041	696,304	45,814,345
Deferred Refunding Charges - Losses	29,041,566	-	29,041,566
Total Deferred Outflows of Resources	719,324,414	10,442,378	729,766,792
LIABILITIES			
Accounts Payable	93,798,429	1,650,775	95,449,204
Overpayment of Taxes	77,767,266	-	77,767,266
Accrued Salaries and Benefits Payable	344,573,668	808,443	345,382,111
Compensated Absences	13,987,510	128,326	14,115,836
Other Liabilities	153,452,181	4,246,933	157,699,114
Unearned Revenue	52,452,008	-	52,452,008
Due to Other Governments	28,403,888	-	28,403,888
Bonds Interest Payable	38,754,656	-	38,754,656
Non-Current Liabilities			
Due within one year	344,535,941	15,356	344,551,297
Due in more than one year	6,971,251,596	52,154,617	7,023,406,213
Total Liabilities	8,118,977,143	59,004,450	8,177,981,593
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related	559,442,689	9,572,365	569,015,054
Deferred OPEB Related	3,649,733	51,098	3,700,831
Deferred Refunding Charges - Gains	12,382,254	-	12,382,254
Total Deferred Inflows of Resources	575,474,676	9,623,463	585,098,139
NET POSITION			
Net Investment in Capital Assets	(562,248,847)	2,782,908	(559,465,939)
Restricted for:			
Medical Self-Insurance	9,500,000	-	9,500,000
Debt Service	252,030,891	-	252,030,891
Special Revenue Funds & Permanent Funds:			
Expendable - Student Health	3,892,569	-	3,892,569
Non-expendable - Scholarships	2,668,907	-	2,668,907
Student Sponsored Activities	4,092,968	-	4,092,968
Unrestricted Deficit	(3,595,125,284)	(52,378,927)	(3,647,504,211)
Total Deficit	\$ (3,885,188,796)	\$ (49,596,019)	\$ (3,934,784,815)

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, 2022

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net Revenues / (Expenses) and Changes in Net Deficit		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities								
Instruction	\$ 2,871,661,740	\$ -	\$ 10,085,490	\$ 1,191,800,798	\$ 14,627,986	\$ (1,655,147,466)	\$ -	\$ (1,655,147,466)
Instructional Support Services	312,380,002	-	-	234,853,137	-	(77,526,865)	-	(77,526,865)
Administrative Support	298,240,896	-	3,127,216	166,495,372	-	(128,618,308)	-	(128,618,308)
Operation & Maintenance of Plant Services	289,547,708	(2,000,000)	982,397	45,457,665	-	(241,107,646)	-	(241,107,646)
Pupil Transportation	178,954,064	-	-	36,400,622	1,067,768	(141,485,674)	-	(141,485,674)
Non Instructional Services	24,243,770	-	-	12,084,114	1,307,175	(10,852,481)	-	(10,852,481)
Interest on Long-Term Debt	130,485,545	-	-	84,632,466	-	(45,853,079)	-	(45,853,079)
Unallocated Depreciation Expense (not directly charged above)	88,687,975	-	-	-	-	(88,687,975)	-	(88,687,975)
Total Governmental Activities	4,194,201,700	(2,000,000)	14,195,103	1,771,724,174	17,002,929	(2,389,279,494)	-	(2,389,279,494)
Business-Type Activities:								
Food Service	77,292,923	2,000,000	42,550	78,457,439	-	-	(792,934)	(792,934)
Print Shop	1,087,049	-	495,796	140,236	-	-	(451,017)	(451,017)
Total Business-Type Activities	78,379,972	2,000,000	538,346	78,597,675	-	-	(1,243,951)	(1,243,951)
Total	\$ 4,272,581,672	\$ -	\$ 14,733,449	\$ 1,850,321,849	\$ 17,002,929	(2,389,279,494)	(1,243,951)	(2,390,523,445)

General Revenues and Transfers

General Revenues:		
Property Taxes	847,271,691	847,271,691
Use & Occupancy Taxes	174,064,000	174,064,000
Liquor Taxes	69,589,981	69,589,981
School (Non-Business) Income Taxes	59,366,318	59,366,318
Public Utility / PILOT Taxes	1,317,640	1,317,640
Cigarette Sales Tax	58,070,738	58,070,738
Sales Tax	120,000,000	120,000,000
Ridesharing Revenue	5,107,649	5,107,649
Net Investment Losses	(395,029)	(395,029)
Grants and Contributions Not Restricted to Specific Programs	277,371,006	277,371,006
State & Federal Subsidies Not Restricted to Specific Programs	1,156,020,110	1,156,020,110
Miscellaneous Income	1,223,127	1,223,127
Transfers In/(Out)	(8,361,496)	8,361,496
Total General Revenues and Transfers	2,760,645,735	2,769,007,231
Change in Net Deficit	371,366,241	7,117,545
Net Deficit - July 1, 2021, as Previously Stated	(4,254,325,365)	(56,713,564)
Prior Period Adjustment - Capital Project Costs	(2,229,672)	-
Net Deficit - July 1, 2021 as Adjusted	(4,256,555,037)	(56,713,564)
Net Deficit - June 30, 2022	\$ (3,885,188,796)	\$ (49,596,019)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Intermediate Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 109	\$ -	\$ -
Cash and Investments Held By Third Parties	-	-	-
Pooled Cash and Investments	549,886,549	40,520,678	11,244,854
Investments	-	-	-
Taxes Receivable (Net)	161,546,988	-	-
Due from Other Funds	7,469,720	-	-
Due from Other Governments	129,678,800	15,343,004	160,943,443
Other Receivables (Net)	11,701,358	2,174,560	10,007,202
Inventory	317,023	-	-
Prepaid Items	243,695	-	-
Total Assets	\$ 860,844,242	\$ 58,038,242	\$ 182,195,499
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 39,817,418	\$ 1,876,952	\$ 42,866,493
Accrued Salaries and Benefits	246,970,780	37,552,139	44,803,855
Compensated Absences	13,987,510	-	-
Unearned Revenue	-	-	52,452,008
Due to Other Governments	95,488,382	10,196,673	486,099
Other Liabilities	74,271,685	7,158,177	41,587,044
Total Liabilities	470,535,775	56,783,941	182,195,499
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	123,787,959	-	-
Unavailable Grant Revenue	-	-	70,985,205
Total Deferred Inflows of Resources	123,787,959	-	70,985,205
Fund Balances:			
Nonspendable:			
Inventories and Prepays	560,718	-	-
Permanent Fund Principal	-	-	-
Restricted:			
Retirement of Long Term Debt	-	-	-
Mandatory Deposits for Future Debt Payments	-	-	-
Debt Service Interest	-	-	-
Trust Purposes	-	-	-
Student Sponsored Activities	-	-	-
Capital Purposes	-	-	-
Committed:			
Special Education	-	1,254,301	-
Assigned:			
Subsequent Year Expenditures	17,362,880	-	-
Unassigned (Deficit):	248,596,910	-	(70,985,205)
Total Fund Balances (Deficit)	266,520,508	1,254,301	(70,985,205)
Total Liabilities and Fund Balances	\$ 860,844,242	\$ 58,038,242	\$ 182,195,499

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
\$ -	\$ 181,206,984	\$ 4,295,856	\$ 185,502,949
251,880,557	549,393	-	252,429,950
3	10,306,928	6,563,480	618,522,492
-	193,748,839	-	193,748,839
-	-	-	161,546,988
-	-	-	7,469,720
-	392,651	-	306,357,898
150,307	-	-	24,033,427
-	-	-	317,023
-	-	-	243,695
<u>\$ 252,030,867</u>	<u>\$ 386,204,795</u>	<u>\$ 10,859,336</u>	<u>\$ 1,750,172,981</u>
\$ -	\$ 9,025,600	\$ 204,892	\$ 93,791,355
-	260,279	-	329,587,053
-	-	-	13,987,510
-	-	-	52,452,008
-	-	-	106,171,154
-	30,403,439	-	153,420,345
<u>-</u>	<u>39,689,318</u>	<u>204,892</u>	<u>749,409,425</u>
-	-	-	123,787,959
-	-	-	70,985,205
<u>-</u>	<u>-</u>	<u>-</u>	<u>194,773,164</u>
-	-	-	560,718
-	-	2,668,907	2,668,907
122,425,936	-	-	122,425,936
96,444,333	-	-	96,444,333
33,160,595	-	-	33,160,595
-	-	3,892,569	3,892,569
-	-	4,092,968	4,092,968
-	346,515,479	-	346,515,479
-	-	-	1,254,301
-	-	-	17,362,880
-	-	-	177,611,705
<u>252,030,864</u>	<u>346,515,479</u>	<u>10,654,444</u>	<u>805,990,391</u>
<u>\$ 252,030,864</u>	<u>\$ 386,204,797</u>	<u>\$ 10,859,336</u>	<u>\$ 1,750,172,980</u>

School District of Philadelphia
 Reconciliation of the Balance Sheet for Governmental Funds
 to the Statement of Net Position
 June 30, 2022

Fund Balance - Total Governmental Funds (page 39) \$ 805,990,391

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 2,271,168,366

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported as unavailable revenue in the governmental funds. 194,773,164

Deferred outflows and inflows of resources for refunding losses and gains are not available for the current period and, therefore, are not reported in the governmental funds. 16,659,312

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. (7,324,458,915)

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. 127,190,426

Net position of the Internal Service Fund is not reported in the governmental funds but is blended in the net deficit of the governmental activities. 23,488,460

Net deficit of governmental activities (page 36) \$ (3,885,188,796)

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, 2022

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 1,341,457,136	\$ -	\$ -
Locally Generated Non Tax Revenues - Gains/(Losses)	292,081,850	107,176	23,075,957
State Grants and Subsidies	1,493,223,544	135,618,370	235,616,663
Federal Grants and Subsidies	12,962	-	1,017,088,632
Total Net Revenues	3,126,775,492	135,725,546	1,275,781,252
EXPENDITURES			
Current:			
Instruction - Public Schools	505,211,739	307,239,394	863,328,753
Instruction - Charter Schools	1,213,197,566	-	16,490,318
Instructional Support Services	98,390,324	10,566,454	215,607,063
School Administration Services	83,445,498	18,214,287	91,024,655
Business Support Services	69,551,501	1,811,143	38,038,071
Operation & Maintenance of Plant Services	259,012,076	-	30,080,021
Pupil Transportation	95,368,797	83,178,947	1,257,057
Non-Instructional Services	11,837,643	4,967	6,255,384
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Issuance and Administrative Costs	147,500	-	-
Capital Outlay:			
New Buildings and Additions	-	-	150,833
Environmental Management	4,064,256	-	10,801,615
Alterations and Improvements	-	-	105,355
Major Renovations	-	-	-
Various Technology and Operations Projects	-	-	-
Equipment Acquisitions	-	-	1,067,768
Total Expenditures	2,340,226,900	421,015,192	1,274,206,893
Excess (Deficiency) of Revenues over (under) Expenditures	786,548,592	(285,289,646)	1,574,359
OTHER FINANCING SOURCES/(USES)			
Transfers In	45,349,441	315,592,173	1,233,592
Transfers Out	(631,201,878)	(29,260,556)	(17,659,068)
Debt Issuance	-	-	-
Bond and Note Premiums	-	-	-
Refund of Prior Receipts	-	-	-
Insurance Proceeds	1,223,127	-	-
Total Other Financing Sources/(Uses)	(584,629,310)	286,331,617	(16,425,476)
Net Change in Fund Balances	201,919,282	1,041,971	(14,851,117)
Fund Balances (Deficit), Beginning of Year as Previously Stated	67,264,028	212,330	(56,134,088)
Prior Period Adjustment - Capital Project Costs	(2,662,802)	-	-
Fund Balances (Deficit), End of Year	\$ 266,520,508	\$ 1,254,301	\$ (70,985,205)

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
\$ -	\$ -	\$ -	\$ 1,341,457,136
817,892	(2,196,045)	5,837,081	319,723,911
-	1,488,378	-	1,865,946,955
16,511,354	-	-	1,033,612,948
<u>17,329,246</u>	<u>(707,667)</u>	<u>5,837,081</u>	<u>4,560,740,950</u>
-	-	-	1,675,779,886
-	-	-	1,229,687,884
-	-	-	324,563,841
-	-	-	192,684,440
8,500	-	-	109,409,215
-	-	-	289,092,097
-	-	-	179,804,801
-	-	6,037,690	24,135,684
157,235,000	-	-	157,235,000
154,783,900	-	-	154,783,900
1,828,383	-	-	1,975,883
-	143,389,907	-	143,540,740
-	3,939,701	-	18,805,572
-	72,863,864	-	72,969,219
-	33,396,583	-	33,396,583
-	13,748,571	-	13,748,571
-	-	-	1,067,768
<u>313,855,783</u>	<u>267,338,626</u>	<u>6,037,690</u>	<u>4,622,681,084</u>
<u>(296,526,537)</u>	<u>(268,046,293)</u>	<u>(200,609)</u>	<u>(61,940,134)</u>
308,035,870	3,613,939	-	673,825,015
-	(2,065,009)	-	(680,186,511)
-	316,840,000	-	316,840,000
-	60,026,524	-	60,026,524
-	(599,041)	-	(599,041)
-	-	-	1,223,127
<u>308,035,870</u>	<u>377,816,413</u>	<u>-</u>	<u>371,129,114</u>
11,509,333	109,770,120	(200,609)	309,188,980
240,521,531	234,082,557	10,855,053	496,801,411
-	2,662,802	-	-
<u>\$ 252,030,864</u>	<u>\$ 346,515,479</u>	<u>\$ 10,654,444</u>	<u>\$ 805,990,391</u>

School District of Philadelphia
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2022

Amounts reported for governmental activities in the Statement of Activities (page 43) are different because:

Net change in fund balances - total governmental funds (page 43)	\$	309,188,980
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are 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.		189,262,945
Capital purchases from functional activities that exceed non-capitalized capital outlay purchases.		9,224,597
The net effect of miscellaneous transactions involving losses arising from disposals and sale of capital assets are not reported as expenditures in the governmental funds.		698,965
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.		8,660,052
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.		(159,605,000)
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.		23,189,494
The change in net position of the Internal Service Funds is reported with governmental activities.		(9,253,792)
Change in net position of governmental activities (page 37)	<u>\$</u>	<u>371,366,241</u>

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

School District of Philadelphia
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Fund			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Self Insurance Fund
ASSETS				
Current Assets:				
Pooled Cash and Investments	\$ -	\$ -	\$ -	\$ 53,615,662
Due From Other Governments	12,482,896	38,839	12,521,735	-
Other Receivables	5,189	-	5,189	308,323
Funds On Deposit	-	-	-	9,500,000
Inventories	658,498	50,749	709,247	-
Total Current Assets	<u>13,146,583</u>	<u>89,588</u>	<u>13,236,171</u>	<u>63,423,985</u>
Noncurrent Assets:				
Personal Property	17,982,065	577,397	18,559,462	-
Right to Use Lease Assets	-	382,194	382,194	-
Accumulated Depreciation and Amortization	<u>(15,248,692)</u>	<u>(869,899)</u>	<u>(16,118,591)</u>	<u>-</u>
Total Noncurrent Assets	<u>2,733,373</u>	<u>89,692</u>	<u>2,823,065</u>	<u>-</u>
Total Assets	<u>15,879,956</u>	<u>179,280</u>	<u>16,059,236</u>	<u>63,423,985</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related	9,459,589	286,485	9,746,074	-
OPEB Related	<u>680,517</u>	<u>15,787</u>	<u>696,304</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>10,140,106</u>	<u>302,272</u>	<u>10,442,378</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 26,020,062</u>	<u>\$ 481,552</u>	<u>\$ 26,501,614</u>	<u>\$ 63,423,985</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,622,475	\$ 28,300	\$ 1,650,775	\$ 7,074
Accrued Salaries and Benefits	784,292	24,151	808,443	14,986,615
Compensated Absences	128,326	-	128,326	-
Due to Other Funds	7,417,951	51,769	7,469,720	-
Incurred But Not Reported Claims	-	-	-	24,910,000
Other Liabilities	<u>4,092,448</u>	<u>154,485</u>	<u>4,246,933</u>	<u>31,836</u>
Total Current Liabilities	<u>14,045,492</u>	<u>258,705</u>	<u>14,304,197</u>	<u>39,935,525</u>
Noncurrent Liabilities:				
Compensated Absences	1,834,464	111,857	1,946,321	-
Lease Purchase Obligations	-	40,157	40,157	-
Net Pension Liability	45,779,644	1,441,089	47,220,733	-
Net OPEB Liability	<u>2,896,258</u>	<u>66,504</u>	<u>2,962,762</u>	<u>-</u>
Total Noncurrent Liabilities	<u>50,510,366</u>	<u>1,659,607</u>	<u>52,169,973</u>	<u>-</u>
Total Liabilities	<u>64,555,858</u>	<u>1,918,312</u>	<u>66,474,170</u>	<u>39,935,525</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension Related	9,340,207	232,158	9,572,365	-
OPEB Related	<u>49,977</u>	<u>1,121</u>	<u>51,098</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>9,390,184</u>	<u>233,279</u>	<u>9,623,463</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	2,733,373	49,535	2,782,908	-
Restricted for Healthcare Claims	-	-	-	9,500,000
Unrestricted (Deficit)	<u>(50,659,353)</u>	<u>(1,719,574)</u>	<u>(52,378,927)</u>	<u>13,988,460</u>
Total Net Position (Deficit)	<u>(47,925,980)</u>	<u>(1,670,039)</u>	<u>(49,596,019)</u>	<u>23,488,460</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 26,020,062</u>	<u>\$ 481,552</u>	<u>\$ 26,501,614</u>	<u>\$ 63,423,985</u>

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

School District of Philadelphia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Fund			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Self Insurance
Operating Revenues:				
Food Service Revenue	\$ 42,550	\$ -	\$ 42,550	\$ -
Sale of Printing Services	-	495,796	495,796	-
Contributions for Services	-	-	-	186,464,517
Total Operating Revenues	<u>42,550</u>	<u>495,796</u>	<u>538,346</u>	<u>186,464,517</u>
Operating Expenses:				
Salaries	19,910,428	461,598	20,372,026	-
Employee Benefits	15,490,329	318,301	15,808,630	-
Other Purchased Services - Food Cost	39,799,269	-	39,799,269	-
Medical Claim Payments	-	-	-	195,199,000
Depreciation and Amortization	444,539	19,566	464,105	-
Other Operating Expenses	1,648,358	287,584	1,935,942	519,309
Total Operating Expenses	<u>77,292,923</u>	<u>1,087,049</u>	<u>78,379,972</u>	<u>195,718,309</u>
Operating Income/(Loss)	(77,250,373)	(591,253)	(77,841,626)	(9,253,792)
Non-Operating Revenues/(Expenses):				
Federal and State Grants	78,461,902	140,236	78,602,138	-
Loss on Disposal of Capital Assets	(4,463)	-	(4,463)	-
Loss Before Contributions and Transfers	<u>1,207,066</u>	<u>(451,017)</u>	<u>756,049</u>	<u>(9,253,792)</u>
Transfers In	8,199,922	451,017	8,650,939	-
Transfers Out	(2,289,443)	-	(2,289,443)	-
Change in Net Position	<u>7,117,545</u>	<u>-</u>	<u>7,117,545</u>	<u>(9,253,792)</u>
Total Net Position (Deficit) Beginning of Year	(55,043,525)	(1,670,039)	(56,713,564)	32,742,252
Total Net Position (Deficit) End of Year	<u>\$ (47,925,980)</u>	<u>\$ (1,670,039)</u>	<u>\$ (49,596,019)</u>	<u>\$ 23,488,460</u>

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

School District of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds			Internal Service Fund
	Food Service Major	Print Shop Non Major	Total	Self Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Users	\$ 42,550	\$ 495,796	\$ 538,346	\$ 186,464,517
Cash Payments to Employees for Services	(36,855,040)	(811,241)	(37,666,281)	-
Cash Payments to Suppliers for Goods and Services	(32,505,120)	-	(32,505,120)	(195,154,856)
Cash Payments for Other Operating Expenses	(1,648,358)	(457,390)	(2,105,748)	(519,309)
Net Cash (Used)/Provided by Operating Activities	<u>(70,965,968)</u>	<u>(772,835)</u>	<u>(71,738,803)</u>	<u>(9,209,648)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Payments to)/Advances from Other Funds	(6,921,452)	51,769	(6,869,683)	-
State Sources	7,116,376	137,406	7,253,782	-
Federal Sources	65,057,653	-	65,057,653	-
Transfers In/(Out)	5,910,479	451,017	6,361,496	-
Net Cash Provided by Non-Capital Financing Activities	<u>71,163,056</u>	<u>640,192</u>	<u>71,803,248</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Facilities Acquisitions, Construction and Improvements	(199,306)	-	(199,306)	-
Net Cash Used by Capital and Related Financing Activities	<u>(199,306)</u>	<u>-</u>	<u>(199,306)</u>	<u>-</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(2,218)	(132,643)	(134,861)	(9,209,648)
Cash and Cash Equivalents Beginning of Year	2,218	132,643	134,861	62,825,310
Cash and Cash Equivalents End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,615,662</u>
Reconciliation of Operating Income to Net Cash Provided/(Used) by Operating Activities:				
Operating Loss	\$ (77,250,373)	\$ (591,253)	\$ (77,841,626)	\$ (9,253,792)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:				
Depreciation and Amortization	444,539	19,566	464,105	-
Donated Food Commodities	3,475,394	-	3,475,394	-
(Increase)/Decrease In:				
Accounts Receivable	(5,189)	-	(5,189)	68,960
Inventories	(310,387)	(5,564)	(315,951)	-
Pension Related Outflows	117,675	2,798	120,473	-
OPEB Related Outflows	(258,692)	(6,150)	(264,842)	-
Increase/(Decrease) In:				
Accounts Payable	569,365	11,004	580,369	(2,448,629)
Accrued Salaries and Benefits Payable	(62,334)	(2,036)	(64,370)	-
Compensated Absences	(298,040)	(3,296)	(301,336)	-
Other Liabilities	3,564,965	(175,248)	3,389,717	(46,188)
Net Pension Liability	(9,068,627)	(215,614)	(9,284,241)	-
Net OPEB Liability	366,540	8,714	375,254	-
Pension Related Inflows	7,771,341	184,770	7,956,111	-
OPEB Related Inflows	(22,145)	(526)	(22,671)	-
Incurred But Not Reported Claims	-	-	-	2,470,000
Total Adjustments	<u>6,284,405</u>	<u>(181,582)</u>	<u>6,102,823</u>	<u>44,143</u>
Net Cash (Used)/Provided by Operating Activities	<u>\$ (70,965,968)</u>	<u>\$ (772,835)</u>	<u>\$ (71,738,803)</u>	<u>\$ (9,209,649)</u>
Non cash items:				
Federal and State Grant revenue not yet received	\$ 12,482,896	\$ 38,839	\$ 12,521,735	\$ -
Donated Commodities	3,475,394	-	3,475,394	-

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, 2022

	Private - Purpose Trust Funds
ASSETS	
Pooled Cash and Investments	\$ 692,484
Investments	200,012
Accounts Receivable	625
Total Assets	893,121
 LIABILITIES	
Total Liabilities	-
 NET POSITION	
Held in Trust for Various Purposes	\$ 893,121

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, 2022

		Private Purpose Trust Funds
ADDITIONS		
Gifts and Contributions	\$	818,900
Interest Received		1,313
Total Additions		820,213
 DEDUCTIONS		
Scholarships Awarded		775,100
Total Deductions		775,100
Change in Net Position		45,113
Net Position Beginning of Year		848,008
Net Position End of Year	\$	893,121

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, 2022**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2022, conform to Generally Accepted Accounting Principles ("GAAP") for local government units as prescribed by the Governmental Accounting Standards Board (the "GASB").

The most significant accounting policies are summarized below:

A. Reporting Entity

The accounting and reporting policies of the School District conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standard Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental and Financial Reporting Standards (GASB Codification). The School District has adopted all GASB Statements through No. 98.

The School District is the largest school district in the Commonwealth of Pennsylvania (the "Commonwealth") and the tenth largest public educational system in the United States according to student enrollment data. In Fiscal Year 2022, the School District served over 197,500 students, including those in Charter and Alternative Schools, as well as employed over 20,400 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 Annual Comprehensive Financial Report (the "ACFR").

The organizational structure at June 30, 2022 included a Superintendent/CEO, Chief of Staff, General Counsel, Chief Financial Officer, Chief Academic Supports Officer, Chief Student Support Services Officer, Chief of Schools, Chief Talent Officer, Chief Operations Officer, Chief of Information Technology Officer, Chief Communication Officer, Chief of Evaluation, Research and Accountability Officer, Chief School Safety Officer, Chief Diversity, Equity and Inclusion, Inspector General, Internal Audit Office, and Charter Schools Office. The Charter Schools Office, Chief of Staff, Inspector General and Internal Audit reported to the Board of Education during Fiscal Year 2022. General Counsel had a dual reporting relationship to the Superintendent/CEO and School Board. All other Chiefs and Offices report directly to the Superintendent/CEO.

The Superintendent/CEO is responsible for the general supervision of all business affairs of the School District, the furnishing of all reports to the Department of Education of the Commonwealth and other matters prescribed by the School Code, as amended. As Treasurer, the Superintendent/CEO receives all Commonwealth appropriations, School District taxes and other monies of the School District; makes payments on orders approved by the Governing Body; and is responsible for the investment of School District funds. Under this management structure, the Superintendent/CEO still performs the duties of the Superintendent of Schools under the Charter, including the pre-audit duties and functions of the school controller.

Moreover, the School District also serves as the agent for the Intermediate Unit No. 26 (the "IU"); a separate entity established by the Commonwealth to provide special education and special education transportation. Similar to the School District, the Board of Education also constitutes the Board of Directors of the IU; the boundaries of the IU are coterminous with those of the City and School District. The School District performs all IU services, pursuant to contracts between the two. As required by GAAP, the financial statements of the IU have been included in the School District's reporting entity as a blended component unit. The IU is included in the School District's reporting entity because of the significance of the operating relationship the IU has with the School District.

B. District-Wide and Fund Financial Statements

"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" establishes requirements and a reporting model for the annual financial reports of state and local governments. This statement was specifically developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions.

The financial reporting model includes a requirement that the financial statements be 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 assets and long-term debt activity that occurred during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services; and (2) any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

District-Wide Financial Statements – The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are prepared using full accrual accounting for all of the government’s activities. This approach includes not only current assets and liabilities (such as cash and accounts payable), but also capital assets, deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

Accrual accounting also reports all of the revenues and costs associated with providing such services each year, not just those received or paid in the current fiscal year or soon thereafter. Fiduciary funds are not included in District-wide financial statements.

Statement of Net Position – The Statement of Net Position is designed to present the financial position of the primary government. The School District reports all capital assets in the District-wide Statement of Net Position and reports depreciation expenses – the cost of “using up” capital assets – in the Statement of Activities. The net position of the School District is presented in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. In the District-wide Statement of Net Position, activities for assets, deferred inflow/outflow of resources, and liabilities: (a) are presented on a consolidated basis; and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

Statement of Activities – The Statement of Activities presents expenses and revenues in a format that focuses on the cost of each function to the School District. The expense of individual functions is compared to the revenue generated by the function (for instance, through user charges or governmental grants). These directly matched revenues are called program revenues. This format enables the District-wide Statement of Activities to reflect both the gross and net cost per functional category (instruction, student support services, pupil transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects only capital-specific grants. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. Direct expenses are considered those that are clearly identifiable with a specific function. The School District allocates indirect expenses to their applicable functions.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the School District are organized by fund types. Each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities of balances and changes therein. Each fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. A reconciliation is also presented which briefly explains adjustments necessary to reconcile the fund financial statements to the governmental activities’ column of the District-wide financial statements.

The School District’s fiduciary funds are presented in the fund financial statements as well. Since by definition, these assets are held for the benefit of a third party and cannot be used to address activities or other obligations of the School District, these funds are not incorporated into the District-wide financial statements.

There are three major fund types presented in this report. A brief description of each is summarized below:

- (1) Governmental Fund Types - These are the funds through which most costs of district functions are typically paid for or financed. The funds included in this category are:
 - (a) General Fund - the principal operating fund of the School District; accounts for and reports all financial resources not accounted for and reported in another fund.
 - (b) Special Revenue Funds – these funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. Special Revenue funds include:
 - (i) Intermediate Unit Fund - used to account for State appropriations for special education as well as certain administrative costs to IU No. 26, a blended component unit of the School District, therefore it does not issue its own financial statements.
 - (ii) Categorical Funds - used to account for specific purpose Federal, State, City or Private Grants and non-public school services.
 - (iii) Trust Funds – used to account for funds where both principal and earnings may be used to support School District programs that benefit either the district itself or its students.
 - (iv) Student Sponsored Activities Fund – used to account for and report funds that are restricted, committed, or assigned for student sponsored projects and events.
 - (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 Funds - 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 Funds
 - (i) Food Service Fund - used to account for the operation of the Food Service Division; and
 - (ii) Print Shop Fund - 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
 - (i) Self-Insurance Fund – used to account for the self-insured health benefits provided to employees.

- (3) Fiduciary Funds - 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.

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.

Non-exchange transactions represent activities where the School District either gives or receives value without directly receiving or giving equal value in exchange and includes grants and donations. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements are satisfied.

It is the School District's policy to first use restricted assets for expenses incurred for which restricted and unrestricted assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This type of presentation focuses on the determination of and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet.

Revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current fiscal period, or soon thereafter, to pay liabilities of the current fiscal period. For this purpose, the School District considers revenues to be available for the General Fund if they are collected within 60 days of the end of the current fiscal period or beyond the normal time of receipt because of highly unusual circumstances and within 90 days of the current fiscal period for Categorical Funds.

Revenues from grants and donations, however, are recognized in the fiscal year in which all eligibility requirements were satisfied, and the resources are available. Expenditures generally are recorded when a liability is incurred as required by accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Local taxes, such as liquor by the drink, school income and business use and occupancy, associated with the current fiscal period are recognized when the underlying exchange transaction has occurred, and the resources are available. Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises, and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District receives the vast majority of its revenues from governmental entities. These revenues primarily come in the form of state subsidies (gross instruction, special education and transportation, retirement, and social security reimbursement etc.), local taxes (real estate, school income, use and occupancy, liquor sales etc.), federal and state grants and non-tax revenues (City contributions, Parking contributions etc.)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges rendered; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes. Indirect costs, such as depreciation/amortization, are allocated as specific program expenses whenever possible. Depreciation related to capital projects are reported as unallocated depreciation.

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 Held by Third Parties

- (a) 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.
- (b) Certain assets set aside for current and future repayment of debt principal and interest are classified as Cash and investments held by third parties on both the Statement of Net Position and the Balance Sheet. These assets are maintained in separate bank accounts and their use is limited by applicable bond covenants. The District reports these investments at fair value.
- (c) The School District pools cash for investment purposes. The pooling of cash and investments enhanced investment opportunities and provided an ease of operations. Pooling of cash and investments generally refers to liquid portions of an investment or asset that can be quickly converted into cash. Pooled cash and investment balances are segregated into individual funds and may be classified as restricted assets. If a fund overdraws its share of a pooled cash account, the overdraft will be reported as a liability of that fund and a receivable in the General Fund.
- (d) Non-participating investment contracts or, more generally, certificates of deposit and repurchase agreements are reported at cost, which approximates fair value. Investments under Pennsylvania Local Government Investment Trust (PLGIT) pool money market accounts and investments under managed PLGIT investment accounts are reported at fair value.

(2) Real Estate Taxes

Ad valorem real estate tax revenues are recognized in the period for which they are levied except that they shall not be recognized unless they are collected within the current fiscal year or expected to be collected within sixty days after the end of the current fiscal year.

The real estate tax in Philadelphia is based on a calendar year basis. For fiscal year 2022 the tax rate was 13.998 mills. Of the 13.998 mills, 7.681 mills were 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 penalties 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/To Other Funds

During the course of operations, the School District has activity between funds for various purposes i.e., lending or borrowing arrangements. At the end of the fiscal year, these are referred and reported as either "Due From/To Other Funds." Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the 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.

