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The School District of Philadelphia
Office of Family and Community Engagement
440 N. Broad Street, Suite 114
Philadelphia, PA 19130-4015
Email: ask@philasd.org
Tel: (215) 400-4000
Fax: (215) 400-4181

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SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

440 N. BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19130

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

YEAR ENDED JUNE 30, 2010



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 2010 Cover Design Contest entitled “Pennsylvania: A Great State of Knowledge”. This year’s theme celebrates the wonderful educational facts about our great “Keystone” State that addresses history, education, geography, government, culture and the arts. From the Pocono Mountains to Lake Erie’s shore, the Steel City to the City of Brotherly Love, the Keystone State is a great place to live, work and play. This contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, research and experience about Pennsylvania and the interesting facts that make our Commonwealth so unique.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Linda Pham Academy at Palumbo Grade 12	Ms. Kiana Thompson
2 nd Prize Back Cover	Teyin Tseng Creative & Performing Arts High School Grade 9	Mr. John Fantine
3 rd Prize Divider: 1 st	Lung Ung Creative & Performing Arts High School Grade 12	Mr. John Fantine
	Kevin Hayes Academy at Palumbo Grade 12	Ms. Kiana Thompson
2 nd	Annie Huang Arts Academy at Rush Grade 10	Mr. Jeffrey Evans
	Michael Du Furness High School Grade 12	Ms. Meredith McDonald
3 rd	Deborah Sim Central High School Grade 10	Ms. Andrea Keefe
	Michael Ward-Rosenbaum Arts Academy at Rush Grade 10	Ms. Andrea Lyons
	Ms. Tessie Varthas, Content Specialist – Art Education Office of Teaching and Learning	

Introductory Tab

SCHOOL DISTRICT OF PHILADELPHIA

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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
FAX (215) 400-4104**

January 28, 2011

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, 2010. 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, 2010, 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 500 school districts in the Commonwealth employing nearly 24,000 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 1.5 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 about seven percent (7.0%) over the past decade while charter school enrollment has significantly increased. Enrollment for the School District is over 197,900 students including 37,250 attending charter schools and 4,239 in alternative education programs.

In addition, there are 265 schools that the School District operates, as well as 27 alternative education and 67 charter schools managed by other entities within the city, which also serve Philadelphia’s children. Also, there are over 3,200 students enrolled in cyber schools and Non-Philadelphia (brick and mortar) Charter Schools. In fiscal year 2010, almost one of every five (18.8%) 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.

Due to the age of the School District’s buildings, the District has embarked on a Capital Improvement Plan which began several years ago. About twenty-three percent (23%) of the School District’s buildings are forty (40) years old or less, thirty-nine percent (39%) are between forty-one (41) and eighty (80) years old, thirty-eight percent (38%) 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.

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 2010 was to continue the significant academic progress stemming from "Imagine 2014", the District's five-year strategic plan designed to reshape Philadelphia's public schools. Financial resources in year two of "Imagine 2014" continued to be focused on alignment with the initiatives and action plans identified for the second year of this transformation strategy aimed at *building a system of great schools* that won broad national praise for its creative and comprehensive approach to improving Philadelphia's public schools and earned the Superintendent and Chief Executive Officer the prestigious Council of Great City Schools Richard R. Green Award as the top urban school leader in 2010. This plan was shaped by over 3,000 educators, community groups, organizations and stakeholders both inside and outside the organization. There are numerous signs of forward progress and early successes. For the first time ever more than half our students are meeting state standards in reading and math and graduation rates are up to 60%.

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*.

Aligning budget line items and expenditures with the priorities of the leadership initiatives of the "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.

To advance these goals in Fiscal Year 2010, the District provided funding needed to implement Phase I of the “Imagine 2014” initiatives which included, among others: 1) opening of regional early childhood centers and expanded early childhood programs, 2) implementation of a weighted student funding budgeting strategy pilot, 3) establishment of Student Success Centers (SSCs) combined with increased access to counseling services and school-based social services for parents and students, 4) continuation of the broad-range of supports available to lower performing schools, 5) servicing more than 12,000 parents in classes at 23 Parent University sites, 6) implementation of an expanded summer school program with an enrollment of 58,000, 7) expansion of services available to English Language Learners (ELL), 8) expansion of re-engagement programs and peer mediation for positive school environments, and 9) continuation of funding for lower class sizes, instructional supports and professional development.

Fiscal Year 2010 marks the second consecutive year of the District’s return to a positive ending fund balance. This was achieved in a large measure due to the District’s continuing strong discipline in managing its financial affairs which produced a \$51.8 million positive ending Fiscal Year 2010 operating fund balance. 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 \$25.0 million; offset by a \$76.8 million positive Debt Service Fund balance. The operating fund balance includes \$23.7 million of General Fund revenues which were segregated in the prior fiscal year 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.

The School District was critically dependent on Federal funding to achieve this result, because local funding remained flat and State funding was down due to the Recession and its aftermath. Major Federal Stimulus funding sources, including the Stimulus State Fiscal Stabilization Fund, Stimulus Title I and Stimulus IDEA (Special Education) were major contributing factors impacting the District’s improved financial condition for the fiscal period.

The continued forward momentum of the District’s financial achievements over the past three years were accomplished through a vigorous focus on fiscal accountability and monitoring of spending against the budget which focused on education progress and the District’s strategic initiatives as outlined above. The SRC on May 27, 2009 adopted the Fiscal Year 2010 operating budget of \$2,372 million and on May 26, 2010 adopted the amended Fiscal Year 2010 operating budget of \$2,307 million. The ending operating fund balance is improved by \$17.8 million more than anticipated in the final budget primarily as a result of savings from Fiscal Year 2010 refinancing and lower interest rates on variable rate debt; lower education costs for students in residential placement; more payments to charter schools paid with the Pennsylvania Accountability Block Grant; lower losses and judgments in legal settlements; and additional Philadelphia Parking Authority and City Tax Amnesty revenues. These were able to offset increased Food Service related items due to lower indirect cost recoveries and the establishment of a fund balance reservation for a long term General Fund interfund loan.

The Capital Improvement Program identifies over \$1.2 billion in facilities’ needs through fiscal years 2010-2016 to improve major infrastructure systems and buildings. In fiscal year 2010 the School District obligated \$213.3 million in new construction, additions, renovation projects, and classroom modernization initiatives. For Fiscal Year 2011, the School District is expected to spend \$327.9 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: Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the past century. These challenges are heightened in the current environment of a severe economic recession which officially began in December 2007. After 50 years of losing residents to the suburbs, the City has experienced new investments in many of its neighborhoods spurred by relatively affordable housing and the City's extensive array of cultural activities. During the period between 1950 and 2007, the population of the City decreased from 2,071,605 to 1,449,934 and then beginning in 2008 increased to 1,540,351 and this growth continued in 2009 to 1,547,297.

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.

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, the Academy of Music, the Pennsylvania Ballet, the Constitution Center, the Kimmel Center, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, 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.

Since 2000, when the city enjoyed its highest employment levels in recent years, every major sector in the Philadelphia job market has declined except education and health services. 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 9.2%.

Long-Term Debt of the School District: As of June 30, 2010, the School District's outstanding general obligation bond and lease rental indebtedness was in the principal amount of \$3.0 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 2010 was approximately 0.87% and total interest income was \$5.3 million. This was a \$3.8 million decrease in total interest income over fiscal year 2009 primarily due to lower capital and operating cash balances available for investment and lower average interest rates which decreased by almost 58% 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. 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 2010, the employer contribution rate was 4.8% of payroll costs. In June 2010 the Pennsylvania General Assembly amended the PA Fiscal Code to reduce the 2010-11 pension contribution rate to 5.6%. In November 2010, the Governor signed pension legislation to amend pension contributions as a percent of payroll to 8.7% in Fiscal Year 2011-12 and to 12.2% in Fiscal Year 2012-13.

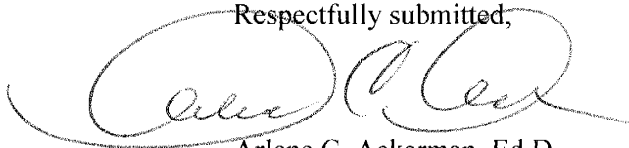
Awards and Acknowledgements

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 2009. 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 2009. 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 2010.

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, 2009

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.



President

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, 2009.

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

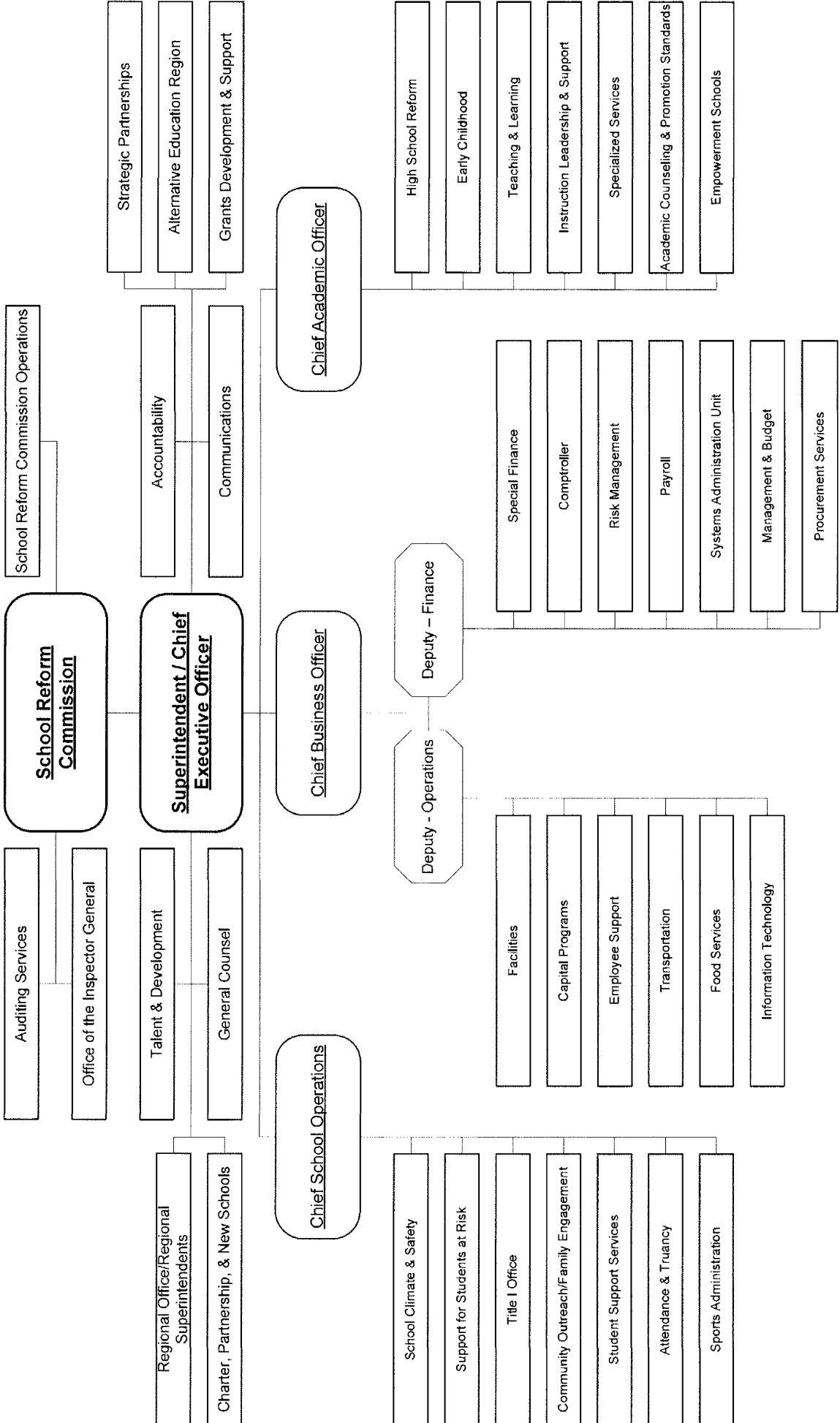
Evin Green

President

John D. Quasar

Executive Director

**SCHOOL DISTRICT OF
PHILADELPHIA**



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2010

List of Principal Officials of the School District

School Reform Commission

Robert L. Archie Jr., Esq., Chairman
Denise McGregor Armbrister, Member
Johnny Irizarry, Member
Joseph A. Dworetzky, Esq., Member
Amb. David F. Girard-diCarlo, Ret., Esq., Member

School District of Philadelphia

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

Pamela Brown
Acting Chief Academic Officer

Michael J. Masch
Chief Business Officer

Tomás Hanna
Chief of Staff

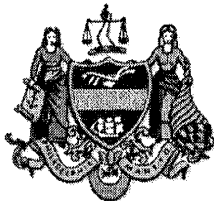
David Weiner
Chief Accountability Officer

John Frangipani
Chief of School Operations

Miles H. Shore
Interim General Counsel

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Financial Tab



CITY OF PHILADELPHIA

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

ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
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 (School District), a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2010, 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'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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2010, 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

As discussed in Note 4.D.(2)(b) to the financial statements, in 2010 the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The management's discussion and analysis on pages 15 through 32, and the major funds budgetary comparison schedules, the other postemployment life insurance benefits schedule of funding progress, 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 inquiries 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'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 2010 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 financial statements for the year ended June 30, 2010 taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the School District's basic financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements. In our report dated January 22, 2010, we expressed unqualified opinions on the respective 2009 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2009 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, 2009, 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 28, 2011



GERALD V. MICCIULLA, CPA
Deputy City Controller

**SCHOOL DISTRICT OF PHILADELPHIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. The intent of this narrative discussion and analysis is to provide readers with brief explanations of the types of presentations that set forth the School District's basic financial statements, results of operations, long-term debt activity and significant variations from the original adopted and final amended budgets pertaining to certain major funds.

The School District presents comparative financial information between the current and prior fiscal years in its MD&A in an effort to illustrate its overall financial performance and condition. The MD&A is intended to help the reader identify the reasons for changes in net assets, expenses, revenues and 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 prior financial position, and 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 eight 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 efficiency.

Several key financial highlights for Fiscal Year 2010 include, but are not limited to, the following:

- Total revenues for the governmental funds were \$2.9 billion. Revenues increased in Fiscal Year 2010. Increases were mostly the result of Federal Stimulus funding from the American Recovery and Reinvestment Act (ARRA) of 2009. Since the beginning of the Recession, local taxes have remained relatively flat and State revenues have declined slightly. About one third of total revenues are received from the PA Basic Education Subsidy (BES). The Recession caused the State to

decrease the State appropriation for the BES and substitute for and augment that reduction with \$119.8 million in pass through funds provided by the State from its share of the Federal Stimulus State Fiscal Stabilization Fund. A little over half of the District's revenues represent subsidies and grants awarded and appropriated by Pennsylvania state governmental entities and agencies; the remainder comes mainly from the collection of local taxes, as well as recurring federal grants and subsidies.

- Total expenditures for the governmental funds were \$3.1 billion, which includes \$161.1 million of capital expenditures from funds received in prior years. Approximately ninety five percent (95%) of all expenditures were incurred for instructional services, direct student-related costs and expenditures and services directly benefitting students and schools such as transportation, utilities and debt service for school renovations and construction. The District also developed and implemented, with extensive input from stakeholders, Imagine 2014, its Five-Year Strategic Plan that focuses on initiatives that build and improve on past successes in increasing student achievement. Discretionary expenditures were largely focused on implementation of Phase I of the implementation of the Strategic Plan. A significant portion of expenditures are fixed and/or mandated by regulatory and contractual obligations (e.g., salary increases per the Collective Bargaining Agreements, mandated pension plan contributions, debt service costs, and charter school reimbursements).
- At the end of the current fiscal year, total net assets were (\$1,250.9) million resulting from an excess of liabilities over assets. Bonds payable and premiums on general obligation bonds and other unfunded liabilities, such as severance payable, derivative instruments and other contingent liabilities are the primary long-term liabilities impacting this balance.
- 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 \$25.0 million; offset by \$76.8 million in the Debt Service Fund, to produce a \$51.8 million positive Operating Fund balance. The Operating Fund balance includes a \$23.7 million Fiscal Stabilization Reserve Fund (FSRF) within the General Fund, established in fiscal year 2009, for unanticipated revenue fluctuations and revenue requirements.
- Under bond covenants, the School District is required to set aside with our fiscal agent from daily revenue receipts amounts sufficient to meet debt service obligations due at future dates. At year end, our fiscal agent held \$76.8 million from the School District to pay obligations for the next fiscal year.

Financial results for Fiscal Year 2010, compared to Fiscal Year 2009, 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 \$180.3 million compared to Fiscal Year 2009 nearly all the result of federal stimulus funding. Local tax and non-tax revenues decreased by \$6.0 million primarily due to lower interest earnings on invested cash partially offset by the City's Tax Amnesty program (\$7.0 million) and additional Parking Authority revenues (\$3.4 million). State grants and subsidies decreased by \$69.9 million, however, this decrease was offset by a portion of the State's Federal SFSF funds provided to the School District. In total, federal grants and subsidies received directly by the School District increased by \$256.2 million, over seventy percent of which were directly-provided federal stimulus dollars augmented by the \$119.8 million of PA-provided federal stimulus dollars.
- Total expenditures for the governmental funds increased by \$172.4 million compared to Fiscal Year 2009. These increases were related to expenditure increases in all major Government Funds with the exception of the Capital Projects Fund. These net expenditure increases in all other Government Funds were caused by increases of \$173.5 million in instructional costs, student support services costs and early childhood education; a \$29.8 million increase in payments to charter schools; and net increases of \$15.0 million in administrative costs, operational costs, pupil transportation, and all other support services. These increases were offset by expenditures reductions in the Capital

Projects Fund of \$65.1 million related to the continued wind down of the School District's five year Capital Improvement Plan (CIP) to build, renovate and improve the District's infrastructure and an increase in debt service expenditures of \$19.2 million.

- 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. The Debt Service Fund balance increased by \$7.5 million from Fiscal Year 2009 to Fiscal Year 2010. This improvement reflects: a strategic refunding which resulted in net proceeds of \$22.9 million, more sources of financing from tax revenues and state subsidies of \$10.8 million, larger principal and interest payments of \$20.1 million and a reduction in revenues for investments and variable rate income of \$6.1 million.
- The Operating Fund balance of \$51.8 million was unchanged from Fiscal Year 2009 to Fiscal Year 2010. This is a result of the following factors: Debt Service savings from Fiscal Year 2010 refinancing and interest on variable rate debt lower than projected; lower than anticipated payments for students in residential placements; the ability to fund increased payments to Charter Schools from the PA Accountability Block Grant; lower costs for legal settlements than anticipated; and additional Philadelphia Parking Authority and City Tax Amnesty revenues were able to offset increased Food Service related items for both lower indirect cost recoveries and a fund balance reservation for a long term General Fund interfund receivable.

II. 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 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 2010. 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, 2010. 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, 2010
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2010	2009	2010	2009	2010	2009
Current & Other Assets	\$ 940.8	\$ 780.4	\$ 8.5	\$ 7.0	\$ 949.3	\$ 787.4
Capital Assets	1,945.8	1,889.5	3.2	3.3	1,949.0	1,892.8
Total Assets	\$ 2,886.6	\$ 2,669.9	\$ 11.7	\$ 10.3	\$ 2,898.3	\$ 2,680.2
Internal Balances						
	\$ 12.1	\$ -	\$ (12.1)	\$ -	-	-
Liabilities						
Long-Term Liabilities	\$ 3,757.8	\$ 3,558.9	\$ 3.2	\$ 3.2	\$ 3,761.0	\$ 3,562.1
Other Liabilities	383.9	287.0	4.3	15.0	388.2	302.0
Total Liabilities	\$ 4,141.7	\$ 3,845.9	\$ 7.5	\$ 18.2	\$ 4,149.2	\$ 3,864.1
Net Assets						
Invested in Capital Assets -	\$ (27.7)	\$ 17.7	\$ 3.3	\$ 3.3	\$ (24.4)	\$ 21.0
Net of Related Debt						
Restricted	87.4	82.1	-	-	87.4	82.1
Unrestricted	\$ (1,302.7)	(1,275.9)	(11.2)	(11.2)	(1,313.9)	(1,287.1)
Total Net Assets	\$ (1,243.0)	\$ (1,176.1)	\$ (7.9)	\$ (7.9)	\$ (1,250.9)	\$ (1,184.0)

For the Fiscal Year ending June 30, 2010, the School District's total net assets were (\$1,250.9) million. This negative net asset amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,313.9) million is unrestricted. This balance also reflects a decrease of \$66.9 million from Fiscal Year ending June 30, 2009. This decrease was caused primarily by a net increase in receivables, deferred charges, cash and cash equivalents and pooled cash and investments of \$55.8 million; an increase in capital asset investments related to the Capital Improvement Program (CIP) of \$56.2 million; a net increase in due from other governments of \$34.4 million primarily for categorical programs; an increase in unearned revenues primarily from categorical funds of \$34.7 million, a net increase in accounts payable, over payment of taxes, other short-term payables and accrued salaries and benefits of \$5.5 million, a net increase of \$39.6 million for deferred outflows for derivative reporting resulting from the implementation of GASB 53 Derivative Investments, an increase in bonds payable and bond debt related liabilities of \$204.9 million; an increase in termination pay, severance pay and workers compensation pay liabilities of \$9.4 million, and the combination of various net increases to net assets of \$11.4 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, 2010
(Dollars in Millions)
Table 2

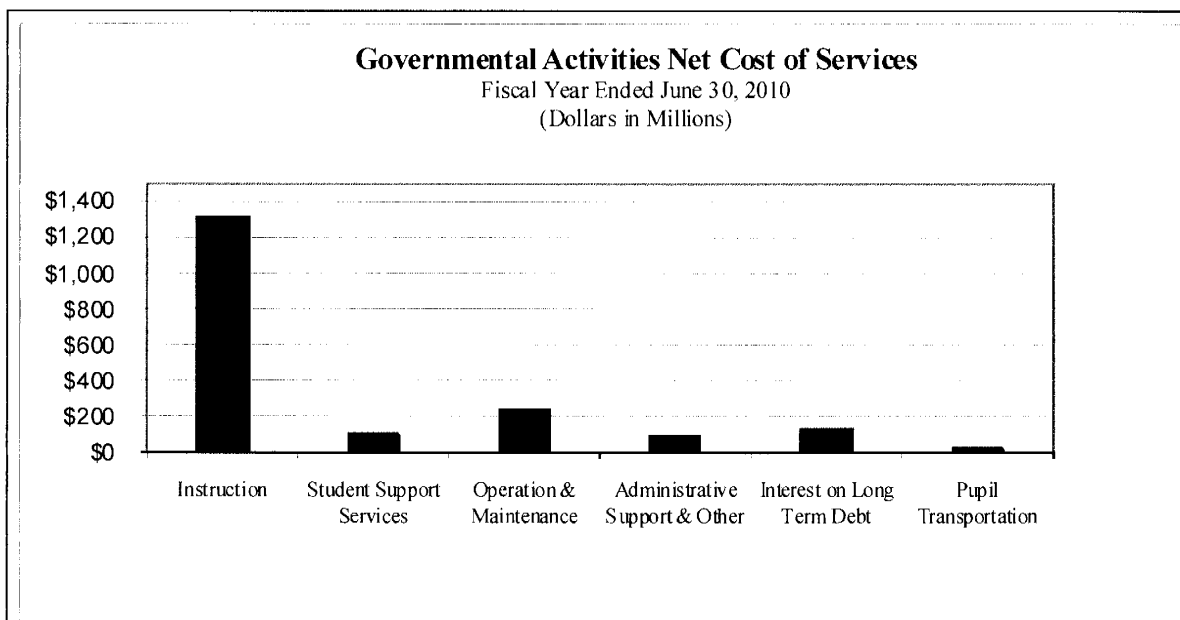
	Governmental Activities		Business-Type Activities	
Revenues	2010	2009	2010	2009
Program Revenues				
Charges for Services	\$ 5.7	\$ 6.8	\$ 3.3	\$ 3.1
Operating Grants & Contributions	1,001.4	904.7	76.9	72.0
Capital Grants & Contributions	0.1	0.5	-	-
General Revenues				
Property Taxes	608.4	605.0	-	-
Other Taxes	177.2	179.5	-	-
Grants & Contributions Not Restricted	63.5	102.2	-	-
State & Federal Subsidies Not Restricted	1,018.8	923.0	-	-
Investment Revenue	2.3	-	-	-
Total Revenues	\$ 2,877.4	\$ 2,721.7	\$ 80.2	\$ 75.1
Expenses				
Instruction	\$ 2,033.8	\$ 1,869.8	\$ -	\$ -
Student Support Services	240.9	205.4	-	-
Administrative Support & Other	274.2	263.0	-	-
Pupil Transportation	76.2	73.6	-	-
Operation & Maintenance	256.3	261.8	-	-
Early Childhood Education	20.5	24.2	-	-
Food Service	-	-	80.7	81.0
Total Expenses	\$ 2,901.9	\$ 2,697.8	\$ 80.7	\$ 81.0
Excess (Deficiency) before Transfers	\$ (24.5)	\$ 23.9	\$ (0.5)	\$ (5.9)
Transfers	\$ (0.5)	\$ (1.3)	\$ 0.5	\$ 1.3
Increase/(Decrease) in Net Assets	\$ (25.0)	\$ 22.6	\$ 0.0	\$ (4.6)
Net Assets - Beginning	\$ (1,176.1)	\$ (1,197.3)	\$ (7.9)	\$ (3.3)
Prior Period Adjustment	(41.9)	(1.4)	-	-
Net Assets - Ending	\$ (1,243.0)	\$ (1,176.1)	\$ (7.9)	\$ (7.9)

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, 2010
(Dollars in Millions)
Table 3

Functional Expense	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,033.8	\$ 1,315.1
Student Support Services	240.9	97.3
Operation & Maintenance	256.3	239.6
Administrative Support & Other	131.8	94.1
Interest on Long Term Debt	142.3	131.6
Pupil Transportation	76.2	17.0
Food Service	80.6	0.5
Early Childhood Education	20.5	-
Total Expenses	\$ 2,982.4	\$ 1,895.2

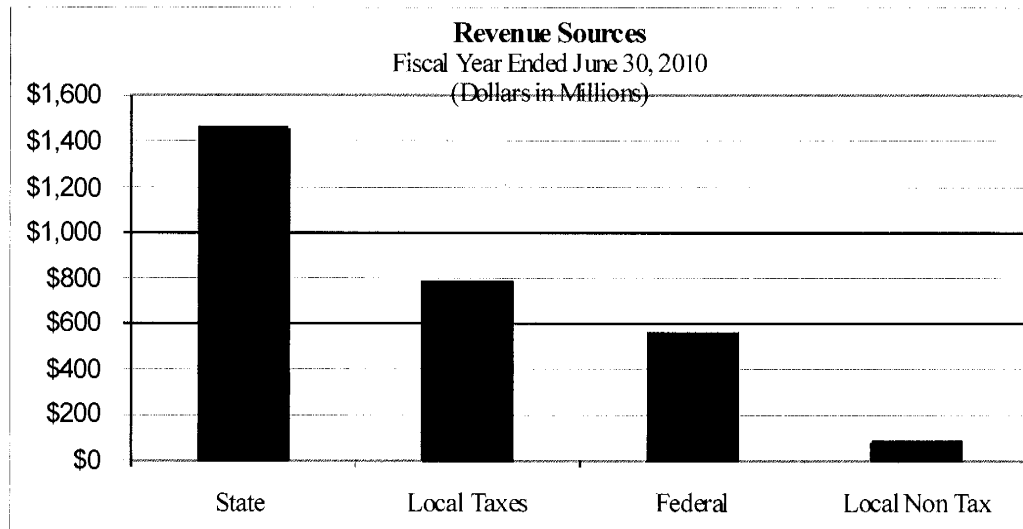


Major Sources of Revenues

The School District's revenues are derived primarily from four sources: (i) state grants and subsidies totaling 50.7%; (ii) local taxes and non-tax revenues totaling 29.9%; (iii) recurring federal grants and subsidies totaling 12.9% and (iv) federal stimulus grants totaling 6.5% including PA-provided Federal SFSF funds. 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. A fourth and new source of revenue is the federal stimulus grants including the Stimulus State Fiscal Stabilization Fund, Stimulus Title I and Stimulus IDEA (SpecialEd) funds.

