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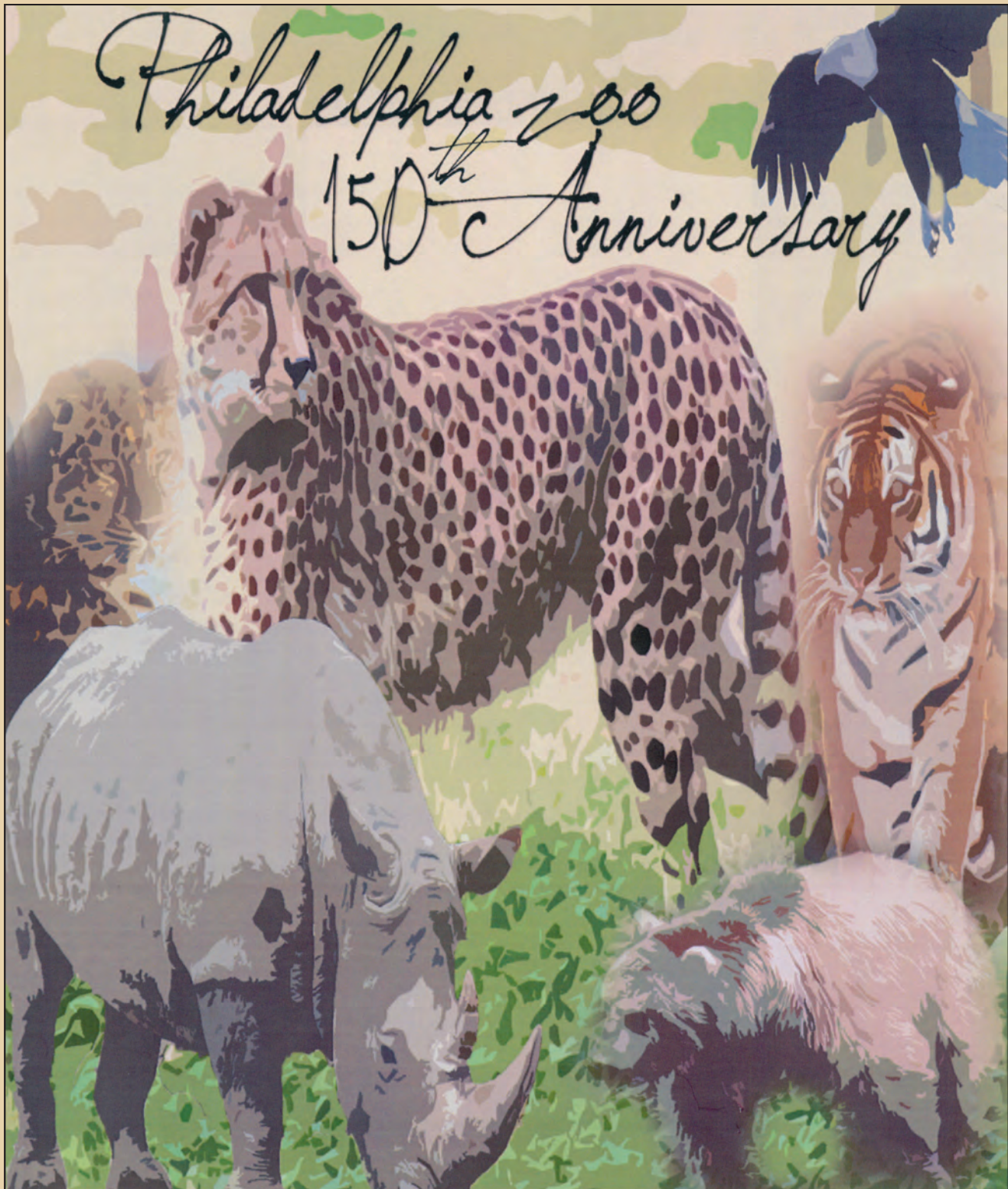
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*The Comprehensive Annual Financial Report of
The School District of Philadelphia*

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

Year Ended June 30, 2009



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

440 N. BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19130

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

YEAR ENDED JUNE 30, 2009



Marcy F. Blender, CPA
Comptroller

Prepared by
Office of General Accounting

STUDENT ART

The art displayed in this report is the work of Philadelphia school students and was selected from entries submitted to the 2009 Cover Design Contest entitled, "PHILADELPHIA ZOO – 150th ANNIVERSARY". This year marks the 150th anniversary of the Philadelphia Zoo. Chartered by the Commonwealth of Pennsylvania in 1859, the Philadelphia Zoo is the first and oldest zoo in the United States. From the early years of the zoo's opening, it has been a place where children and families can come and experience a once in a lifetime encounter with animals and have special access to entertaining zoo activities and interactive programs. The contest theme, PHILADELPHIA ZOO – 150th ANNIVERSARY, provides a unique opportunity for students to challenge their intellect, imagination, and creativity to visually express their ideas, research and experience with the Philadelphia Zoo.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Jonathan Ruiz Jules E. Mastbaum AVTS Grade 11	Ms. Katie Newnam/ Ms. Wendy Turrentine
2 nd Prize Back Cover	Lisa Williams William L. Sayre High School Grade 12	Mrs. Ashli White
3 rd Prize Divider: 1 st	Derrick Mitchell Franklin Learning Center Grade 11	Ms. Christina Whitt
	Heidy Dianakurniawan Furness High School Grade 12	Ms. Meredith McDonald
2 nd	Portia Tucker Jules E. Mastbaum AVTS Grade 12	Ms. Katie Newnam/ Ms. Wendy Turrentine
	Brianna Knight E. Washington Rhodes High School Grade 10	Mr. Peter Koller
3 rd	Alexis Bloom Central High School Grade 10	Ms. Andrea Keefe
	Chanel Tam Academy At Palumbo Grade 12	Ms. Kiana Thompson

Ms. Tessie Varthas, Content Specialist – Art Education
Office of Teaching and Learning





SCHOOL DISTRICT OF PHILADELPHIA

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FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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THE SCHOOL DISTRICT OF PHILADELPHIA

440 NORTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19130

ARLENE C. ACKERMAN, Ed.D.
CHIEF EXECUTIVE OFFICER

TELEPHONE (215) 400-4100
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January 22, 2010

To the Members of the School Reform Commission, Honorable Mayor and Citizens of the City of Philadelphia:

We are pleased to present this Comprehensive Annual Financial Report ("CAFR") of The School District of Philadelphia for the Fiscal Year ended June 30, 2009. 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 of Philadelphia ("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 an unqualified opinion that the School District's financial statements, for the Fiscal Year ended June 30, 2009, 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 is designed to protect the School District's assets from loss, theft, and misuse. Internal offices of the School District, namely the offices of Management and Budget, General Accounting, Accounts Payable, and Audit Services, regularly review expenditures of School District funds and perform selective and random reviews of operations and controls further ensuring that this report is complete and reliable in all material respects and in conformity with GAAP. Furthermore and as part of the federally mandated "Single Audit" requirement, the Office of the City Controller performs an annual audit of the School District's internal controls and compliance thereto with legal requirements involving the administration of federal awards and grants. The Single Audit is designed to meet the needs of federal grantor agencies. These reports are available in the School District's separately issued Single Audit Report.

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

Profile of the School District

Despite being a component unit of the City of Philadelphia (“City”) for financial reporting purposes only, the School District is an agency of the Commonwealth of Pennsylvania (“Commonwealth”) 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.” The School District itself has no component units. It is by far the largest of the 501 school districts in the Commonwealth employing over 22,000 employees and the eighth largest in the United States based on student enrollment data. 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 close to 1.4 million and a land area of approximately 130 square miles. The School District educates eleven percent (11%) of the Commonwealth’s 1.8 million public school students. Total enrollment in the School District has declined by over eight and a half percent (8.6%) over the past decade while charter school enrollment has significantly increased. Enrollment for the School District is close to 195,000 students including over 32,000 attending charter schools and 4,500 in alternative education programs. In addition, there are 267 schools that the School District operates, as well as 17 remedial discipline schools and 63 charter schools managed by other entities, which also serve Philadelphia’s children. In fiscal year 2009, approximately one of every six 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.

About twenty percent (20%) of the School District’s buildings are forty (40) years old or less, forty-five percent (45%) are between forty-one (41) and eighty (80) years old, thirty-five percent (35%) are over eighty-one (81) years old.

As required by statute, the School District provides a comprehensive range of educational services. These services include general, special, and vocational education at the elementary and secondary levels, as well as related support and transportation services. The School District also provides summer in addition to pre- and after-school program services depending on the needs of a community and available funding. To ensure schools have the administrative support they require, the School District was organized into nine geographic academic regions, one comprehensive high school region, one alternative schools region, and one central administrative office for fiscal year 2009.

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

Prior to 2001, the School District was governed by the Board of Education (“Board”) consisting of nine members appointed generally by the Mayor of the City. In December of 2001, however, the Secretary of Education of the Commonwealth declared the School District financially distressed suspending the governing powers of the Board and placing management of the School District under the control of a five-member School Reform Commission (“SRC”). Three members, including the Chairman, are appointed by the Governor of Pennsylvania while the Mayor of Philadelphia appoints the remaining two members. The SRC exercises all powers and has all the responsibilities and duties of the original Board, along with additional powers. As prescribed, the SRC is now responsible for the overall operation, management, and educational programs of the School District, including all budgetary and financial matters. The duties of the SRC generally include, but are not limited to, the

formulation of educational policy, the adoption of an annual budget, the development of a comprehensive capital improvement budget and program, and the incurrence of indebtedness.

The School District's fiscal year is July 1st to June 30th and is identical with those of both the City and the Commonwealth. The Charter requires that the School District adopt an operating budget, a capital budget, and a capital improvement program each fiscal year. To ensure financial control, the SRC must first approve, by resolution, all personnel appointments, purchases of materials, supplies, books, and equipment in excess of \$10,000 and individual contracts for professional services and associated costs in excess of \$15,000. The School District maintains further budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget by the SRC. 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 reported as reservations of fund balance in governmental funds, except in Categorical Funds, since they do not constitute expenditures or liabilities. However, unencumbered appropriations lapse at year-end.

Major Initiatives

The major financial focus of the School District during fiscal year 2009 was to begin to align the District's available financial resources with the initiatives and action plans proposed in Imagine 2014, the District's new five year strategic plan designed to reshape Philadelphia's public schools. This plan was shaped by countless individuals, community groups, and organizations inside and outside the organization. The key strategic priorities which form the basis for this plan include: *Student Success, Quality Choices, Great Staff, Accountable Adults, and World-Class Operations*. The District focused on these strategic initiatives and at the same time aligned financial resources to provide equal educational outcomes for all students while delivering on the core beliefs and guiding principles. The guiding principles, which drive all spending areas, include: *increasing achievement and closing the opportunity and achievement gap for all students, ensuring equitable allocation of all District resources, holding all adults accountable for student outcomes, and satisfying parents, students, and the community*.

Fiscal year 2009 marks the District's return to a positive ending fund balance. This continued the District's positive momentum from the previous year when the operating budget was nearly balanced at a \$0.5 million deficit and positions the District to sustain a positive fund balance in future years. The District ended fiscal year 2009 with a positive budgetary operating fund balance of \$28.1 million. The ending operating fund balance is comprised of the General Fund, Intermediate Unit Fund, and Debt Service Fund and includes a negative unreserved/undesignated General Fund balance of \$19.8 million; offset by \$71.6 million of a positive Debt Service Fund balance to produce a \$51.8 million positive operating fund balance. The operating fund balance includes \$23.7 million of General Fund revenues which have been segregated in a separate sub-fund entitled the Fiscal Stabilization Reserve Fund (FSRF) for the purpose of earmarking funds for unanticipated revenue fluctuations and unanticipated requirements in accordance with the intent of SRC resolution 4, dated November 15, 2006.

It is important to note how successful the implementation of budgetary and fiscal control measures has been over the past two fiscal years. With financial assistance from the City and the Commonwealth, in combination with stronger fiscal controls and the concerted efforts of management and staff, the School District has eliminated the fiscal year 2008 operating deficit of \$0.5 million, and returned to a positive \$28.1 million budgetary operating fund ending balance as described above. These goals were

accomplished through the implementation and execution along with vigilant monitoring of a deficit reduction plan focused on reducing expenditures with the least impact on educational programs, academic reforms, and strategic initiatives during fiscal year 2009 and beyond. The SRC on May 28, 2008, adopted the original Operating Budget of \$2,280.6 million and on May 27, 2009, the SRC adopted the final Operating Budget of \$2,463.4 million; the final Operating Budget included a bond refunding of \$217.4 million that was not included in the original Operating Budget. The ending budgetary fund balance is \$28.1 more positive than anticipated in the original and \$25.0 million more positive than the final budget.

The School District will continue to aggressively pursue additional revenue opportunities and alternative savings to ensure that current academic reforms are funded and to continue on the path of academic achievement and fiscal accountability. The receipt of federal stimulus dollars over the next two years through state and federal sources will also be directed towards these endeavors. With the strengthening of the School District's leadership in the beginning of fiscal year 2009 to include a new Chief Executive Officer and executive leadership team, along with stronger supports for our classrooms, the School District is well positioned for both fiscal and academic excellence for the 2009/2010 school year.

Aligning budget line items and expenditures with the priorities of the leadership initiatives of the new "Imagine 2014" Strategic Plan is the guiding focus for the School District. This establishes outcome-based goals in the areas of academic achievement, early literacy, school climate and security, community collaboration, equity and operations. Major programs that support the "Imagine 2014" Strategic Plan to put children first includes: the standardization of core curriculum in all grade levels, reaching, and, in many instances exceeding academic achievement goals and testing, enhancing school choice, expanding pre- and after-school programs, establishing community partnerships, reducing class size, particularly in corrective action schools, and continuing a comprehensive capital improvement program to make the school environment safer and more conducive to learning for our students. The achievement of both fiscal and academic excellence is demonstrated by the fact that the School District has made steady progress in raising student performance in math and reading over the past seven (7) years as measured by the increase in the percentage of students performing at grade level for reading and math.

The Capital Improvement Program identifies over \$1.3 billion in facilities' needs through fiscal years 2009-2014 to improve major infrastructure systems and buildings. In fiscal year 2009 the School District obligated \$118.1 million in new construction, additions, renovation projects, and classroom modernization initiatives. For fiscal year 2010, the School District is expected to spend \$231.8 million to continue improving the educational environments for public school students and staff.

The School District continues to also pursue ongoing reductions of administrative costs to maximize resources for its primary educational mission. The School District spends about five percent (5%) of its operating budget on administrative costs; one of the lowest rates when compared with other large urban public school systems. Ninety five percent (95%) of the operating budget is spent on items directly benefiting the schools. Specifically, seventy- one percent (71%) of that is spent on academic and education support services and the remaining twenty-four percent (24%) is spent on capital financing and maintenance directly benefiting the schools.

Factors Affecting Financial Conditions

The information presented in the accompanying financial statements and report is best understood when placed in context with local social and economic factors, such as:

The Local Economy: The economy features a large financial sector, a major health services sector that has provided most area jobs in recent years and a significant business services sector. The City is in the heart of a nine-county metropolitan area with approximately 5.8 million residents making it the country's fifth-largest. Air, rail, highway, and water routes provide easy access to the area. The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest in the retail market.

As a major urban center with a rich historical legacy, 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 include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, the Constitution Center, the Kimmel Center, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, and the Rodin Museum. The South Philadelphia sports complex is home to the Philadelphia 76ers, Flyers, Phillies, and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park and the nation's first zoo.

The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area. Children's Hospital of Philadelphia is ranked number one in U.S. children's hospitals.

The area has the second largest concentration of students on the east coast with eighty (80) higher education degree granting institutions. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

During the ten-year period between 1990 and 2000, the population of the City decreased from 1,585,577 to 1,517,550. During the same period, the population of Pennsylvania increased by 3.4%, less than one-third the national rate of increase. The 2008 (estimated) population of the City is 1,447,395, a decline of 4.6% from 2000.

The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service economy. The City's and region's economies are diversified, with strong representation in the health care, government and education sectors but without the dominance of any single employer or industry. The August, 2009 unemployment rate for the Philadelphia Metropolitan area was 9.9% compared with the United States unemployment rate of 10.9%.

The Greater Philadelphia economy is projected to begin a recovery from the worst recession in the post-World War II era, according to the Philadelphia Chamber of Commerce. The recession which began in December 2007 began to show signs of improvement in May and June 2009. Forecasters are projecting a return to positive but modest economic growth in the Greater Philadelphia economy by December 2009. The Greater Philadelphia economy has experienced a slower rate of decline than the nation, in a large part due to its diversified economic base.

Long-Term Debt of the School District: As of June 30, 2009, the School District's outstanding general obligation bond and lease rental indebtedness was in the principal amount of \$2.8 billion. Almost all outstanding bonds (except for its Qualified Zone Academy Bonds) are insured and carry among the highest credit ratings in the industry from Standard & Poor's Rating Services, Moody's Investors Service and Fitch IBCA. Pursuant to statutory requirements, 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. The School District will continue to develop and maintain a fiscally responsible and stable operating budget at the same time that it improves accountability and efficiencies, expands educational programming, and continues to implement a comprehensive capital improvement program.

Cash Management Policies and Practices: All monies of the School District are held separate and apart from the funds of any other entity, including the City. The School District accounts for all monies received and disbursed, and develops twelve-month cash flow forecasts (updated monthly) based on historical and projected receipts and expenditure data. These forecasts form the basis for cash management activities during the fiscal year and help to determine the best forms of investment of idle funds consistent with legal limitations. Generally, cash temporarily idle during the fiscal year is invested in United States Treasury and certain government agency obligations, certificates of deposit, repurchase agreements and permissible money market and interest bearing accounts, all in compliance with state statutes. These instruments have maturities ranging from one day to multiple years depending upon the type of fund. Under custody and trust agreements, the underlying collateral for repurchase agreements is delivered to the trust department of third party banks which hold the collateral during the term of the repurchase agreement. The average yield on all maturing investments during fiscal year 2009 was approximately 2.06% and total interest income was \$9.1 million. This was a \$27.7 million decrease in total interest income over fiscal year 2008 primarily due to lower capital and operating cash balances available for investment and lower average interest rates which decreased by almost 50% from the previous fiscal year.

Risk Management: The School District is self-insured for most of its risks including casualty losses, public liability, unemployment, and workers' compensation program. The School District purchases certain insurance, including excess insurance over its \$5 million self-insured retention for workers' compensation program, and property insurance of \$250 million per occurrence on excess insurance over its \$500,000 self-insured retention on its property insurance covering losses related to damage sustained from fire or flood damage, boiler, and machinery injury. Certain insurance coverage, including employee performance bonds, student and travel accident insurance, and employee dishonesty bonds, are also typically procured along with property and casualty insurance or surety bonds when required by law, leases or other contracts. Unemployment and workers' compensation coverage's are initially funded through the General Fund which, in turn, charges a proportionate share of the costs to each fund. The School District annually budgets an amount believed to be sufficient, based on historical data and a periodic actuarial review, to provide for all claims when they become fixed and determinable in amount. Pursuant to 42 Pa. C.S.A. §8541, the School District's liability is capped at \$500,000 for motor vehicle, personal injury, and real property claims.

Pension Plan: Pursuant to federal law, school districts within the Commonwealth are required to pay the full employer's share of social security taxes directly to the federal government and await monthly reimbursement by the state for a portion of such retirement contributions. More specifically, the School District participates in the Public School Employees Retirement System ("PSERS"), a state-administered pension program, and receives quarterly reimbursements from the Commonwealth. In fiscal year 2009, the employer contribution rate was 4.76% of payroll costs. The School District's total contribution is projected to increase over the next ten years potentially reaching a high of 33.95% in fiscal year 2015 if proposed legislation is not passed to establish a floor for the employer rate. Consequently, the School District may have to provide for and budget a larger expenditure for PSERS contributions in the future.

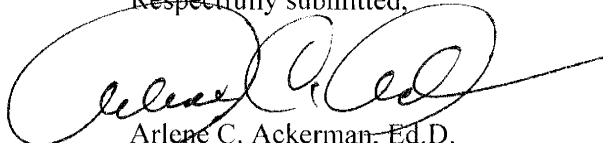
Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2008. Similarly, the Association of School Business Officials International ("ASBO") awarded a Certificate of Excellence to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1985 up to and including 2008. In order to be awarded a Certificate of Achievement or a Certificate of Excellence (collectively "Certificates"), a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which must satisfy both generally accepted accounting principles and applicable legal requirements.


The Certificates are valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet legal requirements and all applicable mandates and guidelines. Consequently, the School District is submitting it to both GFOA and ASBO respectively to determine its eligibility for additional certificates for fiscal year 2009.

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

Respectfully submitted,



Arlene C. Ackerman, Ed.D.
Chief Executive Officer



Michael J. Masch
Chief Business Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to
School District of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

SCHOOL DISTRICT OF PHILADELPHIA

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2008

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

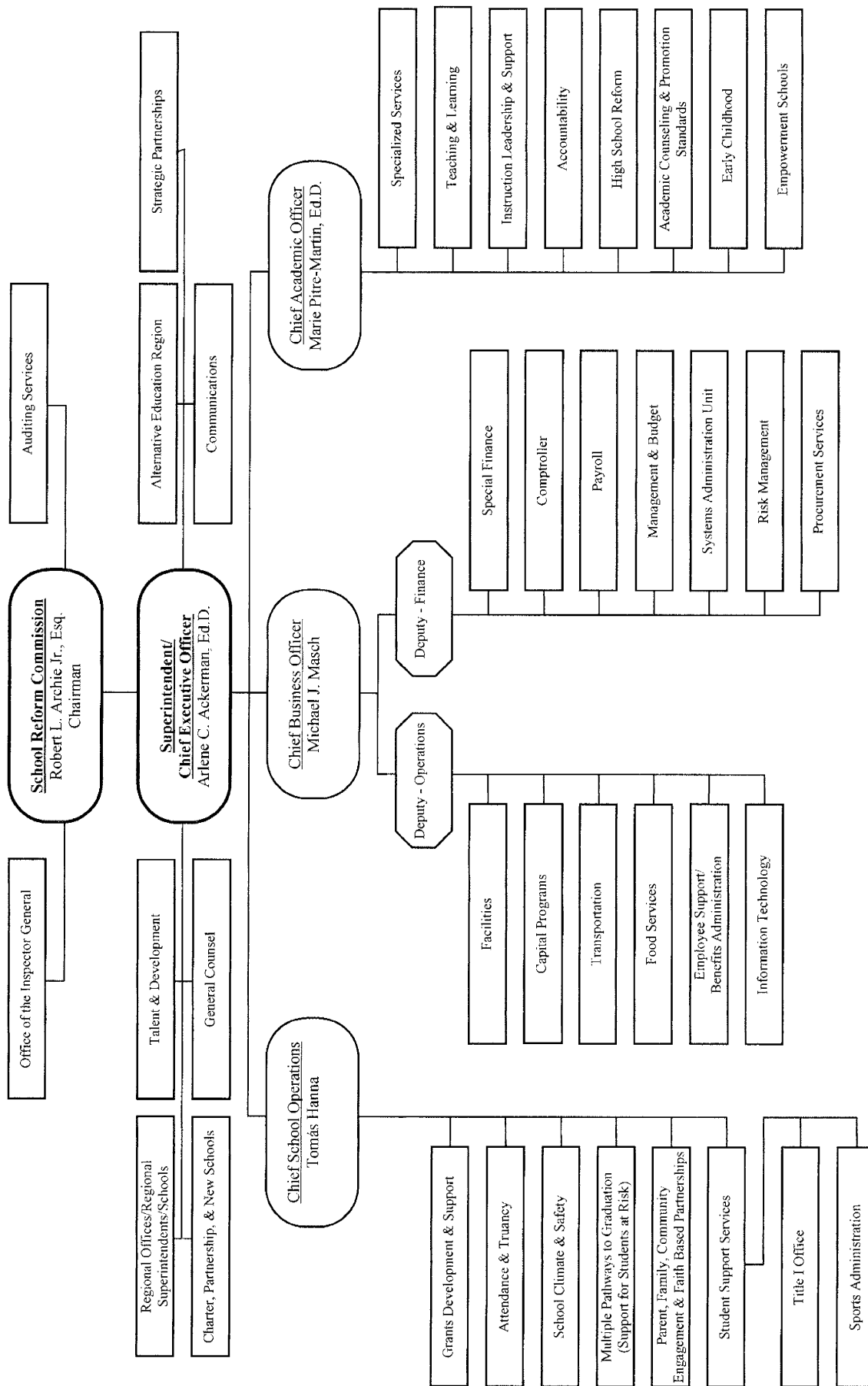
Angela Detuman

President

John D. Munn

Executive Director

SCHOOL DISTRICT OF PHILADELPHIA
AS OF JUNE 30, 2009



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

List of Principal Officials of the School District

School Reform Commission

Robert L. Archie Jr., Esq., Chairman
Denise McGregor Armbrister, Member
Johnny Irizarry, Member
Heidi Ramirez, Ph.D., Member

School District of Philadelphia

Arlene C. Ackerman, Ed. D.
Chief Executive Officer

Maria Pitre-Martin, Ed. D.
Chief Academic Officer

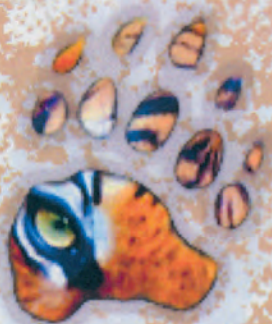
Michael J. Masch
Chief Business Officer

Tomás Hanna
Chief of School Operations

Miles H. Shore
Interim General Counsel

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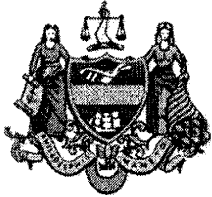
PHILADELPHIA ZOO



150TH

ANNIVERSARY





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ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of
The School Reform Commission of the
School District of Philadelphia

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, a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 of Philadelphia, Pennsylvania, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 15 through 32, and the major funds budgetary comparison schedules and the related notes to required supplementary information, on pages 88 through 92, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Philadelphia's basic financial statements. The accompanying Introductory Section, Other Supplementary Information, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2009 financial information listed as Other Supplementary Information in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 basic financial statements taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the School District of Philadelphia's basic financial statements for the year ended June 30, 2008, which are not presented with the accompanying financial statements. In our report dated December 29, 2008, we expressed unqualified opinions on the respective 2008 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2008 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds on page 118 are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole. The Introductory Section and Statistical Section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 22, 2010


ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

I. INTRODUCTION

As part of the Financial Section of the Comprehensive Annual Financial Report ("CAFR"), the Management's Discussion and Analysis narrative ("MD&A") is an important element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

This section of the CAFR represents management's discussion and analysis of the School District of Philadelphia's ("School District") overall financial performance during the Fiscal Year that ended June 30, 2009. The intent of this narrative discussion and analysis is to provide readers with brief explanations of the type of presentations that form the School District's basic financial statements, results of operations, long-term debt activity and any significant variations from the original adopted and final amended budgets pertaining to certain major funds.

More specifically, 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 MD&A is intended to help the reader identify the reasons for changes in net assets, expenses, revenues or fund balances from the prior fiscal year. The MD&A is also designed to assist the reader with identifying significant financial issues, identifying changes or any material deviations from the School District's financial position, along with identifying any individual fund issues or concerns. As such, this section should be read in conjunction with and as a complement to the School District's Letter of Transmittal located at the front of this CAFR and the financial statements which immediately follow.

II. FINANCIAL HIGHLIGHTS

For seven years, the School District has been operating under the governance of the School Reform Commission following the declaration of financial distress by the Secretary of Education of the Commonwealth of Pennsylvania in December of 2001. Since that time, the School Reform Commission has helped to realign and reallocate resources, amend school policies and procedures, develop achievement plans and implement district-wide reforms in an effort to improve both the quality of education and administrative efficiencies.

Several key financial highlights for Fiscal Year 2009 include, but are not limited to, the following:

- Total revenues for the governmental funds were \$2.7 billion. Although a majority of revenues represent subsidies and grants awarded and appropriated to the School District by state governmental entities and agencies, a significant portion is also derived from the collection of local taxes with the smallest amount of revenues derived from federal grants and subsidies.
- Total expenditures for the governmental funds were \$2.9 billion, which includes \$226.3 million of capital expenditures from funds received in prior years. Approximately ninety five percent (95%) of all expenditures were incurred for instructional, direct student-related costs and expenditures and services directly benefitting the schools such as transportation, utilities and debt service for school renovations and construction.

Management's Discussion and Analysis

- At the end of the current fiscal year, total net assets were (\$1,184.0) million resulting from an excess of liabilities over assets. Bonds payable and other unfunded liabilities, such as workers' compensation, compensated absences and severance payable and other contingent liabilities are the primary long-term liabilities impacting this balance. Non-capitalized bond fund expenditures allowable under the covenants, also contribute to this negative net asset position.
- The ending budgetary operating fund balance is \$28.1 million. The operating fund is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund and includes a negative unreserved/undesignated General Fund balance of \$19.8 million; offset by \$71.6 million in the Debt Service Fund, to produce a \$51.8 million positive operating fund balance. The balance includes a Fiscal Stabilization Reserve Fund (FSRF) within the General Fund of \$23.7 million for unanticipated revenue fluctuations and revenue requirements.
- Under bond covenants, the School District is required to set aside from daily revenue receipts amounts sufficient to meet debt service obligations due at future dates. This results in \$71.6 million at the end of the fiscal year held by the School District's fiscal agent at year end that is reserved to pay obligations of the next fiscal year.

Financial results for Fiscal Year 2009, compared to Fiscal Year 2008, are the result of several factors and events; the most significant include, but are not limited to:

- Total revenues for the governmental funds increased by \$55.6 million compared to Fiscal Year 2008 primarily as a result of additional state grants and subsidies. Local revenues, mostly non-tax, decreased by \$37.1 million and were primarily due to lower interest earnings on invested cash. State grants and subsidies increased by \$88.0 million and federal grants and subsidies increased by \$4.7 million.
- Total expenditures for the governmental funds decreased by \$95.6 million compared to Fiscal Year 2008. This resulted primarily from expenditures decreasing in the Capital Projects Fund of \$148.1 million related to the wind down of a five year Capital Improvement Plan (CIP) to build, renovate and improve the infrastructure. These decreases were offset by expenditure increases in all other Government Funds with the exception of a small reduction in the Intermediate Unit. These net expenditure increases in all other Government Funds were caused by increases of \$61.9 million in instructional and student support services costs, a \$38.8 million increase in payments to charter schools; offset by reductions of \$48.2 million in administrative, operational costs, pupil transportation, and all other support services. This highlights the District's focus on decreasing administrative and support costs while focusing attention on educational programs and initiatives.
- The Debt Service Fund is a separate governmental operating fund established for the accumulation of resources to pay bond principal and interest, and for payment of other associated costs. Debt service expenditures increased by \$0.1 million when compared to Fiscal Year 2008. This increase reflects anticipated scheduled principal and interest payment increases of \$3.8 million, a decrease in variable rate interest payments of \$16.5 million and an increase in bond issuance costs and administrative expenses of \$6.9 and \$5.9 million, respectively, which were due primarily to certain refunding transactions. In addition, net financing sources and (uses) increased by \$7.7 million as a result of a decrease in fund transfers to cover bond payments and the decrease in the use of the funds for a strategic financial restructuring of outstanding Auction Rate Securities. Revenues decreased by \$14.0 million due primarily to a reduction in variable rate income and interest on investments.
- The operating funds had a change in budgetary operating fund balance from Fiscal Year 2008 to Fiscal Year 2009 of \$28.6 million. This resulted from the change in the ending Fiscal Year 2008 balance of (\$0.5) million to the ending Fiscal Year 2009 operating fund balance of \$51.8 million offset by the \$23.7 million FSRF. This positive change is primarily due to a strategic reduction of expenditures, the implementation of improved operational and financial controls, and additional State funding offset by a reduction of local non tax revenues.

III. USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

District-Wide Statements

The Statement of Net Assets 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 basis 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, liabilities and net assets are detailed in the Statement of Net Assets. From this statement, the reader can identify what assets the School District owns, what debt 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 Assets 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 or not 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 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 basis. 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 Assets presents financial information which 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

Management's Discussion and Analysis

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 Assets 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 provide the reader with insight as to how the School District performed financially in Fiscal Year 2009. These two statements report the School District's net assets and any changes in net assets which are shown on Table 1 and Table 2 below. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the fiscal year as compared to the prior fiscal year.

Net Assets

Table 1 provides a summary of the School District's net assets as of June 30, 2009. A more detailed Statement of Net Assets can be found on page 34 of the Basic Financial Statement section:

Net Assets
As of June 30, 2009
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2009	2008	2009	2008	2009	2008
Current & Other Assets	\$ 780.4	\$ 567.5	\$ 7.0	\$ 8.9	\$ 787.4	\$ 576.4
Capital Assets	1,889.5	1,774.9	3.3	4.0	1,892.8	1,778.9
Total Assets	\$ 2,669.9	\$ 2,342.4	\$ 10.3	\$ 12.9	\$ 2,680.2	\$ 2,355.3
Liabilities						
Long-Term Liabilities	\$ 3,558.9	\$ 3,290.9	\$ 3.2	\$ 3.3	\$ 3,562.1	\$ 3,294.2
Other Liabilities	287.0	248.8	15.0	12.9	302.0	261.7
Total Liabilities	\$ 3,845.9	\$ 3,539.7	\$ 18.2	\$ 16.2	\$ 3,864.1	\$ 3,555.9
Net Assets						
Invested in Capital Assets -	\$ 17.7	\$ 27.1	\$ 3.3	\$ 4.0	\$ 21.0	\$ 31.1
Net of Related Debt						
Restricted	82.1	84.0	-	-	82.1	84.0
Unrestricted	\$ (1,275.9)	(1,308.4)	(11.2)	(7.3)	(1,287.1)	(1,315.7)
Total Net Assets	\$ (1,176.1)	\$ (1,197.3)	\$ (7.9)	\$ (3.3)	\$ (1,184.0)	\$ (1,200.6)

For the Fiscal Year ending June 30, 2009, the School District's total net assets were (\$1,184.0) million. This negative net asset amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,287.1) million is unrestricted. This balance also reflects an increase of \$16.6 million from Fiscal Year ending June 30, 2008. This increase was caused primarily by a net increase in receivables, deferred charges, cash and cash equivalents and pooled cash and investments of \$203.5 million, an increase in capital asset investments related to the Capital Improvement Program (CIP) of \$113.9 million; a net increase in due from other governments of \$7.6 million primarily for categorical programs; an increase in unearned revenues primarily from categorical funds of \$52.2 million, a net decrease in accounts payable, over payment of taxes, other short-term payables and accrued salaries and benefits of \$24.1 million, an increase in bonds payable and bond debt related liabilities of \$268.4 million; an increase in termination pay, severance pay and workers compensation pay liabilities of \$15.7 million, and the combination of various net decreases to net assets of \$3.8 million.