(4) 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.

(5) Inventories and Prepays

Inventories in the General Fund are valued at an average cost of \$0.32 million. Included are expendable supplies of \$0.16 million held for consumption by the Maintenance Department and Warehouse furniture and forms of \$0.16 million. The cost is recorded as an expenditure and an expense at the time expendable inventories are consumed. The District reports nonexpendable 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 of \$0.7 million 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.

The District uses the consumption method to record its postage meter purchases. Prepaid postage is recorded at cost and valued at fair value.

(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 the 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 \$5,000 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated acquisition value as of the date donated. The costs associated with the normal maintenance and repair of capital assets that do not add to the value of the asset or materially extend its useful life, are not capitalized.

The School District capitalizes intangible assets internally generated software applications and modifications to existing internally generated software applications as well as purchased software and modifications.

Land, Construction in Progress and Development in Progress are not depreciated. Property, plant, equipment and right to use assets of the School District are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	7-30
Personal Property	5-50
Intangibles	5-10
Right to Use Leased Assets	3-12

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 and right-to-use assets are capitalized in the appropriate fund and depreciated/amortized over 3 to 30 years. The Enterprise and Internal Service Funds also using the straight-line method.

With regard to the sale of School District real property, the governing body suspended the 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 a 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 General Fund and the Categorical Fund. For the Categorical Fund, unearned revenue represents grant funds received prior to expenditures or prior to meeting all eligibility requirements. As of June 30, 2022, the Categorical Funds reported unearned revenue of \$52.5 million.

(10) Insurance

The School District is self-insured for most of its risks including medical benefits, casualty losses, public liability, unemployment, and weekly indemnity. Workers' Compensation is covered by excess insurance over a \$5.0 million self-insured retention per occurrence with a limit of \$25.0 million. The School District purchases certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from Windstorm, Fire, Flood and Earthquake. The general policy deductible is \$1.0 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 coverages, 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 accrued 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 prorated 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.

(i) 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.

- (ii) 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 earnings 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 - Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. For employees resigning or retiring during or after the calendar year in which they attain age 55, the School District makes an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Under the 403(b) Plan, termination pay contributions are treated as employer contributions to a retirement plan, and the contributions are not included in employee wages nor subject to FICA. While contributions under the 457(b) Plan are considered wages for FICA purposes. Under both plans, contributions are not subject, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District does not withhold those taxes.

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

(13) Other Postemployment Benefits

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

(a) Life Insurance Benefits OPEB:

- (i) 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, 2022, there were no assumed future benefit increases to participating eligible retirees and disabled employees.
- (ii) For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB life insurance liability, OPEB expense, and additions to/deductions have been actuarially determined. These include portions of changes related to differences between expected and actual experience, changes in assumptions, and to differences between expected and actual earnings on plan investments. Changes in the total OPEB life insurance liability are immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

(b) PSERS OPEB:

- (i) 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.
- (ii) General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contributions rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

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

- (d) Benefits provided: Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefits increases to participating eligible retirees.
- (e) Employer's Contributions: The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2022 was 0.80% 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 \$9.3 million for the year ended June 30, 2022.

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

Benefits provided: PSERS provides retirement, 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, Membership Class T-E (Class T-E) and 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 Code) 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 the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years 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 Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class 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

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 01, 2011	7.50% base rate with shared risk provision	N/A	7.50%
T-F	On or after July 01, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T-G	On or after July 01, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 01, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 01, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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. The District made a combined total of \$396.9 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2022.

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 (school) 2021-2022 was 70.88%.

(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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are: (1) deferred refunding charges losses and (2) deferred pension and OPEB related transactions. Deferred refunding charges losses result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt as a deduction against the related outstanding long-term debt. Deferred pension and OPEB related transactions involve (a) the difference between PSERS contributions made by the School District during the measurement date and subsequent to the measurement, (b) changes of assumption, and (c) net difference between projected and actual investment earnings.

In addition, to liabilities, the Balance Sheet, Governmental Funds, report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of a net assets 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 the modified accrual basis of accounting that qualifies for reporting in this category. As such, the item, unavailable revenue, is reported 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 Categorical Funds. These unavailable categorical revenues represent 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 resource types of items that qualify for reporting in this category. They are: (1) deferred refunding charges gains and (2) changes in the net pension and OPEB liability. Deferred refunding charges gains result from the difference in the carrying value of refunded debt and its reacquisition price. Deferred refunding charges gains are deferred and amortized over the shorter of the life of the refunded or refunding debt as an addition to the related outstanding long-term debt. The other item, changes in the net pension and OPEB liability consist of (a) differences between expected

and actual experience, (b) changes in proportion, and (c) difference between employer contributions and proportionate share of total contributions.

(16) Fund Equity

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balance amounts.

- (a) Nonspendable Fund Balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.
- (b) Restricted Fund Balance: The restricted fund balance classification includes amounts when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.
- (c) Committed Fund Balance: The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action item of the Board of Education (The Board). Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by resolution. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- (d) Assigned Fund Balance: The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Currently only the Board itself can assign fund balance. If the Board delegates the authority, it can only be done through a resolution and may be delegated to (a) a budget committee, (b) finance committee, or (c) a specific School District official.
- (e) Unassigned Fund Balance: The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the nonspendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding nonspendable. To the extent that funds are available for expenditure in other categories except for the nonspendable fund balance, the order of use shall be {1} committed balances, {2} assigned amounts and {3} unassigned amounts.

(17) Comparative Data

Comparative data from Fiscal Year 2021 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. Certain prior year financial information has been reclassified to conform to the current year presentation.

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	\$ 4,341,511,685
Accumulated Depreciation	<u>(2,070,343,319)</u>
<i>Net Cost of Capital Assets</i>	<u><u>\$ 2,271,168,366</u></u>

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

Unavailable Tax Revenue	\$ 119,733,627
Unavailable Accounts Receivable Revenue	4,054,332
Unavailable Grant Revenue	<u>70,985,205</u>
<i>Total Adjustment of Other Assets</i>	<u><u>\$ 194,773,164</u></u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current fiscal period and therefore are not reported as liabilities in the governmental funds.” The details of the \$(7,324,458,915) difference are as follows:

Bonds Payable	\$ (3,288,140,000)
Deduct: Discount on Bonds Payable	657,616
Deduct: Prepaid Bond Insurance Premium Cost	5,173,278
Add: Premium on Bonds Payable	(220,596,931)
Bond Interest Payable	(38,754,656)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(100,439,578)
Unemployment Compensation Payable	(5,434,163)
Compensated Absences Payable	(202,633,886)
Claims and Judgments Payable	(7,150,000)
Lease Liability	(10,591,251)
PSERS OPEB Liability	(185,238,238)
OPEB Liability	(20,164,273)
PSERS Pension Liability	<u>(3,205,868,267)</u>
<i>Total Adjustments of Long-term Liabilities</i>	<u><u>\$ (7,324,458,915)</u></u>

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

Other Deferred Outflows/(Inflows) of Resources:

Net Deferred Outflows of Resources Pension and OPEB Beginning Balance 7/1/2021	\$ 570,561,626
Contributions During the Measurement Period	(9,482,817)
Contributions Subsequent to Measurement Date	9,723,920
Current Year Amortization - Changes in Assumptions/Investment Earnings/Proportions	15,876,139
Change in OPEB	<u>16,117,242</u>
Contributions During the Measurement Period	(370,222,706)
Contributions Subsequent to Measurement Date	390,057,733
Current Year Amortization - Changes in Assumptions/Investment Earnings/Proportions	(479,323,469)
Change in Pension	<u>(459,488,442)</u>
<i>Adjustment of Deferred Outflows/(Inflows) of Resources not available to pay for current period expenditures</i>	<u>\$ 127,190,426</u>

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the District-wide Statement of Activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$189,262,945 difference are as follows:

Capital Outlay from Fund Statements	\$ 286,982,964
Current Year Depreciation Expense	<u>(97,720,019)</u>
<i>Net adjustment to increase net changes in fund balance – total government funds to arrive at changes in net position of governmental activities</i>	<u>\$ 189,262,945</u>

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 \$9,224,597 difference are as follows:

Capitalized purchases from functional activities	\$ 13,417,512
Capital Outlays - Non-Capitalized Purchases	<u>(4,192,915)</u>
<i>Net adjustment to increase net changes in fund balance – total government funds to arrive at changes in net position of governmental activities</i>	<u>\$ 9,224,597</u>

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 \$698,965 difference are as follows:

Gain on Donated Assets	\$ 1,307,175
Loss on Disposal of Assets	<u>(608,210)</u>

Net adjustment to decrease net changes in fund balance – total government funds to arrive at changes in net position of governmental activities \$ 698,965

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 \$8,660,052 difference are as follows:

Deferred Inflows of Resources - Unavailable Tax Revenue	\$ (6,669,119)
Deferred Inflows of Resources - Unavailable Grant Revenue	14,851,117
Miscellaneous Revenue	<u>478,054</u>

Net adjustment to increase net changes in fund balance – total government funds to arrive at changes in net position of governmental activities \$ 8,660,052

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. Furthermore, certain costs of issuance are expenditures in the governmental funds, but are recognized as assets and amortized over the life of the bond in the Statement of Net Position. The details of this \$(159,605,000) difference are as follows:

Principal Proceeds on New General Obligation Bonds	\$ (316,840,000)
Principal Repayments on General Obligation Bonds	131,320,000
Principal Repayments on Authority Obligation Bonds	<u>25,915,000</u>

Net adjustment to increase net changes in fund balance – total government funds to arrive at changes in net position of governmental activities \$ (159,605,000)

Another element of the reconciliation states that, “Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.” The details of the \$23,189,494 difference are as follows:

Change in Prepaid Bond Insurance Premium Costs	\$ (678,682)
Change in Bond Premiums, Bond Discounts and Net Bond Refunding Losses	(33,114,259)
Change in Prepaid Expenses	(1,059,108)
Change in Net Accrued Bond Interest	(1,935,226)
Change in Workers' Compensation Payable	(193,076)
Change in Unemployment Compensation Payable	(4,440,219)
Change in Compensated Absences	1,123,346
Change in Claims and Judgments Payable	1,100,900
Change in PSERS Liability and Related Deferred Outflows and Inflows	68,705,317
Change in OPEB Liability and Related Deferred Outflows and Inflows	(5,541,552)
Change in Lease Liability	<u>(777,947)</u>

Net adjustment to decrease net changes in fund balance – total government funds to arrive at changes in net position of governmental activities \$ 23,189,494

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 2015D, 2019A SPSBA and 2019B SPSBA) and termination pay financing (GOB Series 2015C). The District also includes the effect of non-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.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Capital Assets: Statement of Net Position (Excludes Internal Service Fund)	\$ 4,341,511,685	\$ 18,941,656
Less: Accumulated Depreciation	<u>(2,070,343,319)</u>	<u>(16,118,591)</u>
Net Capital Assets	\$ 2,271,168,366	\$ 2,823,065
Less: Outstanding Principal of Related Debt	(3,298,731,250)	(40,157)
Deduct: Outstanding Bonds Not Capital Related	218,355,000	
Other Adjustments for Noncapital Related Items	(188,924,550)	
Undercapitalized Expenditures - Cumulative Year-to-Date	405,964,844	
Adjustment for Undercapitalized Expenditures	(316,596,736)	
Unspent Bond Proceeds - Governmental Activities Only	<u>346,515,479</u>	
Net Adjusted Outstanding Bonds Related to Capital Assets	<u>(2,833,417,213)</u>	<u>(40,157)</u>
<i>Net Investment in Capital Assets</i>	<u>\$ (562,248,847)</u>	<u>\$ 2,782,908</u>

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

A. **Budgetary Information**

(1) **General Budget Policies**

As required by various legislative mandates, the School District is required to adopt both an operating budget and a capital budget for each fiscal year. The operating budget consists of the General Fund, the Intermediate Unit Fund and the Debt Service Fund. In the fall of each fiscal year, the Superintendent 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 the second quarter of each fiscal year, office leadership receives 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. All approved requests are incorporated into the "proposed operating budget."

In consultation with the Board of Education (Board), the Superintendent provides status reports on both budgets for the current Fiscal Year, the ensuing Fiscal Year, and multi year projections before and after considering any changes in the current education program. The Board then must observe specific-timing requirements outlined in the Charter and described more fully as follows:

- (a) At least sixty (60) days prior to adoption of the annual operating budget, the Board shall adopt and submit to the Mayor and Council a lump sum statement of anticipated receipts and expenditures for the next fiscal year.
- (b) At least thirty (30) days prior to the end of the current fiscal year, the budget must be adopted;
- (c) At least thirty (30) days prior to adoption, at least one public hearing must be held (no later than April 30th of each year); and
- (d) At least thirty days prior to public hearings, notice must be given of hearing dates (no later than March 31st of each year). Also, copies of the proposed operating budget must be made available to all interested parties.

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 considering the estimated revenues from the Commonwealth and the 7.681 mills of real estate taxes under the Ordinance of the Council of the City of Philadelphia.

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

Control of the operating budget is exercised at the expenditure object class level within principal administrative units. Management is authorized to transfer budget amounts between personal services and employee benefits and among materials, supplies, books and equipment, expenditure classes and administrative units. These transfers do not require supplementary

budgetary appropriations during the fiscal year. Unencumbered appropriations lapse at year end.

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

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

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

Enterprise Funds (Food Services and Print Shop) and Internal Service Fund (Self Insurance) 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.

B. Fund Equity/Deficit Net Position

For governmental activities and business-type activities, the unrestricted net deficit amounts of \$3,595.1 million and \$52.4 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 \$519.8 million. This amount consists of a \$266.5 million fund balance in the General Fund, a \$252.0 million fund balance in the Debt Service Fund, and \$1.3 million fund balance in the Intermediate Unit Fund.

Categorical Funds experienced a deficit of \$71.0 million. The deficit in the Categorical Fund is due to deferring the recognition of revenue that was not collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of the current fiscal period.

The Enterprise Funds had a net deficit amount of \$49.6 million. This deficit includes the effect of deferring the recognition of pension and other post-employment benefits contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District’s share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District’s share of the net pension liability. This is offset by the District’s actuarially determined pension and other post-employment benefits liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

The School District’s cash and investments at June 30, 2022 are summarized as follows:

Cash & Cash Equivalents	\$	185,502,949
Cash and Investments Held by Third Parties		252,429,950
Pooled Cash and Investments		672,830,637
Investments		193,948,851
	\$	<u>1,304,712,387</u>

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

The School District’s investment policy is contained in a formal resolution of the SRC, namely SRC-1, adopted on October 5, 2011 and revised on June 15, 2017 under SRC Policy #609. It allows the District to invest School District funds consistent with Pennsylvania Public School Code Section 440.1. The resolution delineates the standards and specifications for banks and other institutions permitted to be used for investments/deposits of School District funds.

(2) Cash Management Practices

The average yield on all maturing investments during Fiscal Year 2022 was approximately 0.21% and total investment losses were \$0.2 million. This was a \$2.4 million decrease in total investment income as compared to Fiscal Year 2021. The decrease in investment earnings was due to realized and unrealized investment losses on the Capital Projects managed investments accounts. The average yield change from 0.13% to 0.21% between FY2021 and FY2022.

(3) Investments

As of June 30, 2022, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
First American US Treasury Class Portfolio (FOZXX)	\$ 210,104,713	0.001
Federal Agriculture Mortgage Corp Discount Note (FAMC)	12,765,810	0.014
US Treasury Bills	149,753,587	0.328
US Treasury Notes	1,913,432	0.002
Commercial Paper	71,425,194	0.117

(a) *Interest Rate Risk* – The School District minimizes the effect 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 for sinking funds as of June 30, 2022 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 also mature in in less than one year.

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

<u>Investment</u>	<u>Name</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Discounted Notes under BoA and Forward Purchase Agreements	Federal Agriculture Mortgage Corporation Discount Note (FAMC)	N/R*	N/R*	N/R*
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio Money Market Mutual Fund	PLGIT- Class - Money Market Mutual Fund	N/R*	AAAm	N/R*
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio Money Market Mutual Fund	PLGIT Reserve Class - Money Market Mutual Fund	N/R*	AAAm	N/R*
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio Managed Accounts	Commercial Paper	P-1	A-1	N/R*
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio Managed Accounts	Commercial Paper	P-1	A-1+	N/R*

N/R* dictates Not Rated

- (c) *Concentration of Credit Risk* - The School District does not restrict the amount of deposits made to any particular bank or any counterparty to a repurchase agreement.
 - (d) *Custodial Credit Risk ~ Deposits* - The School District maintains all deposits in depositories which are insured by the Federal Deposit Insurance Corporation (the "FDIC") to the extent permitted by law and to the extent not so insured, shall be secured by collateral pledged in accordance with Pennsylvania law (Act 72 of 1971). In addition, for any depository bearing a Bauer Financial rating of three stars or less in any quarter of the year, School District deposits in those institutions are limited to the amount of available federal insurance, and appropriate collateral pledged specifically to the School District for those deposits.
 - (e) *Custodial Credit Risk ~ Investments* - The School District generally requires that all collateral pertaining to investments in repurchase agreements be held by a third-party custodial agent. Collateral is delivered to the School District's custody banks for all repurchase agreements. Allowable collateral includes: (i) United States Treasury securities; and (ii) United States Government Agencies (full faith and credit with no maturity restrictions; non-full faith and credit with maturity restrictions of one (1) year or less).
- (4) Depository Investment Accounts
- (a) *Depository Agreement:*
 - (i) SRC-9 resolution issued on May 29, 2014 allowed the SRC to suspend requirements of the School Code and regulations of the State Board of Education, which then allowed the Chief Financial Officer and his subordinates to enter into a Depository Agreement and to use the building sales proceeds for Debt Service and Capital Projects. On June 2, 2014 the School District of Philadelphia (SDP) and The Bank of New York Mellon Trust Company, N.A. (BONY) (Depository) entered into a Depository Agreement for the purpose of providing for the deposit of funds with the Depository held on behalf of SDP from the sale of buildings. This agreement required the Depository to establish two separate accounts for each building sold- (1) Property Sales Defeasance Account and (2) Property Sales Capital Funds Account.
 - (ii) Deposits into these "Accounts" constitute the property of the SDP and would be on behalf of SDP by the Depository. Depository shall have custody of the Account, held on behalf of SDP and kept separate from other assets of the Depository. Money on deposit in the Account shall be held, invested and disbursed as directed by SDP. The Depository agreed to invest and reinvest funds in the Property Sales Defeasance Account in a 100% U.S. Treasury Money Market Fund and Property Sales Capital Funds Account in U.S. Treasury Bills.
 - (iii) The agreement also authorized that money deposited from sales of unused and unnecessary SDP property in the "Accounts" shall be paid out from time to time by the Depository pursuant to directions provided by an authorized officer of the SDP.

- (b) The School District sold one building on June 30, 2021 that affected these accounts. Changes in the Depository Investment Accounts during Fiscal Year 2022 were as follows:

(Dollars in Thousands)

<u>Governmental Activities:</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
<u>Depository Investment Accounts:</u>				
Property Sale Defeasance	\$ 741.9	\$ -	\$ (192.5)	\$ 549.4
Total	\$ 741.9	\$ -	\$ (192.5)	\$ 549.4

The School District deposited the proceeds received during Fiscal Year 2021 into the Capital Projects Funds depository investment sinking fund account. During Fiscal Year 2022 the District primarily used funds for principal and interest payments under GOB Series 2016F and SPSBA 2016A which were refunded September 2021.

5) Fair Value of Investments

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

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
First American US Treasury Class Z Portfolio (FOZXX)	\$ 210,104,713	\$ -	\$ -
Federal Agriculture Mortgage Corp Discount Note (FAMC)	12,765,810	-	-
US Treasury Bills	149,753,587	-	-
US Treasury Notes	-	1,913,432	-
Commercial paper	-	71,425,194	-
Total	\$ 372,624,110	\$ 73,338,626	\$ -

Level 1 - fair value investment classifications are for “securities portfolios” and US Treasury Bills and Federal Agriculture Mortgage Corp. Discount Note with observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - fair value investment classifications for US Treasury Notes and Commercial Paper are based on the values for similar assets in an active market.

B. Receivables

(1) Net Receivables

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

(Dollars in Thousands)

	General	Intermediate Unit	Categorical	Debt Service	Internal Service	Fiduciary	Total
Receivables							
Interest	\$ -	\$ -	\$ -	\$ 150.3	\$ -	\$ 0.6	\$ 150.9
Taxes	268,381.6	-	-	-	-	-	268,381.6
Other	-	-	-	-	308.3	-	308.3
Accounts	<u>11,899.4</u>	<u>2,174.6</u>	<u>10,007.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,081.2</u>
Gross Receivables	<u>280,281.0</u>	<u>2,174.6</u>	<u>10,007.2</u>	<u>150.3</u>	<u>308.3</u>	<u>0.6</u>	<u>292,922.0</u>
Less: Allowances for Uncollectible							
Accounts	198.0	-	-	-	-	-	198.0
Taxes	<u>106,834.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,834.6</u>
Total Allowance	<u>107,032.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,032.6</u>
Net Total Receivables	<u><u>\$ 173,248.4</u></u>	<u><u>\$ 2,174.6</u></u>	<u><u>\$ 10,007.2</u></u>	<u><u>\$ 150.3</u></u>	<u><u>\$ 308.3</u></u>	<u><u>\$ 0.6</u></u>	<u><u>\$ 185,889.4</u></u>

(2) Taxes Receivable

The totals reported for taxes receivable on the Statement of Net Position, Balance Sheet and the table above have been aggregated. The following details of the components of those taxes are presented in the table below. Estimated collectible taxes at June 30, 2022 equaled \$161.5 million as follows:

(Dollars in Millions)

	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 76.6	\$ 9.4	\$ 67.2
Prior	143.1	71.5	71.6
Total Real Estate Taxes	<u>219.7</u>	<u>80.9</u>	<u>138.8</u>
<u>Self-Assessed Taxes</u>			
Liquor Tax	16.6	4.6	12.0
School Income Tax	10.3	6.1	4.2
Use and Occupancy	21.7	15.2	6.5
Total Self Assessed Taxes	<u>48.6</u>	<u>25.9</u>	<u>22.7</u>
Total Taxes Receivable	<u>\$ 268.3</u>	<u>\$ 106.8</u>	<u>\$ 161.5</u>

During July and August 2022, \$27.0 million in real estate taxes receivable and \$14.8 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2022 revenues.

(3) Due from Other Governments

Due from Other Governments as of the Fiscal Year ended June 30, 2022 for the School District's individual Major and Non-Major Funds in the aggregate are as follows:

(Dollars in Thousands)

	<u>General</u>	<u>Intermediate Unit</u>	<u>Categorical</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Due from Other Governments:						
Federal	\$ -	\$ -	\$ 130,854.2	\$ -	\$ 10,379.9	\$ 141,234.1
State	91,549.4	15,343.0	27,643.4	392.7	2,141.8	137,070.3
City	38,129.4	-	2,445.9	-	-	40,575.3
Total Due from Other Governments	<u>\$ 129,678.8</u>	<u>\$ 15,343.0</u>	<u>\$ 160,943.5</u>	<u>\$ 392.7</u>	<u>\$ 12,521.7</u>	<u>\$ 318,879.7</u>

Amounts due from Other Governments under the General Fund and Intermediate Unit Fund primarily include \$106.9 million for retirement and FICA reimbursements from the Commonwealth of Pennsylvania.

Amounts due from Other Governments under the Categorical Funds and Capital Projects Funds include \$138.8 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), \$20.1 million for retirement, FICA, and miscellaneous reimbursements from the Commonwealth of Pennsylvania and \$2.4 million for City Grant reimbursements.

The amount due from Other Governments under the Enterprise Funds include \$3.3 million federal 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), \$7.1 million reimbursements from the Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs, and \$2.1 million for retirement, FICA, 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 \$52.5 million at June 30, 2022 are as follows:

(Dollars in Millions)

Fund	Unearned Revenue
Categorical	\$ 52.5

The \$52.5 million represents grant funds received prior to meeting all eligibility requirements.

- (b) Deferred Outflows of Resources: Represents consumption of net assets that applies to a future period(s) and will not be recognized as an expenditure/expense until that time.

On the full accrual basis of accounting, the School District has two items valued at \$729.8 million that qualify for reporting in this category as deferred outflows on the Statement of Net Position as of June 30, 2022.

- (i) The first item is deferred refunding charges losses valued at \$29.0 million. For accounting purposes, when a bond refunding results in a loss, which is the net difference between the reacquisition price and the net carrying amount of the old debt, the District is amortizing the remaining unamortized refunding charges losses in the District-wide statements until fiscal year 2039.

The following schedule presents, by General Obligation Bond (GOB) Series, deferred outflows for the deferred refunding charges losses on the Statement of Net Position under Governmental Activities as of June 30, 2022.

(Dollars in Thousands)

<u>GOB Series</u>	<u>Refunding Charges Losses</u>
2007A	\$ 1,613.3
2015A-SPSBA	708.2
2015C	186.6
2015D	19.1
2016F	24,727.0
2020A	1,787.4
	<u>\$ 29,041.6</u>

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

The following presents deferred outflows of resources for OPEB Life Insurance, OPEB PSERS Healthcare, and PSERS Pension of \$700.7 million at June 30, 2022.

(Dollars in Thousands)

<u>Deferred Outflows of Resources</u>	<u>Life Insurance</u>	<u>PSERS Healthcare</u>	<u>Total OPEB</u>	<u>PSERS Pension</u>
Net difference between expected and actual experience	\$ -	\$ 1,751.0	\$ 1,751.0	\$ 2,396.0
Changes of assumptions	2,181.4	20,044.0	22,225.4	157,785.0
Net difference between projected and actual investment earnings	-	371.0	371.0	-
Changes of proportions	-	11,574.0	11,574.0	96,557.0
Difference between employer contributions and proportionate share of total contributions	-	7.6	7.6	1,259.0
Contributions by District subsequent to measurement period	541.2	9,344.2	9,885.4	396,913.9
	<u>\$ 2,722.6</u>	<u>\$ 43,091.8</u>	<u>\$ 45,814.4</u>	<u>\$ 654,910.9</u>

- (c) Deferred Inflows of Resources: Deferred inflows of resources represent an acquisition of net assets that applies to future period(s) and will not be reported in the District-Wide Statements. They are reported as unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

On the full accrual basis of accounting, the School District has two items valued at \$585.0 million that qualify for reporting in this category as deferred inflows on the Statement of Net Position as of June 30, 2022.

- (i) Gains from deferred refunding charges were valued at \$12.4 million and has been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2022. The District is amortizing the remaining unamortized refunding charges gains in the District-wide statements until fiscal year 2036.

The following schedule presents, by General Obligation Bond (GOB) Series, deferred inflows for the deferred refunding charges gains on the Statement of Net Position as of June 30, 2022.

(Dollars in Thousands)

<u>GOB Series</u>	<u>Refunding Charges Losses</u>
2019C	\$ (364.3)
2016A-SPSBA	(2,538.8)
2019A-SPSBA	(8,163.1)
2019B-SPSBA	(1,316.1)
	<u>\$ (12,382.3)</u>

- (ii) The District has reported deferred inflows of resources for experience, earnings, assumptions, and contributions related to OPEB Life Insurance (Note 4J1), OPEB PSERS Healthcare (Note 4J2), and PSERS Pension (Note 4K) valued at \$572.6 million at June 30, 2022.

(Dollars in Thousands)

<u>Deferred Inflows of Resources</u>	<u>Life Insurance</u>	<u>PSERS Healthcare</u>	<u>Total OPEB</u>	<u>PSERS Pension</u>
Differences between expected and actual experience	\$ (202.9)	\$ -	\$ (202.9)	\$ (42,739.0)
Change in assumption	-	(2,510.0)	(2,510.0)	-
Net difference between projected and actual investment earnings	-	-	-	(517,821.0)
Effect of assumptions changes or inputs	(64.3)	-	(64.3)	
Change in proportions	-	(857.0)	(857.0)	(8,372.0)
Difference between employer contributions and proportionate share of total contributions	-	(66.7)	(66.7)	(83.1)
	<u>\$ (267.2)</u>	<u>\$ (3,433.7)</u>	<u>\$ (3,700.9)</u>	<u>\$ (569,015.1)</u>

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 \$194.8 million as deferred inflows on the Governmental Balance Sheet as of June 30, 2022. They are as follows:

(Dollars in Thousands)

<u>Description</u>	<u>General Fund</u>	<u>Categorical Funds</u>
Unavailable tax revenues	\$ 119,733.6	\$ -
Unavailable misc. accounts receivable	4,054.3	-
Unavailable grant revenues	-	70,985.2
	<u>\$ 123,787.9</u>	<u>\$ 70,985.2</u>

C. Tax Abatements

City of Philadelphia (“City”) Abatements are the exemption of all or part of the value of an improvement to real property for a set number of years. Abatements encourage new construction or rehabilitation of properties with the exemption of all or part of the value of the improvement for a set number of years. Abatements help revitalize communities, retain residents, attract home- and business-owners to the city of Philadelphia, and reduce development costs for commercial and residential projects.

The City currently authorizes four (4) types of real estate tax abatement agreements to property owners to incentivize development. Three are authorized by legislation enacted through Philadelphia’s City Council ordinance, and one is authorized through State Act 175. 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 2022 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 dollars of \$12.2 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 dollars of \$56.4 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 owners/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 dollars of \$39.6 million were reduced as a result of this program.
- (4) Development Abatement for New or Improved Residential Properties (State Act 175) – (of 1984, as amended. 72 P. S. § 5020-205) This program offers an abatement from Real Estate Taxes during new construction of single and multiple dwellings constructed for residential purposes or improvements to existing unoccupied residential dwellings or improvements to existing structures for purposes of conversion to residential dwellings. The authority for this program is State Act 175. The criteria for eligibility of this abatement program requires developers building or rehabbing residential properties for lease or sale that make improvements, under City issued permits, that

affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first. Real estate tax revenues for the School District in gross dollars of \$1.4 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 dollars of \$8.6 million were reduced as a result of this program.

Gross dollar amounts, on an accrual basis, by which the School District's tax revenues were reduced as a result of the KOZ tax abatement programs for fiscal year 2022 was \$7.7 million of Real Estate Tax Credits. For the KOZ real estate tax credits: (1) there were no forgone revenues received, or receivable from other governments, (2) there were no other commitments, other than to reduce taxes, (3) no tax abatement agreement has been disclosed individually, and (4) no required information has been omitted.

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

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

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

The total gross dollar amount on an accrual basis by which the District's fiscal year 2021 tax revenues were redirected as result of the TIF program was \$9.4 million.

D. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2022 are summarized as follows:

	<i>(Dollars in Millions)</i>				
	Balance July 1, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Governmental Activities:					
Capital Assets - Not Depreciated/Amortized					
Land	\$ 130.6	\$ -	\$ -	\$ -	\$ 130.6
Construction in Progress	266.7	270.8	(0.7)	(194.2)	342.6
(1) Development in Progress	21.4	9.9	-	-	31.3
Total Capital Assets - Not Depreciated/Amortized	<u>\$ 418.7</u>	<u>\$ 280.7</u>	<u>\$ (0.7)</u>	<u>\$ (194.2)</u>	<u>\$ 504.5</u>
Capital Assets – Depreciated/Amortized					
Buildings	\$ 1,752.0	\$ -	\$ -	\$ 93.4	\$ 1,845.4
Right to Use-Buildings	0.9	3.5	-	-	4.4
Improvements	1,659.5	1.3	(1.8)	100.8	1,759.8
(2) Intangible Assets	92.5	0.7	(0.1)	-	93.1
Personal Property	113.1	14.1	(9.4)	-	117.8
Right to Use-Personal Property	16.5	-	-	-	16.5
Total Capital Assets - Depreciated	<u>\$ 3,634.5</u>	<u>\$ 19.6</u>	<u>\$ (11.3)</u>	<u>\$ 194.2</u>	<u>\$ 3,837.0</u>
Less Accumulated Depreciation/Amortization					
Buildings	\$ (802.1)	\$ (29.7)	\$ -	\$ -	\$ (831.8)
Right to Use - Buildings	(0.4)	(1.3)	-	-	(1.7)
Improvements	(1,021.8)	(55.5)	-	-	(1,077.3)
Intangible Assets	(75.5)	(1.0)	0.1	-	(76.4)
Personal Property	(74.2)	(8.5)	8.6	-	(74.1)
Right to Use - Personal Property	(7.3)	(1.7)	-	-	(9.0)
Total Accumulated Depreciation/Amortization	<u>\$ (1,981.3)</u>	<u>\$ (97.7)</u>	<u>\$ 8.7</u>	<u>\$ -</u>	<u>\$ (2,070.3)</u>
Net Capital Assets – Depreciated/Amortized	<u>\$ 1,653.2</u>	<u>\$ (78.1)</u>	<u>\$ (2.6)</u>	<u>\$ 194.2</u>	<u>\$ 1,766.7</u>
Governmental Activities - Net Capital Assets	<u>\$ 2,071.9</u>	<u>\$ 202.6</u>	<u>\$ (3.3)</u>	<u>\$ -</u>	<u>\$ 2,271.2</u>
Business-Type Activities:					
Capital Assets – Depreciated/Amortized					
Machinery and Equipment	\$ 18.8	\$ 0.2	\$ (0.4)	\$ -	\$ 18.6
Right to Use - Machinery and Equipment	0.4	-	-	-	0.4
Less Accumulated Depreciation	(15.7)	(0.5)	0.4	-	(15.8)
Less Accumulated Amortization - Right to Use - Machinery and Equipment	(0.3)	(0.1)	-	-	(0.4)
Business-Type Activities - Net Capital Assets	<u>\$ 3.2</u>	<u>\$ (0.4)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2.8</u>

- (1) The beginning balance for development in progress was adjusted by \$21.4 million to reflect assets that were not placed in service as of June 30, 2021.
- (2) The beginning balance for intangible assets was adjusted \$(23.7) million. This adjustment is made up of \$21.4 million of assets transferred back to development in progress because the assets were not placed in service as of June 30, 2021 and \$2.3 million of costs previously capitalized that were subsequently found to not be capitalizable; therefore, a prior period adjustment was recorded to reduce the beginning net deficit balance.

Depreciation/Amortization expense was charged to the following functions as follows:

(Dollars in Millions)

Governmental Activities:

Instruction	\$	2.0
Instruction Support Services		1.3
Administrative and Financial Support Services		2.2
Operation & Maintenance of Plant Services		3.4
Pupil Transportation		0.1
Unallocated Depreciation		88.7
Total Depreciation/Amortization Expense	\$	<u>97.7</u>

Business-Type Activities:

Food Service	\$	0.5
Print Shop		0.1
Total Depreciation/Amortization Expense	\$	<u>0.6</u>

E. Obligations

1) Short-Term Obligations

In July 2021, the Board of Education authorized the Tax and Revenue Anticipation Notes (TRAN), of 2021-2022 in the aggregate principal amount of up to \$550.0 million undertaken in two series, each not exceed \$275.0 million, with a maturity date of June 29, 2022. On July 15, 2021, the initial \$150.0 million of Series A Notes and the \$150.0 million of Series B Notes were purchased by two separate banks through a negotiated sale. The remaining \$250.0 million were purchased on October 15, 2021. The Notes were issued as fixed rate notes at a rate of 0.29% and 0.31% respectively.

The District irrevocable deposit into the Sinking Fund, on May 10, 2022, the principal amount of \$550.0 million and the applicable interest amount of \$1,364,333. On June 29, 2022, the District (1) paid the principal amount of \$550.0 million under TRAN Series A and Series B of 2021-2022 and (2) paid interest of \$1.4 million.

(Dollars in Millions)

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<u>Governmental Activities:</u>				
Tax and Revenue Anticipation Note				
(Series A-1 2021-2022- Fixed Rate)	\$ -	\$ 275.0	\$ (275.0)	\$ -
(Series B-1 2021-2022- Fixed Rate)	-	275.0	(275.0)	-
Total	<u>\$ -</u>	<u>\$ 550.0</u>	<u>\$ (550.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2022 were as follows:

LONG-TERM OBLIGATIONS (1)					
<i>(Dollars in Millions)</i>					
	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental					
General Obligation Bonds	2,212.6	316.8	(131.3)	2,398.1	171.4
SPSBA-Lease Rental	915.9	-	(25.9)	890.0	27.1
Bond Premium					
General Obligation Bonds	144.4	60.0	(30.9)	173.5	22.8
SPSBA-Lease Rental	55.4	-	(8.3)	47.1	6.8
Unamortized Bond Discounts	(0.7)	-	0.1	(0.6)	-
Total Bonded Debt	3,327.6	376.8	(196.3)	3,508.1	228.1
Compensated Absences	203.8	13.0	(14.1)	202.7	14.0
Lease Purchase Obligations	9.8	0.8	-	10.6	2.2
Due to Other Governments					
-Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities (2)	109.5	34.0	(30.5)	113.0	30.0
Incurred but Not Received (IBNR) Payable (3)	22.4	2.5	-	24.9	24.9
OPEB Life Insurance Liability	19.8	0.7	(0.4)	20.1	-
PSERS OPEB Liability	163.9	30.4	(9.1)	185.2	-
PSERS Pension Liability	3,734.1	-	(528.2)	3,205.9	-
Governmental Activity-Long-Term Liabilities	<u>\$ 7,636.2</u>	<u>\$ 458.2</u>	<u>\$ (778.6)</u>	<u>\$ 7,315.8</u>	<u>\$ 344.5</u>
Business-Type Activities:					
Compensated Absences	2.2	-	(0.2)	2.0	0.1
Lease Purchase Obligations	0.2	0.3	(0.5)	-	-
PSERS OPEB Liability	2.6	0.4	-	3.0	-
PSERS Pension Liability	56.5	-	(9.3)	47.2	-
Business-Type Activity-Long-Term Liabilities	<u>\$ 61.5</u>	<u>\$ 0.7</u>	<u>\$ (10.0)</u>	<u>\$ 52.2</u>	<u>\$ 0.1</u>

(1) Long-term obligations include compensated absences, unemployment, workers' compensation and claims and judgments liabilities are accrued to the governmental funds to which the individual fund 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) Other liabilities reported on the financial statements under long-term obligations include workers compensation, unemployment liabilities, claims & judgments, and IBNR liabilities.

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

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

General obligation debt is issued pursuant to the Local Government Unit Debt Act of July 12, 1972, P.L. 781 as amended and re-enacted by Act 177, approved December

1996 (the “Debt Act”). The Debt Service Fund is used to account for the accumulation of resources and the payment of principal, interest and issuance costs on general obligation bonds and lease rental debt. The School District has issued various general obligation bonds and lease rental debt throughout the years to fund budgeted capital projects and to refund higher interest rate bonds with bonds bearing lower costs, and to provide level debt service payments for the District.

The School District is authorized, under amendments to the Debt Act enacted in September 2003, to enter into “qualified interest rate management agreements.” These qualified interest rate management agreements are, defined in the Debt Act, as agreements determined in the judgment of the School District designed to manage interest rate risk or interest cost of the School District on any debt which the School District is authorized to incur under the Debt Act. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements. The School District’s Debt Policy places limits on the amount of qualified interest rate management agreements the School District may enter.

General obligation bonds and lease obligations at June 30, 2022 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue (1)	Interest Rates	Maturity Year Ending June 30th	Original Principal Issue	Principal Outstanding (10)	Interest	Total	Due Within One Year
2003B-SPSBA (3)	5.500	2028	\$ 588,140	\$ 43,505	\$ 14,357	\$ 57,862	\$ -
2006B-SPSBA (3)	5.000	2029	545,570	83,365	25,496	108,861	-
2007A	5.000	2034	146,530	115,660	41,823	157,483	860
2007C-QZAB	-	2023	13,510	13,510 (7)	-	13,510	13,510
2007D-QZAB	1.250 (2)	2023	28,160	28,160 (7)	176	28,336	28,160
2010B	5.909 - 6.765 (4)	2040	221,485	182,640	129,904 (4)	312,544	7,040
2011A-QSCB	5.995 (5)	2031	144,625	144,035 (8)	73,397 (5)	217,432	-
2015A-SPSBA (3)	3.375 - 5.000	2026	80,000	35,765	3,962	39,727	10,200
2015A	5.000	2036	46,770	37,145	14,499	51,644	1,880
2015C	3.685 - 4.038	2026	44,565	19,280	1,545	20,825	4,560
2015D	5.000	2023	128,620	17,000	425	17,425	17,000
2016A-SPSBA (3)	5.000	2036	570,010	545,260	241,325	786,585	900
2016D	5.000	2029	92,345	59,715	10,750	70,465	7,565
2016E-QSCB	5.060 (6)	2043	147,245	147,245 (9)	152,737 (6)	299,982	-
2016F	5.000	2039	582,155	530,170	178,969	709,139	22,845
2018A	5.000	2039	176,820	160,165	77,567	237,732	6,130
2018B	4.000 - 5.000	2044	78,130	78,130	66,727	144,857	-
2019A	4.000 - 5.000	2045	406,820	392,625	249,260	641,885	10,775
2019B	5.000	2030	24,840	24,830	6,386	31,216	5
2019C	5.000	2034	24,420	24,410	14,019	38,429	5
2019D	3.000	2045	25,000	25,000	15,375	40,375	-
2019A-SPSBA	2.616- 3.196	2031	167,535	161,320	25,472	186,792	16,000
2019B-SPSBA	2.616- 3.196	2032	20,755	20,755	6,425	27,180	-
2020A	5.000	2025	123,805	81,610	3,935	85,545	44,340
2021A	5.000	2047	266,980	266,980	184,525	451,505	2,815
2021B	5.000	2032	49,860	49,860	13,490	63,350	3,940
Total			<u>\$ 4,744,695</u>	<u>\$ 3,288,140</u>	<u>\$ 1,552,546</u>	<u>\$ 4,840,686</u>	<u>\$ 198,530</u>

- (1) All debt has been issued for Capital purposes, except for issues for 2015C, 2015D, 2019A-SPSBA and 2019B-SPSBA.
- (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 2022, the Federal government reduced this subsidy by \$0.2 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 2022, the Federal government reduced this subsidy by \$0.4 million due to the Federal Budget Sequestration.
- (6) Bonds issued as ARRA Qualified School Construction Bonds (QSCBs) receive a cash subsidy from United States Treasury equal to the lesser of (i) 100% of interest payable or (ii) 100% of the interest set at the time of the sale. In Fiscal Year 2022, the Federal government reduced this subsidy by \$0.3 million due to the Federal Budget Sequestration.
- (7) QZAB bond series 2007C and 2007D issued for \$13.5 and \$28.2 million, respectively, on December 28, 2008 in the aggregate amounts of the debt is due December 28, 2022. The School District irrevocably placed \$0.9 million in trust under a mandatory sinking fund with its fiscal agent each December 15 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, 2022, the District placed \$12.6 million and \$25.0 million under the mandatory sinking fund for QZAB bond series 2007C and 2007D, respectively. The investment value of each of the mandatory sinking funds equaled \$12.8 million and \$25.1 million.
- (8) On December 20, 2011, the School District issued QSCB bond series 2011A in the principal amount of \$144.6 million. The School District has an agreement with its fiscal agent to irrevocably deposit \$7.5 million each September 1 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 \$6.9 million 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 \$0.6 million 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, 2022, \$60.5 million had been deposited in the mandatory sinking fund. The \$58.8 million had an investment value of \$60.5 million.
- (9) QSCB bonds series 2016E were issued for \$147.2 million November 16, 2016. The District has an agreement with the fiscal agent to irrevocably deposit funds each September 1 to a mandatory sinking fund. The first deposit was required on September 1, 2017, which was included in the regular sinking fund account for this bond series. A separate mandatory sinking fund account was established for deposit. As of June 30, 2022, \$25,000 had been deposited in the mandatory sinking fund account. The \$25,000 had an investment value of \$25,038.
- (10) The "Amount of Installments and the range of maturities" are shown on the Schedule of Bonds Outstanding.

(ii) Debt Service Maturity

Debt service to maturity on general obligation bonds on June 30, 2022, is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

<u>Governmental Activities</u>				
<i>(Dollars in Thousands)</i>				
Year Ending June 30	Interest Rates	Principal	Interest ⁽¹⁾	Total
2023	1.250 - 5.995	\$ 171,430	\$ 115,340	\$ 286,770
2024	3.000 - 6.059	117,085	109,234	226,319
2025	3.000 - 6.209	114,015	103,464	217,479
2026	3.000 - 6.615	120,260	97,603	217,863
2027	3.000 - 6.615	114,330	92,101	206,431
2028 -2032	3.000 - 6.765	634,100	359,811	993,911
2033- 2037	3.000 - 6.765	426,505	216,740	643,245
2038 - 2042	3.000 - 6.765	339,685	120,189	459,874
2043 - 2047	3.000 - 6.765	360,760	21,027	381,787
Total		<u>\$ 2,398,170</u>	<u>\$ 1,235,509</u>	<u>\$ 3,633,679</u>

Debt service to maturity on debt issued through the State Public School Building Authority on June 30, 2022, is summarized as follows:

<u>Governmental Activities</u>				
<i>(Dollars in Thousands)</i>				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2023	2.616 - 5.500	\$ 27,100	\$ 40,976	\$ 68,076
2024	2.716 - 5.500	49,630	40,034	89,664
2025	2.754 - 5.500	52,580	37,928	90,508
2026	2.854 - 5.500	54,160	35,678	89,838
2027	2.966 - 5.500	65,955	33,342	99,297
2028 -2032	3.046 - 5.500	467,945	115,865	583,810
2033- 2037	5.000	172,600	13,214	185,814
Total		<u>\$ 889,970</u>	<u>\$ 317,037</u>	<u>\$ 1,207,007</u>

(iii) 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 2022 daily deposit covenant by month.

Local Tax Revenues Subject to Daily Deposit Covenant by Month
Fiscal Year 2022
(Dollars in Thousands)

Month	Amount Covenant
July	\$ 22,273.2
Aug	22,310.7
Sep	20,124.6
Oct	19,166.3
Nov	19,948.6
Dec	23,677.1
Jan	20,588.7
Feb	19,493.2
Mar	23,508.3
Apr	20,442.0
May	21,473.3
June	22,498.9
Total	\$ 255,504.9

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

On September 13, 2021, the School District transferred \$236,627 of the property sales proceeds from the sinking fund account to advance refund callable bonds under GOB Series 2016F and SPSBA 2016A. The deposits were for \$224,114 and \$12,513 to Series 2016F and SPSBA 2016A respectively to two escrow accounts at US Bank. At June 30, 2022, these escrow accounts were valued at \$236,627. There were other transactions by the School District related to defeasance and to Internal Revenue Code and federal arbitrage rebate regulations for current and advance refunding during Fiscal Year 2022. General Obligation Bonds and Refunding Bonds Defeasements.

(c) General Obligation Bonds and Refunding Bonds Defeasements

(i) General Obligation Bonds:

- On November 4, 2021, the School District issued General Obligation Bonds Series A of 2021 in the aggregate amount of \$267.0 million with a \$49.6 million net premium for the Capital Improvement Program. The District used bond proceeds of approximately \$1.6 million to pay for underwriting fees and other issuance costs.
- On November 4, 2021, the School District issued General Obligation Bonds Series B of 2021 in the aggregate amount of \$49.8 million with a \$10.4 million net premium for the Capital Improvement Program. The District used bond proceeds of approximately \$0.3 million to pay for underwriting fees and other issuance costs.

For accounting purposes, prior years' advance refunding that resulted in a net difference between the reacquisition price and the net carrying amount of the old debt were amortized over the shorter of the life of the refunded or refunding debt during Fiscal Year 2022.

(ii) Defeasements:

As in prior years, when 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 of June 30, 2022, \$0.9 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities related to Sale of District property.

(d) 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, 2022, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$3,282.8 million.

(3) Leases

The School District is committed under various leases for buildings and equipment. The School District, under GASB guidance, records all leases based on the premise that leases are financing transactions. Therefore, the School District records a right to use asset and related lease liability for its leases. See Note 4D for information related to the total amount of assets and the related accumulated amortization on the leased assets. The School District's leases are as follows:

Governmental Activities

On May 1, 2015, the School District entered into a lease for copiers. The lease calls for monthly payments of \$57,198 through June 30, 2022.

On July 1, 2016, the School District entered into a lease for a fiber-optic network. The lease calls for monthly payments of \$83,333 through June 30, 2031.

On July 1, 2019, the School District entered into a lease for a building. The lease calls for monthly payments on an escalating scale based on the square footage of the building through May 31, 2023.

On August 1, 2021, the School District entered into a lease for a building. The lease calls for monthly payments of \$96,398 through July 31, 2024.

Lease payments for the fiscal year ended June 30, 2022 under the lease agreements amounted to \$3.1 million. Future minimum lease payments for these leases are as follows:

(Dollars in Thousands)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,200.5	\$ 209.7	\$ 2,410.2
2024	1,966.9	189.9	2,156.8
2025	1,019.0	173.8	1,192.8
2026	840.7	159.3	1,000.0
2027	855.0	145.0	1,000.0
2028-2031	<u>3,709.2</u>	<u>290.8</u>	<u>4,000.0</u>
Totals	<u>\$ 10,591.3</u>	<u>\$ 1,168.5</u>	<u>\$ 11,759.8</u>

Business-type Activities

On May 15, 2015, the School District entered into a lease for copiers. The lease calls for monthly payments of \$13,324 through June 15, 2022 and payments of \$12,524 on July 15, 2022 and August 15, 2022.

On May 15, 2015, the School District entered into a lease for a mail insertion system. The lease calls for quarterly payments of \$3,595 through February 2025.

Lease payments for the fiscal year ended June 30, 2022 under the lease agreements amounted to \$0.2 million. Future minimum lease payments for these leases are as follows:

(Dollars in Thousands)

Year	Principal	Interest	Total
2023	\$ 38.8	\$ 0.6	\$ 39.4
2024	14.1	0.3	14.4
2025	10.7	0.1	10.8
Totals	<u>\$ 63.6</u>	<u>\$ 1.0</u>	<u>\$ 64.6</u>

(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. As of June 30, 2022, the Compensated Absences amount was \$202.6 million.

(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 has gained 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, 2022. 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. As of June 30, 2022, the Incurred but Not Reported Payable amounted to \$24.9 million.

(6) Other Post-Employment Benefits (OPEB)

(a) Life Insurance Liability: The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. The cost of post-employment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. As of June 30, 2022, the District had an OPEB Life Insurance Liability of \$20.2 million. See Footnote 4J (1) Other Post Employment Life Insurance Benefits for details.

(b) PSERS OPEB Liability: As of June 30, 2022, the Net OPEB (PSERS) Liability for School District was \$188.2 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 Long-Term Obligations

Other long-term obligations consist of \$100.4 million for Workers' Compensation, \$5.4 million for Unemployment Compensation Claims and \$7.2 million for Claims & Judgments.

(9) PSERS Pension Liability

As of June 30, 2022, the net pension liability for the School District was \$3,253.1 million. Refer to Footnote 4 K (1) (a) for further pension plan information.

F. Interfund Receivables, Payables and Transfers

(1) The composition of Interfund balances as of June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	\$7,417,951
General Fund	Print Shop	51,769

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 \$7,417,951 and \$51,769 under the Food Service Fund and Print Shop Fund, respectively, represents a reclassification of negative pooled cash and investments. The District reclassified the combined balance of \$7,469,720 under Business-type Activities as an internal balance on the District-wide financial statements.

(2) Interfund transfers at June 30, 2022 were as follows:

<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>					<u>Total</u>
	<u>General Fund</u>	<u>Intermediate Unit Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>	
General Fund	\$ -	\$ 29,260,556	\$ 14,088,885	\$ -	\$ 2,000,000	\$ 45,349,441
Intermediate	315,592,173	-	-	-	-	315,592,173
Categorical	1,233,592	-	-	-	-	1,233,592
Debt Service	305,681,418	-	-	2,065,009	289,443	308,035,870
Capital Projects	43,756	-	3,570,183	-	-	3,613,939
Food Service	8,199,922	-	-	-	-	8,199,922
Print Shop	451,017	-	-	-	-	451,017
Total	<u>\$ 631,201,878</u>	<u>\$ 29,260,556</u>	<u>\$ 17,659,068</u>	<u>\$ 2,065,009</u>	<u>\$ 2,289,443</u>	<u>\$ 682,475,954</u>

Interfund transfers are used to: (a) move revenues from the fund that statute or budget requires for collection to the fund that statute or budget requires for expenditure; (b) move receipts to the Debt Service Fund from the Enterprise Fund as a transfer to cover Fiscal Year 2022 allocations of cafeteria renovations; and (c) to transfer General Fund assets to cover revenue shortfalls caused by COVID-19.

G. Commitments

(1) Capital Projects Fund Construction and Equipment Purchase Commitments

The School District’s outstanding contractual commitments at June 30, 2022 are summarized as follows:

New Buildings and Additions	\$	51,665,124
Environmental Management		67,750
Alterations and Improvements		42,560,768
Major/Building Renovations		37,561,091
Technology and Operations Projects		12,061,250
Total	\$	<u>143,915,983</u>

(2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District’s operating funds at June 30, 2022 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$17,362,880	\$1,254,301

(3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$37.2 million at June 30, 2022.

H. Intermediate Unit

As previously noted, the School District is also an Intermediate Unit established by the Commonwealth to provide programs for special education. Conceptually, the cost of operating an Intermediate Unit for a fiscal year is partially financed by state appropriations. In certain instances (i.e. transportation), the School District reimburses the Commonwealth for the funds advanced in the previous fiscal year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth’s share of such cost as determined by a formula based on the number of students transported, route distances and efficiency of vehicle utilization.

I. Litigation and Contingencies

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

- (1) **Special Education and Civil Rights Claims** – There are estimated seven hundred seventy-seven (777) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.9 million.

Of those, four hundred thirty-six (436) 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 thirty-six (436) unfavorable outcomes are deemed probable in the aggregate of \$4.9 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 \$12.5 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 \$2.3 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 \$2.3 million and \$6.9 million, respectively, arising from personal injury and property damage claims and lawsuits.
- (3) **Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al., 445 EAL 2021.** This consolidated proceeding by commercial property owners and tenants in the City alleged that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. On July 18, 2019, the Court of Common Pleas ruled against the City and, in effect, adverse to the School District's interests. After an unsuccessful appeal to Commonwealth Court, the City and the District sought leave to appeal to the Supreme Court in October 2021, which was ultimately denied on June 8, 2022. The City will provide tax credits to plaintiffs for the 2022 tax bill due in April 2023, and the cost to the District of the tax credit will be carried as a liability from fiscal year 2022 and offset in fiscal year 2023. The likelihood of an unfavorable outcome is certain. The City will withhold \$28.7 million in revenue from the School District during the 2023 fiscal year as an overpayment.
- (4) **Administrative Appeals in Pennsylvania Department of Education - Federal Funds Deduction Administrative Actions.** In these administrative actions, eight brick and mortar and cyber charter schools claim that the Pennsylvania Department of Education ("PDE") impermissibly permits the School District (and all school districts) to deduct amounts constituting expenditures of federal funds from total expenditures when calculating per-pupil rates and that those deductions are not expressly permitted under the Charter School Law. These administrative matters had originated in actions brought by the charter schools against the School District and PDE in Pennsylvania Commonwealth Court. The Commonwealth Court in *Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 289 M.D. 2017, related to the 2015- 16 school year, ordered the matter to proceed at PDE, and the charter schools moved their federal funds claims for the 2016-17 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 167 M.D. 2019) and 2017-18 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 431 M.D. 2019) school years to PDE. For these claims, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen docketed matters related to the 2016-2017 school year, and twelve docketed matters related to the 2017-2018 school year. The amounts at issue are: (i) in excess of \$10.7 million for the 2015-16 school year; (ii) in excess of \$8.5 million for the 2016-17 school year; and (iii) in excess of \$6.4 million for the 2017-18 school year. These matters are assigned to a hearing officer. Hearings were held on November 9, 10, 12, and 17, 2020; January 15 and 19, 2021; and February 1, 2021. The parties submitted post-hearing briefs to the hearing officer. The matters have been referred to the Pennsylvania Secretary of Education for a decision. Although it is impossible to determine with any degree of certainty, the likelihood of an unfavorable outcome on the federal funds deduction issue in the amounts detailed above is reasonably possible.

J. Other Postemployment Benefits

The District recognized and recorded (1) the actuarially determined total OPEB liability for unfunded plans and (2) the net OPEB liability or, for multi-employer cost sharing plans, the entity’s share of the net OPEB liability in the entity’s financial statements. Currently, the District has two OPEB benefits (1) Life Insurance Benefits and (2) PSERS OPEB. The following schedule presents the aggregate of OPEB liabilities, deferred outflows and inflows of resources, and the current year OPEB expense for the District during Fiscal Year 2022:

	Governmental Activities	Business-type Activities	Total
OPEB Liabilities	\$ (205,402,511)	\$ (2,962,762)	\$ (208,365,273)
Deferred Outflows of Resources	45,118,041	696,304	45,814,345
Deferred Inflows of Resources	(3,649,733)	(51,098)	(3,700,831)
Current Year Expenses	6,082,731	87,882	6,170,613

(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 benefits 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 the 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.

There have been no significant changes between the valuation dates and the measurement year ends.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2020, the effective date of the biennial OPEB valuation, follows.

	Number of Employees
Active	16,790
Retirees	10,332
Total	27,122

Total OPEB Life Insurance liability:

On June 30, 2022, the District reported a liability of \$20.2 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, 2022 reporting date (which is the plan’s and/or employer’s fiscal year ending date), the “Valuation Date is June 30, 2020.” This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2021. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2020 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

Actuarial Methods and Assumptions:

- **Discount Rate:** 2.21 % per annum as of June 30, 2020 and 2.16% as of June 30, 2021 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the District).
- **Salary Increases:** 3.00 % per year (based on input from District).
- **Mortality:** A 50/50 blend of the headcount-weighted Pub-2010 Mortality Tables for teachers (PubT.H-2010) and general employees (PubG.H-2010), projected on a generational basis with Scale MP-2020, with employee rates before retirement and healthy retiree rates after retirement. As a generational table. It reflects mortality improvements both before and after the measurement date. This blend of standard tables published by the Society of Actuaries (SOA) was selected based on the population covered.
- **Termination:** Withdrawal rates vary by age and years of service. Illustrative rates are shown below:

<u>If less than 5 Years of Service</u>		<u>If 5 or more Years of Service</u>	
<u>Years of Service</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
<1	24.49%	25	24.75%
1-2	25.23%	30	18.01%
2-3	16.54%	35	10.98%
3-4	14.07%	40	7.91%
4-5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

- **Retirement:** Retirement rates are the rates utilized in the June 30, 2020 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 (age 57 for Class T-G members) 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. Class T-G members are eligible for superannuation retirement at the earlier of (1) age 67 with 3 years of service or (2) any combination of age and service that totals 97 with at least 35 years of service. Class T-H members are eligible for superannuation retirement

at the earlier of age 67 with 3 years of service. For purposes of this valuation, Class DC members were assumed to have the same retirement eligibility as Class T-H members. Sample rates are shown below.

<u>Sample Early Retirement Rates</u>		
<u>Age</u>	<u>Male</u>	<u>Female</u>
55	18.57%	18.59%
60	14.42%	17.05%

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

- Disability: None assumed.
- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree’s death, selected by the District.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of the valuation date are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimis as only disabled retirees prior to age 65 can elect this benefit.
- Special Data Adjustments: PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

Actuarial Cost Method:

The Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

Changes since Prior Valuation:

The discount rate has been changed from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021.

<u>Total OPEB Life Insurance Liability</u>			
<u>Most Recent Measurement Date</u>	<u>Total OPEB Liability</u>	<u>Covered Payroll</u>	<u>Total OPEB Liability as a % of Covered Payroll</u>
6/30/2021	\$ 20,164,273	\$ 932,330,112	2.16%

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
Beginning of Year Balance	\$ 19,854,225
Changes for the year (2021-2022):	
Service Cost	149,217
Interest on total OPEB Life insurance Liability	437,565
Effect of Assumption changes or inputs	133,707
Benefit Payments	<u>(410,441)</u>
End of Year Balance	<u>\$ 20,164,273</u>

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 2.16%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate:

	<u>2020-21 Measurement Period</u> (Dollars in Thousands)		
	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
District's Total OPEB Life Insurance Liability	\$ 23,196.2	\$ 20,164.3	\$ 17,760.2

On June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>(Dollars in Thousands)</i>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 541.2	\$ -
Differences between expected and actual experience	-	(202.9)
Effect of assumptions changes or inputs	<u>2,181.4</u>	<u>(64.3)</u>
	<u>\$ 2,722.6</u>	<u>\$ (267.2)</u>

\$541.2 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts of \$1,914.2 thousand reported as deferred outflows of resources and deferred inflows of resources related to OPEB Life Insurance will be recognized in OPEB expense per the schedule below.

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

- (a) For the year ended June 30, 2022, the District recognized net OPEB expense of \$1,091.0 thousand which was all under the Governmental Activity section of the Government-wide Statements.
- (b) The other \$1,914.2 thousand reported as net deferred outflows was under the Governmental Activities column of the Government-wide statements. Amounts currently reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
2022	\$ 778.9	\$ (95.4)	\$ 683.5
2023	765.2	(93.7)	671.5
2024	609.3	(74.6)	534.7
2025	28.0	(3.5)	24.5
2026	-	-	-
Thereafter	-	-	-
Total	\$ <u>2,181.4</u>	\$ <u>(267.2)</u>	\$ <u>1,914.2</u>

(2) **PSERS Other Postemployment Benefits**

- (a) Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
 - (i) At June 30, 2022, the District reported a liability of \$188.2 million for its proportionate share of the net OPEB liability of which \$185.2 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2021 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, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 7.9407 percent, which was an increase of 0.2359 percent from its proportion measured as of June 30, 2021.
 - (ii) For the year ended June 30, 2022, the District recognized net OPEB expense of \$5,079.4 thousand of which \$4,991.7 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$87.7 thousand was under the Business-type Activity section of the Government-wide Statements.
 - (iii) At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Dollars in Thousands)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,751.0	\$ -
Change in assumption	20,044.0	(2,510.0)
Net difference between projected and actual investment earnings	371.0	-
Change in proportions	11,574.0	(857.0)
Difference between employer contributions and proportionate share of total contributions	7.6	(66.7)
Contributions subsequent to the measurement date	<u>9,344.2</u>	<u>-</u>
	<u>\$ 43,091.8</u>	<u>\$ (3,433.7)</u>

\$9,344.2 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
2023	\$ 16,263.2	\$ (702.7)	\$ 15,560.5
2024	6,876.8	(698.6)	6,178.2
2025	7,157.9	(726.8)	6,431.1
2026	4,854.0	(496.9)	4,357.1
2027	4,385.4	(445.7)	3,939.7
Thereafter	<u>3,554.5</u>	<u>(363.0)</u>	<u>3,191.5</u>
Total	<u>\$ 43,091.8</u>	<u>\$ (3,433.7)</u>	<u>\$ 39,658.1</u>

Of the \$39,658.1 thousands reported as net deferred outflows, \$38,012.9 thousand was under the Governmental-Activities column of the Government-wide statements and \$645.2 thousand was under the Business-type Activities column.

