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

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

Year Ended June 30, 2011



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, 2011



Marcy F. Blender, CPA
Comptroller

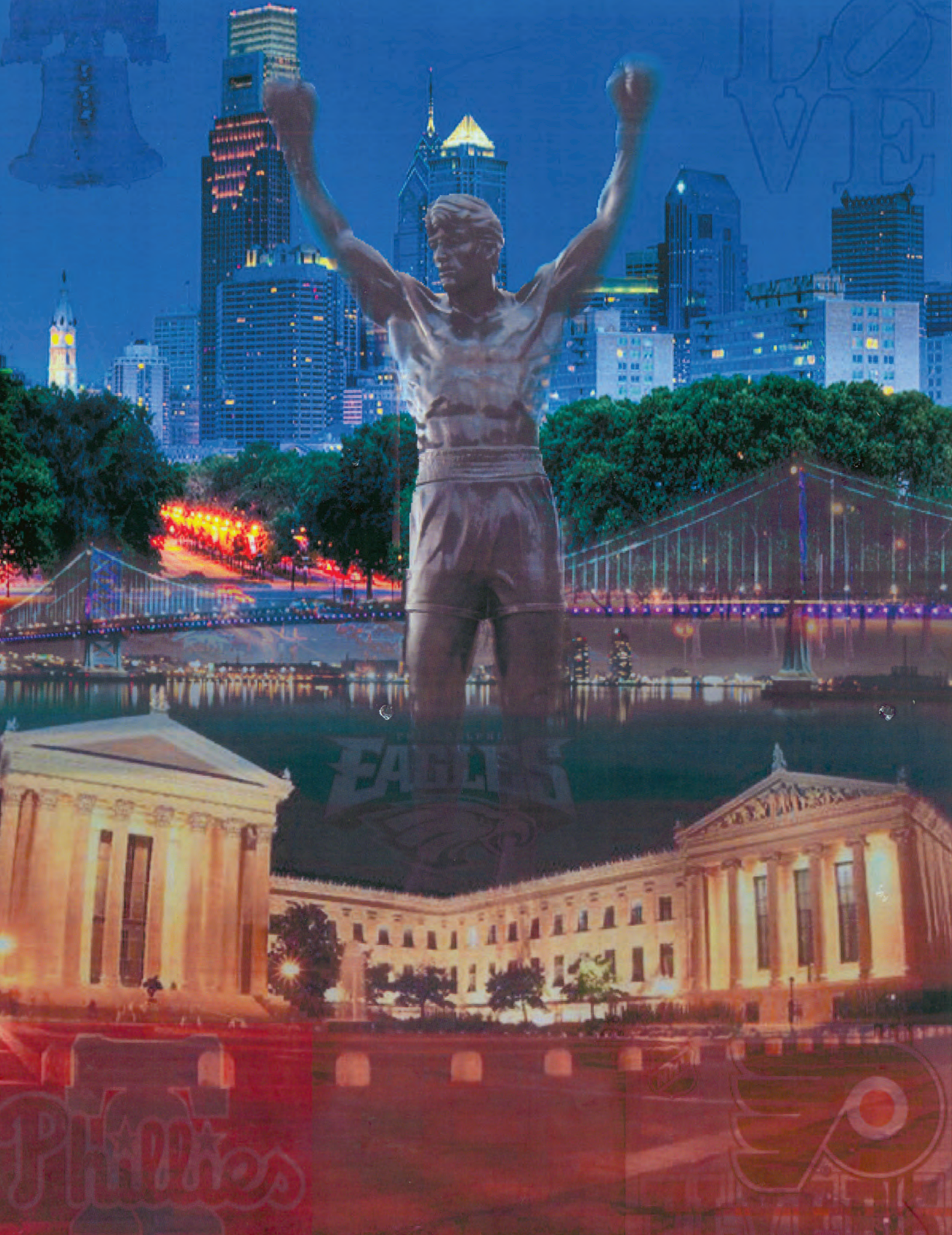
Prepared by
Office of General Accounting

STUDENT ART

The art displayed in this report is the work of Philadelphia School students and was selected from entries submitted to the 2011 Cover Design Contest entitled “The Sights & Sounds of Philadelphia”. This year’s theme celebrates our dynamic, vibrant city whose national landmarks and cultural treasures create a wonderful tapestry of art, architecture, history, sports, food, nightlife and music. From Independence Hall to the Philadelphia Zoo, the City of Brotherly Love 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 Philadelphia and the interesting facts that make our city so unique.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Nicole Timothy Benjamin Franklin High School Grade 12	Mr. Richard Dunoff
2 nd Prize Back Cover	Sean Young Benjamin Franklin High School Grade 12	Mr. Richard Dunoff
3 rd Prize Divider: 1 st	Edward Olmedo Jules E. Mastbaum A.V.T.S. Grade 11	Ms. Katie Newnam
	Fatimah Al-Sulaimani Academy at Palumbo Grade 11	Ms. Kiana Thompson
2 nd	Go Khawm Vung Furness High School Grade 11	Ms. Meredith McDonald
	Abdulaye Soumahoro William L. Sayre High School Grade 12	Ms. Hattie Stroman
3 rd	Alpha Kanu Benjamin Franklin High School Grade 12	Mr. Richard Dunoff
	Jaleel Vicks Benjamin Franklin High School Grade 12	Mr. Richard Dunoff
	Ms. Tessie Varthas, Content Specialist – Art Education Office of Academic Enrichment and Support	





SCHOOL DISTRICT OF PHILADELPHIA

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THE SCHOOL DISTRICT OF PHILADELPHIA

440 NORTH BROAD STREET
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CHIEF RECOVERY OFFICER
ACTING SUPERINTENDANT

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February 10, 2012

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, 2011. 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, 2011, are fairly presented in conformity with GAAP and included an explanatory paragraph regarding the District's ability to continue as a going concern. 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." 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.

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

Although considered a quasi-state agency, the School District directly serves the citizens of the City of Philadelphia, Pennsylvania, the fifth largest city in the United States with a population of over 1.5 million and a land area of approximately 130 square miles. The School District educates 11% of the Commonwealth's 1.7 million public school students. Total enrollment in the School District has declined by about 7.1% over the past decade while charter school enrollment significantly increased. Enrollment for the School District is nearly 198,800 students including 40,483 attending charter school; over 3,800 enrolled in cyber schools and Non-Philadelphia (brick and mortar) charter schools; and 4,906 in alternative education programs/schools.

There are 258 schools that the School District operates, as well as 31 alternative education programs/schools (4 schools and 27 programs) and 74 charter schools managed by other entities within the city and that serve Philadelphia's children. In fiscal year 2011, about one of every four (22.3%) public school students in the School District attended charter schools, making the School District a national leader in providing meaningful school choice to parents and students. The fiscal year 2011 organizational structure for the School District includes 170 elementary schools; 26 middle schools; and 62 high schools.

Due to the age of the School District's buildings, in 2003 the District embarked on an expanded Capital Improvement Plan which is winding down. About 20% of the School District's buildings are 40 years old or less, 41% are between 41 and eighty 80 years old, 39% are 81 years old. The average school age is 63 years old.

The School District provides a comprehensive range of mandated educational services that 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 academic divisions including: one high school division, one Promise Academy division, one middle school division, one alternative schools division, five elementary school divisions 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 Superintendent of Schools/Chief Executive Officer reports to the SRC. The Superintendent of Schools/Chief Executive Officer during the fiscal year 2011 reporting period was Dr. Arlene Ackerman. However, in August

2011, Dr. Ackerman resigned and in January 2012 Thomas E. Knudsen was named Chief Recovery Officer and Acting Superintendent, replacing the previous Acting Superintendent.

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 included as a budgetary reservation in the governmental funds, except in Categorical Funds, since they do not constitute expenditures or liabilities. However, unencumbered appropriations lapse at year-end.

Major Initiatives

The major focus for the District's financial resources in fiscal year 2011 was the implementation of the initiatives and action plans identified for Phase II of the District's five year strategic plan, "Imagine 2014", designed to reshape Philadelphia's public schools. This marked year three of implementation of the plan.

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 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 2011, the District provided funding needed to implement Phase II of the initiatives which included, among others: a) the expansion of the Renaissance School Initiative to turn around Philadelphia's most challenged public schools, b) expansion of class size reductions in Grades K-3, c) expansion of the Summer Learning Academy Model (SLAM), d) core curriculum redesign for the lower performing schools known as empowerment schools and the implementation of the new literacy curriculum for Grades K-8, e) addition of teachers to improve student achievement by adding an additional period in High School and a common planning period, f) continuation and expansion of supports and specialists for the lowest performing schools and, g) continued support of many of the initiatives related to early childhood programs, parent support and engagement, student counseling services, and professional development.

Fiscal year 2011 marks the third consecutive year of the District reporting a positive ending fund balance for its Operating Fund which is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The fiscal year 2011 ending Operating Fund balance is \$54.2 million compared with \$79.9 million for fiscal 2010, as restated for GASB 54 which became effective for fiscal year 2011. Of the total \$54.2 million fund balance for the Operating Fund at June 30, 2011, \$10.2 million is non-spendable and \$13.2 million is encumbered for existing purchase commitments, leaving a fund balance available for future operations of \$30.8

million. Applying the new GASB 54 fund balance definitions to the \$54.2 million ending Operating Fund balance results in the following classifications of fund balances: In the General Fund, a negative \$71.9 million unassigned (consisting of a negative \$82.5 million of unassigned offset by \$10.6 million of encumbrances), \$18.4 million of restricted for self-insurance and, \$10.2 million of non spendable fund balance for inventories and a long-term interfund loan, 2) in the Intermediate Unit Fund, \$2.6 million of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, \$94.9 million is considered restricted for future debt service payments.

By comparison, of the \$79.9 million restated GASB 54 June 30, 2010 Operating Fund balance, \$11.8 million was non-spendable and \$16.3 million was encumbered for existing purchase commitments. The resulting fiscal year 2010 fund balance available for future operations of \$51.8 million (comprised of \$23.7 million set aside as a General Fund Fiscal Stabilization Reserve Fund and \$28.1 million in surplus) was restricted for \$76.8 million of future debt service payments, leaving a negative \$25.0 million available for other future obligations. This represents a \$21.0 million decrease from the fiscal 2010 available Operating Fund balance of \$51.8 million to the \$30.8 million available fiscal 2011 balance.

The SRC on May 26, 2010 adopted the fiscal year 2011 operating budget of \$2,434 million and on May 31, 2011 adopted the amended fiscal year 2011 operating budget of \$2,810 million. Under the new GASB 54 guidelines the fiscal year 2011 ending operating fund balance available for future operations is improved by \$30.8 million from the adopted budget ending fund balance of zero. The reason for this improvement was primarily due to overall lower local revenues resulting from lower delinquent real estate collections than anticipated which were only partially offset by higher local non tax revenues from gaming, the parking authority and other local taxes. The net decrease in revenues by \$5.8 million was favorably offset by lower expenditures due to shifting charter school expenditures to the Pennsylvania Accountability Block Grant, the new self-insured medical program costs coming in better than forecast, lower debt service interest costs due to lower variable market rates, utilities and facilities costs lower than assumed from deregulation and less overtime, eligible Summer Program costs funded by federal grants, and various program savings from Alternative Education, Promise Academies, English Language Learners and Partnership Schools. These lower expenditures were partially offset by higher legal related costs, over appointments of teachers, and higher Special Education costs due to lower ACCESS recoveries than projected resulting in a net favorable expenditure variance of \$39.1 million.

The Capital Improvement Program (CIP) identifies over \$1.1 billion in facilities' needs through fiscal years 2011-2016 to improve major infrastructure systems and buildings. The CIP emphasizes some new construction, major renovations and infrastructure improvements, classroom modernization including new science laboratories and media centers, the small High School initiative, and the phase- out of middle-schools. On May 31 2011, the School District adopted its 2012 Capital Budget and six-year capital improvement program for Fiscal Years 2012-2017 ("Capital Improvement Program" or "CIP") which collectively totals approximately \$981.8 million. The School District amended its capital budget for fiscal year 2011 on May 31, 2011 to total approximately \$223.5 million. The School District presented the new strategic Facilities Master Plan to the Governing Body in the late fall of 2011 and expects the SRC to vote on the plan no later than the spring of 2012, and if approved, it will be implemented over the next two years. The Facilities Master Plan is designed for the primary purpose of creating an efficient use of school facilities that allows programs and resources to be aligned in a way that most benefits the education of students.

The School District continues to also pursue ongoing reductions of administrative costs to maximize resources for its primary educational mission. Effective July 1, 2011 the District through a voluntary retirement program and involuntary forced work reductions in force reduced 50% of its central administrative staff. The School District spends about 4% of its operating budget on administrative costs; one of the lowest rates when compared with other large urban public school systems and 96% of the operating budget is spent on items directly benefiting the schools. Specifically, 72% of that is spent on academic and education support services and the remaining 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 the District's financial planning and policy practices coupled with local social and economic factors, such as:

Financial Planning: Like all school districts across the country, the School District of Philadelphia is facing an unprecedented fiscal challenge in the 2011/2012 school year. Philadelphia public schools face the reality in fiscal year 2012 of extraordinary reductions in state and federal aid, with the only anticipated increases being in local tax revenues which comprise only about 36% of the total operating revenues and 29% of total government fund revenues. A significant portion of the financial cost drivers are related to non discretionary and mandated items such as pension contributions, state-mandated per-student contributions to charter schools coupled with charter school enrollment growth, collective bargaining agreements, debt service costs and special education costs which make up approximately 63% of the operating budget. In addition, the fiscal year 2011 operating budget was balanced through the utilization of one time savings which included: \$23.7 million from the School District's General Fund Fiscal Stabilization Reserve Fund, \$18.8 million of Capital Fund transfer to the General Fund and a \$28.1 million in surplus carried forward from Fiscal Year 2010. The operating budget also included \$109.5 million in Charter School Reimbursements from the State which were discontinued in Fiscal Year 2012, \$121.8 million of onetime PA-Provided State Fiscal Stabilization Funds and \$71 million of onetime PA-Provided Education Jobs Funds.

Faced with a pending fiscal year 2012 overall budget gap of over \$600 million, much of the second half of fiscal year 2011 was spent determining ways to close the gap with the least harmful impacts to the instructional and achievement gains the District has accomplished over the past nine years. Nearly \$400 million of the gap is a result of state and federal funding cuts and the end of the federal stimulus funding. The operating budget is losing about \$194 million in ARRA and Federal Education Jobs funds, of which only about \$90 million is replaced. The State also completely discontinued about \$110 million in Charter School reimbursements. Additionally, there are \$143 million in directly provided stimulus categorical funds that are no longer available to the District. As a result, the District's fiscal year 2012 total revenues are approximately at the same level as fiscal year 2009. The remainder of the gap is comprised of non-discretionary and mandated expenditures of about \$200 million for uncontrollable items such as wage and step increases, charter school per-pupil payments, collective bargaining contractual items, etc. Some of the initiatives the District began in fiscal year 2011 to close the gap included a voluntary early retirement program and mandatory lay-offs effective July 1, 2011, initial implementation of a Facilities Master Plan to dispose of surplus property and optimize school operations through consolidations, closings and other relocations, the re-opening of collective bargaining contracts, implementation of a self-insured medical plan and other District-wide efficiency measures.

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, concentrates on educational programming, and continues to wind down the comprehensive capital improvement program.

The Local Economy: The local economy faces challenges in the current environment of an economic recession which officially began in December 2007 and continues through 2011. During the period between 2000 and 2010 the population of the City increased from 1,517,550 to 1,526,006 and during this same period, the population of the Commonwealth increased by 3.4%.

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 six million residents making it the country's fifth-largest. The City's metropolitan area is the nation's fourth largest retail market with over 2,500 retail stores in Center City Philadelphia. 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 higher education degree granting institutions and a total enrollment of over 300,000 students. 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 leisure/hospitality and education/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 September 2011 unemployment rate for the Philadelphia Metropolitan area was 9.1% which represents a 1% increase from September 2010. The unemployment rate for the City was 11.6% at September 2011 which represents a 6.4% increase from September of 2010.

New Accounting Pronouncements: Effective for fiscal year 2011, the School District has implemented Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions. The GASB 54 revised fund balance classifications and clarified the definition of governmental fund types. The five new classifications of fund balance are: Non Spendable, Restricted, Committed, Assigned and Unassigned. The School District's financial statements for fiscal year 2011 reflect this change in accounting principles. In addition, references to the prior fiscal year 2010 fund balance has been restated to reflect this change as required by the GASB.

Long-term Debt: As of June 30, 2011, the School District's outstanding principal amount of general obligation bonds and lease rental indebtedness was \$3.0 billion. Almost all outstanding bonds issued prior to 2010 (except for its Qualified Zone Academy Bonds) were insured and carried among the highest credit ratings in the industry from Standard & Poor's Rating Services, Moody's Investors Service and Fitch IBCA. The School District thereafter relied on the State Intercept Ratings of As2 from Moody's, A+ from Standard & Poor's and AA from Fitch due to the weakness in the insurance.

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.

On January 3, 2011, the School District successfully implemented a restructuring plan to achieve debt service savings of \$19.4 million for fiscal year 2011. The transaction included un-hedging \$300 million of its variable debt by terminating almost \$363 million of swaps and obtaining new three year line of credits for \$300 million, converting \$56.7 million of its variable rate debt to fixed rate debt and refunding \$13.3 million of debt. The swap termination payments of \$63 million were made from the proceeds of the 2010 E Bonds.

Cash Management Practices: The average yield on all maturing investments during fiscal year 2011 was approximately 0.39% and total interest income was \$2.8 million. This was a \$2.5 million decrease in total interest income over fiscal year 2010 primarily due to lower capital and operating cash balances available for investment and historically low average interest rates.

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.

Conversion to Self-Funded Medical Benefits: For many years, medical benefits for nearly all of its represented and unrepresented employees were procured through a fully-insured medical contract. In addition, specific mandated details of the District's medical benefits plan design are part of collective bargaining agreements. In fiscal year 2010, the fully-insured premium payments had increased by over 10% and the prevailing sentiment predicted continued excessively high increases. In the last round of labor negotiations, which concluded in fiscal year 2010, the unions agreed to a conversion from a fully-insured medical plan to a self-funded, self-insured plan to be implemented in fiscal year 2011. This change was sought because the District's actuary concluded that, if implemented well, a self-funded self insured plan would mitigate the level of annual increases the District would experience in medical costs. As a direct result of the conversion to a self insured plan, total medical costs are projected to decrease by 7% per employee versus FY 2010. In addition, based upon Governmental Auditing Standards (GASB), the District received a one-time benefit of approximately \$13.5 million in fiscal year 2011 from converting to a self-funded plan in the start-up year related to the treatment of normal claim lags representing the amount of claims that the actuary projected to be incurred by year end but not reported or paid; the lag in claims will be realized in the subsequent year.

Pension Funding: The Commonwealth pays the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market value/personal income aid ratio for Fiscal Year 2012 is 72.05 percent. In fiscal year 2012, the employer rate is 8.65% of payroll costs; the employer rate in fiscal year 2011 was 5.64%.

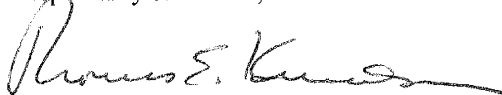
Awards and Acknowledgements

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 2010. 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 2010. 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 2011.