The following bar graph illustrates the School District's major sources of revenues for all Governmental Funds for Fiscal Year 2010:



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. Federal Grants and Subsidies include the federal fiscal stabilization funding in the General Fund of \$119.8 million and the Categorical Funds of \$67.5 million. Total revenues for all Governmental Funds of \$2,872.1 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, 2010
(Dollars in Millions)
Table 4

<u>Revenue Source</u>	<u>General Fund</u>	<u>Intermediate Unit Fund</u>	<u>Categorical Funds</u>
Local Taxes	\$ 785.9	\$ -	\$ -
Local Non-Tax	61.4	0.4	3.3
State Grants and Subsidies	1,229.6	83.3	143.5
Federal Grants and Subsidies	119.9	-	438.0
Total Revenue	<u>\$ 2,196.8</u>	<u>\$ 83.7</u>	<u>\$ 584.8</u>

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 that records all financial activity except for those transactions which must be specifically accounted for under the other funds, such as the Debt Service Fund. The General Fund had an ending fund balance of \$1.9 million on June 30, 2010. For Fiscal Year 2010, there was an excess of revenues over expenditures of \$413.0 million and net transfers to other funds of \$420.7 million which together resulted in a \$7.7 million negative impact to the ending fund balance. The primary reasons for this net negative impact were increased revenues comprised of State-provided basic education subsidy (BES) Federal stimulus funding; higher instruction, administrative support, and charter school costs; and offsets of increased transfers to cover larger Intermediate Unit expenses and debt service requirements.

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 2010, the Intermediate Unit Fund had a \$1.2 million net decrease in fund balance which resulted in an ending fund balance of \$1.2 million at June 30, 2010.

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 \$3.4 million net increase in fund balance which offset the Fiscal Year 2009 ending fund balance to result in a negative \$15.6 million at June 30, 2010. The primary reason for this increase was that the Fiscal Year 2009 deferred balance of \$19.0 million was received during Fiscal Year 2010. At June 30, 2010, this \$15.6 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 2010, the Debt Service Fund reflects a \$5.2 million net increase in fund balance to \$76.8 million as of June 30, 2010. The primary reason for this increase was a strategic refunding of variable rate debt. Debt Service expenditures of \$240.7 million and defeasance payments restructuring, variable rate bonds, of \$353.3 million, were offset by interfund transfers of \$213.0 million, refunding proceeds of \$382.2 million, capital asset proceeds of \$0.3 million and revenues of \$3.7 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 2010, the issuance of new bonds combined with the delay of capital outlays resulted in a positive net change of \$101.8 million in the Capital Projects Fund which increased the fund balance as of June 30, 2010 to \$281.2 million. New building construction totaling \$42.6 million, capital alterations and improvements totaling \$94.3 million and equipment acquisitions totaling \$24.1 million were offset by net bond proceeds and other revenue of \$252.9 million of General Obligation Bonds (Series A and B of 2010). In addition, there was a transfer-in of \$9.9 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 \$7.9 million at both the end of Fiscal Year 2009 and Fiscal Year 2010. Revenues from operations increased by \$0.1 million compared with Fiscal Year 2009. In addition, the General Fund indirect cost charged to the Enterprise Fund was reduced by \$3.2 million compared to Fiscal Year 2009. This was done as a means for the Enterprise Fund to begin repayment of the interfund loan to the General Fund.

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, 2010

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2010	Fiscal Year 2009
General	\$ (7.7)	\$ 53.0
Intermediate Unit	(1.2)	(0.3)
Categorical	3.4	(6.7)
Debt Service	5.2	(2.4)
Capital Projects	101.8	60.5
Enterprise	-	(4.6)
Non-Major Governmental	0.1	-
Total Change in Fund Balance	<u>\$ 101.6</u>	<u>\$ 99.5</u>

Total Fund Balances for Major and Non-Major Governmental Funds
As of June 30, 2010
(Dollars in Millions)
Table 6

<u>Fund</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2010</u>	<u>2009</u>
General	\$ 1.9	\$ 9.7
Intermediate Unit	1.2	2.4
Categorical	(15.6)	(19.0)
Debt Service	76.8	71.7
Capital Projects	281.2	179.5
Enterprise	(7.9)	(7.9)
Non-Major Governmental	<u>6.3</u>	<u>6.3</u>
Total Fund Balance	<u>\$ 343.9</u>	<u>\$ 242.7</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 for the current 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 2010, the final budgeted General Fund revenue was \$48.1 million lower than the original May 2009 adopted budget. This resulted from a decrease of \$61.0 million in total Commonwealth revenues, including a decrease of \$41.7 million in the net Basic Education subsidy, a decrease of \$17.1 million in Charter School funding and a \$3.5 million decrease in Vocational Education subsidy. This was partially offset by a \$12.9 million increase in Local revenues.

The anticipated obligations in the final General Fund budget represented a decrease of \$21.1 million over the original adopted budget. This resulted primarily from reductions in the budgets for materials & supplies (\$20.2 million), contracted professional and technical services (\$8.6 million), equipment (\$6.3 million), and savings in medical insurance benefit costs (\$2.6 million). These reductions were partially offset by budget increases in full time salaries (\$9.6 million) and salaries for summer programs (\$5.2 million). All other budgets contributed a net increase of \$1.5 million.

The anticipated Other Financing Sources/(Uses) in the General Fund budget were \$2.0 million favorable from the original adopted budget. This resulted from an additional \$3.0 million source from Special Revenue funds and a \$0.2 million reduction in Food Service use that was partially offset by \$1.2 million in additional budget transfer to the IU and Debt Services Funds.

The ending General fund balance at June 30, 2010 is \$1.9 million. This was aided by the strong Fiscal Year 2009 financial results.

Actual General Fund revenues of \$2,196.8 million are \$4.7 million more than those estimated in the final General Fund budget of \$2,192.1 million. Actual General Fund obligations totaling \$1,769.2 million were \$26.8 million lower than estimated in the final budget of \$1,796.0 million. Other financing uses of \$422.2 million were also \$4.4 million below budget. The negative \$25.0 million ending unreserved/undesignated balance represented an increase of \$49.1 million over the final budget estimate of a negative \$74.1 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, 2010
(Dollars in Millions)
Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,240.2	\$ 2,192.1	\$ 2,196.8	\$ 4.7
Total Obligations	1,817.1	1,796.0	1,769.2	26.8
Total Other Financing Sources/(Uses)	(428.6)	(426.6)	(422.2)	4.4
Net Change in Fund Balance	(5.5)	(30.5)	5.4	35.9
Fund Balance Beginning of Year	(73.9)	(43.6)	9.7	53.3
Change in Reserves	-	-	(13.1)	(13.1)
Fund Balance End of Year	<u>\$ (79.4)</u>	<u>\$ (74.1)</u>	<u>\$ 2.0</u>	<u>\$ 76.1</u>

Management's Discussion and Analysis

During Fiscal Year 2010, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$4.7 million favorable variance primarily due to a \$4.3 million increase in Use and Occupancy tax revenue, a \$2.8 million increase in Parking Authority revenue, and a \$4.5 million increase in Social Security and Retirement revenue. This was partially offset by a \$7.6 million reduction in Food Services Revenue. All other revenues (net) were \$0.6 million favorable to budget.
- Obligations were \$26.8 million less than budgeted primarily due to lower than projected costs in the following categories: year-end reconciliation of employee benefits (\$17.2 million), charter schools and education of students in institutional placements (\$11.9 million), cancellation of prior year encumbrances (\$9.0 million) and Food Services (\$4.6 million). This was partially offset by higher than projected school instructional and support costs of \$20.7 million. All other obligations (net) were \$4.8 million favorable to budget.
- Other Financing Sources/(Uses) were \$4.4 million favorable from the final budget due to a lower than budgeted transfer to IU of \$4.8 million, a lower than budgeted transfer to the Debt Service fund of \$8.1 million. This was offset by a \$9.9 million transfer to the Capital Fund for systems improvement projects.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2010, the School District had \$3,290.7 million invested in capital assets. Over the years, these assets have depreciated by \$1,341.7 million leaving a carrying value of \$1,949.0 million. This represents an increase of \$56.3 million over the Fiscal Year 2009 ending balance. Table 8 represents Net Capital Assets net of prior period adjustments. Refer to Note 4C, page 67 for additional information.

Net Capital Assets
As of June 30, 2010
(Dollars in Millions)
Table 8

Capital Asset Category	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Land	\$ 119.2	\$ 119.2	\$ -	\$ -
Buildings & Improvements	1,397.9	1,284.8	-	-
Personal Property	104.2	98.5	3.2	3.2
Construction In Progress	324.5	387.0	-	-
Total Net Book Value	<u>\$ 1,945.8</u>	<u>\$ 1,889.5</u>	<u>\$ 3.2</u>	<u>\$ 3.2</u>

Debt Administration

The School District is a component unit of the City of Philadelphia ("City") for financial reporting purposes only and the debt that is incurred is not considered 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.

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 April of 2010, the School District issued General Obligation Bonds in the aggregate amount of \$249.3 million to fund projects in the Capital Improvement Program. Of that amount, approximately \$221.5 million of that was issued as Taxable Build America Bonds, for which the District receives a 35% interest subsidy. Also, during April of 2010, the School District elected to refund \$52.4 million of the Series A of 1999 due to savings available with current interest rates. In addition, the School District refunded \$300.7 million of the Series 2008 A-D Bonds during April 2010 due to the attractive low fixed rates in the municipal marketplace. To facilitate this portion of the refunding, the District elected to terminate approximately 45% of the existing swap agreements that were associated with the 2008 A-D Bonds.

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

Long-Term Obligations Outstanding
As of June 30, 2010
(Dollars in Millions)
Table 9

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Total Bonded Debt	\$ 3,092.5	\$ 2,892.8	\$ -	\$ -
Employee Related Obligations	472.7	461.7	3.3	3.2
Due to Other Governments	50.7	56.0	-	-
Other	142.0	148.4	-	-
Total Long-Term Obligations Outstanding	<u>\$ 3,757.9</u>	<u>\$ 3,558.9</u>	<u>\$ 3.3</u>	<u>\$ 3.2</u>

Total long-term obligations outstanding for governmental activities increased by \$199.0 million. This includes an increase in bonded debt of \$199.7 million with a corresponding increase in employee obligations of \$11.0 million. All other long-term obligations decreased by \$11.7 million. Refer to Note 4D(2), pages 68-76 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, continued to successfully address prior financial challenges and maintained the School District's positive operating fund balance of \$51.8 million at June 30, 2010. In Fiscal Year 2009 the District had successfully segregated \$23.7 million of General Fund revenues in a separate sub-fund entitled Fiscal Stabilization Reserve Fund (FSRF) for the purpose of earmarking funds for unanticipated revenue fluctuations and unanticipated requirements. In Fiscal Year 2010, this fund remained intact. Also, in Fiscal Year 2010, \$10.6 million of General Fund interfund loan receivables from the Food Service Fund has been reserved and will be available for spending in future years as the loan is paid off.

The District's Fiscal Year 2011 operating budget remains balanced despite significant changes to revenues and expenditures since the May, 2010 adoption by the SRC. This balance is achieved in a large part due to the District's strong discipline in managing its financial affairs in Fiscal Year 2010. Also critical in maintaining a balanced budget is the Federal Government's passing of a bill to provide school districts with additional Federal

funding through the Education Jobs Bill; the District has budgeted \$48.8 million of these funds in Fiscal Year 2011.

The District continues to be critically dependent on Federal Funding, as local funding has remained flat while state funding slightly decreased over the past three years as a result of the Recession. Major Federal Stimulus funding sources, including the Stimulus State Fiscal Stabilization Fund, Stimulus Title I and Stimulus IDEA (Special Education) have provided critical funding for both Fiscal Year 2010 and Fiscal Year 2011 but are currently scheduled to be discontinued at the end of Fiscal Year 2011.

As Federal Stimulus funds are discontinued, the District will need to seek additional resources for Fiscal Year 2012 in order to ensure it preserves all critical educational initiatives that have resulted in continuously raising student achievement levels for the past eight years. Even if these efforts are successful, the District will still need to maintain strong fiscal discipline, make tough budget decisions and curtail all unnecessary spending to maintain budget balance for the remainder of Fiscal Year 2011 and through the next fiscal year.

In June, 2010 the Pennsylvania General Assembly amended the Fiscal Code to reduce the Fiscal Year 2011 pension contribution rate for Pennsylvania school districts from 8.2% of wage/salary payroll down to 5.6%, resulting in \$8.9 million of net savings to the District. According to pension reform legislation passed on November 2010, pension contributions as a percentage of payroll are slated to increase to 8.7% in Fiscal Year 2012 and further to 12.2% in Fiscal Year 2013. Unless there is a further amendment to State law, the District's net pension cost is projected to be \$10.4 million higher in Fiscal Year 2012 than in Fiscal Year 2011.

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 eight 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.

Impact of No Child Left Behind and Charter Schools

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 2010 supported sixty-seven (67) 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 had a significant fiscal impact on the School District since its passage.

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 classroom, grade level or even from the same school or neighborhood. Therefore, given these realities, the School District has been unable to make dollar-for-dollar reductions in cost areas such as the number of principals, 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 system for which the School District has to provide reimbursement. In Fiscal Year 2010, the District's Charter School obligations increased by about \$23.0 million compared to the prior year, while the State Charter School reimbursement decreased by \$3.7 million. As a result, the impact of Charter Schools to the District's operating budget has increased both due to increases in Charter School costs and decreases in State Reimbursement.

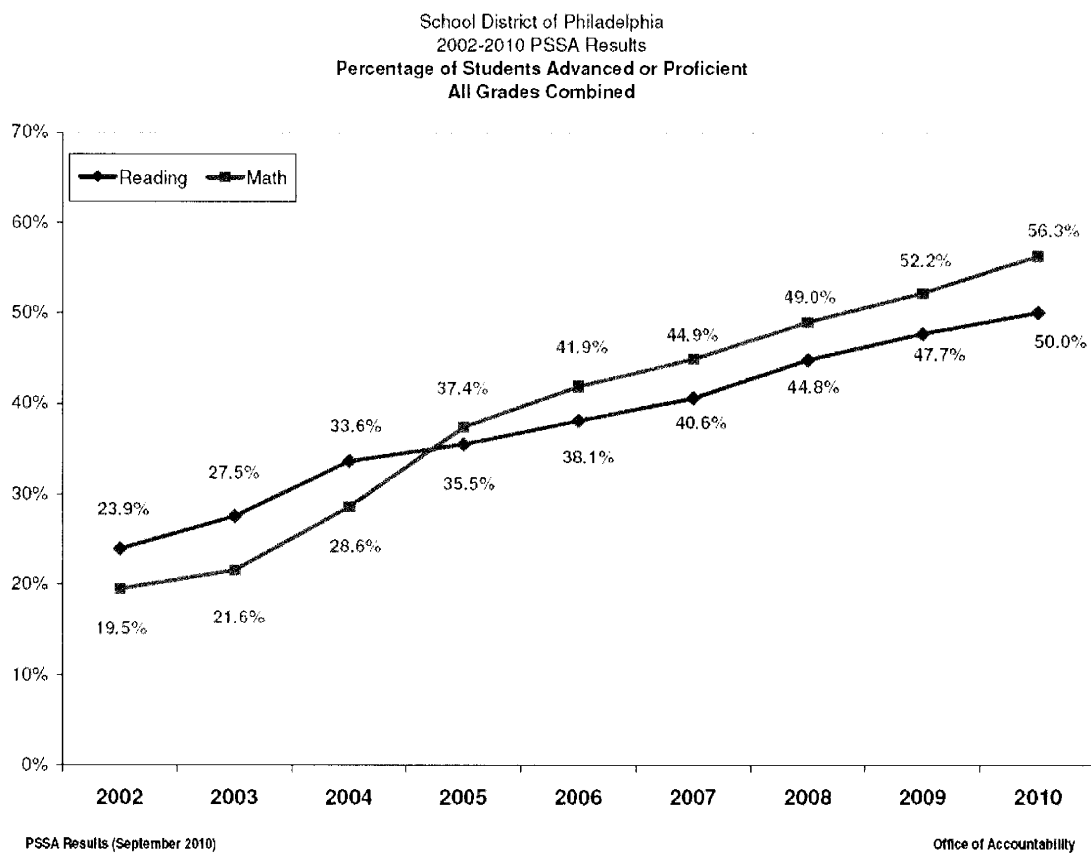
"NCLB" also mandates that all teachers of core academic subjects must be considered "highly qualified" by 2006. To meet this standard, all teachers must be fully certified and/or licensed by the state; hold at least a bachelor's degree from a four-year institution; and demonstrate competence in each core academic subject area they teach. By

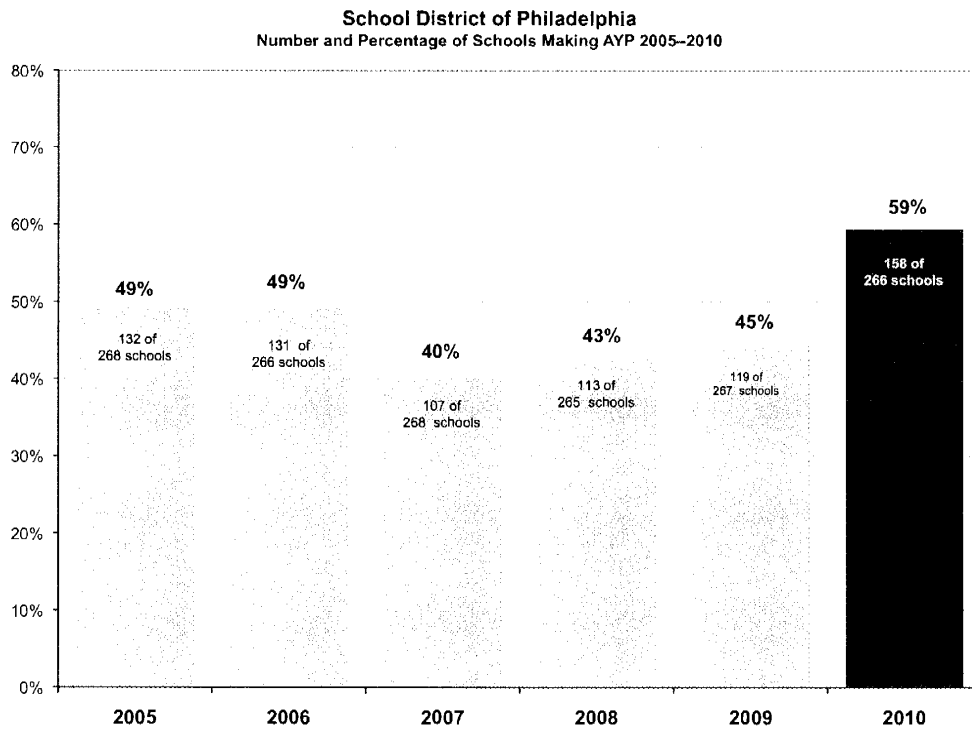
the end of Fiscal Year 2009, 84.3% of teachers in the School District were considered highly qualified, and 97.0% were considered fully certified, as a result of effective professional development initiatives and additional outreach efforts. In Fiscal Year 2010, the percentage of highly qualified teachers increased to 89.9% and the number of fully certified teachers held steady at 97.0%.

Academic Achievement

Students in grades 3 - 8 and 11 are currently administered the Pennsylvania System of School Assessment (PSSA) in reading and math, which is annually given throughout the Commonwealth. The School District has demonstrated strong growth in reading and math over the last eight years. The percentage of students achieving a proficient score or above in reading increased from 23.9 percent in 2002 to 50.0 percent in 2010, an increase of 26.1 percentage points. In math, the percentage of students achieving a proficient score or above increased from 19.5 percent in 2002 to 56.3 percent in 2010, an increase of 36.8 percentage points. See chart below.

Results from these tests in reading and math are used in Pennsylvania's accountability system, which was developed in response to the No Child Left Behind ("NCLB") federal legislation. Under NCLB, schools are required to meet annual targets. When schools meet these targets two years in a row, the school is designated as having made Adequate Yearly Progress (AYP). In 2002, 8.5 percent of the School District's schools (or 22 of 258) made Adequate Yearly Progress ("AYP") in accordance with the federally mandated NCLB provisions. By 2010, 59 percent of School District schools (158 of 266) made AYP, despite tougher targets. This means that 39 additional schools made AYP in 2010 when compared to the prior year. See chart on the next page.





Climate and Safety

“NCLB” also 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. The number of all District violent and non violent incidents decreased by 14% from Fiscal Year 2009 to Fiscal Year 2010

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 2010, twenty (25) schools are identified as “Persistently Dangerous.” The twenty five (25) Philadelphia schools designated Persistently Dangerous in FY 2010 have made significant progress over the past year. Ten (10) schools are no longer designated as PDS and seventeen (17) showed a reduced number of serious incidents. The School District has concluded that the higher number of PDS designations within the School District of Philadelphia compared to other school districts in PA is due in significant part to the District’s 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, creates 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. All of the contracted transition schools have a School District Transition Liaison that is responsible for insuring the transition process is executed with fidelity and the students are afforded the academic and behavioral support needed while attending the alternative school program before returning to the traditional school setting or other academic options to graduate.

Since students cannot learn if they exhibit inconsistent behaviors or truancy, or if they have barriers to learning due to social and emotional challenges, the School District under the Alternative Schools Region, provides resources for the students via the Saturday Morning Alternative Reach and Teach / Affirmative Development ("SMART") program that 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 infractions, are required to attend a SMART program within the identified high school that sponsors the program in either a Saturday morning model or a two day per week detention model for a minimum of two sessions. Students are provided with mandatory sessions on character development, conflict resolution, decision-making, familial relationships and peer pressure. This program is primarily held in comprehensive high schools with a high number of truant students, or high percentage of suspensions for minor infractions that are indicators of at risk behaviors. The school develops the program to fit the needs of their population and primarily choose the two day per week detention model as it provides an immediate response to the behaviors with a better result in the long run.

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. The RETI-WRAP program also sponsors the Philadelphia Youth Development Academy. This is a District run small academy within the RETI-WRAP program for returning students who are in need of a few credits to obtain their high school diploma and can achieve their education at the Academy while receiving support from social workers on site and from partner organizations to help them plan for their life after getting a diploma in the form of job readiness, career planning, post secondary school planning and social skill improvement for positive citizenship.

