



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF EDUCATION
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DEPUTY SECRETARY FOR ELEMENTARY
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March 15, 2013

Robert Heebner, Jr.
Reading School District
c/o Superintendent's Office
800 Washington St
Reading, PA 19601-3616

Re: Financial Watch Status

Dear Mr. Robert Heebner:

The Pennsylvania Department of Education ("Department") was required pursuant to Act 141 of 2012 to develop and implement an Early Warning System in order to identify and offer technical assistance to school districts experiencing financial difficulties. The Early Warning System identifies a number of indicators of financial difficulty that the Department evaluates in order to determine that a school district should be designated in Financial Watch Status.

Pursuant to the Early Warning System, the Department conducts an initial analysis of the financial health of a school district. *See* 22 Pa. Code § 731.2(I). Based upon this initial analysis, the following indicators were present in Reading School District ("District") which supports the District's designation in Financial Watch Status:

- Fund Balance Ratio: District experiencing a steady deterioration in fund balance ratio from 11.4% in 2009-10 to an estimated 2.8% in 2012-13
- 2012-13 Market Value/Personal Income Aid Ratio: .8864
- City of Reading declared financially distressed pursuant to Act 47 of 1987

Based upon the results of the initial analysis, the Department gathered additional information from the District. *See* 22 Pa. Code § 731.2(II). The following indicators were present in the District which further supports the District's designation in Financial Watch Status:

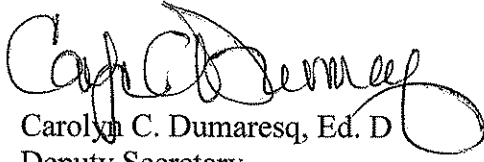
- District had a delinquent real estate tax rate of 14.2% in the 2010-11 fiscal year
- District submitted annual financial report for 2011-12 on February 12, 2013 (statutory deadline was October 31, 2012)

- District has an increasing unfunded liability for its post-employment healthcare plan; the amount increased from \$18.19 million as of June 30, 2008, to \$35.53 million as of June 30, 2009, to \$59.98 million as of June 30, 2010, to \$85.97 million as of June 30, 2011

Based upon the existence of these indicators, both separately and cumulatively, in the District, this letter serves as your official notification that the District is hereby designated in Financial Watch Status pursuant to section 611-A of the Public School Code of 1949. 24 P.S. § 6-611-A; *see also* 22 Pa. Code § 731.2.

As such, the Department will offer technical assistance to help the District with its financial challenges. The Department will be contacting you soon to discuss and schedule this technical assistance.

Sincerely,



Carolyn C. Dumaresq, Ed. D
Deputy Secretary

cc: Dr. Carlinda Purcell, Superintendent
John Bradley, Esq., Solicitor