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



Thomas E. Knudsen
Chief Recovery Officer and Acting Superintendent
School District of Philadelphia

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, 2010

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.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

SCHOOL DISTRICT OF PHILADELPHIA

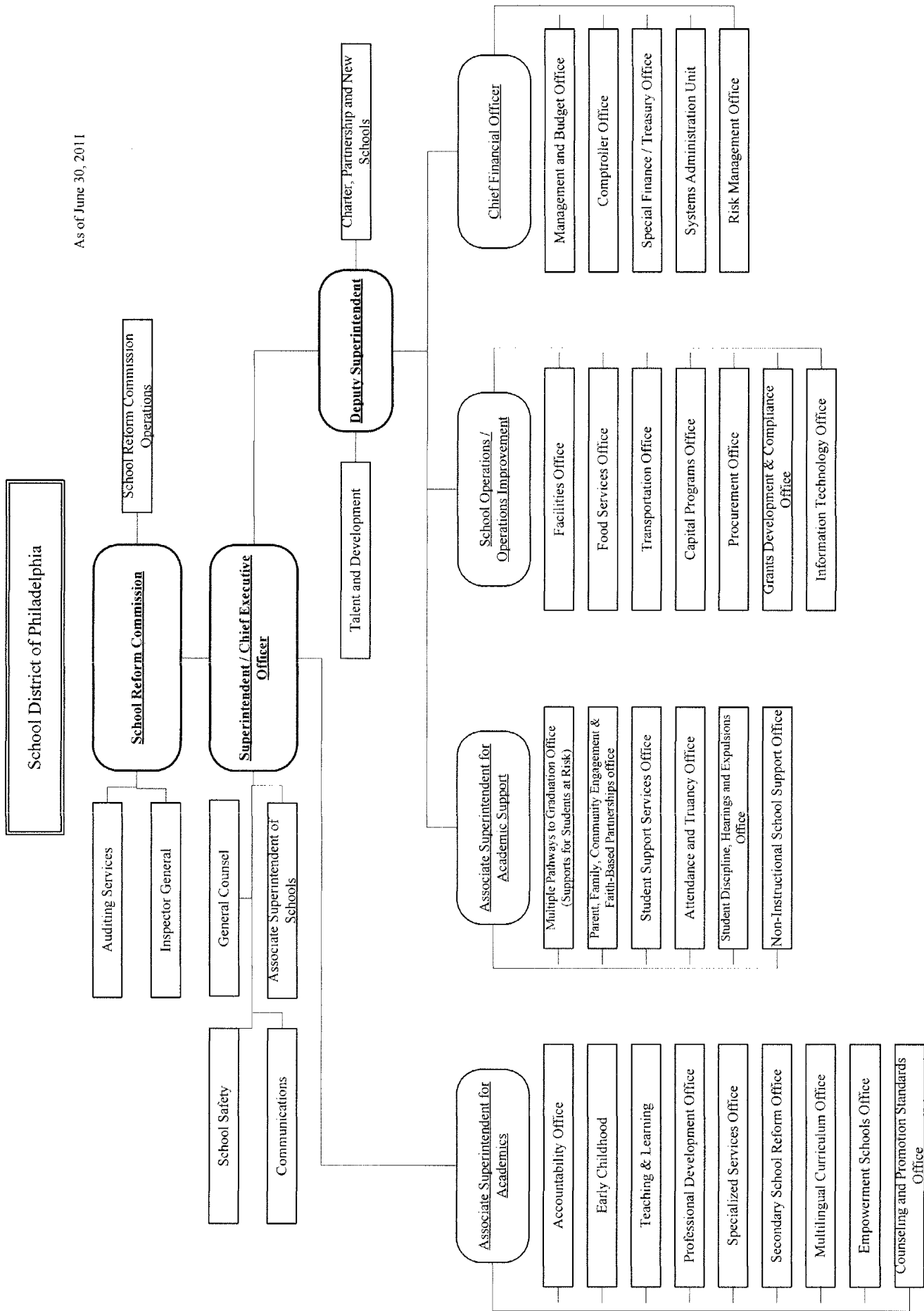
For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2010

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

President

Executive Director



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2011

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

School District of Philadelphia

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

Leroy D. Nunery, Ed. D.
Deputy Superintendent / Deputy Chief Executive Officer

Tomás Hanna
Associate Superintendent of Academic Support

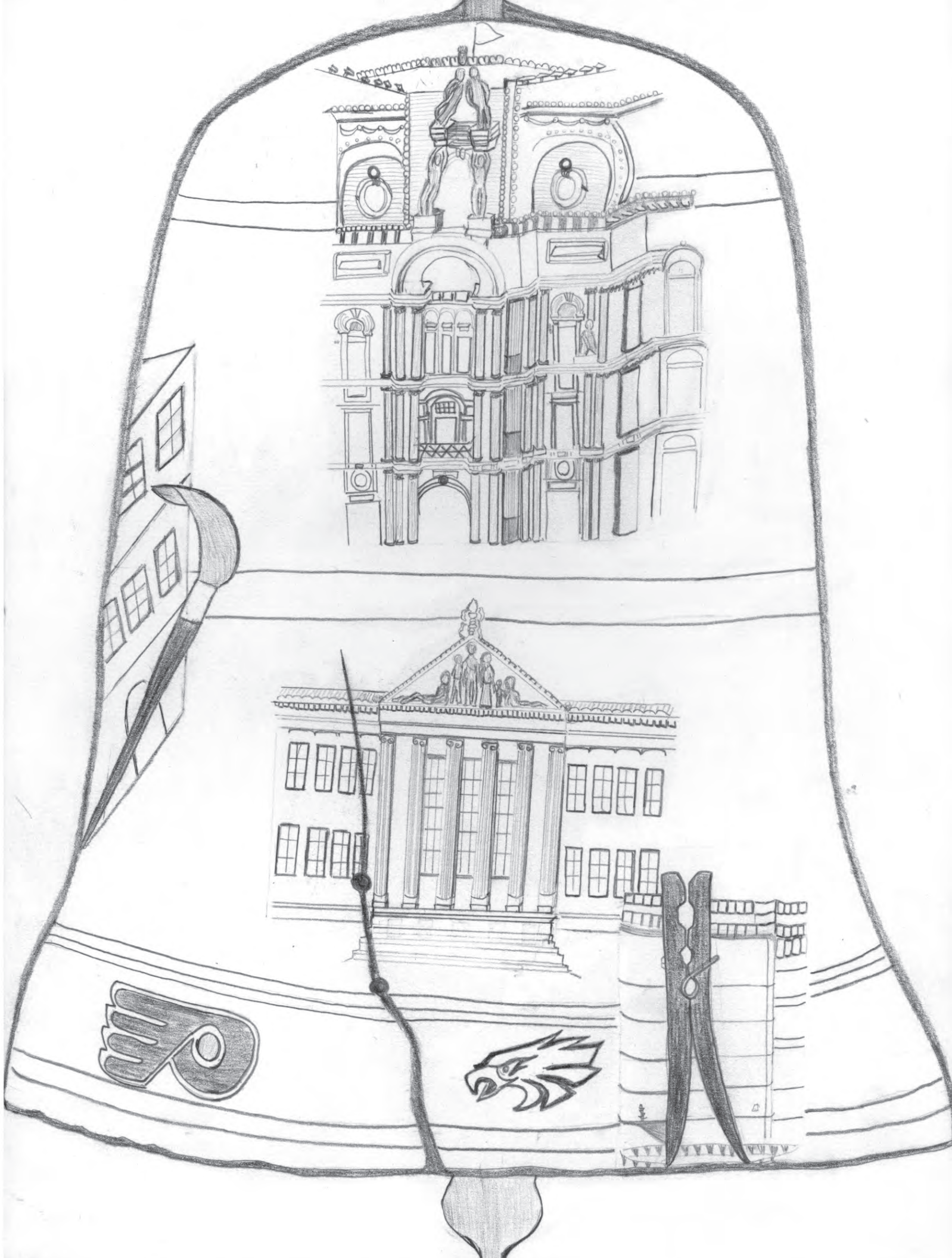
Linda Chen
Associate Superintendent of Academics

Penny Nixon
Associate Superintendent of Schools

Michael J. Masch
Chief Financial Officer

Michael A. Davis
General Counsel

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CITY OF PHILADELPHIA

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

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, 2011, 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. An audit also includes 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, 2011, 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.

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. As more fully described in Note 1.E. to the financial statements, the School District has experienced continued operating funds losses, is projecting significant budget shortfalls for fiscal years 2012 and 2013, and is uncertain about its ability to achieve cost savings and obtain additional funding to overcome these budget shortfalls. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1.E. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

As discussed in Note 1.D.(12) to the financial statements, in 2011 the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 2011 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 basic financial statements for the year ended June 30, 2011 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, 2010, which are not presented with the accompanying financial statements. In our report dated January 28, 2011, we expressed unqualified opinions on the respective 2010 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2010 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, 2010, 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.

February 10, 2012


GERALD V. MICCIULLA, CPA
Deputy City Controller

**SCHOOL DISTRICT OF PHILADELPHIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. 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 nine 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 2011 include, but are not limited to, the following:

- Total revenues for the governmental funds were \$2.9 billion. Revenues include \$72.0 million from the Federal Education Jobs Bill funding and the continuation of the second year of Federal Stimulus funding from the American Recovery and Reinvestment Act of 2009 in the amount of \$280.3 (almost 10 percent of total revenues). About one third of total revenues are received from the PA Basic Education Subsidy (BES). A little under 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 and local non-tax sources, as well as recurring federal grants and subsidies.
- Total expenditures for the governmental funds were \$3.3 billion, which includes \$178.9 million of capital expenditures from funds received in prior years. Approximately ninety five percent (95%) of all

Management's Discussion and Analysis

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 continued with the implementation of Imagine 2014, the 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 II 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 per pupil payments).

- At the end of the current fiscal year, total net assets were (\$1,353.9) million resulting from an excess of liabilities over assets. Bonds payable and premiums on general obligation bonds and other unfunded liabilities, such as the incurred but not reported (IBNR) from the medical benefits self insurance plan, severance payable, workers compensation, 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 Fund. The fiscal year 2011 ending Operating Fund balance is \$54.2 million, as restated for GASB 54 which became effective for fiscal year 2011. Of the total \$54.2 million fund balance for the Operating Fund at June 30, 2011, \$10.2 million is non-spendable and \$13.2 million is encumbered for existing purchase commitments, leaving the fund balance available for future operations of \$30.8 million.
- Under bond covenants, the School District is required to set aside with our fiscal agent from daily local revenue receipts amounts sufficient to meet debt service obligations due at future dates. At year end, the sinking funds in our fiscal agent's custody totaled \$94.9 million from the School District to pay obligations for the next fiscal year.

Financial results for Fiscal Year 2011, compared to Fiscal Year 2010, 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 \$58.8 million compared to Fiscal Year 2010 nearly all the result of Federal Stimulus and Education Jobs Bill funding. Local tax and non-tax revenues decreased by \$16.8 million primarily due to lower delinquent tax and use and occupancy tax collections; partially offset by new gaming revenues and current real estate tax collections. State grants and subsidies remained about flat compared with Fiscal Year 2010 and increased by only \$1.6 million. A portion of the State's Federal SFSF funds (\$121.9 million) and the Federal Jobs Bill funds (\$72.0 million) were provided to the School District to augment the PA Basic Education Subsidy (BES). In total, federal grants and subsidies received directly by the School District increased by \$125.8 million, one hundred percent of which were directly-provided Federal Stimulus dollars of \$158.7 million.
- Total expenditures for the governmental funds increased by \$210.0 million compared to Fiscal Year 2010. These increases were related to expenditure increases in all major Government Funds. These net expenditure increases in all other Government Funds were caused by increases of \$137.3 million in instructional, student support services, administrative support and pupil transportation costs; a \$73.4 million increase in payments to charter schools, a \$45.4 million increase in long-term interest and a \$17.8 million increase to continue with the Capital Improvement Plan (CIP) to build, renovate and improve the infrastructure. These were offset by expenditure decreases of \$53.9 million in operational-related costs, all other support services, and early childhood education along with a reduction of \$10.0 million in other debt service expenditures.
- 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 net change in the debt service fund balance increased by \$12.9 million from Fiscal Year 2010 to Fiscal Year 2011. This improvement reflects: a strategic refunding which resulted in net proceeds of \$36.5 million, more sources of financing from tax revenues and state subsidies of \$13.4 million, larger principal and interest payments of \$35.3 million and a reduction in revenues from interest earnings and variable rate income of \$1.6 million.
- The Operating Fund balance of \$54.2 million as of June 30, 2011 reflects a \$25.8 million decrease from the Fiscal Year 2010 balance. This is primarily the result of several factors: 1) Debt Service savings from

the strategic refunding of variable rate debt, 2) the transfer of the Capital Fund reserves back to the General Fund, 3) revenues from the Federal Stimulus and Education Jobs Bill funds, 4) the proceeds from the sale of capital assets, and 5) lower early childhood expenditures. These favorable impacts were mostly offset by the following expenditure increases: 1) higher expenditures for student direct and indirect instructional support as part of the 2014 Strategic Plan initiatives, 2) a significant increase in charter school per pupil payments due to higher enrollments and increases in per student payments, and 3) lower indirect cost recoveries for food services.

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 2011. 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, 2011. 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, 2011
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2011	2010	2011	2010	2011	2010
Current & Other Assets	\$ 792.1	\$ 952.9	\$ (0.9)	\$ (3.6)	\$ 791.2	\$ 949.3
Capital Assets	1,996.5	1,945.8	2.9	3.2	1,999.4	1,949.0
Total Assets	\$ 2,788.6	\$ 2,898.7	\$ 2.0	\$ (0.4)	\$ 2,790.6	\$ 2,898.3
Liabilities						
Long-Term Liabilities	\$ 3,779.2	\$ 3,757.8	\$ 3.0	\$ 3.2	\$ 3,782.2	\$ 3,761.0
Other Liabilities	356.9	383.9	5.4	4.3	362.3	388.2
Total Liabilities	\$ 4,136.1	\$ 4,141.7	\$ 8.4	\$ 7.5	\$ 4,144.5	\$ 4,149.2
Net Assets						
Invested in Capital Assets - Net of Related Debt	\$ (126.0)	\$ (27.7)	\$ 2.9	\$ 3.3	\$ (123.1)	\$ (24.4)
Restricted	123.3	87.4	-	-	123.3	87.4
Unrestricted	\$ (1,344.8)	(1,302.7)	\$ (9.3)	(11.2)	(1,354.1)	(1,313.9)
Total Net Assets	\$ (1,347.5)	\$ (1,243.0)	\$ (6.4)	\$ (7.9)	\$ (1,353.9)	\$ (1,250.9)

For the Fiscal Year ending June 30, 2011, the School District's total net assets were (\$1,353.9) million. This negative net asset amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,354.1) million is unrestricted. This balance also reflects a decrease of \$103.0 million from Fiscal Year ending June 30, 2010. This decrease was caused primarily by a net decrease in receivables, internal balances, inventory, cash and cash equivalents and pooled cash and investments of \$170.9 million; a decrease of \$71.6 million in deferred outflows for derivatives; an increase in capital asset investments related to the Capital Improvement Program (CIP) of \$50.4 million and in deferred charges of \$52.1 million; a net increase in due from other governments of \$32.4 million primarily for categorical programs; an increase in unearned revenues primarily from categorical funds of \$74.2 million; a net decrease in accounts payable, overpaid taxes, other short-term payables and accrued salaries and benefits of \$19.1 million; a

Management's Discussion and Analysis

decrease in derivative swap liabilities of \$84.9 million; a decrease in bonds payable and bond debt related liabilities of \$11.5 million; an increase in termination pay, severance pay and workers compensation pay liabilities of \$40.0 million, and the combination of various net decreases to net assets of \$3.3 million.

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

Changes in Net 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, 2011
(Dollars in Millions)
Table 2

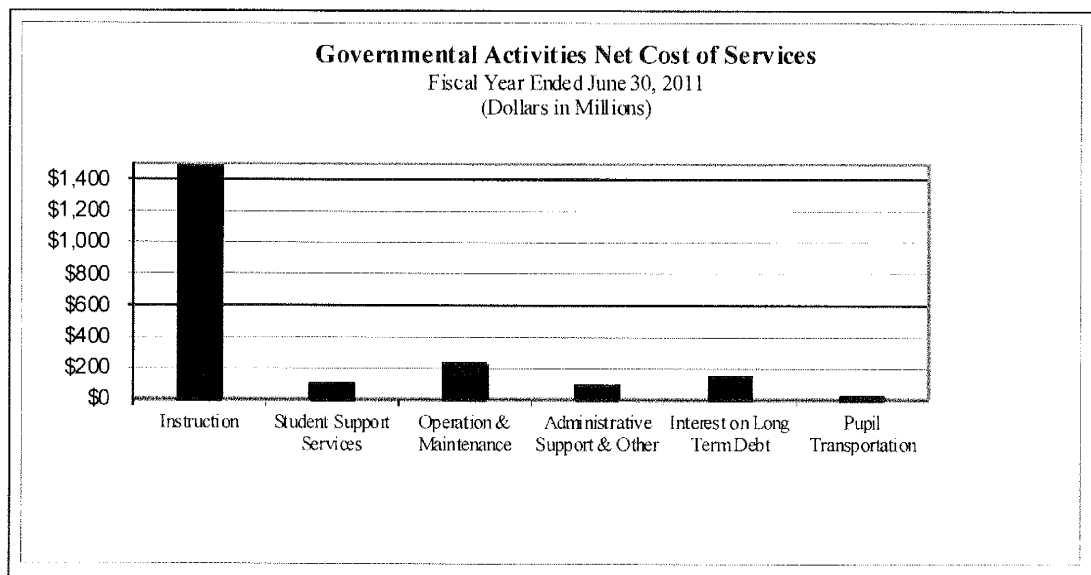
	Governmental Activities		Business-Type Activities	
Revenues	2011	2010	2011	2010
Program Revenues				
Charges for Services	\$ 5.8	\$ 5.7	\$ 2.7	\$ 3.3
Operating Grants & Contributions	1,046.9	1,001.4	79.5	76.9
Capital Grants & Contributions	1.2	0.1	-	-
General Revenues				
Property Taxes	605.2	608.4	-	-
Other Taxes	186.4	177.2	-	-
Grants & Contributions Not Restricted	69.0	63.5	-	-
State & Federal Subsidies Not Restricted	1,089.7	1,018.8	-	-
Investment Revenue	13.3	2.3	-	-
Total Revenues	\$ 3,017.5	\$ 2,877.4	\$ 82.2	\$ 80.2
Expenses				
Instruction	\$ 2,268.3	\$ 2,033.8	\$ -	\$ -
Student Support Services	255.0	240.9	-	-
Administrative Support & Other	273.8	274.2	-	-
Pupil Transportation	81.2	76.2	-	-
Operation & Maintenance	241.4	256.3	-	-
Early Childhood Education	1.5	20.5	-	-
Food Service	-	-	81.0	80.7
Total Expenses	\$ 3,121.2	\$ 2,901.9	\$ 81.0	\$ 80.7
Excess (Deficiency) before Transfers	\$ (103.7)	\$ (24.5)	\$ 1.2	\$ (0.5)
Transfers	\$ (0.3)	\$ (0.5)	\$ 0.3	\$ 0.5
Increase/(Decrease) in Net Assets	\$ (104.0)	\$ (25.0)	\$ 1.5	\$ -
Net Assets - Beginning	\$ (1,243.0)	\$ (1,176.1)	\$ (7.9)	\$ (7.9)
Prior Period Adjustment	(0.5)	(41.9)	-	-
Net Assets - Ending	\$ (1,347.5)	\$ (1,243.0)	\$ (6.4)	\$ (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, 2011
(Dollars in Millions)
Table 3

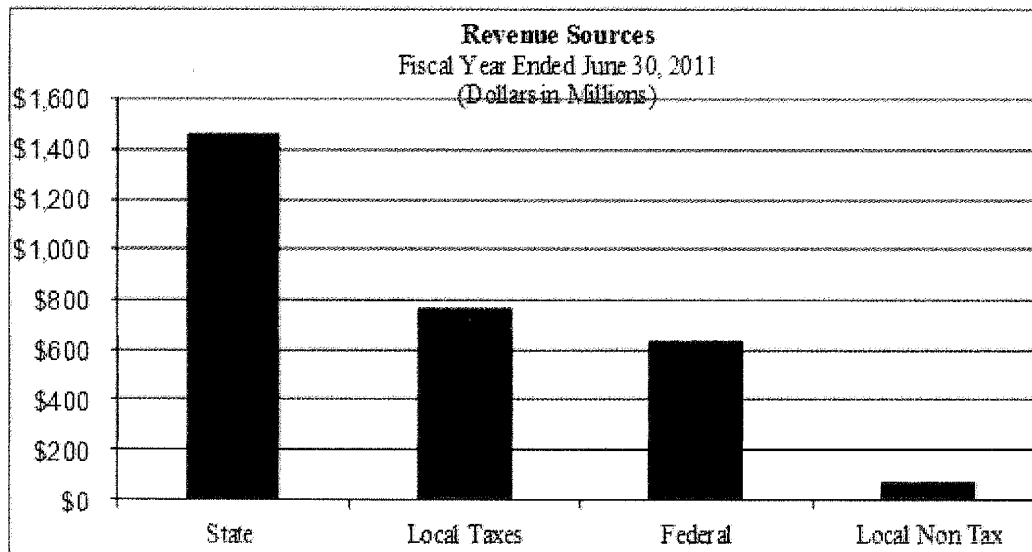
Functional Expense	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,268.3	\$ 1,499.5
Student Support Services	255.0	98.1
Operation & Maintenance	241.4	226.2
Administrative Support & Other	126.4	88.3
Interest on Long Term Debt	147.5	140.1
Pupil Transportation	81.2	15.2
Food Service	81.0	(1.2)
Early Childhood Education	1.5	-
Total Expenses	<u>\$ 3,202.3</u>	<u>\$ 2,066.2</u>



Major Sources of Revenues

The School District's overall revenues are derived primarily from four sources: (i) state grants and subsidies totaling 49.8%; (ii) local taxes and non-tax revenues totaling 28.7%; (iii) recurring federal grants and subsidies totaling 9.5 % and (iv) Federal Stimulus grants totaling 12.0% including PA-provided Federal SFSF funds and the Education Job Bills 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 (Special Education) funds and Education Jobs Bill funds.

The following bar graph illustrates the School District's major sources of revenues for all Governmental Funds for Fiscal Year 2011:



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, on the next page, 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 and the Education Jobs Bill funding in the General Fund of \$193.8 million and the Categorical Funds of \$158.5 million. Total revenues for all Governmental Funds of \$2,930.9 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, 2011
(Dollars in Millions)
Table 4

<u>Revenue Source</u>	<u>General Fund</u>	<u>Intermediate Unit Fund</u>	<u>Categorical Funds</u>
Local Taxes	\$ 767.6	\$ -	\$ -
Local Non-Tax	66.1	0.4	2.8
State Grants and Subsidies	1,219.8	85.8	151.3
Federal Grants and Subsidies	199.9	-	432.2
Total Revenue	<u>\$ 2,253.4</u>	<u>\$ 86.2</u>	<u>\$ 586.3</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 a negative ending fund balance of \$43.4 million on June 30, 2011. For Fiscal Year 2011, there was an excess of revenues over expenditures of \$371.3 million and net transfers to other funds of \$416.5 million which together resulted in a \$45.2 million negative impact to the ending fund balance.

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 2011, the Intermediate Unit Fund had a \$1.4 million net increase in fund balance which resulted in an ending fund balance of \$2.6 million at June 30, 2011.

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 \$39.0 million net decrease in fund balance which added to the Fiscal Year 2010 negative ending fund balance to result in a negative \$54.6 million at June 30, 2011. The primary reason for this decrease was that the Fiscal Year 2010 deferred balance of \$15.6 million was received during Fiscal Year 2011. At June 30, 2011, this \$54.6 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 2011, the Debt Service Fund reflects a \$18.1 million net increase in fund balance to \$94.9 million as of June 30, 2011. The primary reason for this increase was a strategic refunding of variable rate debt. Debt Service expenditures of \$276.0 million and defeasance payments restructuring of variable rate bonds of \$368.3 million, were offset by interfund transfers of \$221.0 million, refunding proceeds of \$433.6 million, capital asset proceeds of \$5.7 million and revenues of \$2.1 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 2011, the payment of capital outlays and the transfer out of a capital reserve resulted in a negative net change of \$195.0 million in the Capital Projects Fund which decreased the fund balance as of June 30, 2011 to \$86.2 million. New building construction totaling \$88.3 million, capital alterations and improvements totaling \$74.6 million and equipment acquisitions totaling \$16.0 million and a transfer of \$18.8 million to the General Fund offset by revenues of \$2.7 million.

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 \$6.4 million at the end of Fiscal Year 2011 which reflects a \$1.5 million improvement from the previous fiscal year and was used to payback the long-term 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, 2011
(Dollars in Millions)

Table 5

Fund	Fiscal Year 2011	Fiscal Year 2010
General	\$ (45.2)	\$ (7.7)
Intermediate Unit	1.4	(1.2)
Categorical	(39.0)	3.4
Debt Service	18.1	5.2
Capital Projects	(195.0)	101.8
Enterprise	1.5	-
Non-Major Governmental	0.1	0.1
Total Change in Fund Balance	\$ (258.1)	\$ 101.6

Total Fund Balances for Major and Non-Major Governmental Funds
As of June 30, 2011
(Dollars in Millions)
Table 6

<u>Fund</u>	Fiscal Year	Fiscal Year
	2011	2010
General	\$ (43.4)	\$ 1.9
Intermediate Unit	2.6	1.2
Categorical	(54.6)	(15.6)
Debt Service	94.9	76.8
Capital Projects	86.2	281.2
Enterprise	(6.4)	(7.9)
Non-Major Governmental	6.4	6.3
Total Fund Balance	<u>\$ 85.7</u>	<u>\$ 343.9</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 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 2011, the final budgeted General Fund revenue was \$51.8 million lower than the original May 2010 adopted budget. This resulted primarily from a decrease of \$33.7 million in total Commonwealth Basic Education Subsidy which includes the Federal Jobs Education funding and the Stimulus funding, a decrease of \$16.5 million in State pension plan reimbursements due to the decrease in the employer contribution rate, a decrease of \$3.7 million in Charter School funding, offset by an net increase of \$2.2 million in all other revenues.