Capital Improvement Program

The School District's Capital Improvement Program ("CIP") supports the School District's initiative to equitably; 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, healthful, learning environment. The original CIP addressed the need for new construction, renovations and repairs and was assessed a total of \$1.5 billion from Fiscal Year 2003 to Fiscal Year 2007. The Office of Capital Programs has overseen or is currently overseeing the design and construction of eight (8) new neighborhood high schools, eight (8) new smaller high schools and five (5) new neighborhood elementary schools; thirteen (13) middle school conversions; 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 \$2.8 billion from fiscal Year 2003 to Fiscal Year 2016 and is updated every year with the planned annual expenditure level dependent 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 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, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 667,921	\$ 93,089	\$ 761,010
Cash and Investments with Fiscal Agent	75,844,434	-	75,844,434
Equity In Pooled Cash and Investments	96,447,782	-	96,447,782
Deferred Outflows of Resources	71,622,131	-	71,622,131
Taxes Receivable (Net)	144,857,399	-	144,857,399
Due from Other Governments	97,663,296	6,647,441	104,310,737
Accounts Receivable (Net of Allowance)	3,880,742	-	3,880,742
Accrued Interest Receivable	503,315	-	503,315
Third-Party Receivable	-	-	-
Inventory	1,500,135	1,745,136	3,245,271
Prepaid Expenses	69,801	-	69,801
Deferred Debt Issuance Cost	30,707,915	-	30,707,915
Deferred Charge Refunding	129,319,758	-	129,319,758
Restricted Assets:			
Cash and Cash Equivalents	275,691,836	-	275,691,836
Cash and Investments Held by Trustee	11,986,445	-	11,986,445
Capital Assets:			
Land	119,178,140	-	119,178,140
Artwork	8,288,050	-	8,288,050
Buildings and Improvements	2,554,955,534	-	2,554,955,534
Personal Property	267,999,580	15,748,464	283,748,044
Construction in Progress	324,526,732	-	324,526,732
Accumulated Depreciation	(1,329,166,181)	(12,501,333)	(1,341,667,514)
Total Assets	2,886,544,765	11,732,797	2,898,277,562
INTERNAL BALANCES	12,060,514	(12,060,514)	-
LIABILITIES			
Accounts Payable	110,355,662	4,047,707	114,403,369
Overpayment of Taxes	9,357,621	-	9,357,621
Accrued Salaries and Benefits Payable	52,673,964	256,542	52,930,506
Termination Compensation Payable	28,520,731	-	28,520,731
Severance Payable	8,888,340	-	8,888,340
Derivative Instrument - Swap Liability	111,226,916	-	111,226,916
Unearned Revenue	26,306,177	-	26,306,177
Due to Other Governments	3,126,622	-	3,126,622
Bond Interest Payable	33,314,930	-	33,314,930
Non-Current Liabilities			
Due within one year	216,096,932	300,000	216,396,932
Due in more than one year	3,541,747,511	2,982,827	3,544,730,338
Total Liabilities	4,141,615,406	7,587,076	4,149,202,482
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(27,665,124)	3,247,131	(24,417,993)
Restricted for:			
Debt Service	76,811,408	-	76,811,408
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	2,166,196	-	2,166,196
Non-Expendable - Scholarships	4,148,718	-	4,148,718
Arbitrage Rebate Payable	4,285,993	-	4,285,993
Unrestricted (Deficit)	(1,302,757,318)	(11,161,924)	(1,313,919,242)
Total Net Assets	\$ (1,243,010,127)	\$ (7,914,793)	\$ (1,250,924,920)

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

Net (Expense) Revenue and Changes in Net Assets								
Program Revenues								
Functions/Programs	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities								
Instruction	\$ 2,033,798,978	\$ -	\$ 663,635	\$ 718,000,885	\$ -	\$ (1,315,134,458)	\$ -	\$ (1,315,134,458)
Student Support Services	240,883,220	-	1,912	143,627,700	-	(97,253,608)	-	(97,253,608)
Administrative Support	135,193,471	-	3,881,880	33,998,536	-	(97,313,055)	-	(97,313,055)
Operation & Maintenance of Plant Services	260,833,845	(4,543,135)	1,114,339	15,459,815	92,334	(239,624,222)	-	(239,624,222)
Pupil Transportation	76,175,077	-	-	59,208,010	-	(16,967,067)	-	(16,967,067)
All Other Support Services	(3,362,183)	-	-	(162,966)	-	3,199,217	-	3,199,217
Early Childhood Education	20,514,830	-	59,516	20,445,260	-	(10,054)	-	(10,054)
Interest on Long-Term Debt	142,337,413	-	-	10,775,977	-	(131,561,436)	-	(131,561,436)
Total Governmental Activities	2,906,374,651	(4,543,135)	5,721,282	1,001,353,217	92,334	(1,894,664,683)	-	(1,894,664,683)
Business-Type Activities:								
Food Service	76,095,347	4,543,135	3,237,017	76,870,085	-	-	(531,380)	(531,380)
Total Business-Type Activities	76,095,347	4,543,135	3,237,017	76,870,085	-	-	(531,380)	(531,380)
Total	\$ 2,982,469,998	\$ -	\$ 8,958,299	\$ 1,078,223,302	\$ 92,334	\$ (1,894,664,683)	\$ (531,380)	\$ (1,895,196,063)
General Revenues/Contributed Capital/Transfers:								
Property Taxes						\$ 608,377,083	\$ -	\$ 608,377,083
Use & Occupancy Taxes						111,800,914	-	111,800,914
Liquor Taxes						42,787,025	-	42,787,025
School (Non-Business) Income Taxes						21,590,227	-	21,590,227
Public Utility / PILOT Taxes						1,097,527	-	1,097,527
Grants and Contributions Not Restricted to Specific Programs						63,461,877	-	63,461,877
State & Federal Subsidies Not Restricted to Specific Programs						1,018,811,303	-	1,018,811,303
Gains/(Loss) on Sale of Capital Assets						(5,800)	(2,350)	(8,150)
Transfers						(533,730)	533,730	-
Investment Revenue						2,260,595	-	2,260,595
Total General Revenues and Transfers						\$ 1,869,647,021	\$ 531,380	\$ 1,870,178,401
Change in Net Assets						(25,017,662)	-	(25,017,662)
Net Assets - As of July 1, 2009						(1,176,051,578)	(7,914,793)	(1,183,966,371)
Prior Period Adjustments						(41,940,887)	-	(41,940,887)
Net Assets - As of June 30, 2010						\$ (1,243,010,127)	\$ (7,914,793)	\$ (1,250,924,920)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 667,921	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	49,037,804	6,276,486	15,053,445
Cash and Investments Held by Trustee	-	-	-
Taxes Receivable (Net)	144,857,399	-	-
Due from Other Funds	12,060,514	-	-
Due from Other Governments	44,977,259	3,069,624	49,411,993
Accounts Receivable (Net)	3,338,338	-	1,024,232
Accrued Interest Receivable	-	-	-
Inventory	1,456,623	-	-
Prepaid Items	-	-	-
Total Assets	\$ 256,395,858	\$ 9,346,110	\$ 65,489,670
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 56,334,674	\$ 3,601,789	\$ 24,396,480
Overpayment of Taxes	9,357,621	-	-
Accrued Salaries and Benefits Payable	35,625,519	4,523,925	12,111,150
Termination Compensation Payable	28,520,731	-	-
Severance Payable	8,888,340	-	-
Deferred Revenue	115,742,447	-	41,475,304
Due to Other Governments	-	75	3,126,547
Total Liabilities	254,469,332	8,125,789	81,109,481
Fund Balances:			
Reserved for:			
Inventories	1,232,015	-	-
Encumbrances	15,141,672	1,220,321	-
Retirement of Long Term Debt	-	-	-
Long Term Interfund Loan	10,560,515	-	-
Debt Service Interest	-	-	-
Trust Principal	-	-	-
Arbitrage Rebate Payable	-	-	-
Unreserved:			
Designated:			
Special Revenue Funds - Student Health	-	-	-
Permanent Funds - Scholarships	-	-	-
Undesignated:			
General Fund	(25,007,676)	-	-
Categorical Funds	-	-	(15,619,811)
Capital Projects Fund	-	-	-
Total Fund Balances	1,926,526	1,220,321	(15,619,811)
Total Liabilities and Fund Balances	\$ 256,395,858	\$ 9,346,110	\$ 65,489,670

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
\$ -	\$ 275,691,836	\$ -	\$ 276,359,757
75,844,434	-	-	75,844,434
24,044	19,628,138	6,324,511	96,344,428
-	11,986,445	-	11,986,445
-	-	-	144,857,399
-	-	-	12,060,514
-	197,317	-	97,656,193
948,815	-	-	5,311,385
308,877	194,438	-	503,315
-	-	-	1,456,623
69,801	-	-	69,801
<u>\$ 77,195,971</u>	<u>\$ 307,698,174</u>	<u>\$ 6,324,511</u>	<u>\$ 722,450,294</u>
\$ 13,550	\$ 25,987,282	\$ 6,414	\$ 110,340,189
-	-	-	9,357,621
-	392,467	-	52,653,061
-	-	-	28,520,731
-	-	-	8,888,340
371,013	79,671	-	157,668,435
-	-	-	3,126,622
<u>384,563</u>	<u>26,459,420</u>	<u>6,414</u>	<u>370,554,999</u>
-	-	-	1,232,015
-	90,455,634	3,183	106,820,810
47,944,118	-	-	47,944,118
-	-	-	10,560,515
28,867,290	-	-	28,867,290
-	-	2,637,164	2,637,164
-	4,285,993	-	4,285,993
-	-	2,860,884	2,860,884
-	-	816,866	816,866
-	-	-	(25,007,676)
-	-	-	(15,619,811)
-	186,497,127	-	186,497,127
<u>76,811,408</u>	<u>281,238,754</u>	<u>6,318,097</u>	<u>351,895,295</u>
<u>\$ 77,195,971</u>	<u>\$ 307,698,174</u>	<u>\$ 6,324,511</u>	<u>\$ 722,450,294</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Assets
June 30, 2010

Fund Balance - Total Governmental Funds (page 37)	\$	351,895,295
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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.		1,945,677,988
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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.		201,552,132
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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.		(3,630,937,255)
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Derivative instruments, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(111,226,916)
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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.		28,629
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Net assets of governmental activities (page 34)	\$	<u>(1,243,010,127)</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, 2010

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 785,883,615	\$ -	\$ -
Locally Generated Non Tax	61,373,067	366,645	3,306,422
State Grants and Subsidies	1,229,563,149	83,263,155	143,531,388
Federal Grants and Subsidies	119,938,145	-	438,011,988
Total Revenues	<u>2,196,757,976</u>	<u>83,629,800</u>	<u>584,849,798</u>
EXPENDITURES			
Current:			
Instruction	1,003,446,698	203,896,762	393,633,154
Student Support Services	28,506,516	71,559,846	132,458,596
Administrative Support	91,274,446	10,318,965	29,470,979
Operation & Maintenance of Plant Services	250,006,070	-	4,107,758
Pupil Transportation	75,837,376	-	230,491
All Other Support Services	(3,647,289)	-	-
Early Childhood Education	-	-	20,504,776
Payments to Charter Schools	338,320,108	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>1,783,743,925</u>	<u>285,775,573</u>	<u>580,405,754</u>
Excess (Deficiency) of Revenues over Expenditures	<u>413,014,051</u>	<u>(202,145,773)</u>	<u>4,444,044</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	3,052,999	200,982,777	1,961,285
Transfers Out	(423,740,045)	-	(3,052,999)
Capital Asset Proceeds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources and (Uses)	<u>(420,687,046)</u>	<u>200,982,777</u>	<u>(1,091,714)</u>
Net Change in Fund Balances	(7,672,995)	(1,162,996)	3,352,330
Fund Balances, July 1, 2009	9,673,857	2,383,317	(18,972,141)
Change in Inventory Reserve	(74,336)	-	-
Fund Balances, June 30, 2010	<u>\$ 1,926,526</u>	<u>\$ 1,220,321</u>	<u>\$ (15,619,811)</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
\$ -	\$ -	\$ -	\$ 785,883,615
3,757,454	2,378,247	123,304	71,305,139
-	558,378	-	1,456,916,070
-	-	-	557,950,133
<u>3,757,454</u>	<u>2,936,625</u>	<u>123,304</u>	<u>2,872,054,957</u>
-	-	55,901	1,601,032,515
-	-	-	232,524,958
-	-	-	131,064,390
-	-	-	254,113,828
-	-	-	76,067,867
-	-	-	(3,647,289)
-	-	-	20,504,776
-	-	-	338,320,108
70,761,738	-	-	70,761,738
110,433,303	-	-	110,433,303
49,057,900	-	-	49,057,900
4,132,859	-	-	4,132,859
6,306,220	-	-	6,306,220
-	42,641,237	-	42,641,237
-	3,367,307	-	3,367,307
-	90,968,731	-	90,968,731
-	24,124,129	-	24,124,129
<u>240,692,020</u>	<u>161,101,404</u>	<u>55,901</u>	<u>3,051,774,577</u>
<u>(236,934,566)</u>	<u>(158,164,779)</u>	<u>67,403</u>	<u>(179,719,620)</u>
213,000,266	9,885,949	-	428,883,276
-	(1,873,168)	-	(428,666,212)
262,790	14,199	-	276,989
349,410,000	249,305,000	-	598,715,000
32,751,866	2,584,358	-	35,336,224
(353,329,003)	-	-	(353,329,003)
<u>242,095,919</u>	<u>259,916,338</u>	<u>-</u>	<u>281,216,274</u>
5,161,353	101,751,559	67,403	101,496,654
71,650,055	179,487,195	6,250,694	250,472,977
-	-	-	(74,336)
<u>\$ 76,811,408</u>	<u>\$ 281,238,754</u>	<u>\$ 6,318,097</u>	<u>\$ 351,895,295</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, 2010

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)	\$ 101,496,654
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.	60,922,346
Non capitalized purchases that exceed capital outlays.	(3,908,742)
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.	(958,494)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	5,081,761
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.	(177,731,483)
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.	(9,231,257)
The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.	62,348
Contributed Capital transferred to the Business-Type Activity are not reported as transfers in the governmental funds.	(750,795)
Change in net assets of governmental activities (page 35)	<u>\$ (25,017,662)</u>

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, 2010

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 93,089	\$ -
Equity in Pooled Cash and Investments	-	103,354
Due From Other Governments	6,647,441	7,103
Other Receivables	-	1,592
Inventories	1,745,136	43,512
Total Current Assets	<u>8,485,666</u>	<u>155,561</u>
Noncurrent Assets:		
Machinery & Equipment	15,748,464	784,359
Accumulated Depreciation	(12,501,333)	(680,492)
Total Noncurrent Assets	<u>3,247,131</u>	<u>103,867</u>
 Total Assets	 <u>\$ 11,732,797</u>	 <u>\$ 259,428</u>
 LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 4,047,707	\$ 15,473
Accrued Salaries and Benefits Payable	256,542	20,903
Due to Other Funds	12,060,514	-
Total Current Liabilities	<u>16,364,763</u>	<u>36,376</u>
Noncurrent Liabilities:		
Termination Compensation Payable	2,223,204	194,423
Severance Payable	1,059,623	-
Total Noncurrent Liabilities	<u>3,282,827</u>	<u>194,423</u>
 Total Liabilities	 <u>19,647,590</u>	 <u>230,799</u>
 NET ASSETS		
Invested in Capital Assets	3,247,131	103,867
Unrestricted	(11,161,924)	(75,238)
Total Net Assets	<u>(7,914,793)</u>	<u>28,629</u>
 Total Liabilities and Net Assets	 <u>\$ 11,732,797</u>	 <u>\$ 259,428</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, 2010

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 3,237,017	\$ -
Sale of Printing Services	-	1,573,606
Total Operating Revenues	<u>3,237,017</u>	<u>1,573,606</u>
Operating Expenses:		
Salaries	19,122,751	574,529
Employee Benefits	12,341,681	289,899
Other Purchased Service - Food	41,393,556	-
Depreciation	839,420	44,382
Other Operating Expenses	6,941,074	602,448
Total Operating Expenses	<u>80,638,482</u>	<u>1,511,258</u>
Operating Gain/(Loss)	(77,401,465)	62,348
Non-Operating Revenues/(Expenses):		
Federal and State Grants	76,870,085	35,815
Loss on Sale of Capital Assets	(2,350)	-
Income (loss) Before Contributions and Transfers	<u>(533,730)</u>	<u>98,163</u>
Capital Contributions	750,795	-
Transfers Out	(217,065)	-
Change in Net Assets	<u>-</u>	<u>98,163</u>
Total Net Assets July 1, 2009	(7,914,793)	(69,534)
Total Net Assets June 30, 2010	<u><u>\$ (7,914,793)</u></u>	<u><u>\$ 28,629</u></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, 2010

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 3,237,017	\$ 1,573,606
Cash Payments to Employees for Services	(31,594,389)	(848,814)
Cash Payments to Suppliers for Goods and Services	(36,794,228)	-
Cash Payments for Other Operating Expenses	(6,941,074)	(616,600)
Net Cash Used by Operating Activities	<u>(72,092,674)</u>	<u>108,192</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from Other Funds	1,249,111	(38,081)
State Sources	8,347,016	13,731
Federal Sources	62,766,151	22,084
Transfers Out	(217,065)	-
Net Cash Provided by Non-Capital Financing Activities	<u>72,145,213</u>	<u>(2,266)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(57,328)	(2,572)
Net Cash Used by Capital and Related Financing Activities	<u>(57,328)</u>	<u>(2,572)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(4,789)	103,354
Cash and Cash Equivalents July 1, 2009	97,878	-
Cash and Cash Equivalents June 30, 2010	<u>\$ 93,089</u>	<u>\$ 103,354</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income/(Loss)	\$ (77,401,465)	\$ 62,348
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	839,420	44,382
Donated Food Commodities	5,101,869	-
(Increase) in Accounts Receivable	-	(4,728)
(Increase) in Inventories	(751,329)	(4,905)
Increase/(Decrease) in Accounts Payable	248,789	(4,518)
Increase/(Decrease) in Accrued Salaries and Benefits Payable	(163,408)	1,847
Increase in Termination Compensation Payable	64,900	13,766
(Decrease) in Severance Payable	(31,450)	-
Total Adjustments	<u>5,308,791</u>	<u>45,844</u>
Net Cash Used by Operating Activities	<u>\$ (72,092,674)</u>	<u>\$ 108,192</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, 2010

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,220,556
Equity in Pooled Cash and Investments	546,910	38,007,442
Investments	200,019	-
Accounts Receivable	216	76,751
Inventories	-	16,810
Total Assets	<u>747,145</u>	<u>43,321,559</u>
LIABILITIES		
Accounts Payable	306,131	-
Payroll Deductions and Withholdings	-	37,618,596
Due to Student Activities	-	5,217,885
Other Liabilities	-	485,078
Total Liabilities	<u>306,131</u>	<u>43,321,559</u>
NET ASSETS		
Held in Trust for Various Purposes	<u>\$ 441,014</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, 2010

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 951,250
Interest Received	5,541
Total Additions	<u>956,791</u>
DEDUCTIONS	
Scholarships Awarded	1,052,270
Total Deductions	<u>1,052,270</u>
Change in Net Assets	(95,479)
Net Assets July 1, 2009	536,493
Net Assets June 30, 2010	<u><u>\$ 441,014</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, 2010

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2010, 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 2010, the School District served close to 198,000 students, including those in Charter and Alternative Schools, as well as employed over 23,900 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 governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the School District are organized by fund types. Each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities of balances and changes therein. Each fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. 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, 2010, 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 cost.

(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 2010 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 & Prepaid Items

Inventories in the General Fund are valued at an average cost of \$1.5 million. Included are expendable supplies of \$1.2 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 \$1.3 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and are recorded using the purchases method.

(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 2010 were comprised of \$11.9 million for Weekly Indemnity, \$30.1 million for Workers' Compensation and \$3.7 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 if they have matured (i.e. unused reimbursable leave still outstanding following an employee's termination or retirement). A liability for these amounts is reported in the governmental funds for employees who have resigned or retired as of June 30th. 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 2009 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.

School District of Philadelphia

Cost of Capital Assets	\$ 3,274,163,677
Accumulated Depreciation	(1,328,485,689)
Net Cost of Capital Assets	<u>\$ 1,945,677,988</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. Also, deferred outflows from derivative instruments are not reported as assets in the governmental funds.

Taxes Receivable	\$ 114,310,190
Grants & Subsidies	15,619,811
Adjustment of Deferred Revenue	129,930,001
Deferred Outflows of Resources	71,622,131
Total Adjustment of Other Assets	<u>\$ 201,552,132</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 (\$3,630,937,255) difference are as follows:

Bonds Payable	\$ (2,994,453,311)
Deduct: Discount on Bonds Payable	11,059,134
Add: Premium on Bonds Payable	(109,084,783)
Deduct: Deferred Charge on Refunding	129,319,758
Deduct: Deferred Charge for Issuance Cost	30,707,915
Bond Interest Payable	(33,314,930)
Funds Due to Other Governments	(50,678,546)
Workers' Compensation Payable	(130,160,229)
Unemployment Compensation Payable	(3,322,621)
Compensated Absences	(288,704,536)
Severance Payable	(183,726,164)
Claims and Judgments	(4,406,474)
Arbitrage Rebate Payable	(4,062,468)
Early/Voluntary Retirement Incentive	(110,000)
	<u></u>
<i>Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets governmental activities.</i>	<u><u>\$ (3,630,937,255)</u></u>

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net 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 \$60,922,346 difference are as follows:

Capital outlay	\$ 161,101,404
Depreciation expense	<u>(100,179,058)</u>
<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.</i>	<u><u>\$ 60,922,346</u></u>

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 (\$958,494) difference are as follows:

Loss on Disposal of Capital Assets	\$ (898,175)
Gain on Sale of Capital Assets	216,671
Proceeds from Sale of Capital Assets	<u>(276,990)</u>
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.</i>	<u><u>\$ (958,494)</u></u>

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 (\$177,731,483) difference are as follows:

Principal Repayment on Bonds	\$ 70,761,738
Principal Repayment on Authority Obligations	5,660,000
Swap Termination Payment	26,569,000
Bond Issuance and Defeasance	<u>(280,722,221)</u>
<i>Net effect of differences in the treatment of long-term debt</i>	<u><u>\$ (177,731,483)</u></u>

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 (\$9,231,257) difference are as follows:

Change in Compensated Absences Payable	\$ 4,634,992
Change in Severance Payable	(15,833,206)
Change in Workers' Compensation Payable	1,636,019
Change in Unemployment Compensation Payable	2,719,359
Change in Claims and Judgments Payable	1,841,686
Change in Early/Voluntary Retirement Incentive Payable	182,500
Change in Arbitrage Rebate Payable	223,525
Change in Net Accrued Bond Interest	(8,768,991)
Change in Bond Issuance Costs	<u>4,132,859</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>\$ (9,231,257)</u></u>

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

A. **Budgetary Information**

(1) **General Budget Policies**

As required by various legislative mandates, the School District is required to adopt both an operating budget and a capital budget for each fiscal year. The operating budget consists of the General Fund, the Intermediate Unit Fund and the Debt Service Fund. In 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.

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 \$73.1 million at June 30, 2010. Since Categorical Funds do not have a formal adopted budget, this amount is not shown as a reservation of fund balance at June 30, 2010.

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 \$25.0 million, which is offset by \$76.8 million in the Debt Service Fund.

Categorical Funds experienced an unreserved negative fund balance of \$15.6 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 \$43.2 million held in agency funds, at June 30, 2010 are summarized as follows:

Cash and Cash Equivalents	\$ 281,673,402
Cash and Investments with Fiscal Agent	75,844,434
Equity in Pooled Cash and Investments	135,002,134
Cash and Investments Held by Trustee	11,986,445
Investments	<u>200,019</u>
Total Cash and Investments	<u>\$ 504,706,434</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, 2010, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 72,232,079	.003
Discounted Notes	12,641,046	.627

- (a) *Interest Rate Risk* – The School District minimizes the affect changes in interest rates have on the fair value of investments by investing in obligations of the United States Treasury and Commonwealth and/or collateralized repurchase agreements. Repurchase agreements for sinking funds and consolidated cash, and capital fund investments, as of June 30, 2010 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 Home Loan Bank (FHLB)	Aaa	AAA	N/R
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.

(3) Derivative Investment Instruments

- (a) The School District on November 21, 2006 entered into two qualified interest rate management agreement basis swaps initially related to its 2003 Bonds and subsequently its General Obligation Refunding Bonds, Series B of 2004 and Series C of 2004 for the purpose of managing interest costs. The School District refunded 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"). Simultaneously with the issuance of the Series 2008 Bonds, the School District related the existing qualified interest rate management agreements 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 adjusted the related subseries.

In connection with the basis swap agreements, the School District received an upfront cash payment of \$10 million.

As of June 30, 2010, the School District's basis swaps are considered to be investment derivative instruments with the following maturities (amounts in thousands):

Investment Type	Fair Value	<u>Investment Maturities (in years)</u>			
		Less Than 1	1-5	6-10	More Than 10
Investment Derivative Instruments	\$ (39,605)				\$ (39,605)

- (1) *Interest rate risk* - The School District's two pay variable interest rate basis swaps have a total notional amount of \$500,000,000. The School District makes payments to the counterparty based on the SIFMA swap index and receives 67% of LIBOR plus .2788%. The basis swaps were executed November 30, 2006 and mature May 15, 2033. At June 30, 2010, the fair value of the swaps is \$(39,604,785). 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.
- (2) *Credit risk* - As of June 30, 2010, the School District was not exposed to credit risk on any of its outstanding basis swaps because the swaps had negative fair values of \$39,604,785. 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.

The fair values and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2010 are as follows (amounts in thousands):

<u>Initial Notional</u>	<u>Bank Counterparty</u>	<u>Credit Rating</u>		
		<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
\$150,000	Wachovia Bank	Aa2	AA	AA-
\$350,000	JP Morgan Chase Bank	Aa1	AA-	AA-

- (3) *Basis risk* - 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.

- (4) *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 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.