Actuarial assumptions: The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability as of June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, which is comprised of inflation of 2.50% and 2.00% 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 on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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 70%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Fair Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- 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: Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	79.80%	0.1%
US Core-Fixed Income	17.50%	0.7%
Non-US Developed fixed	2.70%	-0.3%
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount rate

The discount rate used to measure the total OPEB liability was 2.18%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 2.18%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, 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, 2021, 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 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 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, 2021 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 its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<i>(Dollars in Thousands)</i>		
	1% Decrease	Current Trend Rate	1% Increase
	_____	_____	_____
System net OPEB liability	\$ 188,179	\$ 188,201	\$ 188,218

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

The following presents the net liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage point higher (3.18%) than the current rate:

	<i>(Dollars in Thousands)</i>		
	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
	_____	_____	_____
District’s proportionate share of the net OPEB liability	\$ 215,984	\$ 188,201	\$ 165,317

OPEB plan fiduciary net position:

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

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, 2022, the District reported a liability of \$3,253.1 million for its proportionate share of the net pension liability of which \$3,205.9 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, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2020 to June 30, 2021. 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, 2022, the District's proportion was 7.9234 percent, which was an increase of .2251 percent from its proportion measured as of June 30, 2021.
- (b) For the year ended June 30, 2022, the District recognized net pension expense of \$69,913.0 thousand of which \$68,705.3 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$1,207.7 thousand was under the Business-type Activity section of the Government-wide Statements.
- (c) At June 30, 2022, 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	\$ 2,396.0	\$ (42,739.0)
Change in assumption	157,785.0	-
Net difference between projected and actual investment earnings	-	(517,821.0)
Change in proportions	96,557.0	(8,372.0)
Difference between employer contributions and proportionate share of total contributions	1,259.0	(83.1)
Contributions subsequent to the measurement date	396,913.9	-
	\$ 654,910.9	\$ (569,015.1)

Deferred outflows of resources for contributions subsequent to the measurement date was \$396,913.9 thousand will be recognized as a reduction of net pension liability/collective net pension liability in the next fiscal period.

The remaining deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Dollars in Thousands)

Year ended June 30	Deferred Outflows of Resources	Deferred inflows of Resources	Net Deferred Outflows and Inflows of Resources
2023	\$ 463,729.0	\$ (146,954.9)	\$ 316,774.1
2024	23,909.0	(51,791.7)	(27,882.7)
2025	29,692.6	(65,390.2)	(35,697.6)
2026	137,580.3	(304,878.3)	(167,298.0)
Total	\$ 654,910.9	\$ (569,015.1)	\$ 85,895.8

Of the \$85,895.8 thousand reported as net deferred outflows, \$85,722.1 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 \$119.4 thousand and \$54.3 thousand, respectively.

Changes in Actuarial assumptions:

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of June 30, 2020 actuarial valuation to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2020.
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return - 7.00% includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - o Salary growth rate - decreased from 5.00% to 4.50%.
 - o Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - o Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

Investments:

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/ MLPs	8.0%	5.1%
Real estate	10.0%	4.8%
Cash	3.0%	0.1%
Financing (LIBOR)	-13.0%	0.1%
	<u>100.0%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate:

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<i>(Dollars in Thousands)</i>		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of net pension liability	\$ 4,269,798	\$ 3,253,089	\$ 2,395,445

Pension plan fiduciary net position:

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

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 \$500,000. The perils of Windstorm, Flood & Earthquake are subject to a \$1.0 million deductible 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 \$137.9 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

At June 30, 2022, the amount of these liabilities totaled \$137.9 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

	<u>Beginning Liability</u>	<u>Claims & Adjustments</u>	<u>Claim Payments</u>	<u>Ending Liability</u>	<u>Due Within One Year</u>
Fiscal Year 2021	\$ 126.3	\$ 227.0	\$ 221.4	\$ 131.9	\$ 51.6
Fiscal Year 2022	\$ 131.9	\$ 230.5	\$ 224.5	\$ 137.9	\$ 55.0

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 Adjustments

Capital Assets:

Governmental Activities: Net position and intangible assets decreased by \$2.2 million due to purchases related to software costs not being capitalizable. The District determined that certain costs that were capitalized in Fiscal Year 2021 did not meet the intangible asset capitalization criteria as determined under GASB 51. Therefore, the District reduced its intangible asset value and reduced its net position by \$2,229,672. This adjustment had no impact on the Governmental Fund Statements.

General Fund and Capital Projects Fund: The District determined that \$2.7 million of capital project costs that were expended in Fiscal Year 2021 from the Capital Projects fund were not eligible to be paid from the Capital Projects fund. Therefore, in Fiscal Year 2022, the District increased the Capital Projects fund balance and decreased the General fund balance by \$2,662,802. This adjustment had no impact on the total governmental fund balance. This adjustment also had no impact on the District's Statement of Net Position.

N. Uncertainty

As a result of the global pandemic caused by the COVID-19 coronavirus and world-wide uncertainty with geo-political, supply chain and inflationary concerns which are ongoing at June 30 2022, economic and operational uncertainties exist which may continue to impact the School District in Fiscal Year 2023. The extent of the potential impact is unknown at this time.

O. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred subsequent to June 30, 2022 to and including February 14, 2023. Other than as described below, there were no subsequent material events affecting the District:

(1) Tax Anticipation Revenue Notes (TRAN)

In July 2022, 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 (TRAN), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Notes which were issued as fixed rate notes in the aggregate principal amount of up to \$500.0 million with a maturity date of June 29, 2023.

On July 21, 2022, the Board of Education authorized the issuance and sale of the Series A of Tax and Revenue Anticipation Notes of 2022-2023 in the amount of \$500.0 million. The \$500.0 million of Series A notes were purchased by a bank through a negotiated sale. The purchases of Series A1 notes were issued as fixed rate notes at a rate of 0.289% which was locked in based on rates as of July 14, 2022. Note proceeds were received on the closing date of July 21, 2022. The Notes were issued for the purpose of financing the current operating expenses incurred during Fiscal Year 2022.

(2) School District of Philadelphia Complaint Filed Against The City of Philadelphia, et al

On January 20, 2023, The School District of Philadelphia filed a complaint against The City of Philadelphia, the Philadelphia Department of Public Health, and the City Managing Director, Tumar Alexander in federal court, at *The School District of Philadelphia v. City of Philadelphia, et al.*, United States District Court for the Eastern District of Pennsylvania No. 2:23-cv-00238. The Complaint alleges that City of Philadelphia Bill No. 210685-AA is preempted by the Asbestos Hazard Emergency Response Act (AHERA), is an unconstitutional delegation of legislative authority, is unconstitutional because it deprives the School District of liberty and property without due process of law, and is an impermissible exercise of the City's powers as a home rule municipality.

(3) Pending State and Federal Lawsuits Filed Against the School District of Philadelphia

The School District of Philadelphia is party to four personal injury, property damage, and civil rights (Non-employee) claims and lawsuits filed during August 2022, October 2022, and November 2022. Information concerning them became available after the date of the financial statements. The District anticipates the outcome of these cases to be reasonably possible with a potential liability of over \$4.0 million.

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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, 2022

General Fund

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	Budgetary Basis GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Local Taxes	\$ 1,353,949,187	\$ 1,361,729,341	\$ 1,341,457,136	\$ (20,272,205)	\$ -	\$ 1,341,457,136
Locally Generated Non Tax	276,462,256	279,889,226	292,081,850	12,192,624	-	292,081,850
State Grants and Subsidies	1,402,539,161	1,483,973,431	1,493,223,544	9,250,113	-	1,493,223,544
Federal Grants and Subsidies	96,346	96,346	12,962	(83,384)	-	12,962
Total Revenues	3,033,046,950	3,125,688,344	3,126,775,492	1,087,148	-	3,126,775,492
OBLIGATIONS						
Current Operating						
Instruction - Public Schools	388,522,271	495,563,874	511,290,643	(15,726,769)	6,078,904	505,211,739
Instruction - Charter Schools	1,189,968,564	1,202,142,022	1,213,197,566	(11,055,544)	-	1,213,197,566
Instructional Support Services	111,631,554	104,447,119	100,011,463	4,435,656	1,621,139	98,390,324
School Administration Services	147,083,260	80,875,369	83,966,356	(3,090,987)	520,858	83,445,498
Business Support Services	61,368,055	52,676,525	69,587,548	(16,911,023)	36,047	69,551,501
Operation & Maintenance of Plant Services	242,968,046	258,306,839	258,423,486	(116,647)	(588,590)	259,012,076
Pupil Transportation	115,086,895	117,832,353	95,375,019	22,457,334	6,222	95,368,797
Non-Instructional Services	12,529,820	13,352,376	11,927,907	1,424,469	90,264	11,837,643
Debt Service	1,088,417	395,500	147,500	248,000	-	147,500
Capital Outlay	5,371,237	6,592,096	4,460,529	2,131,567	396,273	4,064,256
Total Obligations	2,275,618,119	2,332,184,073	2,348,388,017	(16,203,944)	8,161,117	2,340,226,900
Excess of Revenues Over Obligations	757,428,831	793,504,271	778,387,475	(15,116,796)	(8,161,117)	786,548,592
OTHER FINANCING SOURCES (USES)						
Transfers In	-	26,978,796	45,349,441	18,370,645	-	45,349,441
Transfers Out	(611,013,354)	(611,601,050)	(631,201,878)	(19,600,828)	-	(631,201,878)
Insurance Proceeds	-	1,223,127	1,223,127	-	-	1,223,127
Total Other Financing Sources (Uses)	(611,013,354)	(583,399,127)	(584,629,310)	(1,230,183)	-	(584,629,310)
Net Change in Fund Balances	146,415,477	210,105,144	193,758,165	(16,346,979)	(8,161,117)	201,919,282
Fund Balances, Beginning of Year as Previously Stated	(18,783,291)	45,115,517	45,115,517	-	(22,148,511)	67,264,028
Change in Inventory Encumbrances	-	-	11,395	11,395	11,395	-
Change in Non Spendable Fund Balance	-	-	(125,365)	(125,365)	(125,365)	-
Change in Reserves	12,500,000	12,500,000	12,500,000	-	12,500,000	-
Prior Period Adjustment - Capital Project Costs	-	-	(2,662,802)	(2,662,802)	-	(2,662,802)
Fund Balances (Deficit), End of Year	\$ 140,132,186	\$ 267,720,661	\$ 248,596,910	\$ (19,123,751)	\$ (17,923,598)	\$ 266,520,508

Intermediate Unit Fund

Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	Budgetary Basis GAAP Difference	Actual Amounts GAAP Basis
Original	Final				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
112,000	103,000	107,176	4,176	-	107,176
163,032,521	138,177,214	135,618,370	(2,558,844)	-	135,618,370
-	-	-	-	-	-
163,144,521	138,280,214	135,725,546	(2,554,668)	-	135,725,546
314,786,841	311,128,005	308,306,176	2,821,829	1,066,782	307,239,394
-	-	-	-	-	-
11,214,414	10,534,284	10,562,869	(28,585)	(3,585)	10,566,454
19,600,000	18,700,000	18,214,287	485,713	-	18,214,287
9,000,000	-	1,811,143	(1,811,143)	-	1,811,143
-	-	-	-	-	-
116,934,435	87,306,920	83,157,721	4,149,199	(21,226)	83,178,947
-	2,500	4,967	(2,467)	-	4,967
-	-	-	-	-	-
-	-	-	-	-	-
471,535,690	427,671,709	422,057,163	5,614,546	1,041,971	421,015,192
(308,391,169)	(289,391,495)	(286,331,617)	3,059,878	(1,041,971)	(285,289,646)
308,391,169	298,391,495	315,592,173	17,200,678	-	315,592,173
-	(9,000,000)	(29,260,556)	(20,260,556)	-	(29,260,556)
-	-	-	-	-	-
308,391,169	289,391,495	286,331,617	(3,059,878)	-	286,331,617
-	-	-	-	(1,041,971)	1,041,971
-	-	-	-	(212,330)	212,330
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ (1,254,301)	\$ 1,254,301

Refer to notes to the required supplementary information

School District of Philadelphia
 Required Supplementary Information
 Schedule of Changes In the District's Total OPEB Life Insurance Benefits Liability ⁽¹⁾

	Measurement Date				
	2017	2018	2019	2020	2021
Total OPEB Life Insurance Liability					
Service Cost	\$ 101,347	\$ 86,098	\$ 80,443	\$ 93,396	\$ 149,217
Interest on total OPEB Life Insurance Liability	505,171	580,316	610,290	586,553	437,565
Effect of plan changes	-	-	-	(44,878)	-
Effect of Liability gains or losses	-	(36,124)	-	(336,025)	-
Effect of Assumption changes or inputs	(1,590,940)	(578,474)	723,274	3,098,690	133,707
Benefit Payments	(520,980)	(511,238)	(461,351)	(413,977)	(410,441)
Net Change in Total OPEB Life Insurance Benefit Liability	(1,505,402)	(459,422)	952,656	2,983,759	310,048
Total OPEB Life Insurance Liability-beginning	17,882,634	16,377,232	15,917,810	16,870,466	19,854,225
Total OPEB Life Insurance Liability-ending	<u>\$ 16,377,232</u>	<u>\$ 15,917,810</u>	<u>\$ 16,870,466</u>	<u>\$ 19,854,225</u>	<u>\$ 20,164,273</u>
Plan fiduciary net position					
Plan fiduciary net position-beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position-ending	-	-	-	-	-
District's net OPEB liability	<u>\$ 16,377,232</u>	<u>\$ 15,917,810</u>	<u>\$ 16,870,466</u>	<u>\$ 19,854,225</u>	<u>\$ 20,164,273</u>
Plan fiduciary net position as a percentage of the Total OPEB Life Insurance liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 714,588,514	\$ 792,975,829	\$ 792,975,829	\$ 932,330,112	\$ 932,330,112
District's net OPEB liability as a percentage of its covered payroll	2.29%	2.01%	2.13%	2.13%	2.16%
Expected average remaining service years of all participants	13.5	12.6	12.6	11.1	11.1

Notes to Schedule:

Changes since prior valuation

•Changed the municipal bond index discount rate of 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

- 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⁾

	Fiscal Years				
	2018	2019	2020	2021	2022
Contractually required contribution	\$ 511,238	\$ 520,980	\$ 461,351	\$ 413,977	\$ 410,441
Contributions in relation to the Contractually required Contribution	511,238	520,980	461,351	413,977	410,441
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 792,975,829	\$ 792,975,829	\$ 932,330,112	\$ 932,330,112	N/A ⁽²⁾
Contributions as a percentage of covered payroll	0.064%	0.066%	0.049%	0.044%	N/A ⁽²⁾

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, 2020

Methods and Assumption Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Asset valuation method	Not applicable
Measurement date	June 30, 2021
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.
- 2) The District's covered payroll was only calculated through the measurement period of June 30, 2021. No estimate is available for the measurement period ended June 30, 2022

School District of Philadelphia
 Required Supplementary Information
 Schedule of the District's Proportionate Share of
 The Net PSERS Postemployment Benefits Other Than Pensions (OPEB) Health Insurance Liability ⁽¹⁾
 Pennsylvania Public School Employees' Retirement System (PSERS)

	Measurement Date				
	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
District's proportion of the net OPEB liability	7.2324%	7.7051%	7.6342%	7.7048%	7.9407%
District's proportionate share of net OPEB liability	\$ 147,353,785	\$ 160,647,425	\$ 162,367,000	\$ 166,477,000	\$ 188,201,000
District's covered payroll	\$ 962,912,147	\$ 1,036,408,149	\$ 1,046,411,347	\$ 1,052,845,315	\$ 1,125,679,026
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.30%	15.50%	15.52%	15.81%	16.72%
Plan fiduciary net position as a percentage of the total net OPEB liability	5.73%	5.56%	5.56%	5.69%	5.30%

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 Contributions
 The Net PSERS Postemployment Benefits Other Than Pensions (OPEB) Health Insurance Liability ⁽¹⁾
 Pennsylvania Public School Employees' Retirement System (PSERS)

	Fiscal Years				
	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 8,608,574	\$ 8,715,961	\$ 8,747,000	\$ 9,070,000	\$ 9,240,000
Contributions in relation to the contractually required contribution	8,608,574	8,715,961	8,747,000	9,070,000	9,240,000
Contribution deficiency (excess)	-	-	-	-	-
District's covered payroll	\$ 1,036,408,149	\$ 1,046,411,347	\$ 1,052,845,315	\$ 1,081,452,030	\$ 1,125,679,026
Contributions as a percentage of covered payroll	0.83%	0.83%	0.83%	0.84%	0.82%

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 Pension Liability ⁽¹⁾
 Pennsylvania Public School Employees' Retirement System (PSERS)

	Measurement Date			
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
District's proportion of the net pension liability	7.5301%	7.0151%	6.9142%	7.2324%
District's proportionate share of net pension liability	\$ 2,980,467,571	\$ 3,038,612,242	\$ 3,426,458,132	\$ 3,571,967,003
District's covered payroll	\$ 960,902,694	\$ 902,602,996	\$ 895,466,120	\$ 962,912,147
District's proportionate share of the net pension liability as a percentage of its covered payroll	310.17%	336.65%	382.65%	370.95%
Plan fiduciary net position as a percentage of the total net pension liability	57.24%	54.36%	50.14%	51.84%

Notes to Schedule:

- a) The Pension plan changed the method for how the proportionate share was calculated. Beginning the fiscal year ended June 30, 2020, the Pension plan used the employer's one-year reported contributions as it relates to the total one-year reported contributions. In prior years, the Pension plan proportionate share was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll.

- 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.

Measurement Date			
June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
7.7051%	7.6342%	7.6983% (a)	7.9234%
\$ 3,698,831,000	\$ 3,571,470,250	\$ 3,790,567,000	\$ 3,253,089,000
\$ 1,036,408,149	\$ 1,046,411,347	\$ 1,052,845,315	\$ 1,081,452,030
356.89%	341.31%	360.03%	300.81%
54.00%	55.66%	54.32%	63.67%

School District of Philadelphia
 Required Supplementary Information
 Schedule of the District's Pension Contributions ⁽¹⁾
 Pennsylvania Public School Employees' Retirement System (PSERS)

	Fiscal Years			
	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	<u>\$ 180,187,615</u>	<u>\$ 216,738,487</u>	<u>\$ 274,885,156</u>	<u>\$ 325,694,097</u>
Contribution deficiency/ (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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%

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.

Fiscal Years

June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
\$ 341,545,787	\$ 361,051,896	\$ 377,283,109	\$ 396,913,911
\$ 341,545,787	\$ 361,051,896	\$ 377,283,109	\$ 396,913,911
-	-	-	-
\$ 1,046,411,347	\$ 1,052,845,315	\$ 1,081,452,030	\$ 1,125,679,026
32.64%	34.29%	34.89%	35.26%

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2022:

A. General Fund

(1)	Instruction – Public Schools	\$ 15,726,769
(2)	Instruction – Charter Schools	11,055,544
(3)	School Administration Services	3,090,987
(4)	Business Support Services	16,911,023

B. Intermediate Unit Fund

(1)	Business Support Services	\$ 1,811,143
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Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$15.7 million in Instruction - Public Schools is primarily due to regular education costs exceeding budgets by approximately \$18.9 million, offset by budget surpluses of approximately \$3.2 million in special education, vocational, pre-K and other instructional programs.

The negative variance of \$11.1 million in Instruction - Charter Schools is primarily due to special education payments to Philadelphia, cyber, and other charter schools exceeding budgets by approximately \$14.5 million offset by budget surpluses of \$3.4 million in regular education charter payments.

The negative variance of \$3.1 million in School Administration Services is primarily due to non-personnel costs exceeding budget by \$1.3 million, administrative and clerical salary costs exceeding budgets by \$1.1 million and associated benefits cost exceeding budgets by \$0.7 million.

The negative variance of \$16.9 million in Business Support Services is primarily due to \$9.5 million of centrally budgeted cancellation of PY encumbrances and lapsed appropriation credits that are reflected elsewhere in actual expenditures, the actual costs of employee benefits exceeding allocated General Fund benefit costs by \$4.0 million, information technology expenditures exceeding budgets by \$2.9 million due to a reclassification of prior year ERP expenditures previously charged to the Capital Fund and other miscellaneous expenditures exceeding budget by \$0.5 million.

Intermediate Unit Fund

The negative variance of Business Support Services of \$1.8 million is primarily due to the actual costs of employee benefits exceeding the costs allocated to individual Intermediate Unit Fund budget lines.

3. OTHER

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

Other Supplementary Information

Non-Major Funds

Governmental - Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain revenue sources that are legally restricted to expenditures for specified purposes. Non-Major Special Revenue funds include the Student Sponsored Activities Fund and the Public-Purpose Trust Fund for which both principal and earnings may be used to support School District programs that benefit either the School District or its students.

At June 30, 2022 there were thirty-four individual Public-Purpose Trust Funds administered by the School District that are reported as one Special Revenue Trust Fund.

Governmental - Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support School District programs that benefit the School District or its students.

For external reporting purposes the School District reports one Permanent Fund. However, at June 30, 2022 there were eighty-eight Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Public-Purpose Trust Fund	Permanent Funds	Student Sponsored Activities Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 4,295,856	\$ 4,295,856
Pooled Cash and Investments	2,239,849	4,323,631	-	6,563,480
Total Assets	\$ 2,239,849	\$ 4,323,631	\$ 4,295,856	\$ 10,859,336
 LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 2,004	\$ -	\$ 202,888	\$ 204,892
Fund Balance:				
Nonspendable:				
Permanent Fund Principal	-	2,668,907	-	2,668,907
Restricted:				
Trust Purposes	2,237,845	1,654,724	-	3,892,569
Student Sponsored	-	-	4,092,968	4,092,968
Total Fund Balances	2,237,845	4,323,631	4,092,968	10,654,444
Total Liabilities and Fund Balances	\$ 2,239,849	\$ 4,323,631	\$ 4,295,856	\$ 10,859,336

School District of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2022

	Public-Purpose Trust Fund	Permanent Funds	Student Sponsored Activities Fund	Total Non-Major Governmental Funds
REVENUES				
Locally Generated Non Tax	\$ 56,049	\$ 6,546	\$ 5,774,486	\$ 5,837,081
EXPENDITURES				
Non-Instructional Services	51,625	999	5,985,066	6,037,690
Excess (Deficiency) of Revenues Over Expenditures	4,424	5,547	(210,580)	(200,609)
Fund Balances, Beginning of Year	2,233,421	4,318,084	4,303,548	10,855,053
Fund Balances, End of Year	<u>\$ 2,237,845</u>	<u>\$ 4,323,631</u>	<u>\$ 4,092,968</u>	<u>\$ 10,654,444</u>

Governmental Funds

Governmental funds are the funds through which costs of School District functions are typically financed.

The funds included in this category are:

- General Fund - The principal operating fund of the School District; accounts for all financial resources except those required to be in another fund.
- Intermediate Unit Fund – used to account for State appropriations for special education.
- Debt Service Fund - used to account for the accumulation of resources for the payment of debt service and bond issuance costs.
- Capital Projects Fund - used to account for financial resources used for capital asset acquisitions, construction, and improvements that are financed with debt instruments.

School District of Philadelphia
Schedule of Detailed Budgetary and Actual Revenues
General Fund
For The Year Ended June 30, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 846,705,000	\$ 838,917,000	\$ 815,454,233	\$ (23,462,767)
Prior Years	35,694,540	34,891,000	36,631,727	1,740,727
Payment in Lieu of Taxes	4,619	4,619	4,619	-
Use and Occupancy	176,356,348	183,863,109	175,793,919	(8,069,190)
School (Non-Business) Income	49,344,719	49,344,719	59,073,688	9,728,969
Liquor Sales	61,625,933	69,063,225	70,007,542	944,317
Cigarette Sales	58,000,000	58,000,000	58,070,738	70,738
Sales Tax	120,000,000	120,000,000	120,000,000	-
Ridesharing Revenue	4,900,000	6,332,648	5,107,649	(1,224,999)
Public Utility Realty	1,318,028	1,313,021	1,313,021	-
Total Local Taxes	1,353,949,187	1,361,729,341	1,341,457,136	(20,272,205)
Locally Generated Non Tax				
Investment Revenue	660,000	300,857	963,763	662,906
City Contributions	255,953,201	255,953,201	255,953,201	-
Stadium Agreements	2,743,500	2,743,500	2,743,500	-
Voluntary Contributions	2,527,018	2,523,051	2,858,634	335,583
Parking Authority Contributions	2,664,677	-	6,405,486	6,405,486
Gaming Revenue	6,800,000	7,174,387	8,453,840	1,279,453
Reimbursement from Other Funds	-	-	13,860	13,860
Miscellaneous	5,113,860	11,194,230	14,689,566	3,495,336
Total Locally Generated Non Tax	276,462,256	279,889,226	292,081,850	12,192,624
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	1,158,317,839	1,224,124,730	1,224,128,260	3,530
Less: Reimbursement of Prior Years IU Advances	61,707,865	78,100,187	78,100,187	-
Net Instruction	1,096,609,974	1,146,024,543	1,146,028,073	3,530
Debt Service	7,500,000	7,500,000	-	(7,500,000)
School Health Program				
Nurse Services	1,166,190	1,179,216	1,179,216	-
Medical and Dental	1,748,679	1,830,425	1,830,425	-
Tuition	42,000	42,000	52,230	10,230
Area Vocational Technical Education	7,026,367	7,658,023	7,675,835	17,812
Transportation	25,987,353	33,922,542	33,922,541	(1)
District Special Education	154,227,298	162,875,751	156,942,068	(5,933,683)
Retirement	88,790,834	100,858,327	108,543,239	7,684,912
Social Security	19,440,466	22,082,604	37,049,917	14,967,313
Total State Grants and Subsidies	1,402,539,161	1,483,973,431	1,493,223,544	9,250,113
Federal Grants and Subsidies				
Impacted Area Aid	96,346	96,346	12,962	(83,384)
Total Federal Grants and Subsidies	96,346	96,346	12,962	(83,384)
Total Other Governments	1,402,635,507	1,484,069,777	1,493,236,506	9,166,729
Total Revenue	3,033,046,950	3,125,688,344	3,126,775,492	1,087,148
OTHER FINANCING SOURCES				
Transfers In	-	26,978,796	45,349,441	(18,370,645)
Insurance Proceeds	-	1,223,127	1,223,127	-
Total General Fund	\$ 3,033,046,950	\$ 3,153,890,267	\$ 3,173,348,060	\$ (17,283,497)

School District of Philadelphia
Schedule of Budgetary and Actual Functional Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	Budgetary Basis GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
OBLIGATIONS						
Instruction Regular Ed	\$ 253,649,508	\$ 375,772,262	\$ 394,774,107	\$ (19,001,845)	\$ 829,391	\$ 393,944,716
Instruction Special Ed	71,816,863	66,769,713	65,722,422	1,047,291	5,262,912	60,459,510
Instruction Vocational Ed	5,199,179	5,101,227	4,841,854	259,373	(22,874)	4,864,728
Instruction Other Programs	57,011,294	47,171,610	45,318,874	1,852,736	8,062	45,310,812
Instruction Non Public	80,000	10,000	8,400	1,600	-	8,400
Instruction Pre K	765,427	739,062	624,986	114,076	1,413	623,573
Total Instruction Public Schools	<u>388,522,271</u>	<u>495,563,874</u>	<u>511,290,643</u>	<u>(15,726,769)</u>	<u>6,078,904</u>	<u>505,211,739</u>
Total Instruction Charter Schools	<u>1,189,968,564</u>	<u>1,202,142,022</u>	<u>1,213,197,566</u>	<u>(11,055,544)</u>	<u>-</u>	<u>1,213,197,566</u>
Student Support Services	48,661,732	42,459,590	40,776,942	1,682,648	137,538	40,639,404
Instructional Support Services	43,880,448	43,923,605	39,319,688	4,603,917	1,357,223	37,962,465
Pupil Health Services	19,089,374	18,063,924	19,914,833	(1,850,909)	126,378	19,788,455
Total Instructional Support	<u>111,631,554</u>	<u>104,447,119</u>	<u>100,011,463</u>	<u>4,435,656</u>	<u>1,621,139</u>	<u>98,390,324</u>
School Administration Services	147,083,260	80,875,369	83,966,356	(3,090,987)	520,858	83,445,498
Business Support Services	48,432,875	25,464,550	25,039,020	425,530	27,090	25,011,930
Other Administration Services	12,935,180	27,211,975	44,548,528	(17,336,553)	8,957	44,539,571
Total Admin and Finl Support Svcs	<u>208,451,315</u>	<u>133,551,894</u>	<u>153,553,904</u>	<u>(20,002,010)</u>	<u>556,905</u>	<u>152,996,999</u>
Operation and Maint of Plant Services	<u>242,968,046</u>	<u>258,306,839</u>	<u>258,423,486</u>	<u>(116,647)</u>	<u>(588,590)</u>	<u>259,012,076</u>
Pupil Transportation	<u>115,086,895</u>	<u>117,832,353</u>	<u>95,375,019</u>	<u>22,457,334</u>	<u>6,222</u>	<u>95,368,797</u>
Student Activities	12,529,820	12,781,876	11,492,585	1,289,291	86,913	11,405,672
Community Services	-	570,500	435,322	135,178	3,351	431,971
Total Non Instructional Services	<u>12,529,820</u>	<u>13,352,376</u>	<u>11,927,907</u>	<u>1,424,469</u>	<u>90,264</u>	<u>11,837,643</u>
Debt Service	<u>1,088,417</u>	<u>395,500</u>	<u>147,500</u>	<u>248,000</u>	<u>-</u>	<u>147,500</u>
Capital Outlay	<u>5,371,237</u>	<u>6,592,096</u>	<u>4,460,529</u>	<u>2,131,567</u>	<u>396,273</u>	<u>4,064,256</u>
Total Obligations	<u>2,275,618,119</u>	<u>2,332,184,073</u>	<u>2,348,388,017</u>	<u>(16,203,944)</u>	<u>8,161,117</u>	<u>2,340,226,900</u>
OTHER FINANCING USES						
Local Share of Categorical Programs	1,510,346	1,394,880	1,233,592	161,288	-	1,233,592
Debt Service Fund	300,786,839	302,124,675	305,681,417	(3,556,742)	-	305,681,417
Special Education	308,391,169	298,391,495	315,592,174	(17,200,679)	-	315,592,174
Capital Projects	-	-	43,756	(43,756)	-	43,756
Enterprise Fund - Print Shop	325,000	690,000	451,017	238,983	-	451,017
Enterprise Fund - Food Service	-	9,000,000	8,199,922	800,078	-	8,199,922
Refund of Prior Year Receipts	-	-	-	-	-	-
Total General Fund	<u>\$ 2,886,631,473</u>	<u>\$ 2,943,785,123</u>	<u>\$ 2,979,589,895</u>	<u>\$ (35,804,772)</u>	<u>\$ 8,161,117</u>	<u>\$ 2,971,428,778</u>
Fund Totals - Object Classes						
Personal Services	\$ 364,523,052	\$ 411,269,269	\$ 406,984,107	\$ 4,285,162	\$ -	\$ 406,984,107
Employee Benefits	286,929,038	308,597,185	315,181,269	(6,584,084)	-	315,181,269
Professional Technical Services	132,580,383	124,790,742	125,480,891	(690,149)	3,368,648	122,112,243
Property, Transportation, Comm.	1,459,381,952	1,462,170,638	1,451,045,586	11,125,052	4,810,566	1,446,235,020
Materials, Supplies, Books and Equip	69,614,797	78,208,113	85,402,809	(7,194,696)	(17,547)	85,420,356
Other	(37,411,103)	(52,851,874)	(35,706,645)	(17,145,229)	(550)	(35,706,095)
Total Obligations	<u>2,275,618,119</u>	<u>2,332,184,073</u>	<u>2,348,388,017</u>	<u>(16,203,944)</u>	<u>8,161,117</u>	<u>2,340,226,900</u>
Other Financing Uses						
Operating Transfers to Other Funds	<u>611,013,354</u>	<u>611,601,050</u>	<u>631,201,878</u>	<u>(19,600,828)</u>	<u>-</u>	<u>631,201,878</u>
Total General Fund	<u>\$ 2,886,631,473</u>	<u>\$ 2,943,785,123</u>	<u>\$ 2,979,589,895</u>	<u>\$ (35,804,772)</u>	<u>\$ 8,161,117</u>	<u>\$ 2,971,428,778</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Functional Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	Budgetary Basis GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Locally Generated Non Tax						
Special Education Transportation	\$ 10,000	\$ 10,000	\$ 12,009	\$ 2,009	\$ -	\$ 12,009
Tuition	102,000	93,000	95,167	2,167	-	95,167
Total Locally Generated Non Tax	112,000	103,000	107,176	4,176	-	107,176
State Grants and Subsidies						
Special Education Program	5,817,712	6,083,231	6,092,783	9,552	-	6,092,783
Special Education Transportation	101,818,795	78,330,641	75,725,260	(2,605,381)	-	75,725,260
Social Security	9,950,211	9,656,952	9,602,711	(54,241)	-	9,602,711
Retirement	45,445,802	44,106,391	44,197,616	91,225	-	44,197,616
Total State Grants and Subsidies	163,032,520	138,177,215	135,618,370	(2,558,845)	-	135,618,370
Total Revenues	163,144,520	138,280,215	135,725,546	(2,554,669)	-	135,725,546
OTHER FINANCING SOURCES						
Transfers In	308,788,302	298,391,495	315,592,173	17,200,678	-	315,592,173
Total	\$ 471,932,822	\$ 436,671,710	\$ 451,317,719	\$ 14,646,009	\$ -	\$ 451,317,719
OBLIGATIONS						
Instruction Regular Ed	\$ 2,960	\$ 2,960	\$ 2,876	\$ 84	\$ (1,197)	\$ 4,073
Instruction Special Ed	314,783,881	311,125,045	308,303,301	2,821,744	1,067,980	307,235,321
Total Instruction Public Schools	314,786,841	311,128,005	308,306,177	2,821,828	1,066,783	307,239,394
Student Support Services	10,736,486	10,223,045	10,264,662	(41,617)	(3,586)	10,268,248
Instructional Support Services	477,928	311,239	298,206	13,033	-	298,206
Total Instructional Support	11,214,414	10,534,284	10,562,868	(28,584)	(3,586)	10,566,454
School Administration Services	19,600,000	18,700,000	18,214,287	485,713	-	18,214,287
Business Support Services	9,000,000	-	-	-	-	-
Other Administration Services	-	-	1,811,143	(1,811,143)	-	1,811,143
Total Administrative and Financial Support Services	28,600,000	18,700,000	20,025,430	(1,325,430)	-	20,025,430
Pupil Transportation	116,934,435	87,306,920	83,157,721	4,149,199	(21,226)	83,178,947
Student Activities	-	-	2,492	(2,492)	-	2,492
Community Services	-	2,500	2,475	25	-	2,475
Total Non Instructional Services	-	2,500	4,967	(2,467)	-	4,967
Total Obligations	471,535,690	427,671,709	422,057,163	5,614,546	1,041,971	421,015,192
OTHER FINANCING USES						
Operating Transfers to Other Funds	-	9,000,000	29,260,556	20,260,556	-	29,260,556
Total	\$ 471,535,690	\$ 436,671,709	\$ 451,317,719	\$ 25,875,102	\$ 1,041,971	\$ 450,275,748
Fund Totals - Object Classes						
Personal Services	\$ 187,455,402	\$ 180,330,250	\$ 179,757,079	\$ 573,171	\$ -	\$ 179,757,079
Employee Benefits	146,225,274	142,498,075	141,493,428	1,004,647	-	141,493,428
Prof.,Tech. Services	8,617,745	11,583,710	11,224,168	359,542	915,715	10,308,453
Property,Transportation,Comm.	24,933,756	15,840,815	12,323,783	3,517,032	(15,607)	12,339,390
Materials, Supplies, Books and Equipment	1,294,343	1,194,855	1,047,238	147,617	141,863	905,375
Other	103,009,170	76,224,004	76,211,467	12,537	-	76,211,467
Total Obligations	471,535,690	427,671,709	422,057,163	5,614,546	1,041,971	421,015,192
OTHER FINANCING USES						
Operating Transfers to Other Funds		9,000,000	29,260,556	20,260,556	-	29,260,556
Total	\$ 471,535,690	\$ 436,671,709	\$ 451,317,719	\$ 25,875,102	\$ 1,041,971	\$ 450,275,748