The anticipated obligations in the final General Fund budget represented an increase of \$26.9 million over the original adopted budget. This increase resulted primarily from the following increases in budgets: 1) charter school payments of

Management's Discussion and Analysis

\$44.1 million due to higher enrollments and per student charges offset by a \$16.3 million reduction in the Operations and Maintenance budget. All other budgets contributed a net decrease of \$0.9 million.

The anticipated Other Financing Sources/(Uses) in the final General Fund budget were \$33.0 million favorable over the original adopted budget. This resulted from an increase of \$18.8 million in sources due to the transfer of funds from the Capital Projects fund, an \$18.3 million decrease in transfers to the Debt Service Fund due to lower debt service principal and variable rate swap payments offset by an increased use of \$4.1 million from the IU Fund for Special Education administrative service reimbursements.

The ending General Fund balance variance from the final budget at June 30, 2011 is a positive \$51.4 million. This was primarily as a result of the receipt of \$21.6 million from the Accountability Block Grant funding passed in the Commonwealth's Fiscal Year 2011-12 Enacted Budget which was used to defray a portion of the District's per student payment costs in Fiscal Year 2011. The remainder of the favorable variances relates to several factors which include lower utility costs, a hiring freeze resulting in lower personnel and benefits costs, the conversion to a self insured medical plan, lower costs than projected for summer programs and promise academies; offset by higher expenditures for athletics, transportation, lower recoveries for ACCESS/Medicaid reimbursements, and overages resulting from teachers on school payrolls who were not budgeted.

Actual General Fund revenues of \$2,253.4 million are \$6.9 million less than those estimated in the final General Fund budget of \$2,260.3 million. Actual General Fund obligations totaling \$1,877.2 million were \$33.9 million lower than estimated in the final budget of \$1,911.1 million. Other financing sources/uses of \$416.9 million were \$3.6 million below the final budget and there was a favorable \$20.8 million variance between the final budget and actual beginning fund balance and changes in reserves.

The actual ending General Fund balance available for spending at June 30, 2011 of a negative \$64.2 million was \$30.6 million favorable from the final budget ending balance of a negative \$94.8 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, 2011

(Dollars in Millions)

Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 2,312.1	\$ 2,260.3	\$ 2,253.4	\$ (6.9)
Total Obligations	1,884.2	1,911.1	1,877.2	33.9
Total Other Financing Sources/(Uses)	(453.5)	(420.5)	(416.9)	3.6
Net Change in Fund Balance	(25.6)	(71.3)	(40.7)	30.6
Fund Balance Beginning of Year	(74.1)	(23.5)	1.9	25.4
Change in Reserves	-	-	(4.6)	(4.6)
Fund Balance End of Year	\$ (99.7)	\$ (94.8)	\$ (43.4)	\$ 51.4

During Fiscal Year 2011, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$6.9 million unfavorable variance due to a \$10.5 million reduction in taxes (primarily in delinquent real estate taxes), a \$6.3 million reduction in debt service reimbursements offset by a \$7.2 million

Management's Discussion and Analysis

increase in social security and retirement revenues, a \$2.3 million increase in local non tax revenues, and \$0.4 million net all other revenues.

- Obligations were \$33.9 million less than budgeted primarily due to \$25.7 million favorable variance in Operation and Maintenance services, \$18.2 million favorable variance in All Other Support Services, and \$12.2 million lower than budgeted charter payments (the Accountability Block Grant funding passed in the Commonwealth's Fiscal Year 2011-12 Enacted Budget was used to defray a portion of the District's per student payment costs in Fiscal Year 2011). These favorable variances were offset by higher than budgeted expenditures in Instruction and Allocated Costs, where savings are realized in Operations and other areas of the budget.
- Other Financing Sources/(Uses) were \$3.6 million favorable from the final budget. Sources of funds increased due to the following factors: 1) a lower than budgeted transfer to the Debt Service fund of \$8.9 million, 2) a \$5.2 million higher than budgeted transfer to the IU for special education services, and 3) net all other transfers of \$0.1 million.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2011, the School District had \$3,415.1 million invested in capital assets. Over the years, these assets have depreciated by \$1,415.8 million leaving a carrying value of \$1,999.3 million. This represents an increase of \$50.3 million over the Fiscal Year 2010 ending balance. Table 8 represents Net Capital Assets net of prior period adjustments. Refer to Note 4C, page 68 for additional information.

Net Capital Assets
As of June 30, 2011
(Dollars in Millions)
Table 8

Capital Asset Category	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Land	\$ 131.8	\$ 119.2	\$ -	\$ -
Buildings & Improvements	1,613.6	1,397.9	-	-
Personal Property	101.6	104.2	2.9	3.2
Construction In Progress	149.4	324.5	-	-
Total Net Book Value	<u>\$ 1,996.4</u>	<u>\$ 1,945.8</u>	<u>\$ 2.9</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 Statement of Net Assets includes deferred debt issuance costs, deferred refunding charges, bond premiums, bond discounts, and bonds payable which are amortized over the life of the issued or refunded bonds.

On January 3, 2011, the School District issued General Obligation Refunding Bonds in the aggregate amount of \$425.9 million. The School District refunded \$355.4 million of the Series 2008 A and B Bonds to allow for the termination of

the interest rate management agreements that were related to these bonds. Of the \$425.9 million of refunding bonds, the Series E Bonds of 2010 in the aggregate principal amount of \$125.9 million funded the swap termination payment of \$63.0 million, converted a portion of the School District's variable rate debt to fixed rate debt, to refund a portion of the principal and interest of the Series 2002A, 2005B, 2005D, and 2010A for \$13.3 million savings and paid the costs of issuance. The Series F and G bonds of 2010 in the aggregate principal amount of \$300.0 million was issued as unhedged variable rate debt to take advantage of historically low variable interest rates.

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

Long-Term Obligations Outstanding

As of June 30, 2011

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Total Bonded Debt	\$ 2,866.3	\$ 2,932.5	\$ -	\$ -
Employee Related Obligations	534.2	472.7	3.0	3.3
Due to Other Governments	45.3	50.7	-	-
Other	121.4	142.0	9.1	-
Total Long-Term Obligations Outstanding	<u>\$ 3,567.2</u>	<u>\$ 3,597.9</u>	<u>\$ 12.1</u>	<u>\$ 3.3</u>

Total long-term obligations outstanding for governmental activities decreased by \$30.7 million. This includes a decrease in bonded debt of \$66.2 million with a corresponding increase in employee obligations of \$61.5 million. All other long-term obligations decreased by \$26.0 million. Refer to Note 4D(2), pages 69-76 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District experienced operating losses of \$3.7 million and \$25.7 million for the fiscal years ended June 30, 2010 and 2011 respectively, (without considering positive opening fund balance amounts), and faces similar projected shortfalls for Fiscal Years 2012 and 2013. The Independent Auditor's Report for the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011 included an explanatory paragraph regarding the School District's ability to continue as a going concern.

Critical to maintaining a balanced budget for Fiscal Year 2011 was the reduction of operating expenditures in discretionary areas and new cost savings initiatives such as utility deregulation, a job hiring freeze and a self insurance medical plan. These initiatives were coupled with the non-recurring receipt of almost \$200 million in Federal Education Jobs Bill and Federal Stimulus operating revenues in Fiscal Year 2011. In addition, one-time sources including the carry forward of the Fiscal Year 2010 positive operating fund balance of \$28.1 million, the transfer back to the General Fund of Capital Fund reserves originally set-aside for start-up costs for a new ERP System of \$18.8 million, the release of \$1.5 million in Food Services reserves and the use of a \$23.7 million Fiscal Stabilization Reserve Fund established in the prior fiscal year assisted in achieving a budget surplus in the Fiscal Year 2011.

While the combined operating funds' available fund balance at June 30, 2011 was \$30.8 million (\$18.4 million of which were set aside to pay Fiscal Year 2012 healthcare self-insurance claims), the School District was faced with a projected budget shortfall of over \$629 million in Fiscal Year 2012. Therefore, executive management of the School District, along with the School Reform Commission, in the spring of 2011 began to implement a Gap Closing Plan which included several initiatives in Fiscal Year 2011 to ensure not only a balanced budget, but a positive fund balance carryover.

Management's Discussion and Analysis

In Fiscal Year 2012, federal and state funding sources decreased by \$409 million. The School District also faced anticipated mandated expenditure increases in Fiscal Year 2012 due to: (1) projected mandated charter school increases of \$39.0 million; (2) higher pension payments of \$17.0 million, and (3) other mandated increases of \$99.6 million due to a variety of factors offset by an increase in Commonwealth's pension reimbursement and all other revenues of \$21 million. The District will need to continue its efforts to aggressively seek additional cost savings and/or revenue sources in the future.

A number of events occurred subsequent to the adoption of the Fiscal Year 2012 Operating Budget that affected implementation of the Gap Closing Plan, including the adoption of a budget by the Commonwealth of Pennsylvania, additional moneys and additional taxing authority by the City of Philadelphia to the School District, and the restoration of certain services. Additionally, portions of the Gap Closing Plan which was implemented represent non-recurring savings and expenditure deferrals of \$169.0 million.

As of February 3, 2012, the School District's estimated budget shortfall for fiscal year 2012 was \$70.8 million. The School District has identified areas where \$32.0 million of savings are in the process of being implemented with the remaining \$38.8 million budget shortfall remaining to be addressed.

The non-recurring savings which were part of the Gap Closing Plan and other anticipated increases in expenses (without consideration of further action by the School Reform Commission) will also significantly impact the School District's Fiscal Year 2013 budget. As of January 19, 2012, the School District estimated its projected fiscal year 2013 starting operating funds budget shortfall to be \$269 million. This amount could increase if the fiscal year 2012 projected shortfall is not closed.

Once revenue estimates are available, the School Reform Commission is prepared to take all necessary actions and to exercise its statutory powers legally authorized by the Public School Code to balance the Fiscal Year 2013 budget, including: (1) reduction of facilities costs through implementation of the District's Facilities Master Plan, (2) reduction of administrative costs through reorganization of central office functions; while maintaining essential service levels for schools, and 3) altering, amending or canceling contracts.

The School District is a political subdivision of the Commonwealth and receives legally mandated funding from the Commonwealth as well as the City of Philadelphia through the imposition of local taxes. Annual recurring revenues are thereby assured. Furthermore, the School Reform Commission is legally authorized to take the steps required to continue the operation of the School District, as provided in the Public School Code of 1949, as amended (the "School Code"). Among others, the School Reform Commission is empowered to cancel or to renegotiate any contract other than teacher contracts to which it or the School District is a party, if such actions will result in needed operational economies.

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 nine 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 71 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.

Charter Schools remain highly dispersed geographically, with the students enrolled in Charter Schools not all coming from the same classroom, grade level or even from the same school or neighborhood. Therefore, given these realities, the School District has been unable to make dollar-for-dollar reductions in cost areas such as the number of principals, 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, the revenues for these student costs were not ever provided to the School District in prior years, but are now a part of the Charter School system for which the School District has to provide per pupil payments. In Fiscal Year 2011, the School District paid charter

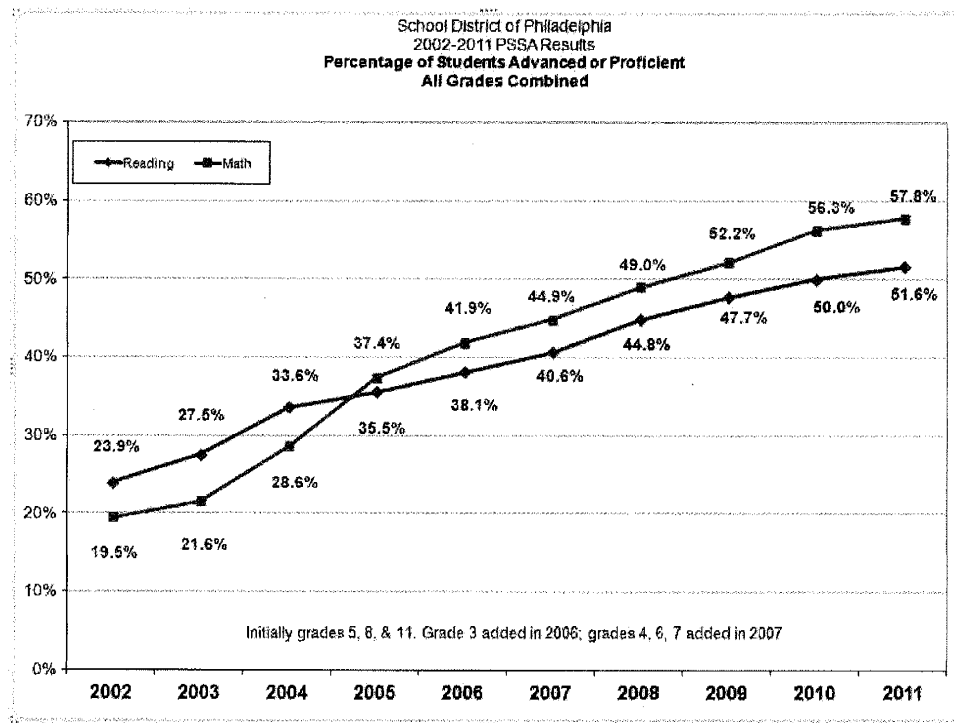
schools on a per pupil basis \$8,608.00 for a regular education student and \$18,512.20 for a special education student. The School District's Charter School obligations increased by about \$85.5 million compared to the prior year, while the State Charter School reimbursement decreased by \$5.5 million. As a result, the impact of Charter Schools to the District's operating budget has increased both due to increases in Charter School costs driven by increased enrollments and per pupil 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 2010, 89.9% 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 2011, the percentage of highly qualified teachers was 88.8% and the number of fully certified teachers held steady at 97.0%.

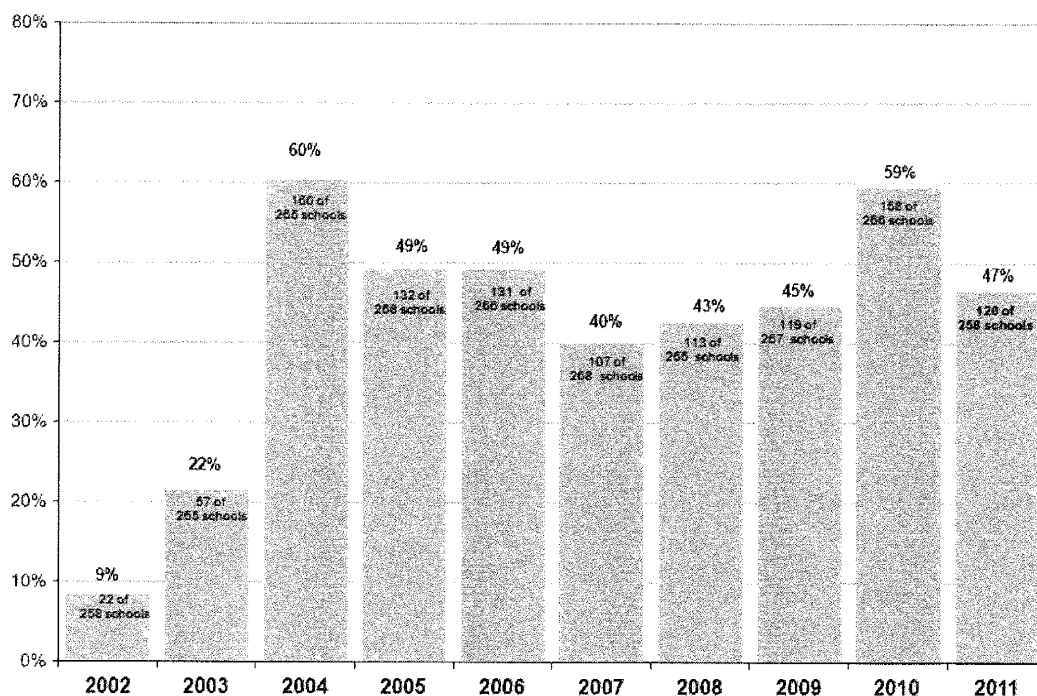
Academic Achievement

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% in 2002 to 51.6% in 2011, an increase of 28.7%. In math, the percentage of students achieving a proficient score or above increased from 19.5% in 2002 to 57.8% in 2011, an increase of 38.3%. 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% 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% of School District schools (158 of 266) made AYP, despite tougher targets. In 2011, 47% (120 of 258 schools) made their AYP targets, which was the third highest percentage in the history of Philadelphia. See chart on the next page.



School District of Philadelphia
Number and Percentage of Schools Making AYP 2002–2011



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 2010 to Fiscal Year 2011.

There has been significant focus and much improvement to school safety over the past several years and in particular in Fiscal Year 2011. Much of this improvement has been due to an emphasis on school safety team meetings and stronger collaboration between SDP offices and the Philadelphia Police Department. The District also established the “focus schools list” that provided direct academic and safety supports to the neediest schools.

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 2011, nineteen (19) schools are identified as “Persistently Dangerous.” The nineteen (19) Philadelphia schools designated Persistently Dangerous in Fiscal Year 2011 have made significant progress over the past year. Eleven (11) schools are no longer designated as PDS (1 of the 11 became a Charter school but is still considered PDS) and eight (8) 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 based interventions.

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 Student Conduct. This process is overseen by the Office of Hearings and Expulsions. All of the contracted provider transition schools in the SDP Alternative Education Division, as well as the School District managed 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 comprehensive 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 Alternative Education, provides resources for the students through the alternative models of Educational Options Program (EOP), Transition Schools, or Accelerated/Multiple Pathways to Graduation programs. These schools and opportunities provide support, intervention and strategies for students and parents to keep students in school and responsible for their actions in addition to providing for education at grade and age appropriate levels with a goal of graduation. Students can be referred to Alternative Education programs through self-referrals, transfers, and the comprehensive student assistance process for a change in placement. In addition, the Re-Engagement Center also provides the support and resource for admission to these programs for students that have been disconnected or disengaged from the educational setting in Philadelphia. Transition schools offer the programs that support promotion and graduation with a personalized learning plan model integrated with the core curriculum for academics and the Accelerated school model provides the same with an enhanced pace of study that supports a student that is over aged/under credited to graduate within two and a half years with a high school diploma.

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 modified five to 10 day transition program that is a collaboration with the Office of Juvenile Probation and the Department of Human Services, that assesses and evaluates 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 supports the referrals of students to the Philadelphia Youth Development Academy (transition school) located in the Hunting Park section of Philadelphia. This is a District managed academy primarily geared 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 \$1.2 billion from Fiscal Year 2011 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 Thomas E. Knudsen, Chief Recovery 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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 575,497	\$ 2,591	\$ 578,088
Cash and Investments with Fiscal Agent	94,811,937	-	94,811,937
Equity In Pooled Cash and Investments	51,674,592	-	51,674,592
Deferred Outflows of Resources	33,232	-	33,232
Taxes Receivable (Net)	163,941,317	-	163,941,317
Due from Other Governments	130,059,183	13,536,069	143,595,252
Accounts Receivable (Net of Allowance)	5,073,493	157,441	5,230,934
Accrued Interest Receivable	316,464	-	316,464
Internal Balances	15,916,147	(15,916,147)	-
Third-Party Receivable	-	-	-
Inventory	1,449,976	1,289,840	2,739,816
Prepaid Expenses	62,122	-	62,122
Deferred Debt Issuance Cost	29,732,129	-	29,732,129
Deferred Charge Refunding	182,352,231	-	182,352,231
Restricted Assets:			
Cash and Cash Equivalents	89,521,162	-	89,521,162
Cash and Investments Held by Trustee	8,220,630	-	8,220,630
Funds on Deposit	18,375,000	-	18,375,000
Capital Assets:			
Land	131,840,584	-	131,840,584
Artwork	8,078,050	-	8,078,050
Buildings and Improvements	2,831,189,554	-	2,831,189,554
Personal Property	278,169,379	16,302,469	294,471,848
Construction in Progress	149,527,375	-	149,527,375
Accumulated Depreciation	(1,402,341,676)	(13,374,891)	(1,415,716,567)
Total Assets	2,788,578,378	1,997,372	2,790,575,750
LIABILITIES			
Accounts Payable	91,755,029	4,875,485	96,630,514
Overpayment of Taxes	9,987,131	-	9,987,131
Accrued Salaries and Benefits Payable	58,209,607	506,052	58,715,659
Termination Compensation Payable	14,596,955	-	14,596,955
Severance Payable	14,433,248	-	14,433,248
Other Liabilities	667,490	-	667,490
Derivative Instrument - Swap Liability	26,290,229	-	26,290,229
Unearned Revenue	100,478,843	-	100,478,843
Due to Other Governments	4,154,441	-	4,154,441
Bond Interest Payable	36,312,644	-	36,312,644
Non-Current Liabilities			
Due within one year	288,160,608	300,000	288,460,608
Due in more than one year	3,491,002,031	2,730,628	3,493,732,659
Total Liabilities	4,136,048,256	8,412,165	4,144,460,421
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(125,999,313)	2,927,578	(123,071,735)
Restricted for:			
Medical Self-Insurance	18,375,000	-	18,375,000
Debt Service	94,900,745	-	94,900,745
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	3,495,500	-	3,495,500
Non-Expendable - Scholarships	2,891,415	-	2,891,415
Arbitrage Rebate Payable	3,645,858	-	3,645,858
Unrestricted (Deficit)	(1,344,779,083)	(9,342,371)	(1,354,121,454)
Total Net Assets	\$ (1,347,469,878)	\$ (6,414,793)	\$ (1,353,884,671)