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	Internal Service	Fiduciary	Total
Receivables							
Interest	\$ -	\$ -	\$ 308.9	\$ 194.4	\$ -	\$ -	\$ 503.3
Taxes	247,522.1	-	-	-	-	-	247,522.1
Accounts (net)	3,338.3	1,024.2	948.8	-	1.6	77.0	5,389.9
Gross Receivables	250,860.4	1,024.2	1,257.7	194.4	1.6	77.0	253,415.3
Less: Allowances for Uncollectible							
Taxes	102,664.7	-	-	-	-	-	102,664.7
Total Allowance	102,664.7	-	-	-	-	-	102,664.7
Net Total Receivables	\$ 148,195.7	\$ 1,024.2	\$ 1,257.7	\$ 194.4	\$ 1.6	\$ 77.0	\$ 150,750.6

(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, 2010 equaled \$144.9 million as follows:

	(Dollars in Millions)		
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 71.2	\$ 9.3	\$ 61.9
Prior	<u>134.3</u>	<u>63.7</u>	<u>70.6</u>
Total Real Estate Taxes	<u>205.5</u>	<u>73.0</u>	<u>132.5</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	19.5	15.0	4.5
School Income Tax	4.6	2.7	1.9
Liquor Sales Tax	<u>18.0</u>	<u>12.0</u>	<u>6.0</u>
Total Self Assessed Taxes	<u>42.1</u>	<u>29.7</u>	<u>12.4</u>
 Total Taxes Receivable	 <u>\$ 247.6</u>	 <u>\$ 102.7</u>	 <u>\$ 144.9</u>

During July and August 2010, \$17.2 million in real estate taxes receivable and \$13.3 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2010 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)	\$ 114,310,190	-
Accounts receivables earned but not available (General Fund)	1,432,235	-
Grant funds earned but not available (Categorical Funds)	15,619,811	-
Grant funds received prior to meeting all eligibility requirements (Categorical Funds)	-	\$ 25,855,493
Interest on investments received prior to being earned (Debt Service Fund)	-	371,013
Grant funds received prior to meeting all eligibility requirements (Capital Projects Fund)	-	79,671
 Total Deferred Revenue for Governmental Funds	 <u>\$ 131,362,236</u>	 <u>\$ 26,306,177</u>

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2010 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 119.2	\$ -	\$ -	\$ -	\$ 119.2
Construction in Progress	387.0	105.2	-	(167.7)	324.5
Artwork	8.3	-	-	-	8.3
Total Capital Assets - Not Depreciated	\$ 514.5	\$ 105.2	\$ -	\$ (167.7)	\$ 452.0
Capital Assets - Depreciated					
Buildings	\$ 1,394.2	\$ 15.3	\$ -	\$ 102.1	\$ 1,511.6
Improvements	972.5	5.3	-	65.6	1,043.4
Personal Property	251.9	31.7	(16.4)	-	267.2
Print Shop	0.8	-	-	-	0.8
Total Capital Assets - Depreciated	\$ 2,619.4	\$ 52.3	\$ (16.4)	\$ 167.7	\$ 2,823.0
Less Accumulated Depreciation					
Buildings	\$ (530.6)	\$ (26.2)	\$ -	\$ -	\$ (556.8)
Improvements	(551.1)	(49.2)	-	-	(600.3)
Personal Property	(162.1)	(24.8)	15.5	-	(171.4)
Print Shop	(0.6)	(0.1)	-	-	(0.7)
Total Accumulated Depreciation	\$ (1,244.4)	\$ (100.3)	\$ 15.5	\$ -	\$ (1,329.2)
Net Capital Assets Depreciated	\$ 1,375.0	\$ (48.0)	\$ (0.9)	\$ 167.7	\$ 1,493.8
Governmental Activities - Net Capital Assets	<u>\$ 1,889.5</u>	<u>\$ 57.2</u>	<u>\$ (0.9)</u>	<u>\$ -</u>	<u>\$ 1,945.8</u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 15.1	\$ 0.8	\$ (0.2)	\$ -	\$ 15.7
Less Accumulated Depreciation	(11.9)	(0.8)	0.2	-	(12.5)
Business-Type Activities - Net Capital Assets	<u>\$ 3.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3.2</u>

The beginning balances of certain capital asset accounts were adjusted by a net total of \$75,506 which is reflected as a prior period adjustment in the district-wide Statement of Activities. Also, a reclassification was made between Building and Improvement in the amount of \$2,212,600.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 89.7
Student Support Services	1.9
Administrative Support	7.2
Operation & Maintenance of Plant Services	0.6
All Other Support Services	0.9
Total Depreciation Expense	<u>\$ 100.3</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 \$400.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 8, 2009 as authorized by the SRC. The proceeds of the Notes were used to address the School District's cyclical cash flow needs. All of the Notes were repaid as of June 30, 2010. Changes in short-term obligations payable during Fiscal Year 2010 were as follows:

(Dollars in Millions)				
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Tax and Revenue Anticipation Note (Series of 2009-2010)	\$ -	\$ 400.0	\$ (400.0)	\$ -
Total	\$ -	\$ 400.0	\$ (400.0)	\$ -

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2010 were as follows:

(Dollars in Millions)					
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,825.2	\$ 598.7	\$ (429.5)	\$ 2,994.4	\$ 84.0
Bond Premium	79.0	35.4	(5.3)	109.1	7.9
Bond Discount	(11.4)	(0.1)	0.5	(11.0)	(0.6)
Total Bonded Debt	\$ 2,892.8	\$ 634.0	\$ (434.3)	\$ 3,092.5	\$ 91.3
Termination Compensation Payable	\$ 293.5	\$ 21.4	\$ (26.0)	\$ 288.9	\$ 27.1
Severance Payable	167.8	26.5	(10.6)	183.7	8.8
Due to Other Governments					
- Deferred Reimbursement	56.0	-	(5.3)	50.7	50.7
Other Liabilities	144.1	29.5	(35.8)	137.8	37.9
Early/Voluntary Retirement Incentive	0.4	-	(0.2)	0.2	0.2
Arbitrage Liability	4.3	-	(0.2)	4.1	0.1
Governmental Activity - Long-Term Liabilities	\$ 3,558.9	\$ 711.4	\$ (512.4)	\$ 3,757.9	\$ 216.1
Business-Type Activities:					
Termination Compensation Payable	\$ 2.1	\$ 2.2	\$ (2.1)	\$ 2.2	\$ 0.2
Severance Payable	1.1	1.0	(1.1)	1.0	0.1
Business-Type Activities - Long-Term Liabilities	\$ 3.2	\$ 3.2	\$ (3.2)	\$ 3.2	\$ 0.3

(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, 2010 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
1999 - B	5.250	2013	98,405	21,040	1,696	22,736
2000 - A	5.750	2011	130,000	22,000	1,265	23,265
2000 - B	QZABS ⁽²⁾	2014	22,985	22,945	-	22,945
2002 - A	5.250	2012	156,000	7,140	567	7,707
2002 - B	5.500	2013	300,000	39,760	3,361	43,121
2003 - B	5.500 ⁽³⁾	2028	588,140	43,505	43,070	86,575
2004 - D	3.700 - 5.000	2015	100,000	8,720	2,177	10,897
2004 - E	QZABS ⁽²⁾	2019	19,335	12,430	-	12,430
2005 - A	4.000 - 5.000	2023	198,140	196,820	81,010	277,830
2005 - B	5.000	2017	43,415	43,190	9,087	52,277
2005 - C	4.290 - 5.310	2026	71,740	62,175	29,031	91,206
2005 - D	4.000 - 5.500	2021	29,920	23,575	8,289	31,864
2006 - A	4.486 - 5.000 ⁽³⁾	2036	317,125	300,895	231,483	532,378
2006 - B	3.500 - 5.000 ⁽³⁾	2033	545,570	545,555	520,557	1,066,112
2007 - A	3.700 - 5.000	2034	146,530	146,505	143,174	289,679
2007 - C	QZABS ⁽²⁾	2023	13,510	11,708	-	11,708
2007 - D	QZABS ⁽²⁾	2023	28,160	28,150	4,400	32,550
2008 - A	Variable Rate ⁽⁴⁾	2031	254,885	174,790	110,699 ⁽⁵⁾	285,489
2008 - B	Variable Rate ⁽⁴⁾	2031	250,845	180,730	113,874 ⁽⁵⁾	294,604
2008 - D	Variable Rate ⁽⁴⁾	2022	85,000	10,100	233 ⁽⁵⁾	10,333
2008 - E	3.500 - 6.000	2039	282,365	282,365	296,446	578,811
2008 - F	3.000 - 5.250	2028	114,215	114,210	63,204	177,414
2009 - A	3.675 - 4.827	2014	20,075	17,520	1,854	19,374
2009 - B	3.000 - 5.000	2019	30,710	30,710	10,117	40,827
2009 - C	Variable Rate ⁽⁴⁾	2026	49,200	49,200	29,117	78,317
2010 - A	2.500 - 5.000	2016	27,820	27,820	5,243	33,063
2010 - B	4.735 - 6.765	2040	221,485	221,485	299,949	521,434
2010 - C	1.500 - 5.000	2022	300,045	300,045	94,091 ⁽⁶⁾	394,136
2010 - D	4.000 - 4.976	2023	49,365	49,365	23,158	72,523
		Total	<u>\$ 4,494,985</u>	<u>\$ 2,994,453</u>	<u>\$ 2,127,152</u>	<u>\$ 5,121,605</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 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.
- (6) Includes interest scheduled for the fixed swap interest payments required of the School District by the Interest Rate Management Agreements between March 1, 2010 through April 6, 2010.

Debt service to maturity on general obligation bonds at June 30, 2010 is summarized as follows:
(Excludes debt issued through the State Public School Building Authority)

<u>Governmental Activities</u> (Dollars in Thousands)			
<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest ⁽¹⁾</u>	<u>Total</u>
2011	\$ 69,997	\$ 87,476	\$ 157,473
2012	82,732	82,658	165,390
2013	87,062	78,681	165,743
2014	88,977	75,042	164,019
2015	78,072	71,898	149,970
2016-2020	460,093	296,257	756,350
2021-2025	363,737	188,997	552,734
2026-2030	173,955	122,890	296,845
2031-2035	197,210	79,645	276,855
2036-2039	137,045	22,612	159,657
Total	<u>\$ 1,738,880</u>	<u>\$ 1,106,156</u>	<u>\$ 2,845,036</u>

- (1) Excludes the fixed rate interest payment due to bondholders on variable rate debt (hedged derivative instruments).

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2010 is summarized as follows:

<u>Governmental Activities</u> (Dollars in Thousands)				
<u>Year Ending</u> <u>June 30</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3.625-4.500	7,215	41,846	49,061
2016 – 2020	3.800-5.000	41,645	203,647	245,292
2021 – 2025	4.971-5.000	123,470	189,694	313,164
2026 – 2030	4.926-5.500	277,625	140,522	418,147
2031 – 2035	4.580-4.692	394,820	47,874	442,694
2036	4.486	19,595	879	20,474
Total		<u>\$ 889,955</u>	<u>\$ 795,110</u>	<u>\$ 1,685,065</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) Derivative Instruments

Summary

The School District adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows (amounts in thousands; debit (credit)):

School District of Philadelphia

<u>Change in Fair Value</u>			<u>Fair Value at June 30, 2010</u>		
<u>Classification</u>	<u>Amount</u>		<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Cash flow hedges:					
Pay-fixed interest rate Swaps	Deferred outflow	\$ (16,818)	Debt	\$ (71,622)	\$ 362,675
Investment derivatives:					
Pays-variable interest rate swaps	Investment revenue	\$ 2,261	Investment	\$ (39,605)	\$ 500,000
				<u>\$ (111,227)</u>	

As of June 30, 2010, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

(i) Hedging Derivatives

(a) Objectives and Terms

The following table displays the objective and terms of the School District's hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty (amounts in thousands).

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u> <u>Moody's/S&P/Fitch</u>
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-1 Bonds	\$60,000	6/29/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-2 Bonds	\$54,200	6/29/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-3 Bonds	\$64,900	6/19/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series A-1 Bonds	\$95,000	6/29/2004	9/1/2030	Pay 3.815%, receive 58.5% of LIBOR + .27%	A2/A/A
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series A-2 Bonds	\$78,475	6/29/2004	9/1/2030	Pay 3.761%, receive 58.5% of LIBOR + .27%	Aa3/A/A+
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	\$10,100	6/29/2004	9/1/2011	Pay 3.24%, receive 58.5% of LIBOR + .27%	A2/A/A+

(b) 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 of 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, 2010, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values of \$71.6 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.

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.

Interest rate risk - The School District is exposed to interest rate risk on its interest rate swaps. Should the LIBOR interest rates fall, the School District's net payment increases. As the fair values of the swaps become positive, the School District would be exposed to interest rate risk in the amount of the derivatives' fair value.

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.

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 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.

Other Risks - The School District is not exposed to any rollover risk, market-access risk, or foreign currency risk.

(c) Terminated Hedges

In addition to the interest rate swaps listed above, the School District had also previously entered into similar agreements related to its Series A-3, B-4, C-1, and D-1 2008 Bonds. On March 9, 2010, the School District executed four confirmations, each effective on April 6, 2010, providing for the termination of the Tax-Exempt Advance Refunding Agreements with (1) Morgan Stanley Capital Services Inc. ("Morgan Stanley") relating to the 2008 Bonds Sub-series C-1 in the current notional amount of \$91,000,000 and (ii) Goldman Sachs Bank USA ("Goldman") relating to the 2008 Bonds Sub-series A-3 in the current notional amount of \$80,000,000, the 2008 Bonds Sub-series B-4 in the current notional amount of \$70,000,000 and the 2008 Bonds Sub-series D-1 in the current notional amount of \$58,875,000 (collectively, the "Terminated 2008 Swap Agreements"). On April 6, 2010, the School District made termination payments to the counterparties of the Terminated 2008 Swap Agreements in the aggregate amount of \$26,569,000. Such termination payments were funded with a portion of the proceeds of the School District's General Obligation Refunding Bonds, Series C of 2010, which were issued to refund the 2008 Bonds related to the Terminated 2008 Swap Agreements.

(d) Swap payments and associated debt

Using rates as of June 30, 2010, debt service requirements on the School District's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

<u>Year Ending June 30</u>	<u>Variable Rate Bonds</u>		<u>Interest</u>	<u>Total</u>
	<u>Principle</u>	<u>Interest(1)</u>	<u>Rate</u> <u>Swap, Net(2)</u>	
2011	\$ 8,055	\$16,181	\$12,447	\$36,683
2012	2,260	16,014	12,304	30,578
2013	110	15,985	12,275	28,370
2014	115	15,980	12,275	28,370
2015	120	15,974	12,275	28,369
2016-2020	640	79,789	61,374	141,803
2021-2025	104,005	71,222	55,918	231,145
2026-2030	217,985	32,604	27,339	277,928
2031-2035	<u>32,330</u>	<u>364</u>	<u>607</u>	<u>33,301</u>
	<u>365,620</u>	<u>264,113</u>	<u>206,814</u>	<u>836,547</u>

(1) Based on assumed interest rate of 4.5% at year end June 30th.

(2) Variable rate receipts based on LIBOR rate plus basis point at year end June 30th.

(c) General Obligation Bonds and Refunding Bonds

- (i) *General Obligation Bonds:* On April 6, 2010, the School District issued Series A of 2010 and Series B of 2010 fixed rate general obligation bonds in the aggregate amount of \$249.3 million for the Capital Improvement Program. Bond proceeds of \$1.9 million were utilized for underwriting fees, and other bond issuance costs. The Series B bonds were designated as federally taxable Build America Bonds, in accord with The American Recovery and Reinvestment Act of 2009. The School District is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series B Bonds on each interest payment date. The eligibility of this federal subsidy begins during fiscal year 2011.

(ii) *Refunding Bonds:*

- (a) On April 6, 2010, the School District issued Series C of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of \$300.0 million to refund certain maturities of the outstanding Series A, B, C, and D of 2008, terminate the related Swap Agreements, and pay the associated swap termination payments. Bond proceeds of \$1.9 million were utilized for underwriting fees, and other issuance costs.

Securities for the issues were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLG) of \$303.8 million which were used to retire the subseries A-3, B-4, C-1, C-2, and D-1 of 2008.

- (b) On April 6, 2010, the School District issued Series D of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of \$49.4 million to refund certain maturities of the outstanding Series of A of 1999. Bond proceeds of \$0.3 million were utilized for underwriting fees, and other issuance costs.

Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLG) of \$52.6 million which were used to retire the Series of A of 1999.

- (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 \$52.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2023.

- (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 \$10.1 million less 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 \$9.7 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, 2010, \$1.1 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, 2010, \$6.9 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, 2010, \$1.8 million 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, 2010, the non-electoral and lease rental borrowing capacity (debt limit) for the School District was \$1,743.8 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, 2010, the arbitrage rebate calculation indicates a liability for 98% of the total in 2011 (based on current market conditions which could change when actually due and payable) totaling \$4.3 million.

(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, 2010 amounted to \$8,985,697. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2011	\$ 7.9
2012	7.2
2013	4.9
2014	4.9
2015	2.4
2016-17	2.7
Total	<u>\$ 30.0</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, 2010, the remaining liability totaled \$67,500.

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, 2010, 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, 2010 was \$183.7 million. July and August 2010 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2011 appropriations.

(7) Due to Other Governments

Deferred Reimbursement – The School District of Philadelphia owed 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 2011. Of the remaining \$16.7 million incurred during Fiscal Year 2008, \$5.3 million was still outstanding at June 30, 2010 and has been deferred by the Commonwealth for reimbursement for Fiscal Year 2011.

(8) Other Liabilities

Other liabilities consist of \$130.2 million for Workers' Compensation, \$3.3 million for Unemployment Compensation Claims and \$4.4 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.

E. Interfund Receivables, Payables and Transfers

- (1) The composition of Interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 12,060,514

Interfund receivables and payables arose from operating activity between funds. Any unpaid balance at the end of the fiscal year is reported as an interfund receivable and/or payable.

The balance of \$12,060,514 under the Enterprise Fund was reclassified as an internal balance on the District-wide financial statements. Pursuant to a resolution adopted by the School Reform Commission on January 19, 2011, the balance will be repaid in increments from fiscal years 2011 through 2015. Repayment will be made by a reduction in the General Fund indirect cost charge to the Enterprise Fund to the extent necessary to enable the Enterprise Fund to pay the scheduled increments. Also pursuant to this resolution, \$3,235,051 of the interfund loan was repaid in fiscal year 2010 through a reduction of the General Fund indirect cost charge.

- (2) Interfund transfers at June 30, 2010 were as follows:

<u>Interfund Transfers Out</u>					
<u>Interfund Transfers In</u>	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
General	\$ -	\$ 3,052,999	\$ -	\$ -	\$ 3,052,999
Intermediate Unit	200,982,777	-	-	-	200,982,777
Categorical	1,961,285	-	-	-	1,961,285
Debt Service	210,910,034	-	1,873,168	217,064	213,000,266
Capital	9,885,949	-	-	-	9,885,949
Total	<u>\$ 423,740,045</u>	<u>\$ 3,052,999</u>	<u>\$ 1,873,168</u>	<u>\$ 217,064</u>	<u>\$ 428,883,276</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 2010 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, 2010 are summarized as follows:

New Construction and Land	\$ 41,558,769
Environmental Management	257,006
Alterations and Improvements	39,947,949
Equipment Acquisition	8,691,910
Total	<u>\$ 90,455,634</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 \$41.7 million in contract revenue from the School District during Fiscal Year 2010. 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 three hundred seventy-four (374) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.3 million.

Of those, three-hundred fifty-seven (357) 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 twelve (212) unfavorable outcomes are deemed probable and a hundred (100) are considered reasonably possible in the aggregate amounts of approximately \$1.3 million and \$0.4 million respectively.

There are twelve (12) 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 of ten (10) are deemed reasonably possible in the aggregate amounts of approximately \$0.3 million.

There are three (3) suits in federal court by parents of special education students for reimbursement for attorneys' 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 \$0.12 million and \$0.06 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 \$14.4 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$1.1 million and \$0.2 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 \$2.0 million and \$3.3 million, respectively, arising from personal injury and property damage claims and lawsuits.
- (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 the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from 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 which NSF would seek to recover. In the opinion of the General Counsel of the School District unfavorable outcomes are deemed reasonably possible for \$757,296 of the total. NSF has not initiated any proceedings to recover funds from the School District.

The U.S. Department of Education ("DOE") Office of Inspector General ("OIG") conducted an audit from May 2007 to May 2009 of significant federal grants which the School District received for fiscal year 2006. A final audit report was issued by the OIG in January 2010. The report questioned \$138.8 million of costs which included \$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 DOE. There are several levels of resolution within DOE – the School District will be able to discuss the findings with the DOE program officials, and then request a hearing before an Administrative Law Judge. The final agency decision will be made by the Secretary of Education and that decision can then be appealed to federal court. Therefore, in the opinion of the General Counsel of the School District, 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.

(5) **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 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 legal 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. School District 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, 2010, such liability would not be material to the School District’s financial position or results of operations for the fiscal year ended June 30, 2010.

J. Other Post Employment Life Insurance Benefits

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 occur, rather than in the future when they 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 is amortized over no more than 30 years.

Plan Description:

The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees in a single-employer plan. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with ten years of service or 35 years of service regardless of age. A disabled employee’s 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, 2010, the effective date of the most recent biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees	Average Age
Active		
Represented	16,308	45.5
Non-represented	1,223	48.6
Retirees	8,918	76.2
Disabled	135	58.2
Total	26,584	56.0

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), and 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 (AAL), which under GASB Statement No. 45, may be amortized over no more than 30 years. The District has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each bi-annual actuarial valuation date, up to 30 years. The following table shows the elements of the School District's annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the School District's net OPEB obligation to the plan:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2008	\$591,379	100%	\$0
2009	640,650	100%	0
2010	659,317	100%	0

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, 2010, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$14.5 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$14.5 million.

Active	\$3,411,000
Inactive	11,122,000
Total	\$14,533,000

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2010 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 ten 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. Because the life insurance amounts are \$1,000 or \$2,000 except for disabilities, inflation has very little impact on the benefits. There is a Consumer Price Index assumption of 3%, but that rate is not applied to future life insurance amounts. The 4% payroll increase assumption is a combination of 3% inflation and 1% productivity. It is meant to be a very long term assumption.
- 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 than one year	24.49%
1 – 2 years	25.23%
2 – 3 years	16.54%
3 – 4 years	14.07%
4 – 5 years	10.88%
After five years, see table of sample rates	

- Disability incidence: See table of sample rates.
- Retirement age: The following retirement rates are used:

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

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

Attained Age	Withdrawal	Percentage Disability Incidence	
		Male	Female
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, 2010, the rate of employer contribution was 4.78 percent of qualifying compensation. The

4.78 percent rate consists of a pension contribution rate of 4.00 percent for pension benefits and .78 percent for health insurance premium assistance. The School District's contributions to PSERS for the Fiscal Years ending 2008, 2009 and 2010 were \$78,228,400, \$58,363,522 and \$58,363,522 respectively, and were equal to the required contributions for each year.

L. Risk Management

The School District is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, 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 \$137.9 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, 2010, the amount of these liabilities totaled \$137.9 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

	(Dollars in Millions)				
	<u>Beginning Liability</u>	<u>Claims & Adjustments</u>	<u>Claim Payments</u>	<u>Ending Liability</u>	<u>Due Within One Year</u>
Fiscal Year 2009	\$ 140.1	\$ 38.9	\$ 34.9	\$ 144.1	\$ 36.4
Fiscal Year 2010	\$ 144.1	\$ 29.7	\$ 35.9	\$ 137.9	\$ 37.9

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.

M. Prior Period Adjustments

District-wide net assets beginning balances were decreased by \$41,940,887. This adjustment involved Capital Assets and Derivative Instruments. For Capital Assets, this adjustment involved correction for an understatement of accumulated depreciation of Buildings and Improvements in the amount of \$22,126 and \$53,380, respectively. Also a reclassification was made between Buildings and Improvements in the amount of \$2,212,600 (See Note 4C). In addition, the School District implemented Governmental Accounting Standard Board Statement No. 53 which required an adjustment of the beginning net asset balance of \$41,865,381 to reflect deferred outflows under the investment derivative for variable interest rate swaps that did not meet hedging instrument effectiveness criteria at June 30, 2009.

N. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred after June 30, 2010, through January 28, 2011. During this period, the School District did not have any material subsequent events other than those described below.

(1) Tax and Revenue Anticipation Notes

On July 1, 2010 the School District issued its annual tax and revenue anticipation notes for cyclical cash flow purposes in the aggregate principal amount of \$425.0 million (the "FY2011 Notes"). The Notes will be paid off on June 30, 2011.

(2) General Obligation Refunding Bonds - Series E, F and G of 2010 in the aggregate par amount of \$425,880,000

On December 8, 2010 the School Reform Commission authorized the restructuring of certain portions of the School District's debt through a refunding and terminated \$355.4 million of its remaining interest rate management agreements known as swaps to reduce its exposure to hedged debt and to provide debt service savings. The par amount of Series E of 2010 is \$125,880,000 and advance refunded a portion of the School District's Series D of 2005 and the Series A of 2010 Bonds and currently refunded a portion of the Series 2002A, 2005B, 2008A-1, A-2 and A-4, and 2008B-1, B-2, B-3 and B-5 General Obligation Bonds. The Series E bonds converted \$52.5 million of variable rate debt to a fixed rate mode and issued bonds to cover the costs of terminating the qualified interest rate management agreements of \$63 million and the costs of issuance.

Simultaneously with the issuance of the Series E Bonds, the School District issued the Series F and G General Obligation Refunding Bonds in the total aggregate amount of \$300,000,000. The Series F Bonds of \$150,000,000 are enhanced by a three-year letter of credit issued by Barclays Bank, plc and the Series G Bonds of \$150,000,000 are enhanced by a three-year letter of credit issued by Wells Fargo Bank, National Association. The Series F and G Bonds are in the variable rate mode and will reset weekly.

Both bond issues closed on January 3, 2011.