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

Changes in Net Assets

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

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

Changes in Net Assets
Fiscal Year Ended June 30, 2009
(Dollars in Millions)
Table 2

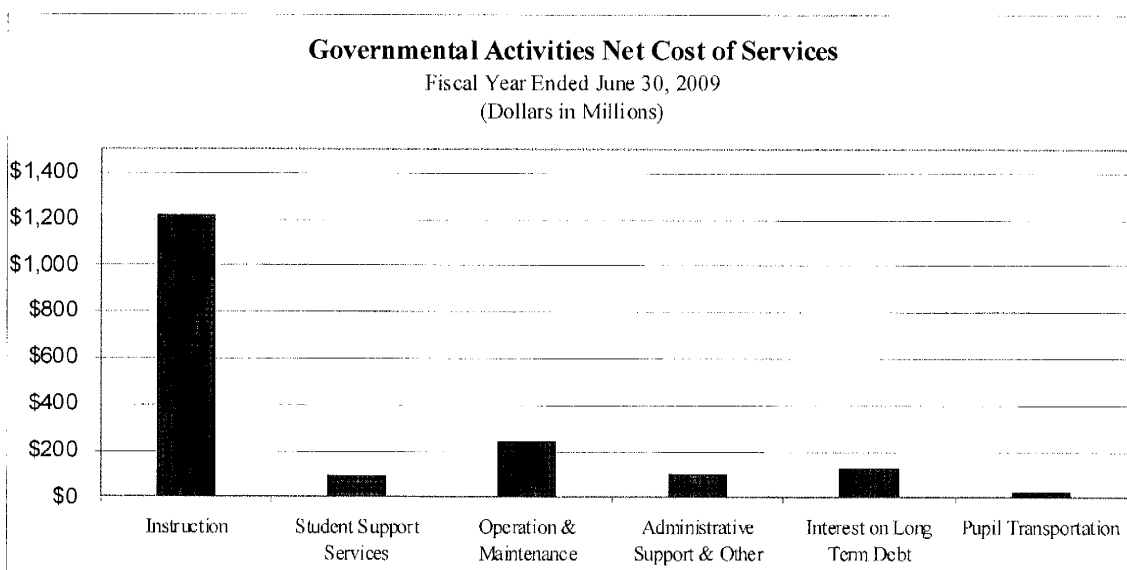
	Governmental Activities		Business-Type Activities	
Revenues	2009	2008	2009	2008
Program Revenues				
Charges for Services	\$ 6.8	\$ 5.8	\$ 3.1	\$ 3.7
Operating Grants & Contributions	904.7	853.7	72.0	69.5
Capital Grants & Contributions	0.5	-	-	-
General Revenues				
Property Taxes	605.0	598.6	-	-
Other Taxes	179.5	177.6	-	-
Grants & Contributions Not Restricted	102.2	133.8	-	-
State & Federal Subsidies Not Restricted	923.0	870.7	-	-
Contributed Capital	-	-	-	0.1
Total Revenues	\$ 2,721.7	\$ 2,640.2	\$ 75.1	\$ 73.3
Expenses				
Instruction	\$ 1,869.8	\$ 1,733.7	\$ -	\$ -
Student Support Services	205.4	210.5	-	-
Administrative Support & Other	263.0	262.2	-	-
Pupil Transportation	73.6	107.0	-	-
Operation & Maintenance	261.8	273.3	-	-
Early Childhood Education	24.2	22.8	-	-
Food Service	-	-	81.0	78.2
Total Expenses	\$ 2,697.8	\$ 2,609.5	\$ 81.0	\$ 78.2
Excess (Deficiency) before Transfers	\$ 23.9	\$ 30.7	\$ (5.9)	\$ (4.9)
Transfers	\$ (1.3)	\$ (4.1)	\$ 1.3	\$ 4.1
Increase/(Decrease) in Net Assets	\$ 22.6	\$ 26.6	\$ (4.6)	\$ (0.8)
Net Assets - Beginning	\$ (1,197.3)	\$ (1,226.0)	\$ (3.3)	\$ (2.5)
Prior Period Adjustment	(1.4)	2.1	-	-
Net Assets - Ending	\$ (1,176.1)	\$ (1,197.3)	\$ (7.9)	\$ (3.3)

Cost of Services by Major Functional Expense Category

Table 3 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, offset by program revenues, of each general activity. The major functional expense categories are entitled: Instruction, Student Support Services, Operation and Maintenance, Administrative Support and Other, Interest on Long Term Debt, Pupil Transportation, Food Service and Early Childhood Education.

**Cost of Services by
Major Functional Expense Category**
Fiscal Year Ended June 30, 2009
(Dollars in Millions)
Table 3

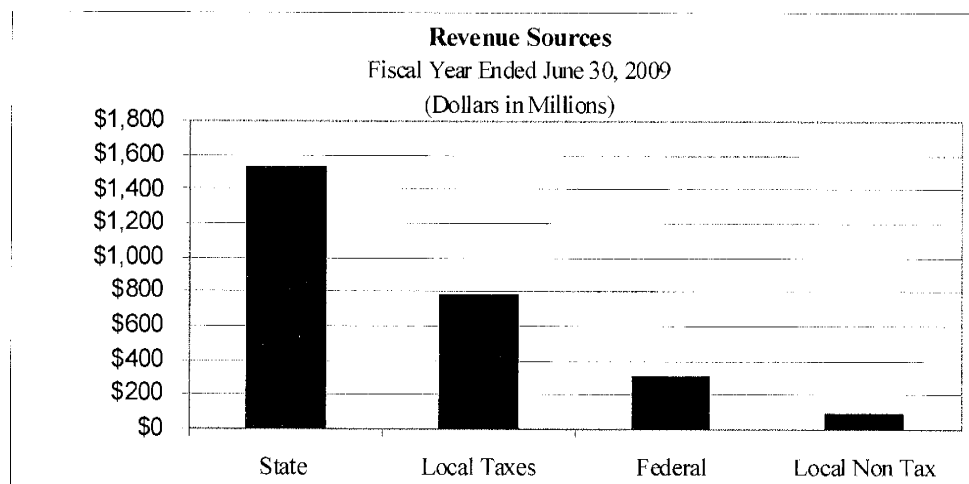
Functional Expense	Gross Cost of Services	Net Cost of Services
Instruction	\$ 1,869.8	\$ 1,209.9
Student Support Services	205.4	90.4
Operation & Maintenance	261.8	244.5
Administrative Support & Other	124.0	95.0
Interest on Long Term Debt	139.0	126.4
Pupil Transportation	73.6	16.7
Food Service	81.0	5.9
Early Childhood Education	24.2	2.8
Total Expenses	<u>\$ 2,778.8</u>	<u>\$ 1,791.6</u>



Major Sources of Revenues

The School District's revenues are derived primarily from three sources: (i) state grants and subsidies totaling 55%; (ii) local taxes and non-tax revenues totaling 34%; and (iii) federal grants and subsidies totaling 11%. 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 while the largest component of local revenue is the levy and collection of taxes such as real estate, business use and occupancy, non-business income, liquor by the drink and public utility realty. A third source of revenue is both federal and state grants dedicated to providing specific programs and services.

The following bar graph illustrates the School District's major sources of revenues for all Governmental Funds for Fiscal Year 2009:



As previously illustrated in Table 2 on page 19, most of the School District's revenues are considered to be general as opposed to program related. Table 4, below, provides further detail on the School District's primary sources of revenue for the General Fund, Intermediate Unit Fund and Categorical Fund. Total revenues for all Government Funds of \$2,691.7 million can be found on pages 40-41 of the Basic Financial Statement Section in the Statement of Revenues, Expenditures and Changes in Fund Balance:

Revenue by Source and Type
Fiscal Year Ended June 30, 2009
(Dollars in Millions)
Table 4

Revenue Source	General Fund	Intermediate Unit Fund	Categorical Funds
Local Taxes	\$ 778.4	\$ -	\$ -
Local Non-Tax	64.4	0.7	4.2
State Grants and Subsidies	1,289.2	80.5	156.4
Federal Grants and Subsidies	0.3	-	301.4
Total Revenue	\$ 2,132.3	\$ 81.2	\$ 462.0

V. MAJOR 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 Enterprise Fund.

General Fund

The General Fund serves as the School District's main operating fund, recording all financial activity except for those transactions that must be specifically accounted for in another type of fund, for example the Debt Service Fund. For Fiscal Year 2009, the General Fund had an excess of revenues over expenditures of \$443.0 million and net transfers to other funds of \$390.0 million which together resulted in a \$53.0 million positive impact to the fund balance. This increase resulted primarily from higher revenues of \$77.8 million comprised of greater state grants and subsidies of \$87.6 million offset by lower locally generated non tax revenues of \$10.8 million. In addition, higher instructional and student support costs of \$41.2 million and higher payments to charter schools of \$38.8 million were offset by lower administrative support, operational and transportation costs of \$37.9 million and less transfers to other funds of \$9.5 million and the combination of various net decreases to expenditures of \$7.8 million. The General Fund's ending fund balance on June 30, 2009 was a positive \$9.7 million compared to a negative \$43.4 million fund balance on June 30, 2008.

Intermediate Unit Fund

The Intermediate Unit Fund is used to account for state appropriations for special education and non-public school programs as well as certain administrative costs. Programs include Autistic Support, Blind or Visually Impaired Support, Deaf or Hearing Impaired Support, Emotional Support, Learning Support and Multiple Disabilities Support while related administrative costs include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2009, the Intermediate Unit Fund had a \$0.3 million net decrease in fund balance which resulted in an ending fund balance of \$2.4 million at June 30, 2009.

Categorical Funds

Categorical Funds are used to account for specific purpose federal, state, city or private grants to cover the costs of dedicated programs and special initiatives. Categorical Funds had a \$6.7 million net decrease in fund balance which offset the Fiscal Year 2008 ending fund balance to result in a negative \$19.0 million at June 30, 2009. At June 30, 2009, this \$19.0 million was still outstanding from grantors and recorded as deferred revenues and not yet recognized as current revenues under GASB Statement No. 33 guidelines.

Debt Service Fund

The Debt Service Fund is primarily used to account for the School District's accumulation of resources for the payment of debt service and bond issuance costs. During Fiscal Year 2009, the Debt Service Fund reflects a \$2.4 million net decrease in fund balance to \$71.6 million as of June 30, 2009. The primary reason for this decrease was reduced variable rate interest payments. Debt Service expenditures of \$220.6 million and defeasance payments restructuring outstanding Dauphin County General Authority variable rate bonds of \$209.0 million, were offset by interfund transfers of \$191.2 million, refunding proceeds of \$214.9 million, capital asset proceeds of \$11.3 million and revenues of \$9.8 million.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to cover the costs associated with the acquisition of capital assets and for the construction, modernization, alteration, repair, and improvements to the School District's major capital facilities and buildings. During Fiscal Year 2009, the issuance of new bonds combined with the delay of capital outlays resulted in a positive net change of \$60.5 million in the Capital Projects Fund which increased the fund balance as of June 30, 2009 to \$179.5 million. New building construction totaling \$88.0 million, capital alterations and improvements totaling \$115.2 million and equipment acquisitions totaling \$23.1 million were offset by net bond proceeds and other revenue of \$276.8 million of General Obligation Bonds (Series E 2008). In addition, there was a transfer-in of \$10.0 million of local tax revenues from the General Fund for the acquisition of District-wide information systems projects.

Enterprise Fund

The Enterprise Fund is used to account for the operation of the Food Service Division. The Enterprise Fund had a negative total net asset balance of \$3.3 million at the end of Fiscal Year 2008 compared to a negative total net asset balance of \$7.9 million as of June 30, 2009, which resulted in a negative net change of \$4.6 million. Revenues originally expected from operations decreased by \$0.6 million compared with Fiscal Year 2008. In addition, the rising costs of food products and regulations about healthy food requirements collectively contributed to this change. There was a subsidy from the General Fund of \$1.5 million to offset a portion of the Food Service Fund's Fiscal Year 2009 operating deficit.

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

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

Fiscal Year Ended June 30, 2009

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2009	Fiscal Year 2008
General	\$ 53.0	\$ 7.8
Intermediate Unit	(0.3)	1.3
Categorical	(6.7)	6.2
Debt Service	(2.4)	4.0
Capital Projects	60.5	(317.6)
Enterprise	(4.6)	(0.8)
Non-Major Governmental	-	0.2
Total Change in Fund Balance	<u>\$ 99.5</u>	<u>\$ (298.9)</u>

Total Fund Balances for Major and Non-Major Governmental Funds
As of June 30, 2009
(Dollars in Millions)
Table 6

<u>Fund</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2009</u>	<u>2008</u>
General	\$ 9.7	\$ (43.4)
Intermediate Unit	2.4	2.6
Categorical	(19.0)	(12.3)
Debt Service	71.7	74.0
Capital Projects	179.5	119.0
Enterprise	(7.9)	(3.3)
Non-Major Governmental	6.3	6.2
Total Fund Balance	<u>\$ 242.7</u>	<u>\$ 142.8</u>

VI. BUDGETING HIGHLIGHTS

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

The capital budget is prepared as part of a six-year capital improvement program, of which, the first year of the program is the current budget or fiscal year. All proposed expenditures included in the School District's Capital Improvement Program require the authorization and approval of the School Reform Commission on a project by project basis.

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

General Fund Budget

For Fiscal Year 2009, the final budgeted General Fund revenue was \$24.0 million lower than the original adopted budget. This resulted from a net increase of \$29.3 million in state Charter School revenues and \$6.8 million more in reimbursements from the State to the District for Charter School transportation. The net basic education subsidy was \$35.2 million lower than the original adopted budget, the PSERS retirement rate changed from 7.13% to 4.76% resulting in a \$12.0 million decrease, business use and occupancy taxes decreased \$3.8 million, Local Tax revenues from the School Income Tax also decreased by \$4.0 million and

Management's Discussion and Analysis

interest on temporary investments decreased by \$3.1 million. These were offset by a net decline of \$2.0 million in all other revenue sources.

The anticipated obligations in the final General Fund budget represented a decrease of \$6.3 million over the original adopted budget. The net decrease of \$6.3 million resulted from savings in medical insurance benefit costs due to a slight shift of School District employees into lower cost health plans and the use of more accurate employee participation rates. The District also eliminated \$34.9 million in projected savings contained in the Undistributed Agency in the original adopted budget and distributed these savings to various fund/agency/activity combinations where appropriate. This was accomplished primarily by reducing salary budgets by a net \$17.7 million. In addition, the change in the PSERS rate from 7.13% at adoption to 4.76% in the final budget reduced employee benefit costs by another \$18.4 million. All other budget adjustments resulted in a net increase of \$1.2 million.

The anticipated Other Financing (Sources)/Uses in the General Fund budget were increased by \$10.3 million from the original adopted budget. This resulted from an \$11.7 million additional budget transfer to the IU Fund to cover more special education expenditures than originally anticipated, a \$1.5 million additional budget transfer to the Food Service Fund to partially offset a net deficit, a \$2.4 million decrease for ACCESS Medicare reimbursements, and net other decreases of \$0.5 million.

On a budgetary basis, the ending operating fund balance at June 30, 2009 is \$28.1 million. In accordance with the intent of resolution SRC-4 dated November 15, 2006, the School District has segregated \$23.7 million of General Fund revenues in a separate sub-fund entitled the Fiscal Stabilization Reserve Fund (FSRF) for the purpose of earmarking funds for unanticipated revenue fluctuations and unanticipated requirements.

Actual General Fund revenues of \$2,132.3 million are \$0.9 million less than those estimated in the final General Fund budget of \$2,133.2 million. Actual General Fund obligations totaling \$1,686.9 million were \$37.0 million lower than estimated in the budget of \$1,723.9 million. Other financing uses of \$391.6 million were also \$18.0 million below budget. The net change in the fund balance represented an increase of \$54.1 million over the final budget estimate of a negative \$0.3 million.

Table 7 presents a summary comparison of the General Fund's original and final operating budgets with actual performance as can be seen in more detail in the General Fund Budgetary Comparison Schedule on page 88 of the Required Supplementary Information section:

General Fund Budget Comparison
Fiscal Year Ended June 30, 2009
(Dollars in Millions)
Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,157.2	\$ 2,133.2	\$ 2,132.3	\$ (0.9)
Total Obligations	1,730.2	1,723.9	1,686.9	37.0
Total Other Financing Sources/(Uses)	(399.3)	(409.6)	(391.6)	18.0
Net Change in Fund Balance	27.7	(0.3)	53.8	54.1
Fund Balance Beginning of Year	(97.3)	(73.6)	(43.4)	30.2
Change in Reserves	-	-	(0.7)	(0.7)
Fund Balance End of Year	<u>\$ (69.6)</u>	<u>\$ (73.9)</u>	<u>\$ 9.7</u>	<u>\$ 83.6</u>

During Fiscal Year 2009, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

Management's Discussion and Analysis

- Revenues had a \$0.9 million unfavorable variance primarily due to Local Tax revenues, specifically real estate taxes that were less than budget by \$15.3 million. Other tax revenues almost totally offset this amount including \$4.8 million in School Income Tax, \$6.5 million in Business Use and Occupancy Tax and a \$2.1 million contribution from the Parking Authority. Lower state Debt Service (Plan Con) reimbursements of \$3.5 million, and \$3.1 million less in retirement/PSEERS and social security/FICA reimbursements, which resulted from salary expenditures that were below budget. All other revenues (net) were \$1.4 million favorable to budget.
- Obligations were \$37.0 million less than budgeted primarily due to lower than projected costs in the categories of administrative support due to prudent management and cost containment (\$15.9 million), charter schools due to lower than budgeted enrollment in cyber charter and other schools (\$9.0 million), year-end reconciliation of employee benefits (\$5.6 million) and cancellation of prior year encumbrances (\$9.9 million). All other obligations (net) were \$3.4 million unfavorable to budget.
- Other Financing (Sources)/Uses were \$18.0 million favorable from the final budget due to inter-operating fund transfers from the General Fund to the Intermediate Unit Fund and Debt Service Funds that were \$24.5 million less than budgeted and a transfer from the General Fund to the Categorical Funds for early childhood and Junior ROTC programs that was \$3.4 million less than budgeted. These savings were partially offset by transfers totaling \$10.0 million from the General Fund to the Capital Projects Fund and miscellaneous (net) favorable variances to budget of \$0.1 million. This also includes the segregation of \$23.7 million to the FSRF, a sub-fund within the General Fund.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2009, the School District had \$3,149.0 million invested in capital assets. Over the years, these assets have depreciated by \$1,256.3 million leaving a carrying value of \$1,892.7 million. This represents an increase of \$113.8 million over the Fiscal Year 2008 ending balance. Table 8 represents Net Capital Assets net of prior period adjustments. Refer to Note 4C, page 65 for additional information.

Net Capital Assets
As of June 30, 2009
(Dollars in Millions)
Table 8

Capital Asset Category	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Land	\$ 119.2	\$ 113.7	\$ -	\$ -
Buildings & Improvements	1,284.8	1,051.5	-	-
Personal Property	98.5	85.0	3.2	4.0
Construction In Progress	387.0	524.7	-	-
Total Net Book Value	\$ 1,889.5	\$ 1,774.9	\$ 3.2	\$ 4.0

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 the debt of the City. The School District issues debt in the form of bonds to be used for the acquisition of land and equipment purchases, construction purposes and notes to cover its short-term cash flow needs.

Management's Discussion and Analysis

The School District includes bond premiums and discounts with bonds payable in the Statement of Net Assets. The bond premiums and discounts are amortized over the life of the bonds issued or refunded. In November of 2008, the School District issued General Obligation Bonds in the aggregate amount of \$282.4 million to fund projects in the Capital Improvement Program. Also, during November of 2008, the School District elected to refund \$108.9 million of the Series A of 2003 due to a downgrade to the insurer of these bonds which caused interest costs to rise. In addition, the School District refunded \$99.9 million of the Series A of 2004 during May 2009 due to the unwillingness of the credit facility provider to renew a letter of credit.

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

Long-Term Obligations Outstanding

As of June 30, 2009

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Total Bonded Debt	\$ 2,892.8	\$ 2,633.7	\$ -	\$ -
Employee Related Obligations	461.7	451.1	3.2	3.3
Due to Other Governments	56.0	61.4	-	-
Other	148.4	144.7	-	-
Total Long-Term Obligations Outstanding	<u>\$ 3,558.9</u>	<u>\$ 3,290.9</u>	<u>\$ 3.2</u>	<u>\$ 3.3</u>

Total long-term obligations outstanding for governmental activities increased by \$268.0 million. This includes a increase in bonded debt of \$259.1 million with a corresponding increase in employee obligations of \$10.6 million. All other long-term obligations decreased by \$1.7 million. Refer to Note 4D(2), pages 67-75 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

Executive management of the School District, with the support of the School Reform Commission along with the City and State, successfully addressed the prior financial challenges and returned the School District to a positive budgetary operating fund balance of \$28.1 million at June 30, 2009, after segregating \$23.7 million in a FSRF operating sub-fund, from a nearly balanced fund balance of (\$0.5) million at June 30, 2008, completing the return to fiscal stability.

The Fiscal Year 2010 final adopted operating budget contemplated increased State revenues of \$223.9 million; the final State revenues were approximately \$159.2 million less than anticipated. Because the Fiscal Year 2009 actual ending fund balance is \$25.0 million better than the final adopted Fiscal Year 2009 Budget of \$3.1 million, the Fiscal Year 2010 operating budget is better-positioned to absorb a portion of the \$159.2 million less in PA-Provided Federal Education Stimulus funding than the adopted budget contemplated.

In addition to the Fiscal Year 2009 budgetary operating surplus of \$28.1 million, the \$23.7 million that has been segregated in the FSRF operating sub-fund will assist the District in maintaining both a balanced budget and the investments in critical educational reform and programs designed to accelerate gains in student achievement. These programs include: *reduced class size in K-3 classrooms, standardized curriculum, expanded supports for corrective action empowerment schools, increased number of counselors, new rosters in all comprehensive high schools, increased number of English language learner teachers, more flexible schedules for failing students, programs for over-age middle grade students, special education enhancements, and realignment of social service supports with the City's providers.*

Management's Discussion and Analysis

In November, 2009 the District published a proposed revision to the Fiscal Year 2010 operating budget and in December, 2009 presented it to the SRC. The District re-calibrated and balanced the Fiscal Year 2010 operating budget to a proposed balanced revised budget based on the unanticipated \$159.2 million of revenue fluctuations described above, while simultaneously assuring the furtherance of the academic progress and strategic initiatives the District has achieved in Fiscal Year 2009 and planned in the future as part of the Imagine 2014 Strategic Plan.

Along with the School District's continuous focus on balancing its budget, the School District continues to achieve significant academic improvements that have led to seven consecutive years of major increases in test scores and schools qualifying as meeting Adequate Yearly Progress (AYP) under the federal "No Child Left Behind" legislation.

No Child Left Behind

One major cost driver that affects School District spending is implementing the requirements of "No Child Left Behind" ("NCLB"). As part of "NCLB", students in underperforming schools must be given the option to transfer to another public school that is not underperforming. In addition to the school choice options required under "NCLB", the School District in 2009 supported sixty-three (63) Charter Schools where any student may elect to attend. Funding Charter Schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997 has sparked a significant fiscal impact on the School District since the passage of this law. Though Charter Schools, in and of themselves, would not be a net cost to the School District if resources could be shifted from existing public schools to new Charter Schools on a dollar-for-dollar basis, this cost shifting is not possible in practice. Since Charter Schools remain highly dispersed geographically, students enrolled in Charter Schools do not all come from the same grade level or even from the same school or neighborhood. Under the current charter school environment, the School District has been unable to make reductions in cost areas such as the number of principals, counselors, nurses, custodians and bus drivers it employs overall, or even in the number of schools that are in operation district-wide. Additionally, approximately thirty percent (30%) of Charter School students have come from private or parochial schools for which the School District did not provide education previously. Therefore, these per pupil costs were not borne by the School District in prior years but are now part of the Charter School expenses. Because of increases in state reimbursement and operational savings, the net cost of Charter Schools was \$88.9 million in fiscal year 2009. In fiscal year 2010, Charter Schools' enrollment has grown and state reimbursement has declined. The increase in Charter School enrollment, either through the opening of new Charter Schools or the expansion of existing ones, therefore increase the net cost of Charters to the School District. For fiscal year 2010, based on growth in Charter School enrollment, the net cost to the School District is estimated to grow to nearly \$119 million.

In Fiscal Year 2009, one hundred and nineteen (119) schools out of two hundred and sixty-seven (267) made AYP. The number of schools making AYP increased from 113 in 2008. The AYP status of schools is used to determine student eligibility for "NCLB" School Choice and Supplemental Educational Services (SES). School Choice is required to be offered to students in schools that fail to make AYP for at least two consecutive years. SES is required to be offered to students in schools that fail to make AYP for at least three consecutive years. The 2009 AYP school determinations are used to indicate eligibility for SES for the 2009-2010 school year, while 2009-2010 eligibility for School Choice is obtained from the prior year's AYP determinations. Based on these AYP determinations, students from 128 schools were eligible for School Choice transfers for the 2008-2009 school year, with 186 students receiving "NCLB" School Choice transfers. For the 2009-2010 school year, students from 141 schools will be eligible for School Choice transfers, with 292 students receiving "NCLB" School Choice transfers. Based on 2009 AYP determinations, eligible (low-income) students from 121 schools are eligible for SES. The School District will continue to set aside money for "NCLB" School Choice and SES, as mandated by "NCLB."

"NCLB" also mandates that all teachers of core academic subjects must be considered "highly qualified" by 2006. To meet this standard, all teachers must be fully certified and/or licensed by the state; hold at least a bachelor's degree from a four-year institution; and demonstrate competence in each core academic subject area they teach. By the end of Fiscal Year 2008, over 89.2% of teachers in the School District were considered highly qualified, and 97.9% were considered fully certified, as a result of effective professional

development initiatives and additional outreach efforts. In Fiscal Year 2009, the percentage of highly qualified teachers increased to 93.0% and the number of fully certified teachers held steady at 97.7%.

Academic Achievement

As mentioned, results on the Pennsylvania System of School Assessment (PSSA), the state exam, have increased for seven consecutive years. In reading, the percentage of students scoring Proficient or Advanced has doubled, increasing by 23.8 percentage points, from 23.9% in 2002 to 47.7% in 2009. Even more dramatic gains have been noted in math, with the percentage of students scoring Proficient or Advanced increasing by 32.7 percentage points, from 19.5% in 2002 to 52.2% in 2009. Chart 1 below displays these positive trends. In addition, almost all grade and subject combinations, grade 5 reading or grade 8 math, for example, showed increases from 2008 to 2009 in the percentages of students scoring proficient or above with only one exception out of 14 subject grade combinations.

Equally as important as the increases in the percentage of students scoring Proficient and Advanced is a reduction in the percentage of students scoring at the lowest level of performance, which is called "Below Basic." In reading, the percentage of students scoring Below Basic has been substantially reduced, decreasing by 18.5 percentage points, from 49.4% in 2002 to 30.9% in 2009. Even more sizeable reductions have been noted in math, with the percentage of students scoring Below Basic decreasing by 32.8 percentage points, from 59.2% in 2002 to 26.4% in 2009. Chart 2 below displays these trends in the reduction of students scoring Below Basic. In addition, almost all grade and subject combinations, grade 5 reading or grade 8 math, for example, showed decreases from 2008 to 2009 in the percentages of students scoring Below Basic, with only two exceptions out of 14 subject grade combinations.

Chart 1 PSSA Results 2002-2009: Percentage Students Scoring Proficient or Advanced

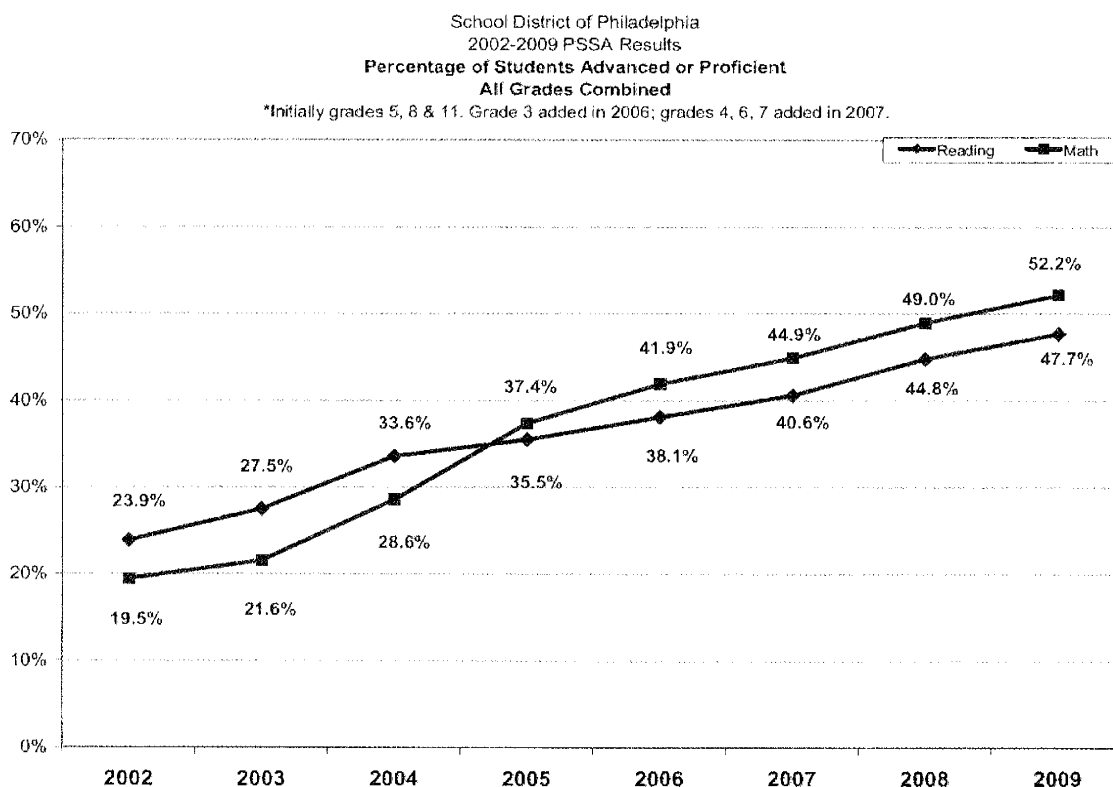
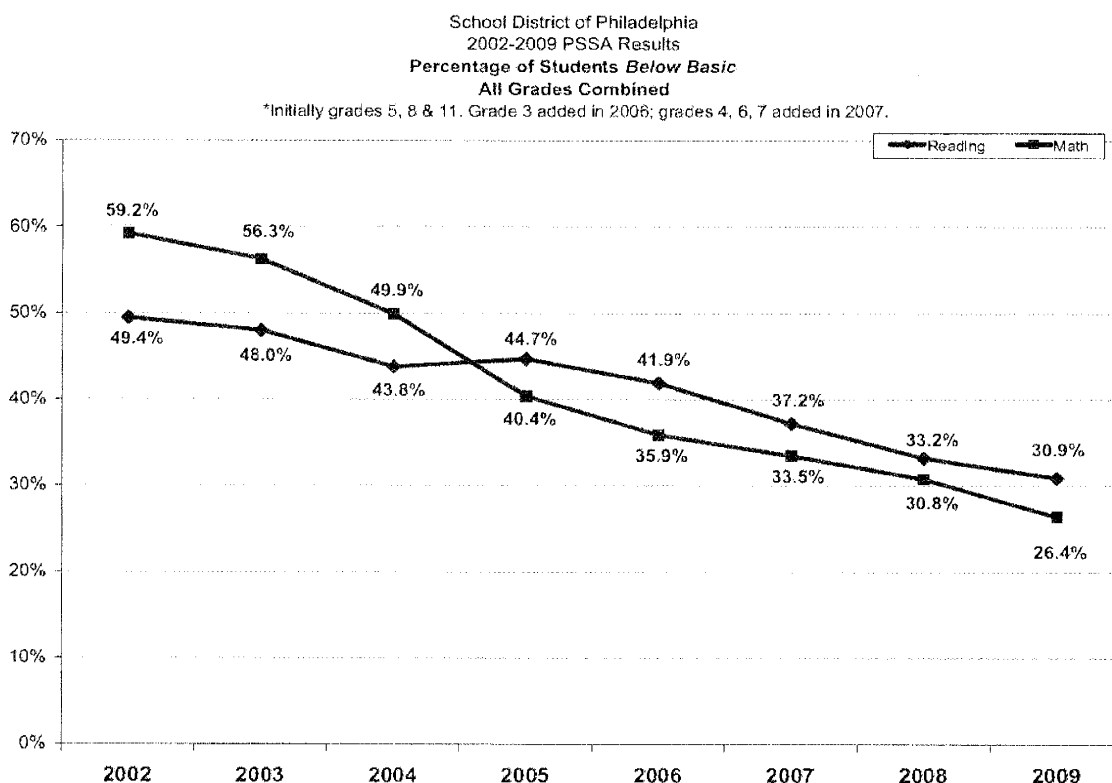


Chart 2 PSSA Results in Reading and Math 2002-2009: Percentage Students Scoring Below Basic



Climate and Safety

Lastly, "NCLB" requires that all states establish and implement standards for identifying "Persistently Dangerous Schools." In Pennsylvania, a school is labeled "Persistently Dangerous" based on and as determined by the number of dangerous incidents (defined as weapon possession or violence) that result in arrest in the school or on school premises. In order to create a safer school environment where all students can learn and all staff can educate, students who attend "Persistently Dangerous" Schools are given the option to transfer to a safer public school. Students who are victims of violent criminal offenses may also be offered the opportunity to transfer to a safer public school within the district. The number of all District violent and non violent incidents decreased by 11% from Fiscal Year 2008 to Fiscal Year 2009. In Fiscal Year 2009, fifty six (56) School District students requested transfers as a victim of a crime/serious incident; zero (0) requested transfers as a witness to a crime/serious incident, one hundred one (101) requested transfers as an opt out of unsafe schools, and forty seven (47) requested other safety-related transfers.

Management's Discussion and Analysis

The School District has been making progress in improving school safety since Fiscal Year 2004 when twenty-seven (27) schools were labeled "Persistently Dangerous" (PDS) based on serious incidents from the previous year. For the Fiscal Year 2009, twenty (20) schools are identified as "Persistently Dangerous." The twenty (20) Philadelphia schools designated Persistently Dangerous for FY 2009 made good progress over the past year. Five (5) schools are no longer PDS and eleven (11) showed a reduced number of serious incidents. We believe that the PDS designations within the School District of Philadelphia compared to other schools in PA are due to the emphasis on reporting all incidents while focusing on improving the quality of school climates.

The School District is strongly committed to creating a safe and orderly environment in all its schools. The School District is undertaking efforts to not only remove schools from the Persistently Dangerous list, but also to enhance school climate beyond simply reducing and eliminating violence. Stricter enforcement of the Student Code of Conduct and a Zero Tolerance policy for violence, weapons, and drugs, will create an environment that is more conducive to learning. The due process and transition hearing protocols set in place are executed swiftly and with fidelity by independent hearing officers to ensure the safety of the school environment as well as the safety and well being of the disruptive student to be moved to a setting that will assist them and address the serious violation of the Code of Conduct.

Since students cannot learn if they are not in school, the School District has undertaken forceful truancy reduction efforts including the recruitment of parents to help ensure that students arrive at school on time everyday. The Saturday Morning Alternative Reach and Teach / Affirmative Development ("SMART") program provides early intervention and strategies for parents to keep children in school and responsible for their actions. As an alternative to out of school suspensions or disciplinary transfers, students with two or more suspensions for minor Level One Code of Conduct infractions, are required to attend SMART for a minimum of two sessions, and are provided with mandatory sessions on character development, conflict resolution, decision-making, familial relationships and peer pressure. To ease the transition back to school for students who are returning from juvenile detention or incarceration, the School District offers the Re-Entry Transition Initiative - Welcome Return Assessment Process ("RETI-WRAP"), a ten day transition program required by legislation that assesses, evaluates and prepares students before they return to school. Additionally, the procedures for students to return to the regular education setting after attending an alternative school have been enhanced with School District of Philadelphia staff designated to support the parent, student, and regular education school program to ensure the successful transition of the student and increase positive behavior and attendance upon the student's return.