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

School District of Philadelphia
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities							
Instruction	\$ 2,268,293,518	\$ -	\$ 745,122	\$ 768,055,461	\$ -	\$ (1,499,492,935)	\$ -
Student Support Services	254,990,848	-	-	156,920,019	-	(98,070,829)	-
Administrative Support	147,660,935	-	3,922,249	35,237,738	-	(108,500,948)	-
Operation & Maintenance of Plant Services	245,926,417	(4,450,583)	1,170,570	12,890,404	1,200,000	(226,224,860)	-
Pupil Transportation	81,153,823	-	-	65,873,281	-	(15,280,542)	-
All Other Support Services	(21,282,968)	-	-	(1,037,682)	-	20,245,286	-
Early Childhood Education	1,486,961	-	-	1,486,961	-	-	-
Interest on Long-Term Debt	147,505,147	-	-	7,441,344	-	(140,063,803)	-
Total Governmental Activities	3,125,744,681	(4,450,583)	5,837,941	1,046,867,526	1,200,000	(2,067,388,631)	-
Business-Type Activities							
Food Service	76,584,803	4,450,583	2,674,632	79,552,877	-	-	1,192,123
Total Business-Type Activities	76,584,803	4,450,583	2,674,632	79,552,877	-	-	1,192,123
Total	\$ 3,202,329,484	\$ -	\$ 8,512,573	\$ 1,126,420,403	\$ 1,200,000	\$ (2,067,388,631)	\$ (2,066,196,508)

General Revenues/Contributed Capital/Transfers:							
Property Taxes						\$ 605,248,603	\$ 605,248,603
Use & Occupancy Taxes						115,360,803	115,360,803
Liquor Taxes						45,185,437	45,185,437
School (Non-Business) Income Taxes						24,738,276	24,738,276
Public Utility / PILOT Taxes						1,114,918	1,114,918
Grants and Contributions Not Restricted to Specific Programs						69,056,506	69,056,506
State & Federal Subsidies Not Restricted to Specific Programs						1,089,698,415	1,089,698,415
Transfers						(307,877)	-
Investment Revenue						13,347,788	13,347,788
Total General Revenues and Transfers						\$ 1,963,442,869	\$ 1,963,750,746
Change in Net Assets						1,500,000	(102,445,762)
Net Assets - As of July 1, 2010						(1,243,010,127)	(1,250,924,920)
Prior Period Adjustments						(513,989)	(513,989)
Net Assets - As of June 30, 2011						\$ (1,347,469,878)	\$ (1,353,884,671)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 575,497	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	8,689,608	10,904,818	24,875,503
Cash and Investments Held by Trustee	-	-	-
Funds on Deposit	18,375,000	-	-
Taxes Receivable (Net)	163,941,317	-	-
Due from Other Funds	15,916,147	-	-
Due from Other Governments	14,598,191	2,340,761	111,856,270
Accounts Receivable (Net)	5,012,096	-	1,413,581
Accrued Interest Receivable	-	-	-
Inventory	1,411,505	-	-
Prepaid Items	-	-	-
Total Assets	\$ 228,519,361	\$ 13,245,579	\$ 138,145,354
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 52,585,201	\$ 4,004,335	\$ 21,961,791
Overpayment of Taxes	9,987,131	-	-
Accrued Salaries and Benefits Payable	39,372,378	6,596,044	11,925,847
Termination Compensation Payable	14,596,955	-	-
Severance Payable	14,433,248	-	-
Deferred Revenue	140,253,545	-	154,698,333
Due to Other Funds	-	-	-
Due to Other Governments	-	76	4,147,020
Other Liabilities	667,490	-	-
Total Liabilities	271,895,948	10,600,455	192,732,991
Fund Balances:			
Nonspendable:			
Inventories	1,154,382	-	-
Permanent Fund Principal	-	-	-
Long Term Interfund Loan	9,060,515	-	-
Restricted:			
Medical Self-Insurance	18,375,000	-	-
Retirement of Long Term Debt	-	-	-
Debt Service Interest	-	-	-
Arbitrage Rebate Payable	-	-	-
Trust Purposes	-	-	-
Capital Purposes	-	-	-
Committed:	-	-	-
Assigned:			
Special Education	-	2,645,124	-
Unassigned:	(71,966,484)	-	(54,587,637)
Total Fund Balances	(43,376,587)	2,645,124	(54,587,637)
Total Liabilities and Fund Balances	\$ 228,519,361	\$ 13,245,579	\$ 138,145,354

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
\$ -	\$ 89,521,162	\$ -	\$ 90,096,659
94,811,937	-	-	94,811,937
214,080	444,269	6,387,790	51,516,068
-	8,220,630	-	8,220,630
-	-	-	18,375,000
-	-	-	163,941,317
-	-	-	15,916,147
-	1,259,025	-	130,054,247
104,140	-	-	6,529,817
187,614	128,850	-	316,464
-	-	-	1,411,505
62,122	-	-	62,122
<u>\$ 95,379,893</u>	<u>\$ 99,573,936</u>	<u>\$ 6,387,790</u>	<u>\$ 581,251,913</u>
\$ 390,672	\$ 12,761,989	\$ 875	\$ 91,704,863
-	-	-	9,987,131
-	288,618	-	58,182,887
-	-	-	14,596,955
-	-	-	14,433,248
88,476	279,671	-	295,320,025
-	-	-	-
-	7,345	-	4,154,441
-	-	-	667,490
<u>479,148</u>	<u>13,337,623</u>	<u>875</u>	<u>489,047,040</u>
-	-	-	1,154,382
-	-	1,366,072	1,366,072
-	-	-	9,060,515
-	-	-	18,375,000
59,126,226	-	-	59,126,226
35,774,519	-	-	35,774,519
-	3,645,858	-	3,645,858
-	-	5,020,843	5,020,843
-	82,590,455	-	82,590,455
-	-	-	-
-	-	-	2,645,124
-	-	-	(126,554,121)
<u>94,900,745</u>	<u>86,236,313</u>	<u>6,386,915</u>	<u>92,204,873</u>
<u>\$ 95,379,893</u>	<u>\$ 99,573,936</u>	<u>\$ 6,387,790</u>	<u>\$ 581,251,913</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Assets
June 30, 2011

Fund Balance - Total Governmental Funds (page 37)	\$	92,204,873
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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.		1,996,392,817
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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.		193,415,874
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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.		(3,603,178,843)
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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.		(26,290,229)
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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.		(14,370)
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Net assets of governmental activities (page 34)	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">(1,347,469,878)</div>
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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, 2011

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 767,563,222	\$ -	\$ -
Locally Generated Non Tax	66,135,322	450,789	2,775,516
State Grants and Subsidies	1,219,834,030	85,792,187	151,310,826
Federal Grants and Subsidies	199,884,628	-	432,170,027
Total Revenues	<u>2,253,417,202</u>	<u>86,242,976</u>	<u>586,256,369</u>
EXPENDITURES			
Current:			
Instruction	1,047,423,818	214,136,105	445,828,228
Student Support Services	28,962,267	75,275,616	145,816,568
Administrative Support	99,728,534	10,529,299	29,943,740
Operation & Maintenance of Plant Services	235,668,297	-	1,575,169
Pupil Transportation	80,269,979	-	8,719
All Other Support Services	(21,612,340)	-	-
Early Childhood Education	-	-	1,486,961
Payments to Charter Schools	411,713,420	-	-
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>1,882,153,975</u>	<u>299,941,020</u>	<u>624,659,385</u>
Excess (Deficiency) of Revenues over Expenditures	<u>371,263,227</u>	<u>(213,698,044)</u>	<u>(38,403,016)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	21,395,960	215,122,847	1,988,417
Transfers Out	(437,884,667)	-	(2,553,227)
Capital Asset Proceeds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources and (Uses)	<u>(416,488,707)</u>	<u>215,122,847</u>	<u>(564,810)</u>
Net Change in Fund Balances	(45,225,480)	1,424,803	(38,967,826)
Fund Balances, July 1, 2010	1,926,526	1,220,321	(15,619,811)
Change in Inventory Reserve	(77,633)	-	-
Fund Balances, June 30, 2011	<u>\$ (43,376,587)</u>	<u>\$ 2,645,124</u>	<u>\$ (54,587,637)</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
\$ -	\$ -	\$ -	\$ 767,563,222
2,121,048	1,185,571	104,666	72,772,912
-	1,530,920	-	1,458,467,963
-	-	-	632,054,655
<u>2,121,048</u>	<u>2,716,491</u>	<u>104,666</u>	<u>2,930,858,752</u>
-	-	35,848	1,707,423,999
-	-	-	250,054,451
-	-	-	140,201,573
-	-	-	237,243,466
-	-	-	80,278,698
-	-	-	(21,612,340)
-	-	-	1,486,961
-	-	-	411,713,420
65,454,289	-	-	65,454,289
155,796,849	-	-	155,796,849
49,059,975	-	-	49,059,975
2,247,733	-	-	2,247,733
3,459,320	-	-	3,459,320
-	88,339,039	-	88,339,039
-	3,334,515	-	3,334,515
-	71,322,512	-	71,322,512
-	15,952,352	-	15,952,352
<u>276,018,166</u>	<u>178,948,418</u>	<u>35,848</u>	<u>3,261,756,812</u>
<u>(273,897,118)</u>	<u>(176,231,927)</u>	<u>68,818</u>	<u>(330,898,060)</u>
220,990,418	-	-	459,497,642
-	(18,842,733)	-	(459,280,627)
5,692,588	72,219	-	5,764,807
425,880,000	-	-	425,880,000
7,724,600	-	-	7,724,600
(368,301,151)	-	-	(368,301,151)
<u>291,986,455</u>	<u>(18,770,514)</u>	<u>-</u>	<u>71,285,271</u>
18,089,337	(195,002,441)	68,818	(259,612,789)
76,811,408	281,238,754	6,318,097	351,895,295
-	-	-	(77,633)
<u>\$ 94,900,745</u>	<u>\$ 86,236,313</u>	<u>\$ 6,386,915</u>	<u>\$ 92,204,873</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, 2011

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)	\$ (259,612,789)
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.	70,432,704
Non capitalized purchases that exceed capital outlays.	(13,296,452)
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.	(5,604,019)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	82,381,814
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.	69,117,840
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 go	(46,759,410)
The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.	(80,558)
Contributed Capital transferred to the Business-Type Activity are not reported as transfers in the governmental funds.	(524,892)
Change in net assets of governmental activities (page 35)	<u>\$ (103,945,762)</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, 2011

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,591	\$ -
Equity in Pooled Cash and Investments	-	158,524
Due From Other Governments	13,536,069	4,936
Other Receivables	157,441	2,216
Inventories	1,289,840	38,471
Total Current Assets	<u>14,985,941</u>	<u>204,147</u>
Noncurrent Assets:		
Machinery & Equipment	16,302,469	784,359
Accumulated Depreciation	<u>(13,374,891)</u>	<u>(713,910)</u>
Total Noncurrent Assets	<u>2,927,578</u>	<u>70,449</u>
Total Assets	<u>\$ 17,913,519</u>	<u>\$ 274,596</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 4,875,485	\$ 50,166
Accrued Salaries and Benefits Payable	506,052	26,720
Due to Other Funds	6,855,633	-
Total Current Liabilities	<u>12,237,170</u>	<u>76,886</u>
Noncurrent Liabilities:		
Termination Compensation Payable	1,977,442	212,080
Severance Payable	1,053,186	-
Interfund Loan	9,060,514	-
Total Noncurrent Liabilities	<u>12,091,142</u>	<u>212,080</u>
Total Liabilities	<u>24,328,312</u>	<u>288,966</u>
NET ASSETS		
Invested in Capital Assets	2,927,578	70,449
Unrestricted	<u>(9,342,371)</u>	<u>(84,819)</u>
Total Net Assets	<u>(6,414,793)</u>	<u>(14,370)</u>
Total Liabilities and Net Assets	<u>\$ 17,913,519</u>	<u>\$ 274,596</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, 2011

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 2,674,632	\$ -
Sale of Printing Services	-	1,477,960
Total Operating Revenues	<u>2,674,632</u>	<u>1,477,960</u>
Operating Expenses:		
Salaries	19,045,795	565,030
Employee Benefits	11,978,456	285,704
Other Purchased Service - Food	43,230,823	-
Depreciation	873,559	33,418
Other Operating Expenses	5,906,753	674,366
Total Operating Expenses	<u>81,035,386</u>	<u>1,558,518</u>
Operating Gain/(Loss)	(78,360,754)	(80,558)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	79,552,877	37,559
Income (loss) Before Contributions and Transfers	<u>1,192,123</u>	<u>(42,999)</u>
Capital Contributions	524,892	-
Transfers Out	(217,015)	-
Change in Net Assets	<u>1,500,000</u>	<u>(42,999)</u>
Total Net Assets July 1, 2010	(7,914,793)	28,629
Total Net Assets June 30, 2011	<u>\$ (6,414,793)</u>	<u>\$ (14,370)</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, 2011

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 2,674,631	\$ 1,477,960
Cash Payments to Employees for Services	(31,026,936)	(827,260)
Cash Payments to Suppliers for Goods and Services	(37,968,598)	-
Cash Payments for Other Operating Expenses	(5,906,753)	(633,090)
Net Cash (Used)/Provided by Operating Activities	<u>(72,227,656)</u>	<u>17,610</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from Other Funds	3,855,630	-
State Sources	9,084,461	15,934
Federal Sources	59,443,198	21,626
Transfers Out	(217,015)	-
Net Cash Provided by Non-Capital Financing Activities	<u>72,166,274</u>	<u>37,560</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(29,116)	-
Net Cash Used by Capital and Related Financing Activities	<u>(29,116)</u>	<u>-</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(90,498)	55,170
Cash and Cash Equivalents July 1, 2010	93,089	103,354
Cash and Cash Equivalents June 30, 2011	<u>\$ 2,591</u>	<u>\$ 158,524</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating (Loss)	\$ (78,360,754)	\$ (80,558)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	873,559	33,418
Donated Food Commodities	4,136,592	-
(Increase)/Decrease in Accounts Receivable	(157,441)	1,544
Decrease in Inventories	455,296	5,041
Increase in Accounts Payable	827,779	34,691
Increase in Accrued Salaries and Benefits Payable	249,510	5,818
(Decrease)/Increase in Termination Compensation Payable	(245,762)	17,656
(Decrease) in Severance Payable	(6,435)	-
Total Adjustments	<u>6,133,098</u>	<u>98,168</u>
Net Cash Used by Operating Activities	<u>\$ (72,227,656)</u>	<u>\$ 17,610</u>

Noncash Investing, Capital and Financing Activities:

During the fiscal year, the General Fund of the School District of Philadelphia contributed \$524,892 of new equipment to the Food Service Fund.

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, 2011

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,484,381
Equity in Pooled Cash and Investments	386,302	65,876,753
Investments	200,013	-
Accounts Receivable	79	1,137,949
Inventories	-	15,858
Total Assets	<u>586,394</u>	<u>72,514,941</u>
LIABILITIES		
Accounts Payable	11,350	-
Payroll Deductions and Withholdings	-	66,355,195
Due to Student Activities	-	5,481,758
Other Liabilities	-	677,988
Total Liabilities	<u>11,350</u>	<u>72,514,941</u>
NET ASSETS		
Held in Trust for Various Purposes	<u>\$ 575,044</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, 2011

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 948,110
Interest Received	2,449
Total Additions	<u>950,559</u>
DEDUCTIONS	
Scholarships Awarded	816,529
Total Deductions	<u>816,529</u>
Change in Net Assets	134,030
Net Assets July 1, 2010	441,014
Net Assets June 30, 2011	<u><u>\$ 575,044</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, 2011

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, 2011, 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 2011, the School District served close to 198,700 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 organizational structure at June 30, 2011 includes a Deputy Superintendent, and an Associate

Superintendent of Schools, and a General Counsel, all of whom directly report to the CEO. Reporting to the Deputy Superintendent is a Chief Financial Officer, an Associate Superintendent of Academics, an Associate Superintendent for Academic Support and a Chief of Charter, Partnership and New Schools. In addition, the Chief Talent & Development Officer, and the Chief of School Operations directly report to the Deputy Superintendent.

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"); a separate 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. The relationship between the School District and the IU was re-evaluated during fiscal year 2011 and as a result the IU is reported as a blended component unit in accordance with GASB Statement No. 14 "*The Financial Reporting Entity*", as amended.

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** - the principal operating fund of the School District; accounts for and report all financial resources not accounted for and reported in another fund.
 - (b) **Special Revenue Funds** – these funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. Special Revenue funds include:
 - (i) **Intermediate Unit Fund** - used to account for State appropriations for special education and non-public school services as well as certain administrative costs to IU No. 26, a blended component unit of the School District;
 - (ii) **Categorical Funds** - used to account for specific purpose Federal, State, City or Private grants;
 - (iii) **Trust Funds** – used to account for funds where both principal and earnings may be used to support School District programs that benefit either the district itself or its students.
 - (c) **Debt Service Fund** - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
 - (d) **Capital Projects Fund** - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
 - (e) **Permanent Fund** - used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support District programs that benefit the District or its students.
- (2) **Proprietary Fund Types** - These are funds that account for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The funds included in this category are:

- (a) Enterprise Fund - 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, 2011, 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 (a blended component 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 2011 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 \$1.4 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 in the nonspendable fund balance category, which indicates that, although they are a component of net current assets, they do not constitute available resources.

Enterprise Fund (or Food Service) inventories include \$0.9 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, weekly indemnity and health and prescription through a self-insured plan. 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. Medical self-insured benefits, unemployment and workers' compensation coverage are funded by pro-rata charges to each fund, while the cost of weekly indemnity coverage is shared by the School District and covered employees.

Liabilities expected to be liquidated with available resources are shown as accrued expenditures in the General Fund. Amounts expected to be paid from future years' resources are shown in the district-wide Statement of Net 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, issuance costs and refunding charges are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported separately from the applicable bond premium or discount, bond issuance costs and refunding charges.

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

(12) Fund Equity

In accordance with GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", adopted in Fiscal Year 2011 in the fund financial statements, governmental funds report non-spendable, restricted, committed, assigned, and unassigned fund balance amounts.

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

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

(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.

Restricted amounts reported as cash, cash equivalents and investments represent bond proceeds set-aside for capital project purposes. Restricted amounts reported as funds on deposit represents working capital associated with employee healthcare self-insurance.

(14) Comparative Data

Comparative data from Fiscal Year 2010 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.

E. Matters Related to Going Concern

The School District's financial statements have been presented on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the Fiscal Years ended June 30, 2010 and 2011, the School District's combined operating funds (General Fund, Intermediate Unit Fund, and Debt Service Fund) experienced operating losses of \$3.7 million and \$25.7 million, respectively (without regard to opening balances in these funds in each fiscal year). While the combined operating funds' available fund balance at June 30, 2011 was \$30.8 million (\$18.4 million of which has been set aside to pay Fiscal Year 2012 healthcare self-insurance claims), the School District is facing significant budget shortfall for Fiscal Years 2012 and 2013 because of drastic reductions to federal and state revenues, mandatory cost increases, and non-recurring savings and expenditure deferrals expected to be used to close the Fiscal Year 2012 budget gap. The continued losses and significant projected budget shortfalls for fiscal years 2012 and 2013, combined with the uncertainty over the School District's ability to achieve cost savings and obtain additional funding to overcome these budget shortfalls, raises concern about the ability of the School District to continue as a going concern.

In the Spring of 2011, the School District announced that absent corrective action, it was facing a projected \$629.0 million budget gap in Fiscal Year 2012 in both its Operating Budget and Categorical Budget due to the following factors: (1) the anticipated elimination of: (a) \$122.0 million of Federal State Fiscal Stabilization Funds provided to the School District through the State; (b) \$71.0 million of Federal Education Jobs Funds provided to the School District through the State; and (c) \$116.0 million in directly-received Federal Stimulus funds; (2) a net reduction of \$100.0 million in State appropriations based on the Governor's proposed Fiscal Year 2012 Commonwealth budget, and (3) the need to replace one-time funds received in Fiscal Year 2011 through a \$19.4 million restructuring which lowered Fiscal Year 2011 debt service expenses and the release of a reserve of \$66.0 million. In addition, the School District anticipated mandated expenditure increases in Fiscal Year 2012 due to: (1) projected mandated charter school increases of \$39.0 million based on per pupil cost increases and anticipated enrollment increases; (2) a net increase in expenses for "turnaround school" initiatives of \$13.6 million; (3) higher pension payments of \$17.0 million due to a forthcoming contribution rate increase from 5.64% to 8.65%; and (4) other mandated increases of \$86.0 million due to a variety of factors, including increases by mandated collective bargaining agreements for medical and prescription drug benefits, utilities, and debt service; offset by (5) an increase in the Commonwealth's pension reimbursement and all other revenues to the School District of \$21.0 million. To address the \$629.0 million budget gap, the School District identified various categories of expenditures to be considered for reduction ("Gap Closing Plan").

On May 31, 2011, the School Reform Commission adopted its Fiscal Year 2012 Operating Budget. In light of the initial projected budgetary shortfall for Fiscal Year 2012, the adopted budget included \$412 million in management initiated reductions to base expenditures and \$53 million in additional local revenues. The adopted budget also assumed \$209.2 million of further reductions to implement the Gap Closing Plan.

Events, including the adoption of a budget by the Commonwealth of Pennsylvania, the provision of additional moneys and additional taxing authority by the City of Philadelphia to the School District, and the restoration of certain services by the School District occurred subsequent to the adoption of the Fiscal Year 2012 Operating Budget. Such events affected the amount required to fully implement the Gap Closing Plan and the timing of planned reductions to expenditures. Certain portions of the Gap Closing Plan which have been implemented, in the amount of \$169 million, represent non-recurring savings and expenditure deferrals. The implementation and refinement of the Gap Closing Plan is ongoing.

As of February 3, 2012, the School District's estimated budget gap for fiscal year 2012 was \$70.8 million. The School District has identified and publicly announced areas where \$32.0 million of savings are in the process of being implemented. The remaining \$38.8 million budget gap needs to be addressed.

During the course of each fiscal year, the School District monitors its cash flow on a monthly basis and compares it to the cash flow assumptions in the adopted operating budget. In light of the Gap Closing Plan and its implementation, the School District has amended its cash flow projections to reflect the amounts of the Gap Closing Plan which have been implemented or will be implemented for the remainder of Fiscal Year 2012. Such cash flow projections estimate that sufficient cash will be available for the School District to continue operations and meet its expenses in a timely manner through the remainder of Fiscal Year 2012; in particular, to pay salaries and debt service when due.