**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, 2010

General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local Taxes	\$ 772,397,000	\$ 782,993,000	\$ 785,883,615	\$ 2,890,615
Locally Generated Non Tax	61,798,000	64,054,000	61,373,067	(2,680,933)
State Grants and Subsidies	1,405,848,000	1,344,874,000	1,349,329,444	4,455,444
Federal Grants and Subsidies	202,000	203,000	171,850	(31,150)
Total Revenues	2,240,245,000	2,192,124,000	2,196,757,976	4,633,976
OBLIGATIONS				
Current Operating				
Instruction	980,644,585	991,331,146	1,005,390,057	(14,058,911)
Student Support Services	30,316,883	28,791,347	28,683,133	108,214
Administrative Support	104,463,016	117,844,591	94,489,932	23,354,659
Operation & Maintenance of Plant Services	280,929,021	265,187,415	252,439,951	12,747,464
Pupil Transportation	70,328,336	72,931,575	76,234,857	(3,303,282)
All Other Support Services	28,841,049	(6,159,505)	(26,578,468)	20,418,963
Payments to Charter Schools	339,256,142	343,609,091	338,514,423	5,094,668
Allocated Costs	(17,708,720)	(17,506,163)	-	(17,506,163)
Total Obligations	1,817,070,312	1,796,029,497	1,769,173,885	26,855,612
Excess of Revenues Over (Under) Obligations	423,174,688	396,094,503	427,584,091	31,489,588
OTHER FINANCING SOURCES (USES)				
Transfers In	-	3,017,000	3,052,999	35,999
Transfers Out	(428,648,188)	(429,611,841)	(425,252,279)	4,359,562
Total Other Financing Sources (Uses)	(428,648,188)	(426,594,841)	(422,199,280)	4,395,561
Net Change in Fund Balances	(5,473,500)	(30,500,338)	5,384,811	35,885,149
Fund Balances, July 1, 2009	(73,854,300)	(43,577,500)	9,673,857	53,251,357
Change in Inventory Reserve	-	-	(74,336)	(74,336)
Change in Encumbrance Reserve	-	-	(13,057,806)	(13,057,806)
Fund Balances, June 30, 2010	\$ (79,327,800)	\$ (74,077,838)	\$ 1,926,526	\$ 76,004,364

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
388,000	420,000	366,645	(53,355)
85,607,000	82,931,000	83,263,155	332,155
-	-	-	-
85,995,000	83,351,000	83,629,800	278,800
217,933,644	207,819,506	204,254,939	3,564,567
73,811,486	72,118,294	71,819,214	299,080
1,096,616	896,738	487,196	409,542
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,603,081	9,818,262	9,563,462	254,800
302,444,827	290,652,800	286,124,811	4,527,989
(216,449,827)	(207,301,800)	(202,495,011)	4,806,789
216,449,800	207,301,800	202,495,011	(4,806,789)
-	-	-	-
216,449,800	207,301,800	202,495,011	(4,806,789)
(27)	-	-	-
-	-	2,383,317	2,383,317
-	-	-	-
-	-	(1,162,996)	(1,162,996)
\$ (27)	\$ -	\$ 1,220,321	\$ 1,220,321

Refer to notes to the required supplementary information

**SCHOOL DISTRICT OF PHILADELPHIA
OTHER POSTEMPLOYMENT LIFE INSURANCE BENEFITS
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL Percentage of Covered Payroll
06/30/2008	\$0	\$13,862,000	\$13,862,000	0.0%	N/A	N/A
06/30/2010	0	14,532,971	14,532,971	0.0%	N/A	N/A

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

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	\$ 2,196,758	\$ 83,630
Revenue - GAAP Basis	\$ 2,196,758	\$ 83,630
Obligations – Basis of Budgeting	\$ 1,769,174	\$ 286,125
Current Year Encumbrances	(13,168)	(1,200)
Prior Year Encumbrance Payments	4,647	851
Prior Year Encumbrance		
Cancellations and Other Adjustments	23,091	
Expenditures - GAAP Basis	\$ 1,783,744	\$ 285,776
Other Financing Sources (Uses) -		
Basis of Budgeting	\$ (422,199)	\$ 202,495
Prior Year Encumbrance Cancellations	1,512	(1,512)
Other Financing Sources		
(Uses) - GAAP Basis	\$ (420,687)	\$ 200,983

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2010:

A. General Fund

(1). Instruction	\$ 14,058,911
(2). Pupil Transportation	3,303,282
(3). Allocated Costs	17,506,163

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$14,058,911 in “Instruction” reflected a large number of teachers without budgeted positions on the payroll, larger than expected per diem substitute expense, and offsetting benefit savings generated in school areas not being captured in the Instructional budgetary unit; the total variance is approximately 1.4% of total expenditures in the Instruction budgetary unit.

The negative variance of \$3,303,282 in “Pupil Transportation” resulted from: a) contracted services expenditures that were \$4.4 million greater than anticipated for vehicular rental and student tokens/transfers and b) a \$0.9M surplus in Gasoline and other materials and supplies.

The negative variance of \$17,506,163 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.

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 \$ 17,708,720 and \$ 17,506,163, 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. *STATE SUBSIDIES*

General Fund Revenues from Other Governments, presented on the budgetary basis for required supplementary information, include \$119,766,295 reported as State Grants and Subsidies. This amount represents the portion of Commonwealth of Pennsylvania's basic education subsidy funded through the federal American Recovery and Reinvestment Act grant to the state. The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, presented in accordance with generally accepted accounting principles, reports this amount as federal grants and subsidies.

6. *OTHER POSTEMPLOYMENT LIFE INSURANCE BENEFITS*

The schedule of funding progress presents the results of Other Postemployment Benefits (OPEB) valuations as of July 1, 2008 and July 1, 2010. 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.

As of June 30, 2008 and June 30, 2010, 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.)

7. *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, 2010 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, 2010 there were eighty-seven Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,171,359	\$ 2,153,152	\$ 6,324,511
Total Assets	<u>\$ 4,171,359</u>	<u>\$ 2,153,152</u>	<u>\$ 6,324,511</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 6,284	\$ 130	\$ 6,414
Fund Balance:			
Reserved for:			
Encumbrances	2,966	217	3,183
Trust Fund Principal	1,301,225	1,335,939	2,637,164
Unreserved			
Designated For Trust Purposes	2,860,884	816,866	3,677,750
Total Fund Balances	<u>4,165,075</u>	<u>2,153,022</u>	<u>6,318,097</u>
Total Liabilities and Fund Balances	<u>\$ 4,171,359</u>	<u>\$ 2,153,152</u>	<u>\$ 6,324,511</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, 2010

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 59,115	\$ 64,189	\$ 123,304
EXPENDITURES			
Instruction	48,620	7,281	55,901
Excess (Deficiency) of Revenues Over Expenditures	10,495	56,908	67,403
Fund Balances, July 1, 2009	4,154,580	2,096,114	6,250,694
Fund Balances, June 30, 2010	\$ 4,165,075	\$ 2,153,022	\$ 6,318,097

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 545,707,000	\$ 551,750,000	\$ 546,351,751	\$ (5,398,249)
Prior Years	58,380,000	52,250,000	55,684,401	3,434,401
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	105,800,000	113,000,000	117,294,956	4,294,956
School (Non-Business) Income	20,500,000	21,800,000	22,174,795	374,795
Liquor Sales	41,050,000	43,100,000	43,280,185	180,185
Public Utility Realty	960,000	1,093,000	1,092,908	(92)
Total Local Taxes	772,397,000	782,993,000	785,883,615	2,890,615
Locally Generated Non Tax				
Interest on Investments	3,402,000	1,767,000	1,825,157	58,157
City Contributions	38,540,000	38,540,000	38,540,000	-
Legal Settlements	2,500,000	2,710,000	2,734,865	24,865
Stadium Agreements	2,515,000	3,000,000	3,000,000	-
Voluntary Contributions	267,000	315,000	345,635	30,635
Parking Authority Contributions	1,750,000	4,500,000	7,284,153	2,784,153
Reimbursement from Other Funds	7,224,000	7,577,000	13,860	(7,563,140)
Miscellaneous	5,600,000	5,645,000	7,629,397	1,984,397
Total Locally Generated Non Tax	61,798,000	64,054,000	61,373,067	(2,680,933)
Other Governments				
State Grants and Subsidies				
Gross Instruction	1,053,182,000	891,054,000	891,095,736	41,736
Less: Reimbursement of Prior Years IU Advances	48,398,000	47,705,000	47,688,233	(16,767)
PA Provided Federal Stimulus/SFSF	-	119,766,000	119,766,295	295
Net Instruction	1,004,784,000	963,115,000	963,173,798	58,798
Debt Service	12,913,000	10,957,000	10,775,977	(181,023)
School Health Program				
Nurse Services	1,353,000	1,344,000	1,343,601	(399)
Medical and Dental	2,320,000	2,303,000	2,303,316	316
Tuition	341,000	318,000	371,545	53,545
Area Vocational Technical Education	9,356,000	5,859,000	5,859,419	419
Transportation	50,023,000	52,458,000	52,458,173	173
District Special Education	126,903,000	128,606,000	128,605,623	(377)
Alternative Education	2,072,000	554,000	553,820	(180)
Charter Schools	132,887,000	115,831,000	115,830,767	(233)
Miscellaneous State Subsidies	44,000	-	-	-
Retirement	24,170,000	24,430,000	26,343,406	1,913,406
Social Security	38,682,000	39,099,000	41,709,999	2,610,999
Total State Grants and Subsidies	1,405,848,000	1,344,874,000	1,349,329,444	4,455,444
Federal Grants and Subsidies				
Impacted Area Aid	202,000	203,000	171,850	(31,150)
Total Federal Grants and Subsidies	202,000	203,000	171,850	(31,150)
Total Other Governments	1,406,050,000	1,345,077,000	1,349,501,294	4,424,294
Total Revenues	\$ 2,240,245,000	\$ 2,192,124,000	\$ 2,196,757,976	\$ 4,633,976

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 136,244	\$ 3,933,862	\$ 4,088,277	\$ (154,415)
Employee Benefits	42,088	2,163,205	2,147,820	15,385
Prof.,Tech. Services	52,975	299,625	110,824	188,801
Property,Transportation,Comm.	22,300	339,300	255,164	84,136
Materials, Supplies, Books and Equipment	21,145	117,995	276,551	(158,556)
	274,752	6,853,987	6,878,636	(24,649)
Elementary Education				
Personal Services	287,620,159	297,114,973	298,426,613	(1,311,640)
Employee Benefits	126,168,935	122,093,481	130,252,764	(8,159,283)
Prof.,Tech. Services	1,700,480	2,005,517	1,632,405	373,112
Property,Transportation,Comm.	166,920	203,019	492,611	(289,592)
Materials, Supplies, Books and Equipment	10,993,298	10,659,601	9,494,214	1,165,387
Other	-	1,390	186	1,204
	426,649,792	432,077,981	440,298,793	(8,220,812)
Middle School Education				
Personal Services	68,454,525	64,936,416	65,757,489	(821,073)
Employee Benefits	29,539,724	26,234,288	28,312,761	(2,078,473)
Prof.,Tech. Services	176,200	283,203	262,467	20,736
Property,Transportation,Comm.	101,893	285,737	345,252	(59,515)
Materials, Supplies, Books and Equipment	2,122,667	2,960,994	2,348,166	612,828
Other	-	1,500	-	1,500
	100,395,009	94,702,138	97,026,135	(2,323,997)
Senior High School Education				
Personal Services	158,218,022	169,029,316	168,038,446	990,870
Employee Benefits	67,581,468	68,782,395	71,119,421	(2,337,026)
Prof.,Tech. Services	1,875,451	2,293,481	2,255,025	38,456
Property,Transportation,Comm.	1,334,697	776,934	1,215,358	(438,424)
Materials, Supplies, Books and Equipment	5,288,240	8,942,194	6,379,954	2,562,240
Other	853,143	528,467	500	527,967
	235,151,021	250,352,787	249,008,704	1,344,083
Special Education				
Personal Services	11,549,131	7,269,294	6,386,976	882,318
Employee Benefits	4,554,439	2,801,008	2,788,163	12,845
Materials, Supplies, Books and Equipment	(172,763)	18,200	10,838	7,362
	15,930,807	10,088,502	9,185,977	902,525

(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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 31,608,861	\$ 29,085,094	\$ 31,877,256	\$ (2,792,162)
Employee Benefits	13,363,312	11,738,198	13,994,453	(2,256,255)
Prof., Tech. Services	378,440	376,263	286,560	89,703
Property, Transportation, Comm.	351,500	283,993	350,724	(66,731)
Materials, Supplies, Books and Equipment	1,478,303	1,750,877	1,661,949	88,928
Other	-	154,906	-	154,906
	47,180,416	43,389,331	48,170,942	(4,781,611)
Desegregation				
Personal Services	6,266,818	6,815,437	6,164,566	650,871
Employee Benefits	2,609,724	2,678,453	2,686,667	(8,214)
Prof., Tech. Services	41,000	70,892	70,862	30
Property, Transportation, Comm.	-	19,375	50,652	(31,277)
Materials, Supplies, Books and Equipment	2,086,940	1,926,147	1,666,653	259,494
	11,004,482	11,510,304	10,639,400	870,904
School Support Services				
Personal Services	13,199,074	20,282,790	26,778,278	(6,495,488)
Employee Benefits	2,693,435	3,652,711	6,291,020	(2,638,309)
Prof., Tech. Services	1,219,614	779,778	3,227,514	(2,447,736)
Property, Transportation, Comm.	1,800	1,800	2,418	(618)
Materials, Supplies, Books and Equipment	3,726,691	6,214,564	3,419,939	2,794,625
	20,840,614	30,931,643	39,719,169	(8,787,526)
Payment to Other Educational Entities				
Prof., Tech. Services	52,144,095	45,197,705	45,037,724	159,981
Property, Transportation, Comm.	61,803,005	58,713,652	53,103,791	5,609,861
	113,947,100	103,911,357	98,141,515	5,769,842
Adult Education				
Personal Services	59,362	59,365	55,659	3,706
Employee Benefits	11,914	11,161	9,100	2,061
Prof., Tech. Services	23,000	3,000	-	3,000
Property, Transportation, Comm.	6,792	26,792	23,293	3,499
Materials, Supplies, Books and Equipment	6,830	6,830	1,287	5,543
	107,898	107,148	89,339	17,809
Partnership Schools				
Personal Services	(3,502)	96,311	97,571	(1,260)
Employee Benefits	(703)	34,663	37,026	(2,363)
Prof., Tech. Services	9,166,899	7,241,394	6,087,645	1,153,749
Materials, Supplies, Books and Equipment	-	33,600	9,205	24,395
	9,162,694	7,405,968	6,231,447	1,174,521
Total Instruction	980,644,585	991,331,146	1,005,390,057	(14,058,911)

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 20,357,899	\$ 19,620,709	\$ 19,242,672	\$ 378,037
Employee Benefits	8,340,508	7,658,419	8,395,047	(736,628)
Prof.,Tech. Services	325,000	325,000	115,000	210,000
Property,Transportation,Comm.	80,446	80,446	10,891	69,555
Materials, Supplies, Books and Equipment	191,997	191,994	145,137	46,857
	29,295,850	27,876,568	27,908,747	(32,179)
Office of Specialized Services				
Personal Services	627,181	553,145	465,616	87,529
Employee Benefits	224,140	191,922	170,052	21,870
Prof.,Tech. Services	134,700	134,700	128,633	6,067
Property,Transportation,Comm.	18,920	18,920	8,305	10,615
Materials, Supplies, Books and Equipment	16,092	16,092	1,780	14,312
	1,021,033	914,779	774,386	140,393
Total Student Support Services	30,316,883	28,791,347	28,683,133	108,214
Administrative Support				
Regional Offices				
Personal Services	5,191,296	5,200,601	5,266,806	(66,205)
Employee Benefits	1,809,900	1,824,784	1,905,289	(80,505)
Prof.,Tech. Services	30,739	50,075	42,795	7,280
Property,Transportation,Comm.	145,734	96,161	59,864	36,297
Materials, Supplies, Books and Equipment	316,663	431,342	368,601	62,741
Other	-	-	(389,010)	389,010
	7,494,332	7,602,963	7,254,345	348,618
Financial Services				
Personal Services	5,793,324	5,791,803	5,475,809	315,994
Employee Benefits	2,294,927	2,301,209	2,108,210	192,999
Prof.,Tech. Services	976,683	1,028,402	1,037,552	(9,150)
Property,Transportation,Comm.	103,691	93,291	74,898	18,393
Materials, Supplies, Books and Equipment	102,373	117,364	77,734	39,630
Other	93,987	468	(446,565)	447,033
	9,364,985	9,332,537	8,327,638	1,004,899
Office of the Chief Business Officer				
Personal Services	1,184,507	1,159,894	1,028,872	131,022
Employee Benefits	371,368	372,478	312,147	60,331
Prof.,Tech. Services	663,600	10,843,600	956,535	9,887,065
Property,Transportation,Comm.	21,801	28,557	36,041	(7,484)
Materials, Supplies, Books and Equipment	39,231	39,231	30,862	8,369
Other	842	(132,176)	-	(132,176)
	2,281,349	12,311,584	2,364,457	9,947,127
Office of Procurement Services				
Personal Services	1,193,770	1,024,535	988,046	36,489
Employee Benefits	497,840	427,166	431,986	(4,820)
Prof.,Tech. Services	139,303	121,914	(27,614)	149,528
Property,Transportation,Comm.	24,419	18,417	18,256	161
Materials, Supplies, Books and Equipment	21,144	56,694	53,905	2,789
Other	-	-	(74,540)	74,540
	1,876,476	1,648,726	1,390,039	258,687

(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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 5,843,876	\$ 6,502,680	\$ 6,476,116	\$ 26,564
Employee Benefits	2,295,388	2,624,087	2,640,081	(15,994)
Prof., Tech. Services	276,316	2,020,308	909,605	1,110,703
Property, Transportation, Comm.	149,228	324,130	256,657	67,473
Materials, Supplies, Books and Equipment	168,522	138,244	117,185	21,059
Other	2,295,000	2,009,701	99,928	1,909,773
	<u>11,028,330</u>	<u>13,619,150</u>	<u>10,499,572</u>	<u>3,119,578</u>
Information Technology				
Personal Services	5,974,740	5,988,688	5,701,645	287,043
Employee Benefits	2,234,494	2,250,190	2,327,740	(77,550)
Prof., Tech. Services	5,375,189	6,690,314	6,549,894	140,420
Property, Transportation, Comm.	2,210,937	2,210,937	2,204,350	6,587
Materials, Supplies, Books and Equipment	2,768,892	2,624,435	2,613,008	11,427
Other	(3,800,000)	(4,262,918)	(4,238,290)	(24,628)
	<u>14,764,252</u>	<u>15,501,646</u>	<u>15,158,347</u>	<u>343,299</u>
Municipal Services				
Personal Services	1,142,028	2,845,643	2,592,161	253,482
Employee Benefits	569,372	1,777,073	1,501,629	275,444
Prof., Tech. Services	3,209,718	(2,000)	(2,000)	-
Property, Transportation, Comm.	2,152	2,152	1,122	1,030
Other	-	-	(208,310)	208,310
	<u>4,923,270</u>	<u>4,622,868</u>	<u>3,884,602</u>	<u>738,266</u>
Alternative Education				
Personal Services	1,357,159	2,389,820	1,938,107	451,713
Employee Benefits	539,937	1,025,476	707,777	317,699
Prof., Tech. Services	-	71,250	71,250	-
Property, Transportation, Comm.	79,207	8,179	8,294	(115)
Materials, Supplies, Books and Equipment	38,529	636,104	569,046	67,058
	<u>2,014,832</u>	<u>4,130,829</u>	<u>3,294,474</u>	<u>836,355</u>
Accountability, Assessment & Intervention				
Personal Services	2,278,925	2,223,722	1,796,743	426,979
Employee Benefits	825,498	810,602	601,530	209,072
Prof., Tech. Services	548,958	528,131	266,045	262,086
Property, Transportation, Comm.	104,409	100,109	23,891	76,218
Materials, Supplies, Books and Equipment	145,566	138,552	69,477	69,075
Other	(80,000)	(130,000)	(140,353)	10,353
	<u>3,823,356</u>	<u>3,671,116</u>	<u>2,617,333</u>	<u>1,053,783</u>
Office of School Management				
Personal Services	9,273,056	8,546,363	7,316,096	1,230,267
Employee Benefits	4,005,671	3,743,860	3,429,337	314,523
Prof., Tech. Services	133,361	1,426,804	1,067,171	359,633
Property, Transportation, Comm.	219,937	277,779	169,511	108,268
Materials, Supplies, Books and Equipment	148,943	416,241	337,705	78,536
Other	4,791	487	(267,649)	268,136
	<u>13,785,759</u>	<u>14,411,534</u>	<u>12,052,171</u>	<u>2,359,363</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Office of Secondary Education				
Personal Services	\$ 755,200	\$ 774,496	\$ 598,382	\$ 176,114
Employee Benefits	239,256	247,885	216,572	31,313
Prof.,Tech. Services	1,427,495	7,250	130,357	(123,107)
Property,Transportation,Comm.	89,868	94,238	89,208	5,030
Materials, Supplies, Books and Equipment	241,705	228,585	170,330	58,255
Other	-	-	(45,264)	45,264
	<u>2,753,524</u>	<u>1,352,454</u>	<u>1,159,585</u>	<u>192,869</u>
Curriculum, Instruction & Professional Development				
Personal Services	4,797,341	5,146,053	5,350,372	(204,319)
Employee Benefits	1,652,254	1,569,705	1,703,737	(134,032)
Prof.,Tech. Services	1,862,876	648,920	478,642	170,278
Property,Transportation,Comm.	466,930	642,523	563,209	79,314
Materials, Supplies, Books and Equipment	646,571	975,907	768,078	207,829
Other	736,305	1,081	(305,058)	306,139
	<u>10,162,277</u>	<u>8,984,189</u>	<u>8,558,980</u>	<u>425,209</u>
Professional Growth Trust Fund				
Employee Benefits	784,150	811,890	811,890	-
Office of the Chief Operations Officer				
Personal Services	1,568,342	1,345,446	1,206,327	139,119
Employee Benefits	636,455	531,757	558,105	(26,348)
Prof.,Tech. Services	2,700	2,700	4,664	(1,964)
Property,Transportation,Comm.	199,493	185,256	167,605	17,651
Materials, Supplies, Books and Equipment	49,433	48,670	45,551	3,119
Other	-	-	(101,192)	101,192
	<u>2,456,423</u>	<u>2,113,829</u>	<u>1,881,060</u>	<u>232,769</u>
Executive / Board Management				
Personal Services	7,384,561	7,708,342	7,004,310	704,032
Employee Benefits	2,646,990	2,814,395	2,479,306	335,089
Prof.,Tech. Services	3,923,055	4,162,117	3,042,798	1,119,319
Property,Transportation,Comm.	506,574	471,091	457,832	13,259
Materials, Supplies, Books and Equipment	238,899	282,184	285,035	(2,851)
Other	-	(64,694)	-	(64,694)
	<u>14,700,079</u>	<u>15,373,435</u>	<u>13,269,281</u>	<u>2,104,154</u>
Office of the Chief Academic Officer				
Personal Services	1,615,275	1,576,395	1,443,973	132,422
Employee Benefits	522,564	544,494	425,180	119,314
Prof.,Tech. Services	-	128,234	122,674	5,560
Property,Transportation,Comm.	29,637	44,051	32,017	12,034
Materials, Supplies, Books and Equipment	82,146	60,167	30,119	30,048
Other	-	2,500	(87,805)	90,305
	<u>2,249,622</u>	<u>2,355,841</u>	<u>1,966,158</u>	<u>389,683</u>
Total Administrative Support	<u>104,463,016</u>	<u>117,844,591</u>	<u>94,489,932</u>	<u>23,354,659</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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 79,999,710	\$ 76,329,324	\$ 77,810,379	\$ (1,481,055)
Employee Benefits	41,857,756	40,553,423	40,758,720	(205,297)
Prof.,Tech. Services	17,555,303	17,514,395	17,396,387	118,008
Property,Transportation,Comm.	12,902,362	14,979,652	14,580,734	398,918
Materials, Supplies, Books and Equipment	8,569,339	10,298,563	10,556,803	(258,240)
Other	(3,490,000)	(1,231,077)	(12,286,586)	11,055,509
	<hr/>	<hr/>	<hr/>	<hr/>
	157,394,470	158,444,280	148,816,437	9,627,843
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Utilities				
Prof.,Tech. Services	623,000	1,120,400	1,012,029	108,371
Property,Transportation,Comm.	15,373,768	15,039,935	14,775,485	264,450
Materials, Supplies, Books and Equipment	68,000,500	53,106,955	53,189,964	(83,009)
Other	-	-	(3,576,296)	3,576,296
	<hr/>	<hr/>	<hr/>	<hr/>
	83,997,268	69,267,290	65,401,182	3,866,108
	<hr/>	<hr/>	<hr/>	<hr/>
Security Operations				
Personal Services	26,212,501	25,004,067	26,633,541	(1,629,474)
Employee Benefits	12,334,058	12,154,529	12,419,788	(265,259)
Prof.,Tech. Services	426,140	294,861	256,520	38,341
Property,Transportation,Comm.	239,023	23,310	25,779	(2,469)
Materials, Supplies, Books and Equipment	325,561	576,578	588,850	(12,272)
Other	-	(577,500)	(1,702,146)	1,124,646
	<hr/>	<hr/>	<hr/>	<hr/>
	39,537,283	37,475,845	38,222,332	(746,487)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Oper. & Maint. of Plant Services	<hr/>	<hr/>	<hr/>	<hr/>
	280,929,021	265,187,415	252,439,951	12,747,464
	<hr/>	<hr/>	<hr/>	<hr/>
Pupil Transportation				
Personal Services	23,234,423	23,604,610	24,306,640	(702,030)
Employee Benefits	13,900,359	13,882,355	13,574,245	308,110
Prof.,Tech. Services	80,600	80,600	75,000	5,600
Property,Transportation,Comm.	68,877,888	69,781,888	73,110,000	(3,328,112)
Materials, Supplies, Books and Equipment	5,066,266	4,962,266	4,070,697	891,569
Other	(40,831,200)	(39,380,144)	(38,901,725)	(478,419)
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Total Pupil Transportation	<hr/>	<hr/>	<hr/>	<hr/>
	70,328,336	72,931,575	76,234,857	(3,303,282)
	<hr/>	<hr/>	<hr/>	<hr/>
All Other Support Services				
Risk Management				
Personal Services	207,644	559,670	536,568	23,102
Employee Benefits	80,766	213,811	243,735	(29,924)
Prof.,Tech. Services	-	26,656	-	26,656
Property,Transportation,Comm.	2,026,029	1,906,449	1,912,418	(5,969)
Materials, Supplies, Books and Equipment	5,052	8,957	7,833	1,124
Losses and Judgments	6,300,000	6,202,080	4,568,594	1,633,486
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	8,619,491	8,917,623	7,269,148	1,648,475
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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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ 440,500	\$ 440,513	\$ 427,300	\$ 13,213
Property,Transportation,Comm.	22,500	4,400	4,387	13
Interest	23,819,835	3,377,200	3,377,237	(37)
	24,282,835	3,822,113	3,808,924	13,189
Undistributed				
Personal Services	849,044	678,526	182,500	496,026
Employee Benefits	(3,446,566)	637,222	(15,066,397)	15,703,619
Prof.,Tech. Services	1,085,000	522,762	-	522,762
Property,Transportation,Comm.	425,000	-	-	-
Materials, Supplies, Books and Equipment	-	(9,131,660)	-	(9,131,660)
Other	1,026,245	2,085,861	318,498	1,767,363
Cancellation of Prior Years' Encumbrances	(4,000,000)	(13,691,952)	(23,091,141)	9,399,189
	(4,061,277)	(18,899,241)	(37,656,540)	18,757,299
Total All Other Support Services	28,841,049	(6,159,505)	(26,578,468)	20,418,963
Payments to Charter Schools				
Personal Services	746,709	872,693	687,449	185,244
Employee Benefits	247,056	320,098	185,203	134,895
Prof.,Tech. Services	100	372,083	553,732	(181,649)
Property,Transportation,Comm.	338,259,499	342,026,732	337,076,874	4,949,858
Materials, Supplies, Books and Equipment	2,778	17,485	11,165	6,320
	339,256,142	343,609,091	338,514,423	5,094,668
Allocated Costs	(17,708,720)	(17,506,163)	-	(17,506,163)
Total Obligations	1,817,070,312	1,796,029,497	1,769,173,885	26,855,612
OTHER FINANCING USES				
Local Share of Categorical Programs	8,014,269	2,072,136	1,961,285	110,851
Debt Service Fund	202,680,000	218,960,300	210,910,034	8,050,266
Special Education	216,449,800	207,301,800	202,495,011	4,806,789
Capital Projects	-	-	9,885,949	(9,885,949)
Enterprise Fund	1,504,119	1,277,605	-	1,277,605
Total Other Financing Uses	428,648,188	429,611,841	425,252,279	4,359,562
Total General Fund	\$ 2,245,718,500	\$ 2,225,641,338	\$ 2,194,426,164	\$ 31,215,174
Fund Totals - Object Classes				
Personal Services	\$ 784,697,205	\$ 804,070,083	\$ 811,720,261	\$ (7,650,178)
Employee Benefits	342,028,477	339,478,393	340,480,104	(1,001,711)
Prof.,Tech. Services	106,018,490	107,110,847	93,585,995	13,524,852
Property,Transportation,Comm.	506,368,359	509,109,205	501,506,891	7,602,314
Materials, Supplies, Books, and Equipment	112,737,553	98,871,952	99,377,621	(505,669)
Other	(43,190,887)	(40,992,148)	(62,351,677)	21,359,529
Interest on Temporary Borrowing	23,819,835	3,377,200	3,377,237	(37)
Losses and Judgments	6,300,000	6,202,080	4,568,594	1,633,486
Allocated Costs	(17,708,720)	(17,506,163)	-	(17,506,163)
Other Financing Uses	428,648,188	429,611,841	425,252,279	4,359,562
Cancellation of Prior Years' Encumbrances	(4,000,000)	(13,691,952)	(23,091,141)	9,399,189
Total General Fund	\$ 2,245,718,500	\$ 2,225,641,338	\$ 2,194,426,164	\$ 31,215,174