Capital Improvement Program

The School District's Capital Improvement Program ("CIP") supports the School District's initiative to make schools equitable; provide space for reduced class size; enhance academic reform efforts by ensuring students have state-of-the-art facilities; and present all students with a safe, modern, learning environment. The original CIP addressed the need for new construction, renovations and repairs and was assessed to total \$1.5 billion from Fiscal Year 2003 to Fiscal Year 2007. The CIP has funded the construction of six (6) new neighborhood high schools, eight (8) new smaller high schools and four (4) new neighborhood elementary schools; seven (7) middle to high school conversions; and fifteen (15) school additions, and three (3) primary education centers. Other specific plans under the CIP include classroom modernization, upgrades to school athletic fields and stadiums, environmental projects, boiler, roof and window replacements, and substantial renovations to existing school buildings, which will collectively stabilize the School District's real property portfolio. The current CIP covers \$2.7 billion from fiscal Year 2004 to Fiscal Year 2015 and is updated every year with the planned annual expenditure level dependant on the district's ability to fund and issue long-term debt instruments as determined by the annual operating budget's debt capacity.

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 J. Masch, Chief Business Officer, Ellen Steiker, Deputy Chief Business Officer for Finance, or Marcy F. Blender, Comptroller, CPA, at 440 North Broad Street, Philadelphia, PA 19130.

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 838,171	\$ 97,878	\$ 936,049
Cash and Investments with Fiscal Agent	71,597,177	-	71,597,177
Equity In Pooled Cash and Investments	159,382,823	-	159,382,823
Taxes Receivable (Net)	140,344,099	-	140,344,099
Due from Other Governments	63,955,889	5,992,390	69,948,279
Accounts Receivable (Net of Allowance)	1,695,844	-	1,695,844
Accrued Interest Receivable	2,248,286	-	2,248,286
Third-Party Receivable	10,811,403	-	10,811,403
Inventory	1,593,109	993,807	2,586,916
Prepaid Expenses	212,523	-	212,523
Deferred Debt Issuance Cost	29,300,256	-	29,300,256
Deferred Charge Refunding	107,965,686	-	107,965,686
Restricted Assets:			
Cash and Cash Equivalents	170,777,583	-	170,777,583
Cash and Investments Held by Trustee	19,634,368	-	19,634,368
Capital Assets:			
Land	119,238,458	-	119,238,458
Artwork	8,293,850	-	8,293,850
Buildings and Improvements	2,366,643,431	-	2,366,643,431
Personal Property	252,717,386	15,119,922	267,837,308
Construction in Progress	387,025,113	-	387,025,113
Accumulated Depreciation	(1,244,416,237)	(11,839,144)	(1,256,255,381)
Total Assets	2,669,859,218	10,364,853	2,680,224,071
LIABILITIES			
Accounts Payable	107,136,967	14,610,321	121,747,288
Overpayment of Taxes	10,111,978	-	10,111,978
Accrued Salaries and Benefits Payable	43,447,619	419,949	43,867,568
Termination Compensation Payable	26,353,562	-	26,353,562
Severance Payable	6,458,206	-	6,458,206
Unearned Revenue	60,974,685	-	60,974,685
Due to Other Governments	4,656,667	-	4,656,667
Bond Interest Payable	27,867,912	-	27,867,912
Non-Current Liabilities			
Due within one year	205,829,089	300,000	206,129,089
Due in more than one year	3,353,074,111	2,949,376	3,356,023,487
Total Liabilities	3,845,910,796	18,279,646	3,864,190,442
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	17,711,814	3,280,778	20,992,592
Restricted for:			
Debt Service	71,650,055	-	71,650,055
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	2,109,431	-	2,109,431
Non-Expendable - Scholarships	4,121,080	-	4,121,080
Arbitrage Rebate Payable	4,285,993	-	4,285,993
Unrestricted (Deficit)	(1,275,929,951)	(11,195,571)	(1,287,125,522)
Total Net Assets	\$ (1,176,051,578)	\$ (7,914,793)	\$ (1,183,966,371)

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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 1,869,789,416	\$ 1,037,106	\$ 658,834,641	\$ -	\$ (1,209,917,669)	\$ -	\$ (1,209,917,669)
Student Support Services	205,373,540	69,320	114,863,195	-	(90,441,025)	-	(90,441,025)
Administrative Support	122,523,207	3,962,695	25,025,295	-	(93,535,217)	-	(93,535,217)
Operation & Maintenance of Plant Services	261,750,202	1,212,902	15,548,613	500,000	(244,488,687)	-	(244,488,687)
Pupil Transportation	73,636,355	-	56,939,778	-	(16,696,577)	-	(16,696,577)
All Other Support Services	1,590,881	-	64,754	-	(1,526,127)	-	(1,526,127)
Early Childhood Education	24,157,350	536,162	20,776,827	-	(2,844,361)	-	(2,844,361)
Interest on Long-Term Debt	139,000,456	-	12,603,139	-	(126,397,297)	-	(126,397,297)
Total Governmental Activities	2,697,821,407	6,818,185	904,656,262	500,000	(1,785,846,960)	-	(1,785,846,960)
Business-Type Activities:							
Food Service	81,008,160	3,088,476	72,062,803	-	-	(5,856,881)	(5,856,881)
Total Business-Type Activities	81,008,160	3,088,476	72,062,803	-	-	(5,856,881)	(5,856,881)
Total	\$ 2,778,829,567	\$ 9,906,661	\$ 976,719,065	\$ 500,000	\$ (1,785,846,960)	\$ (5,856,881)	\$ (1,791,703,841)
General Revenues/Contributed Capital/Transfers:							
Property Taxes					\$ 604,961,844	\$ -	\$ 604,961,844
Use & Occupancy Taxes					112,225,184	-	112,225,184
Liquor Taxes					41,135,816	-	41,135,816
School (Non-Business) Income Taxes					25,240,166	-	25,240,166
Public Utility / PILOT Taxes					964,573	-	964,573
Grants and Contributions Not Restricted to Specific Programs					102,248,832	-	102,248,832
State & Federal Subsidies Not Restricted to Specific Programs					922,965,205	-	922,965,205
Transfers					(1,282,933)	1,282,933	-
Total General Revenues and Transfers					\$ 1,808,458,687	\$ 1,282,933	\$ 1,809,741,620
Change in Net Assets					22,611,727	(4,573,948)	18,037,779
Net Assets - As of July 1, 2008					(1,197,295,196)	(3,340,845)	(1,200,636,041)
Prior Period Adjustments					(1,368,109)	-	(1,368,109)
Net Assets - As of June 30, 2009					\$ (1,176,051,578)	\$ (7,914,793)	\$ (1,183,966,371)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 812,512	\$ -	\$ 25,659
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	80,893,731	11,854,371	48,949,812
Cash and Investments Held by Trustee	-	-	-
Taxes Receivable (Net)	140,344,099	-	-
Due from Other Funds	10,849,484	-	-
Due from Other Governments	13,639,197	1,584,199	48,677,295
Accounts Receivable (Net)	1,928,683	-	1,037,490
Accrued Interest Receivable	-	-	-
Inventory	1,554,503	-	-
Prepaid Items	-	-	-
Total Assets	<u>\$ 250,022,209</u>	<u>\$ 13,438,570</u>	<u>\$ 98,690,256</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 51,044,284	\$ 4,049,251	\$ 27,803,414
Overpayment of Taxes	10,111,978	-	-
Accrued Salaries and Benefits Payable	30,515,757	4,859,023	7,809,493
Termination Compensation Payable	26,353,562	-	-
Severance Payable	6,458,206	-	-
Deferred Revenue	115,864,565	-	79,539,802
Due to Other Governments	-	2,146,979	2,509,688
Total Liabilities	<u>240,348,352</u>	<u>11,055,253</u>	<u>117,662,397</u>
Fund Balances:			
Reserved for:			
Inventories	1,306,351	-	-
Encumbrances	28,199,478	2,383,317	-
Retirement of Long Term Debt	-	-	-
Debt Service Interest	-	-	-
Trust Principal	-	-	-
Arbitrage Rebate Payable	-	-	-
Unreserved:			
Designated:			
Special Revenue Funds	-	-	-
Permanent Funds	-	-	-
Undesignated:			
General Fund	(19,831,972)	-	-
Categorical Funds	-	-	(18,972,141)
Capital Projects Fund	-	-	-
Total Fund Balances	<u>9,673,857</u>	<u>2,383,317</u>	<u>(18,972,141)</u>
Total Liabilities and Fund Balances	<u>\$ 250,022,209</u>	<u>\$ 13,438,570</u>	<u>\$ 98,690,256</u>

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

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 170,777,583	\$ -	\$ 171,615,754
71,597,177	-	-	71,597,177
176,896	11,219,192	6,288,821	159,382,823
-	19,634,368	-	19,634,368
-	-	-	140,344,099
-	-	-	10,849,484
-	51,230	-	63,951,921
53,208	-	-	3,019,381
195,945	2,052,341	-	2,248,286
-	-	-	1,554,503
212,523	-	-	212,523
<u>\$ 72,235,749</u>	<u>\$ 203,734,714</u>	<u>\$ 6,288,821</u>	<u>\$ 644,410,319</u>
\$ 258,342	\$ 23,923,556	\$ 38,127	\$ 107,116,974
-	-	-	10,111,978
-	244,292	-	43,428,565
-	-	-	26,353,562
-	-	-	6,458,206
327,352	79,671	-	195,811,390
-	-	-	4,656,667
<u>585,694</u>	<u>24,247,519</u>	<u>38,127</u>	<u>393,937,342</u>
-	-	-	1,306,351
-	83,111,584	20,183	113,714,562
49,138,402	-	-	49,138,402
22,511,653	-	-	22,511,653
-	-	2,592,164	2,592,164
-	4,285,993	-	4,285,993
-	-	2,833,372	2,833,372
-	-	804,975	804,975
-	-	-	(19,831,972)
-	-	-	(18,972,141)
-	92,089,618	-	92,089,618
<u>71,650,055</u>	<u>179,487,195</u>	<u>6,250,694</u>	<u>250,472,977</u>
<u>\$ 72,235,749</u>	<u>\$ 203,734,714</u>	<u>\$ 6,288,821</u>	<u>\$ 644,410,319</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Assets
June 30, 2009

Fund Balance - Total Governmental Funds (page 37)	\$	250,472,977
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,889,356,324
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		133,513,168
---	--	-------------

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(3,449,324,513)
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Internal Service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service funds are included in the Statement of Net Assets.		(69,534)
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Net assets of governmental activities (page 34)	\$	<u>(1,176,051,578)</u>
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The notes to the basic financial statements are an integral part of this statement.

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School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2009

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 778,409,673	\$ -	\$ -
Locally Generated Non Tax	64,374,942	667,568	4,202,440
State Grants and Subsidies	1,289,178,333	80,529,809	156,373,964
Federal Grants and Subsidies	325,865	-	301,397,549
Total Revenues	<u>2,132,288,813</u>	<u>81,197,377</u>	<u>461,973,953</u>
EXPENDITURES			
Current:			
Instruction	948,196,627	194,330,977	313,937,028
Student Support Services	27,390,077	68,357,381	104,164,342
Administrative Support	77,756,719	10,330,854	21,689,750
Operation & Maintenance of Plant Services	252,753,761	-	5,155,933
Pupil Transportation	73,243,096	-	194,200
All Other Support Services	1,462,298	-	-
Early Childhood Education	-	-	24,157,350
Payments to Charter Schools	308,504,566	-	-
Debt Service:			
Principal	-	-	812,561
Loans	-	-	-
Interest	-	-	21,765
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenses	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>1,689,307,144</u>	<u>273,019,212</u>	<u>470,132,929</u>
Excess (Deficiency) of Revenues over Expenditures	<u>442,981,669</u>	<u>(191,821,835)</u>	<u>(8,158,976)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	3,081,478	191,567,307	4,534,680
Transfers Out	(393,087,561)	-	(3,081,478)
Capital Asset Proceeds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources and (Uses)	<u>(390,006,083)</u>	<u>191,567,307</u>	<u>1,453,202</u>
Net Change in Fund Balances	52,975,586	(254,528)	(6,705,774)
Fund Balances, July 1, 2008	(43,403,906)	2,637,845	(12,266,367)
Change in Inventory Reserve	102,177	-	-
Fund Balances, June 30, 2009	<u>\$ 9,673,857</u>	<u>\$ 2,383,317</u>	<u>\$ (18,972,141)</u>

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

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 778,409,673
9,865,033	5,598,903	110,769	84,819,655
-	712,193	-	1,526,794,299
-	-	-	301,723,414
<u>9,865,033</u>	<u>6,311,096</u>	<u>110,769</u>	<u>2,691,747,041</u>
-	-	69,114	1,456,533,746
-	-	-	199,911,800
-	-	-	109,777,323
-	-	-	257,909,694
-	-	-	73,437,296
-	-	-	1,462,298
-	-	-	24,157,350
-	-	-	308,504,566
70,346,737	-	-	71,159,298
3,371	-	-	3,371
82,135,123	-	-	82,156,888
49,058,325	-	-	49,058,325
10,280,568	-	-	10,280,568
8,785,703	-	-	8,785,703
-	88,048,100	-	88,048,100
-	3,520,969	-	3,520,969
-	111,637,895	-	111,637,895
-	23,075,121	-	23,075,121
<u>220,609,827</u>	<u>226,282,085</u>	<u>69,114</u>	<u>2,879,420,311</u>
<u>(210,744,794)</u>	<u>(219,970,989)</u>	<u>41,655</u>	<u>(187,673,270)</u>
191,185,296	10,000,000	-	400,368,761
-	(5,482,655)	-	(401,651,694)
11,256,645	133,518	-	11,390,163
214,200,000	282,365,000	-	496,565,000
2,990,315	819,096	-	3,809,411
(2,274,614)	(7,383,320)	-	(9,657,934)
(208,995,106)	-	-	(208,995,106)
<u>208,362,536</u>	<u>280,451,639</u>	<u>-</u>	<u>291,828,601</u>
(2,382,258)	60,480,650	41,655	104,155,331
74,032,313	119,006,545	6,209,039	146,215,469
-	-	-	102,177
<u>\$ 71,650,055</u>	<u>\$ 179,487,195</u>	<u>\$ 6,250,694</u>	<u>\$ 250,472,977</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, 2009

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

Net change in fund balances - total governmental funds (page 41)	\$	104,155,331
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		132,598,626
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Non capitalized purchases that exceed capital outlays.		(16,137,012)
--	--	--------------

The net effect of miscellaneous transactions involving losses arising from disposal and sale of capital assets are not reported as expenditures in the governmental funds.		(2,762,216)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		21,337,305
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.		(205,148,701)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(11,333,772)
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The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.		(97,834)
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Change in net assets of governmental activities (page 35)	\$	22,611,727
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The notes to the basic financial statements are an integral part of this statement.

School District of Philadelphia
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 97,878	\$ -
Due From Other Governments	5,992,390	3,968
Inventories	993,807	38,606
Total Current Assets	<u>7,084,075</u>	<u>42,574</u>
Noncurrent Assets:		
Machinery & Equipment	15,119,922	784,987
Accumulated Depreciation	<u>(11,839,144)</u>	<u>(639,310)</u>
Total Noncurrent Assets	<u>3,280,778</u>	<u>145,677</u>
Total Assets	<u>\$ 10,364,853</u>	<u>\$ 188,251</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,798,918	\$ 19,993
Accrued Salaries and Benefits Payable	419,949	19,054
Due to Other Funds	<u>10,811,403</u>	<u>38,081</u>
Total Current Liabilities	<u>15,030,270</u>	<u>77,128</u>
Noncurrent Liabilities:		
Termination Compensation Payable	2,158,303	180,657
Severance Payable	<u>1,091,073</u>	<u>-</u>
Total Noncurrent Liabilities	<u>3,249,376</u>	<u>180,657</u>
Total Liabilities	<u>18,279,646</u>	<u>257,785</u>
NET ASSETS		
Invested in Capital Assets	3,280,778	145,677
Unrestricted	<u>(11,195,571)</u>	<u>(215,211)</u>
Total Net Assets	<u>(7,914,793)</u>	<u>(69,534)</u>
Total Liabilities and Net Assets	<u>\$ 10,364,853</u>	<u>\$ 188,251</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 Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 3,088,476	\$ -
Sale of Printing Services	-	1,337,302
Total Operating Revenues	<u>3,088,476</u>	<u>1,337,302</u>
Operating Expenses:		
Salaries	18,257,715	574,736
Employee Benefits	11,475,156	252,079
Other Purchased Service - Food	39,783,923	-
Depreciation	856,873	57,181
Other Operating Expenses	10,625,223	551,140
Total Operating Expenses	<u>80,998,890</u>	<u>1,435,136</u>
Operating Gain/(Loss)	(77,910,414)	(97,834)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	72,062,803	35,739
Loss on Sale of Capital Assets	(9,270)	(7,439)
Income (loss) Before Contributions and Transfers	<u>(5,856,881)</u>	<u>(69,534)</u>
Transfers In	1,500,000	-
Transfers Out	(217,067)	-
Change in Net Assets	<u>(4,573,948)</u>	<u>(69,534)</u>
Total Net Assets July 1, 2008	(3,340,845)	-
Total Net Assets June 30, 2009	<u>\$ (7,914,793)</u>	<u>\$ (69,534)</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, 2009

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 3,088,476	\$ 1,337,302
Cash Payments to Employees for Services	(29,597,724)	(836,816)
Cash Payments to Suppliers for Goods and Services	(33,033,648)	-
Cash Payments for Other Operating Expenses	(10,625,223)	(656,849)
Net Cash Used by Operating Activities	<u>(70,168,119)</u>	<u>(156,363)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from Other Funds	1,102,793	38,081
State Sources	6,406,164	13,679
Federal Sources	61,543,328	22,062
Transfers In	1,500,000	-
Transfers Out	(217,067)	-
Net Cash Provided by Non-Capital Financing Activities	<u>70,335,218</u>	<u>73,822</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(141,437)	-
Net Cash Used by Capital and Related Financing Activities	<u>(141,437)</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	25,662	(82,541)
Cash and Cash Equivalents July 1, 2008	72,216	82,541
Cash and Cash Equivalents June 30, 2009	<u>\$ 97,878</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income/(Loss)	\$ (77,910,414)	\$ (97,834)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	856,873	57,181
Donated Food Commodities	4,670,935	-
Decrease in Accounts Receivable	-	2,828
(Increase)/Decrease in Inventories	1,239,164	(1,397)
Increase/(Decrease) in Accounts Payable	840,176	(107,140)
Increase/(Decrease) in Accrued Salaries and Benefits Payable	211,021	(216)
Increase/(Decrease) in Termination Compensation Payable	92,334	(9,785)
(Decrease) in Severance Payable	(168,208)	-
Total Adjustments	<u>7,742,295</u>	<u>(58,529)</u>
Net Cash Used by Operating Activities	<u>\$ (70,168,119)</u>	<u>\$ (156,363)</u>

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

School District of Philadelphia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,312,470
Equity in Pooled Cash and Investments	571,589	26,559,327
Investments	200,004	-
Accounts Receivable	451	8,456
Inventories	-	34,000
Total Assets	<u>772,044</u>	<u>31,914,253</u>
LIABILITIES		
Accounts Payable	235,551	-
Payroll Deductions and Withholdings	-	26,202,676
Due to Student Activities	-	5,308,988
Other Liabilities	-	402,589
Total Liabilities	<u>235,551</u>	<u>31,914,253</u>
NET ASSETS		
Held in Trust for Various Purposes	<u>\$ 536,493</u>	<u>\$ -</u>

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

School District of Philadelphia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 920,711
Interest Received	11,279
Total Additions	<u>931,990</u>
DEDUCTIONS	
Scholarships Awarded	1,035,184
Total Deductions	<u>1,035,184</u>
Change in Net Assets	(103,194)
Net Assets July 1, 2008	639,687
Net Assets June 30, 2009	<u><u>\$ 536,493</u></u>

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

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SCHOOL DISTRICT OF PHILADELPHIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2009, conform to Generally Accepted Accounting Principles ("GAAP") for local government units as prescribed by the Governmental Accounting Standards Board (the "GASB").

The most significant accounting policies are summarized below:

A. Reporting Entity

The School District is the largest school district in the Commonwealth of Pennsylvania (the "Commonwealth") and the eighth largest public educational system in the United States according to enrollment data. In Fiscal Year 2009, the School District served close to 195,000 students, including those in Charter and Alternative Schools, as well as employed over 22,000 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the "City"). The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the state Constitution to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

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

Effective December 2001, in a cooperative effort with the City to address the School District's financial needs, the Commonwealth assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949.

Shortly thereafter, a five-member School Reform Commission (the "SRC") was established. The SRC exercises all powers and has all duties of the original Board of Education. The Board of Education continues in office, performing only the duties assigned, if any, by the SRC. At the time of this report, the SRC has not delegated any duties to the Board of Education. Furthermore, the Governor of Pennsylvania appointed the chairman and two other members of the SRC while the Mayor of the City of Philadelphia appointed the remaining two members. The five-member commission performs its fiscal oversight responsibility for the Philadelphia public school system by adhering to priorities enumerated in their *Declaration of Education and Measures That Matter*.

Prior to the formation of the SRC, the School District implemented a new management structure where a Chief Executive Officer (the "CEO") was appointed in lieu of a "Superintendent" effective November 1, 2000.

Although the CEO performs all duties imposed on the Superintendent of Schools by both the Charter and the Public School Code of 1949 (the “School Code”) and serves as the Secretary and Treasurer of the Governing Body of the School District, the new designation was designed to provide the Governing Body with more freedom and to avoid being constrained to select a traditional “academic scholar” ignoring the business experience that is equally necessary for such a large school district. In addition, the new administrative and management structure of the School District recognized the enormity of the job of CEO of a large, urban public school system and successfully sought to implement a more corporate accountability structure and team management approach to ensure that the School District would accomplish specific objectives and overall goals. The new organizational structure now includes a Chief Business Officer, a Chief Academic Officer, a Chief of School Operations and a Chief of Charter, Partnership and New Schools, all of whom directly report to the CEO. Likewise, the General Counsel and the Chief Talent Development Officer of the School District directly reports to the CEO.

The 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 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 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”); an entity established by the Commonwealth to provide special education, special education transportation, non-public school services and related management services. Similar to the School District, the SRC also constitutes the Board of Directors of the IU; the boundaries of the IU are coterminous with those of the City and School District. The School District performs all IU services, pursuant to contracts between the two.

B. District-Wide and Fund Financial Statements

In June 1999, GASB issued Statement No. 34 “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*” (“GASB Statement No. 34”), effective for periods beginning after June 15, 2001. This statement, known as the “Reporting Model,” better defines the way government entities prepare and present financial information. State and local governments previously used a financial reporting model substantially different from the one used to prepare private sector financial reports. As such, GASB Statement No. 34 establishes requirements and a reporting model for annual financial reports of all state and local governments. This statement was specifically developed to make annual reports easier to understand and more useful to others who rely upon governmental financial information to make decisions and includes:

Management’s Discussion & Analysis – The 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” (the “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”).

District-Wide Financial Statements – The reporting model includes financial statements 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 and long-term liabilities. 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.

Basic financial statements include both district-wide (based on the School District as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on showcasing either the School District as a whole

or the activities of major individual funds (within the fund financial statements). District-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the district-wide Statement of Net Assets, both the activities' assets 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 Net Assets – The Statement of Net Assets 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 Assets and reports depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of the School District are presented in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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 or segment. 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 or segment. The School District allocates indirect expenses to their applicable functions.

Fund Financial Statements - Separate financial statements are provided for government 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. The fund statements are presented on a current financial resource measurement focus and utilize a modified accrual basis of accounting to reflect the normal budgeting process. 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* - accounts for all financial resources except those required to be in another fund and is considered the principal operating fund of the School District.
 - (b) *Special Revenue Funds* - accounts for the proceeds of certain revenue sources that are legally restricted for specified purposes and/or types of expenditures. Special Revenue funds include:

- (i) Intermediate Unit Fund - used to account for State appropriations for special education and non-public school services as well as certain administrative costs;
 - (ii) Categorical Funds - used to account for specific purpose Federal, State, City or Private grants;
 - (iii) Trust Funds -- used to account for funds where both principal and earnings may be used to support School District programs that benefit either the district itself or its students.
 - (c) Debt Service Fund - accounts for the accumulation of resources for the payment of debt service and bond issuance costs.
 - (d) Capital Projects Fund - accounts for financial resources used for capital asset acquisition, construction and improvement.
 - (e) Permanent Fund - accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support district programs that benefit the School District itself or its students.
- (2) Proprietary Fund Types - These are funds that account for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The funds included in this category are:
- (a) Enterprise Fund - used to account for the operation of the Food Service Division; and
 - (b) Internal Service 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 on a cost reimbursement basis.
- (3) Fiduciary Fund Types - These funds account for assets held by the School District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:
- (a) Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments, most of which are through scholarships and awards; and
 - (b) Agency Funds - used to account for assets held by the School District as trustee or agent for others. At June 30, 2009, the School District administered the Payroll Liabilities, Student Bus Token, Student Activities and Unclaimed Monies Funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting similar to that used for Proprietary and Private Purpose Trust Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Agency Funds, however, are accounted for using the accrual basis of accounting that recognizes both receivables and payables.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This type of presentation focuses on the determination of and changes in financial position, and generally only current assets and current liabilities, are included on the balance sheet. Revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current fiscal period, or soon thereafter, to pay liabilities of the current fiscal period. For this purpose, the School District considers revenues to be available for the General Fund if they are collected within 60 days of the end of the current fiscal period or beyond the normal time of receipt because of highly unusual circumstances and within 90 days of the current fiscal period for Categorical Funds.

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

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

The School District receives the vast majority of its revenues from governmental entities. These revenues primarily come in the form of state subsidies, local taxes, federal and state grants and non-tax revenues including a city grant.

The School District reports the General, Intermediate Unit, Categorical, Debt Service and Capital Projects Funds as its major governmental funds.

Although GASB Statement No. 34 eliminates the presentation of account groups, it does provide that these records be maintained and requires that the information be incorporated into the governmental column in the district-wide Statement of Net Assets.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are still generally followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance offered by GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District elected not to follow subsequent private sector guidance, however.

Likewise, the School District eliminated the effect of interfund activity from its district-wide financial statements. Exceptions to this general rule are categorized in other charges between the School District's food service function and other functions of the District. In this instance, elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's

Enterprise Fund (or Food Service) and Internal Service Fund (or Print Shop) 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 Assets or Equity

(1) Cash and Investments

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.

Non-participating investment contracts or, more generally, certificates of deposit and repurchase agreements are reported at cost, which approximates fair value. However, all other investments are reported at fair value.

(2) Real Estate Taxes

Ad valorem real estate tax revenues are recognized in compliance with GASB Statement No. 33. This statement provides that tax revenues should be recognized in the period for which they are levied except that they shall not be recognized unless they are collected within the current fiscal year or expected to be collected within sixty days after the end of the current fiscal year.

The tax on real estate in Philadelphia for public school purposes for Fiscal Year 2009 was 49.59 mills. Of this total, 16.75 mills are levied directly by the School District pursuant to legislative authorization by the General Assembly of the Commonwealth without further approval of the Council of the City of Philadelphia ("City Council") while the remaining 32.84 mills are levied pursuant to legislative authorization and approval by ordinance of the City Council.

Although assessments are certified and taxes are levied on January 1st, taxes are not due and payable until March 31st of each calendar year. Interest and penalty accrue at the rate of 1.5 percent per month beginning April 1st. Unpaid taxes are considered delinquent the following January 1st and are then subject to lien. The City has established real estate investment and improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties or, are otherwise known as "tax abatements," and typically forgive tax increases for up to ten (10) years.

(3) Due from Other Governments

Grant revenues are recognized when all the applicable eligibility requirements are met and the resources are available. Primarily, the line item titled "Due from Other Governments" represents the excess of grant expenditures over funds collected.

(4) Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To/From Other Funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances."

(5) Inventories

Inventories in the General Fund are valued at an average cost of \$1.5 million. Included are expendable supplies of \$1.3 million held for consumption by the Maintenance and Transportation Departments. The cost is recorded as an expenditure at the time inventory is purchased. The expendable supplies inventory is equally offset by a fund balance reserve, which indicates that, although they are a component of net current assets, they do not constitute available resources.

Enterprise Fund (or Food Service) inventories include \$0.7 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

Internal Service Fund (or Print Shop) inventories are valued at last unit cost and are expensed as they are consumed.

Agency Fund (i.e., Student Bus Token) inventories are valued at cost. This inventory represents tokens on hand at the close of the current fiscal year.

(6) Artwork

Values reported in capital assets for artwork inventory are based on replacement values provided by an outside consulting firm with expertise in establishing current market and/or replacement values for artwork. This methodology was established because historical cost records on many of the items are not available.

(7) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of at least \$500 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair market 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.

Land and Construction in Progress are not depreciated. However, property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	10-30
Equipment	5-20
Vehicles	8-10
Office equipment	10
Computer equipment	5

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 Assets.

Proprietary Fund equipment acquisitions are capitalized in the appropriate fund and depreciated over 5 to 20 years in the Enterprise or Internal Service Funds also using the straight-line method.

(8) Deferred Revenues

Deferred revenues represent monies received in advance of being earned or receivables that will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues 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. In Categorical Funds, deferred revenue represents grant funds received prior to expenditure, or grant funds which were earned but for which resources are not considered to be available. In the Debt Service Fund, deferred revenues represent interest on investments received in advance of being earned. In the Capital Projects Fund, deferred revenue consists of capital grant funds received prior to the expenditure of grant funds.

(9) Insurance

The School District is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. Workers' Compensation is covered by excess insurance over a \$5.0 million self-insured retention. The School District does purchase certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from fire, flood or boiler and machinery with a deductible of \$500,000 and a limit of \$250.0 million per occurrence. Certain insurance coverages including, employee performance bonds, student accident and employee dishonesty bonds, are also procured regularly. 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 covered employees.

Payments in Fiscal Year 2009 were comprised of \$14.0 million for Weekly Indemnity, \$30.7 million for Workers' Compensation and \$1.9 million for Unemployment Compensation claims.

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 Assets.

(10) Compensated Absences

It is School District policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these benefits is accrued in the district-wide Statement of Net Assets. The current fiscal year's portion of this accrual is reflected as an expense on the district-wide Statement of Activities and is payable only upon termination of employment or retirement. The School District's leave policy is as follows:

- (a) Vacation and Personal Leave - 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. In addition, almost all School District employees are entitled to three days of personal leave annually. 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.
- (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.

(11) 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 Assets.

Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current fiscal period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as net adjustments against gross proceeds under the applicable fund. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(12) Fund Equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. A few of these designations are summarized below:

- (a) Reserves for Retirement of Long-term Debt and Debt Service Interest: Funds are accumulated in the Debt Service Fund to pay principal and interest on bonds currently outstanding. Funds required to retire all long-term debt are recorded as long-term liabilities in the district-wide Statement of Net Assets; and
- (b) Unreserved Designated Fund Balance: This represents, in the Non-Major Governmental Funds, resources that are legally restricted for specific purposes stated in each trust.

(13) 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.

(14) Comparative Data

Comparative data from Fiscal Year 2008 is provided as a key element of the MD&A section of this report to better enhance the analysis and comprehension of financial data of the current fiscal period.

2. **RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

A. **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets - governmental activities* as reported in the district-wide Statement of Net Assets. 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 Assets includes capital assets among the assets of the School District as a whole.

Cost of Capital Assets	\$3,133,133,251
Accumulated Depreciation	(1,243,776,927)
Net Cost of Capital Assets	<u>\$1,889,356,324</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current period expenditures. Those assets are offset by deferred revenue in the governmental funds and are not included in fund balance.

Taxes Receivable	\$ 114,541,027
Grants & Subsidies	18,972,141
Adjustment of Deferred Revenue	<u>\$ 133,513,168</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 in the governmental funds." The details of the (\$3,449,324,513) difference are as follows:

Bonds Payable	\$ (2,825,235,049)
Deduct: Discount on Bonds Payable	11,457,851
Add: Premium on Bonds Payable	(79,019,434)
Deduct: Deferred Charge on Refunding	107,965,686
Deduct: Deferred Charge for Issuance Cost	29,300,256
Bond Interest Payable	(27,867,912)
Funds Due to Other Governments	(56,028,546)
Workers' Compensation Payable	(131,796,248)
Unemployment Compensation Payable	(6,041,979)
Compensated Absences	(293,339,528)
Severance Payable	(167,892,958)
Claims and Judgments	(6,248,159)
Arbitrage Rebate Payable	(4,285,993)
Early/Voluntary Retirement Incentive	(292,500)

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

\$ (3,449,324,513)

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 assets 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 \$132,598,626 difference are as follows:

Capital outlay	\$ 226,282,085
Depreciation expense	<u>(93,683,459)</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.

\$ 132,598,626

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital asset disposal and sales is a decrease to net assets.” 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 (\$2,762,216) difference are as follows:

Loss on Disposal of Capital Assets	\$ (833,917)
Gain on Sale of Capital Assets	9,461,864
Proceeds from Sale of Capital Assets	<u>(11,390,163)</u>

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

\$ (2,762,216)

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 Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments. The details of this (\$205,148,701) difference are as follows:

Principal Repayment on Bonds	\$ 70,346,738
Principal Repayment on Authority Obligations	5,410,000
Principal Repayment on Loans	3,371
Principal Repayment on Capital Leases	812,561
Bond Issuance and Defeasance	<u>(281,721,371)</u>

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

\$ (205,148,701)

Another element of the reconciliation states that, “Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of the (\$11,333,772) difference are as follows:

Change in Compensated Absences Payable	\$ (8,103,753)
Change in Severance Payable	(4,306,183)
Change in Workers' Compensation Payable	(5,118,739)
Change in Unemployment Compensation Payable	152,230
Change in Claims and Judgments Payable	961,041
Change in Early/Voluntary Retirement Incentive Payable	1,792,500
Change in Due to Other Governments Payable	5,350,020
Change in Arbitrage Rebate Payable	(519,018)
Change in Net Accrued Bond Interest	(8,452,497)
Change in Bond Issuance Costs	<u>6,910,627</u>
<i>Net adjustment to increase/(decrease) net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities.</i>	<u><u>\$ (11,333,772)</u></u>

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

A. **Budgetary Information**

(I) **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 early October of each fiscal year, the CEO provides a status report to the Governing Body on the budget for the current Fiscal Year and provides multi-year projections so that consideration of any changes in the current educational program can be discussed.

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

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

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

A statement of estimated receipts and expenditures is submitted to the Mayor of the City and the President of City Council on or before March 31st of each fiscal year. Since the School District has limited taxing power, the City Council must approve the continuance of, or changes in, the levy of local taxes for school purposes required to fund the estimated expenditures of the School District after taking into account the estimated revenues from the Commonwealth and the 16.75 mills of real estate taxes authorized by the General Assembly.

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

Control of the operating budget is exercised at the expenditure object class level within principal administrative units. Management is authorized to transfer budget amounts between personal services and employee benefits and among materials, supplies, books and equipment, but only within an administrative unit. Transfers between other expenditure classes or between administrative units require the approval of the SRC with appropriate notice, public hearing and debate. No supplementary budgetary appropriations are necessary during the fiscal year. Unencumbered appropriations lapse at year-end.