The effect of the events which have occurred in Fiscal Year 2012 will also significantly impact the School District's adopted budget for Fiscal Year 2013. As of January 19, 2012, the School District estimated its projected fiscal year 2013 starting operating funds budget gap to be \$269 million caused by (1) the loss of \$169 million of one-time, non-recurring savings and expenditure deferrals which were part of the fiscal year 2012 Gap Closing Plan and (2) anticipated increases (currently projected to be approximately \$100 million) in core expenditure areas such as wages, benefits, pensions, and debt service. The Fiscal Year 2013 starting budget gap could grow even significantly more if the Fiscal Year 2012 projected gap is not closed and there are additional unanticipated costs and/or lost revenues.

To address the challenges for Fiscal Year 2013, once the revenues available to the School District are ascertained, the School Reform Commission is prepared to take actions, to balance the Fiscal Year 2013 budget, including:

- (1) Reducing facilities costs through implementation of the District's Facilities Master Plan;
- (2) Reducing administrative costs through reorganization of central office functions; while maintaining essential service levels for schools; and
- (3) Altering, amending or canceling contracts and other operational conditions to align costs to available revenues.

Inasmuch as revenues for Fiscal Year 2013 are not presently ascertainable, the School District has prepared a baseline cash flow for the first quarter of Fiscal Year 2013, using updated Fiscal Year 2012 amounts, taking into account the implementation of the Gap Closing Plan discussed herein, utilizing revenue assumptions based upon publicly issued documents, using expenditure estimates based upon known or expected increases and the lack of the non-recurring items which existed in Fiscal Year 2012 and assuming the issuance, as has been the School District's practice in 23 of the last 26 years, of tax and revenue anticipation notes (estimated at \$450 million) to provide cash flow to fund the timing differences between expenditures necessary to be paid and the receipt of revenues later in the fiscal year. The School District believes that even without action by the School Reform Commission as described herein, sufficient cash will be available for the School District to continue operations.

As referred to elsewhere in the Notes to the Financial Statements, the School District is a political subdivision of the Commonwealth carrying out a constitutionally mandated function for which the Commonwealth must provide funding. In addition to annually recurring state funding, the School District levies taxes pursuant to City Council authorization and direct authorization of the General Assembly. In addition, Section 696 of the Pennsylvania Public School Code of 1949, as amended, (the "School Code"), requires the City to provide all tax payments to the School District in each fiscal year at least equal to the highest amount in the three preceding fiscal years and all non-tax payments made during the prior year. Accordingly, the School District has assurance of annual recurring revenue.

The School Reform Commission is prepared to exercise its statutory powers to maximize the revenues available to the School District.

The School Reform Commission is legally authorized to take the steps enumerated above and any other steps required to continue the operation of the School District, as the School Code grants to the School Reform Commission, among others, the following powers in addition to the powers and duties vested in the Board of Education to:

- (1) Suspend the requirements of the School Code and the regulations of the State Board of Education (except the School District shall remain subject to the provisions of the School Code pertaining to charter schools);
- (2) Employ professional and senior management employees who do not hold state certification, if the School Reform Commission has approved the qualifications of the individual and at a salary established by it;
- (3) Enter into agreements with persons and for-profit or non-profit organizations providing educational or other services to or for the School District;
- (4) Notwithstanding any other provisions of the School Code, to close or reconstitute a school, including the reassignment, suspension or dismissal of professional employees;
- (5) Suspend professional employees without regard for specific provisions of the School Code relating, among other things, to seniority;
- (6) Appoint managers, administrators and for-profit or non-profit organizations to oversee the operations of a school or group of schools;
- (7) Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes;
- (8) Supervise and direct principals, teachers and administrators;
- (9) Negotiate any memoranda of understanding under a collective bargaining agreement in existence on April 27, 1998;
- (10) Negotiate new collective bargaining agreements;
- (11) Delegate to a person, including an employee of the School District, or a for-profit or non-profit organization, powers it deems necessary to carry out the purposes of Article VI (School Finances) of the School Code, subject to the supervision and direction of the School Reform Commission; and
- (12) Employ, contract with or assign persons and for-profit or non-profit organizations to review the financial and educational programs of school buildings and make recommendations to the School Reform Commission regarding improvements to the financial or educational programs of public schools.

Section 696 of the School Code also vests the School Reform Commission with the powers of a special board of control granted under Section 693 of the School Code. A special board of control has, among others, the power to cancel or to renegotiate any contract other than teacher contracts to which the board or the school district is a party, if such cancellation or renegotiation of contracts will effect needed economies in the operation of public schools.

The ability of the School District to continue as a going concern is dependent upon the success of implementing these cost saving measures or additional revenues. If the School District is unable to adequately reduce spending and/or obtain additional funding, it may be unable to pay certain obligations, other than payroll and debt service, timely. There can be no assurance that the School District will be successful in accomplishing its cost saving plans or in obtaining additional revenues. The financial statements do not include any adjustments that might be necessary should the School District be unable to continue as a going concern.

2. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the district-wide Statement of Net Assets. When capital assets (i.e., land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets is reported as expenditures in governmental funds. However, the Statement of Net Assets includes capital assets among the assets of the School District as a whole.

Cost of Capital Assets	\$ 3,398,020,583
Accumulated Depreciation	(1,401,627,766)
Net Cost of Capital Assets	<u>\$ 1,996,392,817</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	\$ 138,395,005
Grants & Subsidies	54,587,637
Sale of School District of Philadelphia building	400,000
Adjustment of Deferred Revenue	193,382,642
Deferred Outflows of Resources	33,232
Total Adjustment of Other Assets	<u>\$ 193,415,874</u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current fiscal period and therefore are not reported as liabilities in the governmental funds.” The details of the (\$3,603,178,843) difference are as follows:

Bonds Payable	\$ (2,980,921,574)
Deduct: Discount on Bonds Payable	10,568,215
Add: Premium on Bonds Payable	(107,975,005)
Deduct: Deferred Charge on Refunding	182,352,231
Deduct: Deferred Charge for Issuance Cost	29,732,129
Bond Interest Payable	(36,312,644)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(110,636,122)
Unemployment Compensation Payable	(1,668,042)
Compensated Absences	(304,330,425)
Severance Payable	(187,573,231)
Claims and Judgments	(5,439,915)
Arbitrage Rebate Payable	(3,645,858)
Incurred But Not Reported IBNR Payable	(13,490,000)
Voluntary Early Retirement Incentive Program	(28,560,036)
	<hr/>
<i>Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets governmental activities.</i>	<u><u>\$ (3,603,178,843)</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 \$70,432,704 difference are as follows:

Capital outlay	\$ 178,948,418
Depreciation expense	(108,515,714)
	<hr/>
<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>\$ 70,432,704</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving losses arising from disposal and sale of capital assets are not reported as expenditures in governmental funds.” 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 (\$5,604,019) difference are as follows:

Loss on Disposal of Capital Assets	\$ (4,099,757)
Gain on Sale of Capital Assets	4,260,544
Proceeds from Sale of Capital Assets	<u>(5,764,806)</u>

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

\$ (5,604,019)

Another element of that reconciliation states that “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statements.” The details of this \$82,381,814 difference are as follows:

Deferred Revenue	\$ 63,052,642
Derivative Investment Income	13,347,788
Adjustment State Subsidies Due Commonwealth	5,399,980
Proceeds from Sale of Capital Assets	<u>581,404</u>

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

\$ 82,381,814

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 \$69,117,840 difference are as follows:

Principal Repayment on Bonds	\$ 65,454,289
Principal Repayment on Authority Obligations	5,945,000
Swap Termination Payment	63,022,000
Bond Issuance and Defeasance	<u>(65,303,449)</u>

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

\$ 69,117,840

School District of Philadelphia

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 (\$46,759,410) difference are as follows:

Change in Compensated Absences Payable	\$ (15,625,890)
Change in Severance Payable	(3,847,067)
Change in Workers' Compensation Payable	19,524,107
Change in Unemployment Compensation Payable	1,654,579
Change in Claims and Judgments Payable	(1,033,442)
Change in Early/Voluntary Retirement Incentive Payable	(28,450,036)
Change in Arbitrage Rebate Payable	416,611
Change in Net Accrued Bond Interest	(8,156,004)
Change in Bond Issuance Costs	2,247,732
Change in IBNR	<u>(13,490,000)</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>\$ (46,759,410)</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 SRC-3 dated May 31, 2011, the School District has transferred to the General Fund the \$23.7 million balance of the Fiscal Stabilization Reserve Fund, a separate sub-fund established in fiscal year 2009 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 Office of Capital Programs and represents that office's research and analyses as well as the priorities of both the SRC and the CEO in consultation with representatives of the City Planning Commission. Due consideration is given to balancing physical needs and financial resources which may become available to fund capital improvements. A capital program detailing the division's plan for the ensuing five years, as well as a capital budget detailing the expenditure requirements of the first year of the capital program, must be adopted by the SRC no later than the date of the adoption of the annual operating budget. Implementation of the capital budget is contingent upon the receipt of proceeds of debt obligations of the School District or other resources made available for capital improvement purposes.

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

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

Enterprise (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.

B. Deficit Fund Equity/Negative Net Assets

The operating funds, which consist of the General Fund, Intermediate Unit Fund and Debt Service Fund, experienced a positive fund balance of \$54.2 million. This amount is comprised of a General Fund negative fund balance of \$43.4 million, which is offset by \$94.9 million in the Debt Service Fund and \$2.6 million in the Intermediate Unit Fund.

Categorical Funds experienced a negative fund balance of \$54.6 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 \$6.4 million.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$71.4 million held in agency funds, at June 30, 2011 are summarized as follows:

Cash and Cash Equivalents	\$	95,583,631
Cash and Investments with Fiscal Agent		94,811,937
Equity in Pooled Cash and Investments		117,937,647
Cash and Investments Held by Trustee		8,220,630
Investments		200,013
Total Cash and Investments	\$	316,753,858

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 District to invest School District funds consistent with Pennsylvania Public School Code Section 440.1. The resolution delineates the standards and specifications for banks and other institutions permitted to be used for investments /deposits of School District funds.

(2) Investments

As of June 30, 2011, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 89,213,080	.003
Discounted Notes	16,691,092	.457

(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, 2011 mature in one (1) day. Discounted Notes purchased by the School District relating to forward purchase agreements for sinking fund deposits are designed to mature in less than a year.

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

<u>Investment</u>	<u>Name</u>	<u>Moody's</u>	<u>S& P</u>	<u>Fitch</u>
Repurchase Agreements	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA
Discounted Notes under Forward Purchase Agreement	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA
	Federal Home Loan Mortgage Corp. (FHLMC)	Aaa	AAA	AAA
	Federal Home Loan Bank (FHLB)	Aaa	AAA	N/R

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, 2011, 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	\$ (26,257)				\$ (26,257)

- (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, 2011, the fair value of the swaps is \$(26,256,997). 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, 2011, the School District was not exposed to credit risk on any of its outstanding basis swaps because the swaps had negative fair values of \$26,256,997. 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 notional amounts and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2011 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	Enterprise	Total
Receivables								
Interest	\$ -	\$ -	\$ 187.6	\$ 128.9	\$ -	\$ -	\$ -	\$ 316.5
Taxes	256,390.7	-	-	-	-	-	-	256,390.7
Accounts (net)	5,012.1	1,413.6	104.2	-	2.2	1,138.0	157.4	7,827.5
Gross Receivables	261,402.8	1,413.6	291.8	128.9	2.2	1,138.0	157.4	264,534.7
Less: Allowances for Uncollectible								
Taxes	92,449.4	-	-	-	-	-	-	92,449.4
Total Allowance	92,449.4	-	-	-	-	-	-	92,449.4
Net Total Receivables	\$ 168,953.4	\$ 1,413.6	\$ 291.8	\$ 128.9	\$ 2.2	\$ 1,138.0	\$ 157.4	\$ 172,085.3

School District of Philadelphia

(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, 2011 equaled \$163.9 million as follows:

	(Dollars in Millions)		
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 72.5	\$ 7.9	\$ 64.6
Prior	<u>142.7</u>	<u>57.5</u>	<u>85.2</u>
Total Real Estate Taxes	<u>215.2</u>	<u>65.4</u>	<u>149.8</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	15.1	10.0	5.1
School Income Tax	4.9	2.8	2.1
Liquor Sales Tax	<u>21.2</u>	<u>14.3</u>	<u>6.9</u>
Total Self Assessed Taxes	<u>41.2</u>	<u>27.1</u>	<u>14.1</u>
 Total Taxes Receivable	 <u>\$ 256.4</u>	 <u>\$ 92.5</u>	 <u>\$ 163.9</u>

During July and August 2011, \$18.6 million in real estate taxes receivable and \$6.9 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2011 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)	\$ 138,395,005	-
Accounts receivables earned but not available (General Fund)	1,858,540	-
Grant funds earned but not available (Categorical Funds)	54,587,637	-
Grant funds received prior to meeting all eligibility requirements (Categorical Funds)	-	\$ 100,110,696
Interest on investments received prior to being earned (Debt Service Fund)	-	88,476
Grant funds received prior to meeting all eligibility requirements (Capital Projects Fund)	-	279,671
 Total Deferred Revenue for Governmental Funds	 <u>\$ 194,841,182</u>	 <u>\$ 100,478,843</u>

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2011 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1,2010	Additions	Deletions	Transfers	Balance June 30,2011
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 119.4	\$ 10.6	\$ (1.0)	\$ 2.8	\$ 131.8
Construction in Progress	323.8	58.7	-	(233.0)	149.5
Artwork	8.3	-	(0.2)	-	8.1
Total Capital Assets - Not Depreciated	\$ 451.5	\$ 69.3	\$ (1.2)	\$ (230.2)	\$ 289.4
Capital Assets - Depreciated					
Buildings	\$ 1,511.6	\$ 53.0	\$ (9.3)	\$ 117.6	\$ 1,672.9
Improvements	1,043.4	18.4	(16.0)	112.6	1,158.4
Personal Property	267.2	25.0	(14.9)	-	277.3
Print Shop	0.8	-	-	-	0.8
Total Capital Assets - Depreciated	\$ 2,823.0	\$ 96.4	\$ (40.2)	\$ 230.2	\$ 3,109.4
Less Accumulated Depreciation					
Buildings	\$ (556.8)	\$ (28.7)	\$ 8.8	\$ -	\$ (576.7)
Improvements	(600.3)	(53.2)	12.4	-	(641.1)
Personal Property	(171.4)	(26.6)	14.1	-	(183.9)
Print Shop	(0.7)	-	-	-	(0.7)
Total Accumulated Depreciation	\$ (1,329.2)	\$ (108.5)	\$ 35.3	\$ -	\$ (1,402.4)
Net Capital Assets Depreciated	\$ 1,493.8	\$ (12.1)	\$ (4.9)	\$ 230.2	\$ 1,707.0
Governmental Activities - Net Capital Assets	\$ 1,945.3	\$ 57.2	\$ (6.1)	\$ -	\$ 1,996.4
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 15.7	\$ 0.6	\$ -	\$ -	\$ 16.3
Less Accumulated Depreciation	(12.5)	(0.9)	-	-	(13.4)
Business-Type Activities - Net Capital Assets	\$ 3.2	\$ (0.3)	\$ -	\$ -	\$ 2.9

The beginning balances of certain capital asset accounts were adjusted by a net total of \$513,989 which is reflected as a prior period adjustment in the district-wide Statement of Activities.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 99.5
Student Support Services	3.0
Administrative Support	5.0
Operation & Maintenance of Plant Services	0.6
All Other Support Services	0.4
Total Depreciation Expense	\$ 108.5

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 \$425.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 1, 2010 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, 2011. Changes in short-term obligations payable during Fiscal Year 2011 were as follows:

	(Dollars in Millions)			
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities:				
Tax and Revenue Anticipation Note (Series of 2010-2011)	\$ -	\$ 425.0	\$ (425.0)	\$ -
Total	<u>\$ -</u>	<u>\$ 425.0</u>	<u>\$ (425.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2011 were as follows:

	(Dollars in Millions)				
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,994.4	\$ 425.9	\$ (439.4)	\$ 2,980.9	\$ 91.1
Bond Premium	109.1	7.7	(8.8)	108.0	8.3
Bond Refunding Losses	(129.3)	(90.8)	37.8	(182.3)	(13.9)
Bond Issue Expenses	(30.7)	(2.2)	3.2	(29.7)	(1.9)
Bond Discount	(11.0)	-	0.4	(10.6)	(0.5)
Total Bonded Debt	<u>\$ 2,932.5</u>	<u>\$ 340.6</u>	<u>\$ (406.8)</u>	<u>\$ 2,866.3</u>	<u>\$ 83.1</u>
Termination Compensation Payable	\$ 288.9	\$ 31.5	\$ (15.8)	\$ 304.6	\$ 62.3
Severance Payable	183.7	20.5	(16.7)	187.5	11.1
Due to Other Governments					
- Deferred Reimbursement	50.7	-	(5.4)	45.3	45.3
Other Liabilities	137.8	20.8	(40.9)	117.7	36.3
Incurred But Not Reported (IBNR) Payable	-	13.5	-	13.5	13.5
Early/Voluntary Retirement Incentive	0.2	28.6	(0.2)	28.6	17.2
Arbitrage Liability	4.1	-	(0.4)	3.7	3.6
Governmental Activity - Long-Term Liabilities	<u>\$ 3,597.9</u>	<u>\$ 455.5</u>	<u>\$ (486.2)</u>	<u>\$ 3,567.2</u>	<u>\$ 272.4</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.2	\$ -	\$ (0.2)	\$ 2.0	\$ 0.2
Severance Payable	1.0	-	-	1.0	0.1
Interfund Loan	10.6	-	(1.5)	9.1	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 13.8</u>	<u>\$ -</u>	<u>\$ (1.7)</u>	<u>\$ 12.1</u>	<u>\$ 0.3</u>

The Interfund Loan of \$9.1 million under the Business-Type Activity is presented on the Government-Wide Statement of Net Assets Business-Type Activity column as part of the \$15.6 million Internal Balances Payables.

(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, 2011 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	14,450	764	15,214
2000 - B	QZABS ⁽²⁾	2014	22,985	22,940	-	22,940
2002 - A	5.250	2012	156,000	3,665	192	3,857
2002 - B	5.500	2013	300,000	27,230	1,518	28,748
2003 - B	5.500 ⁽³⁾	2028	588,140	43,505	40,677	84,182
2004 - D	3.850 - 5.000	2015	100,000	8,715	1,741	10,456
2004 - E	QZABS ⁽²⁾	2019	19,335	11,049	-	11,049
2005 - A	4.000 - 5.000	2023	198,140	195,995	71,211	267,206
2005 - B	5.000	2017	43,415	37,880	6,928	44,808
2005 - C	4.430 - 5.310	2026	71,740	59,495	25,968	85,463
2005 - D	5.000 - 5.500	2021	29,920	21,915	7,050	28,965
2006 - A	4.450 - 5.000 ⁽³⁾	2036	317,125	294,955	216,946	511,901
2006 - B	3.500 - 5.000 ⁽³⁾	2033	545,570	545,550	494,372	1,039,922
2007 - A	3.700 - 5.000	2034	146,530	146,495	136,037	282,532
2007 - C	QZABS ⁽²⁾	2023	13,510	10,808	-	10,808
2007 - D	QZABS ⁽²⁾	2023	28,160	28,145	4,048	32,193
2008 - D	Variable Rate ⁽⁴⁾	2022	85,000	2,150	35 ⁽⁶⁾	2,185
2008 - E	4.125 - 6.000	2039	282,365	278,010	280,863	558,873
2008 - F	3.750 - 5.250	2028	114,215	114,205	57,394	171,599
2009 - A	3.875 - 4.827	2014	20,075	12,890	1,099	13,989
2009 - B	3.000 - 5.000	2019	30,710	30,710	8,655	39,365
2009 - C	Variable Rate ⁽⁴⁾	2026	49,200	49,200	26,903 ⁽⁵⁾	76,103
2010 - A	3.000 - 5.000	2016	27,820	24,935	3,794	28,729
2010 - B	4.735 - 6.765	2040	221,485	221,485	283,545	505,030
2010 - C	2.000 - 5.000	2022	300,045	299,300	79,902	379,202
2010 - D	3.125 - 5.000	2023	49,365	49,365	21,067	70,432
2010 - E	3.000 - 5.250	2025	125,880	125,880	66,201	192,081
2010 - F	Variable Rate ⁽⁴⁾	2031	150,000	150,000	110,630 ⁽⁵⁾	260,630
2010 - G	Variable Rate ⁽⁴⁾	2031	150,000	150,000	110,630 ⁽⁵⁾	260,630
		Total	<u>\$ 4,285,135</u>	<u>\$ 2,980,922</u>	<u>\$ 2,058,170</u>	<u>\$ 5,039,092</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%.

School District of Philadelphia

- (3) Lease rental debt issued through the State Public School Building Authority.
- (4) Maximum interest rate on the Series D of 2008, Series C Bonds of 2009 and F & G of 2010 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, the C & D bonds are secured by letters of credit which expire in 2011. The Series F & G are secured by letters of credit which expire in 2014. All variable rate bonds are trading at or below SIFMA.
- (5) Interest shown represents the amount budgeted by the School District for its variable rate debt which is set at 4.5%.
- (6) Interest scheduled is the final fixed rate swap interest payment required of the School District by the Interest Rate Management Agreement in September 2011.