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 47,000	\$ 12,000	\$ 27,911	\$ 15,911
Non-Public School Programs	51,000	48,000	49,065	1,065
Tuition	290,000	360,000	289,669	(70,331)
Total Locally Generated Non Tax	388,000	420,000	366,645	(53,355)
State Grants and Subsidies				
Special Education Program	4,468,000	4,493,000	4,460,148	(32,852)
Special Education Transportation	52,610,000	49,992,000	50,819,062	827,062
Non-Public School Programs	16,582,000	16,610,000	16,610,488	488
Management Services Program	553,000	553,000	553,000	-
Social Security	7,012,000	6,944,000	7,505,242	561,242
Retirement	4,382,000	4,339,000	3,315,215	(1,023,785)
Total State Grants and Subsidies	85,607,000	82,931,000	83,263,155	332,155
Total Revenues	\$ 85,995,000	\$ 83,351,000	\$ 83,629,800	\$ 278,800
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 128,711,376	\$ 125,505,428	\$ 120,700,489	\$ 4,804,939
Employee Benefits	57,622,709	54,212,899	54,120,864	92,035
Prof.,Tech. Services	11,905,297	9,476,450	7,097,999	2,378,451
Property,Transportation,Comm.	77,304	77,180	93,782	(16,602)
Materials, Supplies, Books and Equipment	5,646,762	3,583,840	2,181,102	1,402,738
Other	(1,583,105)	(586,290)	3,849,767	(4,436,057)
Total Special Education	202,380,343	192,269,507	188,044,003	4,225,504
Services to Non-Public School Students				
Personal Services	80,282	78,782	78,762	20
Employee Benefits	30,906	29,104	39,344	(10,240)
Prof.,Tech. Services	15,440,413	15,440,413	16,092,255	(651,842)
Property,Transportation,Comm.	400	400	-	400
Materials, Supplies, Books and Equipment	1,300	1,300	575	725
Total Services to Non-Public School Students	15,553,301	15,549,999	16,210,936	(660,937)
Total Instruction	217,933,644	207,819,506	204,254,939	3,564,567
Student Support Services				
Special Education *				
Personal Services	16,874,953	17,042,478	17,221,700	(179,222)
Employee Benefits	11,132,733	11,256,716	10,185,304	1,071,412
Prof.,Tech. Services	43,500	312,300	295,974	16,326
Property,Transportation,Comm.	5,055,300	5,055,300	5,054,615	685
Materials, Supplies, Books and Equipment	200,000	198,500	158,946	39,554
Allocated Costs	(12,152,000)	(11,751,000)	(11,944,298)	193,298
Total Special Education	21,154,486	22,114,294	20,972,241	1,142,053

* 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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation Allocated Costs	\$ 52,657,000	\$ 50,004,000	\$ 50,846,973	\$ (842,973)
Total Student Support Services	73,811,486	72,118,294	71,819,214	299,080
Services to Non-Public School Students				
Personal Services	728,108	600,682	710,969	(110,287)
Employee Benefits	320,808	248,356	293,753	(45,397)
Prof., Tech. Services	2,000	2,000	(553,642)	555,642
Property, Transportation, Comm.	30,000	30,000	34,550	(4,550)
Materials, Supplies, Books and Equipment	15,700	15,700	1,566	14,134
	1,096,616	896,738	487,196	409,542
Total Administrative Support	1,096,616	896,738	487,196	409,542
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	50,081	265,262	10,462	254,800
Management Services	553,000	553,000	553,000	-
Total Allocated Costs	9,603,081	9,818,262	9,563,462	254,800
Total Obligations	302,444,827	290,652,800	286,124,811	4,527,989
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(216,449,800)	(207,301,800)	(202,495,011)	(4,806,789)
Total Intermediate Unit	<u>\$ 85,995,027</u>	<u>\$ 83,351,000</u>	<u>\$ 83,629,800</u>	<u>\$ (278,800)</u>
Fund Totals - Object Classes				
Personal Services	\$ 146,394,719	\$ 143,227,370	\$ 138,711,920	\$ 4,515,450
Employee Benefits	69,107,156	65,747,075	64,639,265	1,107,810
Prof., Tech. Services	27,391,210	25,231,163	22,932,586	2,298,577
Property, Transportation, Comm.	5,163,004	5,162,880	5,182,947	(20,067)
Materials, Supplies, Books and Equipment	5,863,762	3,799,340	2,342,189	1,457,151
Other	(1,583,105)	(586,290)	3,849,767	(4,436,057)
Allocated Costs	50,108,081	48,071,262	48,466,137	(394,875)
Total Obligations	302,444,827	290,652,800	286,124,811	4,527,989
Other Financing Sources				
Operating Transfers from Other Funds	(216,449,800)	(207,301,800)	(202,495,011)	(4,806,789)
Total Intermediate Unit	<u>\$ 85,995,027</u>	<u>\$ 83,351,000</u>	<u>\$ 83,629,800</u>	<u>\$ (278,800)</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Debt Service Fund
For The Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 950,000	\$ 781,875	\$ 1,101,683	\$ 319,808
Variable Rate Income	33,418,000	6,462,125	1,759,176	(4,702,949)
Basis Swap	-	-	896,595	896,595
Total Revenues	<u>\$ 34,368,000</u>	<u>7,244,000</u>	<u>3,757,454</u>	<u>(3,486,546)</u>
OBLIGATIONS				
Principal				
Bonds	\$ 70,761,738	\$ 70,761,738	\$ 70,761,738	\$ -
Interest	59,829,152	58,025,806	57,369,152	656,654
Authority Obligations (SPSBA)				
Principal	5,660,000	5,660,000	5,660,000	-
Interest	43,397,900	43,397,900	43,397,900	-
Variable Rate Payments	33,418,063	6,462,125	1,631,755	4,830,370
Fixed Rate Swap Payments	24,882,904	24,882,904	24,863,396	19,508
Swap Termination Payment	-	26,569,000	26,569,000	-
Issuance Costs	5,258,000	4,182,255	4,132,859	49,396
Administrative Expenses	7,926,660	6,431,672	6,306,220	125,452
Total Obligations	<u>\$ 251,134,417</u>	<u>\$ 246,373,400</u>	<u>\$ 240,692,020</u>	<u>\$ 5,681,380</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 208,155,000	\$ 221,066,300	\$ 213,000,266	\$ (8,066,034)
Land Sale Proceeds	11,015,000	1,861,000	262,790	(1,598,210)
Refunding Bond Proceeds	-	385,325,000	382,161,866	(3,163,134)
Bond Defeasement	-	(356,463,000)	(353,329,003)	3,133,997
Total Other Financing Sources (Uses)	<u>\$ 219,170,000</u>	<u>\$ 251,789,300</u>	<u>\$ 242,095,919</u>	<u>\$ (9,693,381)</u>
Net Change in Fund Balance	2,403,583	12,659,900	5,161,353	(7,498,547)
Fund Balances, July 1, 2009	76,924,200	71,650,100	71,650,055	(45)
Fund Balances, June 30, 2010	<u>\$ 79,327,783</u>	<u>\$ 84,310,000</u>	<u>\$ 76,811,408</u>	<u>\$ (7,498,592)</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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 2,500,000	\$ 3,400,000	\$ 1,850,616	\$ (1,549,384)
Miscellaneous	100,000	100,000	527,631	427,631
Total Locally Generated Non Tax	2,600,000	3,500,000	2,378,247	(1,121,753)
State Grants and Subsidies	-	-	558,378	558,378
Total Revenues	\$ 2,600,000	\$ 3,500,000	\$ 2,936,625	\$ (563,375)
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (4,152,712)	\$ 4,152,712
New Buildings and Additions	44,904,458	63,959,847	65,813,756	(1,853,909)
Environmental Management				
Asbestos Abatement	11,637,036	10,323,360	-	10,323,360
Environmental Services	4,577,265	3,161,830	3,483,978	(322,148)
Total Environmental Management	16,214,301	13,485,190	3,483,978	10,001,212
Alterations and Improvements				
Various Projects	100,968,595	76,318,738	37,670,403	38,648,335
Administrative Support	19,403,290	17,674,925	7,481,928	10,192,997
Major/Building Renovations	45,040,440	36,560,205	58,148,101	(21,587,896)
Total Alterations and Improvements	165,412,325	130,553,868	103,300,432	27,253,436
Total Obligations	\$ 226,531,084	\$ 207,998,905	\$ 168,445,454	\$ 39,553,451
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ -	\$ 9,885,949	\$ 9,885,949	\$ -
Debt Issuance	250,000,000	250,000,000	249,305,000	(695,000)
Bond Premium	-	-	2,584,358	2,584,358
Gain on Sale of Capital Assets	-	-	14,199	14,199
Bond Issuance Costs	(5,258,000)	(5,258,000)	(1,873,168)	3,384,832
Total Other Financing Sources (Uses)	\$ 244,742,000	\$ 254,627,949	\$ 259,916,338	\$ 5,288,389
Net Change in Fund Balance	\$ 20,810,916	\$ 50,129,044	\$ 94,407,509	\$ 44,278,465

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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, 2010 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, 2010 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, 2010

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 2,671	\$ 5,217,885	\$ -	\$ 5,220,556
Equity in Pooled Cash and Investments	37,541,845	-	-	465,597	38,007,442
Accounts Receivable	76,751	-	-	-	76,751
Inventories	-	16,810	-	-	16,810
Total Assets	<u>37,618,596</u>	<u>19,481</u>	<u>5,217,885</u>	<u>465,597</u>	<u>43,321,559</u>
LIABILITIES					
Payroll Deductions and Withholdings	37,618,596	-	-	-	37,618,596
Due to Student Activities	-	-	5,217,885	-	5,217,885
Other Liabilities	-	19,481	-	465,597	485,078
Total Liabilities	<u>37,618,596</u>	<u>19,481</u>	<u>5,217,885</u>	<u>465,597</u>	<u>43,321,559</u>
NET ASSETS					
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2010.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Fndds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 26,194,220	\$ 924,404,343	\$ 913,056,718	\$ 37,541,845
Accounts Receivable	8,456	68,295	-	76,751
Total Assets	<u>\$ 26,202,676</u>	<u>\$ 924,472,638</u>	<u>\$ 913,056,718</u>	<u>\$ 37,618,596</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 26,202,676	\$ 924,472,638	\$ 913,056,718	\$ 37,618,596
Total Liabilities	<u>\$ 26,202,676</u>	<u>\$ 924,472,638</u>	<u>\$ 913,056,718</u>	<u>\$ 37,618,596</u>
Student Bus Token Fund				
Assets				
Cash and Cash Equivalents	\$ 3,482	\$ 17,189	\$ 18,000	\$ 2,671
Inventories	34,000	2,139,469	2,156,659	16,810
Total Assets	<u>\$ 37,482</u>	<u>\$ 2,156,658</u>	<u>\$ 2,174,659</u>	<u>\$ 19,481</u>
Liabilities				
Other Liabilities	\$ 37,482	\$ 2,156,658	\$ 2,174,659	\$ 19,481
Total Liabilities	<u>\$ 37,482</u>	<u>\$ 2,156,658</u>	<u>\$ 2,174,659</u>	<u>\$ 19,481</u>
Student Activities Fund				
Assets				
Cash	\$ 5,308,988	\$ 10,475,725	\$ 10,566,828	\$ 5,217,885
Liabilities				
Due to Student Activities	\$ 5,308,988	\$ 10,475,725	\$ 10,566,828	\$ 5,217,885
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 365,107	\$ 1,017,350	\$ 916,860	\$ 465,597
Liabilities				
Other Liabilities	\$ 365,107	\$ 1,017,350	\$ 916,860	\$ 465,597
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,312,470	\$ 10,492,914	\$ 10,584,828	\$ 5,220,556
Equity in Pooled Cash and Investments	26,559,327	925,421,693	913,973,578	38,007,442
Accounts Receivable	8,456	68,295	-	76,751
Inventories	34,000	2,139,469	2,156,659	16,810
Total Assets	<u>\$ 31,914,253</u>	<u>\$ 938,122,371</u>	<u>\$ 926,715,065</u>	<u>\$ 43,321,559</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 26,202,676	\$ 924,472,638	\$ 913,056,718	\$ 37,618,596
Due to Student Activities	5,308,988	10,475,725	10,566,828	5,217,885
Other Liabilities	402,589	3,174,008	3,091,519	485,078
Total Liabilities	<u>\$ 31,914,253</u>	<u>\$ 938,122,371</u>	<u>\$ 926,715,065</u>	<u>\$ 43,321,559</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2010

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2011 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
DECEMBER 15, 1999 (SERIES B)	98,405,000	6,590,000 7,120,000 7,330,000 <u>21,040,000</u>	OCT 1, 2010 OCT 1, 2011 OCT 1, 2012	5.250 5.250 5.250	172,988 373,800 364,825 <u>911,613</u>	- - - -	6,590,000 - - <u>6,590,000</u>
NOVEMBER 1, 2000 (SERIES A)	130,000,000	22,000,000 <u>22,000,000</u>	FEB 1, 2011	5.750	1,265,000 <u>1,265,000</u>	- -	22,000,000 <u>22,000,000</u>
NOVEMBER 30, 2000 (SERIES B) - QZAB	22,985,000	5,000 5,000 5,000 22,930,000 <u>22,945,000</u>	NOV 30, 2010 NOV 30, 2011 NOV 30, 2012 NOV 30, 2013	- - - -	- - - -	- - - -	5,000 - - <u>5,000</u>
JANUARY 1, 2002 (SERIES A)	156,000,000	3,475,000 3,665,000 <u>7,140,000</u>	FEB 1, 2011 FEB 1, 2012	5.250 5.250	182,438 192,413 <u>374,851</u>	- - -	3,475,000 - <u>3,475,000</u>
MAY 15, 2002 (SERIES B)	300,000,000	12,530,000 13,240,000 13,990,000 <u>39,760,000</u>	AUG 1, 2010 AUG 1, 2011 AUG 1, 2012	5.500 5.500 5.500	344,575 728,200 769,450 <u>1,842,225</u>	- - - -	12,530,000 - - <u>12,530,000</u>
SEPTEMBER 10, 2003 (SERIES B) State Public School Building Authority Capital Obligation Bonds	588,140,000	43,505,000 <u>43,505,000</u>	JUNE 1, 2028	5.500	2,392,775 <u>2,392,775</u>	- -	- <u>-</u>
JUNE 29, 2004 (SERIES D) GOB Fixed Rate	100,000,000	5,000 5,000 5,000 5,000 6,700,000 <u>6,720,000</u>	JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015	3.700 3.850 4.000 4.150 5.000	185 193 200 208 435,000 <u>435,786</u>	- - - - - -	5,000 - - - - <u>5,000</u>
AUGUST 1, 2004 2004 QZAB CSF P (SERIES E)	19,335,000	1,381,071 1,381,071 1,381,071 1,381,071 1,381,071 5,524,290 <u>12,429,645</u>	SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 -18	- - - - - -	- - - - - -	- - - - - -	1,381,071 - - - - - <u>1,381,071</u>
MAY 25, 2005 (SERIES A) GOB-Refunding	198,140,000	825,000 855,000 890,000 15,675,000 16,480,000 95,970,000 66,125,000 <u>196,820,000</u>	AUGUST 1, 2010 AUGUST 1, 2011 AUGUST 1, 2012 AUGUST 1, 2013 AUGUST 1, 2014 AUGUST 1, 2015-19 AUGUST 1, 2020-22	4.000 4.000 4.000 5.000 5.000 5.000 5.000	16,500 34,200 35,600 783,750 824,000 4,798,500 3,306,250 <u>9,798,800</u>	- - - - - - -	825,000 - - - - - - <u>825,000</u>
MAY 25, 2005 (SERIES B) GOB-Refunding	43,415,000	5,310,000 5,410,000 5,860,000 6,155,000 6,485,000 13,970,000 <u>43,190,000</u>	APRIL 1, 2011 APRIL 1, 2012 APRIL 1, 2013 APRIL 1, 2014 APRIL 1, 2015 APRIL 1, 2016-17	5.000 5.000 5.000 5.000 5.000 5.000	265,500 270,500 293,000 307,750 324,250 698,500 <u>2,159,500</u>	- - - - - -	5,310,000 - - - - - <u>5,310,000</u>
JUNE 16, 2005 (SERIES C) GOB-Non	71,740,000	2,680,000 2,795,000 2,915,000 3,045,000 3,185,000 18,405,000 23,645,000 5,505,000 <u>62,175,000</u>	JULY 1, 2010 JULY 1, 2011 JULY 1, 2012 JULY 1, 2013 JULY 1, 2014 JULY 1, 2015-19 JULY 1, 2020-24 JULY 1, 2025	4.290 4.430 4.470 4.610 4.660 5.012 5.266 5.310	57,486 123,819 130,301 140,375 148,421 923,809 1,246,179 292,316 <u>3,062,705</u>	- - - - - - - -	2,680,000 - - - - - - <u>2,680,000</u>
OCTOBER 20, 2005 (SERIES D) GOB-Non	29,920,000	1,660,000 1,725,000 1,815,000 1,905,000 2,000,000 11,725,000 2,745,000 <u>23,575,000</u>	JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2015-20 JUNE 1, 2021	4.000 5.250 5.000 5.000 5.000 5.500 5.500	66,400 90,593 90,750 95,250 100,000 844,875 150,975 <u>1,238,813</u>	- - - - - - -	1,660,000 - - - - - <u>1,660,000</u>
DECEMBER 28, 2006 (SERIES A) GOB-Non State Public School Building Authority Capital Obligation Bonds	317,125,000	5,940,000 6,225,000 6,535,000 6,865,000 7,210,000 41,620,000 53,125,000 67,795,000 85,985,000 19,595,000 <u>300,895,000</u>	JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016-20 JUNE 1, 2021-25 JUNE 1, 2026-30 JUNE 1, 2031-35 JUNE 1, 2036	4.832 5.000 5.000 5.000 5.000 5.000 5.000 5.000 4.580 4.486	287,000 311,250 326,750 343,250 324,450 2,081,000 2,656,250 3,369,750 3,937,850 879,052 <u>14,536,602</u>	- - - - - - - - - -	5,940,000 - - - - - - - - - <u>5,940,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2010

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2011 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
DECEMBER 28, 2006 (SERIES B) GOB-Refunding State Public School Building Authority	545,570,000	5,000 5,000 5,000 5,000 5,000 25,000	JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016-20	3.500 3.500 3.500 3.500 3.625 3.800	175 175 175 175 181 951	- - - - - -	5,000 - - - - -
Capital Obligation Bonds		70,345,000 166,325,000 308,835,000 <u>545,555,000</u>	JUNE 1, 2021-25 JUNE 1, 2026-30 JUNE 1, 2031-33	4.873 4.927 4.692	3,498,344 11,633,875 11,051,550	- - -	- - - <u>5,000</u>
MAY 22, 2007 (SERIES A) GOB Non Refunding	146,530,000	10,000 10,000 10,000 10,000 10,000 75,000 23,215,000 47,120,000 76,045,000 <u>146,505,000</u>	JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016-20 JUNE 1, 2021-25 JUNE 1, 2026-30 JUNE 1, 2031-34	3.700 3.700 4.000 4.000 4.000 4.600 5.000 5.000 4.753	370 370 400 400 400 3,450 1,160,750 2,356,000 3,614,750	- - - - - - - -	10,000 - - - - - - - - <u>10,000</u>
DECEMBER 28, 2007 (SERIES C) QZAB	13,510,000	900,667 900,667 900,667 900,667 4,503,331 2,702,000 <u>11,708,666</u>	DEC 28, 2010 DEC 28, 2011 DEC 28, 2012 DEC 28, 2013 DEC 28, 2014 DEC 28, 2015-19 DEC 28, 2020-22	- - - - - - -	- - - - - -	- - - - -	900,667 - - - - - - <u>900,667</u>
DECEMBER 28, 2007 (SERIES D) QZAB	28,160,000	5,000 5,000 5,000 5,000 10,015,000 18,115,000 <u>28,150,000</u>	DEC 28, 2010 DEC 28, 2011 DEC 28, 2012 DEC 28, 2013 DEC 28, 2014-18 DEC 28, 2019-22	1.250 1.250 1.250 1.250 1.250 1.250	63 63 63 63 125,208 228,540	- - - - -	5,000 - - - - - <u>5,000</u>
APRIL 23, 2008 (SERIES A) GOB Refunding	254,885,000	45,000 50,000 50,000 50,000 50,000 55,000 285,000 51,625,000 106,925,000 15,805,000 <u>174,790,000</u>	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	4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500	508 2,250 2,250 2,250 2,475 12,825 2,318,825 4,811,625 711,225	1,702 1,891 1,891 1,891 2,080 10,778 1,948,495 4,043,528 597,690	45,000 - - - - - - - - - <u>45,000</u>
APRIL 23, 2008 (SERIES B) GOB Refunding	250,845,000	60,000 60,000 60,000 65,000 65,000 355,000 52,480,000 111,060,000 16,525,000 <u>180,730,000</u>	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	4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500 4.500	675 2,700 2,700 2,925 2,925 15,975 2,361,600 4,997,700 743,625	2,254 2,254 2,254 2,442 2,442 13,338 1,971,404 4,171,952 620,759	60,000 - - - - - - - - <u>60,000</u>
APRIL 23, 2008 (SERIES D) GOB Refunding	85,000,000	7,950,000 2,150,000 <u>10,100,000</u>	SEPT 1, 2010 SEPT 1, 2011	4.500 4.500	89,438 96,750	156,206 42,244	7,950,000 - <u>7,950,000</u>
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 30,065,000 38,720,000 50,585,000 67,990,000 71,155,000 <u>282,365,000</u>	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	3.500 5.000 4.125 5.000 4.000 4.925 5.175 5.500 6.000 6.000	76,213 227,000 196,144 248,750 208,200 1,482,525 2,005,814 2,788,663 4,079,400 4,269,300	- - - - - - - - -	4,355,000 - - - - - - - - - <u>4,355,000</u>
NOVEMBER 20, 2008 (SERIES F) GOB Refunding	114,215,000	5,000 5,000 5,000 5,000 52,535,000 41,790,000 19,860,000 <u>114,210,000</u>	SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015-19 SEPT 1, 2021-25 SEPT 1, 2026-27	3.500 3.750 4.125 3.875 4.000 5.000 5.125 5.250	88 168 206 164 200 2,626,750 2,139,632 1,042,651	- - - - - -	5,000 - - - - - - <u>5,000</u>
MAY 28, 2009 SERIES A GOB Refunding	20,075,000	4,630,000 4,610,000 5,010,000 3,070,000 <u>17,520,000</u>	JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014	3.875 4.171 4.527 4.827	179,413 200,625 226,803 148,189	- - - -	4,630,000 - - - <u>4,630,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2010