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Functional Unit Obligations
By Object Class and Uses - Debt Service Fund
For The Year Ended June 30, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	Budgetary Basis GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Locally Generated Non Tax						
Earnings on Investments	\$ 521,000	\$ 521,000	\$ 816,892	\$ (295,892)	\$ -	\$ 816,892
Miscellaneous	-	-	1,000	(1,000)	-	1,000
Total Locally Generated Non Tax	<u>521,000</u>	<u>521,000</u>	<u>817,892</u>	<u>(296,892)</u>	<u>-</u>	<u>817,892</u>
Federal Revenue						
Federal Debt Service Subsidy	16,511,354	16,511,354	16,511,354	-	-	16,511,354
Total Federal Revenue	<u>16,511,354</u>	<u>16,511,354</u>	<u>16,511,354</u>	<u>-</u>	<u>-</u>	<u>16,511,354</u>
Total Revenues	<u>17,032,354</u>	<u>17,032,354</u>	<u>17,329,246</u>	<u>(296,892)</u>	<u>-</u>	<u>17,329,246</u>
OBLIGATIONS						
General Obligation Bonds						
Principal	131,135,000	131,320,000	131,320,000	-	-	131,320,000
Interest	114,901,729	112,565,776	112,565,776	-	-	112,565,776
Authority Obligations (SPSBA)						
Principal	25,905,000	25,915,000	25,915,000	-	-	25,915,000
Interest	42,216,111	42,218,124	42,218,124	-	-	42,218,124
Issuance Costs	1,760,000	1,828,382	1,828,383	(1)	-	1,828,383
Administrative Expenses	100,000	100,000	8,500	91,500	-	8,500
Total Obligations	<u>316,017,840</u>	<u>313,947,282</u>	<u>313,855,783</u>	<u>91,499</u>	<u>-</u>	<u>313,855,783</u>
OTHER FINANCING SOURCES						
Transfers from Other Funds	302,835,839	304,242,057	308,035,870	(3,793,813)	-	308,035,870
Total Other Financing Sources	<u>302,835,839</u>	<u>304,242,057</u>	<u>308,035,870</u>	<u>(3,793,813)</u>	<u>-</u>	<u>308,035,870</u>
Net Change in Fund Balance	3,850,353	7,327,129	11,509,333	(4,182,204)	-	11,509,333
Fund Balances, Beginning of Year	<u>236,330,331</u>	<u>240,521,531</u>	<u>240,521,531</u>	<u>-</u>	<u>-</u>	<u>240,521,531</u>
Fund Balances, End of Year	<u>\$ 240,180,684</u>	<u>\$ 247,848,660</u>	<u>\$ 252,030,864</u>	<u>\$ 4,182,204</u>	<u>\$ -</u>	<u>\$ 252,030,864</u>
FUND BALANCE AVAILABLE FOR APPROPRIATION						
Fund Balances, Beginning of Year	\$ 236,330,331	\$ 240,521,531	\$ 240,521,531	\$ -	\$ -	\$ 240,521,531
Mandatory Deposits for Future Debt Payments, Beginning of Year	(83,123,667)	(83,123,667)	(83,123,667)	-	-	(83,123,667)
Fund Balances Available for Appropriation, Beginning of Year	<u>153,206,664</u>	<u>157,397,864</u>	<u>157,397,864</u>	<u>-</u>	<u>-</u>	<u>157,397,864</u>
Net Change in Fund Balance	3,850,353	7,327,129	11,509,333	4,182,204	-	11,509,333
Net Change in Mandatory Deposits for Future Debt Payments	<u>(13,320,667)</u>	<u>(13,320,667)</u>	<u>(13,320,667)</u>	<u>-</u>	<u>-</u>	<u>(13,320,667)</u>
Fund Balances Available for Appropriation, End of Year	<u>\$ 143,736,350</u>	<u>\$ 151,404,326</u>	<u>\$ 155,586,530</u>	<u>\$ 4,182,204</u>	<u>\$ -</u>	<u>\$ 155,586,530</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Functional Unit Obligations
By Object Class and Uses - Capital Projects Fund
For The Year Ended June 30, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	Budgetary Basis GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
REVENUES						
Locally Generated Non Tax Investment Earnings/(Losses)	\$ 1,250,000	\$ 1,250,000	\$ (2,196,045)	\$ (3,446,045)	\$ -	\$ (2,196,045)
Total Locally Generated Non Tax	1,250,000	1,250,000	(2,196,045)	(3,446,045)	-	(2,196,045)
State Grants and Subsidies	425,000	425,000	1,488,378	1,063,378	-	1,488,378
Total Net Revenues	1,675,000	1,675,000	(707,667)	(2,382,667)	-	(707,667)
OBLIGATIONS						
New Buildings and Additions	164,076,708	152,314,862	153,782,795	(1,467,933)	10,392,888	143,389,907
Environmental Management	1,817,241	6,250,521	3,917,619	2,332,902	(22,082)	3,939,701
Alterations and Improvements	119,475,529	91,894,260	82,026,741	9,867,519	9,162,877	72,863,864
Major/Building Renovations	100,441,959	43,897,423	63,168,440	(19,271,017)	29,771,857	33,396,583
Various Technology & Operations Projects	36,794,972	38,499,010	4,336,324	34,162,686	(9,412,247)	13,748,571
Total Obligations	422,606,409	332,856,076	307,231,919	25,624,157	39,893,293	267,338,626
OTHER FINANCING SOURCES/(USES)						
Transfers from/(to) Other Funds	-	-	1,548,930	1,548,930	-	1,548,930
Debt Issuance	250,000,000	316,840,000	316,840,000	-	-	316,840,000
Bond Premium	-	60,026,524	60,026,524	-	-	60,026,524
Refund of Prior Year Receipts	-	-	(599,041)	(599,041)	-	(599,041)
Total Other Financing Sources	250,000,000	376,866,524	377,816,413	949,889	-	377,816,413
Net Change in Fund Balance	(170,931,409)	45,685,448	69,876,827	(27,056,935)	(39,893,293)	109,770,120
Fund Balances, Beginning of Year	198,655,198	136,350,151	136,350,151	-	(97,732,406)	234,082,557
Prior Period Restatement	-	-	2,662,802	(2,662,802)	-	2,662,802
Fund Balances, End of Year	\$ 27,723,789	\$ 182,035,599	\$ 208,889,780	\$ (29,719,737)	\$ (137,625,699)	\$ 346,515,479

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SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2022

Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2023 Debt Service Requirements (Due within One Year)	
					Interest	Principal
September 10, 2003 SERIES B (BS03) State Public School Building Authority (SPSBA) Capital Obligation Bonds - Non Refunding	\$ 588,140,000	\$ 43,505,000	JUNE 1, 2028-2032	5.500	\$ 2,392,775	\$ -
		<u>43,505,000</u>			<u>2,392,775</u>	<u>-</u>
December 28, 2006 SERIES B (BS06) State Public School Building Authority (SPSBA) Capital Obligation Bonds - Non Refunding	545,570,000	-	JUNE 1, 2023	5.000	595,464	-
		-	JUNE 1, 2024	5.000	595,464	-
		-	JUNE 1, 2025	5.000	595,464	-
		-	JUNE 1, 2026	5.000	595,464	-
		36,820,000	JUNE 1, 2027	5.000	595,464	-
		<u>46,545,000</u>	JUNE 1, 2028-2032	5.000	<u>1,190,930</u>	<u>-</u>
		<u>83,365,000</u>			<u>4,168,250</u>	<u>-</u>
May 22, 2007 SERIES A (A007) General Obligation Bonds (GOB) - Non Refunding	146,530,000	860,000	JUNE 1, 2023	5.000	43,000	860,000
		10,390,000	JUNE 1, 2024	5.000	519,500	-
		11,245,000	JUNE 1, 2025	5.000	562,250	-
		12,360,000	JUNE 1, 2026	5.000	618,000	-
		30,680,000	JUNE 1, 2027	5.000	1,534,000	-
		5,645,000	JUNE 1, 2028-2032	5.000	282,250	-
		<u>44,480,000</u>	JUNE 1, 2033-2037	5.000	<u>2,224,000</u>	<u>-</u>
		<u>115,660,000</u>			<u>5,783,000</u>	<u>860,000</u>
December 28, 2007 SERIES C (CQ07) Qualified Zone Academy Bonds (QZAB) - Non Refunding	13,510,000	13,510,000	DEC 28, 2022		-	13,510,000
		<u>13,510,000</u>			<u>-</u>	<u>13,510,000</u>
December 28, 2007 SERIES D (DQ07) Qualified Zone Academy Bonds (QZAB) - Non Refunding	28,160,000	28,160,000	DEC 28, 2022	1.250	176,000	28,160,000
		<u>28,160,000</u>			<u>176,000</u>	<u>28,160,000</u>
April 6, 2010 SERIES B (B010) General Obligation Bonds (GOB) - Non Refunding Build American Bonds (BAB)-Federal Subsidy	221,485,000	7,040,000	JUNE 1, 2023	5.909	415,994	7,040,000
		7,310,000	JUNE 1, 2024	6.059	442,913	-
		7,595,000	JUNE 1, 2025	6.209	471,574	-
		7,900,000	JUNE 1, 2026	6.615	522,585	-
		8,240,000	JUNE 1, 2027	6.615	545,076	-
		46,810,000	JUNE 1, 2028-2032	6.675	3,126,354	-
		57,935,000	JUNE 1, 2033-2037	6.765	3,919,303	-
		<u>39,810,000</u>	JUNE 1, 2038-2042	6.765	<u>2,693,145</u>	<u>-</u>
		<u>182,640,000</u>			<u>12,136,944</u>	<u>7,040,000</u>
December 20, 2011 SERIES A (AQ11) Qualified School Construction Bonds (QSCB) - Non Refunding American Reconstruction Recovery Act (ARRA) - Federal Subsidy	144,625,000	-	SEPT 1, 2022	5.995	959,433	-
		-	SEPT 1, 2023	5.995	959,433	-
		-	SEPT 1, 2024	5.995	959,433	-
		-	SEPT 1, 2025	5.995	959,433	-
		-	SEPT 1, 2026	5.995	959,433	-
		<u>144,035,000</u>	SEPT 1, 2027-2031	5.995	<u>3,837,733</u>	<u>-</u>
		<u>144,035,000</u>			<u>8,634,898</u>	<u>-</u>
APRIL 20, 2015 SERIES A (AS15) State Public School Building Authority Capital Obligation Bonds Refunding	80,000,000	10,200,000	JUNE 1, 2023	4.188	477,500	10,200,000
		10,675,000	JUNE 1, 2024	5.000	533,750	-
		11,210,000	JUNE 1, 2025	5.000	560,500	-
		<u>3,680,000</u>	JUNE 1, 2026	5.000	<u>184,000</u>	<u>-</u>
		<u>35,765,000</u>			<u>1,755,750</u>	<u>10,200,000</u>
APRIL 20, 2015 (SERIES A) (A015) General Obligation Bonds (GOB) - Non Refunding	46,770,000	1,880,000	SEPT 1, 2022	5.000	47,000	1,880,000
		1,970,000	SEPT 1, 2023	5.000	98,500	-
		2,075,000	SEPT 1, 2024	5.000	103,750	-
		2,185,000	SEPT 1, 2025	5.000	109,250	-
		2,295,000	SEPT 1, 2026	5.000	114,750	-
		13,360,000	SEPT 1, 2027-2031	5.000	668,000	-
		<u>13,380,000</u>	SEPT 1, 2032-2036	5.000	<u>669,000</u>	<u>-</u>
		<u>37,145,000</u>			<u>1,810,250</u>	<u>1,880,000</u>
APRIL 20, 2015 (SERIES C) (C015) General Obligation Refunding Bonds Term Bonds - Ref 2005C	44,565,000	4,560,000	SEPT 1, 2022	3.685	84,018	4,560,000
		4,725,000	SEPT 1, 2023	3.738	176,621	-
		4,905,000	SEPT 1, 2024	3.888	190,706	-
		<u>5,090,000</u>	SEPT 1, 2025	4.038	<u>205,534</u>	<u>-</u>
		<u>19,280,000</u>			<u>656,879</u>	<u>4,560,000</u>
May 5, 2015 (SERIES D) (D015) General Obligation Refunding Bonds (Ref 2005A)	128,620,000	17,000,000	SEPT 1, 2022	5.000	425,000	17,000,000
		<u>17,000,000</u>			<u>425,000</u>	<u>17,000,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2022

Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2023 Debt Service Requirements (Due within One Year)	
					Interest	Principal
NOVEMBER 16, 2016 (SERIES A) (AS16) State Public School Building Authority Capital Obligation Bonds Refunding	570,010,000	900,000 22,535,000 24,505,000 33,150,000 11,310,000 280,260,000 172,600,000	JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025 JUNE 1, 2026 JUNE 1, 2027 JUNE 1, 2028-32 JUNE 1, 2033-37	5.000 5.000 5.000 5.000 5.000 5.000 5.000	45,000 1,126,750 1,225,250 1,657,500 565,500 14,013,000 8,630,000	900,000 - - - - - -
		<u>545,260,000</u>			<u>27,263,000</u>	<u>900,000</u>
NOVEMBER 16, 2016 (SERIES D) (D016) General Obligation Bonds (GOB) - Non Refunding	92,345,000	7,565,000 7,950,000 8,360,000 8,790,000 9,240,000 17,810,000 59,715,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031	5.000 5.000 5.000 5.000 5.000 5.000	189,125 397,500 418,000 439,500 462,000 890,500 2,796,625	7,565,000 - - - - - 7,565,000
		<u>59,715,000</u>			<u>2,796,625</u>	<u>7,565,000</u>
NOVEMBER 16, 2016 SERIES E (QSCB) - (Federal Subsidy) GOB (EQ16) Qualified School Construction Bonds (QSCB) - Non Refunding American Reconstruction Recovery Act (ARRA) - Federal Subsidy	147,245,000	- - - - - - - - 147,245,000 147,245,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036 SEPT 1, 2037-2041 SEPT 1, 2042-2046	5.000 5.000 5.000 5.000 5.000 5.000 5.060 5.060 5.060	354,790 354,790 354,790 354,790 354,790 1,773,952 1,773,952 1,773,952 354,791 7,450,597	- - - - - - - - - -
		<u>147,245,000</u>			<u>7,450,597</u>	<u>-</u>
NOVEMBER 16, 2016 (SERIES F) (F016) General Obligation Refunding Bonds	582,155,000	22,845,000 23,210,000 53,050,000 56,435,000 34,965,000 238,070,000 70,680,000 30,915,000 530,170,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036 SEPT 1, 2037-2041	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	571,125 1,160,500 2,652,500 2,821,750 1,748,250 11,903,500 3,534,000 1,545,750 25,937,375	22,845,000 - - - - - - - 22,845,000
		<u>530,170,000</u>			<u>25,937,375</u>	<u>22,845,000</u>
APRIL 18, 2018 (SERIES A) (A018) 2018A CSF General Obligation Bonds (GOB) - Non Refunding	176,820,000	6,130,000 6,445,000 6,775,000 7,120,000 7,485,000 43,605,000 55,985,000 26,620,000 160,165,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036 SEPT 1, 2037-2041	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	153,250 322,250 338,750 356,000 374,250 2,180,250 2,799,250 1,331,000 7,855,000	6,130,000 - - - - - - - 6,130,000
		<u>160,165,000</u>			<u>7,855,000</u>	<u>6,130,000</u>
APRIL 18, 2018 (SERIES B) (B018) 2018B CSF General Obligation Bonds (GOB) - Non Refunding	78,130,000	- - - - - - - 44,820,000 33,310,000 78,130,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036 SEPT 1, 2037-2041 SEPT 1, 2042-2046	4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500	154,841 154,841 154,841 154,841 154,841 774,205 774,205 774,205 309,680 3,406,500	- - - - - - - - - -
		<u>78,130,000</u>			<u>3,406,500</u>	<u>-</u>
November 20, 2019 SERIES A (A019) General Obligation Bonds (GOB) - Non Refunding	406,820,000	10,775,000 11,330,000 8,280,000 8,705,000 9,150,000 63,355,000 98,060,000 111,105,000 71,865,000 392,625,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036 SEPT 1, 2037-2041 SEPT 1, 2042-2046	5.000 5.000 5.000 5.000 5.000 5.000 4.714 4.400 5.000	269,375 566,500 414,000 435,250 457,500 3,167,750 4,483,600 4,859,700 3,593,250 18,246,925	10,775,000 - - - - - - - - 10,775,000
		<u>392,625,000</u>			<u>18,246,925</u>	<u>10,775,000</u>
November 20, 2019 SERIES B (B019) General Obligation Bonds (GOB)-Non Refunding	24,840,000	5,000 5,000 3,635,000 3,825,000 4,020,000 13,340,000 24,830,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031	5.000 5.000 5.000 5.000 5.000 5.000	125 250 181,750 191,250 201,000 667,000 1,241,375	5,000 - - - - - 5,000
		<u>24,830,000</u>			<u>1,241,375</u>	<u>5,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2022

Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2023 Debt Service Requirements (Due within One Year)	
					Interest	Principal
November 20, 2019 SERIES C (C019) General Obligation Refunding Bonds	24,420,000	5,000 5,000 5,000 5,000 5,000 25,000 24,360,000 24,410,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036	5.000 5.000 5.000 5.000 5.000 5.000 5.000	125 250 250 250 250 1,250 1,218,000 1,220,375	5,000 - - - - - - 5,000
November 20, 2019 SERIES D (D019) General Obligation Bonds (GOB)-Non Refunding	25,000,000	- - - - - - 5,000,000 20,000,000 25,000,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036 SEPT 1, 2037-2041 SEPT 1, 2042-2046	3.000 3.000 3.000 3.000 3.000 3.000 3.000 3.000 3.000	30,000 30,000 30,000 30,000 30,000 150,000 210,000 150,000 90,000 750,000	- - - - - - - - - -
November 20, 2019 SERIES A (AS19) State Public School Building Authority (SPSBA) Capital Obligation Bonds Deficit Funding Refunding	167,535,000	16,000,000 16,420,000 16,865,000 17,330,000 17,825,000 76,880,000 161,320,000	APRIL 1,2023 APRIL 1,2024 APRIL 1,2025 APRIL 1,2026 APRIL 1,2027 APRIL 1, 2028-2032	2.616 2.716 2.754 2.854 2.966 3.121	418,560 445,967 464,462 494,598 528,690 2,400,887 4,753,164	16,000,000 - - - - - 16,000,000
November 20, 2019 SERIES B (BS19) State Public School Building Authority (SPSBA) Capital Obligation Bonds Deficit Funding Refunding	20,755,000	- - - - - 20,755,000 20,755,000	APRIL 1,2023 APRIL 1,2024 APRIL 1,2025 APRIL 1,2026 APRIL 1,2027 APRIL 1, 2028-2032	2.616 2.716 2.754 2.854 3.090 3.096	57,009 59,189 60,017 62,196 64,637 339,527 642,575	- - - - - - -
June 5, 2020 SERIES A (A020) General Obligation Refunding Bonds	123,805,000	44,340,000 36,645,000 625,000 81,610,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024	5.000 5.000 5.000	1,108,500 1,832,250 31,250 2,972,000	44,340,000 - - 44,340,000
November 4, 2021 SERIES A (A021) General Obligation Bonds (GOB) - Non Refunding	266,980,000	2,815,000 2,960,000 3,110,000 3,265,000 3,435,000 20,015,000 61,625,000 76,415,000 93,340,000 266,980,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031 SEPT 1, 2032-2036 SEPT 1, 2037-2041 SEPT 1, 2042-2046	5.000 5.000 5.000 5.000 5.000 5.000 4.800 4.000 4.000	70,375 148,000 155,500 163,250 171,750 1,000,750 2,945,900 3,056,600 3,733,600 11,445,725	2,815,000 - - - - - - - - 2,815,000
November 4, 2021 SERIES B (B021) General Obligation Bonds (GOB) - Non Refunding	49,860,000	3,940,000 4,140,000 4,355,000 4,580,000 4,815,000 28,030,000 49,860,000	SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027-2031	5.000 5.000 5.000 5.000 5.000 5.000	98,500 207,000 217,750 229,000 240,750 1,401,500 2,394,500	3,940,000 - - - - - 3,940,000
TOTAL BONDS OUTSTANDING	\$ 4,744,695,000	\$ 3,288,140,000			\$ 156,315,482	\$ 198,530,000
NON-ELECTORAL DEBT BONDS	\$ 2,772,685,000	\$ 2,398,170,000			\$ 115,339,968	\$ 171,430,000
CAPITAL OBLIGATION BONDS (Lease Rental)	1,972,010,000	889,970,000			40,975,514	27,100,000
TOTAL BONDS OUTSTANDING	\$ 4,744,695,000	\$ 3,288,140,000			\$ 156,315,482	\$ 198,530,000

Statistical Section

This part of the School District of Philadelphia's ("School District") Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

School District of Philadelphia
Table 1
Net Position by Component
For the Fiscal Years 2013 through 2022
(accrual basis of accounting)
(dollars in thousands)

	2013	2014	2015 ⁽¹⁾	2016
<u>Governmental Activities</u>				
Net Investment in Capital Assets	\$ (238,240)	\$ (372,517)	\$ (569,899)	\$ (585,039)
Restricted				
Medical Self-Insurance	18,375	18,375	9,500	9,500
Debt Service	98,228	93,491	122,992	142,049
Special Revenue & Permanent Funds				
Student Health	3,447	3,428	3,411	3,407
Scholarships	2,836	2,866	2,895	2,909
Student Sponsored Activities (2)	-	-	-	-
Arbitrage Rebate Payable	265	266	694	309
Unrestricted Deficit	(1,482,974)	(4,714,160)	(4,371,010)	(4,177,825)
Total Governmental Activities Net Deficit	<u>(1,598,063)</u>	<u>(4,968,251)</u>	<u>(4,801,417)</u>	<u>(4,604,690)</u>
<u>Business-type Activities</u>				
Net Investment in Capital Assets	2,122	1,739	1,676	2,108
Unrestricted Deficit	(5,003)	(50,154)	(47,497)	(36,490)
Total Business-type Activities Net Deficit	<u>(2,881)</u>	<u>(48,415)</u>	<u>(45,821)</u>	<u>(34,382)</u>
<u>Total School District</u>				
Net Investment in Capital Assets	(236,118)	(370,778)	(568,223)	(582,931)
Restricted	123,151	118,426	139,492	158,174
Unrestricted Deficit	(1,487,977)	(4,764,314)	(4,418,507)	(4,214,315)
Total School District Net Deficit	<u>\$ (1,600,944)</u>	<u>\$ (5,016,666)</u>	<u>\$ (4,847,238)</u>	<u>\$ (4,639,072)</u>

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.
- (2) The Student Sponsored Activities Fund was reclassified from an Agency Fund to a Special Revenue Fund beginning in Fiscal Year 2021 in accordance with GASB 84.

Source: The School District of Philadelphia Annual Comprehensive Financial Reports for the Fiscal Years ended 2013 through 2022.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$	(633,454)	\$ (637,729)	\$ (620,121)	\$ (667,664)	\$ (598,938)	\$ (562,249)
	9,500	9,500	9,500	9,500	9,500	9,500
	178,655	190,677	194,612	227,460	240,521	252,030
	3,401	3,410	3,431	4,310	3,864	3,893
	2,929	2,978	3,040	2,221	2,668	2,669
	-	-	-	-	5,099	4,093
	47	51	55	55	-	-
	(3,968,022)	(3,962,694)	(3,855,498)	(3,899,992)	(3,917,039)	(3,595,125)
	<u>(4,406,944)</u>	<u>(4,393,807)</u>	<u>(4,264,981)</u>	<u>(4,324,110)</u>	<u>(4,254,325)</u>	<u>(3,885,189)</u>
	2,145	2,802	3,353	3,391	2,880	2,783
	(25,116)	(24,358)	(20,703)	(31,257)	(59,594)	(52,379)
	<u>(22,971)</u>	<u>(21,556)</u>	<u>(17,350)</u>	<u>(27,866)</u>	<u>(56,714)</u>	<u>(49,596)</u>
	(631,309)	(634,927)	(616,768)	(664,273)	(596,058)	(559,466)
	194,532	206,616	210,638	243,546	261,652	272,185
	(3,993,138)	(3,987,052)	(3,876,201)	(3,931,249)	(3,976,633)	(3,647,504)
\$	<u>(4,429,915)</u>	<u>(4,415,363)</u>	<u>(4,282,331)</u>	<u>(4,351,976)</u>	<u>(4,311,039)</u>	<u>(3,934,785)</u>

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2013 through 2022
(accrual basis of accounting)
(dollars in thousands)

	2013	2014	2015 (4)	2016
Expenses:				
Governmental Activities				
Instruction	\$ 2,189,735	\$ 4,349,968	\$ 2,146,447	\$ 2,154,999
Instructional Support Services	180,348	651,187	184,429	174,820
Administrative Support	102,855	418,487	107,528	102,475
Operation & Maintenance of Plant Services (3)	198,762	415,568	181,625	169,125
Pupil Transportation	82,015	159,516	80,471	81,860
All Other Support Services	15,123	(25,224)	(19,244)	19,045
Non Instructional Services	-	-	-	-
Early Childhood Education	197	138	139	158
Interest on Long-Term Debt	153,707	153,381	145,608	144,419
Unallocated Depreciation	-	-	-	-
Total Governmental Activities Expenses (1)	<u>2,922,742</u>	<u>6,123,021</u>	<u>2,827,003</u>	<u>2,846,901</u>
Business-type Activities:				
Food Service	76,036	120,692	81,633	75,436
Print Shop	-	-	1,188	984
Use of Facilities (5)	-	-	-	-
Total Business-type Activities Expenses	<u>76,036</u>	<u>120,692</u>	<u>82,821</u>	<u>76,420</u>
Total School District Expenses	<u>\$ 2,998,778</u>	<u>\$ 6,243,713</u>	<u>\$ 2,909,824</u>	<u>\$ 2,923,321</u>
Program Revenues				
Governmental Activities				
Charges for Services (2)				
Instruction	\$ 847	\$ 820	\$ 970	\$ 902
Instructional Support Services	-	-	-	-
Administrative Support	4,752	4,512	4,862	4,744
Operation & Maintenance of Plant Services	894	225	4,837	2,836
Pupil Transportation	-	-	-	-
Early Childhood Education	-	-	-	-
Operating grants and contributions	865,562	778,766	826,236	857,497
Capital grants and contributions	1,000	-	82	1,260
Total Governmental Activities Program Revenues	<u>873,055</u>	<u>784,323</u>	<u>836,987</u>	<u>867,239</u>
Business-type Activities:				
Charges for Services:				
Food Service	1,582	1,409	251	163
Print Shop	-	-	657	539
Use of Facilities (5)	-	-	-	-
Operating grants and contributions				
Food Service	76,071	74,039	85,789	86,559
Print Shop	-	-	64	93
Use of Facilities (5)	-	-	-	-
Capital grants and contributions	-	-	-	-
Total Business-type Activities Program Revenues	<u>77,653</u>	<u>75,448</u>	<u>86,761</u>	<u>87,354</u>
Total School District Program Revenues	<u>\$ 950,708</u>	<u>\$ 859,771</u>	<u>\$ 923,748</u>	<u>\$ 954,593</u>
Net (Expense)/Revenue				
Governmental Activities	(2,049,687)	(5,338,698)	(1,990,016)	(1,979,662)
Business-type Activities	1,617	(45,244)	3,940	10,934
Total School District Net (Expense)/Revenue	<u>\$ (2,048,070)</u>	<u>\$ (5,383,942)</u>	<u>\$ (1,986,076)</u>	<u>\$ (1,968,728)</u>

Notes:

- (1) Expenses for instruction, student support services, pupil transportation, operation & maintenance of plant services, and interest on long-term debt have progressively increased primarily due to implementing the "No Child Left Behind" requirements and the capital improvement initiative.
- (2) Reclassified Charges for Services, under Program Revenues, by functional activities.
- (3) Direct and indirect expenses were combined starting in Fiscal Year 2013.
- (4) In Fiscal Year 2015 the Print Shop was reclassified from an Internal Service Fund to the Enterprise Fund.
- (5) In Fiscal Year 2019 and Fiscal Year 2020 the Use of Facilities Fund was recognized as Business Type Activity and was dissolved in Fiscal Year 2021.
- (6) During Fiscal Year 2021, the School District remodeled its functional expense grouping to conform to Pennsylvania Department of Education ("PDE") chart of accounts.

Source: The School District of Philadelphia Annual Comprehensive Financial Reports for the Fiscal Years ended 2013 through 2022.