In accordance with the intent of resolution SRC-4 dated November 15, 2006, the School District has segregated \$23.7 million of General Fund revenues in a separate sub-fund entitled the Fiscal Stabilization Reserve Fund (FSRF) for the purpose of earmarking funds for unanticipated revenue fluctuations and unanticipated requirements.

In 2009, the development of the capital budget and program is the principal responsibility of the Deputy Chief Business Officer for Operations and represents that office's research and analyses as well as the priorities of both the SRC and the CEO in consultation with representatives of the City Planning Commission. Due consideration is given to balancing physical needs and financial resources which may become available to fund capital improvements. A capital program detailing the division's plan for the ensuing five years, as well as a capital budget detailing the expenditure requirements of the first year of the capital program, must be adopted by the SRC no later than the date of the adoption of the annual operating budget. Implementation of the capital budget is contingent upon the receipt of proceeds of debt obligations of the School District or other resources made available for capital improvement purposes.

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

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

Enterprise (or Food Services) and Internal Service (or Print Shop) Funds budgets are not adopted; however, formal budgets are prepared and approved by management and expenses are controlled and monitored according to appropriate line items.

Likewise, Fiduciary Funds are not formally budgeted; however, each individual expenditure request is reviewed for compliance with legal provisions and for availability of funding.

(2) Encumbrance Accounting

Encumbrance accounting, by which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in governmental funds except for Categorical Funds. Encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. Unreported Categorical Funds encumbrances totaled \$41.0 million at June 30, 2009. Since Categorical Funds do not have a formal adopted budget, this amount is not shown as a reservation of fund balance at June 30, 2009.

B. Deficit Fund Equity/Negative Net Assets

The operating funds, which consist of the General Fund, Intermediate Unit Fund and Debt Service Fund, experienced an undesignated/unreserved fund balance of \$51.8 million. This amount is comprised of a General Fund unreserved negative fund balance of \$19.8 million, which is offset by \$71.6 million in the Debt Service Fund.

Categorical Funds experienced an unreserved negative fund balance of \$19.0 million. The deficit in the Categorical Funds is due to GASB Statement No. 33 provisions which require that grant revenue can only be recognized when collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of the current fiscal period.

The Enterprise Fund had negative net assets of \$7.9 million.

4. *DETAILED NOTES ON ALL FUNDS AND ACCOUNTS*

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$31.9 million held in agency funds, at June 30, 2009 are summarized as follows:

Cash and Cash Equivalents	\$ 177,026,102
Cash and Investments with Fiscal Agent	71,597,177
Equity in Pooled Cash and Investments	186,513,739
Cash and Investments Held by Trustee	19,634,368
Investments	<u>200,004</u>
Total Cash and Investments	<u>\$ 454,971,390</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 or any political subdivision of the Commonwealth backed by the full faith and credit of the Commonwealth or the political subdivision, money market funds of United States Treasury obligations and collateralized repurchase agreements.

The School District's investment policy is contained in a formal resolution of the SRC, namely SRC-3, dated April 21, 2004. It allows the Chief Business Officer, acting through the Director of Treasury Operations, 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) Investments

As of June 30, 2009, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 49,506,046	.003
Discounted Notes	28,559,485	.123

- (a) *Interest Rate Risk* - Repurchase agreements for sinking funds and consolidated cash, and capital fund investments, as of June 30, 2009 mature in one (1) day. Discounted Notes purchased by the School District relating to forward purchase agreements for sinking fund deposits are designed to mature in less than a 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>
Repurchase Agreements	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA
Discounted Notes under Forward Purchase Agreement	Federal Home Loan Mortgage Corp. (FHLMC)	Aaa	AAA	AAA
	Federal Home Loan Bank (FHLB)	Aaa	AAA	N/R
	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA

Please note Fitch does not rate (N/R) FHLB.

- (c) *Concentration of Credit Risk* - The School District does not restrict the amount of deposits made to any particular bank or any counterparty to a repurchase agreement.
- (d) *Custodial Credit Risk~Deposits* - The School District maintains all deposits in depositories which are insured by the Federal Deposit Insurance Company (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). The market value of collateral is maintained at 102% of investments.

B. Receivables

(1) Net Receivables

Receivables for the School District's individual Major and Non-Major, Internal Service 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	Categorical	Debt Service	Capital Projects	Fiduciary	Total
Receivables						
Interest	\$ -	\$ -	\$ 195.9	\$2,052.3	\$ -	\$ 2,248.2
Taxes	255,159.8	-	-	-	-	255,159.8
Accounts (net)	1,928.7	1,037.5	53.2	-	8.9	3,028.3
Gross Receivables	257,088.5	1,037.5	249.1	2,052.3	8.9	260,436.3
Less: Allowances for Uncollectible						
Taxes	114,815.7	-	-	-	-	114,815.7
Total Allowance	114,815.7	-	-	-	-	114,815.7
Net Total Receivables	<u>\$ 142,272.8</u>	<u>\$ 1,037.5</u>	<u>\$ 249.1</u>	<u>\$2,052.3</u>	<u>\$ 8.9</u>	<u>\$ 145,620.6</u>

(2) Taxes Receivable

The totals reported for taxes receivable on the Statement of Net Assets, 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, 2009 equaled \$140.3 million as follows:

	(Dollars in Millions)		
	Taxes Receivable	Estimated Uncollectible	Estimated Collectible
<u>Real Estate Taxes</u>			
Current	\$ 73.1	\$ 10.2	\$ 62.9
Prior	147.0	82.3	64.7
Total Real Estate Taxes	220.1	92.5	127.6
<u>Self Assessed Taxes</u>			
Use and Occupancy	14.5	10.0	4.5
School Income Tax	4.7	2.6	2.1
Liquor Sales Tax	15.8	9.7	6.1
Total Self Assessed Taxes	35.0	22.3	12.7
Total Taxes Receivable	<u>\$ 255.1</u>	<u>\$ 114.8</u>	<u>\$ 140.3</u>

During July and August 2009, \$18.8 million in real estate taxes receivable and \$7.0 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2009 revenues.

(3) Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current fiscal period. Governmental funds also

defer revenue recognition in connection with resources that were received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes receivable earned but not available (General Fund)	\$ 114,541,027	-
Accounts receivables earned but not available (General Fund)	1,323,538	-
Grant funds earned but not available (Categorical Funds)	18,972,141	-
Grant funds received prior to meeting all eligibility requirements (Categorical Funds)	-	\$ 60,567,662
Interest on investments received prior to being earned (Debt Service Fund)	-	327,352
Grant funds received prior to meeting all eligibility requirements (Capital Projects Fund)	-	79,671
Total Deferred Revenue for Governmental Funds	\$ 134,836,706	\$ 60,974,685

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2009 are summarized as follows:

(Dollars in Millions)

	<u>Balance July 1,2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30,2009</u>
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 113.7	\$ -	\$ (0.6)	\$ 6.1	\$ 119.2
Construction in Progress	524.7	103.5	-	(241.2)	387.0
Artwork	8.4	-	(0.1)	-	8.3
Total Capital Assets - Not Depreciated	\$ 646.8	\$ 103.5	\$ (0.7)	\$ (235.1)	\$ 514.5
Capital Assets - Depreciated					
Buildings	\$ 1,159.7	\$ 63.2	\$ (4.3)	\$ 173.4	\$ 1,392.0
Improvements	908.0	7.4	(2.5)	61.7	974.6
Personal Property	229.9	37.3	(15.2)	-	252.0
Print Shop	0.8	-	-	-	0.8
Total Capital Assets - Depreciated	\$ 2,298.4	\$ 107.9	\$ (22.0)	\$ 235.1	\$ 2,619.4
Less Accumulated Depreciation					
Buildings	\$ (511.3)	\$ (23.1)	\$ 3.8	\$ -	\$ (530.6)
Improvements	(505.3)	(47.5)	1.6	-	(551.2)
Personal Property	(153.4)	(23.1)	14.5	-	(162.0)
Print Shop	(0.6)	-	-	-	(0.6)
Total Accumulated Depreciation	\$ (1,170.6)	\$ (93.7)	\$ 19.9	\$ -	\$ (1,244.4)
Net Capital Assets Depreciated	\$ 1,127.8	\$ 14.2	\$ (2.1)	\$ 235.1	\$ 1,375.0
Governmental Activities - Net Capital Assets	<u>\$ 1,774.6</u>	<u>\$ 117.7</u>	<u>\$ (2.8)</u>	<u>\$ -</u>	<u>\$ 1,889.5</u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 15.3	\$ 0.1	\$ (0.3)	\$ -	\$ 15.1
Less Accumulated Depreciation	(11.3)	(0.9)	0.3	-	(11.9)
Business-Type Activities - Net Capital Assets	<u>\$ 4.0</u>	<u>\$ (0.8)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3.2</u>

The beginning balances of certain capital asset accounts were adjusted by a net total of \$357,487 which is reflected as a prior period adjustment in the district-wide Statement of Activities.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 82.9
Student Support Services	2.0
Administrative Support	7.1
Operation & Maintenance of Plant Services	0.5
All Other Support Services	<u>1.2</u>
Total Depreciation Expense	<u>\$ 93.7</u>

For Business-Type activities, all depreciation expense was charged to the Enterprise Fund (or Food Service).

D. Obligations

(1) Short-Term Obligations

The School District issued \$350.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 2, 2008 for a one month period (the "FY 2009 Notes") through negotiation with Bank of America, N.A. and Wachovia Bank N.A. On August 3, 2008, the School District repaid the FY 2009 Notes in full. Changes in short-term obligations payable during Fiscal Year 2009 were as follows:

	Balance July 1, 2008	(Dollars in Millions) Additions	Deletions	Balance June 30, 2009
<u>Governmental Activities:</u>				
Tax and Revenue Anticipation Note (Series of 2008-2009)	<u>\$ -</u>	<u>\$ 350.0</u>	<u>\$ (350.0)</u>	<u>\$ -</u>
Total	<u>\$ -</u>	<u>\$ 350.0</u>	<u>\$ (350.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2009 were as follows:

	(Dollars in Millions)				
	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,613.3	\$ 496.6	\$ (284.7)	\$ 2,825.2	\$ 76.4
Bond Premium	22.5	60.9	(4.4)	79.0	4.6
Bond Discount	(2.1)	(9.6)	0.3	(11.4)	(0.5)
Total Bonded Debt	\$ 2,633.7	\$ 547.9	\$ (288.8)	\$ 2,892.8	\$ 80.5
Termination Compensation Payable	\$ 285.4	\$ 33.9	\$ (25.8)	\$ 293.5	\$ 28.0
Severance Payable	163.6	12.1	(7.9)	167.8	10.0
Due to Other Governments					
- Deferred Reimbursement	61.4	-	(5.4)	56.0	50.6
Other Liabilities	140.1	38.9	(34.9)	144.1	36.4
Lease Purchase Agreements	0.8	-	(0.8)	-	-
Deferred Revenue	-	-	-	-	-
Early/Voluntary Retirement Incentive	2.1	-	(1.7)	0.4	0.3
Arbitrage Liability	3.8	0.5	-	4.3	-
Governmental Activity - Long-Term Liabilities	<u>\$ 3,290.9</u>	<u>\$ 633.3</u>	<u>\$ (365.3)</u>	<u>\$ 3,558.9</u>	<u>\$ 205.8</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.1	\$ 2.1	\$ (2.1)	\$ 2.1	\$ 0.2
Severance Payable	1.2	1.1	(1.2)	1.1	0.1
Business-Type Activities - Long-Term Liabilities	<u>\$ 3.3</u>	<u>\$ 3.2</u>	<u>\$ (3.3)</u>	<u>\$ 3.2</u>	<u>\$ 0.3</u>

(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.
- The School District is authorized, pursuant to 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 to manage interest rate risk or interest cost on any debt which the School District is authorized to incur. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements.

General obligation bonds and lease obligations at June 30, 2009 by bond issue are summarized as follows:

(Dollars in Thousands)						
Issue ⁽¹⁾	Interest Rates	Maturity Year Ending June 30	Original Principal Issued	Principal	Interest	Total
1995 - A	6.250	2010	53,725	8,180	256	8,436
1997 - A	5.000	2010	52,220	6,995	350	7,345
1999 - A	4.500	2023	156,575	52,410	27,431	79,841
1999 - B	5.250	2013	98,405	36,340	3,202	39,542
1999 - D	5.625	2010	73,765	6,970	392	7,362
2000 - A	4.800 - 5.750	2011	130,000	22,005	2,530	24,535
2000 - B	QZABS ⁽²⁾	2014	22,985	22,950	-	22,950
2002 - A	5.000 - 5.250	2012	156,000	10,455	1,108	11,563
2002 - B	5.500	2013	300,000	51,620	5,873	57,493
2003 - B	5.500 ⁽³⁾	2028	588,140	43,505	45,463	88,968
2004 - D	3.500 - 5.000	2015	100,000	8,725	2,613	11,338
2004 - E	QZABS ⁽²⁾	2019	19,335	13,811	-	13,811
2005 - A	3.000 - 5.000	2023	198,140	197,615	90,837	288,452
2005 - B	3.250 - 5.000	2017	43,415	43,195	11,247	54,442
2005 - C	4.200 - 5.310	2026	71,740	64,745	32,205	96,950
2005 - D	4.000 - 5.500	2021	29,920	25,170	9,592	34,762
2006 - A	4.486 - 5.000 ⁽³⁾	2036	317,125	306,550	246,302	552,852
2006 - B	3.500 - 5.000 ⁽³⁾	2033	545,570	545,560	546,743	1,092,303
2007 - A	3.700 - 5.000	2034	146,530	146,515	150,311	296,826
2007 - C	QZABS ⁽²⁾	2023	13,510	12,609	-	12,609
2007 - D	QZABS ⁽²⁾	2023	28,160	28,155	4,752	32,907
2008 - A	Variable Rate ⁽⁴⁾	2031	254,885	254,835	139,014 ⁽⁵⁾	393,849
2008 - B	Variable Rate ⁽⁴⁾	2031	250,845	250,785	139,648 ⁽⁵⁾	390,433
2008 - C	Variable Rate ⁽⁴⁾	2022	91,900	91,845	25,148 ⁽⁵⁾	116,993
2008 - D	Variable Rate ⁽⁴⁾	2022	85,000	77,125	16,926 ⁽⁵⁾	94,051
2008 - E	3.500 - 6.000	2039	282,365	282,365	312,105	594,470
2008 - F	3.000 - 5.250	2028	114,215	114,215	69,014	183,229
2009 - A	3.675 - 4.827	2014	20,075	20,075	2,710	22,785
2009 - B	3.000 - 5.000	2019	30,710	30,710	11,591	42,301
2009 - C	Variable Rate ⁽⁴⁾	2026	49,200	49,200	34,839	84,039
Total			<u>\$ 4,324,455</u>	<u>\$2,825,235</u>	<u>\$ 1,932,202</u>	<u>\$ 4,757,437</u>

⁽¹⁾ All debt has been issued for Capital purposes, except for issues for 2002-B, 2005-A, 2005-C and 2009-A.

⁽²⁾ Prior to 2006, Qualified Zone Academy Bonds 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.

⁽⁴⁾ Maximum interest rate on the Series A, B, C and D of 2008 and Series C Bonds of 2009 is 12%. If the Bonds became Bank Bonds and are held by the Creditor Provider the maximum is 24%. However, in no event shall such rates exceed the highest rates allowed by the Commonwealth of Pennsylvania. Currently, these bonds are trading below SIFMA and are secured by letter of credit which expire in 2011.

⁽⁵⁾ Interest scheduled is the fixed swap interest payments required of the School District by the Interest Rate Management Agreements.

Debt service to maturity on general obligation bonds at June 30, 2009 is summarized as follows:
(Excludes debt issued through the State Public School Building Authority)

<u>Governmental Activities</u> (Dollars in Thousands)			
Year Ending June 30	Principal	Interest ⁽¹⁾	Total
2010	\$ 70,762	\$ 84,840	\$ 155,602
2011	75,952	81,718	157,670
2012	79,916	77,576	157,492
2013	82,197	74,016	156,213
2014	83,902	70,970	154,872
2015-2019	412,834	306,016	718,850
2020-2024	453,082	209,112	662,194
2025-2029	354,460	119,050	473,510
2030-2034	230,085	56,810	286,895
2035-2039	86,430	13,586	100,016
Total	<u>\$ 1,929,620</u>	<u>\$ 1,093,694</u>	<u>\$ 3,023,314</u>

⁽¹⁾ Includes the fixed rate interest payment due to bondholders.

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2009 is summarized as follows:

<u>Governmental Activities</u> (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2010	3.500-5.000	\$ 5,660	\$ 43,398	\$ 49,058
2011	3.500-5.000	5,945	43,115	49,060
2012	3.500-5.000	6,230	42,828	49,058
2013	3.500-5.000	6,540	42,516	49,056
2014	3.500-5.000	6,870	42,189	49,059
2015 – 2019	3.625-5.000	39,700	205,595	245,295
2020 – 2024	4.000-5.000	89,260	194,139	283,399
2025 – 2029	5.000-5.500	257,210	153,600	410,810
2030 – 2034	4.450-5.000	439,850	68,529	508,379
2035 – 2036	4.450-4.500	38,350	2,599	40,949
Total		<u>\$ 895,615</u>	<u>\$ 838,508</u>	<u>\$ 1,734,123</u>

(ii) Sinking Fund Covenants

- Fixed Rate General Obligation Bonds - The School District has covenanted that the City will, from local taxes collected on each business day, irrevocably deposit with the paying agent for the bonds for payment into a sinking fund, approximately equal daily installments which, together with other available resources in the sinking fund, amounts 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 the fifteenth (15th) day prior to each specified payment date. These covenants were established to enhance the credit rating underlying the School District's general obligation bonds and to assure timely payment of debt service.

- Variable Rate General Obligation Bonds - The School District has covenanted that it will irrevocably deposit monthly, with the paying agent for these bonds and fifteen (15) days prior to the next payment date and from any revenues available that day into the sinking funds, an amount which, together with other available resources in the sinking fund that will be sufficient to pay the next monthly variable rate interest payment and in years when principal payments are due, an amount equal to 1/12 of the next principal payment. These covenants were established to enhance the credit rating underlying the School District's variable rate bonds and to assure timely payment of debt service.
- Lease Rental Debt - The School District 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 to 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 rating underlying the School District's Lease Rental Debt rather than to achieve a prepayment 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 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 period scheduled payments and are not secured by the foregoing pledge.

(b) Interest Rate Derivatives

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

On November 21, 2006, the School District entered into two basis swaps related to a portion of the lease rental debt associated with the 2003 Bonds and all or a portion of the lease rental debt to be incurred by the School District in connection with the partial refunding of the 2003 Bonds, for the purpose of managing interest costs of the School District, that provide for periodic payments at a floating rate equal to the SIFMA Municipal Swap Index ("SIFMA") by the School District in exchange for an upfront cash payment of \$10 million and periodic scheduled payments at a floating rate equal to 67% of LIBOR (a tax-exempt proxy) plus 27.88 basis points by counterparties on the notional amount of \$500.0 million (the "2006 Basis Swaps").

The School District previously entered into certain qualified interest rate management agreements related to its General Obligation Refunding Bonds, Series

B of 2004 and Series C of 2004 (the “2004 Swaps”) dated as of June 29, 2004. The 2004 Swaps were secured with Financial Guaranty Insurance Policies provided by FGIC (the “Swap Insurance Policies”). The financial credit crisis triggered by the sub-prime mortgage crisis, which began in 2007, resulted in the downgrades of FGIC and a lack of liquidity for the School District’s 2004 Bonds, leading to rate dislocation and unanticipated increase in interest rate expense. The School District determined to refund the Series B and C of 2004 Bonds through the issuance of General Obligation Refunding Bonds, Series A, B, C and D of 2008 ((the “Series 2008 Bonds”). The existing confirmations of each of the Counterparties were amended as of April 23, 2008 to relate to the Series 2008 Bonds (as permitted by the swap documents) and to reflect the termination of the Swap Insurance Policies (agreed to by each of the counterparties).

Simultaneously with the issuance of the Series 2008 Bonds, the School District related the existing qualified interest rate management agreements (the “TE Advance Refunding Agreements” and the “Taxable Advance Refunding Agreement”, both collectively defined as the “2008 Swap Agreements”) from the Series 2004 Bonds to the Series 2008 Bonds. This did not have an impact or cause a change of any kind to the existing swap documents, other than as described above, and only adjust the related subseries as described below. The aggregate notional amounts of the 2008 Swap Agreements are equal to the principal amount of the Series 2008 Bonds.

- 2008 Swap Agreements:
 - \$95,000,000 relating to the General Obligation Refunding Bonds, Series A of 2008 (Subseries A-1)
 - \$78,475,000 relating to the General Obligation Refunding Bonds, Series A of 2008 (Subseries A-2)
 - \$80,000,000 relating to the General Obligation Refunding Bonds, Series A of 2008 (Subseries A-3)
 - \$60,000,000 relating to the General Obligation Refunding Bonds, Series B of 2008 (Subseries B-1)
 - \$54,200,000 relating to the General Obligation Refunding Bonds, Series B of 2008 (Subseries B-2)
 - \$64,900,000 relating to the General Obligation Refunding Bonds, Series B of 2008 (Subseries B-3)
 - \$70,000,000 relating to the General Obligation Refunding Bonds, Series B of 2008 (Subseries B-4)
 - \$91,000,000 relating to the General Obligation Refunding Bonds, Series C of 2008 (Subseries C-1)
 - \$58,900,000 relating to the General Obligation Refunding Bonds, Series D of 2008 (Subseries D-1)
 - \$18,225,000 relating to the General Obligation Refunding Bonds, Series D of 2008 (Subseries D-2)
- (ii) *Terms, fair values and credit risk:* The terms, including the fair values and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2009 are as follows:

School District of Philadelphia

Related Bonds	Pays	Receives	Maturity Date	Initial Notional	Current Notional	Bank Counterparty	Moody's	S&P	Fitch	Total Value
Series 2003	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	5/15/2033	\$150,000,000	\$150,000,000	Wachovia Bank	Aa2	AA	AA	(\$12,559,614.08)
Series 2003	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	5/15/2033	\$350,000,000	\$350,000,000	JPMorgan Chase Bank, N.A.	Aa1	AA-	AA-	(\$29,305,766.19)
Series 2008 B-1	3.7670%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$60,000,000	\$60,000,000	Wachovia Bank	Aa2	AA	AA	(\$9,146,402.88)
Series 2008 B-2	3.7670%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$54,200,000	\$54,200,000	Wachovia Bank	Aa2	AA	AA	(\$8,261,971.78)
Series 2008 B-3	3.7670%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$64,900,000	\$64,900,000	Wachovia Bank	Aa2	AA	AA	(\$9,887,909.22)
Series 2008 A-1	3.8150%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$95,000,000	\$95,000,000	Morgan Stanley Capital Services Inc.	A2	A	A	(\$15,075,058.62)
Series 2008 A-2	3.7610%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$78,475,000	\$78,475,000	Goldman Sachs Capital Markets, L.P.	Aa3	A	A+	(\$11,879,283.49)
Series 2008 D-1	3.6838%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$59,025,000	\$58,900,000	Goldman Sachs Capital Markets, L.P.	Aa3	A	A+	(\$5,466,917.65)
Series 2008 C-1	3.7350%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$91,000,000	\$91,000,000	Morgan Stanley Capital Services Inc.	A2	A	A	(\$8,790,266.64)
Series 2008 A-3	3.6890%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$80,000,000	\$80,000,000	Goldman Sachs Capital Markets, L.P.	Aa3	A	A+	(\$7,368,420.10)
Series 2008 B-4	3.6890%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$70,000,000	\$70,000,000	Goldman Sachs Capital Markets, L.P.	Aa3	A	A+	(\$6,446,422.57)
Series 2008 D-2	3.2400%	58.5% of USD-LIBOR + 0.27%	9/1/2011	\$38,475,000	\$18,225,000	Merrill Lynch Capital Services	A2	A	A+	(\$553,099.52)
										Total
										(\$124,741,132.74)

The swaps had a total negative fair value of (\$124.7 million) as of June 30, 2009. As of prior reporting period June 30, 2008 when the prevailing interest rates were higher, the swaps had a negative fair value of (\$65.2 million). The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

(iii) Discussion of Risks:

- Credit Risk** – In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. §8281) (the “Debt Act”), amended in September 2003, the School District adopted a written interest rate management plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The School District entered into the fixed-to-floating swaps with counterparties having at least one rating of “AA” or higher from Standard & Poor’s or “Aa” or higher from Moody’s at the time of execution. As of June 30, 2009, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk in the amount of the derivatives’ fair value. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty’s credit rating fall below the applicable thresholds.
- Basis Risk** - The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by the School District on a series of related variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty on the related swap. The School District bears basis risk on each of its fixed-to-floating swaps since the School District receives a percentage of LIBOR to offset the actual variable bond rate the School District pays on its bonds. The School District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the School District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

The basis risk on the basis swaps is the risk that benchmark tax-exempt interest rates paid by the School District on each basis swap differ from the variable swap rate received from the applicable counterparty on the related swap. The School District bears basis risk on each of its basis swaps since the School District receives a percentage of LIBOR and pays the tax-exempt benchmark SIFMA. The School District is exposed to basis risk should the floating rate that it receives on a swap plus the spread is less than SIFMA the School District pays on the swaps. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the basis swap may not be realized.

- Termination Risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate; if a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

(c) General Obligation Bonds and Refunding Bonds

- (i) *General Obligation Bonds:* On November 20, 2008, the School District issued the Series E of 2008 fixed rate general obligation bonds in the aggregate amount of \$282.4 million for the Capital Improvement Program. Bond proceeds of \$5.5 million were utilized for insurance, underwriting fees, and other bond issuance costs.

(ii) *Refunding Bonds:*

- (a) The School District elected to refund its 2003 Series A Bonds that represented a Loan Agreement between the School District and the Dauphin County General Authority (Authority) dated as of August 12, 2003. The 2003 Bonds were variable rate bonds that reset weekly. The School District elected to refund these bonds due to a downgrade to the insurer of these bonds which caused interest costs to rise.

On November 20, 2008, the School District in addition to the Series E Bonds described above, issued the Series F of 2008 fixed rate general obligation bonds (GOB) in the aggregate amount of \$114.2 million for the repayment of the 2003 loan made to the School District by the Authority (GOB Series A of 2003). The par value of \$114.2 million for the refunding bonds was offset by a net discount of \$976,853.

The net proceeds of \$113.2 million was: (a) deposited into an escrow account with the Escrow Agent who purchased a Repurchase Agreement for \$108.9 million which was used to retire all of the 2003A Bonds; and (b) used to pay \$3.6 million for underwriting fees, insurance and other issuance costs with any excess refunding proceeds returned to the School District.

The 2003 Series A Bonds were defeased and the liability for those bonds were removed from the District-Wide Statement of Net Assets.

- (b) The School District elected to refund its 2004 Series A Bonds that represented a Loan Agreement between the School District and the Dauphin County General Authority (Authority) dated as of June 29, 2004. The credit facility provider notified the Authority of its unwillingness to renew the letter of credit. Without such credit enhancement the bonds would not be remarketed and convert to bank bonds payable at a rate of 12%. Therefore, prior to the expiration of the letter of credit, the School District determined that it would be beneficial to refund these bonds.

On May 28, 2009, the School District issued three bond series - 2009A, 2009B, and 2009C in the aggregate amount of \$99.9 million for the repayment of the 2004 loan made to the School District by the Authority (GOB Series A of 2004). The par value of \$99.9 million for the refunding bonds was offset by a net premium of \$1.7 million.

The net financing of \$100.6 million was: (a) deposited into an escrow account with the Escrow Agent who purchased U.S. government securities of \$100.5 million which was used to retire all of the 2004A Bonds; and (b) used to pay \$1.5 million for underwriting fees, insurance and other issuance costs with the balance being returned to the School District as excess refunding proceeds.

The 2004 Series A Bonds were defeased and the liability for those bonds were removed from the District-Wide Statement of Net Assets.

- (c) For accounting purposes, these advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 2.7 million. This difference is being amortized through the operations in the District-wide statements until the year 2027.
 - (d) An analysis was completed to determine the cash flow difference between the old debt and new debt. This analysis indicates a cash flow of \$21.5 million more over the life of the issue than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$6.0 million to the School District.
- (iii) *Defeasements:* As in prior years the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. As such, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. As of June 30, 2009, \$1.2 billion of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.

In addition, the QZAB bond Series 2004E of \$19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places \$1.4 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt. As of June 30, 2009, \$5.5 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZAB bond Series 2007C and 2007D of \$13.5 million and \$28.2 million, respectively, were issued December 28, 2007 and due December 28, 2022 are considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places in trust with its fiscal agent a portion of the debt service requirements each year. These amounts are invested and are to be used solely for satisfying scheduled payments of the defeased debt. As of June 30, 2009, \$905,666.67 is considered partially defeased in substance for accounting and financial reporting purposes.

(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 like deficit financing bonds. As of June 30, 2009, the non-electoral and lease rental borrowing capacity (debt limit) for the School District was \$1,771.2 million.

(e) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. Rebate-able arbitrage earnings occur when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceeds the bond yield paid to investors. As of June 30, 2009, the arbitrage rebate calculation indicates a liability in 2011 (based on current market conditions which could change when actually due and payable) totaling \$4,285,993 for the Capital Projects Fund. The School District has reserved this amount under the fund balance of the Capital Projects Fund. In addition, a contingent liability has been accounted for in the governmental activities column of the government-wide statement of net assets.

(3) Leases

Operating Leases

The School District is committed under various leases for building, office space and equipment. These leases are considered operating leases for accounting purposes. Lease expenditures for the fiscal year ended June 30, 2009 amounted to \$9,551,141. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2010	\$ 7.5
2011	4.1
2012	3.0
2013	2.4
2014	2.4
2015-17	5.1
Total	<u>\$ 24.5</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 note 1. D (10), Compensated Absences, for the School District's leave policies.

(5) Early/Voluntary Retirement Incentive

In 2004, the School District provided an early retirement incentive for eligible employees who retired before June 30, 2004. A total of 348 personnel took advantage of the program. Consequently, the School District is to pay out \$25,000 per retiree over 5 years for a total cost of \$8.7 million. As of June 30, 2009, the remaining liability totaled \$207,500.

In 2006, the School District provided a voluntary retirement incentive for certain eligible employees who retired by July 31, 2006. A total of 17 personnel took advantage of the plan. The School District is to pay out \$12,500 per retiree over 5 years for a total cost of \$212,500. As of June 30, 2009, the remaining liability totaled \$42,500.

(6) Severance Payable

Pursuant to collective bargaining agreements with the Philadelphia Federation of Teachers and the Commonwealth Association of School Administrators, ten (10) month salary schedules were extended over twelve (12) months beginning September 1, 1982. This effectively reduced the salary payments to affected employees by approximately 17% for the year ended June 30, 1983 and created a severance liability to each employee that will be paid upon termination or retirement. Estimated severance payable based on current salaries at June 30, 2009 was \$167.8 million. July and August 2009 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2010 appropriations.

(7) Due to Other Governments

Deferred Reimbursement – The School District of Philadelphia owes the Commonwealth \$56.0 million. Of that amount, the Commonwealth 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 at least through Fiscal Year 2010. Of the \$16.7 million incurred during Fiscal Year 2008, \$10.7 million was still outstanding at June 30, 2009 and has been deferred by the Commonwealth for reimbursement over a two year remaining period of Fiscal Year 2010 and Fiscal Year 2011.

(8) Other Liabilities

Other liabilities consist of \$131.8 million for Workers' Compensation, \$6.0 million for Unemployment Compensation Claims and \$6.2 million for Claims & Judgments.

The School District's various funds are charged for their portion of salary related liabilities, claims and judgments. These liabilities are then liquidated by the General Fund. While repayment of the Federal Asbestos Loan is funded by the General Fund, payments are made from the Debt Service Fund.

E. Interfund Receivables, Payables and Transfers

- (1) The composition of Interfund balances as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 10,811,403
General Fund	Internal Service Fund	38,081
	Total	<u>\$ 10,849,484</u>

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 balances of \$10,811,403 under the Enterprise Fund and \$38,081 under the Internal Service Fund were reclassified as a liability on the District-wide financial statements. The balance due from the Enterprise Fund is not scheduled to be collected in fiscal year 2010.

- (2) Interfund transfers at June 30, 2009 were as follows:

<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	
General	\$ -	\$ 3,081,478	\$ -	\$ -	\$ 3,081,478
Intermediate Unit	191,567,307	-	-	-	191,567,307
Categorical	4,534,680	-	-	-	4,534,680
Debt Service	185,485,574	-	5,482,655	217,067	191,185,296
Enterprise	1,500,000	-	-	-	1,500,000
Capital	10,000,000	-	-	-	10,000,000
Total	<u>\$ 393,087,561</u>	<u>\$ 3,081,478</u>	<u>\$ 5,482,655</u>	<u>\$ 217,067</u>	<u>\$ 401,868,761</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 2009 allocations of cafeteria renovations; and, (c) to move General Fund revenues to the Capital Projects Fund as a transfer to cover replacement of business systems in accordance with the strategic plan.

F. Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2009 are summarized as follows:

New Construction and Land	\$ 21,985,992
Environmental Management	141,178
Alterations and Improvements	57,088,836
Equipment Acquisition	3,895,578
Total	<u>\$ 83,111,584</u>

G. Affiliated Organizations

The Philadelphia Education Fund, Philadelphia Academies, Inc. (formerly *The Philadelphia High School Academies*), Foundations, Community Education Partners, Aspira, Inc., Cora Services, Elwyn, Inc., Philadelphia Youth Network, EducationWorks, International Education and Community Initiatives, Catapult Learning LLC and Philadelphia's Children First Fund are nonprofit corporations and are funded by grants, contributions and approximately \$57.7 million in contract revenue from the School District during Fiscal Year 2009. These organizations, in cooperation with the School District, administer various programs to enhance the education of School District students. These corporations are governed by independent boards which, in some instances, include representatives of the School District. Management of these organizations is not designated by the School District nor does the School District have the ability to significantly influence their operations. The School District, with the exception of a small start-up contribution to Philadelphia's Children First Fund, does not subsidize the operations of these corporations. In addition, the School District does not guarantee any of their debt service. These organizations are not considered component units of the School District because there is no accountability for fiscal matters to the School District.

H. Intermediate Unit

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

I. Litigation and Contingencies

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

- (1) ***Special Education and Civil Rights Claims*** – There are two-hundred sixty five (265) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$2.5 million.

Of those, two-hundred fifty-five (255) 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, two hundred forty (240) unfavorable outcomes are deemed probable and three (3) are considered reasonably possible, including attorney's fees, of approximately \$1.8 million and \$22,500, respectively.

There are six (6) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts, including attorney's fees, of less than \$0.1 million and \$0.1 million respectively.

There are four (4) suits in federal court by parents of special education students for reimbursement for attorney's fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately \$0.3 million and \$0.1 million respectively.

- (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 \$15.3 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. 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 probable or reasonably possible in the amounts of \$2.0 million and \$2.0 million, respectively, 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 \$2.1 million and \$2.5 million, respectively, arising from personal injury and property damage claims and lawsuits, as well as administrative claims.
- (3) **Education Audits** - The School District receives basic education subsidies from the Commonwealth based primarily on student enrollment. In July of 1995, the Pennsylvania Department of Education ("PDE") notified the School District that the results of an audit conducted by the Auditor General for the fiscal years ending in 1991, 1992 and 1993 indicated School District over-reporting of student enrollment in Fiscal Year 1991, the year established by the Commonwealth as the base for all subsidies through Fiscal Year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40.0 million through Fiscal Year 1999 and, subsequently, reduced by half to \$20.0 million based on additional reviews and documentation. On May 13, 1999, the School District of Philadelphia appealed the entire finding to the Secretary of Education. The matter remains pending.