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2011 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
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 <u>30,710,000</u>	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 5.000 4.500	64,950 258,250 271,250 284,750 299,000 283,700 <u>1,461,900</u>	- - - - - -	- - - - - -
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 <u>49,200,000</u>	JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025-26	4.500 4.500 4.500 4.500 4.500 4.500	281,475 292,275 303,750 315,450 327,800 693,450 <u>2,214,000</u>	- - - - - -	- - - - - -
APRIL 6, 2010 SERIES A (TAX EXEMPT)	27,820,000	2,885,000 4,560,000 4,730,000 4,965,000 5,210,000 5,470,000 <u>27,820,000</u>	JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016	2.500 3.649 5.000 5.000 5.000 5.000	83,144 151,823 272,632 286,150 300,299 315,285 <u>1,449,380</u>	- - - - - -	2,885,000 - - - - -
APRIL 6, 2010 SERIES B (BAB)	221,485,000	5,745,000 5,920,000 6,115,000 6,325,000 6,550,000 36,630,000 44,880,000 55,505,000 53,815,000 <u>221,485,000</u>	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022-26 JUNE 1, 2027-32 JUNE 1, 2032-36 JUNE 1, 2037-40	4.735 5.139 5.289 5.419 5.589 6.106 6.645 6.765 6.765	313,585 350,708 372,834 395,117 422,008 2,585,053 3,439,232 4,328,580 4,196,785 <u>16,403,902</u>	- - - - - - - - -	- - - - - - - -
APRIL 6, 2010 SERIES C 2008A3,B4,C1,C2,D1	300,045,000	745,000 31,700,000 37,455,000 21,785,000 23,340,000 130,235,000 54,785,000 <u>300,045,000</u>	SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015-19 SEPT 1, 2020-21	1.500 4.043 4.875 4.899 4.876 4.961 5.000	4,501 1,156,955 1,648,518 963,535 1,027,362 5,835,509 2,472,834 <u>13,109,314</u>	56,490 1,150,789 1,372,959 795,508 855,655 4,817,546 2,045,114 <u>11,094,081</u>	745,000 - - - - - - 745,000
APRIL 6, 2010 (SERIES D) 1999A \$156.0 MILLION	49,365,000	7,245,000 7,600,000 8,000,000 8,410,000 8,850,000 9,260,000 <u>49,365,000</u>	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022	4.410 4.976 4.974 4.973 4.885 4.000	288,432 341,442 359,216 377,530 390,282 334,389 <u>2,091,291</u>	- - - - - -	- - - - - -
TOTAL SERIAL BONDS	\$ 4,494,985,000	\$ 2,994,453,311			\$ 146,771,921	\$ 24,691,554	\$ 83,996,738
NON-ELECTORAL DEBT- SERIAL BONDS	\$ 3,044,150,000	\$ 2,104,498,311			\$ 103,656,943	\$ 24,691,554	\$ 78,051,738
CAPITAL OBLIGATION BONDS	1,450,835,000	889,955,000			43,114,978	-	5,945,000
TOTAL SERIAL BONDS OUTSTANDING	\$ 4,494,985,000	\$ 2,994,453,311			\$ 146,771,921	\$ 24,691,554	\$ 83,996,738

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, 2010
(Dollars in Thousands)

	<u>2010</u>	<u>2009</u>
Governmental Funds Capital Assets:		
Land	\$ 119,178	\$ 119,238
Buildings	1,511,570	1,391,931
Improvements	1,043,385	974,713
Construction in Progress	324,526	387,025
Personal Property	275,503	260,226
Total Governmental Funds Capital Assets	<u>\$ 3,274,162</u>	<u>\$ 3,133,133</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 81,374	\$ 80,688
Capital Projects Fund	3,123,203	2,988,420
Categorical Funds	69,585	64,025
Total Governmental Funds Capital Assets	<u>\$ 3,274,162</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 by Function and Activity
June 30, 2010
(Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 115,161	\$ 1,411,147	\$ 979,466	\$ 324,526	\$ 212,890	\$ 3,043,190
Student Support Services	821	5,299	7,245	-	20,496	33,861
Administrative Support	3,196	95,124	56,674	-	4,909	159,903
Operation & Maintenance of Plant Services	-	-	-	-	9,929	9,929
Pupil Transportation	-	-	-	-	523	523
All Other Support Services	-	-	-	-	26,756	26,756
Total Governmental Funds Capital Assets	\$ 119,178	\$ 1,511,570	\$ 1,043,385	\$ 324,526	\$ 275,503	\$ 3,274,162

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, 2010

(Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets July 1, 2009	Additions	Deletions	Governmental Funds Capital Assets June 30, 2010
Instruction	\$ 2,903,981	\$ 151,815	\$ 12,606	\$ 3,043,190
Student Support Services	32,751	2,559	1,449	33,861
Administrative Support	159,531	776	404	159,903
Operation & Maintenance of Plant Services	8,200	1,773	44	9,929
Pupil Transportation	487	50	14	523
All Other Support Services	28,183	560	1,987	26,756
Total	<u>\$ 3,133,133</u>	<u>\$ 157,533</u>	<u>\$ 16,504</u>	<u>\$ 3,274,162</u>

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

Statistical Section

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

	2002 (1)	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ (27,665)
Restricted									
Debt Service	53,102	63,072	55,071	50,380	64,613	70,056	74,032	71,650	76,811
Special Revenue & Permanent Funds	5,406	5,422	5,256	5,331	-	-	-	-	-
Expendable	-	-	-	-	1,969	2,667	2,814	2,109	2,166
Non-Expendable	-	-	-	-	3,622	3,329	3,393	4,121	4,149
Arbitrage Rebate Payable	-	-	-	-	-	-	3,767	4,286	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)	(1,302,757)
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)	(1,243,011)
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	3,247
Unrestricted (Deficit)	7,405	8,143	7,474	7,855	2,442	(5,613)	(7,346)	(11,196)	(11,162)
Total Business-type Activities Net Assets	11,043	11,768	10,933	11,304	5,630	(2,480)	(3,341)	(7,915)	(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	(24,418)
Restricted	176,897	136,720	79,951	79,600	72,558	76,052	84,006	82,167	87,412
Unrestricted (Deficit)	(730,032)	(764,797)	(689,312)	(1,023,449)	(1,197,345)	(1,308,877)	(1,315,766)	(1,287,126)	(1,313,919)
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)	\$ (1,250,926)

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 2010.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2002 through 2010
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 2,033,799
Student Support Services	283,732	326,276	352,299	412,991	247,845	262,044	210,458	205,374	240,883
Administrative Support	124,344	120,226	114,931	117,811	112,455	114,397	92,100	122,523	135,193
Operation & Maintenance of Plant Services	229,683	238,238	243,485	258,985	263,163	270,163	273,335	261,750	256,291
Pupil Transportation	42,237	44,708	76,382	84,170	88,867	89,079	107,050	73,636	76,175
All Other Support Services	4,858	279	26,868	15,815	38,422	19,654	32,047	1,591	(3,362)
Early Childhood Education	24,481	25,562	21,628	20,952	18,005	20,448	22,816	24,157	20,515
Interest on Long-Term Debt	52,458	76,895	88,732	114,535	128,245	138,286	137,906	139,001	142,337
Swap Termination Payment	-	-	-	-	-	-	-	-	-
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>\$ 2,593,075</u>	<u>\$ 2,620,381</u>	<u>\$ 2,609,375</u>	<u>\$ 2,697,821</u>	<u>\$ 2,901,830</u>
Business-type Activities:									
Food Service	70,730	72,538	80,638	77,595	79,851	81,798	78,189	81,008	80,638 (7)
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>	<u>80,638</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>	<u>\$ 2,982,468</u>
Program Revenues									
Governmental Activities									
Charges for Services (6)									
Instruction	\$ 330	\$ 405	\$ 1,280	\$ 447	\$ 599	\$ 773	\$ 686	\$ 1,037	\$ 664
Student Support Services	435	91	274	260	90	103	65	69	2
Administrative Support	545	1,370	340	358	477	313	3,843	3,963	3,882
Operation & Maintenance of Plant Services	1,465	1,860	2,885	1,342	1,325	991	959	1,213	1,114
Pupil Transportation	3	-	-	-	-	-	-	-	-
Early Childhood Education	3,721	3,155	2,942	2,629	485	349	218	536	60
Operating grants and contributions	392,115	541,135	657,783	743,746	778,978	804,980	853,660	904,656	1,001,353
Capital grants and contributions	24	5,176	2,565	200	-	123	22	500	92
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>	<u>1,007,167</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	3,237
Operating grants and contributions	62,186	65,152	71,660	71,456	69,527	68,530	69,445	72,063	76,870
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>	<u>80,107</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>	<u>\$ 1,087,274</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)	(1,894,663)
Business-type Activities	69	800	(759)	548	(5,496)	(8,183)	(5,035)	(5,856)	(531)
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>	<u>\$ (1,895,194)</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 GAAPR 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.
- (7) Combined Direct and Indirect Expenses.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2010.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Assets
For the Fiscal Years 2002 through 2010
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009	2010
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)	\$ (1,894,665)
Business-type Activities	69	800	(759)	549	(5,496)	(8,183)	(5,035)	(5,857)	(921)
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>(1,895,586)</u>
General Revenues/Contributed Capital/Transfers:									
Governmental Activities									
Property Taxes	455,829	503,114	516,385	540,322	540,241	549,519	598,556	604,962	608,377
Other Taxes (2)									
Use & Occupancy Taxes	88,060	96,593	89,005	97,908	97,940	104,147	108,298	112,225	111,801
Liquor Taxes	26,615	30,769	28,824	33,381	37,181	39,733	41,616	41,136	42,787
School (Non-Business) Income Taxes	19,004	13,913	15,436	16,278	20,901	23,902	26,650	25,240	21,590
Public Utility/PPLJT Taxes	1,049	940	998	844	1,441	702	1,054	965	1,098
Grants and Contributions Not Restricted to Specific Programs	94,569	68,145	83,595	81,872	112,958	142,927	133,801	102,249	63,462
State & Federal Subsidies	796,328	768,988	760,743	783,947	804,829	843,647	870,686	922,965	1,018,811
General Obligation Bond Premium (3)	952	-	-	-	-	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	222	-	-	-	-	(6)
Transfers	76	76	76	178	178	178	(4,112)	(1,283)	(534)
Investment Revenue	-	-	-	-	-	-	-	-	2,261
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>	<u>1,869,647</u>
Business-type Activities									
Contributed Capital	-	-	-	-	-	250	63	-	(2)
Transfers	(76)	(76)	(76)	(178)	(178)	(178)	4,112	1,283	534
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>	<u>531</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>1,870,178</u>
Changes in Net Assets:									
Governmental Activities	(82,905)	(79,631)	(149,604)	(240,734)	(196,352)	(107,994)	26,627	22,612	(25,018)
Business-type Activities	(7)	724	(835)	371	(5,674)	(8,111)	(860)	(4,574)	(0)
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>	<u>\$ (25,018)</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 2010.

School District of Philadelphia

Table 4

Fund Balances of Governmental Funds
For the Fiscal Years 2001 through 2010
(modified accrual basis of accounting)
(dollars in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund Reserved (1)	\$ 44,521	\$ 39,441	\$ 29,479	\$ 19,544	\$ 39,786	\$ 34,262	\$ 5,270	\$ 30,218	\$ 29,506	\$ 26,934
Unreserved	(46,892)	(115,382)	149,228	112,638	3,820	22,277	(71,402)	(73,622)	(19,832)	(25,008)
Total General Fund	\$ (2,371)	\$ (75,941)	\$ 178,707	\$ 132,182	\$ 43,606	\$ 56,539	\$ (66,132)	\$ (43,404)	\$ 9,674	\$ 1,926
All Other Governmental Funds Reserved (2)	\$ 171,273	\$ 170,795	\$ 144,402	\$ 114,145	\$ 158,729	\$ 201,961	\$ 246,397	\$ 155,721	\$ 164,043	\$ 175,414
Unreserved	-	-	2,397	2,465	2,224	2,254	2,427	2,814	2,833	2,861
Special Revenue Funds (3)	-	-	620	568	553	556	640	800	804	817
Permanent Funds (3)	3,562	3,716	-	-	-	-	-	-	-	-
Trust Purposes (3)	-	(6,336)	(7,131)	(6,096)	(30,648)	(22,775)	(17,156)	(12,266)	(18,972)	(15,620)
Categorical Funds	(74,621)	(54,479)	6,940	(3,256)	651,920	454,687	246,930	42,550	92,090	186,497
Capital Projects Fund	-	-	-	95	-	-	-	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 100,214	\$ 113,696	\$ 147,228	\$ 107,921	\$ 782,778	\$ 636,683	\$ 479,238	\$ 189,619	\$ 240,798	\$ 349,969

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 2001 through 2010.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2001 through 2010
(modified accrual basis of accounting)
(dollars in thousands)

REVENUES

Federal Sources

Grants and Subsidies

Total Federal Sources

State Sources

Grants and Subsidies

Total State Sources

Local Sources

Local Taxes

Real Estate

Current

Prior Years

Payment in Lieu of Taxes

Use and Occupancy

School (Non-Business) Income

Liquor Sales

Public Utility Realty

Total Local Taxes

Locally Generated Non Tax

Interest and other income

City Contributions

Legal Settlements

Stadium Agreements

Parking Authority

Reimbursements from Other Funds

Variable Rate Income/Basis Swap Income

Private Grants and Foundations

Other Miscellaneous/Voluntary Contributions

Total Local Generated Non Tax

Total Local Sources

Total Revenues

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Federal Sources										
Grants and Subsidies	\$ 211,365	\$ 219,272	\$ 260,343	\$ 306,669	\$ 339,280	\$ 335,727	\$ 293,012	\$ 297,128	\$ 301,723	\$ 557,950
Total Federal Sources	211,365	219,272	260,343	306,669	339,280	335,727	293,012	297,128	301,723	557,950
State Sources										
Grants and Subsidies	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	1,456,916
Total State Sources	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	1,456,916
Local Sources										
Local Taxes										
Real Estate										
Current	390,032	401,978	451,067	458,085	486,815	493,147	501,282	547,580	548,166	546,352
Prior Years	37,535	39,188	37,615	55,438	49,459	53,862	49,357	51,814	50,662	55,684
Payment in Lieu of Taxes	5	5	5	5	5	5	5	5	5	5
Use and Occupancy	94,759	93,385	98,862	96,154	99,050	103,762	103,757	108,614	112,266	117,295
School (Non-Business) Income	19,283	16,878	16,515	14,605	17,617	20,013	24,035	26,938	25,335	22,175
Liquor Sales	29,191	28,306	28,650	33,082	33,930	38,241	39,331	41,586	41,016	43,280
Public Utility Realty	2,102	1,145	960	1,055	857	1,096	1,123	1,049	960	1,093
Total Local Taxes	572,907	580,885	633,674	658,424	687,733	710,126	718,890	777,586	778,410	785,884
Locally Generated Non Tax										
Interest and other income	42,435	23,155	21,171	25,641	39,939	39,687	56,614	49,952	20,771	9,101
City Contributions	15,000	60,000	35,000	35,000	35,000	35,000	35,000	37,000	38,490	38,540
Legal Settlements	4,500	4,500	4,500	2,650	2,501	2,819	2,590	2,555	2,710	2,735
Stadium Agreements	-	-	-	1,159	1,159	1,159	2,898	3,000	3,000	3,000
Parking Authority	-	-	-	-	-	-	-	2,221	3,801	7,284
Reimbursements from Other Funds	6,234	7,160	7,386	7,668	7,221	6,503	7,462	7,233	7,576	14
Variable Rate Income/Basis Swap Income	-	-	-	-	11,383	20,001	23,765	20,697	8,471	2,656
Private Grants and Foundations	1,211	-	-	-	-	-	-	-	-	-
Other Miscellaneous/Voluntary Contributions	-	-	-	-	-	-	-	-	-	7,975
Total Local Generated Non Tax	69,380	94,815	68,057	72,118	97,203	105,169	128,329	122,658	84,819	71,305
Total Local Sources	642,287	675,700	701,731	730,542	784,936	815,295	847,219	900,244	863,229	857,189
Total Revenues	\$ 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	\$ 2,872,055

(1) In Fiscal Year 2010, "Reimbursements from Other Funds" reflects a change in policy that reports these amounts as a reduction in expenditures rather than a revenue.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2001 through 2010.

School District of Philadelphia

Table 6

Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2001 through 2010
(modified accrual basis of accounting)
(dollars in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXPENDITURES										
Current:										
Instruction	\$ 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	\$ 1,601,033
Student Support Services	182,904	183,260	188,932	201,879	221,853	233,336	230,955	226,504	199,912	232,525
Cluster Support/ Professional Development	42,213	-	-	-	-	-	-	-	-	-
Administrative Support	95,319	107,338	113,717	108,318	111,021	106,691	102,197	82,101	109,777	131,064
Operation & Maintenance of Plant Services	233,122	226,536	233,222	241,579	256,029	261,984	262,181	271,003	257,910	254,114
Pupil Transportation	-	41,667	44,247	76,523	82,228	88,502	87,071	107,666	73,437	76,068
All Other Support Services	3,815	4,858	279	26,380	15,302	36,822	18,877	31,473	1,462	(3,647)
Early Childhood Education	-	24,481	25,562	21,628	20,952	17,994	20,448	22,814	24,157	20,505
Payments to Charter Schools	71,376	95,312	126,061	153,410	184,084	220,930	240,377	269,695	308,505	338,320
Debt Service:										
Principal	20,197	33,305	34,585	45,000	21,131	37,437	63,122	66,417	71,159	70,762
Loans	369	369	369	369	369	215	34	7	3	-
Interest	55,004	53,476	70,193	74,044	71,023	91,726	99,242	99,625	82,157	110,433
Principal & Interest - Authority	-	-	-	22,908	33,615	29,953	33,805	49,062	49,058	49,058
Issuance Costs	2,289	6,675	-	26,593	4,749	1,449	15,235	3,370	10,281	4,133
Administrative Expenses	-	-	-	-	2,346	2,820	2,436	2,901	8,786	6,306
Capital Outlay: (1)										
New Buildings and Additions	44,227	60,546	18,175	44,753	100,986	52,702	73,734	147,024	88,048	42,641
Environmental Management	6,175	7,134	8,294	3,355	2,994	3,837	3,824	3,504	3,521	3,367
Alterations and Equipment	98,791	57,745	27,003	79,590	87,304	154,603	226,794	213,146	111,638	90,969
Major Renovations	-	-	811	1,317	1,216	297	-	-	-	-
Equipment Acquisitions	-	-	2,694	5,619	5,766	14,509	20,184	10,682	23,075	24,124
Total Expenditures	\$ 2,006,791	\$ 2,057,610	\$ 2,111,135	\$ 2,455,588	\$ 2,592,929	\$ 2,728,210	\$ 2,822,735	\$ 2,975,036	\$ 2,879,420	\$ 3,051,775
Debt Service as a percentage of noncapital expenditures (2)	4.2%	4.9%	5.1%	7.3%	5.6%	6.5%	8.6%	8.5%	8.3%	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 2001 through 2010.

School District of Philadelphia
Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2001 through 2010
(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Excess (Deficiency) of Revenues over Expenditures	\$ (172,428,066)	\$ (210,473,860)	\$ (187,984,448)	\$ (86,099,702)	\$ (318,619,908)	\$ (267,184,027)	\$ (325,041,866)	\$ (338,912,254)	\$ (187,673,270)	\$ (179,719,620)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	157,550,371	- 1	-	1,587,760,623	(1)	29,920,000	1,008,348,549	724,300,000	496,565,000	598,715,000
Land Sale Proceeds	-	-	-	-	27,754,440	-	-	-	-	-
Capital Asset Proceeds	-	-	-	-	221,507	207,071	2,461,045	5,644,893	11,390,163	276,989
Swap/Net Proceeds	-	-	-	16,641,000	-	-	-	-	-	-
Basis Swap Proceeds	-	-	-	-	-	7,235,000	10,740,000	-	-	-
Bond Premium	-	477,132,860	1	-	18,512,125	2,833,532	62,356,553	-	-	-
Bond Discounts	-	-	-	4,884,867	(1)	-	-	-	3,809,411	35,336,224
Bond Defeasement	-	-	-	(10,513,043)	(1)	-	-	-	(9,657,934)	-
Transfers In	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)	(353,329,003)
Transfers Out	(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	428,883,276
				(340,346,151)	(287,960,801)		(372,893,770)	(405,042,208)	(401,651,694)	(428,666,212)
Total Other Financing Sources and (Uses)	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	281,216,274
Net Change in Fund Balance	\$ (14,801,959)	\$ 266,734,934	\$ (187,908,717)	\$ 820,760,081	\$ (196,070,234)	\$ (226,810,383)	\$ 31,062,702	\$ (298,041,291)	\$ 104,155,331	\$ 101,496,654

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 2001 through 2010.

School District of Philadelphia

Table 8
Governmental Funds Revenue By Own-Sources (3)
For the Fiscal Years 2001 through 2010
(modified accrual accounting)
(dollars in millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Percentage Change 2001 - 2010
Local Taxes											
Real Estate	\$ 427.6	\$ 441.2	\$ 488.7	\$ 513.5	\$ 536.3	\$ 547.0	\$ 550.6	\$ 599.4	\$ 598.8	\$ 602.0	40.8 %
Use and Occupancy	94.7	93.4	98.8	96.2	99.0	103.8	103.8	108.6	112.3	117.3	23.9
Other	50.6	46.3	46.1	48.7	52.4	59.3	64.5	69.6	67.3	66.6	31.5
Total Taxes	572.9	580.9	633.6	658.4	687.7	710.1	718.9	777.6	778.4	785.9	37.2
Locally Generated Non Tax											
City Contributions	15.0	60.0	35.0	35.0	35.0	35.0	35.0	37.0	38.5	38.5	156.7
Other	54.4	34.8	33.1	37.1	62.2	70.2	93.3	85.6	46.3	32.8	(39.7)
Total Local	69.4	94.8	68.1	72.1	97.2	105.2	128.3	122.6	84.8	71.3	2.7
Total Own-Source Revenues (1)	\$ 642.3	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	33.5 %
Summary of Own-Source Revenues by Fund:											
General (4)	\$ 621.6	\$ 660.4	\$ 692.0	\$ 712.3	\$ 744.6	\$ 767.9	\$ 790.0	\$ 852.7	\$ 842.8	\$ 847.2	36.3 %
Intermediate	1.0	0.4	0.3	0.2	0.4	0.7	1.3	1.0	0.6	0.4	(58.5)
Categorical	7.9	10.1	6.4	6.4	9.7	6.4	6.4	7.0	4.2	3.3	(58.3)
Debt Service (1) (4) (6)	1.8	1.6	1.7	1.5	12.6	23.1	28.5	23.7	9.9	3.8	105.9
Capital Projects	9.7	2.9	1.2	9.9	17.4	16.9	20.8	15.5	5.6	2.4	(75.3)
Non-Major (5)	0.3	0.3	0.1	0.2	0.2	0.3	0.4	0.3	0.1	0.1	(66.7)
Total Own-Source Revenues	\$ 642.3	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	33.4 %
Totals Restated on a Constant Dollar Basis: (2)											
2001 as base year	\$ 642.3	\$ 662.0	\$ 675.3	\$ 673.4	\$ 699.7	\$ 695.6	\$ 711.8	\$ 719.4	\$ 704.0	\$ 686.0	6.8 %
2010 as base year	\$ 802.6	\$ 827.3	\$ 843.9	\$ 841.5	\$ 874.4	\$ 869.3	\$ 889.4	\$ 898.9	\$ 879.6	\$ 857.2	6.8 %

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 2001 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 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) Comparative percentage begins with FY 2001 versus FY 2010.