Debt service to maturity on general obligation bonds at June 30, 2011 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

<u>Governmental Activities</u> (Dollars in Thousands)			
Year Ending June 30	Principal ⁽¹⁾	Interest ⁽¹⁾	Total
2012	\$ 82,737	\$ 103,519	\$ 186,256
2013	92,102	98,445	190,547
2014	92,832	94,653	187,485
2015	81,627	91,360	172,987
2016	87,497	87,133	174,630
2017-2021	499,997	367,530	867,527
2022-2026	477,436	244,411	721,847
2027-2031	369,595	136,490	506,085
2032-2036	202,190	68,228	270,418
2037-2039	108,750	14,372	123,122
Total	<u>\$ 2,094,763</u>	<u>\$ 1,306,141</u>	<u>\$ 3,400,904</u>

- (1) Excludes the debt with 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, 2011 is summarized as follows:

<u>Governmental Activities</u> (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
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	3.625-5.000	7,535	41,521	49,056
2017 – 2021	3.750-5.000	43,730	201,564	245,294
2022 – 2026	4.125-5.000	160,210	183,540	343,750
2027 – 2031	4.500-5.000	323,365	126,545	449,910
2032 – 2036	4.450-5.000	322,315	29,445	351,760
Total		<u>\$ 884,010</u>	<u>\$ 751,994</u>	<u>\$ 1,636,004</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, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows (amounts in thousands; debit (credit)):

<u>Change in Fair Value</u>			<u>Fair Value at June 30, 2011</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	\$ 175	Debt	\$ (33)	\$ 2,150
Investment derivatives:					
Pays-variable interest rate swaps	Investment revenue	\$ 13,348	Investment	\$ (26,257)	\$ 500,000
				<u>\$ (26,290)</u>	

As of June 30, 2011, 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, 2011, 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>Credit Rating Moody's/S&P/Fitch</u>
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	\$ 2,150	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, 2011, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values of \$0.03 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-1, A-2, B-1, B-2, and B-3 2008 Bonds. On December 8, 2010, the School District executed five confirmations, each effective on January 3, 2011, 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 A-1 in the current notional amount of \$95,000,000 and (2) Goldman Sachs Bank USA ("Goldman") relating to the 2008 Bonds Sub-series A-2 in the current notional amount of \$78,475,000, and (3) Wachovia Bank ("Wachovia") relating to the 2008 Bonds Sub-series B-1 in the current notional amount of \$60,000,000, the 2008 Bonds Sub-series B-2 in the current notional amount of \$54,200,000 and the 2008 Bonds Sub-series B-3 in the current notional amount of \$64,900,000 (collectively, the "Terminated 2008 Swap Agreements"). On January 3, 2011, the School District made termination payments to the counterparties of the Terminated 2008 Swap Agreements in the aggregate amount of \$63,022,000. Such termination payments were funded with a portion of the proceeds of the School District's General Obligation Refunding Bonds, Series E 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, 2011, 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 Swap Net(2)</u>	
2012	2,150	24	33	2,207

(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) Refundings and Defeasements

- (i) *Refunding Bonds*: The School District successfully implemented a restructuring plan to achieve debt service savings for fiscal year 2011. The transaction included terminating almost \$363 million of swaps and obtaining new three-year lines of credits for \$300 million,

converting \$56.7 million of its variable rate debt to fixed rate debt and refunding \$13.3 million of debt.

- (a) On January 3, 2011, the School District issued Series E of 2010 fixed rate general obligation bonds (GOB) in the aggregate principal amount of \$125.9 million to advance refund Series D of 2005 and Series A of 2010 and to current refund Series A of 2002, Series B of 2005 and the remaining maturities of the outstanding sub-Series A1 of 2008 in order to terminate the related Swap Agreements, and pay the associated \$63.0 million swap termination payments. Bond proceeds of \$0.9 million were utilized for underwriting fees and other issuance costs.

The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLGS) of \$13.6 million which were used to retire the Series A of 2002, Series B of 2005, D of 2005, and A of 2010 during FY2011.

- (b) On January 3, 2011, the School District issued the Series F and G of 2010 general obligation bonds (GOB) in the variable rate mode in the aggregate principal amount of \$150.0 million for each series to refund the remaining maturities of the outstanding Series A and B of 2008. Bond proceeds of \$1.3 million were utilized for underwriting fees and other issuance costs.
- (c) 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.
- (d) The cash flow required to service the refunding debt is \$60.4 million less than the cash flow required to service the refunded debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the refunded and refunding debt) of \$52.7 million to the School District.
- (e) For accounting purposes, the current refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of 27.8 million. This difference and the swap termination payment of \$63.0 million are being amortized through the operations in the District-wide statements through September of 2030.

- (ii) *Defeasements:* As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. As of June 30, 2011, \$1.0 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 a scheduled payment of the defeased debt in 2018. As of June 30, 2011, \$8.3 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZABs Bond Series 2007C and 2007D of \$13.5 million and \$28.2 million, respectively, were issued December 28, 2007, and are due December 28, 2022 and are considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places \$0.9 million in trust with its fiscal agent each December 15th. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt in 2022. As of June 30, 2011, \$2.7 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 certain other exclusions e.g., self-liquidating debt, subsidized debt and debt issued to fund an unfunded actuarial accrued liability. As of June 30, 2011, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$1,867.8 million.

(e) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2011, the arbitrage rebate calculation indicates a liability totaling \$3,645,858 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. The School District has restricted this amount under the fund balance of the Capital Projects Fund. In addition, a contingent liability has been accounted for in the governmental activities column of the government-wide statement of net assets. This amount is required to be paid 60 days after December 28, 2011 which is the fifth anniversary of issuance. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2011.

(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, 2011 amounted to \$10,024,840. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Lease Payments</u> <u>(Dollars in Millions)</u>
2012	\$ 8.4
2013	5.0
2014	4.9
2015	2.4
2016	2.5
2017	0.2
Total	<u>\$ 23.4</u>

(4) General Obligation Bonds/Lease Rental Payable

The beginning balance for total bonded debt reflects deductions for bond refunding losses and issue expenses previously not included in long-term obligations. The difference between the ending balance reported as of June 30, 2010 and the beginning balance for July 1, 2011 represent \$129.3 million and \$30.7 million for bond refunding losses and issue expenses, respectively. See note 1D (11) which describes the District's accounting practices for long-term obligations.

(5) 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.

(6) Voluntary Early Retirement Incentive

On April 8, 2011, the School District of Philadelphia offered a one-time Voluntary Early Retirement Incentive Program (ERIP) that allowed eligible employees to separate from service with the District at the close of

business on July 1, 2011 and receive eighteen months of health care coverage including medical, dental, optical, and prescription beginning August 1, 2011 for most employees. The package was open to employees of any age who had at least 35 years of service by July 1, 2011; employees 60 or older with 30 years of service; and employees 62 or older with one year of service.

A total of 1,182 personnel took advantage of the ERIP offer and a long-term liability of \$28.6 million has been established to reflect the costs of these benefits at June 30, 2011. This amount is not expected to be paid from fiscal year 2011 current available resources.

(7) 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, 2011, was \$187.5 million under the governmental activities. July and August 2011 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2012 appropriations.

(8) Incurred But Not Reported (IBNR) Payable

Beginning in fiscal year 2011, the School District of Philadelphia revised its method of providing health care insurance to its employees. The revision involves a change from premium-based coverage to a self-insurance program. As part of this program, the District has contracted with an administrator to provide the claims review and payment function and with an insurance consultant for the program advisory services. Through the self-insurance program, the District will gain greater oversight and control over its fringe benefits costs.

An actuary estimated the Incurred But Not Reported (IBNR) liability for the School District of Philadelphia's self-insured Medical and Prescription Drug plans as of June 30, 2011. The IBNR is technically a subset of the total unpaid claims liability, which also includes claims incurred and reported to the administrator but awaiting processing and incurred and processed but not yet paid. As of June 30, 2011, the Incurred But Not Reported Payable amounted to \$13.5 million.

(9) Due to Other Governments

Deferred Reimbursement – The Commonwealth of Pennsylvania has agreed to continue to defer amounts due from prior years totaling \$45.3 million for reimbursement of advanced funds provided for Special Education transportation costs.

(10) Other Liabilities

Other liabilities consist of \$110.6 million for Workers' Compensation, \$1.7 million for Unemployment Compensation Claims and \$5.4 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, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 15,916,147

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 \$15,916,147 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 \$9,060,514 long-term portion of this balance will be repaid in increments from fiscal years 2013

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, \$1,500,000 of the interfund loan was repaid in fiscal year 2011 through a reduction of the General Fund indirect cost charge.

- (2) Interfund transfers at June 30, 2011 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	\$ -	\$ 2,553,227	\$ 18,842,733	\$ -	\$ 21,395,960
Intermediate Unit	215,122,847	-	-	-	215,122,847
Categorical	1,988,417	-	-	-	1,988,417
Debt Service	220,773,403	-	-	217,015	220,990,418
Total	<u>\$ 437,884,667</u>	<u>\$ 2,553,227</u>	<u>\$ 18,842,733</u>	<u>\$ 217,015</u>	<u>\$ 459,497,642</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 2011 allocations of cafeteria renovations; and, (c) to transfer revenue that had been set aside for replacement of business systems back from the Capital Projects Fund to the General Fund.

F. Commitments

- (1) Capital Projects Fund Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2011 are summarized as follows:

New Construction and Land	\$ 4,856,599
Environmental Management	16,764
Alterations and Improvements	36,486,185
Equipment Acquisition	4,176,439
Total	<u>\$ 45,535,987</u>

- (2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2011 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$10,585,031	\$2,645,124

- (3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$20.1 million at June 30, 2011.

G. Affiliated Organizations

The Philadelphia Education Fund, Philadelphia Academies, Inc. (formerly *The Philadelphia High School Academies*), Foundations, 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 \$33.0 million in contract revenue from the School District during Fiscal Year 2011. These organizations, in cooperation with the School District, administer various programs to enhance the education of School District students. These corporations are governed by independent boards which, in some instances, include representatives of the School District. Management of these organizations is not designated by the School District nor does the School District have the ability to significantly influence their operations. The School District, with the exception of a small start-up contribution to Philadelphia's Children First Fund, does not subsidize the operations of these corporations. In addition, the School District does not guarantee any of their debt service. These organizations are not considered component units of the School District because there is no accountability for fiscal matters to the School District.

H. Intermediate Unit

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

I. Litigation and Contingencies

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

- (1) ***Special Education and Civil Rights Claims*** – There are two hundred ninety-five (295) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$2.3 million.

Of those, two hundred eighty-seven (287) 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 thirty-nine (39) are considered reasonably possible, in the aggregate of \$1.1 million and \$0.3 million respectively.

There are four (4) 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 three (3) are deemed reasonably possible in the aggregate amounts of approximately \$0.4 million.

There are four (4) 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 \$0.14 million and \$0.04 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 \$19.7 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 \$2.2 million and \$6.6 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 \$2.6 million, respectively, arising from personal injury and property damage claims and lawsuits.

- (3) ***Education Audits*** - In the early 1990s, the School District received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student enrollment. In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40 million through fiscal year 1999, and subsequently reduced by half, to approximately \$20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student enrollment figures, an audit of reported enrollment in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional \$20 million for the alleged over-reporting of enrollment during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing.

The Commonwealth of Pennsylvania's Bureau of Audits conducted a performance audit of the School District's pupil membership and attendance reporting procedures for the 2009-2010 school year and issued a draft report on October 26, 2011. The School District's response to the draft report was filed on December 16, 2011 and as of January 31, 2012 the Final Audit Report has not been published. Therefore, no assurances can be given as to the final outcome of the audit. Because no final determination of forgiveness has been made, however, there remains a reasonably possible loss in this category in the amount of \$40 million.

- (4) **Federal Audit** - The School District is the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from the NSF covering the period from July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning \$3,346,652 in costs incurred under the two awards. The NSF Cost Analysis and Audit Resolution branch requested additional information and documentation from the School District to aid in its determination of whether to seek repayment of any funds from the School District based upon the auditor's final conclusions. On April 14, 2009, NSF issued its decision eliminating \$834,406 from the recommended disallowance, leaving \$2,512,246 that NSF would seek to recover. The School District intends to pursue litigation against NSF challenging at least \$1,754,950 of the disallowance. In our opinion, the likelihood of an adverse finding in the amount of \$757,296 is reasonably possible, and the remaining liability is remote. NSF has not initiated any proceedings to recover funds from the School District.

The U.S. Department of Education Office of the Inspector General (OIG) conducted an audit of the School District's controls over Federal expenditures for the period July 1, 2005 through June 30, 2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the School District responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. A final report was issued by the OIG on January 15, 2010. The final report questioned \$138.8 million of costs with \$121.1 million considered inadequately supported with documentation and \$17.7 million considered unallowable costs. On March 30, 2011, the Pennsylvania Department of Education (PDE) received a program determination letter (March PDL) from the U.S. Department of Education (USDE) seeking a recovery of approximately \$9.9 million based on finding 2 and portions of findings 4 and 5 of the OIG final audit report on the School District. PDE filed an application for review of the PDL on May 20, 2011. The Office of Administrative Law Judges accepted jurisdiction of the case on August 10, 2011. On September 7, 2011 PDE and the Department filed a joint motion to stay the proceedings to pursue settlement negotiations. On September 29, 2011, USDE issued a second PDL (September PDL) seeking a recovery of approximately \$2.5 million based on finding 1.

With regard to the March PDL, on October 12, 2011, PDE and USDE met to review documentation related to the application of the statute of limitations to the March PDL. USDE is currently reviewing this information and was to inform PDE of the costs USDE agrees are barred by the statute of limitations in January 2012. To date, the School District has not received the amount from USDE. Then, the parties will meet to discuss equitable offset to reduce, if not eliminate, any remaining liability. If the parties are unable to resolve the findings in the PDL through settlement, the unresolved issues will go to a hearing before the administrative law judge. PDE may appeal a decision by the administrative law judge to the Secretary of Education for final agency decision. The final agency decision can then be appealed to federal court.

With regard to the September PDL, PDE is working with the school district to put together documentation demonstrating the application of the statute of limitations. PDE and the School District expect to have the documentation ready for USDE by the end of February 2012. USDE will then review the documentation and indicate what costs USDE agrees are barred by the statute of limitations.

Therefore, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District. In our opinion, with regard to the March PDL and the September PDL, the likelihood of a recovery by the U.S. Government in the amount of \$12.4 million is remote.

- (5) **Litigation by Outside Counsel** – There is one suit against the School District that is being handled by outside legal representation. This matter includes:

Sodexo Operations LLC v. School District & Team Clean, Inc., U.S. District Court for the Eastern District of Pa., Civil Action No. 10-3149, is a suit in federal court by a former contractor which provided custodial services in 22 comprehensive high schools. The School District withheld payment to Sodexo for the last two months' invoices in May and June 2010, totaling \$2,100,001, for the reason that Sodexo did not meet its minority participation commitment in the contract of 83.6%. On June 29, 2010, Sodexo filed suit against the School

District, the School Reform Commission and Team Clean, Inc., seeking, among other relief, money damages for the payments which were withheld plus interest. The School District filed a compulsory counterclaim for liquidated damages against Sodexo for its breach of the Anti-Discrimination Policy and minority participation requirement in the amount of \$1,266,021, which is 1% of the contract amount for each 1% of Sodexo's shortfall in minority participation. After offsetting this amount for liquidated damages from the payments due for May and June 2010, the remaining balance due from the School District to Sodexo would be reduced to \$843,980.

The School District paid the amount of \$843,980 to Sodexo on Nov. 30, 2011 and agreed to go to voluntary mediation regarding the remaining disputed balance claimed by Sodexo. Sodexo and the School District after mediation agreed to settle the remaining balance for \$983,000, which was paid on Dec. 21, 2011. The overall settlement resulted in a saving to the School District of \$460,524.85. There is no possibility of further liability. The suit will be dismissed with prejudice.

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

Pursuant to resolutions of the School Reform Commission, the School District 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. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. In June 2008, the School District submitted an initial request for a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS") to further confirm the School District's determination. The School District sought this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. By letter dated October 31, 2011, the IRS informed the School District that it could not rule on the PLR request because the request requires an initial determination that the School District's form of 403(b) plan satisfies Section 403(b) of the IRS Code, and beginning in 2009 and continuing to date, the IRS has stated that it will not issue a letter ruling with respect to whether the form of plan satisfies the requirements of Section 403(b) of the IRS Code. The 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, 2011, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2011. In addition, the IRS informed the School District that, since the District's requested rulings are under examination by the IRS and answers to the requested rulings are pertinent to the examination, the IRS anticipates that the rulings will be answered through the examination process.

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, using the level percentage of payroll method. 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
2009	\$640,650	100%	\$0
2010	659,317	100%	0
2011	673,167	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, 2011, the rate of employer contribution was 5.64 percent of qualifying compensation. The 5.64 percent rate consists of a pension contribution rate of 5.00 percent for pension benefits and .64 percent for health insurance premium assistance. The School District's contributions to PSERS for the Fiscal Years ending 2009, 2010 and 2011 were \$58,363,522, \$59,526,722 and \$72,863,462 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, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

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 current portion of its risk management obligations totaling \$35.2 million in the General Fund and the long-term portion of its risk management obligations totaling \$131.2 million (See Note 4D(2)) in the district-wide Statement of Net Assets. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro-rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and 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, 2011, the amount of these liabilities totaled \$166.4 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

	(Dollars in Millions)				
	Beginning Liability	Claims & Adjustments	Claim Payments	Ending Liability	Due Within One Year
Fiscal Year 2010	\$ 144.1	\$ 29.7	\$ 35.9	\$ 137.9	\$ 37.9
Fiscal Year 2011	\$ 137.9	\$ 248.3	\$ 219.8	\$ 166.4	\$ 84.9

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, except for the change to a self-insurance program for employee healthcare in Fiscal Year 2011. 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 \$513,989. This adjustment involved a correction to an understatement to Land in the amount of \$230,680, as well as a correction to reduce Work-in-Progress in the amount of \$744,669. (See Note 4C)

N. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred after June 30, 2011, through February 10, 2012. 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 6, 2011 the School District issued its annual tax and revenue anticipation notes for cyclical cash flow purposes in the aggregate principal amount of \$450.0 million (the "FY2012 Notes"). The notes will be paid off by June 29, 2012.
- (2) General Obligation Refunding Notes
On August 30, 2011 the School District issued General Obligation Refunding Notes, Series A and B of 2011 in the principal amount of \$61.3 million. These notes refunded certain principal and interest payments due during Fiscal Year 2012 under GOB Series 1999B, 2002B, 2005D, 2006A, 2008E, 2010A, and 2010C in the amount of \$61.1 million. On December 20, 2011 the School District repaid the General Obligation Refunding Notes, Series A and B of 2011 and issued General Obligation Refunding Bonds Series C of 2011 and D of 2011 in the aggregate principal amount of \$57.5 million.
- (3) General Obligation Bonds, Series of 2011
On December 20, 2011 the School District issued General Obligation Bonds (GOB), Series A of 2011 and GOB Series B in the aggregate principal amount of \$161.6 million. Series A of 2011 was issued as Federally Taxable Qualified School Construction Bonds in the aggregate amount of \$144.6 million. The School District will receive a federal interest subsidy for the Series A Bonds of 2011. The Series B Bonds of 2011 were issued as Tax-Exempt bonds in the aggregate principal amount of \$17.0 million. Both series of bonds will fund the Capital Improvement Program.

(4) Loan agreement with Southeastern Pennsylvania Transportation Authority (SEPTA) To Provide Student Transpasses for school year 2011-12

On October 26, 2011, the SRC authorized (A-15) the First Amendment agreement with SEPTA to provide student transpasses to the School District of Philadelphia as an interest bearing loan up to the sum of \$36.5 million. Upon approval by the Philadelphia Common Pleas Court, the District intends to issue a General Obligation Note in the amount of \$36.5 million to fund this loan constituting an unfunded debt.

(5) Reduction In Force

In the Spring of 2011, the District identified a projected budget gap for the Fiscal Year 2012 reporting period of over \$629 million. One of the actions taken to address this gap and balance the budget was a Reduction In Force (RIF) which was effective starting in July 1, 2011 and implemented in stages throughout the remaining months of Fiscal Year 2012. On December 31, 2011, the number of employees on current laid-off status with effective dates July 1, 2011 through December 31, 2011 was 998. This is point in time and will change as additional lay-offs occur and as employees who were laid-off are brought back to fill approved positions. In addition, some of the Reduction In Force was accomplished through the elimination of vacant positions, which is not reflected in the 998. The District continues to take strides to bridge the budget shortfall with a variety of strategies, trimming both non-personnel and personnel expenses.

(6) Commercial Property Owner Tax Appeals

The State Tax Equalization Board (STEB) is a state agency responsible for monitoring the accuracy of property tax assessments. Counties are required to send monthly records of property sales to the STEB, coding some sales as valid and rejecting others that do not reflect true market values. Using the counties' data, the STEB calculates the ratio of assessed values to actual sale prices each year, creating the "common level ratio," which is then compared with each county's "predetermined ratio."

Philadelphia's established predetermined ratio is 32%, meaning the tax rate is applied to 32% of a property's certified market value to determine the real estate tax due. The STEB has issued a common level ratio of 18.1% for Philadelphia. If the STEB's common level ratio differs from a county's predetermined ratio by more than 15%, then taxpayers may request that the Board of Revision of Taxes apply the STEB's common level ratio rather than the city's established ratio.

Due to the large difference between the STEB's common level ratio and the city's established predetermined ratio, hundreds of the city's largest non-residential property owners have appealed their current property tax assessments. Current worst case estimates are as high as \$80 million in lost real estate tax revenue. Real estate taxes are split 44% to the city and 56% to the School District of Philadelphia.

The City has refined and resubmitted its 2010 data to the STEB with the hope that the common level ratio will be increased. To eliminate appeals that are based solely on the ratio, the common level ratio would have to reach 27.2%. On behalf of multiple taxpayers, the law firm of Fox Rothschild has filed a motion to intervene to oppose changing Philadelphia's current common level ratio; the City intends to oppose that motion.

In the meantime, the City's Law Department, acting on behalf of the School District, has filed a cross-appeal in every real estate tax appeal filed for 2012. If the common level ratio is not raised to within 15% of the established predetermined ratio, the Law Department intends to try to mitigate the loss of revenue by seeking to have the Board of Revision of Taxes (BRT) establish a higher fair market value for all substantial properties that currently are undervalued. The BRT has ruled that it will only consider a property's fair market value if the issue was raised in the taxpayer's petition. However, the Law Department has not yet attempted to present the BRT with a cross-appeal that includes appraisals and expert testimony. Furthermore, any party dissatisfied with the BRT's determination is entitled to a trial de novo before the Common Pleas Court, so the Board's rulings, as well as each individual assessment, can be subject to further review.