As a result of a subsequent audit of school years 1994-95 through 1996-97, PDE claimed that an additional \$20.0 million during the audit period was due from the School District for alleged over-reporting of enrollment. The District denied the claim and produced documentation. Both matters remain pending. Though discussions with state representatives regarding relief from this potential liability are ongoing, no final determination of forgiveness has been made to date. However, there still remains a reasonably possible loss in this category in the total amount of \$40.0 million.

- (4) **Federal Audit** - The School District was recently the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from the NSF covering the period from July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning \$3,346,652 in federal funds expended under the awards. On April 14, 2009, the NSF OIG issued its decision to allow \$834,406 and disallow the remaining \$2,512,246. In the opinion of the General Counsel of the School District of Philadelphia unfavorable outcomes are deemed reasonably possible for \$757,296 of the total.
- (5) **Litigation by Outside Counsel:**

Lechelle Brown v. The School District of Philadelphia et al United States District Court for the Eastern District of Pennsylvania No 08-2787. This is a federal civil rights lawsuit filed by the late Rochelle Terry and her daughter, Lechelle Brown, a former special education student at Frankford High School, alleging that Lechelle Brown was sexually assaulted by five boys at Frankford High School on June 15, 2006. The five boys were arrested and adjudicated delinquent by Family Court. Plaintiffs have brought claims against former Frankford High School Principal Richard Mantel, the School District and the five perpetrators of the sexual assault and their parents.

Discovery was completed on June 8, 2009. The School District filed a motion for Summary Judgment which is under advisement. The School District has strong legal defenses. Despite the strong legal defenses, it is possible that the Court will deny summary judgment and allow a jury to decide the factual issues in dispute. If the School District's Motion for Summary Judgment is denied, in the opinion of the General Counsel of the School District unfavorable outcomes are deemed reasonably possible for \$150,000.

(6) **The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan**

Pursuant to resolutions of the School Reform Commission, the School District of Philadelphia implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan (collectively, the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who retire during or after the calendar year in which they attain age 55. Based on the advice of counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. No taxing authorities have challenged the tax treatment accorded these termination payments, and the School District has no reason to believe that any such challenge, if brought, would be successful. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. Furthermore, on June 30, 2008, the School District submitted an initial request for a Private Letter Ruling ("PLR") from the Internal Revenue Service to further confirm the School District's determination. The School District is seeking this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. Management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2009, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2009.

J. Other Post Employment Life Insurance Benefits

The schedule of funding progress presents the results of Other Postemployment Benefits (OPEB) valuations as of July 1, 2008 for the fiscal year ending June 30, 2008. Looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Actuarial Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL Percentage of Covered Payroll
6/30/08	\$ 0	\$13,862,000	\$13,862,000	0.0%	N/A	N/A

▪ Note: As of June 30, 2008, the plan is not funded and therefore there are no assets. Payroll is assumed to increase at an average rate of 4.00% per year. (N/A= not applicable- life insurance benefit is not based upon payroll)

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 was as follows:

School District of Philadelphia

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Paid</u>	<u>Net OPEB Obligation</u>
6/30/08	\$ 591,379	100.0 %	\$ 0
6/30/09	\$ 640,650	100.0 %	\$ 0

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the School District recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the School District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with 2008.

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 aged 62 with 10 years of service or 35 years of service regardless of age. Disabled employees' eligibility is determined by the insurance company providing the coverage. An unaudited copy of the 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. The number of eligible participants enrolled to receive such benefits as of June 30, 2008, the effective date of the biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

	<u>Number of Employees</u>	<u>Average Age</u>
Active		
Represented	14,661	47.1
Non-represented	1,071	49.9
Retirees	8,556	75.6
Disabled	<u>148</u>	<u>57.7</u>
Total	<u>24,436</u>	<u>57.2</u>

Annual OPEB Cost and Net OPEB Obligation: The School District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the Actuarial Accrued Liability, which under GASB Statement No. 45 may be amortized over no more than 30 years. The following table shows the elements of the District's annual OPEB cost for the year, the amount paid in behalf of the plan, and changes in the District's net OPEB obligation to the plan for the year ended June 30, 2009:

Annual required contribution	\$ 640,650
Interest on net OPEB obligation	0
Adjustment to annual require contribution	0
Annual OPEB cost (expense)	\$ 640,650
Payments made	640,650
Increase/(Decrease) in net OPEB obligation	\$ 0
Net OPEB obligation – beginning year	0
Net OPEB obligation – end of year	<u>\$ 0</u>

Basis of Accounting: As defined by GASB Statement No. 45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. The School District's policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement No. 45.

Funded Status and Funding Progress: As of June 30, 2008, the most recent (initial) actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability of \$13.9 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$13.9 million.

Active	\$ 3,316,000
Inactive	10,546,000
Total	<u>\$ 13,862,000</u>

Actuarial Methods and Assumptions: The actuarial assumptions used in the June 30, 2008 OPEB actuarial valuations are those specific to the OPEB valuations.

- Investment return (discount rate) not fully funded: 4.00%.
- Mortality for healthy and disabled participants: The Uninsured Pensioner 1994 Mortality Table (UP94) projected for 10 years, with an age set back one year for males and females.
- Payroll increases: Payroll is assumed to increase at an average rate of 4.00% per year.
- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first five years of service withdrawal rates were assumed as follows:

Service	Rate
Less One Year	24.49%
1 - 2	25.23%
2 - 3	16.54%
3 - 4	14.07%
4 - 5	10.88%

- Disability incidence: See table of sample rates.

- Retirement age: After five years of service, the following retirement rates are used:

<u>Age</u>	<u>Rate of Retirement</u>
55	11.31%
56	13.41%
57	17.98%
58	19.52%
59	20.73%
60	29.37%
61	32.59%
62	30.28%
63	20.56%
64	18.43%
65	33.22%
66	19.27%
67	19.55%
68	18.91%
69	17.03%
70+	100.00%

- Accelerated death benefit: This benefit was assumed as an immaterial value.
- Table of Sample Rates:

<u>Attained Age</u>	<u>Withdrawal</u>	<u>Percentage Disability Incidence</u>	
		<u>Male</u>	<u>Female</u>
25	24.75%	0.016%	0.027%
30	18.01%	0.016%	0.027%
35	10.98%	0.067%	0.053%
40	7.91%	0.120%	0.087%
45	6.71%	0.120%	0.120%
50	4.03%	0.187%	0.167%
55	3.81%	0.287%	0.320%
60	6.40%	0.387%	0.320%
65	13.63%	0.067%	0.107%

K. Pension Plan

(1) Plan Description

The School District contributes to the Public School Employees' Retirement System ("PSERS"), a state governmental cost-sharing multiple-employer defined benefit pension plan. The plan, as administered by PSERS, provides retirement and disability benefits, legislative mandated *ad hoc* cost-of-living adjustments and healthcare insurance premium assistance to qualifying annuitants. Act No. 96, amended on October 2, 1975 (24 Pa. C. S. 8101-8535), assigns the authority to establish and amend benefit provisions to the Public School Employees' Retirement Code. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm

(2) Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

(3) Contribution Rates

Most active members contribute at 5.25 percent (Membership Class TC) or 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members joining the system on or after July 22, 1983, and who were active employees as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined after June 30, 2001 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Contributions required of employers are based upon an actuarial valuation. For Fiscal Year ended June 30, 2009, the rate of employer contribution was 4.76 percent of qualifying compensation. The 4.76 percent rate consists of a pension contribution rate of 4.00 percent for pension benefits and .76 percent for health insurance premium assistance. The School District's contributions to PSERS for the Fiscal Years ending 2007, 2008 and 2009 were \$69,277,635, \$78,228,400 and \$58,363,522 respectively, and were equal to the required contributions for each year.

L. Desegregation

Following several decades of proceedings in an action initiated by the Pennsylvania Human Relations Commission ("PHRC") to end historical de facto racial segregation in the School District, the PHRC and the School District (along with an intervener in the proceedings) entered into a Memorandum of Understanding ("MOU") in February of 2004. The MOU was approved by Order of the Commonwealth Court in March of 2004, resulting in a stay of judicial proceedings for an initial period of three years while requiring the School District to submit annual reports to the PHRC. The MOU additionally requires the PHRC to provide feedback to the School District and includes a multi-level dispute resolution process by which the parties may seek to address disagreements, if any, remaining at the end of the initial period of the MOU before returning to Court. (The MOU further preserves the legal positions of the parties in the event the MOU does not result in a final resolution of this case and the stay is lifted).

The School District submitted annual status reports to the PHRC in December 2004, 2005 and 2006. The PHRC provided its most recent annual response to the School District's December 2006 status report during the Summer of 2007. The PHRC, in its evaluation submitted on March 19, 2008, concluded that the School District is not in substantial compliance with the law.

M. 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, and Weekly Indemnity (salary continuation during employee illness). Employee medical benefits are covered by various insurance plans dependent upon applicable collective bargaining agreements.

The School District maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses between \$5.0 million and \$250.0 million. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

The School District reported the long-term portion of its risk management obligations totaling \$144.1 million in the district-wide Statement of Net Assets. 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 to the amount the loss can be reasonably estimated. Losses include an estimate of claims that were incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

At June 30, 2009, the amount of these liabilities totaled \$144.1 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 2008	\$ 142.2	\$ 38.3	\$ 40.4	\$ 140.1	\$ 29.0
Fiscal Year 2009	\$ 140.1	\$ 38.9	\$ 34.9	\$ 144.1	\$ 36.4

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 fiscal year for any risk category. The School District has not entered into any annuity contracts as part of claims settlements.

N. Prior Period Adjustments

District-wide net assets beginning balances were decreased by \$1,368,109. These adjustments involved correction for: overstated capital assets of \$395,319, overstated accumulated depreciation of \$37,832, understated bond issuance cost of \$7,866 and understated bond premiums of \$57,136,446 and understated deferred refunding charges of \$56,117,958 related to computation of debt defeasance costs.

O. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred after June 30, 2009, through January 22, 2010. During this period, the School District did not have any material subsequent events other than those described below.

(1) Tax and Revenue Anticipation Notes

For Fiscal Year 2010, the School District issued its annual tax and revenue anticipation notes in the aggregate principal amount of \$400.0 million (the "FY2010 Notes"). For the first time in five years, the School District issued the FY2010 Notes without any credit enhancement and without the benefit of an enacted Commonwealth budget.

(2) Federal Grants

The U.S. Department of Education Office of the Inspector General (OIG) conducted an audit from May, 2007 to May, 2009 of significant federal grants which the School District received for FY2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the School District responded to the draft audit findings in August, 2009, justifying the vast majority of the expenditures questioned. A final report was issued by the OIG on January 15, 2010. The final report questioned \$138.8 million of costs with \$121.1 million considered inadequately

supported with documentation and \$17.7 million considered unallowable costs. The matter is not resolved at this time as the OIG is not an enforcement or decision making authority within the U.S. Department of Education. There are several levels of resolution within the Department of Education -- the School District will be able to discuss the findings with the Department program officials, then request a hearing before an Administrative Law Judge. The final agency decision will be made by the Secretary of Education. The final agency decision can then be appealed to federal court. Therefore, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District

(3) Desegregation Litigation

The School District, PHRC and Aspira, an intervener, negotiated a final resolution, which requires the School District to use reasonable good faith efforts to implement its five-year strategic plan "Imagine 2014," subject to funding and changed circumstances, for five years, with reporting requirements. The agreement was approved by the School Reform Commission and then by the Commonwealth Court on July 13, 2009. The case was dismissed.

**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, 2009

General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes	\$ 791,866,000	\$ 782,090,000	\$ 778,409,673	\$ (3,680,327)
Locally Generated Non Tax	63,284,000	61,656,000	64,374,942	2,718,942
State Grants and Subsidies	1,301,822,000	1,289,260,000	1,289,178,333	(81,667)
Federal Grants and Subsidies	200,000	214,000	325,865	111,865
Total Revenues	2,157,172,000	2,133,220,000	2,132,288,813	(931,187)
OBLIGATIONS				
Current Operating				
Instruction	988,929,893	940,972,317	950,433,056	(9,460,739)
Student Support Services	28,840,293	29,097,143	27,504,467	1,592,676
Administrative Support	93,446,006	98,803,842	82,892,972	15,910,870
Operation & Maintenance of Plant Services	275,038,648	272,244,393	254,331,384	17,913,009
Pupil Transportation	72,548,595	70,566,210	73,738,397	(3,172,187)
All Other Support Services	(31,431,384)	8,852,326	(10,352,830)	19,205,156
Payments to Charter Schools	316,953,856	317,314,863	308,344,012	8,970,851
Allocated Costs	(14,131,626)	(13,963,071)	-	(13,963,071)
Total Obligations	1,730,194,281	1,723,888,023	1,686,891,458	36,996,565
Excess of Revenues Over (Under) Obligations	426,977,719	409,331,977	445,397,355	36,065,378
OTHER FINANCING SOURCES (USES)				
Transfers In	-	2,404,000	3,081,478	677,478
Transfers Out	(399,337,896)	(411,968,355)	(394,688,793)	17,279,562
Total Other Financing Sources (Uses)	(399,337,896)	(409,564,355)	(391,607,315)	17,957,040
Net Change in Fund Balances	27,639,823	(232,378)	53,790,040	54,022,418
Fund Balances, July 1, 2008	(97,311,370)	(73,622,000)	(43,403,906)	30,218,094
Change in Inventory Reserve	-	-	102,177	102,177
Change in Encumbrance Reserve	-	-	(814,454)	(814,454)
Fund Balances, June 30, 2009	\$ (69,671,547)	\$ (73,854,378)	\$ 9,673,857	\$ 83,528,235

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
672,000	453,000	667,568	214,568
84,376,000	83,409,000	80,529,809	(2,879,191)
-	-	-	-
85,048,000	83,862,000	81,197,377	(2,664,623)
212,738,595	210,851,303	195,252,705	15,598,598
71,355,803	71,599,291	68,493,287	3,106,004
1,043,943	1,039,002	999,000	40,002
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,763,359	9,594,804	9,620,924	(26,120)
294,901,700	293,084,400	274,365,916	18,718,484
(209,853,700)	(209,222,400)	(193,168,539)	16,053,861
209,853,700	209,222,400	193,168,539	(16,053,861)
-	-	-	-
209,853,700	209,222,400	193,168,539	(16,053,861)
-	-	-	-
209,853,700	209,222,400	2,637,845	(206,584,555)
-	-	-	-
-	-	(254,528)	(254,528)
\$ 209,853,700	\$ 209,222,400	\$ 2,383,317	\$ (206,839,083)

Refer to notes to the required supplementary information

SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

1. BASIS OF BUDGETING

The comparative schedules prepared on the basis of budgeting differ from the Generally Accepted Accounting Principles (modified accrual) basis statements in that both expenditures and encumbrances are applied against the current budget and adjustments affecting activity budgeted in prior years are accounted for as a reduction of expenditures.

2. RECONCILIATION BETWEEN THE BASIS OF BUDGETING AND GAAP

Statements prepared on a GAAP basis can be reconciled to those prepared on the basis of budgeting as follows:

	(Dollars in Thousands)	
	General Fund	Intermediate Unit Fund
Revenue – Basis of Budgeting	\$ 2,132,289	\$ 81,197
Revenue - GAAP Basis	\$ 2,132,289	\$ 81,197
Obligations – Basis of Budgeting	\$ 1,686,891	\$ 274,366
Current Year Encumbrances	(13,654)	(1,570)
Prior Year Encumbrance Payments	3,114	223
Prior Year Encumbrance Cancellations and Other Adjustments	12,956	
Expenditures - GAAP Basis	\$ 1,689,307	\$ 273,019
Other Financing Sources (Uses) - Basis of Budgeting	\$ (391,607)	\$ 193,169
Prior Year Encumbrance Cancellations	1,601	(1,602)
Other Financing Sources (Uses) - GAAP Basis	\$ (390,006)	\$ 191,567

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2009:

A. General Fund

(1). Instruction	\$ 9,460,739
(2). Pupil Transportation	3,172,187
(3). Allocated Costs	13,963,071

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$9,460,739 in “Instruction” reflected greater than anticipated full-time salary and benefit expenditures in school budgets and in per diem substitute services; the total variance is less than one percent of total expenditures in the Instruction budgetary unit.

The negative variance of \$3,172,187 in “Pupil Transportation” resulted from expenditures that were \$2.1 million greater than anticipated for vehicular rental, student tokens and student transfers, and from a shift of expenditures from the General Fund to the Intermediate Unit for transporting special education students that was \$1.4 million less than budgeted; this last variance was more than offset by I.U. special education transportation costs being \$2.2 million below the final budgeted amount.

The negative variance of \$13,963,071 in Allocated Costs results from the required distribution of actual expenditures across Agencies in the Administrative Support and Operation and Maintenance of Plant Services categories. These actual expenditures represent costs allocated to the Intermediate Unit and to Categorical Funds reflecting administrative, operational and indirect support costs which are all originally expensed to the General Fund. The final FY10 Budget will be amended to distribute the budget for Allocated Costs using the same distribution methodology; the variance in FY10 will be much smaller.

4. ALLOCATED COSTS

Allocated costs represent the School District’s distribution of certain expenditures incurred by the General Fund on behalf of the Intermediate Unit and Categorical Funds. The costs are initially recorded in the General Fund and are subsequently transferred to the appropriate fund. The costs include, but are not limited to, managerial and staff support functions in the following areas: Accountability and Assessment, Health Services, Facilities Management Services, Human Resources, Information Technology, Security Operations, Curriculum Support, Transportation, Accounting Services, Payroll, Budget, Treasury Operations, etc.

In the General Fund allocated costs under All Other Support Services cost center are budgeted with a credit balance due to Intermediate Unit operations and allocated costs attributable to other funds and other adjustments. The original and final budget, for the credit balance, was \$ 14,131,626 and \$ 13,963,071, respectively.

Determination of allocated costs for Special Education Transportation is based on the number of special education routes and students, drivers employed, miles driven, and other factors. Since the total cost of all transportation is accumulated in the General Fund, subsequent analysis determines the amount to be charged to Special Education IU Transportation.

5. *OTHER*

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

OTHER SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue funds include Trust Funds for which both principal and earnings may be used to support School District programs that benefit either the School District or its students.

For external reporting purposes the School District reports one Non-Major Special Revenue Trust Fund. However, at June 30, 2009 there were forty-four individual Special Revenue Trust Funds administered by the School District.

Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support School District programs that benefit the School District or its students.

For external reporting purposes the School District reports one Permanent Fund. However, at June 30, 2009 there were eighty-seven Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,178,048	\$ 2,110,773	\$ 6,288,821
Total Assets	<u>\$ 4,178,048</u>	<u>\$ 2,110,773</u>	<u>\$ 6,288,821</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 23,468	\$ 14,659	\$ 38,127
Fund Balance:			
Reserved for:			
Encumbrances	19,983	200	20,183
Trust Fund Principal	1,301,225	1,290,939	2,592,164
Unreserved			
Designated For Trust Purposes	2,833,372	804,975	3,638,347
Total Fund Balances	<u>4,154,580</u>	<u>2,096,114</u>	<u>6,250,694</u>
Total Liabilities and Fund Balances	<u>\$ 4,178,048</u>	<u>\$ 2,110,773</u>	<u>\$ 6,288,821</u>

School District of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 83,812	\$ 26,957	\$ 110,769
EXPENDITURES			
Instruction	46,517	22,597	69,114
Excess (Deficiency) of Revenues Over Expenditures	37,295	4,360	41,655
Fund Balances, July 1, 2008	4,117,285	2,091,754	6,209,039
Fund Balances, June 30, 2009	\$ 4,154,580	\$ 2,096,114	\$ 6,250,694

Governmental Funds

Governmental funds are the funds through which costs of School District functions are typically financed.

The funds included in this category are:

- General Fund - The principal operating fund of the School District; accounts for all financial resources except those required to be in another fund.
- Intermediate Unit Fund – used to account for State appropriations for special education and non-public programs as well as certain administrative costs.
- Debt Service Fund - used to account for the accumulation of resources for the payment of debt service and bond issuance costs.
- Capital Projects Fund - used to account for financial resources used for capital asset acquisition, construction, and improvement.

School District of Philadelphia
Schedule of Detailed Budgetary and Actual Revenues
General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 563,037,000	\$ 556,170,000	\$ 548,166,501	\$ (8,003,499)
Prior Years	51,480,000	57,960,000	50,662,332	(7,297,668)
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	109,600,000	105,800,000	112,265,689	6,465,689
School (Non-Business) Income	24,500,000	20,500,000	25,334,694	4,834,694
Liquor Sales	42,200,000	40,700,000	41,015,884	315,884
Public Utility Realty	1,049,000	960,000	959,954	(46)
Total Local Taxes	791,866,000	782,090,000	778,409,673	(3,680,327)
Locally Generated Non Tax				
Interest on Investments	5,891,000	2,773,000	1,548,105	(1,224,895)
City Contributions	37,000,000	38,490,000	38,490,000	-
Legal Settlements	2,500,000	2,500,000	2,709,783	209,783
Stadium Agreements	3,000,000	3,000,000	3,000,000	-
Voluntary Contributions	319,000	319,000	148,248	(170,752)
Parking Authority Contributions	1,750,000	1,750,000	3,800,588	2,050,588
Reimbursement from Other Funds	7,224,000	7,224,000	7,576,493	352,493
Miscellaneous	5,600,000	5,600,000	7,101,725	1,501,725
Total Locally Generated Non Tax	63,284,000	61,656,000	64,374,942	2,718,942
Other Governments				
State Grants and Subsidies				
Gross Instruction	966,970,000	932,594,000	932,628,910	34,910
Less: Reimbursement of Prior Years IU Advances	44,339,000	45,091,000	44,168,570	(922,430)
Net Instruction	922,631,000	887,503,000	888,460,340	957,340
Debt Service	13,937,000	15,302,000	11,768,833	(3,533,167)
School Health Program				
Nurse Services	1,542,000	1,410,000	1,398,110	(11,890)
Medical and Dental	2,643,000	2,416,000	2,416,404	404
Tuition	551,000	333,000	359,714	26,714
Area Vocational Technical Education	9,424,000	10,601,000	10,587,915	(13,085)
Transportation	42,463,000	49,245,000	48,783,670	(461,330)
District Special Education	128,623,000	126,903,000	126,876,634	(26,366)
Alternative Education	16,507,000	16,489,000	15,935,373	(553,627)
Charter Schools	89,871,000	119,129,000	119,528,276	399,276
Miscellaneous State Subsidies	76,000	77,000	77,337	337
Retirement	34,948,000	22,957,000	24,383,393	1,426,393
Social Security	38,606,000	36,895,000	38,602,334	1,707,334
Total State Grants and Subsidies	1,301,822,000	1,289,260,000	1,289,178,333	(81,667)
Federal Grants and Subsidies				
Impacted Area Aid	200,000	214,000	325,865	111,865
Total Federal Grants and Subsidies	200,000	214,000	325,865	111,865
Total Other Governments	1,302,022,000	1,289,474,000	1,289,504,198	30,198
Total Revenues	\$ 2,157,172,000	\$ 2,133,220,000	\$ 2,132,288,813	\$ (931,187)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 112,297	\$ 89,549	\$ 122,093	\$ (32,544)
Employee Benefits	38,288	31,361	43,707	(12,346)
Prof.,Tech. Services	57,475	52,975	52,975	-
Property,Transportation,Comm.	14,803	22,300	11,049	11,251
Materials, Supplies, Books and Equipment	21,966	21,145	24,625	(3,480)
	244,829	217,330	254,449	(37,119)
Elementary Education				
Personal Services	289,232,230	276,459,953	287,635,808	(11,175,855)
Employee Benefits	130,209,059	117,329,458	121,250,500	(3,921,042)
Prof.,Tech. Services	1,643,696	1,978,213	1,127,079	851,134
Property,Transportation,Comm.	171,920	276,839	474,834	(197,995)
Materials, Supplies, Books and Equipment	11,483,341	10,296,551	9,204,604	1,091,947
Other	(2,495,881)	7,329,271	-	7,329,271
	430,244,365	413,670,285	419,692,825	(6,022,540)
Middle School Education				
Personal Services	67,767,506	66,190,269	68,373,729	(2,183,460)
Employee Benefits	30,350,455	27,393,502	28,501,777	(1,108,275)
Prof.,Tech. Services	171,960	114,498	126,401	(11,903)
Property,Transportation,Comm.	133,380	176,313	257,415	(81,102)
Materials, Supplies, Books and Equipment	2,823,730	2,685,677	2,455,793	229,884
Other	-	-	250	(250)
	101,247,031	96,560,259	99,715,365	(3,155,106)
Senior High School Education				
Personal Services	160,248,381	149,296,682	153,538,530	(4,241,848)
Employee Benefits	70,134,558	61,858,329	62,439,210	(580,881)
Prof.,Tech. Services	1,581,652	2,145,852	1,998,183	147,669
Property,Transportation,Comm.	1,467,069	1,439,955	1,988,631	(548,676)
Materials, Supplies, Books and Equipment	7,277,708	7,360,597	6,288,278	1,072,319
Other	5,015,824	-	-	-
	245,725,192	222,101,415	226,252,832	(4,151,417)
Special Education				
Personal Services	10,746,653	10,789,843	5,009,201	5,780,642
Employee Benefits	4,463,877	4,027,946	2,063,846	1,964,100
Materials, Supplies, Books and Equipment	-	118,047	6,192	111,855
	15,210,530	14,935,836	7,079,239	7,856,597

(Continued on pages 100 through 105)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 29,323,371	\$ 30,316,467	\$ 30,571,487	\$ (255,020)
Employee Benefits	12,778,948	12,446,006	12,766,425	(320,419)
Prof.,Tech. Services	422,122	465,122	330,511	134,611
Property,Transportation,Comm.	342,700	294,565	327,974	(33,409)
Materials, Supplies, Books and Equipment	1,483,233	1,524,709	1,405,217	119,492
	44,350,374	45,046,869	45,401,614	(354,745)
Desegregation				
Personal Services	6,588,219	6,210,739	5,909,456	301,283
Employee Benefits	2,948,698	2,407,027	2,586,904	(179,877)
Prof.,Tech. Services	185,463	55,930	55,930	-
Property,Transportation,Comm.	-	40	29,195	(29,155)
Materials, Supplies, Books and Equipment	2,283,995	2,114,032	1,623,254	490,778
	12,006,375	10,787,768	10,204,739	583,029
School Support Services				
Personal Services	12,873,665	12,870,207	19,041,115	(6,170,908)
Employee Benefits	2,884,847	2,621,006	2,758,619	(137,613)
Prof.,Tech. Services	1,205,300	1,219,614	1,219,564	50
Property,Transportation,Comm.	1,800	1,800	1,936	(136)
Materials, Supplies, Books and Equipment	2,837,891	3,550,093	2,004,709	1,545,384
	19,803,503	20,262,720	25,025,943	(4,763,223)
Payment to Other Educational Entities				
Prof.,Tech. Services	52,144,095	51,378,895	51,348,033	30,862
Property,Transportation,Comm.	57,033,005	57,033,005	58,303,002	(1,269,997)
	109,177,100	108,411,900	109,651,035	(1,239,135)
Adult Education				
Personal Services	57,892	57,892	43,879	14,013
Employee Benefits	12,783	11,607	6,605	5,002
Prof.,Tech. Services	23,000	3,500	-	3,500
Property,Transportation,Comm.	6,792	6,792	5,876	916
Materials, Supplies, Books and Equipment	6,830	26,330	26,186	144
	107,297	106,121	82,546	23,575
Partnership Schools				
Personal Services	-	338,549	294,931	43,618
Employee Benefits	-	94,796	92,830	1,966
Prof.,Tech. Services	10,813,297	8,414,302	6,671,000	1,743,302
Materials, Supplies, Books and Equipment	-	24,167	13,708	10,459
	10,813,297	8,871,814	7,072,469	1,799,345
Total Instruction	988,929,893	940,972,317	950,433,056	(9,460,739)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 19,342,309	\$ 19,675,506	\$ 18,719,942	\$ 955,564
Employee Benefits	8,330,537	7,831,095	7,723,170	107,925
Prof.,Tech. Services	325,000	325,000	115,000	210,000
Property,Transportation,Comm.	80,446	80,446	31,742	48,704
Materials, Supplies, Books and Equipment	191,997	191,997	123,468	68,529
	28,270,289	28,104,044	26,713,322	1,390,722
Office of Specialized Services				
Personal Services	293,056	624,056	473,018	151,038
Employee Benefits	107,236	214,769	174,919	39,850
Prof.,Tech. Services	134,700	129,200	129,200	-
Property,Transportation,Comm.	18,920	11,134	4,015	7,119
Materials, Supplies, Books and Equipment	16,092	13,940	9,993	3,947
	570,004	993,099	791,145	201,954
Total Student Support Services	28,840,293	29,097,143	27,504,467	1,592,676
Administrative Support				
Regional Offices				
Personal Services	4,463,160	5,066,234	4,906,061	160,173
Employee Benefits	1,722,579	1,715,461	1,653,363	62,098
Prof.,Tech. Services	41,250	21,440	16,030	5,410
Property,Transportation,Comm.	114,340	127,253	79,729	47,524
Materials, Supplies, Books and Equipment	291,357	440,059	370,476	69,583
Other	392,960	-	(316,413)	316,413
	7,025,646	7,370,447	6,709,246	661,201
Financial Services				
Personal Services	5,903,985	5,422,225	5,240,050	182,175
Employee Benefits	2,487,045	2,107,738	1,974,873	132,865
Prof.,Tech. Services	1,422,883	1,642,883	1,662,847	(19,964)
Property,Transportation,Comm.	124,792	121,392	89,462	31,930
Materials, Supplies, Books and Equipment	130,329	130,329	60,247	70,082
Other	6,647	6,647	(406,092)	412,739
	10,075,681	9,431,214	8,621,387	809,827
Office of the Chief Business Officer				
Personal Services	-	1,194,305	904,367	289,938
Employee Benefits	-	360,993	267,647	93,346
Prof.,Tech. Services	-	25,589	-	25,589
Property,Transportation,Comm.	-	100	216	(116)
Materials, Supplies, Books and Equipment	-	1,775	-	1,775
	-	1,582,762	1,172,230	410,532
Office of Procurement Services				
Personal Services	1,245,908	1,235,771	1,043,937	191,834
Employee Benefits	542,392	494,406	420,256	74,150
Prof.,Tech. Services	41,484	47,802	(22,296)	70,098
Property,Transportation,Comm.	24,419	18,419	7,694	10,725
Materials, Supplies, Books and Equipment	21,144	13,144	11,974	1,170
Other	-	-	(63,097)	63,097
	1,875,347	1,809,542	1,398,468	411,074

(Continued on pages 102 through 105)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 5,082,550	\$ 5,204,710	\$ 4,749,835	\$ 454,875
Employee Benefits	2,212,599	1,999,268	1,839,902	159,366
Prof.,Tech. Services	299,238	237,920	215,090	22,830
Property,Transportation,Comm.	162,862	130,928	133,358	(2,430)
Materials, Supplies, Books and Equipment	176,364	142,969	110,223	32,746
Other	2,295,000	1,593,490	1,027,650	565,840
	10,228,613	9,309,285	8,076,058	1,233,227
Information Technology				
Personal Services	6,140,155	5,878,043	5,670,236	207,807
Employee Benefits	2,465,609	2,121,578	2,180,725	(59,147)
Prof.,Tech. Services	5,578,000	5,554,043	5,548,485	5,558
Property,Transportation,Comm.	2,011,509	2,008,311	1,977,828	30,483
Materials, Supplies, Books and Equipment	2,465,509	2,468,892	2,466,848	2,044
Other	(3,500,000)	(3,453,885)	(4,090,426)	636,541
	15,160,782	14,576,982	13,753,696	823,286
Municipal Services				
Personal Services	3,417,710	3,152,725	2,673,415	479,310
Employee Benefits	2,075,954	1,604,402	1,427,203	177,199
Prof.,Tech. Services	(1,100)	(1,100)	(2,000)	900
Property,Transportation,Comm.	2,152	2,152	2,467	(315)
Other	-	-	(184,700)	184,700
	5,494,716	4,758,179	3,916,385	841,794
Alternative Education				
Personal Services	-	1,015,873	1,018,616	(2,743)
Employee Benefits	-	429,986	391,068	38,918
Property,Transportation,Comm.	-	-	62	(62)
Materials, Supplies, Books and Equipment	-	15,344	-	15,344
	-	1,461,203	1,409,746	51,457
Accountability, Assessment & Intervention				
Personal Services	1,895,730	2,108,258	1,640,201	468,057
Employee Benefits	723,316	748,111	529,755	218,356
Prof.,Tech. Services	807,053	548,958	475,419	73,539
Property,Transportation,Comm.	105,209	104,409	34,635	69,774
Materials, Supplies, Books and Equipment	166,977	145,566	78,650	66,916
Other	(80,000)	(58,906)	(124,241)	65,335
	3,618,285	3,596,396	2,634,419	961,977
Office of School Management				
Personal Services	4,199,437	8,172,828	6,445,054	1,727,774
Employee Benefits	1,562,497	3,423,269	2,769,679	653,590
Prof.,Tech. Services	69,600	107,200	42,530	64,670
Property,Transportation,Comm.	193,088	224,798	137,494	87,304
Materials, Supplies, Books and Equipment	110,015	153,457	128,639	24,818
Other	187	187	(386,209)	386,396
	6,134,824	12,081,739	9,137,187	2,944,552

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Office of Secondary Education				
Personal Services	\$ 1,085,757	\$ 750,200	\$ 642,230	\$ 107,970
Employee Benefits	367,511	230,217	182,637	47,580
Prof.,Tech. Services	1,506,895	1,514,700	1,503,939	10,761
Property,Transportation,Comm.	93,143	111,093	81,029	30,064
Materials, Supplies, Books and Equipment	242,360	210,954	68,597	142,357
Other	-	5,563	(99,576)	105,139
	<u>3,295,666</u>	<u>2,822,727</u>	<u>2,378,856</u>	<u>443,871</u>
Curriculum, Instruction & Professional Development				
Personal Services	5,862,833	3,940,637	3,601,200	339,437
Employee Benefits	2,170,959	1,483,911	1,247,613	236,298
Prof.,Tech. Services	1,766,076	1,839,976	1,826,003	13,973
Property,Transportation,Comm.	487,499	276,049	181,031	95,018
Materials, Supplies, Books and Equipment	703,735	853,927	542,099	311,828
Other	(552,372)	738,013	(205,823)	943,836
	<u>10,438,730</u>	<u>9,132,513</u>	<u>7,192,123</u>	<u>1,940,390</u>
Professional Growth Trust Fund				
Employee Benefits	762,100	764,150	773,890	(9,740)
Office of the Chief Operations Officer				
Personal Services	1,650,978	1,548,629	1,422,270	126,359
Employee Benefits	688,569	606,251	568,109	38,142
Prof.,Tech. Services	49,689	2,700	1,390	1,310
Property,Transportation,Comm.	197,593	189,863	178,858	11,005
Materials, Supplies, Books and Equipment	32,308	49,933	23,665	26,268
Other	-	-	(98,824)	98,824
	<u>2,619,137</u>	<u>2,397,376</u>	<u>2,095,468</u>	<u>301,908</u>
Executive / Board Management				
Personal Services	7,038,337	7,470,033	6,420,892	1,049,141
Employee Benefits	2,825,040	2,623,672	2,217,601	406,071
Prof.,Tech. Services	4,263,142	3,947,776	3,047,556	900,220
Property,Transportation,Comm.	488,573	570,821	462,798	108,023
Materials, Supplies, Books and Equipment	259,949	278,513	222,515	55,998
Other	4,304	-	(527,703)	527,703
	<u>14,879,345</u>	<u>14,890,815</u>	<u>11,843,659</u>	<u>3,047,156</u>
Office of the Chief Academic Officer				
Personal Services	1,317,418	1,856,581	1,209,877	646,704
Employee Benefits	501,963	611,591	358,935	252,656
Prof.,Tech. Services	(127,685)	244,000	244,000	-
Property,Transportation,Comm.	36,694	31,400	20,123	11,277
Materials, Supplies, Books and Equipment	108,744	74,940	29,050	45,890
Other	-	-	(81,831)	81,831
	<u>1,837,134</u>	<u>2,818,512</u>	<u>1,780,154</u>	<u>1,038,358</u>
Total Administrative Support	<u>93,446,006</u>	<u>98,803,842</u>	<u>82,892,972</u>	<u>15,910,870</u>