School District of Philadelphia
Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2001 through 2010
(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						
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	42,186	
2009	17,352	5,146	12,206	4.959		12,206	0.2846 (3)	42,888	
2010	17,615	5,339	12,276	4.959		12,276	0.2846 (3)	43,134	

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 2001 through 2010
(Per \$100 Assessed Value)

Calendar Year	City of Philadelphia	School District of Philadelphia	Total
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
2010	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	2010			2001		
	Rank	Assessment Value (1)	Percentage of Total Assessments	Rank	Assessment Value (1)	Percentage of Total Assessments
Franklin Mills Associates	1	\$ 57.6	0.47%	4	\$ 48.1	0.49%
Philadelphia Liberty Place LP	2	54.4	0.44%	1	59.2	0.61%
Nine Penn Center Associates	3	54.1	0.44%	3	52.0	0.53%
HUB Properties Trust	4	48.0	0.39%		-	-
Bell Atlantic	5	40.6	0.33%	6	42.7	0.44%
PRU 1901 Market LLC	6	35.2	0.29%	8	31.6	0.32%
Maguire/Thomas	7	33.9	0.28%	9	31.6	0.32%
Commerce Square Partners	8	33.3	0.27%	10	31.9	0.33%
Philadelphia Shipyard Development Corp.	9	30.3	0.25%		-	-
The Philadelphia Market Street (Marriott)	10	28.8	0.23%	7	32.0	0.33%
CSF Partnership		-	-	2	59.5	0.61%
LP Associates		-	-	5	44.8	0.46%
Total of the Ten Largest Real Estate Assessments		<u>\$ 416.2</u>	<u>3.39%</u>		<u>\$ 433.4</u>	<u>4.45%</u>
Total Taxable Assessments		<u>\$ 12,276.3</u>	<u>100.00%</u>		<u>\$ 9,740.8</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.

Real Estate Tax Levies and Collections
For the Years 2001 through 2010

Source: The School District of Philadelphia - Accounting System as of 12/30/2010.

Source: The School District of Philadelphia - Accounting System fiscal year records as of December 17, 2010.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2001 through 2010
(dollars in thousands)

Fiscal Year	Governmental Activities (1)						Per Capita (4)	
	General Obligation Bonds	Lease Revenue Bonds	Loans Payable	Capital Lease	Total Governmental Activities	Percentage of Personal Income (3)	Actual	In Constant Dollars - 2001 as Base Year (2) (3)
2001	\$ 1,017,780	\$ -	\$ 1,734	\$ -	\$ 1,019,514	2.74 %	\$ 673	\$ 673
2002	1,440,475	-	1,365	-	1,441,840	3.77	962	44
2003	1,405,890	-	997	-	1,406,887	3.49	946	911
2004	1,726,595	588,135	628	3,856	2,319,214	5.54	1,572	1,449
2005	1,805,490	588,130	259	3,125	2,397,004	5.54	1,632	1,455
2006	1,798,724	588,125	44	2,375	2,389,268	5.32	1,636	1,396
2007	1,732,258	906,200	10	1,604	2,640,072	5.59	1,817	1,526
2008	1,712,357	901,025	3	813	2,614,198	5.19	1,803	1,441
2009	1,929,620	895,570	-	-	2,825,190	5.26	1,834	1,496
2010	2,104,498	889,955	-	-	2,994,453	5.55	1,935	1,549

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 2001 through 2010
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)										Per Capita (5)	
	General Obligation Bonds	QZAB 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 - 2001 as Base Year (3) (4)
2001	\$ 994,795	\$ 22,985	\$ -	\$ -	\$ -	\$ 1,017,780	\$ 22,675	\$ 995,105	2.68 %	3.10 %	\$ 657	\$ 657
2002	1,117,490	22,985	300,000	-	-	1,440,475	29,588	1,410,887	3.68	4.21	941	922
2003	1,082,910	22,980	300,000	-	-	1,405,890	34,138	1,371,752	3.40	3.89	923	888
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	1,434
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	1,436
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	1,371
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	1,498
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	1,414
2009	1,602,860	77,525	249,235	-	895,570	2,825,190	49,138	2,776,052	5.17	6.56	1,802	1,470
2010	1,792,685	75,233	236,580	-	889,955	2,994,453	47,944	2,946,509	5.46	6.85	1,904	1,524

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, 2010
(dollars in millions)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (2)</u>
School District of Philadelphia	\$ 2,946.5	100.0%	\$ 2,946.5
City of Philadelphia Direct Debt			4,271.1
Total Direct and Overlapping Debt			<u>\$ 7,217.6</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 2001 through 2010
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2009										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 1,480.6	\$ 1,522.3	\$ 1,600.3	\$ 1,688.5	\$ 1,782.7	\$ 1,857.6	\$ 1,943.0	\$ 2,035.8	\$ 2,128.6	\$ 2,208.0
Less: (Schedule of Bonds O/S)										
General Obligation Bonds									\$ 12,276.3	
Lease Rental - SPB/SA	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	2,994.5
Capital Appreciation Bonds - Non-electoral Debt	-	-	-	(588.1)	(588.1)	(588.1)	(906.2)	(901.0)	(895.6)	(890.0)
Electoral Debt	(13.3)	-	(6.1)	(3.6)	(2.5)	-	-	-	-	-
Non-electoral Debt Outstanding	(20.2)	(12.4)	1,399.8	1,723.0	1,803.0	1,797.4	1,732.3	1,712.4	1,929.6	2,104.5
Exclusions:	984.3	1,428.1	(300.0)	(291.2)	(291.3)	(381.7)	(271.6)	(261.0)	(249.2)	(236.6)
Debt Bonds	-	(300.0)	-	-	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)
Termination Bonds	-	-	-	-	-	(29.7)	(28.2)	(25.2)	(23.6)	(23.6)
Sodium Bonds	-	-	-	-	-	-	-	-	-	-
Non-electoral Debt Outstanding applicable to Debt Limit	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	1,782.1
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	1,480.6	1,522.3	1,600.3	1,688.5	1,782.7	1,857.6	1,943.0	2,035.8	2,128.6	2,208.0
Less: Non-electoral Debt Outstanding applicable to Debt Limit	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	1,782.1
Non-electoral Debt Capacity (2)	\$ 496.3	\$ 394.2	\$ 500.7	\$ 256.7	\$ 341.5	\$ 442.1	\$ 580.1	\$ 678.3	\$ 538.1	\$ 425.9
%	66.5	% 74.1	% 68.7	% 84.8	% 80.8	% 76.2	% 70.1	% 66.7	% 74.7	% 80.7
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)										
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 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	\$ 4,415.9
General Obligation Bonds	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	2,994.5
Less:										
Capital Appreciation Bonds - Non-electoral Debt	(13.3)	-	(6.1)	(3.6)	(2.5)	-	-	-	-	-
Electoral Debt	(20.2)	(12.4)	1,399.8	1,723.0	1,803.0	1,797.4	1,732.3	1,712.4	1,929.6	2,104.5
Non-electoral Debt and Lease Rental Outstanding	984.3	1,428.1	(300.0)	(291.2)	(291.3)	(381.7)	(271.6)	(261.0)	(249.2)	(236.6)
Exclusions:	-	(300.0)	-	-	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)
Debt Bonds	-	-	-	-	-	(29.7)	(28.2)	(25.2)	(23.6)	(23.6)
Termination Bonds	-	-	-	-	-	-	-	-	-	-
Sodium Bonds	-	-	-	-	-	-	-	-	-	-
Net Non-electoral Debt and Lease Rental Outstanding	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,238.5	2,486.1	2,672.1
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	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	4,415.9
Less: Net Non-electoral Debt and Lease Rental Outstanding	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,238.5	2,486.1	2,672.1
Non-electoral Debt and Lease Rental Borrowing Capacity	\$ 1,976.9	\$ 1,916.5	\$ 2,101.2	\$ 1,357.0	\$ 1,536.2	\$ 1,711.6	\$ 1,617.0	\$ 1,833.0	\$ 1,771.2	\$ 1,743.8
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	33.2	% 37.1	% 34.4	% 59.8	% 56.9	% 55.9	% 58.4	% 55.5	% 58.4	% 60.5

Notes:

(1) The School District of Philadelphia completes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit). Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.

(2) Debt Capacity represents borrowing base less the amount of outstanding Non-electoral debt less certain exclusions. It is the maximum allowable debt that does not exceed the average revenue for the three preceding fiscal years.

(3) Borrowing Capacity represents 200% of the borrowing base (from debt capacity) less Non-electoral debt and lease rentals less certain exclusions. It is the maximum amount the District could borrow without exceeding twice the borrowing base amounts.

School District of Philadelphia
Table 17
Ratio of Annual Debt Service
For General Bonded Debt and Authority Payments
To Total Governmental Funds Expenditures Excluding Categorical Funds
For the Fiscal Years 2001 through 2010
(dollars in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Bonded Debt Principal	\$ 20,197	\$ 33,305	\$ 34,585	\$ 45,000	\$ 20,410	\$ 36,686	\$ 62,352	\$ 65,626	\$ 70,347	\$ 70,762
General Bonded Debt Interest	55,004	53,476	70,193	74,044	74,572	91,643	99,178	99,582	82,134	83,864
Loans	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	49,058
Total Debt Service Expenditures (2)	<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>	<u>203,684</u>
Total General Expenditures Excluding Categorical Funds	<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>	<u>2,466,869</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical Funds	<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>	<u>8.26</u>
Total General Expenditures (2) (3)	<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>	<u>3,051,775</u>
Ratio of Debt Service to Total General Expenditures	<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>	<u>6.67</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 2000 through 2009

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)
2000	1,514	24,960	37,784,373	5.6	635.0	40,200	9,527	18,531	4,576
2001	1,513	25,568	38,672,501	6.1	636.0	41,420	9,867	21,101	4,640
2002	1,511	26,941	40,695,588	7.3	635.2	43,005	10,300	16,872	9,384
2003	1,510	27,921	42,192,576	7.5	622.6	44,770	10,819	19,719	8,730
2004	1,515	28,684	43,447,002	7.3	618.3	46,292	11,141	19,883	9,636
2005	1,518	29,608	44,933,858	6.7	616.8	47,099	11,283	22,325	13,199
2006	1,520	31,278	47,550,937	6.2	614.5	49,384	11,904	23,376	18,504
2007	1,530	32,713	50,052,562	6.0	615.9	50,759	11,615	26,609	18,150
2008	1,540	34,115	52,549,456 (6)	7.1	627.2	53,045	12,175	28,306	16,719
2009	1,547	35,656	55,170,909 (6)	10.0	629.9	55,047	12,276	31,624	16,673

Notes:

- (1) Data for calendar years 2000 through 2009 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

2010 (1)			2001 (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	29,862	4.76	City of Philadelphia (3)	29,519	4.71
School District of Philadelphia	23,894	3.80	School District of Philadelphia	27,001	4.30
University of Pennsylvania/University of Pennsylvania Hospital	20,433	3.25	University of Pennsylvania/University of Pennsylvania Hospital	26,000	4.15
SEPTA	15,000	2.39	Temple University	13,000	2.07
Independence Blue Cross	9,500	1.51	Tenet Healthcare Systems, Inc	8,200	1.31
Temple University	9,061	1.44	PECO Energy	6,500	1.04
Thomas Jefferson University Hospitals Inc.	8,701	1.39	PNC Financial Services Group	6,400	1.02
Children's Hospital of Philadelphia	7,000	1.11	Aramark Corp.	5,500	0.88
Temple University Health System	6,500	1.04	Independence Blue Cross	5,300	0.85
Albert Einstein Healthcare Network	5,732	0.91	US Airways	5,000	0.80
Cardone Industries Inc.	4,000	0.64	First Union National Bank	4,800	0.77
Thomas Jefferson University	4,000	0.64	Thomas Jefferson University Hospital Inc.	4,700	0.75
Philadelphia Media Holdings LLC	3,500	0.56	Albert Einstein Healthcare Network	4,500	0.72
Aria Health	3,215	0.51	Verizon (Bell Atlantic) Corporation	4,300	0.69
Drexel University	2,868	0.46	Children's Hospital of Philadelphia	3,700	0.59

Notes:

- (1) Information obtained from (a) Hoover's Company Directory by Geography Philadelphia website: www.hoovers.com/company; (b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2009 and (c) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2010.
- (2) Information obtained from (a) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2001 and website related to "largest employers in the City of Philadelphia, PA" Philadelphia City Planning Commission, City Stats, April 2001 (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 2010.
- (3) Data represents number of employees as of Fiscal Year 2003- data was not available prior to this date.
- (4) Based on annual 2001 and 2010 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 2001 through 2010

	PROFESSIONAL/NON-PROFESSIONAL EMPLOYEES as of June 15th (1)										Percentage Change 2001 - 2010
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Instruction:											
<i>Classroom Teachers</i>											
Operating	11,494	11,180	10,861	11,033	10,347	9,509	8,884	8,648	8,696	8,561	(25.5) %
Grants	953	1,346	1,319	1,146	1,286	1,438	1,612	1,640	1,681	2,720	185.4
<i>Total Classroom Teachers</i>	12,447	12,526	12,180	12,179	11,633	10,947	10,496	10,288	10,377	11,281	(9.4)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	482	463	444	365	384	239	241	245	294	278	(42.3)
Classroom & Instructor Assistants	990	940	885	778	715	663	672	658	639	693	(30.0)
Counselor/Librarians	147	123	93	89	83	84	88	69	40	86	(41.5)
Psychologists/Therapists	48	41	41	39	41	37	38	36	32	38	(20.8)
P/T Classroom & Instructor Assistants	2,035	1,936	1,745	1,356	1,210	1,471	1,197	1,156	1,206	1,252	(38.5)
Other Paraprofessionals	277	270	245	237	203	172	152	146	100	97	(65.0)
<i>Total Non-Teaching</i>	3,979	3,773	3,453	2,864	2,636	2,666	2,388	2,310	2,311	2,444	(38.6)
Total Instruction	16,426	16,299	15,633	15,043	14,269	13,613	12,884	12,598	12,688	13,725	(16.4)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	487	501	512	532	522	515	510	478	475	465	(4.5)
Department Heads/Program Mgrs. & Coord.	86	77	61	63	59	35	31	34	35	35	(59.3)
Secretarial	653	634	602	597	580	540	497	495	487	472	(27.7)
Other Clerical	69	73	83	84	87	80	83	3	6	2	(97.1)
<i>Total In-school Instruction Leadership & Support</i>	1,295	1,285	1,258	1,276	1,248	1,170	1,121	1,010	1,003	974	(24.8)
<i>Professional Development & Training</i>											
Director	1	2	3	2	1	3	2	3	4	8	350.0
Non-Teaching Professionals	323	295	292	418	391	431	350	325	333	240	(25.7)
Secretarial	2	2	3	4	4	5	4	4	1	1	(50.0)
<i>Total Professional Development & Training</i>	326	299	298	424	396	439	356	332	338	249	(23.6)
<i>Student Support Services</i>											
Other Technical Staff	35	35	34	30	33	27	31	26	27	36	2.9
Non-professional supervisory	116	117	113	116	114	113	107	94	92	90	(22.4)
Counselor/Librarians	384	371	366	339	340	347	327	338	344	471	22.7
Psychologists/Therapists	94	104	101	99	100	106	102	97	100	96	2.1
Other Paraprofessionals	268	150	159	146	167	198	194	146	449	536	100.0
Bus Drivers/Attendants	1,171	1,153	1,130	1,129	1,126	1,125	1,127	1,084	1,047	1,072	(8.5)
Health Providers	352	340	344	340	320	310	326	317	325	331	(6.0)
Food Service	867	873	891	908	902	890	931	810	820	868	0.1
Other (includes Noon Time Aides)	1,161	1,402	1,403	1,381	1,458	1,431	1,400	1,429	1,498	1,574	35.6
<i>Total Student Support Services</i>	4,448	4,545	4,541	4,488	4,560	4,547	4,545	4,341	4,702	5,074	14.1
<i>Basic Building Services</i>											
Non-Teaching Assistants	595	560	503	471	421	311	248	196	187	161	(72.9)
Maintenance	454	440	416	400	416	428	410	416	376	365	(19.6)
Custodial	2,315	2,175	2,010	1,868	1,810	1,663	1,583	1,508	1,453	1,415	(38.9)
Warehouse/Distribution	37	33	33	34	33	34	28	21	27	29	(21.6)
Security	521	492	481	491	554	489	540	540	592	594	14.0
<i>Total Basic Building Services</i>	3,922	3,700	3,443	3,264	3,234	2,925	2,809	2,681	2,635	2,564	(34.6)
Total Classroom Support	9,991	9,829	9,540	9,452	9,438	9,081	8,831	8,364	8,678	8,861	(11.3)
Administrative Support											
Executive Management	20	14	28	26	27	33	28	26	32	37	85.0
AAOs/Regional Administrators	21	21	12	11	11	12	12	8	12	11	(47.6)
Directors	63	54	61	65	65	69	70	64	78	82	30.2
Asst. Directors/Admin Asst.	123	93	75	81	71	61	55	46	25	54	(56.1)
Prog. & Mgmt. Supervisors	156	102	107	112	126	178	147	154	167	185	18.6
Mgmt. Level Technicians	124	115	116	128	126	114	152	157	143	147	18.5
Other Technical Staff	266	292	309	359	350	398	288	273	316	362	36.1
Non-Professional Supervisory	93	123	113	114	118	116	111	90	107	106	14.0
Secretarial	210	179	165	166	165	151	141	102	109	101	(51.9)
Other Clerical	200	194	185	195	183	182	158	226	230	238	19.0
Other (2)	100	12	4	3	2	1	-	-	-	-	(100.0)
Total Administrative Support	1,376	1,199	1,175	1,260	1,244	1,315	1,162	1,146	1,219	1,323	(3.9)
Total School District	27,793	27,327	26,348	25,755	24,951	24,009	22,877	22,108	22,585	23,909	(14.0)
Add: Municipal Services (3)	100	97	95	95	96	92	93	82	86	75	(25.0)
Total School District-Wide	27,893	27,424	26,443	25,850	25,047	24,101	22,970	22,190	22,671	23,984	(14.0) %

Notes:

(1) Data represents the School District's active employees, for each fiscal year, in the School District's payroll system as of June 15th.

(2) Represents positions that could not be identified to a specific function between Fiscal Year 2001 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 2001 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 2010.

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2001 through 2010

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Accrual) (dollars in thousands) (3)	Percentage of Students Receiving		Percentage of Students		Teaching Staff (6)	Pupil-Teacher Ratio	
						Free or Reduced Price Meals (4)	Change of Cost per Pupil Expenses	Using Bus/Cab (5)	Using Free/ Subsidized Tokens (5)			
2001	201,328	1,708,107	8,484	7.55	N/A	N/A	48.8	%	16.6	%	12,447	16.2
2002	197,344	1,742,349	8,829	4.06	1,964,025	9,952	51.5	N/A	17.1	15.5	12,526	15.8
2003	193,076	1,822,252	9,438	6.90	2,115,361	10,956	53.1	10.09	18.9	17.6	12,180	15.9
2004	188,397	1,995,652	10,593	12.24	2,306,412	12,242	55.9	11.74	20.6	17.7	12,179	15.5
2005	184,264	2,078,049	11,278	6.46	2,544,669	13,810	58.4	12.80	21.5	18.0	11,633	15.8
2006	180,993	2,118,524	11,705	3.76	2,593,976	14,332	56.7	3.78	22.0	17.8	10,947	16.5
2007	174,096	2,044,739	11,745	0.37	2,620,381	15,051	56.3	5.02	21.9	17.6	10,496	16.6
2008	167,311	2,110,375	12,613	7.40	2,609,375	15,596	57.6	3.62	22.0	33.9	10,288	16.3
2009	162,248	2,123,955	13,091	3.78	2,697,821	16,628	57.4	6.62	22.3	35.9	10,377	15.6
2010	160,659	2,311,605	14,388	9.91	2,872,055	17,877	47.6	7.51	23.6	36.1	11,281	14.2

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 2001 through 2010

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 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 (3)	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Number of Schools (1)										
Elementary	175	175	175	175	176	177	178	175	175	177
Junior/Middle	42	42	41	42	38	32	30	31	30	27
Special	11	8	10	11	11	17	21	21	21	21
Senior	32	32	33	35	38	30	31	30	32	32
Vocational/Technical	5	5	5	5	7	9	9	9	9	8
Total Public Schools	265	262	264	268	270	265	269	266	267	265
Number of Charter Schools (2)	35	41	46	48	52	54	56	61	63	67
Number of Alternative Schools	N/A	N/A	N/A	N/A	N/A	13	15	16	17	27
Total Schools	300	303	310	316	322	332	340	343	347	359
School Enrollment (2)										
Elementary	102,118	99,992	96,786	94,247	91,932	99,157	97,429	93,387	92,886	94,366
Junior/Middle	33,618	31,519	30,042	29,380	25,572	22,455	19,380	18,724	15,566	14,142
Special (3) (4)	-	-	-	-	-	8,829	9,208	9,762	10,860	12,198
Senior (3) (4)	-	-	-	-	-	35,861	35,329	32,505	30,716	29,179
Vocational/Technical (3)	-	-	-	-	-	8,961	8,351	8,230	7,652	6,535
Special/Senior/Vocational	-	-	-	-	-	-	-	-	-	-
Technical (3)	65,592	65,833	66,248	64,770	64,222	-	-	-	-	-
Total Public Schools	201,328	197,344	193,076	188,397	181,726	175,263	169,697	162,608	157,680	156,420
Charter Schools	11,396	15,250	18,164	21,695	25,055	26,938	28,220	30,326	32,637	34,019
Alternative Schools (6)	-	-	-	-	2,538	5,790	4,399	4,703	4,568	4,239
Cyber Charter Schools (7)	-	211	258	462	1,047	1,220	1,880	2,180	2,616	3,026
Brick & Mortar Charter Schools (7)	261	274	275	268	258	248	250	223	205	205
Total	212,985	213,079	211,773	210,822	210,624	209,459	204,446	200,040	197,706	197,909
Number of Public High School Graduates (1)	9,388	8,559	9,407	10,331	10,800	10,132	9,694	9,570	9,967	9,967
Number of Charter High School Graduates (5)	351	505	634	919	1,167	1,424	1,651	1,928	2,023	2,023
Total of High School Graduates	9,739	9,064	10,041	11,250	11,967	11,556	11,345	11,498	11,990	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 2001 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 Two-light schools.
- (5) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2001 through 2008. School District of Philadelphia, Office of Accountability and Assessment - School Innovation and Best - for Fiscal Year 2009 & Fiscal Year 2010.
- (6) During Fiscal Year 2010, the School District realigned its Alternative Education functions into schools and programs to include: Accelerated High School Programs, an Education Options Program, Oasis Program and other District Schools and Programs.
- (7) Represents the average daily membership for entire year for students enrolled in these Non Philadelphia Charter Schools.

(N/A) Data not available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 2001 through 2010

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			
2001	\$ 32,598	\$ 51,606	\$ 67,702	3.95 %	\$ 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	3.55	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	56,092 (5)	52,800
2009	40,870	65,066	84,882	4.07	57,237 (5)	54,319
2010	44,038	63,638	87,428	(2.20)	58,124 (5) (E)	55,350 (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 2002 represent averages for school year 2001/02. 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 2008-09.

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year 2009-2010

	<u>Buildings (1)</u>	<u>Range of Buildings Ages</u>	<u>Square Footage</u>	<u>Official Capacity (9)</u>	<u>Percentage of Capacity Used</u>	
<u>Schools</u>						
Elementary	132	2 yrs to 121 yrs	12,587,849	116,979	79.8	%
Middle	23	10 yrs to 116 yrs	2,930,772	22,021	60.3	
Senior	28	1 yrs to 98 yrs	6,769,563	45,738	61.7	
Senior/Elementary (2)	1	61 yrs	110,193	1,143	75.9	
Special	13	4 yr to 101 yrs	1,542,731	11,961	78.6	
Special/Middle School (3)	4	55 yr to 86 yrs	414,458	3,390	71.1	
Vocational	0	25 yrs to 81 yrs	1,651,851	8,146	73.7	
Vocational/Senior (4)	2	0 yrs to 92 yrs	196,405	1,397	78.1	
Alternative	3	6 yrs to 106 yrs	400,403	3,273	53.1	
<u>Other</u>						
Charter (5)	6	39 yrs to 100 yrs	709,104	4,882	51.1	
Elementary- Annex	7	11 yrs to 85 yrs	277,580	2,075		
Little School Houses (6)	11	9 yrs to 13 yrs	253,996	3,300		
Middle- Annex	1	38 yrs	51,392	280		
Senior-Auto Academy	2	41 yrs to 42 yrs	49,070	N/A		
Community Centers (7)	7	12 yrs to 102 yrs	190,562	N/A		
Primary Education Centers (7)	3	1 yr to 4 yrs	72,915	1,050		
Closed / Vacant Property (8)	10	36 yrs to 109 yrs	1,605,234	7,912	2.6	
<u>Administration</u>						
Administration	3	5 yrs to 42 yrs	864,858			
<u>Transportation</u>						
School Garages	5	15 yrs to 81 yrs	191,133			
Repair Garages	1	40 yrs	10,663			
<u>Athletics</u>						
Fields	16	25 yrs to 89 yrs	201,579			
Pools	2	40 yrs to 60 yrs	29,428			
Fields/Pools	1	32 yrs	8,540			
Field - Administration	1	40 yrs	8,886			

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) School District is in the process of determining disposition based on "Facility Master Plan".
- (9) 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.



The School District of Philadelphia, an equal opportunity employer, will not discriminate in employment or education programs or activities based on race, color, religion, age, national origin, ancestry, handicap, sex, sexual orientation, union membership, or limited English proficiency. This policy of non-discrimination extends to all other legally protected classifications. Publication of this policy in this document is in accordance with state and federal laws including Title IX of the Education Amendments of 1972 and Sections 503 and 504 of the Rehabilitation Act of 1973. Inquiries should be directed to John Byars, Equal Opportunity Compliance Officer, Procurement Department, 440 N. Broad Street, Philadelphia, PA 19130, (215) 400-5345.