2017	2018	2019	2020	2021 (6)	2022
\$ 2,324,850	\$ 2,479,247	\$ 2,667,212	\$ 2,875,799	\$ 2,772,459	\$ 2,871,662
200,431	255,494	282,431	309,488	259,269	312,380
113,885	133,875	139,920	158,423	242,875	298,241
172,241	180,081	212,954	237,321	267,937	287,548
88,413	91,443	100,734	86,333	143,677	178,954
30,010	14,020	5,212	9,532	-	-
-	-	-	-	17,440	24,244
227	161	-	-	-	-
149,522	146,761	144,236	164,730	107,465	130,485
-	-	-	-	68,484	88,688
<u>3,079,579</u>	<u>3,301,082</u>	<u>3,552,699</u>	<u>3,841,626</u>	<u>3,879,606</u>	<u>4,192,202</u>
76,807	84,514	86,230	87,456	64,994	79,293
1,009	1,229	1,164	1,371	1,384	1,087
-	-	999	797	-	-
<u>77,816</u>	<u>85,743</u>	<u>88,393</u>	<u>89,624</u>	<u>66,378</u>	<u>80,380</u>
<u>\$ 3,157,395</u>	<u>\$ 3,386,825</u>	<u>\$ 3,641,092</u>	<u>\$ 3,931,250</u>	<u>\$ 3,945,984</u>	<u>\$ 4,272,582</u>
\$ 331	\$ 373	\$ 182	\$ 173	\$ 3,254	\$ 10,086
-	-	-	-	-	-
5,337	4,443	4,348	3,082	835	3,127
4,477	553	471	460	696	982
-	-	-	-	-	-
-	-	-	-	-	-
963,557	1,009,902	1,024,112	1,099,780	1,257,052	1,771,724
1,514	595	8,129	6,926	500	17,003
<u>975,216</u>	<u>1,015,866</u>	<u>1,037,242</u>	<u>1,110,421</u>	<u>1,262,337</u>	<u>1,802,922</u>
94	105	48	45	31	43
557	696	771	871	327	496
-	-	973	779	-	-
88,378	88,268	90,526	77,109	36,932	78,458
109	119	129	155	145	140
-	-	157	101	-	-
-	36	-	-	-	-
<u>89,138</u>	<u>89,224</u>	<u>92,604</u>	<u>79,060</u>	<u>37,435</u>	<u>79,137</u>
<u>\$ 1,064,354</u>	<u>\$ 1,105,090</u>	<u>\$ 1,129,846</u>	<u>\$ 1,189,481</u>	<u>\$ 1,299,772</u>	<u>\$ 1,882,059</u>
(2,104,363)	(2,285,216)	(2,515,457)	(2,731,205)	(2,617,269)	(2,389,280)
11,322	3,481	4,211	(10,564)	(28,943)	(1,243)
<u>\$ (2,093,041)</u>	<u>\$ (2,281,735)</u>	<u>\$ (2,511,246)</u>	<u>\$ (2,741,769)</u>	<u>\$ (2,646,212)</u>	<u>\$ (2,390,523)</u>

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2013 through 2022
(accrual basis of accounting)
(dollars in thousands)

	2013	2014	2015 ⁽¹⁾	2016
Net (Expense)/Revenue				
Governmental Activities	\$ (2,049,687)	\$ (5,338,698)	\$ (1,990,016)	\$ (1,979,662)
Business-type Activities ⁽²⁾	1,617	(45,244)	3,940	10,934
Total School District Net (Expense)/Revenue	<u>(2,048,070)</u>	<u>(5,383,942)</u>	<u>(1,986,076)</u>	<u>(1,968,728)</u>
General Revenues/Contributed Capital/Transfers:				
Governmental Activities				
Property Taxes	650,633	661,263	683,471	669,424
Other Taxes				
Use & Occupancy Taxes	130,142	137,677	127,711	137,662
Liquor Taxes	50,780	62,105	62,327	66,085
School (Non-Business) Income Taxes	27,225	37,274	43,507	40,946
Public Utility/PILOT Taxes	1,053	1,071	1,104	1,048
Cigarette Sales Tax	-	-	50,245	58,766
Sales Tax	-	-	120,000	120,000
Ridesharing Revenue	-	-	-	-
Investment Earnings/(Losses)	(1,864)	838	13,724	8,725
Grants and Contributions Not Restricted to Specific Programs	100,580	164,524	123,325	128,522
State & Federal Subsidies Not Restricted to Specific Programs	925,831	912,421	925,825	942,152
Reimbursements of Insurance Deposits	-	-	-	1,008
Gain on Sale of Capital Assets	-	21,116	3,803	2,031
Miscellaneous Income	-	-	-	-
Transfers	(431)	290	(177)	(62)
Total Governmental Activities	<u>1,883,949</u>	<u>1,998,579</u>	<u>2,154,865</u>	<u>2,176,307</u>
Business-type Activities				
Contributed Capital	-	-	-	410
Gain/(Loss) on Sale of Capital Assets	-	-	(57)	33
Transfers	(217)	(290)	177	62
Total Business-type Activities	<u>(217)</u>	<u>(290)</u>	<u>120</u>	<u>505</u>
Total School District General Revenues/ Contributed Capital/Transfers	<u>1,883,732</u>	<u>1,998,289</u>	<u>2,154,985</u>	<u>2,176,812</u>
Changes in Net Position:				
Governmental Activities	(165,738)	(3,340,119)	164,849	196,645
Business-type Activities	1,400	(45,534)	4,060	11,439
Total School District Change in Net Position	<u>\$ (164,338)</u>	<u>\$ (3,385,653)</u>	<u>\$ 168,909</u>	<u>\$ 208,084</u>

Notes:

(1) Restated for the reclassification of the Print Shop from an Internal Service Fund to an Enterprise Fund.

(2) In Fiscal Year 2019 and Fiscal Year 2020 the Use of Facilities Fund was recognized as Business Type Activity and was dissolved in Fiscal Year 2021.

Source: The School District of Philadelphia Annual Comprehensive Financial Reports for the Fiscal Years ended 2013 through 2022.

2017	2018	2019	2020	2021	2022
\$ (2,104,363)	\$ (2,285,216)	\$ (2,515,457)	\$ (2,731,205)	\$ (2,617,269)	\$ (2,389,279)
11,322	3,481	4,211	(10,564)	(28,943)	(1,244)
<u>(2,093,041)</u>	<u>(2,281,735)</u>	<u>(2,511,246)</u>	<u>(2,741,769)</u>	<u>(2,646,212)</u>	<u>(2,390,523)</u>
703,934	789,513	841,772	829,376	897,402	847,271
145,560	179,759	185,410	181,971	179,371	174,064
75,783	73,661	80,205	59,540	36,756	69,590
47,782	43,617	51,063	49,393	53,723	59,366
1,198	1,163	1,182	1,181	1,323	1,318
58,000	58,000	58,154	57,771	58,146	58,071
120,000	120,000	120,000	120,000	120,000	120,000
1,399	3,269	4,461	5,138	3,150	5,108
(3,890)	2,512	6,848	-	2,065	(395)
129,974	139,242	225,651	266,870	266,038	277,371
988,294	1,041,867	1,056,804	1,101,178	1,090,233	1,156,020
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,182	1,223
(53)	(125)	26	(56)	(623)	(8,361)
<u>2,267,981</u>	<u>2,452,478</u>	<u>2,631,576</u>	<u>2,672,362</u>	<u>2,709,766</u>	<u>2,760,646</u>
34	-	-	-	-	-
-	-	-	(8)	-	-
54	125	(26)	56	623	8,361
<u>88</u>	<u>125</u>	<u>(26)</u>	<u>48</u>	<u>623</u>	<u>8,361</u>
<u>2,268,069</u>	<u>2,452,603</u>	<u>2,631,550</u>	<u>2,672,410</u>	<u>2,710,389</u>	<u>2,769,007</u>
163,618	167,262	116,119	(58,843)	92,497	371,367
11,410	3,606	4,185	(10,516)	(28,320)	7,117
<u>\$ 175,028</u>	<u>\$ 170,868</u>	<u>\$ 120,304</u>	<u>\$ (69,359)</u>	<u>\$ 64,177</u>	<u>\$ 378,484</u>

School District of Philadelphia
Table 4
Fund Balances of Governmental Funds
For the Fiscal Years 2013 through 2022
(modified accrual basis of accounting)
(dollars in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund				
Nonspendable				
Inventories	\$ 904	\$ 1,257	\$ 1,206	\$ 1,022
Long-term Interfund Loan	4,061	-	-	-
Restricted				
Medical Self-Insurance	18,375	18,375	9,500	-
Assigned	-	-	-	66,284
Unassigned	(64,128)	(116,452)	(6,886)	25,090
Total General Fund	<u>\$ (40,788)</u>	<u>\$ (96,820)</u>	<u>\$ 3,820</u>	<u>\$ 92,396</u>
All Other Governmental Funds				
Nonspendable				
Permanent Fund Principal	\$ 1,368	\$ 1,365	\$ 1,365	\$ 1,365
Restricted				
Retirement of Long-term Debt	69,059	65,170	98,627	80,629
Debt Service Interest	29,169	28,321	24,364	24,709
Mandatory Deposits for Future Debt Payments	-	-	-	36,712
Arbitrage Rebate Payable	265	266	693	309
Trust purposes	4,915	4,928	4,941	4,950
Student Sponsored Activities	-	-	-	-
Capital Purposes	103,138	73,364	93,319	10,223
Committed (1)	-	-	-	-
Assigned	967	9,350	2,320	3,351
Unassigned	(5,815)	(4,021)	(4,428)	(6,195)
Total All Other Governmental Funds	<u>\$ 203,066</u>	<u>\$ 178,743</u>	<u>\$ 221,201</u>	<u>\$ 156,053</u>
Total Fund Balance	<u>\$ 162,278</u>	<u>\$ 81,923</u>	<u>\$ 225,021</u>	<u>\$ 248,449</u>

Notes:

- (1) The School District of Philadelphia, starting in fiscal year 2019, has a committed fund balance for the Intermediate Unit shown in the General Fund.

Source: The School District of Philadelphia Annual Comprehensive Financial Reports for the Fiscal Years ended 2013 through 2022.

2017	2018	2019	2020	2021	2022
\$ 788	\$ 609	\$ 425	\$ 381	\$ 435	\$ 561
-	-	-	-	-	-
-	-	-	-	-	-
28,607	32,765	22,732	31,653	21,713	17,363
(9,970)	39,508	84,084	15,171	45,116	248,597
<u>\$ 19,425</u>	<u>\$ 72,882</u>	<u>\$ 107,241</u>	<u>\$ 47,205</u>	<u>\$ 67,264</u>	<u>\$ 266,521</u>
\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,366	\$ 2,667	\$ 2,668
89,255	93,267	105,950	108,357	119,019	122,426
42,986	36,295	32,180	49,300	38,379	33,161
46,414	61,115	56,482	69,803	83,124	96,444
47	51	55	55	-	-
4,965	5,022	5,106	5,165	3,884	3,893
-	-	-	-	4,304	4,093
175,874	326,426	140,850	463,348	234,083	346,515
-	-	2,015	502	212	1,254
4,128	1,157	392	-	-	-
(7,008)	(9,675)	(3,770)	(22,086)	(56,135)	(70,985)
<u>\$ 358,026</u>	<u>\$ 515,023</u>	<u>\$ 340,625</u>	<u>\$ 675,810</u>	<u>\$ 429,537</u>	<u>\$ 539,469</u>
<u>\$ 377,451</u>	<u>\$ 587,905</u>	<u>\$ 447,866</u>	<u>\$ 723,015</u>	<u>\$ 496,801</u>	<u>\$ 805,990</u>

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2013 through 2022
(modified accrual basis of accounting)
(dollars in thousands)

	2013	2014	2015	2016
REVENUES				
Federal Sources				
Grants and Subsidies	\$ 400,086	\$ 253,064	\$ 266,508	\$ 236,541
Total Federal Sources	<u>400,086</u>	<u>253,064</u>	<u>266,508</u>	<u>236,541</u>
State Sources				
Grants and Subsidies	1,390,157	1,433,040	1,475,762	1,551,555
Total State Sources	<u>1,390,157</u>	<u>1,433,040</u>	<u>1,475,762</u>	<u>1,551,555</u>
Local Sources				
Local Taxes				
Real Estate				
Current	601,533	592,906	604,940	633,998
Prior Years	52,028	64,512	57,153	63,410
Payment in Lieu of Taxes	5	4	5	5
Use and Occupancy	132,689	138,080	127,808	137,333
School (Non-Business) Income	28,105	40,501	40,358	40,345
Liquor Sales	54,238	60,527	61,712	65,831
Cigarette Sales Tax	-	-	50,245	58,766
Sales Tax	-	-	120,000	120,000
Public Utility Realty	1,048	1,067	1,099	1,043
Ridesharing Revenue	-	-	-	-
Total Local Taxes	<u>869,646</u>	<u>897,597</u>	<u>1,063,320</u>	<u>1,120,731</u>
Locally Generated Non Tax				
Investment Earnings/(Losses) and other income	7,838	8,773	11,449	12,130
City Contributions	68,990	96,050	99,110	104,185
Legal Settlements	2,744	-	-	-
Casino Settlement	-	-	3,872	1,928
Stadium Agreements	2,717	2,755	2,755	2,744
Parking Authority	13,264	9,723	11,063	10,279
Gaming Revenue	4,791	4,829	5,132	4,810
One Time State Grant Received from City of Philadelphia	-	45,000	-	-
Reimbursements from Other Funds	14	14	14	14
Variable Rate Income/Basis Swap Income	1,406	1,686	1,740	1,921
Gain or Loss on Sale of Investments	-	-	-	-
Other Miscellaneous/Voluntary Contributions	8,368	8,260	6,354	17,628
Total Local Generated Non Tax	<u>110,132</u>	<u>177,090</u>	<u>141,489</u>	<u>155,639</u>
Total Local Sources	<u>979,778</u>	<u>1,074,687</u>	<u>1,204,809</u>	<u>1,276,370</u>
Total Revenues	<u>\$ 2,770,021</u>	<u>\$ 2,760,791</u>	<u>\$ 2,947,079</u>	<u>\$ 3,064,466</u>

Source: The School District of Philadelphia Annual Comprehensive Financial Reports for the Fiscal Years ended 2013 through 2022.

	2017	2018	2019	2020	2021	2022
\$	286,785	\$ 317,571	\$ 318,696	\$ 326,093	\$ 484,614	\$ 1,033,613
	<u>286,785</u>	<u>317,571</u>	<u>318,696</u>	<u>326,093</u>	<u>484,614</u>	<u>1,033,613</u>
	1,657,768	1,722,016	1,761,075	1,839,169	1,827,589	1,865,947
	<u>1,657,768</u>	<u>1,722,016</u>	<u>1,761,075</u>	<u>1,839,169</u>	<u>1,827,589</u>	<u>1,865,947</u>
	660,223	743,355	800,299	816,826	843,757	815,454
	54,989	48,450	47,427	28,621	36,016	36,632
	5	9	-	5	5	5
	144,877	181,162	186,532	177,150	178,919	175,794
	42,251	48,048	49,434	51,560	55,209	59,074
	74,640	76,650	79,300	58,845	37,755	70,007
	58,000	58,000	58,154	57,771	58,146	58,071
	120,000	120,000	120,000	120,000	120,000	120,000
	1,193	3,269	1,182	1,176	1,318	1,313
	1,399	1,153	4,461	5,138	3,150	5,107
	<u>1,157,577</u>	<u>1,280,096</u>	<u>1,346,789</u>	<u>1,317,092</u>	<u>1,334,275</u>	<u>1,341,457</u>
	9,381	17,470	25,702	33,161	13,617	(213)
	104,264	104,348	180,871	227,356	252,579	255,953
	-	-	-	-	-	-
	3,857	-	-	-	-	-
	2,744	2,744	2,743	2,744	2,744	2,744
	10,274	13,593	15,417	14,695	-	6,405
	4,716	5,859	5,000	5,732	7,487	8,454
	-	-	-	-	-	-
	14	14	14	14	14	14
	447	875	1,611	994	-	-
	-	-	-	3,416	-	-
	12,734	8,916	8,780	6,439	5,309	46,367
	<u>148,431</u>	<u>153,819</u>	<u>240,138</u>	<u>294,551</u>	<u>281,750</u>	<u>319,724</u>
	1,306,008	1,433,915	1,586,927	1,611,643	1,616,025	1,661,181
\$	<u>3,250,561</u>	<u>3,473,502</u>	<u>3,666,698</u>	<u>3,776,905</u>	<u>3,928,228</u>	<u>4,560,741</u>

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2013 through 2022
(modified accrual basis of accounting)
(dollars in thousands)

EXPENDITURES	2013	2014	2015	2016
Current:				
Instruction - Public Schools	\$ 1,538,187	\$ 1,346,144	\$ 1,339,359	\$ 1,393,171
Instruction - Charter Schools	600,963	712,512	722,039	723,092
Instructional Support Services	201,931	151,841	178,088	188,946
Administrative Support	102,787	100,134	103,452	104,388
School Administration Services	-	-	-	-
Business Support Services	-	-	-	-
Operation & Maintenance of Plant Services	205,317	200,744	182,659	177,132
Pupil Transportation	84,104	85,520	80,655	83,959
All Other Support Services	14,858	(25,449)	(19,282)	18,962
Non-Instructional Support Services	-	-	-	-
Early Childhood Education	197	138	139	158
Debt Service:				
Bonds				
Principal	2a 107,664	106,059	101,233	100,493
Interest	2a 97,230	91,114	91,755	81,246
Authority Obligations (SPSBA)				
Principal & Interest	2b 49,056	71,346	69,052	71,382
Issuance Costs	1,873	-	2,476	1,402
Administrative Expenses	3,134	2,631	2,447	6,082
Issuance and Administrative Costs	-	-	-	-
Capital Outlay: (1)				
New Buildings and Additions	13,105	4,648	4,212	10,708
Environmental Management	2,893	2,973	3,903	4,134
Alterations and Equipment	49,082	20,252	30,689	70,232
Major Renovations	-	-	-	2,784
Various Technology and Operations Projects	-	-	-	-
Equipment Acquisitions	2,849	2,892	222	761
Total Expenditures	<u>\$ 3,075,230</u>	<u>\$ 2,873,499</u>	<u>\$ 2,893,096</u>	<u>\$ 3,039,032</u>

Computation of Debt Service as a percentage of noncapital expenditures (2) :

Total Expenditures	3,075,230	2,873,499	2,893,096	3,039,032
Less: Capital Outlay: (1)	(67,929)	(30,766)	(39,025)	(88,619)
Noncapitalized Expenditures	<u>3,007,301</u>	<u>2,842,733</u>	<u>2,854,071</u>	<u>2,950,413</u>
Divide into	/			
Debt Service (Principal/Interest) (2a and 2b)	253,950	268,519	262,039	253,120
Debt Service as a percentage of noncapital expenditures (2)	=	<u>8.4%</u>	<u>9.4%</u>	<u>9.2%</u>
		<u>8.6%</u>		

Notes:

- (1) The School District's Capital Improvement Program (CIP) supports initiatives to make schools more equitable; provide space for reduced class size; enhance academic reform efforts by providing state-of-the-art facilities.
- (2) Total expenditures less capital outlays equal non-capital expenditure. Non-capital expenditures were divided by debt service principal and interest for bonds and authority obligations to arrive at the debt service as a percentage of non-capital expenditures.
- (3) Although FY2017 debt service expenditures represented approximately 30.00% of noncapitalized expenditures paid, the expenditures included \$1,005.6 million of debt refunded with refunding proceeds of \$1,152.2 million and premiums of \$154.6 million. After considering the refunding expenditures which were paid with refunding proceeds and premiums, the net debt service fund expenditures were \$248.4 million. The \$248.4 million expenditures represent 7.8% of the net noncapitalized (less refunding expenditures) expenditures.
- (4) During FY 2021, the School District remodeled its functional expense grouping to conform to Pennsylvania Department of Education (PDE) chart of accounts.

Source: The School District of Philadelphia Annual Comprehensive Financial Reports for the Fiscal Years ended 2013 through 2022.

	2017	2018	2019	2020	2021 (4)	2022
\$	1,487,137	\$ 1,581,062	\$ 1,601,927	\$ 1,693,052	\$ 1,524,793	\$ 1,675,780
	791,589	861,670	979,621	1,061,412	1,173,732	1,229,688
	221,461	264,349	279,849	302,164	251,859	324,564
	119,602	134,675	133,608	144,884	-	-
	-	-	-	-	155,731	192,684
	-	-	-	-	89,775	109,409
	180,241	186,575	218,166	234,024	261,135	289,092
	90,510	92,948	101,223	85,586	141,782	179,805
	29,962	14,016	5,485	9,444	-	-
	-	-	-	-	17,424	24,136
	227	162	-	-	-	-
	451,893 (3)	104,795	127,525	277,350	124,555	157,235
	82,758	98,066	103,582	102,613	118,680	154,784
	719,402 (3)	69,186	69,142	68,548	68,180	-
	13,320	2,633	-	5,449	-	-
	1,935	245	83	58	-	-
	-	-	-	-	1,066	1,976
	6,734	19,125	17,847	37,951	60,513	143,541
	6,200	6,758	13,050	7,739	13,657	18,805
	66,848	87,872	87,210	98,880	113,106	72,969
	6,713	8,679	63,435	73,197	36,468	33,396
	-	-	-	-	27,276	13,749
	6,286	6,065	14,182	631	-	1,068
	<u>\$ 4,282,818</u>	<u>\$ 3,538,881</u>	<u>\$ 3,815,935</u>	<u>\$ 4,202,982</u>	<u>\$ 4,179,732</u>	<u>\$ 4,622,681</u>
	4,282,818	3,538,881	3,815,935	4,202,982	4,179,732	4,622,681
	<u>(92,781)</u>	<u>(128,499)</u>	<u>(195,724)</u>	<u>(218,398)</u>	<u>(251,020)</u>	<u>(283,528)</u>
	4,190,037	3,410,382	3,620,211	3,984,584	3,928,712	4,339,153
	1,254,053	272,047	300,249	448,511	311,415	312,019
	<u>29.9%</u>	<u>8.0%</u>	<u>8.3%</u>	<u>11.3%</u>	<u>7.9%</u>	<u>7.2%</u>

School District of Philadelphia
Table 7
Other Financing Sources/(Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2013 through 2022
(modified accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (305,209,423)	\$ (112,708,402)	\$ 53,982,697	\$ 25,434,046
Other Financing Sources/(Uses)				
Debt Issuance (Bond Proceeds)	264,995,000	-	46,770,000	-
Capital Asset Insurance Refunds	-	-	-	1,008,215
Capital Asset Proceeds	346,580	32,565,867	23,942,448	6,501,847
Proceeds of Refunding Bonds	-	-	266,690,000	349,960,000
Bond and Note Premiums	36,908,311	-	34,496,717	-
Bond Discounts	-	-	-	-
Bond Defeasement	-	-	(300,439,989)	(349,730,949)
Refund of Prior Receipts	-	-	-	-
Insurance Proceeds	-	-	-	-
Transfers In	482,334,321	494,957,799	501,368,975	488,403,954
Transfers Out	(482,765,848)	(495,241,766)	(501,545,714)	(497,966,338)
Total Other Financing Sources/(Uses)	<u>301,818,364</u>	<u>32,281,900</u>	<u>71,282,437</u>	<u>(1,823,271)</u>
Net Change in Fund Balance	<u>\$ (3,391,059)</u>	<u>\$ (80,426,502)</u>	<u>\$ 125,265,134</u>	<u>\$ 23,610,775</u>

Source: The School District of Philadelphia's Annual Comprehensive Financial Reports for the Fiscal Years ended 2013 through 2022.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ (1,032,256,633)	\$ (65,378,535)	\$ (149,236,875)	\$ (426,077,484)	\$ (251,503,476)	\$ (61,940,134)
239,590,000	254,950,000	-	456,660,000	-	316,840,000
-	-	-	-	-	-
9,705,892	115,081	112,916	-	741,871	-
1,152,166,056	-	-	336,519,360	-	-
166,251,767	22,769,792	-	95,406,326	17,842,043	60,026,524
-	-	-	(345,750)	-	-
(314,427,680)	(1,698,433)	-	(186,913,950)	-	-
-	-	-	-	(211,877)	(599,041)
-	-	-	-	2,182,470	1,223,127
559,881,659	534,879,957	559,256,419	591,222,705	604,136,509	673,825,015
(559,934,930)	(535,004,528)	(559,230,480)	(591,278,524)	(604,759,412)	(680,186,511)
<u>1,253,232,764</u>	<u>276,011,869</u>	<u>138,855</u>	<u>701,270,167</u>	<u>19,931,604</u>	<u>371,129,114</u>
<u>\$ 220,976,131</u>	<u>\$ 210,633,334</u>	<u>\$ (149,098,020)</u>	<u>\$ 275,192,683</u>	<u>\$ (231,571,872)</u>	<u>\$ 309,188,980</u>

School District of Philadelphia
Table 8
Governmental Funds Revenue By Own-Sources (1)
For the Fiscal Years 2013 through 2022
(modified accrual accounting)
(dollars in millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Local					
Taxes					
Real Estate	\$ 653.6	\$ 657.4	\$ 662.1	\$ 697.5	\$ 715.2
Use and Occupancy	132.6	138.1	127.8	137.3	144.9
School (Non-Business) Income Taxes	28.1	40.4	40.4	40.3	42.3
Liquor Taxes	54.2	60.5	61.6	65.8	74.6
Cigarettes Sales Taxes	-	-	50.2	58.8	58.0
Sales Taxes	-	-	120.0	120.0	120.0
Other (2)	1.1	1.1	1.1	1.0	2.6
Total Taxes	<u>869.6</u>	<u>897.5</u>	<u>1,063.2</u>	<u>1,120.7</u>	<u>1,157.6</u>
Locally Generated Non Tax					
City Contributions	69.0	96.1	99.1	104.2	104.3
Other (3)	32.3	70.9	28.4	28.7	33.0
Total Local	<u>101.3</u>	<u>167.0</u>	<u>127.5</u>	<u>132.9</u>	<u>137.3</u>
Total Own-Source Revenues (4)	<u>\$ 970.9</u>	<u>\$ 1,064.5</u>	<u>\$ 1,190.7</u>	<u>\$ 1,253.6</u>	<u>\$ 1,294.9</u>
Summary of Own-Source					
Revenues by Fund:					
General	\$ 970.9	\$ 1,064.5	\$ 1,190.7	\$ 1,253.6	\$ 1,294.9
Intermediate	0.5	0.6	0.8	0.8	0.2
Categorical	4.7	6.8	9.2	9.8	6.6
Debt Service (4) (5)	2.6	2.4	2.8	9.9	2.0
Capital Projects	1.0	0.3	1.2	2.3	2.3
Non-Major	0.0	0.1	0.1	-	0.1
Total Own-Source Revenues	<u>\$ 979.7</u>	<u>\$ 1,074.7</u>	<u>\$ 1,204.8</u>	<u>\$ 1,276.4</u>	<u>\$ 1,306.1</u>
Totals Restated on a Constant Dollar Basis: (7)					
2013 as base year	<u>\$ 979.7</u>	<u>\$ 1,052.9</u>	<u>\$ 1,178.9</u>	<u>\$ 1,236.6</u>	<u>\$ 1,245.0</u>
2022 as base year	<u>\$ 1,243.3</u>	<u>\$ 1,336.1</u>	<u>\$ 1,496.0</u>	<u>\$ 1,569.2</u>	<u>\$ 1,579.9</u>

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. On January 29, 2020, the District terminated the last two existing basis swaps. Additional own-source revenue discontinued June 30, 2020.
- (6) In accordance with GASB 84, beginning in Fiscal Year 2021, the District reclassified its Student Activity Fund from a Fiduciary Agency Fund to a Special Revenue Fund on the governmental fund statements. The new Special Revenue Fund did not qualify as a major fund; therefore, it is consolidated with the Non-major Funds. As a result of this reclassification, own-source revenues under Non-major funds increased.
- (7) Source: United States Department of Labor, Bureau of Labor Statistics.
- (8) Represents Fiscal Year 2022 compared to Fiscal Year 2015

	2018	2019	2020	2021	2022	Percentage Change 2013 - 2022
\$	791.9	\$ 847.8	\$ 845.4	\$ 879.8	\$ 852.1	30.4 %
	181.2	186.5	177.2	178.9	175.8	32.6
	48.0	49.4	51.6	55.1	59.1	110.3
	76.6	79.3	58.8	37.8	70.0	29.2
	58.0	58.2	57.8	58.1	58.0	15.5 (8)
	120.0	120.0	120.0	120.0	120.0	0.0 (8)
	4.4	5.6	6.3	4.5	6.4	481.8
	<u>1,280.1</u>	<u>1,346.8</u>	<u>1,317.1</u>	<u>1,334.2</u>	<u>1,341.4</u>	54.3
	104.3	180.9	227.4	252.6	256.0	271.0
	<u>33.9</u>	<u>38.0</u>	<u>32.8</u>	<u>18.2</u>	<u>36.1</u>	11.8
	<u>138.2</u>	<u>218.9</u>	<u>260.2</u>	<u>270.8</u>	<u>292.1</u>	188.4
\$	<u>1,418.3</u>	<u>1,565.7</u>	<u>1,577.3</u>	<u>1,605.0</u>	<u>1,633.5</u>	68.2 %
	1,418.3	1,565.7	1,577.3	1,605.0	1,633.5	68.2 %
	0.3	0.2	0.3	0.3	0.1	(80.0)
	9.5	9.9	19.5	9.4	23.1	391.5
	3.3	5.5	7.3 (5)	0.9	0.8	(69.2)
	2.4	5.6	7.1	0.7	(2.2)	(320.0)
	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>1.9 (6)</u>	<u>5.8</u>	12496.1
\$	<u>1,433.9</u>	<u>1,587.0</u>	<u>1,611.6</u>	<u>1,618.2</u>	<u>1,661.1</u>	69.5 %
\$	<u>1,328.7</u>	<u>1,446.7</u>	<u>1,459.7</u>	<u>1,390.7</u>	<u>1,309.0</u>	33.6 %
\$	<u>1,686.1</u>	<u>1,835.9</u>	<u>1,852.4</u>	<u>1,764.8</u>	<u>1,661.1</u>	33.6 %

School District of Philadelphia
Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2013 through 2022
(dollars in millions)

Major Assessment Categories (2)						
Calendar Year of Levy (1)	Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land
2013	\$ 7,831	\$ 2,021	\$ 324	6,854	\$ 758	\$ 393
2014	67,031	16,022	3,448	43,594	3,536	3,773
2015	66,956	16,213	3,305	42,795	3,484	3,588
2016	67,227	16,735	3,232	42,173	3,462	3,466
2017	68,335	17,187	3,177	41,174	3,446	3,362
2018	69,161	23,773	3,677	46,671	4,655	5,058
2019	79,505	26,091	3,594	46,097	4,611	4,774
2020	82,528	26,967	3,547	46,127	4,560	4,534
2021	83,659	27,608	3,549	46,334	4,532	4,542
2022	80,674	31,559	3,540	46,106	4,579	4,894

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, Office of Property Assessment: 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 (in November) henceforth, the Certification Date was changed to March 31st.
- (3) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments. Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners. Also, there are additional adjustments after the certification date of March 31st.
- (4) The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, STEB annually determines for each municipality in the Commonwealth of Pennsylvania a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions. Obtained from STEB website-Market Value.
- (5) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.

Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years.

Bill #982, approved July 9, 1990, changed the exemption period from five years to three years.

Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three years tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.
- (6) Represents total taxable assessed value multiplied by the STEB ratio for calendar year 2013. In calendar years 2014 through 2022, 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.