(Continued on pages 104 through 105)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 79,495,278	\$ 79,098,204	\$ 76,414,554	\$ 2,683,650
Employee Benefits	42,820,062	39,374,068	38,623,889	750,179
Prof.,Tech. Services	15,975,999	17,284,611	16,599,084	685,527
Property,Transportation,Comm.	12,507,846	12,915,143	12,179,901	735,242
Materials, Supplies, Books and Equipment	8,595,236	9,384,318	9,357,895	26,423
Other	(3,490,000)	(3,500,000)	(6,521,964)	3,021,964
	<hr/>	<hr/>	<hr/>	<hr/>
	155,904,421	154,556,344	146,653,359	7,902,985
	<hr/>	<hr/>	<hr/>	<hr/>
Utilities				
Prof.,Tech. Services	575,000	611,000	611,000	-
Property,Transportation,Comm.	15,071,773	14,998,973	14,790,703	208,270
Materials, Supplies, Books and Equipment	64,215,801	64,179,801	61,511,365	2,668,436
Other	-	-	(3,578,692)	3,578,692
	<hr/>	<hr/>	<hr/>	<hr/>
	79,862,574	79,789,774	73,334,376	6,455,398
	<hr/>	<hr/>	<hr/>	<hr/>
Security Operations				
Personal Services	25,083,849	25,225,857	23,818,339	1,407,518
Employee Benefits	12,918,280	11,453,136	11,224,144	228,992
Prof.,Tech. Services	426,140	359,265	206,453	152,812
Property,Transportation,Comm.	239,823	216,456	74,135	142,321
Materials, Supplies, Books and Equipment	325,561	643,561	373,034	270,527
Other	278,000	-	(1,352,456)	1,352,456
	<hr/>	<hr/>	<hr/>	<hr/>
	39,271,653	37,898,275	34,343,649	3,554,626
	<hr/>	<hr/>	<hr/>	<hr/>
Total Oper. & Maint. of Plant Services	<hr/>	<hr/>	<hr/>	<hr/>
	275,038,648	272,244,393	254,331,384	17,913,009
	<hr/>	<hr/>	<hr/>	<hr/>
Pupil Transportation				
Personal Services	22,939,850	23,092,340	23,570,789	(478,449)
Employee Benefits	13,959,191	13,001,316	12,667,041	334,275
Prof.,Tech. Services	80,600	80,600	77,500	3,100
Property,Transportation,Comm.	68,877,888	68,980,888	71,574,595	(2,593,707)
Materials, Supplies, Books and Equipment	4,738,166	4,963,266	3,648,626	1,314,640
Other	(38,047,100)	(39,552,200)	(37,800,154)	(1,752,046)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Pupil Transportation	<hr/>	<hr/>	<hr/>	<hr/>
	72,548,595	70,566,210	73,738,397	(3,172,187)
	<hr/>	<hr/>	<hr/>	<hr/>
All Other Support Services				
Risk Management				
Personal Services	227,101	206,102	206,599	(497)
Employee Benefits	92,673	76,930	98,148	(21,218)
Property,Transportation,Comm.	2,026,029	2,111,439	1,886,573	224,866
Materials, Supplies, Books and Equipment	5,052	5,052	2,378	2,674
Losses and Judgments	6,300,000	7,389,584	5,373,234	2,016,350
	<hr/>	<hr/>	<hr/>	<hr/>
	8,650,855	9,789,107	7,566,932	2,222,175
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School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ -	\$ 70,000	\$ 68,500	\$ 1,500
Property,Transportation,Comm.	-	12,565	1,256	11,309
Interest	-	1,563,947	1,076,756	487,191
	-	1,646,512	1,146,512	500,000
Undistributed				
Personal Services	993,689	2,037,642	1,792,500	245,142
Employee Benefits	(78,967)	(2,510,332)	(8,157,462)	5,647,130
Prof.,Tech. Services	1,256,300	462,250	-	462,250
Property,Transportation,Comm.	425,000	-	-	-
Materials, Supplies, Books and Equipment	(5,851,980)	-	-	-
Other	(33,826,281)	427,147	206,937	220,210
Cancellation of Prior Years' Encumbrances	(3,000,000)	(3,000,000)	(12,908,249)	9,908,249
	(40,082,239)	(2,583,293)	(19,066,274)	16,482,981
Total All Other Support Services	(31,431,384)	8,852,326	(10,352,830)	19,205,156
Payments to Charter Schools				
Personal Services	197,762	481,055	324,562	156,493
Employee Benefits	72,081	151,695	87,846	63,849
Prof.,Tech. Services	5,100	100	-	100
Property,Transportation,Comm.	316,677,135	316,677,235	307,928,916	8,748,319
Materials, Supplies, Books and Equipment	1,778	4,778	2,688	2,090
	316,953,856	317,314,863	308,344,012	8,970,851
Allocated Costs	(14,131,626)	(13,963,071)	-	(13,963,071)
Total Obligations	1,730,194,281	1,723,888,023	1,686,891,458	36,996,565
OTHER FINANCING USES				
Local Share of Categorical Programs	7,915,196	7,955,036	4,534,680	3,420,356
Bond Issuance Expense/Asbestos Loan	-	-	919,313	(919,313)
Debt Service Fund	181,569,000	193,286,800	184,566,261	8,720,539
Special Education	209,853,700	209,222,400	193,168,539	16,053,861
Capital Projects	-	-	10,000,000	(10,000,000)
Enterprise Fund	-	1,504,119	1,500,000	4,119
Total Other Financing Uses	399,337,896	411,968,355	394,688,793	17,279,562
Total General Fund	<u>\$ 2,129,532,177</u>	<u>\$ 2,135,856,378</u>	<u>\$ 2,081,580,251</u>	<u>\$ 54,276,127</u>
Fund Totals - Object Classes				
Personal Services	\$ 774,827,066	\$ 757,077,964	\$ 763,448,773	\$ (6,370,809)
Employee Benefits	353,150,739	319,138,719	313,755,374	5,383,345
Prof.,Tech. Services	102,743,424	100,884,814	95,295,406	5,589,408
Property,Transportation,Comm.	479,138,202	479,172,876	473,258,532	5,914,344
Materials, Supplies, Books, and Equipment	105,165,188	112,087,863	102,194,996	9,892,867
Other	(73,998,712)	(36,464,673)	(54,603,364)	18,138,691
Interest on Temporary Borrowing	-	1,563,947	1,076,756	487,191
Losses and Judgments	6,300,000	7,389,584	5,373,234	2,016,350
Allocated Costs	(14,131,626)	(13,963,071)	-	(13,963,071)
Other Financing Uses	399,337,896	411,968,355	394,688,793	17,279,562
Cancellation of Prior Years' Encumbrances	(3,000,000)	(3,000,000)	(12,908,249)	9,908,249
Total General Fund	<u>\$ 2,129,532,177</u>	<u>\$ 2,135,856,378</u>	<u>\$ 2,081,580,251</u>	<u>\$ 54,276,127</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 166,000	\$ 81,000	\$ 77,057	\$ (3,943)
Non-Public School Programs	173,000	90,000	94,867	4,867
Tuition	333,000	282,000	495,644	213,644
Total Locally Generated Non Tax	672,000	453,000	667,568	214,568
State Grants and Subsidies				
Special Education Program	4,400,000	4,343,000	4,459,759	116,759
Special Education Transportation	50,075,000	51,034,000	48,887,096	(2,146,904)
Non-Public School Programs	16,553,000	16,582,000	16,582,487	487
Management Services Program	560,000	560,000	560,105	105
Social Security	6,613,000	6,713,000	6,866,248	153,248
Retirement	6,175,000	4,177,000	3,174,114	(1,002,886)
Total State Grants and Subsidies	84,376,000	83,409,000	80,529,809	(2,879,191)
Total Revenues	\$ 85,048,000	\$ 83,862,000	\$ 81,197,377	\$ (2,664,623)
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 124,305,488	\$ 125,427,266	\$ 116,236,123	\$ 9,191,143
Employee Benefits	57,399,949	53,663,519	50,406,102	3,257,417
Prof.,Tech. Services	13,840,526	11,920,762	7,425,417	4,495,345
Property,Transportation,Comm.	155,470	130,505	136,338	(5,833)
Materials, Supplies, Books and Equipment	4,784,251	5,610,262	3,212,402	2,397,860
Other	(3,291,787)	(1,565,205)	2,171,662	(3,736,867)
Total Special Education	197,193,897	195,187,109	179,588,044	15,599,065
Services to Non-Public School Students				
Personal Services	72,472	77,943	76,441	1,502
Employee Benefits	30,113	29,138	35,922	(6,784)
Prof.,Tech. Services	15,440,413	15,555,413	15,552,031	3,382
Property,Transportation,Comm.	400	400	167	233
Materials, Supplies, Books and Equipment	1,300	1,300	100	1,200
Total Services to Non-Public School Students	15,544,698	15,664,194	15,664,661	(467)
Total Instruction	212,738,595	210,851,303	195,252,705	15,598,598
Student Support Services				
Special Education *				
Personal Services	16,506,002	16,687,171	16,372,795	314,376
Employee Benefits	11,059,501	10,387,320	9,406,139	981,181
Prof.,Tech. Services	-	43,500	38,500	5,000
Property,Transportation,Comm.	5,055,300	5,055,300	4,774,212	281,088
Materials, Supplies, Books and Equipment	686,000	200,000	101,487	98,513
Allocated Costs	(12,192,000)	(11,889,000)	(11,163,999)	(725,001)
Total Special Education	21,114,803	20,484,291	19,529,134	955,157

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

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation Allocated Costs	\$ 50,241,000	\$ 51,115,000	\$ 48,964,153	\$ 2,150,847
 Total Student Support Services	 71,355,803	 71,599,291	 68,493,287	 3,106,004
Services to Non-Public School Students				
Personal Services	668,815	693,094	683,755	9,339
Employee Benefits	327,428	298,208	269,246	28,962
Prof., Tech. Services	2,000	2,000	2,000	-
Property, Transportation, Comm.	30,000	30,000	35,875	(5,875)
Materials, Supplies, Books and Equipment	15,700	15,700	8,124	7,576
	1,043,943	1,039,002	999,000	40,002
Total Administrative Support	1,043,943	1,039,002	999,000	40,002
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	203,359	34,804	60,819	(26,015)
Management Services	560,000	560,000	560,105	(105)
Total Allocated Costs	9,763,359	9,594,804	9,620,924	(26,120)
Total Obligations	294,901,700	293,084,400	274,365,916	18,718,484
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(209,853,700)	(209,222,400)	(193,168,539)	(16,053,861)
Total Intermediate Unit	\$ 85,048,000	\$ 83,862,000	\$ 81,197,377	\$ 2,664,623
 Fund Totals - Object Classes				
Personal Services	\$ 141,552,777	\$ 142,885,474	\$ 133,369,114	\$ 9,516,360
Employee Benefits	68,816,991	64,378,185	60,117,409	4,260,776
Prof., Tech. Services	29,282,939	27,521,675	23,017,948	4,503,727
Property, Transportation, Comm.	5,241,170	5,216,205	4,946,592	269,613
Materials, Supplies, Books and Equipment	5,487,251	5,827,262	3,322,113	2,505,149
Other	(3,291,787)	(1,565,205)	2,171,662	(3,736,867)
Allocated Costs	47,812,359	48,820,804	47,421,078	1,399,726
Total Obligations	294,901,700	293,084,400	274,365,916	18,718,484
Other Financing Sources				
Operating Transfers from Other Funds	(209,853,700)	(209,222,400)	(193,168,539)	(16,053,861)
Total Intermediate Unit	\$ 85,048,000	\$ 83,862,000	\$ 81,197,377	\$ 2,664,623

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Debt Service Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 1,450,000	\$ 1,444,000	\$ 1,393,548	\$ (50,452)
Variable Rate Income	30,536,000	11,069,000	7,378,058	(3,690,942)
Basis Swap	-	-	1,093,427	1,093,427
Total Revenues	\$ 31,986,000	12,513,000	9,865,033	(2,647,967)
OBLIGATIONS				
Principal				
Bonds	\$ 69,446,071	\$ 70,346,737	\$ 70,346,737	\$ -
Loans	3,362	3,362	3,371	(9)
Interest	45,068,393	47,377,076	47,170,636	206,440
Authority Obligations (SPSBA)				
Principal	5,410,000	5,410,000	5,410,000	-
Interest	43,648,324	43,648,325	43,648,325	-
Variable Rate Payments	41,258,750	14,834,775	9,890,470	4,944,305
Fixed Rate Swap Payments	25,187,000	25,111,487	25,074,017	37,470
Issuance Costs	4,995,000	13,750,124	10,280,568	3,469,556
Administrative Expenses	6,723,000	7,290,447	8,785,703	(1,495,256)
Total Obligations	\$ 241,739,900	\$ 227,772,333	\$ 220,609,827	\$ 7,162,506
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 186,742,000	\$ 198,985,800	\$ 191,185,296	\$ (7,800,504)
Land Sale Proceeds	24,170,000	11,255,000	11,256,645	1,645
Refunding Bond Proceeds	-	217,083,000	214,915,701	(2,167,299)
Bond Defeasement	-	(209,172,823)	(208,995,106)	177,717
Total Other Financing Sources (Uses)	\$ 210,912,000	\$ 218,150,977	\$ 208,362,536	\$ (9,788,441)
Net Change in Fund Balance	1,158,100	2,891,644	(2,382,258)	(5,273,902)
Fund Balances, July 1, 2008	68,513,800	74,032,313	74,032,313	-
Fund Balances, June 30, 2009	<u>\$ 69,671,900</u>	<u>\$ 76,923,957</u>	<u>\$ 71,650,055</u>	<u>\$ (5,273,902)</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Capital Projects Fund
For The Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 11,016,000	\$ 2,800,000	\$ 5,389,265	\$ 2,589,265
Miscellaneous	200,000	100,000	209,638	109,638
Total Locally Generated Non Tax	11,216,000	2,900,000	5,598,903	2,698,903
State Grants and Subsidies	-	-	712,193	712,193
Total Revenues	<u>\$ 11,216,000</u>	<u>\$ 2,900,000</u>	<u>\$ 6,311,096</u>	<u>\$ 3,411,096</u>
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (17,999,722)	\$ 17,999,722
New Buildings and Additions	167,959,551	127,786,097	99,517,318	28,268,779
Environmental Management				
Asbestos Abatement	5,103,200	4,859,608	-	4,859,608
Environmental Services	17,846,500	8,078,400	3,573,885	4,504,515
Total Environmental Management	22,949,700	12,938,008	3,573,885	9,364,123
Alterations and Improvements				
Various Projects	108,521,016	84,853,696	33,383,915	51,469,781
Administrative Support	18,260,100	20,039,629	23,396,565	(3,356,936)
Major/Building Renovations	36,800,707	60,277,934	94,832,472	(34,554,538)
Total Alterations and Improvements	163,581,823	165,171,259	151,612,952	13,558,307
Total Obligations	<u>\$ 354,491,074</u>	<u>\$ 305,895,364</u>	<u>\$ 236,704,433</u>	<u>\$ 69,190,931</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ -	\$ -	\$ 10,000,000	\$ 10,000,000
Debt Issuance	270,000,000	270,977,509	282,365,000	11,387,491
Bond Premium	-	-	819,096	819,096
Bond Discount	-	-	(7,383,320)	(7,383,320)
Gain on Sale of Capital Assets	-	-	133,518	133,518
Bond Issuance Costs	(5,075,526)	(5,800,000)	(5,482,655)	317,345
Total Other Financing Sources (Uses)	<u>\$ 264,924,474</u>	<u>\$ 265,177,509</u>	<u>\$ 280,451,639</u>	<u>\$ 15,274,130</u>
Net Change in Fund Balance	<u>\$ (78,350,600)</u>	<u>\$ (37,817,855)</u>	<u>\$ 50,058,302</u>	<u>\$ 87,876,157</u>

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Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District as a trustee or agent for individuals, private organizations, and/or other governmental units. The funds included in this category are:

- Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments.

For external reporting purposes, the School District reports one combined Private Purpose Trust Fund. However, at June 30, 2009 there were thirteen Private Purpose Trust Funds administered by the School District.

- Agency Funds - used to account for assets held by the School District as trustee or agent for others. Agency funds report only assets and liabilities and do not have a measurement focus. They use the accrual basis of accounting to recognize receivables and payables.

At June 30, 2009 there were four Agency Funds administered by the School District: Payroll Liabilities, Student Bus Token, Student Activities, and Unclaimed Monies.

School District of Philadelphia
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2009

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 3,482	\$ 5,308,988	\$ -	\$ 5,312,470
Equity in Pooled Cash and Investments	26,194,220	-	-	365,107	26,559,327
Accounts Receivable	8,456	-	-	-	8,456
Inventories	-	34,000	-	-	34,000
Total Assets	26,202,676	37,482	5,308,988	365,107	31,914,253
LIABILITIES					
Payroll Deductions and Withholdings	26,202,676	-	-	-	26,202,676
Due to Student Activities	-	-	5,308,988	-	5,308,988
Other Liabilities	-	37,482	-	365,107	402,589
Total Liabilities	26,202,676	37,482	5,308,988	365,107	31,914,253
NET ASSETS					
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2009.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 36,618,030	\$ 673,146,306	\$ 683,570,116	\$ 26,194,220
Accounts Receivable	7,902,139	-	7,893,683	8,456
Total Assets	\$ 44,520,169	\$ 673,146,306	\$ 691,463,799	\$ 26,202,676
Liabilities				
Payroll Deductions and Withholdings	\$ 44,520,169	\$ 673,146,306	\$ 691,463,799	\$ 26,202,676
Total Liabilities	\$ 44,520,169	\$ 673,146,306	\$ 691,463,799	\$ 26,202,676
Student Bus Token Fund				
Assets				
Cash and Cash Equivalents	\$ -	\$ 1,125,743	\$ 1,122,261	\$ 3,482
Accounts Receivable	31,769	-	31,769	-
Inventories	310,560	2,238,700	2,515,260	34,000
Total Assets	\$ 342,329	\$ 3,364,443	\$ 3,669,290	\$ 37,482
Liabilities				
Other Liabilities	\$ 342,329	\$ 3,364,443	\$ 3,669,290	\$ 37,482
Total Liabilities	\$ 342,329	\$ 3,364,443	\$ 3,669,290	\$ 37,482
Student Activities Fund				
Assets				
Cash	\$ 5,303,423	\$ 10,308,874	\$ 10,303,309	\$ 5,308,988
Liabilities				
Due to Student Activities	\$ 5,303,423	\$ 10,308,874	\$ 10,303,309	\$ 5,308,988
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 372,606	\$ 347,627	\$ 355,126	\$ 365,107
Liabilities				
Other Liabilities	\$ 372,606	\$ 347,627	\$ 355,126	\$ 365,107
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,303,423	\$ 11,434,617	\$ 11,425,570	\$ 5,312,470
Equity in Pooled Cash and Investments	36,990,636	673,493,933	683,925,242	26,559,327
Accounts Receivable	7,933,908	-	7,925,452	8,456
Inventories	310,560	2,238,700	2,515,260	34,000
Total Assets	\$ 50,538,527	\$ 687,167,250	\$ 705,791,524	\$ 31,914,253
Liabilities				
Payroll Deductions and Withholdings	\$ 44,520,169	\$ 673,146,306	\$ 691,463,799	\$ 26,202,676
Due to Student Activities	5,303,423	10,308,874	10,303,309	5,308,988
Other Liabilities	714,935	3,712,070	4,024,416	402,589
Total Liabilities	\$ 50,538,527	\$ 687,167,250	\$ 705,791,524	\$ 31,914,253

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2009

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2010 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
OCTOBER 1, 1995 (SERIES A)	53,725,000	<u>8,180,000</u> 8,180,000	SEPT 1, 2009	6.2500	<u>255,625</u> 255,625	-	<u>8,180,000</u> 8,180,000
JUNE 1, 1997 (SERIES A)	52,220,000	<u>6,995,000</u> 6,995,000	APRIL 1, 2010	5.0000	<u>349,750</u> 349,750	-	<u>6,995,000</u> 6,995,000
DECEMBER 15, 1998 (SERIES A)	156,575,000	<u>7,785,000</u> 8,140,000 8,515,000 8,905,000 9,320,000 9,745,000 <u>52,410,000</u>	APRIL 1, 2018 APRIL 1, 2019 APRIL 1, 2020 APRIL 1, 2021 APRIL 1, 2022 APRIL 1, 2023	4.5000 4.5000 4.5000 4.5000 4.5000 4.5000	350,325 366,300 383,175 400,725 419,400 438,525 <u>2,358,450</u>	- - - - - - -	- - - - - - -
DECEMBER 15, 1998 (SERIES B)	98,405,000	<u>15,300,000</u> 6,590,000 7,120,000 7,330,000 <u>36,340,000</u>	OCT 1, 2009 OCT 1, 2010 OCT 1, 2011 OCT 1, 2012	5.2500 5.2500 5.2500 5.2500	401,625 345,975 373,800 384,825 <u>1,506,225</u>	- - - -	<u>15,300,000</u> - - - 15,300,000
DECEMBER 1, 1999 (SERIES D)	73,765,000	<u>6,970,000</u> 6,970,000	MAR 1, 2010	5.6250	<u>392,063</u> 392,063	- -	<u>6,970,000</u> 6,970,000
NOVEMBER 1, 2000 (SERIES A)	130,000,000	<u>5,000</u> 22,000,000 <u>22,005,000</u>	FEB 1, 2010 FEB 1, 2011	4.8500 5.7500	<u>243</u> 1,265,000 <u>1,265,243</u>	- - -	<u>5,000</u> - 5,000
NOVEMBER 30, 2000 (SERIES B) - QZAB	22,985,000	<u>5,000</u> 5,000 5,000 5,000 22,930,000 <u>22,950,000</u>	NOV 30, 2009 NOV 30, 2010 NOV 30, 2011 NOV 30, 2012 NOV 30, 2013	- - - - -	- - - - -	- - - - -	<u>5,000</u> - - - 5,000
JANUARY 1, 2002 (SERIES A)	158,000,000	<u>3,315,000</u> 3,475,000 3,865,000 <u>10,455,000</u>	FEB 1, 2010 FEB 1, 2011 FEB 1, 2012	5.0000 5.2500 5.2500	<u>165,750</u> 182,438 192,413 <u>540,601</u>	- - - -	<u>3,315,000</u> - - 3,315,000
MAY 15, 2002 (SERIES B)	300,000,000	<u>11,860,000</u> 12,530,000 13,240,000 13,990,000 <u>51,620,000</u>	AUG 1, 2009 AUG 1, 2010 AUG 1, 2011 AUG 1, 2012	5.5000 5.5000 5.5000 5.5000	<u>326,150</u> 689,150 728,200 769,450 <u>2,512,950</u>	- - - -	<u>11,860,000</u> - - - 11,860,000
SEPTEMBER 10, 2003 (SERIES B) State Public School Building Authority Capital Obligation Bonds	588,140,000	<u>43,505,000</u> 43,505,000	JUNE 1, 2028	5.5000	<u>2,392,775</u> 2,392,775	- -	- -
JUNE 29, 2004 (SERIES D) GOB Fixed Rate	100,000,000	<u>5,000</u> 5,000 5,000 5,000 5,000 8,700,000 <u>8,725,000</u>	JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015	3.5000 3.7000 3.8500 4.0000 4.1500 5.0000	<u>175</u> 185 193 200 208 435,000 <u>435,961</u>	- - - - - -	<u>5,000</u> - - - - - 5,000
AUGUST 1, 2004 2004 QZAB CSF P (SERIES E)	19,335,000	<u>1,381,071</u> 1,381,071 1,381,071 1,381,071 1,381,071 6,905,361 <u>13,810,716</u>	SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014-18	- - - - - -	- - - - - -	- - - - -	<u>1,381,071</u> - - - - - 1,381,071
MAY 25, 2005 (SERIES A) GOB-Refunding	198,140,000	<u>795,000</u> 825,000 855,000 890,000 15,675,000 91,295,000 87,280,000 <u>197,615,000</u>	AUGUST 1, 2009 AUGUST 1, 2010 AUGUST 1, 2011 AUGUST 1, 2012 AUGUST 1, 2013 AUGUST 1, 2014-18 AUGUST 1, 2019-22	3.0000 4.0000 4.0000 4.0000 5.0000 5.0000 5.0000	<u>11,925</u> 33,000 34,200 35,600 763,750 4,584,750 4,354,000 <u>9,827,225</u>	- - - - - - -	<u>795,000</u> - - - - - - 795,000
MAY 25, 2005 (SERIES B) GOB-Refunding	43,415,000	<u>5,000</u> 5,310,000 5,410,000 5,860,000 6,155,000 20,455,000 <u>43,195,000</u>	APRIL 1, 2010 APRIL 1, 2011 APRIL 1, 2012 APRIL 1, 2013 APRIL 1, 2014 APRIL 1, 2015-17	3.2500 5.0000 5.0000 5.0000 5.0000 5.0000	<u>163</u> 265,500 270,500 293,000 307,750 1,022,750 <u>2,159,663</u>	- - - - - -	<u>5,000</u> - - - - - 5,000

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2009

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2010 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
JUNE 16, 2005 (SERIES C) GOB	71,740,000	2,570,000 2,580,000 2,795,000 2,915,000 3,045,000 17,535,000 22,470,000 10,735,000 <u>64,745,000</u>	JULY 1, 2009 JULY 1, 2010 JULY 1, 2011 JULY 1, 2012 JULY 1, 2013 JULY 1, 2014-18 JULY 1, 2019-23 JULY 1, 2024-25	4.2000 4.2900 4.4300 4.4700 4.4700 4.7186 5.1847 5.3100	53,970 114,972 123,819 130,301 140,375 865,830 1,174,866 570,025 <u>3,174,158</u>	- - - - - - - - -	2,570,000 - - - - - - - <u>2,570,000</u>
OCTOBER 20, 2005 (SERIES D) GOB	29,920,000	1,595,000 1,650,000 1,725,000 1,815,000 1,905,000 11,125,000 5,345,000 <u>25,170,000</u>	JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015-19 JUNE 1, 2020-21	4.0000 4.0000 5.2500 5.0000 5.0000 5.4000 5.5000	63,800 66,400 90,583 90,750 95,250 601,875 293,975 <u>1,302,613</u>	- - - - - - - -	1,595,000 - - - - - - <u>1,595,000</u>
DECEMBER 28, 2005 (SERIES A) GOB State Public School Building Authority Capital Obligation Bonds	317,125,000	5,655,000 5,940,000 6,225,000 6,535,000 6,855,000 39,675,000 50,595,000 64,565,000 82,145,000 38,350,000 <u>305,550,000</u>	JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015-19 JUNE 1, 2020-24 JUNE 1, 2025-29 JUNE 1, 2030-34 JUNE 1, 2035-36	5.0000 4.8320 5.0000 5.0000 5.0000 4.9000 5.0000 5.0000 4.6770 4.4860	282,750 287,000 311,250 326,750 343,250 1,947,700 2,529,750 3,220,250 3,842,231 1,720,419 <u>14,819,350</u>	- - - - - - - - - - -	5,655,000 - - - - - - - - - <u>5,655,000</u>
DECEMBER 28, 2006 (SERIES B) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000 5,000 5,000 5,000 5,000 25,000 38,665,000 149,140,000 357,705,000 <u>545,560,000</u>	JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015-19 JUNE 1, 2020-24 JUNE 1, 2025-29 JUNE 1, 2030-33	3.5000 3.5000 3.5000 3.5000 3.5000 3.7250 4.9510 5.0000 4.7002	175 175 175 175 175 932 1,914,294 7,457,000 16,812,674 <u>26,185,775</u>	- - - - - - - - - -	5,000 - - - - - - - <u>5,000</u>
MAY 22, 2007 (SERIES A) GOB-Refunding	146,530,000	10,000 10,000 10,000 10,000 10,000 70,000 11,985,000 56,510,000 77,900,000 <u>146,515,000</u>	JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015-19 JUNE 1, 2020-24 JUNE 1, 2025-29 JUNE 1, 2030-34	3.7000 3.7000 3.7000 4.0000 4.0000 4.4000 5.0000 5.0000 4.7593	379 379 379 410 410 3,178 614,232 2,896,138 3,621,755 <u>7,137,260</u>	- - - - - - - - - -	10,000 - - - - - - - <u>10,000</u>
DECEMBER 28, 2007 (SERIES C) QZAB	13,510,000	900,667 900,667 900,667 900,667 4,503,333 4,503,332 <u>12,609,333</u>	DEC 28, 2009 DEC 28, 2010 DEC 28, 2011 DEC 28, 2012 DEC 28, 2013-17 DEC 28, 2018-22	- - - - - -	- - - - - -	- - - - - -	900,667 - - - - <u>900,667</u>
DECEMBER 28, 2007 (SERIES D) QZAB	28,160,000	5,000 5,000 5,000 5,000 5,000 10,015,000 18,115,000 <u>28,155,000</u>	DEC 28, 2009 DEC 28, 2010 DEC 28, 2011 DEC 28, 2012 DEC 28, 2013 DEC 28, 2014-18 DEC 28, 2019-22	1.2500 1.2500 1.2500 1.2500 1.2500 1.2500 1.2500	63 63 63 63 63 125,210 226,475 <u>352,000</u>	- - - - - - -	5,000 - - - - - <u>5,000</u>
APRIL 23, 2008 (SERIES A) GOB Refunding	254,885,000	45,000 520,000 8,825,000 9,875,000 5,700,000 33,305,000 56,890,000 96,540,000 43,135,000 <u>254,835,000</u>	SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014-18 SEPT 1, 2019-23 SEPT 1, 2024-28 SEPT 1, 2029-30	5.0000 5.0000 5.0000 5.0000 5.0000 5.0000 5.0000 5.0000 5.0000	583 26,000 441,250 493,750 285,000 1,665,250 2,844,500 4,827,000 2,156,750 <u>12,740,063</u>	1,689 19,512 331,146 370,546 213,885 1,249,725 2,134,720 3,622,533 1,618,582 <u>9,962,338</u>	45,000 - - - - - - - - <u>45,000</u>
APRIL 23, 2008 (SERIES B) GOB Refunding	250,845,000	55,000 485,000 7,735,000 8,660,000 27,935,000 44,060,000 89,490,000 72,365,000 <u>250,785,000</u>	SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013-17 SEPT 1, 2018-22 SEPT 1, 2023-27 SEPT 1, 2028-30	5.0000 5.0000 5.0000 5.0000 5.0000 5.0000 5.0000 5.0000	688 24,250 386,750 433,000 1,396,750 2,203,000 4,474,500 3,618,250 <u>12,537,188</u>	2,056 18,127 289,090 323,662 1,044,052 1,646,713 3,344,629 2,704,593 <u>9,372,922</u>	55,000 - - - - - - <u>55,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2009

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2010 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
APRIL 23, 2008 (SERIES C) GOB Refunding	91,900,000	55,000 605,000 10,035,000 11,235,000 36,175,000 33,740,000 91,845,000	SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013-17 SEPT 1, 2018-21	5.0000 5.0000 5.0000 5.0000 5.0000 5.0000	688 30,250 501,750 561,750 1,808,750 1,687,000 4,590,188	2,048 22,532 373,726 418,417 1,347,238 1,256,553 3,420,514	55,000 - - - - - 55,000
APRIL 23, 2008 (SERIES D) GOB Refunding	85,000,000	8,150,000 7,975,000 6,850,000 7,550,000 24,700,000 21,900,000 77,125,000	SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013-17 SEPT 1, 2018-21	5.0000 5.0000 5.0000 5.0000 5.0000 5.0000	101,875 398,750 342,500 377,500 1,235,000 1,095,000 3,550,625	277,725 271,761 233,425 267,279 841,694 746,279 2,628,163	8,150,000 - - - - - 8,150,000
NOVEMBER 20, 2008 (SERIES E) GOB Non Refunding	282,365,000	4,355,000 4,540,000 4,755,000 4,975,000 5,205,000 30,085,000 38,720,000 50,585,000 67,990,000 71,155,000 282,365,000	SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015-19 SEPT 1, 2020-24 SEPT 1, 2025-29 SEPT 1, 2030-34 SEPT 1, 2035-38	3.5000 5.0000 4.1250 5.0000 4.0000 4.9250 5.1750 5.5000 6.0000 6.0000	152,425 227,000 196,144 248,750 208,200 1,482,525 2,005,813 2,788,663 4,079,400 4,269,300 15,659,220	- - - - - - - - - - -	- - - - - - - - - - -
NOVEMBER 20, 2008 (SERIES F) GOB Refunding	114,215,000	5,000 5,000 5,000 5,000 5,000 42,905,000 43,905,000 27,380,000 114,215,000	SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014-18 SEPT 1, 2019-23 SEPT 1, 2024-27	3.0000 3.5000 3.7500 4.1250 3.8750 4.8000 5.0750 5.2500	75 175 188 206 194 2,145,200 2,226,581 1,437,450 5,810,059	- - - - - - - -	5,000 - - - - - - 5,000
MAY 28, 2009 SERIES A GOB Refunding	20,075,000	2,555,000 4,630,000 4,810,000 5,010,000 3,070,000 20,075,000	JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014	3.675 3.875 4.171 4.527 4.827	94,679 180,908 202,297 228,693 149,424 856,001	- - - - -	2,555,000 - - - 2,555,000
MAY 28, 2009 SERIES B GOB Refunding	30,710,000	2,165,000 5,165,000 5,425,000 5,695,000 5,980,000 6,280,000 30,710,000	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019	3.000 5.000 5.000 5.000 4.000 5.000	65,491 260,402 273,510 287,123 301,492 295,064 1,474,082	- - - - - -	- - - - - -
MAY 28, 2009 SERIES C GOB Refunding	49,200,000	6,255,000 6,495,000 6,750,000 7,010,000 7,280,000 15,410,000 49,200,000	JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025-26	5.000 5.000 5.000 5.000 5.000 5.000	316,168 329,299 341,189 354,331 367,978 778,921 2,486,886	- - - - - -	- - - - - -
TOTAL SERIAL BONDS		\$ 2,825,235,049			\$ 136,672,009	\$ 24,983,937	\$ 76,421,738
NON-ELECTORAL DEBT- SERIAL BONDS		\$ 1,929,620,049			\$ 93,274,109	24,983,937	70,761,738
CAPITAL OBLIGATION BONDS		895,615,000			43,397,900	-	5,660,000
TOTAL SERIAL BONDS OUTSTANDING		\$ 2,825,235,049			\$ 136,672,009	24,983,937	76,421,738

Capital Assets
Used in the Operation of Governmental Funds

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of at least \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair market value on the date donated.