**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, 2011

General Fund				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Local Taxes	\$ 776,793,000	\$ 778,073,000	\$ 767,563,222	\$ (10,509,778)
Locally Generated Non Tax	64,886,000	63,797,000	66,135,322	2,338,322
State Grants and Subsidies	1,464,417,000	1,412,389,000	1,413,681,104	1,292,104
Federal Grants and Subsidies	5,962,000	6,059,000	6,037,554	(21,446)
Total Revenues	2,312,058,000	2,260,318,000	2,253,417,202	(6,900,798)
OBLIGATIONS				
Current Operating				
Instruction	1,047,900,070	1,037,828,291	1,051,096,018	(13,267,727)
Student Support Services	30,947,274	30,523,474	29,100,621	1,422,853
Administrative Support	109,096,150	107,193,859	100,825,227	6,368,632
Operation & Maintenance of Plant Services	272,573,489	256,287,815	230,560,739	25,727,076
Pupil Transportation	67,886,391	80,827,868	80,201,482	626,386
All Other Support Services	(6,666,215)	(8,207,079)	(26,466,384)	18,259,305
Payments to Charter Schools	379,981,017	424,030,963	411,880,276	12,150,687
Allocated Costs	(17,488,263)	(17,372,974)	-	(17,372,974)
Total Obligations	1,884,229,913	1,911,112,217	1,877,197,979	33,914,238
Excess of Revenues Over (Under) Obligations	427,828,087	349,205,783	376,219,223	27,013,440
OTHER FINANCING SOURCES (USES)				
Transfers In	3,017,000	21,760,000	21,395,960	(364,040)
Transfers Out	(456,498,262)	(442,248,270)	(438,284,022)	3,964,248
Total Other Financing Sources (Uses)	(453,481,262)	(420,488,270)	(416,888,062)	3,600,208
Net Change in Fund Balances	(25,653,175)	(71,282,487)	(40,668,839)	30,613,648
Fund Balances, July 1, 2010	(74,073,800)	(23,507,700)	1,926,526	25,434,226
Change in Inventory Reserve	-	-	(77,633)	(77,633)
Change in Encumbrance Reserve	-	-	(4,556,641)	(4,556,641)
Fund Balances, June 30, 2011	\$ (99,726,975)	\$ (94,790,187)	\$ (43,376,587)	\$ 51,413,600

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
477,000	381,000	450,789	69,789
87,342,000	85,631,000	85,792,187	161,187
-	-	-	-
87,819,000	86,012,000	86,242,976	230,976
209,605,568	209,196,686	216,018,983	(6,822,297)
73,682,080	76,360,647	75,098,970	1,261,677
947,562	1,084,901	1,066,697	18,204
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,800,362	9,685,073	9,580,525	104,548
294,035,572	296,327,307	301,765,175	(\$437,868)
(206,216,572)	(210,315,307)	(215,522,199)	(5,206,892)
206,216,600	210,315,300	215,522,199	5,206,899
-	-	-	-
206,216,600	210,315,300	215,522,199	5,206,899
28	(7)	-	7
-	-	1,220,321	1,220,321
-	-	-	-
-	-	1,424,803	1,424,803
\$ 28	\$ (7)	\$ 2,645,124	\$ 2,645,131

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, 2011**

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	\$ 2,253,417	\$ 86,243
Revenue - GAAP Basis	\$ 2,253,417	\$ 86,243
Obligations – Basis of Budgeting	\$ 1,877,198	\$ 301,765
Current Year Encumbrances	(8,606)	(2,631)
Prior Year Encumbrance Payments	8,047	807
Prior Year Encumbrance		
Cancellations and Other Adjustments	5,515	-
Expenditures - GAAP Basis	\$ 1,882,154	\$ 299,941
Other Financing Sources (Uses) -		
Basis of Budgeting	\$ (416,888)	\$ 215,522
Prior Year Encumbrance Cancellations	399	(399)
Other Financing Sources		
(Uses) - GAAP Basis	\$ (416,489)	\$ 215,123

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2011:

A. General Fund

(1). Instruction	\$ 13,267,727
(2). Allocated Costs	17,372,974

B. Intermediate Unit Fund

(1). Instruction	6,822,297
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Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$13,267,727 in "Instruction" reflected a large number of teachers without budgeted positions on the payroll, larger than expected per diem substitute expense, special education rising compensatory education costs and lower than anticipated ACCESS/Medicaid fee-for-service reimbursements, and offsetting benefit savings generated in school areas not being captured in the Instructional budgetary unit; the total variance is approximately 1.3 % of total expenditures in the Instruction budgetary unit.

The negative variance of \$17,372,974 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.

Intermediate Unit Fund

The negative variance of \$6,822,297 in "Instruction" reflected a large number of teachers without budgeted positions on the payroll, larger than expected per diem substitute expense, special education rising compensatory education costs and lower than anticipated ACCESS/Medicaid fee-for-service reimbursements, and offsetting benefit savings generated in school areas not being captured in the Instructional budgetary unit; the total variance is approximately 3.2% of total expenditures in the Instruction budgetary unit.

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 \$ 17,488,263 and \$ 17,372,974, 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 \$121,852,159 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, 2011 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, 2011 there were eighty-nine Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,192,713	\$ 2,195,077	\$ 6,387,790
Accounts Receivable	-	-	-
Total Assets	<u>\$ 4,192,713</u>	<u>\$ 2,195,077</u>	<u>\$ 6,387,790</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	<u>\$ 200</u>	<u>\$ 675</u>	<u>\$ 875</u>
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,366,072	1,366,072
Restricted:			
Trust Purposes	4,192,513	828,330	5,020,843
Total Fund Balances	<u>4,192,513</u>	<u>2,194,402</u>	<u>6,386,915</u>
Total Liabilities and Fund Balances	<u>\$ 4,192,713</u>	<u>\$ 2,195,077</u>	<u>\$ 6,387,790</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, 2011

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 61,785	\$ 42,881	\$ 104,666
EXPENDITURES			
Instruction	34,347	1,501	35,848
Excess (Deficiency) of Revenues Over Expenditures	27,438	41,380	68,818
Fund Balances, July 1, 2010	4,165,075	2,153,022	6,318,097
Fund Balances, June 30, 2011	\$ 4,192,513	\$ 2,194,402	\$ 6,386,915

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 547,400,000	\$ 547,258,000	\$ 549,717,468	\$ 2,459,468
Prior Years	50,000,000	52,500,000	39,555,012	(12,944,988)
Use and Occupancy	113,000,000	112,500,000	109,272,547	(3,227,453)
School (Non-Business) Income	21,800,000	20,800,000	24,010,810	3,210,810
Liquor Sales	43,500,000	43,900,000	43,892,467	(7,533)
Public Utility Realty	1,093,000	1,115,000	1,114,918	(82)
Total Local Taxes	776,793,000	778,073,000	767,563,222	(10,509,778)
Locally Generated Non Tax				
Interest on Investments	2,384,000	814,000	793,497	(20,503)
City Contributions	38,870,000	38,600,000	38,600,000	-
Legal Settlements	2,710,000	2,735,000	2,612,724	(122,276)
Stadium Agreements	2,730,000	3,000,000	3,000,000	-
Voluntary Contributions	75,000	325,000	645,872	320,872
Parking Authority Contributions	4,500,000	7,284,000	7,788,576	504,576
Gaming Revenue	-	5,000,000	5,793,286	793,286
Reimbursement from Other Funds	7,972,000	14,000	13,860	(140)
Miscellaneous	5,645,000	6,025,000	6,887,507	862,507
Total Locally Generated Non Tax	64,886,000	63,797,000	66,135,322	2,338,322
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation & Ed. Jobs)	985,959,000	950,183,000	950,182,892	(108)
Less: Reimbursement of Prior Years IU Advances	43,493,000	43,560,000	43,496,526	(63,474)
PA Provided Federal Stimulus/SFSF	119,766,000	121,852,000	121,852,159	159
Net Instruction	1,062,232,000	1,028,475,000	1,028,538,525	63,525
Debt Service	14,562,000	13,743,000	7,441,344	(6,301,656)
School Health Program				
Nurse Services	1,290,000	1,331,000	1,330,882	(118)
Medical and Dental	2,211,000	2,282,000	2,214,527	(67,473)
Tuition	324,000	189,000	54,580	(134,420)
Area Vocational Technical Education	5,399,000	5,387,000	6,070,068	683,068
Transportation	52,649,000	52,033,000	52,741,916	708,916
District Special Education	126,806,000	127,693,000	127,544,350	(148,650)
Charter Schools	113,970,000	110,298,000	109,541,355	(756,645)
Retirement	44,013,000	29,997,000	33,781,496	3,784,496
Social Security	40,961,000	40,961,000	44,422,061	3,461,061
Total State Grants and Subsidies	1,464,417,000	1,412,389,000	1,413,681,104	1,292,104
Federal Grants and Subsidies				
Build America Bonds Subsidy	5,741,000	5,741,000	5,741,366	366
Impacted Area Aid	221,000	318,000	296,188	(21,812)
Total Federal Grants and Subsidies	5,962,000	6,059,000	6,037,554	(21,446)
Total Other Governments	1,470,379,000	1,418,448,000	1,419,718,658	1,270,658
Total Revenues	\$ 2,312,058,000	\$ 2,260,318,000	\$ 2,253,417,202	\$ (6,900,798)

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 4,713,972	\$ 3,690,478	\$ 3,096,824	\$ 593,654
Employee Benefits	2,641,577	1,804,934	1,650,204	154,730
Prof., Tech. Services	299,625	119,451	196,063	(76,612)
Property, Transportation, Comm.	339,300	101,360	111,833	(10,473)
Materials, Supplies, Books and Equipment	1,103,053	128,792	109,167	19,625
Other	-	(1,000,000)	-	(1,000,000)
	9,097,527	4,845,015	5,164,091	(319,076)
Elementary Education				
Personal Services	312,427,077	305,293,312	312,591,610	(7,298,298)
Employee Benefits	136,354,020	124,088,376	131,737,090	(7,648,714)
Prof., Tech. Services	1,534,572	1,517,558	992,168	525,390
Property, Transportation, Comm.	196,700	175,884	631,408	(455,524)
Materials, Supplies, Books and Equipment	14,760,778	13,164,280	10,673,512	2,490,768
Other	486,900	-	-	-
	465,760,047	444,239,410	456,625,788	(12,386,378)
Middle School Education				
Personal Services	64,809,827	63,119,322	64,157,342	(1,038,020)
Employee Benefits	27,906,754	25,001,129	26,208,612	(1,207,483)
Prof., Tech. Services	269,925	250,775	272,869	(22,094)
Property, Transportation, Comm.	282,887	266,955	427,893	(160,938)
Materials, Supplies, Books and Equipment	3,804,008	2,539,779	2,249,510	290,269
Other	125,600	-	-	-
	97,199,001	91,177,960	93,316,226	(2,138,266)
Senior High School Education				
Personal Services	179,312,382	176,973,812	176,352,934	620,878
Employee Benefits	77,959,822	71,257,461	71,550,208	(292,747)
Prof., Tech. Services	2,386,950	4,460,530	4,612,232	(151,702)
Property, Transportation, Comm.	816,938	660,102	1,196,419	(536,317)
Materials, Supplies, Books and Equipment	8,229,295	6,802,736	5,698,266	1,104,470
Other	1,485,967	-	75	(75)
	270,191,354	260,154,641	259,410,134	744,507
Special Education				
Personal Services	7,277,119	7,480,597	7,383,471	97,126
Employee Benefits	3,044,027	2,965,465	2,889,672	75,793
Prof., Tech. Services	-	-	-	-
Materials, Supplies, Books and Equipment	18,200	18,450	9,308	9,142
	10,339,346	10,464,512	10,282,451	182,061

(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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 29,675,482	\$ 32,645,147	\$ 32,469,199	\$ 175,948
Employee Benefits	12,809,634	13,037,944	13,791,094	(753,150)
Prof.,Tech. Services	512,540	1,086,689	1,013,394	73,295
Property,Transportation,Comm.	382,100	375,124	429,838	(54,714)
Materials, Supplies, Books and Equipment	1,814,219	1,500,787	1,789,629	(288,842)
Other	154,906	154,906	-	154,906
	<u>45,348,881</u>	<u>48,800,597</u>	<u>49,493,154</u>	<u>(692,557)</u>
Desegregation				
Personal Services	6,984,731	6,849,839	6,271,968	577,871
Employee Benefits	2,934,480	2,546,289	2,604,799	(58,510)
Prof.,Tech. Services	95,620	80,781	74,314	6,467
Property,Transportation,Comm.	21,375	12,496	33,524	(21,028)
Materials, Supplies, Books and Equipment	1,916,574	1,579,139	1,349,236	229,903
	<u>11,952,780</u>	<u>11,068,544</u>	<u>10,333,841</u>	<u>734,703</u>
Promise Academies				
Personal Services	-	5,352,359	3,285,432	2,066,927
Employee Benefits	-	1,617,244	944,422	672,822
Property,Transportation,Comm.	-	85,091	22,146	62,945
Materials, Supplies, Books and Equipment	-	1,999	-	1,999
	<u>-</u>	<u>7,056,693</u>	<u>4,252,000</u>	<u>2,804,693</u>
School Support Services				
Personal Services	20,433,163	24,866,513	30,839,366	(5,972,853)
Employee Benefits	4,383,348	5,001,828	6,058,902	(1,057,074)
Prof.,Tech. Services	719,048	4,541,027	2,408,152	2,132,875
Property,Transportation,Comm.	1,800	542,677	548,622	(5,945)
Materials, Supplies, Books and Equipment	6,123,777	18,299,602	16,496,666	1,802,936
Other	-	675	-	675
	<u>31,661,136</u>	<u>53,252,322</u>	<u>56,351,708</u>	<u>(3,099,386)</u>
Payment to Other Educational Entities				
Prof.,Tech. Services	46,102,077	44,935,621	42,465,496	2,470,125
Property,Transportation,Comm.	57,634,971	57,634,971	60,243,554	(2,608,583)
Other	(1,609,930)	-	-	-
	<u>102,127,118</u>	<u>102,570,592</u>	<u>102,709,050</u>	<u>(138,458)</u>
Adult Education				
Personal Services	59,380	59,380	51,802	7,578
Employee Benefits	13,206	11,674	9,199	2,475
Prof.,Tech. Services	3,000	3,000	-	3,000
Property,Transportation,Comm.	26,792	5,000	-	5,000
Materials, Supplies, Books and Equipment	6,830	5,279	279	5,000
	<u>109,208</u>	<u>84,333</u>	<u>61,280</u>	<u>23,053</u>
Partnership Schools				
Personal Services	-	-	10,401	(10,401)
Employee Benefits	-	-	3,194	(3,194)
Prof.,Tech. Services	4,113,672	4,113,672	3,082,700	1,030,972
	<u>4,113,672</u>	<u>4,113,672</u>	<u>3,096,295</u>	<u>1,017,377</u>
Total Instruction	<u>1,047,900,070</u>	<u>1,037,828,291</u>	<u>1,051,096,018</u>	<u>(13,267,727)</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 20,655,963	\$ 20,999,106	\$ 19,680,198	\$ 1,318,908
Employee Benefits	8,652,750	8,197,672	8,281,132	(83,460)
Prof.,Tech. Services	325,000	137,250	130,000	7,250
Property,Transportation,Comm.	80,446	15,516	13,556	1,960
Materials, Supplies, Books and Equipment	191,997	180,485	169,428	11,057
	29,906,156	29,530,029	28,274,314	1,255,715
Office of Specialized Services				
Personal Services	631,023	616,113	488,235	127,878
Employee Benefits	240,383	221,180	185,676	35,504
Prof.,Tech. Services	134,700	146,550	146,350	200
Property,Transportation,Comm.	18,920	6,428	5,465	963
Materials, Supplies, Books and Equipment	16,092	3,174	581	2,593
	1,041,118	993,445	826,307	167,138
Total Student Support Services	30,947,274	30,523,474	29,100,621	1,422,853
Administrative Support				
Regional Offices				
Personal Services	5,540,318	3,901,920	3,744,666	157,254
Employee Benefits	2,105,749	1,326,701	1,205,917	120,784
Prof.,Tech. Services	34,189	15,000	15,000	-
Property,Transportation,Comm.	122,692	22,716	23,966	(1,250)
Materials, Supplies, Books and Equipment	329,314	156,359	125,331	31,028
Other	-	-	(414,919)	414,919
	8,132,262	5,422,696	4,699,961	722,735
Financial Services				
Personal Services	6,022,834	6,469,238	6,235,268	233,970
Employee Benefits	2,557,426	2,663,520	2,383,256	280,264
Prof.,Tech. Services	851,862	963,860	1,013,099	(49,239)
Property,Transportation,Comm.	94,521	145,022	138,244	6,778
Materials, Supplies, Books and Equipment	99,759	86,898	63,939	22,959
Other	468	468	(62,978)	63,446
	9,626,870	10,329,006	9,770,828	558,178
Office of the Chief Finance Officer				
Personal Services	1,210,859	1,019,316	758,284	261,032
Employee Benefits	430,897	347,309	168,247	179,062
Prof.,Tech. Services	833,600	875,444	744,629	130,815
Property,Transportation,Comm.	121,801	11,682	16,295	(4,613)
Materials, Supplies, Books and Equipment	39,231	15,960	10,724	5,236
Other	(132,176)	(132,176)	-	(132,176)
	2,504,212	2,137,535	1,698,179	439,356
Office of Procurement Services				
Personal Services	1,020,500	1,042,122	921,241	120,881
Employee Benefits	457,237	435,736	405,540	30,196
Prof.,Tech. Services	121,914	46,833	41,360	5,473
Property,Transportation,Comm.	14,967	33,838	33,695	143
Materials, Supplies, Books and Equipment	60,144	70,302	71,163	(861)
Other	-	-	(343,198)	343,198
	1,674,762	1,628,831	1,129,801	499,030

(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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personal Services	\$ 6,776,235	\$ 7,344,986	\$ 7,146,347	\$ 198,639
Employee Benefits	2,930,746	2,985,887	2,822,719	163,168
Prof.,Tech. Services	1,475,150	1,558,368	1,057,356	501,012
Property,Transportation,Comm.	323,770	139,362	128,406	10,956
Materials, Supplies, Books and Equipment	137,225	149,949	110,157	39,792
Other	2,009,701	286,466	(280,558)	567,024
	13,652,827	12,465,018	10,984,427	1,480,591
Information Technology				
Personal Services	5,825,381	5,711,599	5,654,056	57,543
Employee Benefits	2,371,631	2,191,302	2,281,883	(90,581)
Prof.,Tech. Services	5,329,374	5,132,114	5,053,259	78,855
Property,Transportation,Comm.	2,209,153	2,165,798	2,146,903	18,895
Materials, Supplies, Books and Equipment	2,496,319	2,929,611	2,916,500	13,111
Other	(4,229,375)	(4,528,452)	(3,826,016)	(702,436)
	14,002,483	13,601,972	14,226,585	(624,613)
Municipal Services				
Personal Services	470,982	420,116	384,948	35,168
Employee Benefits	222,275	200,124	173,009	27,115
Prof.,Tech. Services	4,310,269	4,310,269	3,798,000	512,269
Property,Transportation,Comm.	2,152	2,152	297	1,855
Other	-	-	(109,746)	109,746
	5,005,678	4,932,661	4,246,508	686,153
Alternative Education				
Personal Services	2,627,116	2,414,687	2,170,997	243,690
Employee Benefits	1,186,950	1,093,062	813,882	279,180
Prof.,Tech. Services	60,000	-	160,116	(160,116)
Property,Transportation,Comm.	5,509	21,923	12,837	9,086
Materials, Supplies, Books and Equipment	38,529	362,220	169,774	192,446
	3,918,104	3,891,892	3,327,606	564,286
Accountability, Assessment & Intervention				
Personal Services	2,786,757	2,592,694	2,115,667	477,027
Employee Benefits	1,088,065	967,009	778,244	188,765
Prof.,Tech. Services	1,738,428	1,485,094	1,474,569	10,525
Property,Transportation,Comm.	105,893	51,433	38,397	13,036
Materials, Supplies, Books and Equipment	155,407	68,049	33,467	34,582
Other	(130,000)	(130,000)	(274,584)	144,584
	5,744,550	5,034,279	4,165,760	868,519
Office of School Management				
Personal Services	9,280,412	9,306,616	8,628,300	678,316
Employee Benefits	4,231,088	4,225,793	3,867,669	358,124
Prof.,Tech. Services	1,200,914	257,147	256,930	217
Property,Transportation,Comm.	240,417	194,369	410,886	(216,517)
Materials, Supplies, Books and Equipment	227,464	446,259	462,165	(15,906)
Other	(1,047,598)	487	(53,036)	53,523
	14,132,697	14,430,671	13,572,914	857,757

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Office of Secondary Education				
Personal Services	\$ 762,870	\$ 1,360,482	\$ 1,135,461	\$ 225,021
Employee Benefits	271,942	443,206	371,406	71,800
Prof.,Tech. Services	7,250	1,044,046	1,030,158	13,888
Property,Transportation,Comm.	92,098	127,071	125,065	2,006
Materials, Supplies, Books and Equipment	173,725	349,016	386,441	(37,425)
Other	262,279	17,500	-	17,500
	1,570,164	3,341,321	3,048,531	292,790
Curriculum, Instruction & Professional Development				
Personal Services	5,640,303	5,443,226	4,835,854	607,372
Employee Benefits	1,887,959	1,809,288	1,723,524	85,764
Prof.,Tech. Services	518,120	690,994	665,405	25,589
Property,Transportation,Comm.	573,292	726,032	388,124	337,908
Materials, Supplies, Books and Equipment	455,248	128,468	63,911	64,557
Other	13,081	37,151	-	37,151
	9,088,003	8,835,159	7,676,818	1,158,341
Professional Growth Trust Fund				
Employee Benefits	811,890	811,890	811,890	-
Office of the Chief Operations Officer				
Personal Services	1,301,246	1,632,341	1,305,004	327,337
Employee Benefits	563,189	668,745	578,766	89,979
Prof.,Tech. Services	2,700	3,630	4,083	(453)
Property,Transportation,Comm.	200,200	204,489	200,868	3,621
Materials, Supplies, Books and Equipment	48,670	21,052	16,004	5,048
Other	-	-	(600)	600
	2,116,005	2,530,257	2,104,125	426,132
Executive / Board Management				
Personal Services	8,836,760	8,500,390	7,994,931	505,459
Employee Benefits	3,501,057	3,192,371	2,739,784	452,587
Prof.,Tech. Services	4,044,022	2,579,146	3,569,374	(990,228)
Property,Transportation,Comm.	425,661	474,769	488,142	(13,373)
Materials, Supplies, Books and Equipment	301,431	255,434	209,589	45,845
Other	(834,636)	(917,541)	-	(917,541)
	16,274,295	14,084,569	15,001,820	(917,251)
Office of Grant Development & Compliance				
Personal Services	-	1,257,449	1,178,139	79,310
Employee Benefits	-	507,654	453,312	54,342
Prof.,Tech. Services	-	112,902	107,902	5,000
Property,Transportation,Comm.	-	20,043	16,943	3,100
Materials, Supplies, Books and Equipment	-	33,177	16,252	16,925
	-	1,931,225	1,772,548	158,677
Office of the Chief Academic Officer				
Personal Services	1,544,489	1,988,765	1,791,129	197,636
Employee Benefits	592,125	735,118	598,547	136,571
Prof.,Tech. Services	38,234	122,825	117,825	5,000
Property,Transportation,Comm.	43,583	54,117	49,248	4,869
Materials, Supplies, Books and Equipment	56,236	226,540	28,486	198,054
Other	(1,433,319)	(1,342,488)	1,691	(1,344,179)
	841,348	1,784,877	2,586,926	(802,049)
Total Administrative Support	109,096,150	107,193,859	100,825,227	6,368,632