Certified Assessed Values

Total Assessed Value of Property (2)(7)	Less: Tax- Exempt Property (2)(3)(5)	Less: Homestead Exempt (3)	Less: Adjustments Between Certification and Billing Date (3)	Total Tax Assessed Value of Property (2)	Total Direct Tax Rate (6)	STEB & AVI Certified Assessed Value Ratio (4) (7)	Estimated Actual Taxable Value (7)
\$ 18,181	\$ 5,765	\$ -	\$ -	\$ 12,416	5.3090	0.2887 %	\$ 42,733
137,404	34,872	5,429	2,590	94,513	5.3090	0.2868	43,291
136,341	35,242	6,705	1,981	92,413	0.7382	1.0000	94,513
136,295	37,017	6,373	1,369	91,537	0.7681	1.0000	92,413
136,681	38,236	6,389	315	91,741	0.7681	1.0000	91,537
152,995	40,927	6,268	811	104,989	0.7681	1.0000	91,741
164,672	39,454	6,349	3,313	115,556	0.7681	1.0000	104,989
168,263	45,320	8,592	(1,225)	115,576	0.7681	1.0000	115,556
170,224	43,715	9,714	641	116,154	0.7681	1.0000	116,154
171,352	45,272	10,058	56	115,966	0.7681	1.0000	115,966

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Governments
For the Calendar Years 2013 through 2022
(Per \$100 Assessed Value) ⁽¹⁾

Calendar Year	City of Philadelphia	School District of Philadelphia	Total
2013	4.4620	5.3090	9.7710
2014	0.6018	0.7382	1.3400
2015	0.6018	0.7382	1.3400
2016	0.6317	0.7681	1.3998
2017	0.6317	0.7681	1.3998
2018	0.6317	0.7681	1.3998
2019	0.6317	0.7681	1.3998
2020	0.6317	0.7681	1.3998
2021	0.6317	0.7681	1.3998
2022	0.6317	0.7681	1.3998

Note:

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

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

Taxpayer	2022 (1)			2013 (2)		
	Rank	Assessment Value (3)	Percentage of Total Assessments (5)	Rank	Assessment Value	Percentage of Total Assessments (5)
Kim Sub Cira Square LP	1	\$ 370.6	0.32%	-	\$ -	-
Liberty Property Phila	2	359.0	0.31%	-	-	-
EQC Nine Penn Center Prop.	3	352.1	0.30%	3	54.1	0.14%
NG 1500 Market St. LLC	4	349.9	0.30%	4	43.8	0.11%
Phila Liberty Pla E LP	5	327.0	0.28%	2	54.4	0.14%
PRU 1901 Market LLC	6	278.0	0.24%	5	35.2	0.09%
Commerce Square Partners	7	266.4	0.23%	7	33.3	0.09%
Phila Plaza Phaze II	8	252.7	0.22%	6	33.9	0.09%
Philadelphia Market Street	9	250.3	0.22%	10	28.8	0.07%
Brandywine Operating	10	236.4	0.20%	8	33.1	0.09%
Franklin Mills Associates	-	-	-	1	57.6	0.15%
Phila Shipyard Development Corp	-	-	-	9	30.3	0.08%
Total of the Ten Largest Real Estate Assessments		<u>\$ 3,042.4</u>	<u>2.61%</u>		<u>\$ 404.5</u>	<u>1.04%</u>
Taxable Assessments (before Homestead Exemption & Adjustments) (4)		<u>\$ 126,024.9</u>	<u>100.00%</u>		<u>\$ 38,800.8</u>	<u>100.00%</u>
Taxable Assessments (before Homestead Exemption & Adjustments)		\$ 126,024.9 (4)			\$ 38,800.8	
Less: Homestead Exemption		10,057.7 (4)			-	
Total Taxable Assessments (5)		<u>\$ 115,967.2</u>			<u>\$ 38,800.8</u>	

Note:

- (1) Obtained from City of Philadelphia - Finance Department 2022 ACFR Table 10 - 2022 Assessment as of March 2021.
- (2) Obtained from City of Philadelphia - Finance Department 2013 ACFR Table 10 - 2013 Assessment as of November 2012.
- (3) In calendar year 2014, the City re-evaluated all real property at its current market value, based upon Actual Value Initiative (AVI)-City Finance Department and initiated a new \$30,000 Homestead Exemption to all homeowners.
- (4) Total Taxable Assessments for CY 2022 represents gross taxable assessments less homestead exemptions -Obtained from Office of Property Assessment.
- (5) Represents percentage of "Total Taxable Assessments" (gross taxable assessments less homestead exemptions).

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2013 through 2022

For the Calendar Years 2013 through 2022

Calendar Year	Tax Levy for the Calendar Year (Original Levy) (a)	Adjustments (b)	Adjusted Total Levied Tax (c)
2013	\$ 659,127,013	\$ (19,166,892)	\$ 639,960,121
2014	737,777,950	(28,060,172)	709,717,778
2015	731,692,538	(30,560,730)	701,131,808
2016	703,064,816	(17,962,527)	685,102,289
2017	753,705,217	6,617,076	760,322,293
2018	854,532,826	(30,319,815)	824,213,011
2019	862,438,749	(29,563,893)	832,874,856
2020	878,853,757	(21,484,367)	857,369,390
2021	884,971,898	(12,823,332)	872,148,566
2022	890,257,487 (e)	(8,200,680)	882,056,807 (e)

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 2013 through 2022-Gross Principal Only.
 - (e) Memorandum City of Philadelphia Department of Revenue 2022 Monthly Real Estate Billed/Balance Due through September 30, 2022 dated October 31, 2022.
 - (f) Real Estate Taxes collected during CY2022 were valued at the net adjusted amount. Prior year amounts were at gross (see note (d) above).
- N/A = Data Not Applicable

Fiscal Years 2013 through 2022

Fiscal Year	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
2013	\$ 601,533,418	\$ 52,028,211	\$ 653,561,629
2014	592,906,317	64,512,002	657,418,319
2015	604,940,462	57,152,743	662,093,205
2016	633,998,515	63,409,950	697,408,465
2017	660,222,978	54,989,521	715,212,499
2018	743,355,206	48,450,379	791,805,585
2019	800,298,689	46,632,416	846,931,105
2020	816,826,483	28,620,699	845,447,182
2021	843,757,225	36,016,396	879,773,621
2022	815,454,232	36,631,727	852,085,959

Source: The School District of Philadelphia - Advantage System Accounting System for fiscal year records 2013 through 2020. Oracle ERP Accounting System for fiscal year records 2021 and 2022

For the Calendar Years 2013 through 2022

Collected within the Calendar Year of the Original Tax Levy			Total Collected to Date		
Amount (\$) (d)	Percent of Original Levy (%)	Delinquent Taxes Collections in Subsequent Years (d)	Amount (\$)	Percentage of Original Tax Levy (%)	
\$ 595,637,192	90.37%	\$ 63,590,806	\$ 659,227,998	100.02%	
605,454,814	82.06%	49,680,151	655,134,965	88.80%	
607,462,012	83.02%	40,780,768	648,242,780	88.59%	
641,567,436	91.25%	34,464,534	676,031,970	96.15%	
667,954,497	88.62%	30,585,271	698,539,768	92.68%	
749,239,893	87.68%	3,649,605	752,889,498	88.11%	
805,647,314	93.42%	15,548,590	821,195,904	95.22%	
823,724,857	93.73%	16,579,883	840,304,740	95.61%	
856,269,045	96.76%	15,456,917	871,725,962	98.50%	
822,097,286 (f)	92.34%	N/A	822,097,286	92.34%	

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2013 through 2022
(dollars in thousands)

Governmental Activities (1)					
Fiscal Year	Gross General Obligation Bonds (2)	Lease Revenue Bonds	Add/(Deduct): Premiums/ (Discounts)	Lease Purchase Payable	Total Governmental Activities
2013	\$ 2,439,355	\$ 871,240	\$ 90,628	\$ -	\$ 3,401,223
2014	2,331,073	864,370	119,112	-	3,314,555
2015	2,248,225	851,330	109,959	-	3,209,514
2016	2,145,953	843,380	124,303	-	3,113,636
2017	1,987,710	988,520	113,118	-	3,089,348
2018	2,137,195	968,245	245,294	-	3,350,734
2019	2,009,670	947,700	225,036	-	3,182,406
2020	2,337,205	940,665	269,941	-	3,547,811
2021	2,212,650	915,885	199,076	9,813	3,337,424
2022	2,398,170	889,970	219,939	10,591	3,518,670

Notes:

- (1) Includes all long-term debt instruments, including bonds, loans, and lease purchase payable. Details of the School District's outstanding debt can be found in the notes to the financial statements.
- (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 19 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 (U.S. Census Bureau) multiplied by Per Capital Personal Income (U. S. Department of Commerce, Bureau of Economic Analysis).

<u>Business-Type Activities (1)</u>				<u>Per Capita (4)</u>		
<u>Lease Purchase Payable</u>	<u>Total Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (5)</u>	<u>Actual</u>	<u>In Constant Dollars - 2013 as Base Year (3) (4)</u>	
\$ -	\$ -	\$ 3,401,223	5.30 %	\$ 2,198	\$ 2,198	
-	-	3,314,555	5.06	2,134	2,091	
-	-	3,209,514	4.83	2,057	2,013	
-	-	3,113,636	4.00	1,986	1,925	
-	-	3,089,348	3.82	1,970	1,878	
-	-	3,350,734	3.80	2,120	1,964	
-	-	3,182,406	3.60	2,009	1,831	
-	-	3,547,811	3.91	2,240	2,029	
40	40	3,337,464	3.59	2,114	1,817	
40	40	3,518,710	3.67	2,233	1,759	

School District of Philadelphia
Table 14
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Years 2013 through 2022
(dollars in thousands)

Net General Bonded Debt Outstanding (1)							
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) (4)	Total Governmental Activities
2013	\$ 1,751,550	\$ 228,560	\$ 459,245	\$ 871,240	\$ 3,310,595	\$ 90,628	\$ 3,401,222
2014	1,686,383	205,630	439,060	864,370	3,195,443	119,112	3,314,555
2015	1,604,975	198,180	445,070	851,330	3,099,555	109,959	3,209,514
2016	1,538,695	205,040	402,218	843,380	2,989,333	124,303	3,113,637
2017	1,146,005	352,285	489,420	988,520	2,976,230	113,118	3,089,348
2018	1,784,910	352,285	220,575	747,670	3,105,440	245,294	3,350,734
2019	1,676,720	332,950	209,320	738,380	2,957,370	225,036	3,182,406
2020	1,881,765	332,950	334,480	728,675	3,277,870	269,941	3,547,811
2021	1,818,015	332,950	259,055	718,515	3,128,535	199,076	3,327,611
2022	2,028,940	332,950	218,355	707,895	3,288,140	199,076	3,487,216

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, i.e., Schedule of Outstanding Bonds at June 30th.
- (2) Adjusted Fiscal Year 2013 through Fiscal Year 2014 for Defeasance in Substance Error.
- (3) Includes Deficit Bonds State Public Building Authority Series 2012B, 2019A, 2019B and GOB Series 2015D; Also includes Termination Bond Series 2015C.
- (4) See Table 13 Ratio of Outstanding Debt by Type for Net premiums and discounts.
- (5) Beginning in Fiscal Year 2016 the "Amount Available in Debt Service Fund for principal payments" includes Mandatory Sinking Fund Deposits Restricted for Future Debt Payments under QZABs and QSCB debt. See District's Financial Statements on page 37 of the 2022 for details.
- (6) See Table 19 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.
- (7) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (8) 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. See Table 19 for details.
- (9) See Table 9- Assessed and Estimated Actual Market Value of Taxable Property for "estimated actual taxable values".

Less: Amount Available in Debt Service Fund (5) (Trapped Funds)	Net General Bonded Debt Outstanding	Percentage of Personal Income (6)	Percentage of Estimated Actual Taxable Value of Property (9)	Per Capita (8)	
				Actual	In Constant Dollars - 2013 as Base Year
\$ (69,059)	\$ 3,332,163	4.79 %	7.36 %	\$ 2,153	\$ 2,153
(65,170)	3,249,385	4.45	3.33	2,092	2,050
(98,627)	3,110,887	4.10	3.28	1,994	1,951
(117,341)	2,996,296	3.83	3.40	1,912	1,852
(135,669)	2,953,679	3.51	3.27	1,884	1,796
(154,382)	3,196,352	3.87	3.22	2,022	1,874
(154,382)	3,028,024	3.50	3.04	1,911	1,743
(157,657)	3,390,154	3.95	2.62	2,140	1,938
(157,398)	3,170,213	3.41	2.93	2,008	1,726
(155,587)	3,331,629	3.40	2.93	2,001	1,577

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022
(dollars in millions)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (3)</u>
School District of Philadelphia	\$ 3,518.7 (2)	100.0%	\$ 3,518.7
City of Philadelphia Direct Debt			4,055.8
Total Direct and Overlapping Debt			<u>\$ 7,574.5</u>

Notes:

- (1) To identify debt outstanding-Net Bonded debt-tax supported, refer to notes to the financial statements.
- (2) This represents the amount of outstanding general obligation debt and lease purchase obligations adjusted for bond premiums and discounts under the outstanding debt. See Tables #13.

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 2022 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.

- (3) All long-term obligations of the School District of Philadelphia are overlapping, or 100%.

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School District of Philadelphia
Table 16
Legal Debt Margin Information
For the Fiscal Years 2013 through 2022
(dollars in millions)

	2013	2014	2015
Debt Limit: (1)			
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 2,285.4	\$ 2,315.3	\$ 2,432.3
General Obligation Bonds	3,310.6	3,195.4	3,099.6
Less: (Schedule of Bonds O/S)			
Lease Rental -SPSBA	(1,136.2)	(1,124.9)	(1,102.6)
Non-electoral Debt Outstanding	2,174.4	2,070.5	1,997.0
Exclusions:			
Deficit Bonds	(194.3)	(178.6)	(17.3)
Termination Bonds	(53.8)	(50.7)	(3.3)
Stadium Bonds	(18.4)	(16.5)	(14.5)
Deficit Bonds-2015D	-	-	(128.6)
Termination Bonds outstanding -2015C	-	-	(44.6)
Non-electoral Debt Outstanding applicable to Debt Limit	<u>1,907.9</u>	<u>1,824.7</u>	<u>1,788.7</u>
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	2,285.4	2,315.3	2,432.3
Less: Non-electoral Debt Outstanding applicable to Debt Limit	<u>1,907.9</u>	<u>1,824.7</u>	<u>1,788.7</u>
Non-electoral Debt Capacity (2)	<u>\$ 377.5</u>	<u>\$ 490.6</u>	<u>\$ 643.6</u>
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	83.5%	78.8%	73.5%
General Obligation Bonds	3,310.6	3,195.4	3,099.6
Less:			
Exclusions:			
Deficit Bonds	(194.3)	(178.6)	(17.3)
Termination Bonds	(53.8)	(50.7)	(3.3)
Stadium Bonds	(18.4)	(16.5)	(14.5)
Deficit Bonds-2015D	-	-	(128.6)
Termination Bonds outstanding -2015C	-	-	(44.6)
Net Non-electoral Debt and Lease Rental Outstanding	<u>3,044.1</u>	<u>2,949.6</u>	<u>2,891.3</u>
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	4,570.9	4,630.6	4,864.6
Less: Net Non-electoral Debt and Lease Rental Outstanding	<u>3,044.1</u>	<u>2,949.6</u>	<u>2,891.3</u>
Non-electoral Debt and Lease Rental Borrowing Capacity	<u>\$ 1,526.8</u>	<u>\$ 1,681.0</u>	<u>\$ 1,973.3</u>
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	66.6%	63.7%	59.4%

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.

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed value	\$ 126,024.9
Debt Limit (1)	
Non-electoral Debt Capacity (2)	905.4
Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 3,282.8

2016	2017	2018	2019	2020	2021	2022
\$ 2,572.9	\$ 2,708.9	\$ 2,858.1	\$ 3,013.8	\$ 3,158.0	\$ 3,236.0	\$ 3,267.3
2,989.3	2,976.2	3,105.4	2,957.4	3,277.9	3,128.5	3,288.1
(1,084.9)	(987.9)	(968.2)	(947.7)	(940.7)	(915.9)	(889.9)
<u>1,904.4</u>	<u>1,988.3</u>	<u>2,137.2</u>	<u>2,009.7</u>	<u>2,337.2</u>	<u>2,212.6</u>	<u>2,398.2</u>
-	-	-	-	-	-	-
(12.4)	(10.2)	(7.8)	(5.3)	(2.7)	-	-
(128.6)	(112.3)	(95.1)	(77.0)	(58.0)	(38.0)	(19.3)
(43.9)	(40.1)	(36.1)	(32.1)	(27.9)	(23.6)	(17.0)
<u>1,719.5</u>	<u>1,825.7</u>	<u>1,998.2</u>	<u>1,895.3</u>	<u>2,248.6</u>	<u>2,151.0</u>	<u>2,361.9</u>
2,572.9	2,708.9	2,858.1	3,013.8	3,158.0	3,236.0	3,267.3
<u>1,719.5</u>	<u>1,825.7</u>	<u>1,998.2</u>	<u>1,895.3</u>	<u>2,248.6</u>	<u>2,151.0</u>	<u>2,361.9</u>
<u>\$ 853.4</u>	<u>\$ 883.2</u>	<u>\$ 859.9</u>	<u>\$ 1,118.5</u>	<u>\$ 909.4</u>	<u>\$ 1,085.0</u>	<u>\$ 905.4</u>
66.8%	67.4%	69.9%	62.9%	71.2%	66.5%	72.3%
2,989.3	2,976.2	3,105.4	2,957.4	3,277.9	3,128.5	3,288.1
-	-	-	-	-	-	-
(12.4)	(10.2)	(7.8)	(5.3)	(2.7)	-	-
(128.6)	(112.3)	(95.1)	(77.0)	(58.0)	(38.0)	(19.3)
(43.9)	(40.1)	(36.1)	(32.1)	(27.9)	(23.6)	(17.0)
<u>2,804.4</u>	<u>2,813.6</u>	<u>2,966.4</u>	<u>2,843.0</u>	<u>3,189.3</u>	<u>3,066.9</u>	<u>3,251.8</u>
5,145.8	5,417.9	5,716.2	6,027.6	6,316.0	6,472.0	6,534.6
<u>2,804.4</u>	<u>2,813.6</u>	<u>2,966.4</u>	<u>2,843.0</u>	<u>3,189.3</u>	<u>3,066.9</u>	<u>3,251.8</u>
<u>\$ 2,341.4</u>	<u>\$ 2,604.3</u>	<u>\$ 2,749.8</u>	<u>\$ 3,184.6</u>	<u>\$ 3,126.7</u>	<u>\$ 3,405.1</u>	<u>\$ 3,282.8</u>
54.5%	51.9%	51.9%	47.2%	50.5%	47.4%	49.8%

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 and Non-Major Funds
For the Fiscal Years 2013 through 2022
(dollars in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Bonded Debt Principal ⁽¹⁾	\$ 105,378	\$ 103,773	\$ 101,233	\$ 100,493
General Bonded Interest ⁽²⁾	97,230	91,114	91,755	81,246
State Public School Building Authority ⁽³⁾	49,056	71,346	69,052	71,382
Total Debt Service Expenditures ⁽⁴⁾	<u>\$ 251,664</u>	<u>\$ 266,233</u>	<u>\$ 262,040</u>	<u>\$ 253,121</u>
Total General Expenditures Excluding Categorical/Non-Major	<u>\$ 2,614,165</u>	<u>\$ 2,553,775</u>	<u>\$ 2,539,028</u>	<u>\$ 2,693,992</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical/Non-Major	<u>9.63</u>	<u>10.43</u>	<u>10.32</u>	<u>9.40</u>
Total General Expenditures ^{(4) (5)}	<u>\$ 3,075,230</u>	<u>\$ 2,873,499</u>	<u>\$ 2,893,097</u>	<u>\$ 3,039,032</u>
Ratio of Debt Service to Total General Expenditures	<u>8.18</u>	<u>9.27</u>	<u>9.06</u>	<u>8.33</u>

Notes:

- (1) Adjusted Fiscal Year 2013 through Fiscal Year 2014 for Defeasement 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 through Fiscal Year 2017.
- (3) Includes both principal and interest authority obligation payments.
- (4) Does not include bond issuance costs, administrative expenses, defeasement costs, or authority obligation program expenses.
- (5) Includes General, Intermediate Unit, Categorical, Debt Service, Capital Projects and Non-Major Funds expenditures.
- (6) Although FY2017 debt service expenditures represented approximately 30.00% of noncapitalized expenditures paid, the expenditures included \$1,005.6 million of debt refunded with refunding proceeds of \$1,152.2 million and premiums of \$154.6 million. After considering the refunding expenditures which were paid with refunding proceeds and premiums, the net debt service fund expenditures were \$248.4 million. The \$248.4 million expenditures represent 7.8% of the net noncapitalized (less refunding expenditures) expenditures.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 451,893	\$ 104,795	\$ 127,525	\$ 277,350	\$ 124,555	\$ 131,320
82,758	98,066	103,582	102,613	118,680	112,566
719,402	69,186	69,142	68,548	68,180	68,133
<u>\$ 1,254,053</u>	<u>\$ 272,047</u>	<u>\$ 300,249</u>	<u>\$ 448,511</u>	<u>\$ 311,415</u>	<u>\$ 312,019</u>
<u>\$ 3,878,856</u>	<u>\$ 3,092,678</u>	<u>\$ 3,352,811</u>	<u>\$ 3,684,100</u>	<u>\$ 3,487,402</u>	<u>\$ 3,329,938</u>
<u>32.33</u>	<u>8.80</u>	<u>8.96</u>	<u>12.17</u>	<u>8.93</u>	<u>9.37</u>
<u>\$ 4,282,817</u>	<u>\$ 3,538,881</u>	<u>\$ 3,815,935</u>	<u>\$ 4,202,982</u>	<u>\$ 4,179,732</u>	<u>\$ 4,610,182</u>
<u>29.28</u>	<u>7.69</u>	<u>7.87</u>	<u>10.67</u>	<u>7.45</u>	<u>6.77</u>

School District of Philadelphia
Table 18
Coverage Ratios of Net Cash Received From Commonwealth Subsidies
to Debt Service Payments
Fiscal Years 2015 through 2023 (Budgeted Year)
(dollar in thousands)

	Actuals (1)		
	2015	2016	2017
Net Commonwealth Subsidies (3)	\$ 1,337,985	\$ 1,382,298	\$ 1,464,185
Long-term Debt Service (including State Public School Building Authority)	\$ 264,516	\$ 259,203	\$ 267,859
Ratios	5.06	5.33	5.47
Long-term and Short-term Debt Service (4)	\$ 566,152	\$ 1,087,903	\$ 646,984
Ratios	2.36	1.27	2.26
Short-term note debt service (5)	\$ 301,666	\$ 828,700	\$ 379,125

Notes:

- 1) Actual data is derived from the School District's Annual Comprehensive Financial Reports.
- 2) Budgetary date is derived from the School District's Adopted Budget , as approved by the Board of Education on May 26, 2022.
- 3) Net Commonwealth subsidies reflect Gross receipts for General Fund, Area Vocational Technical Fund and Intermediate Unit as noted in Cash Flow, less certain cash deductions made by the State for payments to other educational entities.
- 4) Includes both Long-term Debt Service under State Public School Building Authority and Short-term Debt Service principal and interest. Does not include issuance costs.
- 5) 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.

In accordance with GASB, 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.

Actuals (1)					Budget (2)
2018	2019	2020	2021	2022	2023
\$ 1,533,279	\$ 1,555,035	\$ 1,637,781	\$ 1,637,869	\$ 1,576,906	\$ 2,124,475
\$ 272,292	\$ 300,332	\$ 448,569	\$ 311,423	\$ 312,027	\$ 313,275
5.63	5.18	3.65	5.26	5.05	6.78
\$ 678,732	\$ 758,132	\$ 902,348	\$ 865,433	\$ 863,392	\$ 877,275
2.26	2.05	1.82	1.89	1.83	2.42
\$ 406,440	\$ 457,800	\$ 453,779	\$ 554,010	\$ 551,364	\$ 564,000

School District of Philadelphia
Table 19
Demographic and Economic Statistics
For the Calendar Years 2013 through 2022

City of Philadelphia					
Calendar Year	Estimated Population (in thousands) (1)	Per Capital Personal Income (2)	Personal Income (dollars in thousands) (2)	Unemployment Rate (3)	Civilian Labor Force (in thousands) (3)
2013	\$ 1,558.4	\$ 47,688	\$ 74,314,854	10.3 %	698.3
2014	1,565.6	49,341	77,249,069	8.1	690.6
2015	1,571.3	50,784	79,794,538	7.1	695.0
2016	1,576.4	54,405	85,767,703	6.8	703.3
2017	1,580.2	52,629	83,165,714	6.2	704.8
2018	1,584.1	55,747	88,311,658	5.5	709.6
2019	1,584.1	57,265	90,711,866	5.7	722.1
2020	1,584.0	58,824	93,177,309	12.4	699.5
2021	1,576.3	60,869	95,944,257	9.2	712.6
2022	1,574.0 (6)	62,860 (6)	98,940,957 (6)	5.9 (7)	724.3 (7)

Notes:

- (1) Data for calendar years 2013 through 2021 obtained from U.S. Census Bureau and City of Phila Table 17 CY2012 through CY2021.
- (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Phila Table 17 CY2012 through 2021.
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated April 16, 2021 and BLS, LAUS 12/29/2022.
- (4) Source: The City of Philadelphia, Board of Revision of Taxes/Office of Property Assessment.
- (5) Source: Federal Deposit Insurance Corporation Summary of Deposits by County for years ending June 30th.
- (6) Source: SDP applied an estimated decrease of 0.14 percent, decrease of 3.27 percent and 3.12 percent based on the change between the previous years amount for the population, per Capita Personal Income and Personal Income respectively.
- (7) Source: U.S. Bureau of Labor-Labor force data by county, not seasonally adjusted, October 2021-November 2022(p) and BLS, LAUS 12/29/2022- per Capita Personal Income and Personal Income respectively. Represent calculated annual average based on monthly rates.

Property Values (4)		Bank Deposits (5)	
Total Market (dollars in millions)	Original Assessed (dollars in millions)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
\$ 56,816	\$ 18,181	\$ 33,453	\$ 11,901
137,404	137,404	31,925	9,108
136,341	136,341	40,241	10,766
136,295	136,295	38,718	11,079
136,681	136,681	39,431	10,792
152,995	152,995	38,443	12,351
164,672	164,672	46,507	3,316
168,263	168,263	62,015	3,552
170,224	170,224	67,143	3,925
171,353	171,353	63,446	4,315

School District of Philadelphia
Table 20
Principal Employers
Current Calendar Year and Nine Years Ago

2022 (1)

<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment (3)</u>
University of Pennsylvania/University of Pennsylvania Hospital	46,554	6.75 %
Thomas Jefferson University/Jefferson Health	42,700	6.19
City of Philadelphia	26,408	3.83
Children's Hospital of Philadelphia	24,945	3.62
School District of Philadelphia	20,409	2.96
Comcast Corporation	15,362	2.23
Temple University Health System	10,563	1.53
Independence Health Group (parent of Independence Blue Cross)	7,800	1.13
Temple University	7,189	1.04
Drexel University	6,372	0.92
Wells Fargo Bank, N.A.	5,668	0.82

2013 (2)

<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment (3)</u>
University of Pennsylvania/University of Pennsylvania Hospital	37,633	6.01 %
City of Philadelphia	26,839	4.29
School District of Philadelphia	19,846	3.17
Children's Hospital of Philadelphia	11,388	1.82
Temple University/Temple University Health System	11,000	1.76
Southeastern Pennsylvania Transportation Authority	9,000	1.44
Thomas Jefferson University Hospitals Inc.	8,600	1.37
Independence Blue Cross	6,533	1.04
PNC	6,500	1.04
Allied Barton Security Services	5,322	0.85
Drexel University	5,300	0.85

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Annual Comprehensive Financial Report for Fiscal Year 2022, (b) The School District of Philadelphia's Annual Comprehensive Financial Report for Fiscal Year 2022; (c) and Philadelphia Business Journal dated July 8-14 2022 page 12-16 Largest Employers Ranked By Number of Employees in Greater Philadelphia.
- (2) Information obtained from (a) The City of Philadelphia's Annual Comprehensive Financial Report for Fiscal Year 2013, (b) The School District of Philadelphia's Annual Comprehensive Financial Report for Fiscal Year 2013 and (c) and Greater Philadelphia Chamber of Commerce Website.
- (3) Based on 2013 thru 2022 annual averages and Labor force data by county, not seasonally adjusted, U.S. Bureau of Labor-Labor force data by county, not seasonally adjusted, October 2021–November 2022.

School District of Philadelphia
Table 21
School District Employees by Function⁽¹⁾
For the Fiscal Years 2013 through 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Percentage Change 2013 - 2022
Instruction:											
<i>Classroom Teachers</i>											
Operating	7,571	7,100	6,808	6,978	7,085	7,159	7,286	7,419	7,603	7,272	(3.9) %
Grants	1,927	1,247	1,396	1,216	1,157	1,124	1,105	1,293	1,162	1,463	(24.1)
Total Classroom Teachers	9,498	8,347	8,204	8,194	8,242	8,283	8,391	8,712	8,765	8,735	(8.0)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	226	101	1	1	1	1	1	1	-	-	(100.0)
Classroom Assistants	1,218	1,415	1,263	1,557	1,801	2,052	2,183	2,373	2,312	2,214	81.8
Counselor/Librarians	74	5	11	6	9	8	11	10	6	6	(91.9)
Psychologists/Therapists	40	35	35	38	35	40	42	48	50	58	45.0
Supportive Service Assistant	1,100	550	646	586	563	513	507	443	369	325	(70.5)
Other Paraprofessionals	175	100	85	135	159	198	116	141	140	137	(21.7)
Total Non-Teaching	2,833	2,206	2,041	2,323	2,568	2,812	2,860	3,016	2,877	2,740	(3.3)
Total Instruction	12,331	10,553	10,245	10,517	10,810	11,095	11,251	11,728	11,642	11,475	(6.9)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	419	289	308	298	347	383	398	425	412	493	17.7
Department Heads/Program Mgrs. & Coord.	2	1	1	1	1	-	-	-	-	-	(100.0)
Secretarial	333	237	234	243	237	242	248	245	250	258	(22.5)
Other Clerical	1	-	-	-	-	-	-	-	-	-	(100.0)
Total In-school Instruction Leadership & Support	755	527	543	542	585	625	646	670	662	751	(0.5)
<i>Professional Development & Training</i>											
Non-Teaching Professionals	111	89	97	105	122	124	344	411	412	471	324.3
Secretarial	-	-	-	-	-	1	1	-	-	-	-
Total Professional Development & Training	111	89	97	105	122	125	345	411	412	471	324.3
<i>Student Support Services</i>											
Other Technical Staff	1	1	1	1	1	1	1	1	1	1	-
Non-professional supervisory	5	-	-	-	-	-	-	-	-	-	(100.0)
Counselor/Librarians	290	216	233	245	272	294	317	328	340	377	30.0
Psychologists/Therapists	110	111	109	115	110	112	129	139	141	142	29.1
Other Paraprofessionals	243	147	127	125	124	166	184	222	213	219	(9.9)
Bus Drivers/Attendants	908	841	702	621	588	600	570	583	454	399	(56.1)
Health Providers	220	201	212	219	277	279	290	290	279	269	22.3
Food Service	772	762	777	792	822	839	843	904	736	778	0.8
Other (includes Noon Time Aides)	1,339	1,365	1,289	1,119	1,295	1,335	1,476	1,652	1,962	2,366	76.7
Total Student Support Services	3,888	3,644	3,450	3,237	3,489	3,626	3,810	4,119	4,126	4,551	17.1
<i>Basic Building Services</i>											
Non-Teaching Assistants	18	-	-	-	-	-	-	-	-	-	(100.0)
Maintenance	315	285	272	246	248	254	264	268	254	249	(21.0)
Custodial	1,119	1,029	1,009	1,058	1,078	1,076	1,191	1,168	1,270	1,190	6.3
Warehouse/Distribution	22	19	147	108	133	119	114	106	135	113	413.6
Security	399	397	338	316	347	352	362	361	327	345	(13.5)
Total Basic Building Services	1,873	1,730	1,766	1,728	1,806	1,801	1,931	1,903	1,986	1,897	1.3
Total Classroom Support	6,627	5,990	5,856	5,612	6,002	6,177	6,732	7,103	7,186	7,670	15.7
Administrative Support											
Management/Administrative	666	645	649	737	886	966	1,065	1,108	1,085	1,162	74.5
Directors	1	1	2	-	1	1	-	-	1	-	(100.0)
Prog. & Mgmt. Supervisors	6	5	3	3	1	1	1	1	1	1	(83.3)
Mgmt. Level Technicians	8	4	-	-	-	-	-	-	-	-	(100.0)
Other Technical Staff	11	11	19	11	11	12	11	11	10	11	-
Non-Professional Supervisory	2	1	12	12	10	10	10	12	8	12	500.0
Secretarial	63	53	47	47	46	49	48	48	44	40	(36.5)
Other Clerical	131	69	-	52	54	53	53	41	84	38	(71.0)
Total Administrative Support	888	789	732	862	1,009	1,092	1,188	1,221	1,233	1,264	42.3
Total School District	19,846	17,332	16,833	16,991	17,821	18,364	19,171	20,052	20,061	20,409	2.8 %

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.