Capital assets acquired or constructed, for governmental fund accounting purposes, are recorded as expenditures in the fund incurring the obligation and are capitalized at cost in the District-wide Statement of Net Assets.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
June 30, 2009
(Dollars in Thousands)

	<u>2009</u>	<u>2008</u>
Governmental Funds Capital Assets:		
Land	\$ 119,238	\$ 113,724
Buildings	1,391,931	1,160,082
Improvements	974,713	908,052
Construction in Progress	387,025	524,708
Personal Property	260,226	238,245
Total Governmental Funds Capital Assets	<u>\$ 3,133,133</u>	<u>\$ 2,944,811</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 80,688	\$ 80,861
Capital Projects Fund	2,988,420	2,808,388
Categorical Funds	64,025	55,562
Total Governmental Funds Capital Assets	<u>\$ 3,133,133</u>	<u>\$ 2,944,811</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Fund are excluded from the above amounts. Generally, the capital assets of the Internal Service Fund are included as governmental activities in the Statement of Net Assets.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
 June 30, 2009
 (Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 115,221	\$ 1,291,735	\$ 910,809	\$ 387,025	\$ 199,191	\$ 2,903,981
Student Support Services	821	5,072	7,230	-	19,628	32,751
Administrative Support	3,196	95,124	56,674	-	4,537	159,531
Operation & Maintenance of Plant Services	-	-	-	-	8,200	8,200
Pupil Transportation	-	-	-	-	487	487
All Other Support Services	-	-	-	-	28,183	28,183
Total Governmental Funds Capital Assets	<u>\$ 119,238</u>	<u>\$ 1,391,931</u>	<u>\$ 974,713</u>	<u>\$ 387,025</u>	<u>\$ 260,226</u>	<u>\$ 3,133,133</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Fund are excluded from the above amounts. Generally, the capital assets of the Internal Service Fund are included as governmental activities in the Statement of Net Assets.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
June 30, 2009
(Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets (1) July 1, 2008	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2009
Instruction	\$ 2,716,813	\$ (405)	\$ 204,949	\$ 17,376	\$ 2,903,981
Student Support Services	34,091	1	1,273	2,614	32,751
Administrative Support	155,653	1	4,168	291	159,531
Operation & Maintenance of Plant Services	7,957	-	269	26	8,200
Pupil Transportation	466	-	24	3	487
All Other Support Services	29,831	7	770	2,425	28,183
Total	<u>\$ 2,944,811</u>	<u>\$ (396)</u>	<u>\$ 211,453</u>	<u>\$ 22,735</u>	<u>\$ 3,133,133</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Fund are excluded from the above amounts. Generally, the capital assets of the Internal Service Fund are included as governmental activities in the Statement of Net Assets.

(1) July 1, 2008 balances were adjusted to accurately reflect amounts by Function/Activity.





Statistical Section

This part of the School District of Philadelphia's ("School District") Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.	122
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the School District's most significant local revenue source, property taxes.	129
<u>Debt Capacity</u>	
These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and their ability to issue additional debt in the future.	134
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.	139
<u>Operating Information</u>	
These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	141

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The District implemented GASB Statement No. 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that fiscal year.

School District of Philadelphia
Table 1
Net Assets by Component
For the Fiscal Years 2002 through 2009
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 76,633	\$ 68,267	\$ (76,702)	\$ 15,075 (2)	\$ 10,345	\$ 1,183	\$ 27,119	\$ 17,712
Restricted								
Debt Service	53,102	63,072	55,071	50,380	64,613	70,056	74,032	71,650
Special Revenue & Permanent Funds	5,406	5,422	5,256	5,331	-	-	-	-
Expendable	-	-	-	-	1,969	2,667	2,814	2,109
Non-Expendable	-	-	-	-	3,622	3,329	3,393	4,121
Arbitrage Rebate Payable	-	-	-	-	-	-	3,767	4,286
Workers' Compensation/Termination/Other	-	-	19,624	23,889	2,354	-	-	-
Other (3)	118,389	68,227	-	-	-	-	-	-
Unrestricted (Deficit)	(737,437)	(772,940)	(696,786)	(1,031,304)	(1,199,787)	(1,303,264)	(1,308,420)	(1,275,930)
Total Governmental Activities Net Assets	(483,907)	(567,952)	(693,537)	(936,629)	(1,116,884)	(1,226,029)	(1,197,295)	(1,176,052)
Business-type Activities								
Invested in Capital Assets, Net of Related Debt	3,638	3,625	3,459	3,449	3,188	3,133	4,005	3,281
Unrestricted (Deficit)	7,405	8,143	7,474	7,855	2,442	(5,613)	(7,346)	(11,196)
Total Business-type Activities Net Assets	11,043	11,768	10,933	11,304	5,630	(2,480)	(3,341)	(7,915)
Total School District								
Invested in Capital Assets, Net of Related Debt	80,271	71,893	(73,243)	18,524	13,533	4,316	31,124	20,993
Restricted	176,897	136,720	79,951	79,600	72,558	76,052	84,006	82,167
Unrestricted (Deficit)	(730,032)	(764,797)	(689,312)	(1,023,449)	(1,197,345)	(1,308,877)	(1,315,766)	(1,287,126)
Total School District Net Assets	\$ (472,864)	\$ (556,184)	\$ (682,604)	\$ (925,325)	\$ (1,111,254)	\$ (1,228,509)	\$ (1,200,636)	\$ (1,183,966)

Notes:

(1) The School District of Philadelphia began reporting accrual information when it implemented GASB Statement No. 34 in Fiscal Year 2002.

(2) The School District refined the computation for Invested in Capital Assets Net of Related Debt for Governmental Activities for Fiscal Year 2005 and thereafter. This change reflects inclusion of deferred charges, bond premiums and discounts, and uncapitalized expenditures.

(3) During Fiscal Years 2002 and 2003 the School District reported restricted net assets for capital projects, educational projects, inventories, self-insurance, and tax liens proceeds. Starting in Fiscal Year 2004 the School District eliminated restrictions on these net assets.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2009.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2002 through 2009
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009
Expenses:								
Governmental Activities								
Instruction	\$ 1,202,232	\$ 1,283,177	\$ 1,382,087	\$ 1,458,022	\$ 1,696,973	\$ 1,706,310	\$ 1,733,663	\$ 1,869,789
Student Support Services	283,732	326,276	352,299	412,991	247,845	262,044	210,458	205,374
Administrative Support	124,344	120,226	114,931	117,811	112,455	114,397	92,100	122,523
Operation & Maintenance of Plant Services	229,683	238,238	243,485	258,985	263,163	270,163	273,335	261,750
Pupil Transportation	42,237	44,708	76,382	84,170	88,867	89,079	107,050	73,636
All Other Support Services	4,858	279	26,868	15,815	38,422	19,654	32,047	1,591
Early Childhood Education	24,481	25,562	21,628	20,952	18,005	20,148	22,816	24,157
Interest on Long-Term Debt	52,458	76,895	88,732	114,535	128,245	138,286	137,906	139,001
Loss on Disposal of Capital Assets (2)	-	-	6,323 (3)	3,838	-	-	-	-
Loss on Sale of Real Property	-	-	-	57,550	-	-	-	-
Total Governmental Activities Expenses (4)	<u>\$ 1,964,025</u>	<u>\$ 2,115,361</u>	<u>\$ 2,312,735</u>	<u>\$ 2,544,669</u>	<u>\$ 2,593,975</u>	<u>\$ 2,620,381</u>	<u>\$ 2,609,375</u>	<u>\$ 2,697,821</u>
Business-type Activities								
Food Service	70,730	72,538	80,638	77,595	79,851	81,798	78,189	81,008
Loss on Disposal of Capital Assets (5)	-	-	-	8	6	-	-	-
Total Business-type Activities Expenses	<u>70,730</u>	<u>72,538</u>	<u>80,638</u>	<u>77,603</u>	<u>79,857</u>	<u>81,798</u>	<u>78,189</u>	<u>81,008</u>
Total School District Expenses	<u>\$ 2,034,755</u>	<u>\$ 2,187,899</u>	<u>\$ 2,393,373</u>	<u>\$ 2,622,272</u>	<u>\$ 2,673,832</u>	<u>\$ 2,702,179</u>	<u>\$ 2,687,564</u>	<u>\$ 2,778,829</u>
Program Revenues								
Governmental Activities								
Charges for Services (6)								
Instruction	\$ 330	\$ 405	\$ 1,280	\$ 447	\$ 599	\$ 773	\$ 686	\$ 1,037
Student Support Services	435	91	274	260	90	103	65	69
Administrative Support	545	1,370	340	358	477	313	3,843	3,963
Operation & Maintenance of Plant Services	1,465	1,860	2,885	1,342	1,325	991	959	1,213
Pupil Transportation	3	-	-	-	-	-	-	-
Early Childhood Education	3,721	3,155	2,942	2,629	485	349	218	536
Operating grants and contributions	392,115	541,135	657,783	743,746	778,978	804,980	853,660	904,656
Capital grants and contributions	24	5,176	2,565	200	-	123	22	500
Total Governmental Activities Program Revenues	<u>\$ 398,638</u>	<u>\$ 553,192</u>	<u>\$ 668,069</u>	<u>\$ 748,982</u>	<u>\$ 781,954</u>	<u>\$ 807,632</u>	<u>\$ 859,453</u>	<u>\$ 911,974</u>
Business-type Activities								
Charges for Services:								
Food Service	8,613	8,186	8,219	6,695	4,834	5,086	3,709	3,089
Operating grants and contributions	62,186	65,152	71,660	71,456	69,527	68,530	69,445	72,063
Total Business-type Activities Program Revenues	<u>70,799</u>	<u>73,338</u>	<u>79,879</u>	<u>78,151</u>	<u>74,361</u>	<u>73,616</u>	<u>73,154</u>	<u>75,152</u>
Total School District Program Revenues	<u>\$ 469,437</u>	<u>\$ 626,530</u>	<u>\$ 747,948</u>	<u>\$ 827,133</u>	<u>\$ 856,315</u>	<u>\$ 881,248</u>	<u>\$ 932,607</u>	<u>\$ 987,126</u>
Net (Expense)/Revenue								
Governmental Activities	(1,565,387)	(1,562,169)	(1,644,666)	(1,795,687)	(1,812,021)	(1,812,749)	(1,749,922)	(1,785,847)
Business-type Activities	69	800	(759)	548	(5,496)	(8,183)	(5,035)	(5,850)
Total School District Net (Expense)/Revenue	<u>\$ (1,565,318)</u>	<u>\$ (1,561,369)</u>	<u>\$ (1,645,425)</u>	<u>\$ (1,795,139)</u>	<u>\$ (1,817,517)</u>	<u>\$ (1,820,932)</u>	<u>\$ (1,754,957)</u>	<u>\$ (1,791,703)</u>

Notes:

- (1) The School District of Philadelphia began reporting accrual information when it implemented GASB Statement No. 34 in Fiscal Year 2002.
- (2) With the initial implementation of GASB Statement No. 34, the School District identified and reported fully depreciated personal property assets that were scrapped. Beginning in Fiscal Year 2004, the School District refined the procedures for identifying depreciable scrapped personal property. The new method identified scrapped assets into two categories: (a) fully depreciated and (b) not fully depreciated. Dollars reported, for Fiscal Years 2004 and thereafter, represent the value of net personal property exclusive of depreciation that had not been fully depreciated.
- (3) During Fiscal Year 2004, the net value of the personal property not fully depreciated was reported as an adjustment after computing the change in net assets. This practice was discontinued after suggestions were made by accounting review authorities and a thorough review of the GAAFR concerning "Losses on the sale of capital assets" used in governmental activities. The School District began to report material losses as an expense in the general government function of the "Statement of Activities". As such, we re-stated the Fiscal Year 2004 disposal of personal property as an expense in the general government function.
- (4) 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.
- (5) Change accounting procedure for reporting "Loss on Disposal of Capital Assets" during Fiscal Year 2007. Began allocating losses to functional activities.
- (6) Reclassified Charges for Services, under Program Revenues, by functional activities.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2009.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Assets
For the Fiscal Years 2002 through 2009
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009
<u>Net (Expense)/Revenue</u>								
Governmental Activities	\$ (1,565,387)	\$ (1,562,169)	\$ (1,644,666)	\$ (1,795,687)	\$ (1,812,021)	\$ (1,812,749)	\$ (1,749,922)	\$ (1,785,847)
Business-type Activities	69	800	(759)	549	(5,496)	(8,183)	(5,035)	(5,857)
Total School District Net (Expense)/Revenue	<u>(1,565,318)</u>	<u>(1,561,369)</u>	<u>(1,645,425)</u>	<u>(1,795,138)</u>	<u>(1,817,517)</u>	<u>(1,820,932)</u>	<u>(1,754,957)</u>	<u>(1,791,704)</u>
<u>General Revenues/Contributed Capital/Transfers:</u>								
Governmental Activities								
Property Taxes	455,829	503,114	516,385	540,322	540,241	549,519	598,556	604,962
Other Taxes (2)								
Use & Occupancy Taxes	88,060	96,593	89,005	97,908	97,940	104,147	108,298	112,225
Liquor Taxes	26,615	30,769	28,824	33,381	37,181	39,733	41,616	41,136
School (Non-Business) Income Taxes	19,004	13,913	15,436	16,278	20,901	23,902	26,650	25,240
Public Utility/PILOT Taxes	1,049	940	998	844	1,441	702	1,054	965
Grants and Contributions Not Restricted to Specific Programs	94,569	68,145	83,595	81,872	112,958	142,927	133,801	102,249
State & Federal Subsidies	796,328	768,988	760,743	783,947	804,829	843,647	870,686	922,965
General Obligation Bond Premium (3)	952	-	-	-	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	222	-	-	-	-
Transfers	76	76	76	178	178	178	(4,112)	(1,283)
Total Governmental Activities	<u>1,482,482</u>	<u>1,482,538</u>	<u>1,495,062</u>	<u>1,554,952</u>	<u>1,615,669</u>	<u>1,704,755</u>	<u>1,776,549</u>	<u>1,808,459</u>
Business-type Activities								
Contributed Capital	-	-	-	-	-	250	63	-
Transfers	(76)	(76)	(76)	(178)	(178)	(178)	4,112	1,283
Total Business-type Activities	<u>(76)</u>	<u>(76)</u>	<u>(76)</u>	<u>(178)</u>	<u>(178)</u>	<u>72</u>	<u>4,175</u>	<u>1,283</u>
Total School District General Revenues/Contributed Capital/Transfers	<u>1,482,406</u>	<u>1,482,462</u>	<u>1,494,986</u>	<u>1,554,774</u>	<u>1,615,491</u>	<u>1,704,827</u>	<u>1,780,724</u>	<u>1,809,742</u>
<u>Changes in Net Assets:</u>								
Governmental Activities	(82,905)	(79,631)	(149,604)	(240,734)	(196,352)	(107,994)	26,627	22,612
Business-type Activities	(7)	724	(835)	371	(5,674)	(8,111)	(860)	(4,574)
Total School District Change in Net Assets	<u>\$ (82,912)</u>	<u>\$ (78,907)</u>	<u>\$ (150,439)</u>	<u>\$ (240,364)</u>	<u>\$ (202,026)</u>	<u>\$ (116,105)</u>	<u>\$ 25,767</u>	<u>\$ 18,038</u>

Notes:

- (1) The School District of Philadelphia began reporting accrual information when it implemented GASB Statement No. 34 in Fiscal Year 2002.
- (2) Reclassified other taxes previously reported into its various components, U&O, Liquor, School etc.
- (3) During Fiscal Year 2002 the School District reported General Obligation Bond (GOB) premiums as a revenue source along with the general revenues. Further review disclosed that the amortized annual premium amount should reduce the liability (premium) and net assets. Beginning in Fiscal Year 2003, the School District reported the GOB premium as such.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2009.

School District of Philadelphia
Table 4

Fund Balances of Governmental Funds
For the Fiscal Years 2000 through 2009
(modified accrual basis of accounting)
(dollars in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved (1)	\$ 44,521	\$ 39,441	\$ 29,479	\$ 19,544	\$ 39,786	\$ 34,262	\$ 5,270	\$ 18,270	\$ 30,218	\$ 29,506
Unreserved	(46,892)	(115,382)	149,228	112,638	3,820	22,277	(71,402)	(69,416)	(73,622)	(19,832)
Total General Fund	\$ (2,371)	\$ (75,941)	\$ 178,707	\$ 132,182	\$ 43,606	\$ 56,539	\$ (66,132)	\$ (51,146)	\$ (43,404)	\$ 9,674
All Other Governmental Funds										
Reserved (2)	\$ 171,273	\$ 170,795	\$ 144,402	\$ 114,145	\$ 158,729	\$ 201,961	\$ 246,397	\$ 482,146	\$ 155,721	\$ 164,043
Unreserved										
Special Revenue Funds (3)	-	-	2,397	2,465	2,224	2,254	2,427	2,667	2,814	2,833
Permanent Funds (3)	-	-	620	568	553	556	640	737	800	804
Trust Purposes (3)	3,562	3,716	-	-	-	-	-	-	-	-
Categorical Funds	-	(6,336)	(7,131)	(6,096)	(30,648)	(22,775)	(17,156)	(18,454)	(12,266)	(18,972)
Capital Projects Fund	(74,621)	(54,479)	6,940	(3,256)	651,920	454,687	246,930	28,386	42,550	92,090
Debt Service Fund	-	-	-	95	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 100,214	\$ 113,696	\$ 147,228	\$ 107,921	\$ 782,778	\$ 636,683	\$ 479,238	\$ 493,482	\$ 189,619	\$ 240,798

Notes:

- (1) The General Fund reserved balance has fluctuated between Fiscal Year 2002 and Fiscal Year 2006. This change is partially due to fewer contractual commitments at year end, workers' compensation payments and elimination of the Termination/Incentive Compensation reserve. The increases for Fiscal Year 2007 and Fiscal Year 2008 are primarily due to a large increase in encumbrances.
- (2) The All Other Governmental Funds reserved balance for Fiscal Year 2004 through Fiscal Year 2007 have steadily increased due to outstanding contractual commitments for capital projects. During Fiscal Year 2008, there was a \$336.8 million decrease in outstanding contractual commitments for capital projects.
- (3) Prior to the School District of Philadelphia's implementation of GASB Statement No. 34 in Fiscal Year 2002, Special Revenue and Permanent Funds were included under the caption "Trust Purposes".

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2000 through 2009.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2000 through 2009
(modified accrual basis of accounting)
(dollars in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES										
Federal Sources										
Grants and Subsidies	\$ 189,074	\$ 211,365	\$ 219,272	\$ 260,343	\$ 306,669	\$ 339,280	\$ 335,727	\$ 293,012	\$ 297,128	\$ 301,723
Total Federal Sources	189,074	211,365	219,272	260,343	306,669	339,280	335,727	293,012	297,128	301,723
State Sources										
Grants and Subsidies	896,360	942,665	974,652	1,062,960	1,099,758	1,201,528	1,256,808	1,357,462	1,438,752	1,526,794
Total State Sources	896,360	942,665	974,652	1,062,960	1,099,758	1,201,528	1,256,808	1,357,462	1,438,752	1,526,794
Local Sources										
Local Taxes										
Real Estate										
Current	379,063	390,032	401,978	451,067	458,085	486,815	493,147	501,282	547,580	548,166
Prior Years	35,762	37,535	39,188	37,615	55,438	49,459	53,862	49,357	51,814	50,662
Payment in Lieu of Taxes	8	5	5	5	5	5	5	5	5	5
Use and Occupancy	90,549	94,759	93,385	98,862	96,154	99,050	103,762	103,757	108,614	112,266
School (Non-Business) Income	21,458	19,283	16,878	16,515	14,605	17,617	20,013	24,035	26,938	25,335
Liquor Sales	24,991	29,191	28,306	28,650	33,082	33,930	38,241	39,331	41,586	41,016
Public Utility Realty	5,468	2,102	1,145	960	1,055	857	1,096	1,123	1,049	960
Total Local Taxes	557,299	572,907	580,885	633,674	658,424	687,733	710,126	718,890	777,586	778,410
Locally Generated Non Tax										
Interest and other income	48,336	42,435	23,155	21,171	25,641	39,939	39,687	56,614	49,952	20,771
City Contributions	-	15,000	60,000	35,000	35,000	35,000	35,000	35,000	37,000	38,490
Legal Settlements	4,500	4,500	4,500	4,500	2,650	2,501	2,819	2,590	2,555	2,710
Stadium Agreements	-	-	-	-	1,159	1,159	1,159	2,898	3,000	3,000
Parking Authority	-	-	-	-	-	-	-	-	2,221	3,801
Reimbursements from Other Funds	5,738	6,234	7,160	7,386	7,668	7,221	6,503	7,462	7,233	7,576
Variable Rate Income/Basis Swap Income	-	-	-	-	-	11,383	20,001	23,765	20,697	8,471
Private Grants and Foundations	12,725	1,211	-	-	-	-	-	-	-	-
Total Locally Generated Non Tax	71,299	69,380	94,815	68,057	72,118	97,203	105,169	128,329	122,658	84,819
Total Local Sources	628,598	642,287	675,700	701,731	730,542	784,936	815,295	847,219	900,244	863,229
Total Revenues	\$ 1,714,032	\$ 1,796,317	\$ 1,869,624	\$ 2,025,034	\$ 2,136,969	\$ 2,325,744	\$ 2,407,830	\$ 2,497,693	\$ 2,636,124	\$ 2,691,746

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2000 through 2009.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2000 through 2009
(modified accrual basis of accounting)
(dollars in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EXPENDITURES										
Current:										
Instruction	\$ 1,051,999	\$ 1,150,990	\$ 1,154,888	\$ 1,216,991	\$ 1,322,323	\$ 1,369,961	\$ 1,372,403	\$ 1,322,219	\$ 1,368,042	\$ 1,456,534
Student Support Services	206,559	182,904	183,260	188,932	201,879	221,853	233,336	230,955	226,504	199,912
Cluster Support/ Professional Development	50,573	42,213	-	-	-	-	-	-	-	-
Administrative Support	83,831	95,319	107,338	113,717	108,318	111,021	106,691	102,197	82,101	109,777
Operation & Maintenance of Plant Services	222,174	233,122	226,556	233,222	241,579	256,029	261,984	262,181	271,003	257,910
Pupil Transportation	-	-	41,667	44,247	76,523	82,228	88,502	87,071	107,666	73,437
All Other Support Services	3,024	3,815	4,858	279	26,380	15,302	36,822	18,877	31,473	1,462
Early Childhood Education	-	-	24,481	25,562	21,628	20,952	17,994	20,448	22,814	24,157
Payments to Charter Schools	44,362	71,376	95,312	126,061	153,410	184,084	220,930	240,377	269,695	308,505
Allocated Costs	197	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	36,405	20,197	33,305	34,585	45,000	21,131	37,437	63,122	66,417	71,159
Loans	369	369	369	369	369	369	215	34	7	3
Interest	40,490	55,004	53,476	70,193	74,044	71,023	91,726	99,242	99,625	82,157
Principal & Interest - Authority	-	-	-	-	22,908	33,615	29,953	33,805	49,062	49,058
Insurance Costs	2,649	2,289	6,675	-	26,593	4,749	1,449	15,235	3,370	10,281
Administrative Expenses	-	-	-	-	-	2,346	2,820	2,436	2,901	8,786
Capital Outlay: (1)										
New Buildings and Additions	42,394	44,227	60,546	18,175	44,753	100,986	52,702	73,734	147,024	88,048
Environmental Management	6,217	6,175	7,134	8,294	3,355	2,994	3,837	3,824	3,504	5,521
Alterations and Equipment	95,217	98,791	57,745	27,003	79,590	87,304	154,603	226,794	213,146	111,638
Major Renovations	-	-	-	811	1,317	1,216	297	-	-	-
Equipment Acquisitions	-	-	-	2,694	5,619	5,766	14,509	20,184	10,682	23,075
Total Expenditures	<u>\$ 1,886,460</u>	<u>\$ 2,006,791</u>	<u>\$ 2,057,610</u>	<u>\$ 2,111,135</u>	<u>\$ 2,455,588</u>	<u>\$ 2,592,929</u>	<u>\$ 2,728,210</u>	<u>\$ 2,822,735</u>	<u>\$ 2,975,036</u>	<u>\$ 2,879,420</u>
Debt Service as a percentage of noncapital expenditures (2)	4.6%	4.2%	4.9%	5.1%	7.3%	5.6%	6.5%	8.6%	8.5%	8.3%

Notes:

(1) The School District launched its comprehensive Capital Improvement Program (CIP) in Fiscal Year 2004. The CIP supports initiatives to make schools more equitable, provide space for reduced class size, enhance academic reform efforts by providing state-of-the-art facilities.

(2) Percentages represent total expenditures less capital outlays divided into debt service expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2000 through 2009.

School District of Philadelphia
Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2000 through 2009
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Excess (Deficiency) of Revenues over Expenditures	\$ (172,428,066)	\$ (210,473,660)	\$ (187,984,448)	\$ (86,099,702)	\$ (318,619,908)	\$ (267,184,027)	\$ (320,380,341)	\$ (325,041,866)	\$ (338,912,254)	\$ (187,673,270)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	177,503,257	157,550,371	456,000,000 (1)	-	1,587,760,623 (1)	332,630,000	29,920,000	1,008,348,549	724,300,000	496,565,000
Land Sale Proceeds	-	-	-	-	-	27,754,440	-	-	-	-
Capital Asset Proceeds	-	-	-	-	-	221,507	207,071	2,461,045	5,644,893	11,390,163
Swap Net Proceeds	-	-	-	-	16,641,000	-	-	-	-	-
Basis Swap Proceeds	-	-	-	-	-	7,235,000	-	10,740,000	-	-
Bond Premium	-	-	-	-	-	2,833,532	-	62,356,553	-	-
Bond Discounts	-	-	21,132,860 (1)	-	4,884,867 (1)	18,512,125	-	-	-	3,809,411
Bond Defeasement	(74,862,819)	-	-	-	(10,513,043) (1)	-	-	-	-	(9,657,934)
Transfers In	170,516,492	174,889,618	185,163,129	186,486,249	(691,989,393)	(256,746,398)	347,924,848	(727,979,601)	(681,892,949)	(208,995,106)
Transfers Out	(170,440,754)	(174,813,882)	(185,087,395)	(186,410,518)	340,421,880	288,138,801	(347,746,807)	373,071,792	397,861,227	400,368,761
					(340,346,151)	(287,960,801)		(372,893,770)	(405,042,208)	(401,651,694)
Total Other Financing Sources and (Uses)	102,716,176	157,626,107	477,208,594	75,731	906,859,783	122,549,674	40,373,644	356,104,568	40,870,963	291,828,601
Net Change in Fund Balance	\$ (69,711,890)	\$ (52,847,553)	\$ 289,224,146	\$ (86,023,971)	\$ 588,239,875	\$ (144,634,353)	\$ (280,006,697)	\$ 31,062,702	\$ (298,041,291)	\$ 104,155,331

Note:

(1) Restated bond proceeds reported on Fiscal Year 2002 and Fiscal Year 2004 CAFRs by identifying proceeds, premiums, and original issue discounts for each year. Information initially was not presented in this format.

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2000 through 2009.

School District of Philadelphia

Table 8

Governmental Funds Revenue By Own-Sources (3)
For the Fiscal Years 2000 through 2009
(modified accrual accounting)
(dollars in millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Percentage Change 2000 - 2009
Local Taxes											
Real Estate	\$ 414.8	\$ 427.6	\$ 441.2	\$ 488.7	\$ 513.5	\$ 536.3	\$ 547.0	\$ 550.6	\$ 599.4	\$ 598.8	44.4 %
Use and Occupancy	90.6	94.7	93.4	98.8	96.2	99.0	103.8	103.8	108.6	112.3	23.9
Other	51.9	50.6	46.3	46.1	48.7	52.4	59.3	64.5	69.6	67.3	29.7
Total Taxes	557.3	572.9	580.9	633.6	658.4	687.7	710.1	718.9	777.6	778.4	39.7
Locally Generated Non Tax											
City Contributions	-	15.0	60.0	35.0	35.0	35.0	35.0	35.0	37.0	38.5	156.6
Other	71.3	54.4	34.8	33.1	37.1	62.2	70.2	93.3	85.6	46.3	(a)
Total Local	71.3	69.4	94.8	68.1	72.1	97.2	105.2	128.3	122.6	84.8	(1.9)
Total Own-Source Revenues (1)	\$ 628.6	\$ 642.3	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	37.3 %

Summary of Own-Source

Revenues by Fund:

General (4)	\$ 598.5	\$ 621.6	\$ 660.4	\$ 692.0	\$ 712.3	\$ 744.6	\$ 767.9	\$ 790.0	\$ 852.7	\$ 842.8	40.8 %
Intermediate	0.9	1.0	0.4	0.3	0.2	0.4	0.7	1.3	1.0	0.6	(33.3)
Categorical	8.3	7.9	10.1	6.4	10.1	9.7	6.4	6.2	7.0	4.2	(49.5)
Debt Service (1) (4) (6)	1.6	1.8	1.6	1.7	1.5	12.6	23.1	28.5	23.7	9.9	519.0
Capital Projects	18.1	9.7	2.9	1.2	9.9	17.4	16.9	20.8	15.5	5.6	69.1
Non-Major (5)	1.2	0.3	0.3	0.1	0.2	0.2	0.3	0.4	0.3	0.1	(90.8)
Total Own-Source Revenues	\$ 628.6	\$ 642.3	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	37.3 %

Totals Restated on a

Constant Dollar Basis: (2)

2000 as base year	\$ 628.6	\$ 621.4	\$ 640.4	\$ 653.3	\$ 651.5	\$ 676.9	\$ 673.0	\$ 688.6	\$ 695.9	\$ 681.0	8.3 %
2009 as base year	\$ 796.8	\$ 787.6	\$ 811.7	\$ 828.1	\$ 825.7	\$ 858.0	\$ 853.0	\$ 872.8	\$ 882.1	\$ 863.2	8.3 %

Notes:

(1) Revenues include cash with fiscal agent and its related activities.

(2) Source: United States Department of Labor, Bureau of Labor Statistics.

(3) The School District's own-source revenues are local taxes and locally generated non tax revenues.

(4) Tax revenues posted as revenue under the Debt Service Fund during Fiscal Year 2000 through Fiscal Year 2004 were reclassified as other financing sources under the Debt Service Fund and Tax Revenue under the General Fund.

(5) Restated Fiscal Year 2000 through Fiscal Year 2001 CAFRs for Fiduciary Fund Types for Expendable Trust Funds. Under GASB Statement No. 34, these funds are considered Non-Major, Special Revenue and Permanent Funds.

(6) New financing derivatives, variable rate and basis swaps, were issued during Fiscal Year 2004 through Fiscal Year 2008. As a result, these derivatives increased revenue under the Debt Service Fund.

(a) = No City Contributions were made during Fiscal Year 2000. Comparative percentages begin with Fiscal Year 2001 versus Fiscal Year 2009.

School District of Philadelphia
Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2000 through 2009
(dollars in millions)

Calendar Year of Levy (1)	Certified Assessed Values (2)					Total Direct Tax Rate (6)	Total Taxable Assessed Value of Property	Certified Assessed Value Ratio (4)	Estimated Actual Taxable Value
	Assessed Value of Property	Less: Tax-Exempt Property (5)	Total Taxable Assessed Value of Property						
2000	\$ 12,864	\$ 3,413	\$ 9,451	4.519	%	\$ 9,451	0.3032	\$ 31,171	
2001	13,254	3,513	9,741	4.519		9,741	0.3033	32,116	
2002	13,762	3,603	10,159	4.519		10,159	0.3012	33,728	
2003	14,326	3,705	10,621	4.790		10,621	0.3002	35,380	
2004	14,813	3,867	10,946	4.790		10,946	0.2970	36,855	
2005	15,072	4,040	11,032	4.790		11,032	0.2969	37,157	
2006	15,803	4,372	11,431	4.790		11,431	0.2924	39,094	
2007	16,243	4,628	11,615	4.790		11,615	0.2922	39,750	
2008	16,974	4,799	12,175	4.959		12,175	0.2886 (3)	42,186	
2009	17,352	5,146	12,206	4.959		12,206	0.2886 (3)	42,294	

NOTES:

(1) Real property tax bills are sent out in November and are payable at a one percent (1%) discount until February 28th, otherwise the face amount is due March 31 without penalty or interest.

(2) Source: The City of Philadelphia, Department of Finance Statistics via Board of Revision of taxes.

(3) Source: The City of Philadelphia, Department of Finance via the State Tax Equalization Board (STEB).

(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 a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions.

(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 real estate tax rates for the School District of Philadelphia which was obtained from the City of Philadelphia, Finance Department. See Table 10 for details.

School District of Philadelphia
Table 10
Property Tax Rates - All Direct and Overlapping Governments
For the Calendar Years 2000 through 2009
(Per \$100 Assessed Value)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>	
2000	3.745	4.519	8.264	%
2001	3.745	4.519	8.264	
2002	3.745	4.519	8.264	
2003	3.474	4.790	8.264	
2004	3.474	4.790	8.264	
2005	3.474	4.790	8.264	
2006	3.474	4.790	8.264	
2007	3.474	4.790	8.264	
2008	3.305	4.959	8.264	
2009	3.305	4.959	8.264	

Note:

(1) The City of Philadelphia and the School District of Philadelphia impose a tax on all real estate.

Source: The City of Philadelphia, Department of Finance.

School District of Philadelphia
Table 11
Principal Property Taxpayers
Current Calendar Year and Nine Years Ago
(dollars in millions)

Taxpayer	2009			2000		
	Rank	Assessment Value (1)	Percentage of Total Assessments	Rank	Assessment Value (1)	Percentage of Total Assessments
Liberty Property Philadelphia	1	\$ 58.1	0.48%	5	-	-
Franklin Mills Associates	2	57.6	0.47%	4	48.1	0.51%
Two Liberty Place	3	54.4	0.45%	1	65.6	0.69%
Nine Penn Center Associates	4	54.1	0.44%	3	52.0	0.55%
HUB Properties Trust	5	48.0	0.39%	-	-	-
Bell Atlantic	6	40.6	0.33%	6	43.7	0.46%
PRU 1901 Market LLC	7	35.2	0.29%	8	31.6	0.33%
Maguire/Thomas	8	33.9	0.28%	9	31.6	0.33%
Commerce Square Partners	9	33.3	0.27%	10	31.0	0.33%
Philadelphia Shipyard Development Corp.	10	30.3	0.25%	-	-	-
CSF Partnership	-	-	-	2	56.6	0.60%
LP Associates	-	-	-	5	44.8	0.47%
The Philadelphia Market Street (Marriott)	-	-	-	7	32.1	0.34%
Total of the Ten Largest Real Estate Assessments		<u>\$ 445.5</u>	<u>3.65%</u>		<u>\$ 437.1</u>	<u>4.62%</u>
Total Taxable Assessments		<u>\$ 12,205.7</u>	<u>100.00%</u>		<u>\$ 9,451.6</u>	<u>100.00%</u>

Note:

(1) Represents total taxable assessed value of property. See Table 9 for gross assessed value of property.

Source: Board of Revision of Taxes, The City of Philadelphia.