Source: Office of Research and Evaluation, The School District of Philadelphia.

School District of Philadelphia
Table 22
Operating Statistics
For the Fiscal Years 2013 through 2022

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
2013	141,094	\$ 2,147,313	\$ 15,219	8.0 %	\$ 2,922,742	\$ 20,715
2014	135,107	1,859,019	13,760	(9.6)	2,817,340	20,853
2015	133,399	1,865,015	13,981	1.6	2,827,469	21,196
2016	134,227	1,966,683	14,652	4.8	2,846,901	21,210
2017	132,240	2,129,099	16,100	9.9	3,079,579	23,288
2018	132,115	2,273,746	17,210	6.9	3,301,082	24,986
2019	130,848	2,340,222	17,885	3.9	3,552,699	27,151
2020	127,391	2,469,136	19,382	8.4	3,841,625	30,156
2021	122,417	2,449,976	20,013	3.3	3,879,606	31,692
2022	117,652	2,793,262	23,742	18.6	4,179,703	35,526

Notes:

- (1) See Table 23 - 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 District provide student meal services. Data source for eligible, free, and reduced students is the October claim month for each school year which is school year.
- (5) See Table 21- School District Employees by Function for details.

Percentage Change of Cost per Pupil Expenses	Percentage of Students Receiving Free or Reduced Price Meals (4)	Percentage of Students Using Bus/Cab	Percentage of Students Using Free/ Subsidized Transpasses (Tokens)	Teaching Staff (5)	Pupil- Teacher Ratio
9.18 %	81.0 %	27.9 %	41.8 %	9,498	14.9
0.67	80.8	30.8	44.6	8,347	16.2
1.64	100.0	29.4	46.0	8,204	16.3
0.07	100.0	29.2	44.3	8,194	16.4
9.80	100.0	30.8	46.6	8,242	16.0
7.29	100.0	30.9	47.6	8,283	16.0
8.66	100.0	33.3	49.2	8,391	15.6
11.07	100.0	33.8	50.4	8,712	14.6
5.09	100.0	26.8	32.8	8,765	14.0
12.10	100.0	30.4	47.3	8,735	13.5

School District of Philadelphia
Table 23
Miscellaneous Statistics
For the Fiscal Years 2013 through 2022

The School District is a separate and independent home rule school district of the first class established in 1965 by the Philadelphia Home Rule Charter.

The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The School District is governed by the Board of Education which consist of nine members appointed by the Mayor from a list of persons nominated by an educational

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

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

The School District also serves as the agent for Intermediate Unit No. 26 (the "I.U."), an entity established by the Commonwealth to provide programs in special education, special education transportation, non-public school services and related management services. The School Reform Commission constitutes the Board of Directors of the I.U.; the boundaries of the I.U. are coterminous with those of the City and School District. All I.U. services are performed by the School District pursuant to contracts between the School District and the I.U.

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of Schools (1)										
Elementary	162	55	55	55	50	48	48	48	48	45
Elementary/Middle	N/A	93	93	93	97	99	99	99	99	103
Middle	23	17	17	16	15	14	14	14	14	14
Special	22	18	19	18	18	19	19	19	19	19
High (7)	25	22	25	27	26	29	29	29	29	29
Vocational/Technical	8	8	8	8	9	6	6	6	6	6
Total Public Schools	240	213	217	217	215	215	215	215	215	216
Charter Schools (2)	67	67	66	63	65	63	66	66	65	64
Renaissance Schools (2)	17	20	20	20	21	21	21	21	21	21
Alternative Schools (5)	26	26	25	28	24	27	26	26	23	22
Cyber Charter Schools (6)	15	15	13	14	14	13	13	14	13	13
Brick & Mortar Charter Schools (6)	5	6	7	8	8	7	8	8	9	6
Total Schools	370	347	348	350	347	346	349	350	346	342
School Enrollment (2)										
Elementary	88,398	32,813	32,665	32,908	30,245	28,906	27,967	26,533	24,036	20,651
Elementary/Middle	N/A	52,551	52,923	53,532	54,665	54,584	54,022	52,421	49,250	47,861
Middle	10,349	9,481	8,747	8,333	8,032	8,195	8,366	8,538	8,325	7,163
Special	12,902	12,321	12,196	12,271	12,542	13,330	13,622	13,610	13,839	13,643
High (3) (7)	19,735	20,521	19,599	20,192	18,706	18,969	18,920	19,068	19,527	21,111
Vocational/Technical	5,545	4,234	3,791	4,255	5,299	4,118	4,097	4,014	4,515	4,473
Total Public Schools	136,929	131,921	129,921	131,491	129,489	128,102	126,994	124,184	119,492	114,902
Charter Schools (2)	42,813	45,726	48,771	47,694	48,597	48,251	49,963	51,826	53,044	52,132
Renaissance Schools (2)	12,930	15,236	15,530	15,747	16,153	16,748	16,190	15,873	15,320	14,758
Alternative Schools (5)	4,165	3,186	3,478	2,736	2,751	4,013	3,854	3,207	2,925	2,750
Cyber Charter Schools (6)	5,961	6,752	6,584	6,135	5,874	5,424	6,224	7,677	9,481	11,374
Non-Philadelphia Brick & Mortar Charter Schools (6)	152	175	240	414	950	1,105	1,289	1,867	1,556	1,638
Total	202,950	202,996	204,524	204,217	203,814	203,643	204,514	204,634	201,818	197,554
Number of Public High School Graduates (1)	9,429	8,374	6,876	8,005	7,769	7,882	8,077	8,104	7,570	7,544
Number of Charter High School Graduates (4)	2,744	3,242	3,572	3,676	3,988	3,849	3,697	3,936	3,896	3,711
Total of High School Graduates	12,173	11,616	10,448	11,681	11,757	11,731	11,774	12,040	11,466	11,255

Notes:

- (1) The number of schools and enrollment data was provided by the School District of Philadelphia (SDP), Office of Research and Evaluation (ORE).
 - (2) SDP, Office of Strategic Analytics (OSA) provided data for Fiscal Years 2013 to 2016, while ORE provided data for Fiscal Years 2017 through 2022.
 - (3) SDP reports Educational Opportunities Programs (EOP) which included nine high schools. In Fiscal Year 2022, there were three EOPs. EOPs are for students who attend designated high schools after core hours.
 - (4) OSA provided the number of high school graduates for Fiscal Year 2013. ORE provided graduate data for Fiscal Years 2014 through 2022.
 - (5) The School District's Alternative Education programs include: Accelerated High School Programs, an Education Options Program, Oasis Program and other District Schools and Programs.
 - (6) Represents the average daily membership for the entire year for students enrolled in these Non Philadelphia Charter Schools. Number of schools and enrollment data provided by SDP, Special Finance Department for Fiscal Years 2013 to 2016 and ORE for Fiscal Years 2017 through 2022.
 - (7) Beginning in Fiscal Year 2014, includes School of Philadelphia Virtual Academy.
- N/A = Data Not Available.

School District of Philadelphia
Table 24
Teacher Base Salaries
For the Calendar Years 2013 through 2022

Calendar Year	School District (1) (3)			Percent Change Average Salary	State Average Salary (2) (4) (5)		National Average Salary (5)
	Minimum Salary	Average Salary	Maximum Salary				
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	67,535	60,477	
2019	45,359	71,077	90,051	1.25	68,930	62,304	
2020	46,266	73,636	91,852	3.60	70,339	64,172	
2021	47,191	74,346	93,689	0.97	71,479	65,293	
2022	48,489	78,336	96,265	5.37	72,428 (E1)	66,397 (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 1.013 percent increase over 2020-21.
- (E2) = Estimated a 1.017 percent increase over 2020-21.

School District of Philadelphia
Table 25
Capital Asset Information
For the 2021-2022 School Year

Schools	# of Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (2)	Percentage of Capacity Used	%
ELEMENTARY	35	12 yrs to 133 yrs	2,282,905	20,985	65.19	%
PEC	6	13 yrs to 93 yrs	294,866	3,200	94.41	
ELEM LSH	8	21 yrs to 91 yrs	386,087	3,977	76.29	
ELEMENTARYMIDDLE	93	1 yrs to 124 yrs	7,316,206	64,568	66.02	
ELEMENTARYMIDDLE (3)	1	2 yrs	87,000	750	79.07	
ELEMMID ANNEX	10	48 yrs to 116 yrs	415,501	4,176	50.29	
ELEMMID LSH	10	21 yrs to 95 yrs	481,244	4,684	67.08	
ELEMMID LSH ANNEX	3	22 yrs to 112 yrs	116,759	1,140	35.53	
MIDDLE	10	17 yrs to 128 yrs	1,280,058	10,677	57.27	
MIDDLE ANNEX	2	50 yrs to 96 yrs	106,992	903	25.58	
VOCATIONAL (CTE)	6	37 yrs to 93 yrs	1,246,914	6,615	67.62	
SPECIAL (4)	14	25 yrs to 114 yrs	1,886,477	13,125	89.05	
SPECIAL (5)	1	69 yrs	84,135	1,034	13.44	
SPEC MID (6)	1	98 yrs	120,000	1,202	40.02	
SPEC CHAR (7)	1	53 yrs	190,000	1,512	25.99	
HIGH (8)	1	92 yrs	74,557	850	44.71	
HIGH	2	69 yrs to 94 yrs	312,259	2,239	49.00	
HIGH (9)	23	10 yrs to 110 yrs	4,728,993	31,756	56.37	
MID HIGH (10)	1	28 yrs	232,815	1,512	32.47	
ALTERNATIVE	4	17 yrs to 59 yrs	296,461	1,330	N/A	
RENAISSANCE , RENLSH REN ANNEX (11)	22	13 yrs to 114 yrs	2,481,883	20,519	71.92	
CHARTER LEASED (12)	4	52 yrs to 101 yrs	488,604	3,314	115.90	
EARLY CHILDHOOD-BF HS ANNEX (13)	8	N/A	261,181	1,379	N/A	
CLOSED (14)	17	51 yrs to 114 yrs	1,076,562	8,670	N/A	
Administration						
Administration	2	54 yrs to 74 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	16 yrs to 82 yrs	147,227	N/A	N/A	
Pools	3	44 yrs to 53 yrs	43,968	N/A	N/A	
Total Buildings and Other Capital Assets	305					

Source: Office of Research and Evaluation, School District of Philadelphia
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) One District building is being used by an elementary school and middle school.
- (4) Two of the Special Schools (Masterman and Girard Music Program), use middle school buildings and the schools start at the 5th grade through the 12th grade.
- (5) One District building is a K-12 School that is used by one of the special schools.
- (6) One High/Middle School building is being used by one special school (Parkway West) and one middle school (MYA).
- (7) One High/Middle School building is being used by one special school (Motivation HS) and one Charter School.
- (8) High school building used by Military Academy High School (Elverson).
- (9) Two of the Elementary/High School Buildings used by Franklin and South Philadelphia High School have alternative education programs in their buildings.
- (10) One middle School building is being used by one middle school (Clemente) and one high school (The LINC).
- (11) Elementary, Middle, and High School buildings being leased by Renaissance (Charter) Schools.
- (12) Elementary and Middle School buildings being leased to Charter Schools.
- (13) Used in conjunction with public schools-Early Childhood Education Programs.
- (14) School District is in process of determining disposition based on the "Facility Master Plan".

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The School District of Philadelphia, an equal opportunity employer, will not discriminate in employment or education programs or activities based on race, color, religion, age, national origin, ancestry, handicap, sex, sexual orientation, union membership, or limited English proficiency. This policy of non-discrimination extends to all other legally protected classifications. Publication of this policy in this document is in accordance with state and federal laws including Title IX of the Education Amendments of 1972 and Sections 503 and 504 of the Rehabilitation Act of 1973. Inquiries should be directed to Throne Cropper, Equal Opportunity Compliance Officer. Procurement Department, 440 N. Broad Street, Philadelphia, PA 19130, (215) 400-4380.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this 26th day of October, 2023, by and between The School District of Philadelphia (the “School District”), and Digital Assurance Certification, LLC, as dissemination agent (the “Dissemination Agent”) in connection with the issuance and sale by the School District of its Tax and Revenue Anticipation Notes, Series A of 2023-2024 in the aggregate principal amount of \$399,040,000 (the “Notes”). The Notes 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 19, 2023 (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 Notes, dated October 19, 2023. The Annual Financial Information will be included in and will be submitted in the form of the School District’s Annual Comprehensive Financial Report (“ACFR”). 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 Dissemination 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 Dissemination 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.

“Fiscal Agent” shall mean U.S. Bank Trust Company, National Association, as Fiscal Agent for the Notes pursuant to that certain Fiscal Agent Agreement, dated October 26, 2023, as amended, between the School District and U.S. Bank Trust Company, National Association.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriters” means any of the original underwriters of the Notes required to comply with the Rule in connection with the purchase and reoffering of the Notes.

“Registered Owner or Owners” mean the person or persons in whose name a Note is registered on the books of the School District kept by the Fiscal Agent for that purpose in accordance with the Resolution and the Notes. For so long as the Notes 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 Notes evidencing an interest in the Notes; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Notes, 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 Resolution, if defined therein.

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Section 2. Authorization and Purpose of Disclosure Agreement.

This Disclosure Agreement is authorized to be executed and delivered by the School District pursuant to 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, 2023, the Disclosure Representative shall file with the Dissemination Agent Annual Financial Information for such fiscal year. The Dissemination 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 ACFR 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, 2023, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the audited financial statements with the MSRB via EMMA.

If the Dissemination Agent has not received the Annual Financial Information by 12:00 noon (Philadelphia Time) on the first business day following the filing date therefor, a Failure to File Event shall have occurred and the School District irrevocably directs the Dissemination Agent to immediately send a Failure to File Event notice to the MSRB via EMMA of such failure.

Section 4. Reportable Events.

(a) The School District agrees that it shall provide through the Dissemination 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 Notes 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 Notes, or other material events affecting the tax status of the Notes;
- (7) modifications to rights of holders of the Notes, if material;

- (8) note calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Notes, 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 Dissemination Agent in writing of such occurrence, specifying the Reportable Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB via EMMA. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB via EMMA.

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 Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in Sections 4(a)(1), 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 Dissemination 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 Dissemination 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 Dissemination Agent.

Section 5. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the School District and the Dissemination 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 Notes, 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 Notes.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination 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 Dissemination 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 Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with the MSRB via EMMA. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner (including owners of book-entry credits in the Notes who have filed their names and addresses with the Dissemination 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 Notes, 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) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners or the MSRB.

(c) The School District and the Dissemination 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 Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Notes shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the School District or the Dissemination Agent, as applicable, to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination 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 Notes and if, in the Dissemination 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 Notes, 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 Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in clause (a) above.

Section 8. Concerning the Dissemination Agent.

(a) The Dissemination 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 Dissemination Agent shall not be answerable for the default

or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination 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 Dissemination 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 Dissemination 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 Dissemination Agent and the School District. To the extent permitted by law, the School District will reimburse the Dissemination 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 Dissemination Agent's fees and expenses referred to in the preceding sentence hereof) (collectively, "Expenses") that are imposed on or are incurred by the Dissemination Agent for following any instructions or directions upon which the Dissemination Agent is authorized to rely hereunder. In addition, to the extent permitted by law, the School District agrees to reimburse the Dissemination Agent for Expenses imposed on or incurred by the Dissemination Agent in connection with or arising out of the Dissemination Agent's performance under this Disclosure Agreement; provided that the Dissemination 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 Dissemination Agent.

(c) The Dissemination 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 Dissemination 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 Dissemination 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 Dissemination 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 Notes, with respect to the content of any such reports, notices or disclosures.

(d) The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the School District and shall not be deemed to be acting in any fiduciary capacity for the School District, the holders of the Notes or any other party.

Section 9. Term of Disclosure Agreement.

This Disclosure Agreement shall terminate (1) upon payment or provision for payment in full of the Notes, 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 Dissemination Agent and the Registered Owners from time to time of the Notes 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 Dissemination Agent at:

Digital Assurance Certification, LLC
315 East Robinson Street, Suite 300
Orlando, FL 32801
Telecopy No: (407) 515-6513

- (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: mherbstman@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 Dissemination Agent.

The Dissemination Agent may be removed at any time by resolution of the School District. The Dissemination Agent may resign and be discharged of its duties as Dissemination Agent hereunder by written resignation filed with the Disclosure Representative.

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 Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

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 as of the date hereof.

[Signature page follows.]

IN WITNESS WHEREOF, THE SCHOOL DISTRICT OF PHILADELPHIA has caused this Disclosure Agreement to be executed by its Chief Financial Officer and DIGITAL ASSURANCE CERTIFICATION, LLC, 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: _____
Michael Herbstman
Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION, LLC,
as Dissemination Agent

By: _____
Authorized Officer

APPENDIX D

FORM OF OPINION OF CO-BOND COUNSEL

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[Letterhead of Co-Bond Counsel]

October 26, 2023

Re: \$399,040,000, Principal Amount, The School District of Philadelphia, Tax and Revenue Anticipation Notes, Series A of 2023-2024

To the Purchasers of the Within-Described Notes:

We have served as Co-Bond Counsel in connection with the issuance by The School District of Philadelphia (“School District”) of \$399,040,000, Principal Amount, Series A of 2023-2024 (“Notes”).

The Notes 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 19, 2023 (“Resolution”), by the Board of Education of the School District (“Board”), 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 the current fiscal year, and (ii) the costs of issuance of the Notes.

As required by the Act and the Resolution, the Notes are equally and ratably secured by a pledge of, security interest in and lien and charge on the taxes and revenues of the School District specified in the Resolution to be received by the School District from October 26, 2023, the date of issuance of the Notes, until June 30, 2024. As further security for the Notes, the School District has covenanted pursuant to a Fiscal Agent Agreement, dated October 26, 2023 (“Fiscal Agent Agreement”), to irrevocably deposit in a sinking fund established with U.S. Bank National Association, as sinking fund depository, registrar, transfer agent and paying agent (“Fiscal Agent”), to be held in trust by the Fiscal Agent for the benefit and security of the holders of the Notes, specified amounts at specified times, which deposits will be sufficient to pay the principal of and interest on the Notes when due upon the maturity thereof.

In our capacity as Co-Bond Counsel for the School District, we have examined (a) the applicable provisions of the Constitution of the Commonwealth of Pennsylvania (“Commonwealth”); (b) the Act; (c) the proceedings of the Board with respect to the authorization, issuance and sale of the Notes; and (d) certain statements, certifications, affidavits and other agreements and documents and matters of law which we have deemed necessary to enable us to express the opinion set for below, including, without limitation, a certification of officials of the School District having responsibility for the issuing the Notes (“Tax Compliance Certificate”), given pursuant to applicable provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated or made applicable thereunder (“Code”), and the other documents and instruments listed on the Closing Agenda in respect of the Notes dated the date hereof (the “Closing Agenda”). We have also examined the Notes in fully executed and authenticated form.

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 Notes and other matters incident to, inter alia, the execution and delivery by the School District of the Notes, and such other documentation as officials of the School District, or members or officers of the Board, were required to execute in connection with the issuance of the Notes.

Except with respect to paragraph 4 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 Notes have been authorized, issued and sold by the School District in compliance with the Act; the principal amount of the Notes does not exceed the limitation on amounts of tax and revenue anticipation notes which can be issued in any fiscal year imposed by the Act, and does not exceed any limitation set forth in the Constitution of the Commonwealth; the Notes are secured by a pledge of, security interest in and lien and charge on the current taxes and current revenues of the School District specified in the Resolution to be received by the School District from the date of issuance of the Notes until June 30, 2024; and the Notes are general obligations of the School District, all as provided in the Act. In the Resolution, the School District has excluded from the pledge, security interest and lien and charge referred to in the preceding sentence, amounts deposited daily in the School District's fixed rate general obligation bond sinking funds.

2. The Notes have been duly authorized, executed and delivered by the School District and authenticated by the Fiscal Agent and are valid, legal and binding obligations of the School District, enforceable in accordance with the terms and provisions thereof, except as enforcement may be limited by bankruptcy, moratorium, insolvency or other similar laws or similar legal principles or equitable principles affecting the enforcement of creditors' rights.

3. Under the laws of the Commonwealth, as enacted and construed on the date hereof, interest on the Notes 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 Notes will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

4. Under existing statutes, regulations, rulings and court decisions, interest on the Notes is not 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 continuing compliance by the School District with its covenants contained in the Resolution and the Tax Compliance Certificate 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 Notes after the issuance thereof to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the Notes. These covenants relate to, *inter alia*, the use of and investment of proceeds of the Notes, and rebate to the United States Treasury of specified arbitrage earnings, if any. Failure of the School District to comply with such covenants and representations could result in interest on the Notes becoming includible in gross income for federal income tax purposes from the date of issuance of the Notes.

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 (as such terms are defined in the Closing Agenda) prepared in respect of the Notes, and make no representation that we have independently verified the contents thereof.

Very truly yours,

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APPENDIX E

ACTUAL CASH FLOWS OF THE SCHOOL DISTRICT FOR FISCAL YEAR 2023, ACTUAL AND FORECASTED CASH FLOWS OF THE SCHOOL DISTRICT FOR FISCAL YEAR 2024, AND FORECASTED DEBT SERVICE COVERAGE TABLE FOR FISCAL YEAR 2024

The Actual Cash Flow Table of the School District for July 1, 2022 through June 30, 2023 (the “FY2023 Cash Flow Table”), which represents actual cash flow of the School District in Fiscal Year 2023, appears on p. E-2.

The current year Cash Flow Table (the “FY2024 Cash Flow Table”) which shows actual data for July and August of 2023, along with estimated cash flows for September 1, 2023 through June 30, 2024 appears on p. E-3. In addition, the Forecasted Debt Service Coverage Table for Fiscal Year 2024 (the “FY2024 Debt Service Coverage Table”), which shows the School District’s expectations with respect to its Commonwealth subsidies and local receipts compared to its debt service payments during Fiscal Year 2024, appears on p. E-4.

The FY2023 Cash Flow Table, the FY2024 Cash Flow Table and the FY2024 Debt Service Coverage Table have all been prepared by management of the School District.

The FY2023 Cash Flow Table contains historical information. Prior fiscal year historical data may not be indicative of actual results which may occur in Fiscal Year 2024.

The FY2024 Cash Flow Table and the FY2024 Forecasted Debt Service Coverage Table include forward looking statements, which may or may not be achieved and the differences between forecasted results and actual results may vary and be material and may be due to events and circumstances beyond the control of the School District. The achievement of the results in such tables involves known and unknown risks.

Reference is made to the section captioned “SCHOOL DISTRICT FINANCIAL PROCEDURES – Cash Management” in Appendix A for further information on the cash management procedures of the School District.

THE SCHOOL DISTRICT OF PHILADELPHIA
CASH FLOW
JULY 1, 2022 TO JUNE 30, 2023
Amounts In Thousands of Dollars
June 30, 2023

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
Balance, Beginning of Month	650,713	454,372	563,630	365,612	338,137	217,478	299,184	212,832	296,334	535,645	800,119	658,049	650,713
Receipts													
Gross Commonwealth													
Subsidies	25,390	207,985	70,516	182,839	49,321	261,639	25,119	202,300	70,488	194,974	11,646	505,482	1,807,698
Less: Debt Service Withheld		(10,698)		(23,340)				(10,698)		(23,340)			(68,076)
Net Commonwealth Subsidies	25,390	197,287	70,516	159,499	49,321	261,639	25,119	191,602	70,488	171,634	11,646	505,482	1,739,622
Intermediate Unit		43,389	11,511		5,970	12,231	33,323	1,487	10,767		9,821	12,656	141,155
Local Receipts	43,158	79,047	101,505	63,913	86,465	111,376	95,786	125,793	580,292	334,160	74,574	113,195	1,809,264
Categorical Grants	69,706	51,078	60,494	80,284	48,919	117,351	77,645	48,712	58,384	52,820	114,620	54,274	834,287
Other	841	18,875	6,917	1,567	13,565	13,827	11,631	8,224	8,384	21,607	1,838	17,195	124,470
Total Receipts	139,095	389,674	250,943	305,263	204,241	516,424	243,504	375,819	728,315	580,220	212,499	702,802	4,648,800
Disbursements													
Salaries	103,162	97,800	150,866	129,592	106,812	105,560	101,876	102,313	134,090	105,656	117,375	104,203	1,359,305
Retirement - Employer			109,300			115,380			100,612			110,638	435,930
Debt Service - Deposits	24,156	35,764	19,667	42,071	18,731	19,428	18,384	28,160	21,134	40,799	20,555	20,190	309,040
Debt Service - Withheld		(10,698)		(23,340)				(10,698)		(23,340)			(68,076)
Accounts Payable	208,118	157,550	169,126	184,416	199,356	194,350	209,596	172,541	233,168	192,632	216,640	237,300	2,374,795
Total Disbursements	335,436	280,417	448,961	332,738	324,900	434,717	329,856	292,316	489,004	315,747	354,570	472,331	4,410,993
Balance, End of Month	454,372	563,630	365,612	338,137	217,478	299,184	212,832	296,334	535,645	800,119	658,049	888,519	888,519
Notes, outstanding end of month	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000		
Sinking Fund Deposits/Principal												500,000	
Balance, End of Month, Including Notes	954,372	1,063,630	865,612	838,137	717,478	799,184	712,832	796,334	1,035,645	1,300,119	1,158,049	888,519	888,519

THE SCHOOL DISTRICT OF PHILADELPHIA
CASH FLOW
JULY 1, 2023 TO JUNE 30, 2024
Amounts In Thousands of Dollars

	ACTUAL JUL	ACTUAL AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
Balance, Beginning of Month	888,519.366	602,176.811	731,136.342	472,771.579	326,392.328	137,891.954	180,375.932	56,323.056	208,690.136	486,166.244	649,957.537	468,038.083	888,519.366
Receipts													
Gross Commonwealth Subsidies	2,382.501	253,074.835	65,286.799	213,628.433	34,240.466	292,206.121	24,848.783	224,434.479	95,258.384	212,466.603	9,509.142	473,512.081	1,900,848.627
Less: Debt Service Withheld	-	(10,698.590)	-	(34,133.638)	-	-	-	(10,698.590)	-	(34,133.638)	-	-	(89,664.456)
Net Commonwealth Subsidies	2,382.501	242,376.245	65,286.799	179,494.795	34,240.466	292,206.121	24,848.783	213,735.889	95,258.384	178,332.965	9,509.142	473,512.081	1,811,184.171
Intermediate Unit	-	41,617.117	15,414.294	-	5,757.916	13,667.811	19,760.312	3,215.211	12,895.256	-	25,662.831	16,034.118	154,024.866
Local Receipts	50,064.137	79,475.313	119,422.337	43,093.077	41,786.753	163,355.910	104,656.900	134,339.847	607,421.039	310,906.152	87,318.709	122,953.691	1,864,793.865
Categorical Grants	4,578.207	73,148.106	63,029.823	53,356.461	107,511.522	86,814.781	104,027.694	192,050.216	72,427.414	60,779.147	89,926.190	108,483.703	1,016,133.264
Other	17,552.913	5,646.594	11,271.856	3,207.681	7,915.062	12,022.589	8,559.758	7,401.052	15,845.223	8,539.118	7,354.996	11,388.264	116,705.106
Total Receipts	74,577.758	442,263.375	274,425.109	279,152.014	197,211.719	568,067.212	261,853.447	550,742.215	803,847.316	558,557.382	219,771.868	732,371.857	4,962,841.272
Disbursements													
Salaries	103,686.939	102,644.212	155,243.734	135,821.266	120,200.539	115,224.118	117,171.778	116,787.658	153,943.194	134,830.048	120,587.659	148,063.330	1,524,204.475
Retirement - employer	1,225.883	-	105,363.961	-	-	108,153.415	-	-	109,084.316	-	-	127,141.171	450,968.746
Debt Service - Deposits	19,177.607	31,013.308	15,698.547	52,947.780	18,312.942	17,440.897	18,312.942	28,258.666	17,483.584	53,365.580	19,249.862	16,747.236	308,008.951
Debt Service - Withheld	-	(10,698.590)	-	(34,133.638)	-	-	-	(10,698.590)	-	(34,133.638)	-	-	(89,664.456)
Accounts Payable	236,829.884	190,344.914	256,483.630	270,895.857	247,198.612	284,764.804	250,421.602	264,027.401	245,860.115	240,704.099	261,853.801	248,074.138	2,997,458.857
Total Disbursements	360,920.313	313,303.844	532,789.872	425,531.265	385,712.093	525,583.234	385,906.322	398,375.135	526,371.209	394,766.089	401,691.322	540,025.875	5,190,976.573
Balance, End of Month	602,176.811	731,136.342	472,771.579	326,392.328	137,891.954	180,375.932	56,323.056	208,690.136	486,166.244	649,957.537	468,038.083	660,384.065	660,384.065
Notes, outstanding end of month	-	-	-	400,000.000	400,000.000	400,000.000	400,000.000	400,000.000	400,000.000	400,000.000	400,000.000	-	-
Balance, End of Month, Including Notes	602,176.811	731,136.342	472,771.579	726,392.328	537,891.954	580,375.932	456,323.056	608,690.136	886,166.244	1,049,957.537	868,038.083	660,384.065	660,384.065

Forecasted Debt Service Coverage of Notes From Net Commonwealth Subsidies ⁽¹⁾ and Local Receipts (\$000)						
	A	B	C	D	E = C/D	F
FY24	Net Commonwealth Subsidies & IU & Local Receipts by Month ⁽²⁾	Cumulative Receipts by Month	Uncollected as of 1st of Month	Outstanding Note Debt Service as of 1st of Month	Note Debt Service Coverage	Monthly Debt Service on Notes ⁽³⁾
July (Act.)	\$33,269	\$33,269	\$3,521,994	\$0	n/a	\$0
August (Act.)	332,455	365,724	3,488,725	0	n/a	0
September (Est.)	184,425	550,149	3,156,270	0	n/a	0
October (Est.)	169,640	719,789	2,971,845	0	n/a	0
November (Est.)	63,472	783,262	2,802,205	412,450	6.79x	0
December (Est.)	451,789	1,235,051	2,738,732	412,450	6.64x	0
January (Est.)	130,953	1,366,004	2,286,943	412,450	5.54x	0
February (Est.)	323,032	1,689,036	2,155,990	412,450	5.23x	0
March (Est.)	698,091	2,387,127	1,832,958	412,450	4.44x	0
April (Est.)	435,874	2,823,000	1,134,867	412,450	2.75x	133,013
May (Est.)	103,241	2,926,241	698,993	279,437	2.50x	133,013
June (Est.)	595,753	3,521,994	595,753	146,424	4.07x	146,424
Total	\$3,521,994					\$412,450

1) Commonwealth subsidies are reflected net of debt service paid from such subsidies by means of a direct pay intercept agreement for SPSBA lease revenue bonds, and include Intermediate Unit payments.

2) Includes all Local Receipts, except categorical grants, other amounts and amounts to be set aside to satisfy the District's GO bonds' daily sinking fund requirement

3) Sinking fund deposits based on \$399,040,000 principal amount, subject to change. Final sinking fund deposit in June includes interest payable at maturity