School District of Philadelphia

Table 12

Real Estate Tax Levies and Collections
For the Years 2000 through 2009

Calendar Year	Calendar Years 2000 through 2009				
	Collected within the				Ratio of Total Tax Collections to Total Tax Levy (b)
	Adjusted Total Tax Levy (a)	Calendar Year of the Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	
2000	\$ 421,290,908		\$ 375,140,384	89.05%	\$ 422,944,946
2001	430,266,215		390,669,337	90.80%	425,398,689
2002	444,264,098		391,820,496	88.20%	421,164,798
2003	488,070,898		473,253,166	96.96%	538,237,399
2004	513,175,891		451,656,255	88.01%	521,721,983
2005	518,623,526		489,783,416	94.44%	540,027,661
2006	536,311,238		497,741,969	92.81%	556,326,105
2007	556,355,668		511,116,248	91.87%	579,045,157
2008	603,695,735		541,948,209	89.77%	604,901,446
2009	605,206,705		540,596,130	89.32%	577,935,477

Notes:

- (a) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.
 (b) Percentage change represents ratio of all collections to tax levied rather than the portion collected that relates to the year of the tax levy.

Fiscal Year	Fiscal Years 2000 through 2009		
	Prior Year Tax		Total Tax Collections
	Current Tax Collections	Collections	
2000	\$ 379,062,773	\$ 35,761,682	\$ 414,824,455
2001	390,032,292	37,534,925	427,567,217
2002	401,977,746	39,188,455	441,166,201
2003	451,066,708	37,615,252	488,681,960
2004	458,085,281	55,437,680	513,522,961
2005	486,814,775	49,459,199	536,273,974
2006	493,146,748	53,862,637	547,009,385
2007	501,282,361	49,357,210	550,639,571
2008	547,620,741	51,418,561	599,039,302
2009	548,166,501	50,662,332	598,828,833

Source: The School District of Philadelphia - Accounting System fiscal year records as of December 31, 2009.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2000 through 2009
(dollars in thousands)

Fiscal Year	Governmental Activities (1)					Percentage of Personal Income (3)	Per Capita (4)	
	General Obligation Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease	Total Governmental Activities		Actual	In Constant Dollars - 2000 as Base Year (2) (3)
2000	\$ 891,389	\$ -	\$ 2,103	\$ -	\$ 893,492	2.54 %	\$ 588	\$ 588
2001	1,017,780	-	1,734	-	1,019,514	2.74	673	651
2002	1,440,475	-	1,365	-	1,441,840	3.77	962	911
2003	1,405,890	-	997	-	1,406,887	3.49	946	881
2004	1,726,595	588,135	628	3,856	2,319,214	5.54	1,572	1,402
2005	1,805,490	588,130	259	3,125	2,397,004	5.54	1,632	1,407
2006	1,798,724	588,125	44	2,375	2,389,268	5.32	1,636	1,351
2007	1,732,258	906,200	10	1,604	2,640,072	5.59	1,817	1,477
2008	1,712,357	901,025	3	813	2,614,198	5.19	1,803	1,394
2009	1,929,620	895,570	-	-	2,825,190	5.26	1,835	1,447

Notes:

- (1) Includes all long-term debt instruments, including bonds, loans, and capital leases. Details of the School District's outstanding debt can be found in the notes to the financial statements. The School District's business-type activities did not have any long-term debt instruments. Business-type obligations relate to compensated absences and severance payable only.
- (2) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (3) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year.
- (4) Per Capita Income values based on population multiplied by Per Capital Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.

School District of Philadelphia
Table 14
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Years 2000 through 2009
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)										Per Capita (5)	
	General Obligation Bonds	QZ/AB Bonds	Deficit Bonds (2)	Dauphin County General Authority (DCGA)	State Public School Building Authority (SPSBA)	Gross General Bonded Debt Outstanding	Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Personal Income (3)	Percentage of Estimated Actual Taxable Value of Property (6)	Actual	In Constant Dollars - 2000 as Base Year (3) (4)
2000	\$ 891,389	\$ -	\$ -	\$ -	\$ -	\$ 891,389	\$ 20,964	\$ 870,425	2.47 %	2.80 %	\$ 573	\$ 573
2001	994,795	22,985	-	-	-	1,017,780	22,675	995,105	2.68	3.10	657	636
2002	1,117,490	22,985	300,000	-	-	1,440,475	29,588	1,410,887	3.68	4.21	941	892
2003	1,082,910	22,980	300,000	-	-	1,405,890	34,138	1,371,752	3.40	3.89	923	833
2004	1,203,425	22,975	291,195	209,000	588,135	2,314,730	20,318	2,294,412	5.48	6.29	1,555	1,387
2005	1,262,915	42,305	291,280	208,990	588,130	2,393,620	28,048	2,365,572	5.47	6.37	1,611	1,389
2006	1,267,141	40,918	281,685	208,980	588,125	2,386,849	39,960	2,346,889	5.22	6.10	1,607	1,327
2007	1,212,170	39,533	271,585	208,970	906,200	2,638,458	46,895	2,591,563	5.49	6.52	1,783	1,449
2008	1,162,645	79,817	260,935	208,960	901,025	2,613,382	48,741	2,564,641	5.09	6.16	1,769	1,368
2009	1,602,860	77,525	249,235	-	895,570	2,825,190	49,138	2,776,052	5.17	6.56	1,803	1,422

Notes:

- (1) Includes all long-term general obligation bonded debt payable. Details of the School District's outstanding debt can be found in the notes to the financial statements. Deficit Bonds and Lease Revenue Bonds are deducted to determine borrowing capacity (debt limit).
- (2) Deficit Bond Series 2002B and the Refunding Bond Series 2005A are included for Fiscal Years 2005 and thereafter
- (3) See Table 18 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.
- (4) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (5) Per Capita Income values based on population multiplied by Per Capita Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.
- (6) See Table 9 - Assessed and Estimated Actual Market Value of Taxable Property for "estimated actual taxable values".

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009
(dollars in millions)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	\$ 2,776.1	100.0%	\$ 2,776.1
City of Philadelphia Direct Debt			4,311.2
Total Direct and Overlapping Debt			<u>\$ 7,087.3</u>

Notes:

- (1) To identify debt outstanding, refer to notes to the financial statements.

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 at a combined rate of 8.264 percent of the assessed value of residential and commercial property. The City's share currently is 3.305 percent while the remainder of 4.959 percent is for the School District. The School District meets the requirement of an overlapping government.

This schedule estimates the portion of the outstanding debt of the School District that is borne by the residents and businesses of the City of Philadelphia. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of the School District.

- (2) All long-term obligations of the School District of Philadelphia are overlapping, or 100%.

School District of Philadelphia
Table 16
Legal Debt Margin Information
For the Fiscal Years 2000 through 2009
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2009										
Assessed value										\$ 12,202.7
Debt Limit (1)										\$ 538.2
Non-electoral Debt Capacity (2)										\$ 1,771.2
Non-electoral Debt and Lease Rental Borrowing Capacity (3)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 1,443.2	\$ 1,480.6	\$ 1,522.3	\$ 1,600.5	\$ 1,688.5	\$ 1,782.7	\$ 1,857.6	\$ 1,943.0	\$ 2,035.8	\$ 2,128.6
General Obligation Bonds										
Lease (Schedule of Bonds (S))	891.3	1,017.8	1,440.5	1,405.9	2,314.7	2,393.6	2,386.8	2,638.5	2,613.4	2,825.2
Capital Appreciation Bonds - Non-electoral Debt	-	-	-	-	(588.1)	(588.1)	(588.1)	(906.2)	(901.0)	(895.6)
Fluctuating Debt	(12.4)	(13.3)	-	-	(3.6)	(2.5)	(1.3)	-	-	-
Non-electoral Debt Outstanding	(23.1)	(20.2)	(12.4)	(6.1)	1,723.0	1,803.0	1,797.4	1,732.3	1,712.4	1,929.6
Exclusions:	855.8	984.3	1,428.1	1,399.8	-	-	-	-	-	-
Deficit Bonds	-	-	-	-	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)
Termination Bonds	-	-	-	-	-	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)
Sinking Bonds	-	-	-	-	-	-	(29.7)	(28.2)	(26.7)	(25.2)
Non-electoral Debt Outstanding applicable to Debt Limit	855.8	984.3	1,128.1	1,099.8	1,431.8	1,441.2	1,415.5	1,362.9	1,357.5	1,590.5
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	1,443.2	1,480.6	1,522.3	1,600.5	1,688.5	1,782.7	1,857.6	1,943.0	2,035.8	2,128.6
Less: Non-electoral Debt Outstanding applicable to Debt Limit	855.8	984.3	1,128.1	1,099.8	1,431.8	1,441.2	1,415.5	1,362.9	1,357.5	1,590.5
Non-electoral Debt Capacity (2)	\$ 587.4	\$ 496.3	\$ 394.2	\$ 500.7	\$ 256.7	\$ 341.5	\$ 442.1	\$ 580.1	\$ 678.3	\$ 538.1
%	59.3	% 66.5	% 74.1	% 68.7	% 84.8	% 80.8	% 76.2	% 70.1	% 66.7	% 74.7
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 2,886.4	\$ 2,961.2	\$ 3,044.6	\$ 3,201.0	\$ 3,376.9	\$ 3,565.5	\$ 3,715.2	\$ 3,886.1	\$ 4,071.5	\$ 4,257.3
Debt Limit: (1)	891.3	1,017.8	1,440.5	1,405.9	2,314.7	2,393.6	2,386.8	2,638.5	2,613.4	2,825.2
General Obligation Bonds										
Lease	(12.4)	(13.3)	-	-	-	-	-	-	-	-
Capital Appreciation Bonds - Non-electoral Debt	(23.1)	(20.2)	(12.4)	(6.1)	(3.6)	(2.5)	(1.3)	-	-	-
Fluctuating Debt	855.8	984.3	1,428.1	1,399.8	2,311.1	2,391.1	2,385.3	2,638.5	2,613.4	2,825.2
Non-electoral Debt and Lease Rental Outstanding	-	-	-	-	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)
Exclusions:	-	-	-	-	-	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)
Deficit Bonds	-	-	-	-	-	-	(29.7)	(28.2)	(26.7)	(25.2)
Termination Bonds	-	-	-	-	-	-	-	-	-	-
Sinking Bonds	855.8	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1
Net Non-electoral Debt and Lease Rental Outstanding	2,886.4	2,961.2	3,044.6	3,201.0	3,376.9	3,565.5	3,715.2	3,886.1	4,071.5	4,257.3
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	855.8	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1
Less: Net Non-electoral Debt and Lease Rental Outstanding	\$ 2,030.6	\$ 1,976.9	\$ 1,916.5	\$ 2,101.2	\$ 1,357.0	\$ 1,536.2	\$ 1,711.6	\$ 1,617.0	\$ 1,813.0	\$ 1,771.2
Non-electoral Debt and Lease Rental Borrowing Capacity										
%	29.6	% 33.2	% 37.1	% 34.4	% 50.8	% 56.9	% 53.9	% 58.4	% 55.5	% 58.4
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 2,030.6	\$ 1,976.9	\$ 1,916.5	\$ 2,101.2	\$ 1,357.0	\$ 1,536.2	\$ 1,711.6	\$ 1,617.0	\$ 1,813.0	\$ 1,771.2
Less: Net Non-electoral Debt and Lease Rental Outstanding	855.8	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1
Non-electoral Debt and Lease Rental Borrowing Capacity										
%	29.6	% 33.2	% 37.1	% 34.4	% 50.8	% 56.9	% 53.9	% 58.4	% 55.5	% 58.4

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 rental less certain exclusions. It is the maximum amount the District could borrow without exceeding twice the borrowing base amounts.

School District of Philadelphia
Table 17
Ratio of Annual Debt Service
For General Bonded Debt and Authority Payments
To Total Governmental Funds Expenditures Excluding Categorical Funds
For the Fiscal Years 2000 through 2009
(dollars in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Bonded Debt Principal	\$ 36,405	\$ 20,197	\$ 33,305	\$ 34,585	\$ 45,000	\$ 20,410	\$ 36,686	\$ 62,352	\$ 65,626	\$ 70,347
General Bonded Debt Interest	40,490	55,004	53,476	70,193	74,044	74,572	91,643	99,178	99,582	82,134
Loans	369	369	369	369	369	369	215	34	7	3
State Public School Building Authority (1)	-	-	-	-	21,717	29,952	29,953	33,805	49,062	49,058
Total Debt Service Expenditures (2)	<u>\$ 77,264</u>	<u>\$ 75,570</u>	<u>\$ 87,150</u>	<u>\$ 105,147</u>	<u>\$ 141,130</u>	<u>\$ 125,303</u>	<u>\$ 158,497</u>	<u>\$ 195,369</u>	<u>\$ 214,277</u>	<u>\$ 201,542</u>
Total General Expenditures Excluding Categorical Funds	<u>\$ 1,727,193</u>	<u>\$ 1,726,866</u>	<u>\$ 1,761,354</u>	<u>\$ 1,790,968</u>	<u>\$ 2,066,101</u>	<u>\$ 2,146,065</u>	<u>\$ 2,269,236</u>	<u>\$ 2,379,051</u>	<u>\$ 2,520,229</u>	<u>\$ 2,409,218</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical Funds	<u>4.47</u>	<u>4.38</u>	<u>4.95</u>	<u>5.87</u>	<u>6.83</u>	<u>5.84</u>	<u>6.98</u>	<u>8.21</u>	<u>8.50</u>	<u>8.37</u>
Total General Expenditures (2) (3)	<u>\$ 1,961,011</u>	<u>\$ 2,006,534</u>	<u>\$ 2,057,609</u>	<u>\$ 2,111,134</u>	<u>\$ 2,455,588</u>	<u>\$ 2,592,929</u>	<u>\$ 2,728,210</u>	<u>\$ 2,822,734</u>	<u>\$ 2,975,037</u>	<u>\$ 2,879,420</u>
Ratio of Debt Service to Total General Expenditures	<u>3.94</u>	<u>3.77</u>	<u>4.24</u>	<u>4.98</u>	<u>5.75</u>	<u>4.83</u>	<u>5.81</u>	<u>6.92</u>	<u>7.20</u>	<u>7.00</u>

Notes:

- (1) Includes both principal and interest payments.
- (2) Does not include bond issuance costs, defeasement costs, or authority obligation program expenses.
- (3) Includes General, Intermediate Unit, Categorical, Debt Service and Capital Projects Funds expenditures.

School District of Philadelphia
Table 18
Demographic and Economic Statistics
For the Calendar Years 1999 through 2008

Calendar Year	City of Philadelphia				Property Values (4)			Bank Deposits (5)	
	Estimated Population (1) (in thousands)	Per Capita Personal Income (2)	Personal Income (dollars in thousands) (2)	Unemployment Rate (2)	Civilian Labor Force (in thousands) (2)	Total Market (dollars in millions) (2)	Original Assessed (dollars in millions) (3)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
1999	1,520	\$ 23,137	\$ 35,169,398	6.1	641.2	\$ 39,462	\$ 9,273	\$ 22,922	\$ 4,405
2000	1,514	24,569	37,193,547	5.6	635.0	40,200	9,527	18,531	4,576
2001	1,499	25,550	38,290,004	6.1	636.0	41,420	9,867	21,101	4,640
2002	1,485	27,169	40,353,074	7.3	635.2	43,005	10,300	16,872	9,384
2003	1,473	28,400	41,843,691	7.5	622.6	44,770	10,819	19,719	8,730
2004	1,466	29,489	43,234,005	7.3	618.3	46,292	11,141	19,883	9,636
2005	1,457	30,839	44,937,653	6.7	616.8	47,099	11,283	22,325	13,199
2006	1,451	32,540	47,205,510	6.2	614.5	49,384	11,904	23,376	18,504
2007	1,449	34,764	50,359,507	6.0	615.9	50,759	11,615	26,609	18,150
2008	1,540	34,878	53,724,236 (6)	7.2	627.2	53,045	12,175	28,306	16,719

Notes:

- (1) Data for calendar years 1999 through 2008 obtained from U.S. Department of Commerce, Bureau of Economic Analysis; Estimates base reflects changes to the Census 2000 population resulting from legal boundary updates as of January 1st of the estimates year, other geographic program changes, and Count Question Resolution actions via City of Philadelphia Department of Finance.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis, except for calendar year 2005 data which was obtained from the City of Philadelphia Department of Finance.
- (3) Data provided by the City of Philadelphia Revenue Department. Represents original billings plus tax abatements.
- (4) Source: The City of Philadelphia, Board of Revision of Taxes.
- (5) Source: Federal Deposit Insurance Corporation Summary of Deposits by County for years ending June 30th.
- (6) Source: City of Philadelphia - Estimated by using growth rate for the previous year.

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

2009 (1)			2000 (2)		
<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment (4)</u>	<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
City of Philadelphia	28,406	4.88	City of Philadelphia (3)	29,519	4.92
School District of Philadelphia	22,671	3.89	University of Pennsylvania/University of Pennsylvania Hospital	28,200	4.70
University of Pennsylvania/University of Pennsylvania Hospital	22,283	3.83	School District of Philadelphia	27,908	4.65
Penn Medicine(University of Pennsylvania Health System)	14,941	2.57	Temple University	13,000	2.17
Children's Hospital of Philadelphia	9,762	1.68	Tenet Healthcare Systems, Inc	10,500	1.75
SEPTA	8,900	1.53	PECO Energy	7,100	1.18
Wachovia Bank, N.A.	8,306	1.43	Aramark Corp.	5,500	0.92
Drexel University	8,240	1.42	First Union National Bank	5,000	0.83
Thomas Jefferson University Hospitals Inc.	8,151	1.40	Thomas Jefferson University Hospital Inc.	4,800	0.80
Albert Einstein Healthcare Network	7,388	1.27	Albert Einstein Healthcare Network	4,600	0.77
Temple University Health System	6,762	1.16	US Airways	4,600	0.77
PNC Financial Services Group	5,749	0.99	CIGNA Corporation	4,600	0.77
Temple University	5,227	0.90	Bell Atlantic Corporation	4,500	0.75

Notes:

- (1) Information obtained from (a) The Philadelphia Business Journal dated November 6-12, 2009- Philadelphia County Private Sector Employers (Ranked by number of county employees), (b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2009 and (c) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2009.
- (2) Information obtained from (a) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2000 and website related to "largest employers in the City of Philadelphia, PA" Philadelphia City Planning Commission, City Stats, April 2000 (b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2008 and (c) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2009.
- (3) Data represents number of employees as of Fiscal Year 2003- data was not available prior to this date.
- (4) Based on 2008 Civilian Labor Employed per U.S. Department of Commerce, Bureau of Economic Analysis.

School District of Philadelphia
Table 20
School District Employees by Function
For the Fiscal Years 2000 through 2009

	PROFESSIONAL/NON-PROFESSIONAL EMPLOYEES as of June 15th (1)										Percentage Change 2000 - 2009
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Instruction:											
<i>Classroom Teachers</i>											
Operating	11,346	11,494	11,180	10,861	11,033	10,347	9,509	8,884	8,648	8,696	(23.4) %
Grants	915	953	1,346	1,319	1,146	1,286	1,438	1,612	1,640	1,681	83.7
<i>Total Classroom Teachers</i>	<u>12,261</u>	<u>12,447</u>	<u>12,526</u>	<u>12,180</u>	<u>12,179</u>	<u>11,633</u>	<u>10,947</u>	<u>10,496</u>	<u>10,288</u>	<u>10,377</u>	(15.4)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	465	482	463	444	365	384	239	241	245	294	(36.8)
Classroom & Instructor Assistants	1,035	990	940	885	778	715	663	672	658	639	(38.3)
Counselor/Librarians	154	147	123	93	89	83	84	88	69	40	(74.0)
Psychologists/Therapists	54	48	41	41	39	41	37	38	36	32	(40.7)
P/T Classroom & Instructor Assistants	2,117	2,035	1,936	1,745	1,356	1,210	1,471	1,197	1,156	1,206	(43.0)
Other Paraprofessionals	236	277	270	245	237	203	172	152	146	100	(57.6)
<i>Total Non-Teaching</i>	<u>4,061</u>	<u>3,979</u>	<u>3,773</u>	<u>3,453</u>	<u>2,864</u>	<u>2,636</u>	<u>2,666</u>	<u>2,388</u>	<u>2,310</u>	<u>2,311</u>	(43.1)
Total Instruction	<u>16,322</u>	<u>16,426</u>	<u>16,299</u>	<u>15,633</u>	<u>15,043</u>	<u>14,269</u>	<u>13,613</u>	<u>12,884</u>	<u>12,598</u>	<u>12,688</u>	(22.3)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	461	487	501	512	532	522	515	510	478	475	3.0
Department Heads/Program Mgrs. & Coord.	91	86	77	61	63	59	35	31	34	35	(61.5)
Secretarial	655	653	634	602	597	580	540	497	495	487	(25.6)
Other Clerical	66	69	73	83	84	87	80	83	3	6	(90.9)
<i>Total In-school Instruction Leadership & Support</i>	<u>1,273</u>	<u>1,295</u>	<u>1,285</u>	<u>1,258</u>	<u>1,276</u>	<u>1,248</u>	<u>1,170</u>	<u>1,121</u>	<u>1,010</u>	<u>1,003</u>	(21.2)
<i>Professional Development & Training</i>											
Director	-	1	2	3	2	1	3	2	3	4	400.0
Other Technical Staff	1	-	-	-	-	-	-	-	-	-	(100.0)
Non-Teaching Professionals	371	323	295	292	418	391	431	350	325	333	(10.2)
Secretarial	4	2	2	3	4	4	5	4	4	1	(75.0)
<i>Total Professional Development & Training</i>	<u>376</u>	<u>326</u>	<u>299</u>	<u>298</u>	<u>424</u>	<u>396</u>	<u>439</u>	<u>356</u>	<u>332</u>	<u>338</u>	(10.1)
<i>Student Support Services</i>											
Other Technical Staff	29	35	35	34	30	33	27	31	26	27	(6.9)
Non-professional supervisory	103	116	117	113	116	114	113	107	94	92	(10.7)
Counselor/Librarians	383	384	371	366	339	340	347	327	338	344	(10.2)
Psychologists/Therapists	83	94	104	101	99	100	106	102	97	100	20.5
Other Paraprofessionals	289	268	150	159	146	167	198	194	146	449	55.4
Bus Drivers/Attendants	1,198	1,171	1,153	1,130	1,129	1,126	1,125	1,127	1,084	1,047	(12.6)
Health Providers	338	352	340	344	340	320	310	326	317	325	(3.8)
Food Service	885	867	873	891	908	902	890	931	810	820	(7.3)
Other (includes Noon Time Aides)	1,031	1,161	1,402	1,403	1,381	1,458	1,431	1,400	1,429	1,498	45.3
<i>Total Student Support Services</i>	<u>4,339</u>	<u>4,448</u>	<u>4,545</u>	<u>4,541</u>	<u>4,488</u>	<u>4,560</u>	<u>4,547</u>	<u>4,545</u>	<u>4,341</u>	<u>4,702</u>	8.4
<i>Basic Building Services</i>											
Non-Teaching Assistants	607	595	560	503	471	421	311	248	196	187	(69.2)
Maintenance	432	454	440	416	400	416	428	410	416	376	(13.0)
Custodial	2,227	2,315	2,175	2,010	1,868	1,810	1,663	1,583	1,508	1,453	(34.8)
Warehouse/Distribution	31	37	33	33	34	33	34	28	21	27	(12.9)
Security	556	521	492	481	491	554	489	540	540	592	6.5
<i>Total Basic Building Services</i>	<u>3,853</u>	<u>3,922</u>	<u>3,700</u>	<u>3,443</u>	<u>3,264</u>	<u>3,234</u>	<u>2,925</u>	<u>2,809</u>	<u>2,681</u>	<u>2,635</u>	(31.6)
Total Classroom Support	<u>9,841</u>	<u>9,991</u>	<u>9,829</u>	<u>9,540</u>	<u>9,452</u>	<u>9,438</u>	<u>9,081</u>	<u>8,831</u>	<u>8,364</u>	<u>8,678</u>	(11.8)
Administrative Support											
Executive Management	18	20	14	28	26	27	33	28	26	32	77.8
AAOs/Regional Administrators	21	21	21	12	11	11	12	12	8	12	(42.9)
Directors	95	63	54	61	65	65	69	70	64	78	(17.9)
Asst. Directors/Admin Asst.	122	123	93	75	81	71	61	55	46	25	(79.5)
Prog. & Mgmt. Supervisors	153	156	102	107	112	126	178	147	154	167	9.2
Mgmt. Level Technicians	123	124	115	116	128	126	114	152	157	143	16.3
Other Technical Staff	327	266	292	309	359	350	398	288	273	316	(3.4)
Non-Professional Supervisory	99	93	123	113	114	118	116	111	90	107	8.1
Secretarial	223	210	179	165	166	165	151	141	102	109	(51.1)
Other Clerical	204	200	194	185	195	183	182	158	226	230	12.7
Other (2)	264	100	12	4	3	2	1	-	-	-	(100.0)
Total Administrative Support	<u>1,649</u>	<u>1,376</u>	<u>1,199</u>	<u>1,175</u>	<u>1,260</u>	<u>1,244</u>	<u>1,315</u>	<u>1,162</u>	<u>1,146</u>	<u>1,219</u>	(26.1)
Total School District	<u>27,812</u>	<u>27,793</u>	<u>27,327</u>	<u>26,348</u>	<u>25,755</u>	<u>24,951</u>	<u>24,009</u>	<u>22,877</u>	<u>22,108</u>	<u>22,585</u>	(18.8)
Add: Municipal Services (3)	96	100	97	95	95	96	92	93	82	86	(10.4)
Total School District-Wide	<u>27,908</u>	<u>27,893</u>	<u>27,424</u>	<u>26,443</u>	<u>25,850</u>	<u>25,047</u>	<u>24,101</u>	<u>22,970</u>	<u>22,190</u>	<u>22,671</u>	(18.8) %

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.

(2) Represents positions that could not be identified to a specific function between Fiscal Year 2000 and Fiscal Year 2006.

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

Source: Office of Management and Budget, Finance Office, The School District of Philadelphia - Fiscal Year 2000 to Fiscal Year 2006.

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia - Fiscal Year 2007 through Fiscal Year 2009.

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2000 through 2009

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Actual) (dollars in thousands) (3)	Cost per Pupil Expenses	Percentage Change of Cost per Pupil Expenses	Percentage of Students Receiving Free or Reduced Price Meals (4)	Percentage of Students Using Bus/Cab (5)	Percentage of Students Using Free/ Subsidized Tokens (5)	Teaching Staff (6)	Pupil-Teacher Ratio
2000	205,121	\$ 1,618,045	\$ 7,888	4.06 %	N/A	\$ N/A	N/A %	48.0 %	15.1 %	14.6 %	12,261	16.7
2001	201,328	1,708,107	8,484	7.55	N/A	N/A	N/A	48.8	16.6	14.5	12,447	16.2
2002	197,344	1,742,349	8,829	4.06	1,964,025	9,952	N/A	51.5	17.1	15.5	12,526	15.8
2003	193,076	1,822,252	9,438	6.90	2,115,361	10,956	10.09	53.1	18.9	17.6	12,180	15.9
2004	188,397	1,995,652	10,593	12.24	2,306,412	12,242	11.74	55.9	20.6	17.7	12,179	15.5
2005	181,726	2,078,049	11,435	7.95	2,544,669	14,003	14.38	58.4	21.8	18.2	11,633	15.6
2006	175,263	2,118,524	12,088	5.71	2,593,976	14,800	5.70	56.7	22.7	18.4	10,947	16.0
2007	169,697	2,044,739	12,049	(0.32)	2,620,381	15,442	4.33	56.3	22.4	18.0	10,496	16.2
2008	162,608	2,110,375	12,978	7.71	2,609,375	16,047	3.92	57.6	22.6	34.9	10,288	15.8
2009	157,680	2,123,955	13,470	3.79	2,697,821	17,109	6.62	57.4	36.9	36.9	10,377	15.2

Notes:

- (1) See Table 22 - Miscellaneous Statistics for details.
 - (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.
 - (4) Food Services Administration Support, The School District of Philadelphia.
 - (5) Transportation Department - The School District of Philadelphia. Beginning in Fiscal Year 2008, students were provided SEPTA transpasses and the data was changed from average usage for tokens to approved students for transpasses.
 - (6) See Table 20 - School District Employees by Function for details.
- (N/A) Data not available before implementation of GASB Statement No. 34.

School District of Philadelphia
Table 22
Miscellaneous Statistics
For the Fiscal Years 2000 through 2009

The School District is a separate and independent home rule school district of the first class established in 1965 by the Philadelphia Home Rule Charter.

The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The School District of Philadelphia operates at present under a five member School Reform Commission. The School Reform Commission exercises all powers and has all the duties of the Board of Education. The Board of Education continues in office performing only duties assigned by the School Reform Commission. The Governor of Pennsylvania appointed the chairman who has full power and authority of the School Reform Commission and two other members, while the Mayor of Philadelphia appointed the two remaining members.

The 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 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 (3)	Fiscal 2007	Fiscal 2008	Fiscal 2009
Number of Schools (1)										
Elementary	175	175	175	175	175	176	177	178	175	175
Junior/Middle	41	42	42	41	42	38	32	30	31	30
Special	10	11	8	10	11	11	17	21	21	21
Senior	31	32	32	33	35	38	30	31	30	32
Vocational/Technical	4	5	5	5	5	7	9	9	9	9
Total Public Schools	261	265	262	264	268	270	265	269	266	267
Number of Charter Schools (2)	25	35	41	46	48	52	54	56	61	63
Number of Alternative Schools	N/A	N/A	N/A	N/A	N/A	N/A	13	15	16	17
Total Schools	286	300	303	310	316	322	332	340	343	347
School Enrollment (2)										
Elementary	105,044	102,118	99,992	96,786	94,247	91,932	99,157	97,429	93,387	92,886
Junior/Middle	33,632	33,618	31,519	30,042	29,380	25,572	22,455	19,380	18,724	15,566
Special (3) (4)	-	-	-	-	-	-	8,829	9,208	9,762	10,860
Senior (3) (4)	-	-	-	-	-	-	35,861	35,329	32,505	30,716
Vocational/Technical (3)	-	-	-	-	-	-	8,961	8,351	8,230	7,652
Special/Senior/Vocational Technical (3)	66,445	65,592	65,833	66,248	64,770	64,222	-	-	-	-
Total Public Schools	205,121	201,328	197,344	193,076	188,397	181,726	175,263	169,697	162,608	157,680
Charter Schools	8,037	11,396	15,250	18,164	21,695	25,055	26,938	28,220	30,326	32,637
Alternative Schools	-	-	-	-	-	2,538	5,790	4,399	4,703	4,568
Total	213,158	212,724	212,594	211,240	210,092	209,319	207,991	202,316	197,637	194,885
Number of Public High School Graduates (1)	9,949	9,388	8,559	9,407	10,331	10,800	10,132	9,694	9,570	9,967
Number of Charter High School Graduates (5)	146	351	505	634	919	1,167	1,424	1,651	1,928	2,023
Total of High School Graduates	10,095	9,739	9,064	10,041	11,250	11,967	11,556	11,345	11,498	11,990

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data
- (2) School District of Philadelphia, Budget Document - Fiscal Years 2000 through 2005. Data for Fiscal Years 2006 through 2009 was obtained from the Office of Accountability and Assessment-Performance Targets and Data, School District of Philadelphia.
- (3) School District of Philadelphia, Office of Management and Budget - School Services. Beginning in Fiscal Year 2006, the School District revised the reporting requirements for special, senior, vocational, and technical school enrollment. These types of schools were reported separately.
- (4) Beginning in Fiscal Year 2008, the School District revised the reporting requirements for Educational Opportunities Program (EOP) which include nine high schools. Of the nine high schools, eight were identified as senior high schools and one as a vocational school. The Educational Opportunities Program is for students who attend designated high schools after core hours, formally called Twi-light schools.
- (5) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2000 through 2008. School District of Philadelphia, Office of Accountability and Assessment - School Innovation and Best - for Fiscal Year 2009.

(N/A) Data not available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 2000 through 2009

Calendar Year	School District (1) (3)			Percent Change Average Salary	State Average Salary (2) (4)	National Average Salary (5)
	Minimum Salary	Average Salary	Maximum Salary			
2000	\$ 31,344	\$ 49,372	\$ 65,098	3.95 %	\$ 48,322	\$ 41,807
2001	32,598	51,606	67,702	4.52	49,529	43,378
2002	33,250	52,336	69,056	1.41	50,600	44,655
2003	34,580	54,055	71,818	3.29	51,425	45,688
2004	35,963	55,977	74,691	3.56	52,640	46,605
2005	37,622	58,187	74,691	3.95	53,281	47,659
2006	37,042	58,689	76,932	0.86	54,043	49,026
2007	38,153	60,361	79,240	2.85	54,970	50,758
2008	39,298	62,524	81,617	3.58	55,833	52,308
2009	40,870	65,066	84,882	4.07	NA	53,910 (E)

Notes:

NA = Data Not Available

- (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 2000 represent averages for school year 1999/00, 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
- (E) Estimated at a 3.1% increase over 2007-08.

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year 2008-2009

	<u>Buildings (1)</u>	<u>Range of Buildings Ages</u>	<u>Square Footage</u>	<u>Official Capacity (8)</u>	<u>Percentage of Capacity Used</u>	
<u>Schools</u>						
Elementary	174	1 yrs to 120 yrs	12,129,930	114,189	80.7	%
Middle	26	9 yrs to 115 yrs	3,263,772	25,453	65.2	
Senior	28	1 yrs to 97 yrs	7,143,847	47,157	69.2	
Senior/Elementary (2)	2	45 yrs to 60 yrs	431,113	3,354	45.3	
Special	13	3 yr to 100 yrs	1,542,731	10,427	70.6	
Special/Middle School (3)	4	54 yr to 97 yrs	473,055	4,009	65.9	
Special/Senior	1	83 yrs	27,186	680	74.4	
Vocational	8	24 yrs to 80 yrs	1,651,851	8,934	89.7	
Vocational/Senior (4)	1	92 yrs	108,000	997	111.9	
Alternative	5	42 yrs to 105 yrs	323,465	3,273	95.0	
<u>Other</u>						
Charter (5)	4	39 yrs to 88 yrs	488,604	3,157		
Elementary- Annex	9	13 yrs to 84 yrs	231,319	1,960		
Little School Houses (6)	11	8 yrs to 12 yrs	253,996	3,180		
Middle- Annex	2	37 yrs to 59 yrs	72,591	486		
Senior-Auto Academy	2	41 yrs	49,070	N/A		
Community Centers (7)	6	11 yrs to 94 yrs	184,396	N/A		
<u>Administration</u>						
Administration	4	N/A	864,858			
<u>Transportation</u>						
School Garages	5	N/A	191,133			
Repair Garages	1	N/A	10,663			
<u>Athletics</u>						
Fields	16	24 yrs to 88 yrs	221,707			
Pools	9	35 yrs to 59 yrs	N/A			
Fields/Pools	1	31 yrs	8,540			

Source: The School District of Philadelphia Records Office of Capital Programs

N/A = Data Not Available

NOTES:

- (1) Only School District owned buildings were identified and recorded
- (2) Four Schools use the same two buildings-Lamberton H.S. & Lamberton Elementary School, as well as Strawberry Mansion H.S. & Leslie Hill Elementary School.
- (3) Two Schools-Masterman H.S. and Masterman Middle School use the same building.
- (4) Two Schools-Kensington H.S. for Creative, Visual & Performing Arts and Kensington H.S. for International Business, Finance & Entrepreneurship use the same building.
- (5) School District buildings being leased to Charter Schools.
- (6) Part of other public schools.
- (7) Used in conjunction with public schools.
- (8) Official Capacity as defined by the State has changed over the 115 years that a school would have been built.
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.



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