(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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 79,339,999	\$ 78,932,649	\$ 77,528,101	\$ 1,404,548
Employee Benefits	44,083,007	42,162,239	38,147,579	4,014,660
Prof.,Tech. Services	17,507,497	16,274,072	14,389,059	1,885,013
Property,Transportation,Comm.	10,242,839	12,045,773	11,860,120	185,653
Materials, Supplies, Books and Equipment	8,850,205	8,503,397	8,295,656	207,741
Other	(1,231,077)	(7,637,104)	(14,526,017)	6,888,913
	158,792,470	150,281,026	135,694,498	14,586,528
Utilities				
Prof.,Tech. Services	451,020	451,020	171,372	279,648
Property,Transportation,Comm.	15,201,720	15,211,120	14,260,514	950,606
Materials, Supplies, Books and Equipment	61,909,925	54,639,852	50,248,293	4,391,559
Other	-	-	(4,592,515)	4,592,515
	77,562,665	70,301,992	60,087,664	10,214,328
Security Operations				
Personal Services	23,544,455	23,354,950	24,386,016	(1,031,066)
Employee Benefits	12,334,899	11,640,835	11,415,599	225,236
Prof.,Tech. Services	351,916	629,346	623,700	5,646
Property,Transportation,Comm.	239,023	22,381	33,995	(11,614)
Materials, Supplies, Books and Equipment	325,561	634,785	631,274	3,511
Other	(577,500)	(577,500)	(2,312,007)	1,734,507
	36,218,354	35,704,797	34,778,577	926,220
Total Oper. & Maint. of Plant Services	272,573,489	256,287,815	230,560,739	25,727,076
Pupil Transportation				
Personal Services	24,194,064	24,036,317	24,742,864	(706,547)
Employee Benefits	14,790,617	14,219,285	13,209,127	1,010,158
Prof.,Tech. Services	80,600	77,100	70,000	7,100
Property,Transportation,Comm.	63,727,988	78,886,738	78,139,162	747,576
Materials, Supplies, Books and Equipment	4,962,266	4,799,572	4,551,961	247,611
Other	(39,869,144)	(41,191,144)	(40,511,632)	(679,512)
Total Pupil Transportation	67,886,391	80,827,868	80,201,482	626,386
All Other Support Services				
Risk Management				
Personal Services	600,636	598,510	554,435	44,075
Employee Benefits	249,434	234,081	246,308	(12,227)
Prof.,Tech. Services	26,656	5,000	-	5,000
Property,Transportation,Comm.	1,906,449	1,833,048	1,822,513	10,535
Materials, Supplies, Books and Equipment	7,957	7,957	8,124	(167)
Losses and Judgments	5,685,734	4,343,734	5,724,980	(1,381,246)
	8,476,866	7,022,330	8,356,360	(1,334,030)

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ 456,400	\$ 456,400	\$ 422,000	\$ 34,400
Property,Transportation,Comm.	15,000	15,000	3,000	12,000
Interest	3,631,000	5,702,500	5,702,520	(20)
	4,102,400	6,173,900	6,127,520	46,380
Undistributed				
Personal Services	539,024	1,652,545	42,500	1,610,045
Employee Benefits	637,222	665,278	(35,622,504)	36,287,782
Prof.,Tech. Services	922,582	462,932	-	462,932
Property,Transportation,Comm.	425,000	-	-	-
Materials, Supplies, Books and Equipment	(9,021,202)	(5,763,438)	-	(5,763,438)
Other	943,845	(4,728,674)	146,912	(4,875,586)
Cancellation of Prior Years' Encumbrances	(13,691,952)	(13,691,952)	(5,517,172)	(8,174,780)
	(19,245,481)	(21,403,309)	(40,950,264)	19,546,955
Total All Other Support Services	(6,666,215)	(8,207,079)	(26,466,384)	18,259,305
Payments to Charter Schools				
Personal Services	954,494	1,474,544	758,841	715,703
Employee Benefits	388,572	554,335	266,102	288,233
Prof.,Tech. Services	231,425	566,583	3,244,309	(2,677,726)
Property,Transportation,Comm.	378,391,741	421,401,347	407,591,926	13,809,421
Materials, Supplies, Books and Equipment	14,785	34,154	19,098	15,056
	379,981,017	424,030,963	411,880,276	12,150,687
Allocated Costs	(17,488,263)	(17,372,974)	-	(17,372,974)
Total Obligations	1,884,229,913	1,911,112,217	1,877,197,979	33,914,238
OTHER FINANCING USES				
Local Share of Categorical Programs	2,289,162	2,228,970	1,988,417	240,553
Debt Service Fund	247,992,500	229,704,000	220,773,403	8,930,597
Special Education	206,216,600	210,315,300	215,522,202	(5,206,902)
Total Other Financing Uses	456,498,262	442,248,270	438,284,022	3,964,248
Total General Fund	\$ 2,340,728,175	\$ 2,353,360,487	\$ 2,315,482,001	\$ 37,878,486
Fund Totals - Object Classes				
Personal Services	\$ 835,799,853	\$ 838,401,440	\$ 840,691,831	\$ (2,290,391)
Employee Benefits	374,633,978	349,831,964	315,754,010	34,077,954
Prof.,Tech. Services	97,090,851	99,513,029	93,423,243	6,089,786
Property,Transportation,Comm.	534,527,698	593,691,827	581,593,804	12,098,023
Materials, Supplies, Books, and Equipment	109,653,022	112,380,075	106,983,891	5,396,184
Other	(45,612,008)	(61,687,426)	(67,159,128)	5,471,702
Interest on Temporary Borrowing	3,631,000	5,702,500	5,702,520	(20)
Losses and Judgments	5,685,734	4,343,734	5,724,980	(1,381,246)
Allocated Costs	(17,488,263)	(17,372,974)	-	(17,372,974)
Other Financing Uses	456,498,262	442,248,270	438,284,022	3,964,248
Cancellation of Prior Years' Encumbrances	(13,691,952)	(13,691,952)	(5,517,172)	(8,174,780)
Total General Fund	\$ 2,340,728,175	\$ 2,353,360,487	\$ 2,315,482,001	\$ 37,878,486

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, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 41,000	\$ 8,000	\$ 12,151	\$ 4,151
Non-Public School Programs	76,000	23,000	19,739	(3,261)
Tuition	360,000	350,000	418,899	68,899
Total Locally Generated Non Tax	477,000	381,000	450,789	69,789
State Grants and Subsidies				
Special Education Program	4,493,000	4,460,000	4,500,370	40,370
Special Education Transportation	50,660,000	52,223,000	52,765,138	542,138
Non-Public School Programs	16,610,000	15,844,000	15,844,274	274
Management Services Program	547,000	547,000	547,000	-
Social Security	7,246,000	7,246,000	7,999,208	753,208
Retirement	7,786,000	5,311,000	4,136,197	(1,174,803)
Total State Grants and Subsidies	87,342,000	85,631,000	85,792,187	161,187
Total Revenues	\$ 87,819,000	\$ 86,012,000	\$ 86,242,976	\$ 230,976
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 129,747,457	\$ 129,296,077	\$ 127,657,644	\$ 1,638,433
Employee Benefits	59,640,027	57,094,370	56,493,665	600,705
Prof.,Tech. Services	8,163,641	8,541,273	8,829,117	(287,844)
Property,Transportation,Comm.	85,387	71,931	89,331	(17,400)
Materials, Supplies, Books and Equipment	2,479,676	2,295,830	1,740,831	554,999
Other	(6,065,696)	(2,807,821)	6,390,084	(9,197,905)
Total Special Education	194,050,492	194,491,660	201,200,672	(6,709,012)
Services to Non-Public School Students				
Personal Services	80,850	80,850	80,898	(48)
Employee Benefits	32,113	30,029	41,592	(11,563)
Prof.,Tech. Services	15,440,413	14,592,447	14,695,720	(103,273)
Property,Transportation,Comm.	400	400	-	400
Materials, Supplies, Books and Equipment	1,300	1,300	101	1,199
Total Services to Non-Public School Students	15,555,076	14,705,026	14,818,311	(113,285)
Total Instruction	209,605,568	209,196,686	216,018,983	(6,822,297)
Student Support Services				
Special Education *				
Personal Services	17,432,151	18,835,479	18,194,620	640,859
Employee Benefits	11,941,829	12,096,814	11,089,916	1,006,898
Prof.,Tech. Services	312,300	132,975	43,200	89,775
Property,Transportation,Comm.	5,055,300	5,055,300	5,051,198	4,102
Materials, Supplies, Books and Equipment	198,500	176,079	207,479	(31,400)
Allocated Costs	(11,959,000)	(12,167,000)	(12,264,732)	97,732
Total Special Education	22,981,080	24,129,647	22,321,681	1,807,966

* 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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation Allocated Costs	\$ 50,701,000	\$ 52,231,000	\$ 52,777,289	\$ (546,289)
Total Student Support Services	73,682,080	76,360,647	75,098,970	1,261,677
Services to Non-Public School Students				
Personal Services	625,995	732,818	740,493	(7,675)
Employee Benefits	273,867	294,383	289,086	5,297
Prof.,Tech. Services	2,000	2,000	2,000	-
Property,Transportation,Comm.	30,000	40,000	32,387	7,613
Materials, Supplies, Books and Equipment	15,700	15,700	2,731	12,969
	947,562	1,084,901	1,066,697	18,204
Total Administrative Support	947,562	1,084,901	1,066,697	18,204
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	253,362	138,073	33,525	104,548
Management Services	547,000	547,000	547,000	-
Total Allocated Costs	9,800,362	9,685,073	9,580,525	104,548
Total Obligations	294,035,572	296,327,307	301,765,175	(5,437,868)
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(206,216,600)	(210,315,300)	(215,522,199)	5,206,899
Total Intermediate Unit	\$ 87,818,972	\$ 86,012,007	\$ 86,242,976	\$ (230,969)
Fund Totals - Object Classes				
Personal Services	\$ 147,886,453	\$ 148,945,224	\$ 146,673,655	\$ 2,271,569
Employee Benefits	71,887,836	69,515,596	67,914,259	1,601,337
Prof.,Tech. Services	23,918,354	23,268,695	23,570,037	(301,342)
Property,Transportation,Comm.	5,171,087	5,167,631	5,172,916	(5,285)
Materials, Supplies, Books and Equipment	2,695,176	2,488,909	1,951,142	537,767
Other	(6,065,696)	(2,807,821)	6,390,084	(9,197,905)
Allocated Costs	48,542,362	49,749,073	50,093,082	(344,009)
Total Obligations	294,035,572	296,327,307	301,765,175	(5,437,868)
Other Financing Sources				
Operating Transfers from Other Funds	(206,216,600)	(210,315,300)	(215,522,199)	5,206,899
Total Intermediate Unit	\$ 87,818,972	\$ 86,012,007	\$ 86,242,976	\$ (230,969)

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 608,000	\$ 700,000	\$ 675,887	\$ (24,113)
Variable Rate Swap Income	16,181,000	474,000	443,885	(30,115)
Basis Swap	-	-	1,001,276	1,001,276
Total Revenues	<u>\$ 16,789,000</u>	<u>1,174,000</u>	<u>2,121,048</u>	<u>947,048</u>
OBLIGATIONS				
Principal				
Bonds	\$ 78,051,737	\$ 64,721,737	\$ 65,454,289	\$ (732,552)
Interest	87,580,888	93,218,719	85,331,471	7,887,248
Authority Obligations (SPSBA)				
Principal	5,945,000	5,945,000	5,945,000	-
Interest	43,114,975	43,114,975	43,114,975	-
Variable Rate Interest on Swaps	16,181,000	474,000	587,392	(113,392)
Fixed Rate Swap Payments	14,444,195	7,074,363	6,855,986	218,377
Swap Termination Payment	-	63,022,000	63,022,000	-
Issuance Costs	3,365,000	2,281,500	2,247,733	33,767
Administrative Expenses	4,827,705	4,584,211	3,459,320	1,124,891
Total Obligations	<u>\$ 253,510,500</u>	<u>\$ 284,436,505</u>	<u>\$ 276,018,166</u>	<u>\$ 8,418,339</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 251,574,500	\$ 229,921,000	\$ 220,990,418	\$ (8,930,582)
Land Sale Proceeds	564,000	6,017,000	5,692,588	(324,412)
Refunding Bond Proceeds	-	434,337,000	433,604,600	(732,400)
Bond Defeasement	-	(369,033,700)	(368,301,151)	732,549
Total Other Financing Sources (Uses)	<u>\$ 252,138,500</u>	<u>\$ 301,241,300</u>	<u>\$ 291,986,455</u>	<u>\$ (9,254,845)</u>
Net Change in Fund Balance	15,417,000	17,978,795	18,089,337	110,542
Fund Balances, July 1, 2010	84,310,000	76,811,408	76,811,408	-
Fund Balances, June 30, 2011	<u>\$ 99,727,000</u>	<u>\$ 94,790,203</u>	<u>\$ 94,900,745</u>	<u>\$ 110,542</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 1,600,000	\$ 400,000	\$ 702,441	\$ 302,441
Miscellaneous	100,000	50,000	483,130	433,130
Total Locally Generated Non Tax	1,700,000	450,000	1,185,571	735,571
State Grants and Subsidies	1,000,000	1,000,000	1,530,920	530,920
Total Revenues	<u>\$ 2,700,000</u>	<u>\$ 1,450,000</u>	<u>\$ 2,716,491</u>	<u>\$ 1,266,491</u>
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,963,589)</u>	<u>\$ 1,963,589</u>
New Buildings and Additions	128,696,107	108,357,428	58,038,147	50,319,281
Environmental Management				
Asbestos Abatement	10,045,929	10,156,404	-	10,156,404
Environmental Services	2,658,042	2,662,593	3,299,972	(637,379)
Total Environmental Management	12,703,971	12,818,997	3,299,972	9,519,025
Alterations and Improvements				
Various Projects	151,528,614	73,048,231	18,796,213	54,252,018
Administrative Support	18,549,166	18,365,190	21,382,117	(3,016,927)
Major/Building Renovations	12,961,626	10,860,961	34,475,911	(23,614,950)
Total Alterations and Improvements	183,039,406	102,274,382	74,654,241	27,620,141
Total Obligations	<u>\$ 324,439,484</u>	<u>\$ 223,450,807</u>	<u>\$ 134,028,771</u>	<u>\$ 89,422,036</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	\$ -	\$ (18,842,733)	\$ (18,842,733)	\$ -
Debt Issuance	160,000,000	-	-	-
Gain on Sale of Capital Assets	-	-	72,219	72,219
Bond Issuance Costs	(3,437,000)	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 156,563,000</u>	<u>\$ (18,842,733)</u>	<u>\$ (18,770,514)</u>	<u>\$ 72,219</u>
Net Change in Fund Balance	<u>\$ (165,176,484)</u>	<u>\$ (240,843,540)</u>	<u>\$ (150,082,794)</u>	<u>\$ 90,760,746</u>

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Fiduciary Funds

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

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

For external reporting purposes, the School District reports one combined Private Purpose Trust Fund. However, at June 30, 2011 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, 2011 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, 2011

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 2,623	\$ 5,481,758	\$ -	\$ 5,484,381
Equity in Pooled Cash and Investments	65,217,246	-	-	659,507	65,876,753
Accounts Receivable	1,137,949	-	-	-	1,137,949
Inventories	-	15,858	-	-	15,858
Total Assets	<u>66,355,195</u>	<u>18,481</u>	<u>5,481,758</u>	<u>659,507</u>	<u>72,514,941</u>
LIABILITIES					
Payroll Deductions and Withholdings	66,355,195	-	-	-	66,355,195
Due to Student Activities	-	-	5,481,758	-	5,481,758
Other Liabilities	-	18,481	-	659,507	677,988
Total Liabilities	<u>66,355,195</u>	<u>18,481</u>	<u>5,481,758</u>	<u>659,507</u>	<u>72,514,941</u>
NET ASSETS					
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2011.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 37,541,845	\$ 885,886,865	\$ 858,211,464	\$ 65,217,246
Accounts Receivable	76,751	1,141,520	80,322	1,137,949
Total Assets	<u>\$ 37,618,596</u>	<u>\$ 887,028,385</u>	<u>\$ 858,291,786</u>	<u>\$ 66,355,195</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 37,618,596	\$ 887,028,385	\$ 858,291,786	\$ 66,355,195
Total Liabilities	<u>\$ 37,618,596</u>	<u>\$ 887,028,385</u>	<u>\$ 858,291,786</u>	<u>\$ 66,355,195</u>
Student Bus Token Fund				
Assets				
Cash and Cash Equivalents	\$ 2,671	\$ 952	\$ 1,000	\$ 2,623
Inventories	16,810	2,082,200	2,083,152	15,858
Total Assets	<u>\$ 19,481</u>	<u>\$ 2,083,152</u>	<u>\$ 2,084,152</u>	<u>\$ 18,481</u>
Liabilities				
Other Liabilities	\$ 19,481	\$ 2,083,152	\$ 2,084,152	\$ 18,481
Total Liabilities	<u>\$ 19,481</u>	<u>\$ 2,083,152</u>	<u>\$ 2,084,152</u>	<u>\$ 18,481</u>
Student Activities Fund				
Assets				
Cash	\$ 5,217,885	\$ 10,488,907	\$ 10,225,034	\$ 5,481,758
Liabilities				
Due to Student Activities	\$ 5,217,885	\$ 10,488,907	\$ 10,225,034	\$ 5,481,758
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 465,597	\$ 698,713	\$ 504,803	\$ 659,507
Liabilities				
Other Liabilities	\$ 465,597	\$ 698,713	\$ 504,803	\$ 659,507
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,220,556	\$ 10,489,859	\$ 10,226,034	\$ 5,484,381
Equity in Pooled Cash and Investments	38,007,442	886,585,578	858,716,267	65,876,753
Accounts Receivable	76,751	1,141,520	80,322	1,137,949
Inventories	16,810	2,082,200	2,083,152	15,858
Total Assets	<u>\$ 43,321,559</u>	<u>\$ 900,299,157</u>	<u>\$ 871,105,775</u>	<u>\$ 72,514,941</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 37,618,596	\$ 887,028,385	\$ 858,291,786	\$ 66,355,195
Due to Student Activities	5,217,885	10,488,907	10,225,034	5,481,758
Other Liabilities	485,078	2,781,865	2,588,955	677,988
Total Liabilities	<u>\$ 43,321,559</u>	<u>\$ 900,299,157</u>	<u>\$ 871,105,775</u>	<u>\$ 72,514,941</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2011

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2012 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
DECEMBER 15, 1998 (SERIES B)	98,405,000	7,120,000 7,330,000 <u>14,450,000</u>	OCT 1, 2011 OCT 1, 2012	5.250 5.250	186,900 384,825 <u>571,725</u>	- - <u>-</u>	7,120,000 - <u>7,120,000</u>
NOVEMBER 30, 2000 (SERIES B) - QZAB	22,985,000	5,000 5,000 22,930,000 <u>22,940,000</u>	NOV 30, 2011 NOV 30, 2012 NOV 30, 2013	- - -	- - - <u>-</u>	- - - <u>-</u>	5,000 - - <u>5,000</u>
JANUARY 1, 2002 (SERIES A)	156,000,000	3,665,000 <u>3,665,000</u>	FEB 1, 2012	5.250	192,413 <u>192,413</u>	- <u>-</u>	3,665,000 <u>3,665,000</u>
MAY 15, 2002 (SERIES B)	300,000,000	13,240,000 13,990,000 <u>27,230,000</u>	AUG 1, 2011 AUG 1, 2012	5.500 5.500	364,100 769,450 <u>1,133,550</u>	- - <u>-</u>	13,240,000 - <u>13,240,000</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>	- <u>-</u>
JUNE 29, 2004 (SERIES D) GOB Fixed Rate	100,000,000	5,000 5,000 5,000 8,700,000 <u>8,715,000</u>	JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015	3.850 4.000 4.150 5.000	193 200 208 435,000 <u>435,601</u>	- - - - <u>-</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 4,143,219 <u>11,048,574</u>	SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 -18	- - - - - -	- - - - - - <u>-</u>	- - - - - - <u>-</u>	1,381,071 - - - - - <u>1,381,071</u>
MAY 25, 2005 (SERIES A) GOB-Refunding	198,140,000	855,000 890,000 15,675,000 16,480,000 17,325,000 100,890,000 43,880,000 <u>195,995,000</u>	AUGUST 1, 2011 AUGUST 1, 2012 AUGUST 1, 2013 AUGUST 1, 2014 AUGUST 1, 2015 AUGUST 1, 2016-20 AUGUST 1, 2021-22	4.000 4.000 5.000 5.000 5.000 5.000 5.000	17,100 35,600 783,750 824,000 866,250 5,044,500 2,194,000 <u>9,765,200</u>	- - - - - - - <u>-</u>	855,000 - - - - - - <u>855,000</u>
MAY 25, 2005 (SERIES B) GOB-Refunding	43,415,000	5,410,000 5,860,000 6,155,000 6,485,000 6,805,000 7,165,000 <u>37,680,000</u>	APRIL 1, 2012 APRIL 1, 2013 APRIL 1, 2014 APRIL 1, 2015 APRIL 1, 2016 APRIL 1, 2017	5.000 5.000 5.000 5.000 5.000 5.000	270,500 293,000 307,750 324,250 340,250 358,250 <u>1,894,000</u>	- - - - - - <u>-</u>	5,410,000 - - - - - <u>5,410,000</u>
JUNE 15, 2005 (SERIES C) GOB-Non	71,740,000	2,795,000 2,915,000 3,045,000 3,185,000 3,335,000 19,330,000 24,890,000 <u>59,495,000</u>	JULY 1, 2011 JULY 1, 2012 JULY 1, 2013 JULY 1, 2014 JULY 1, 2015 JULY 1, 2016-20 JULY 1, 2021-25	4.430 4.470 4.610 4.680 4.700 5.090 5.310	61,909 130,301 140,375 148,421 156,745 983,898 1,321,661 <u>2,943,310</u>	- - - - - - - <u>-</u>	2,795,000 - - - - - - <u>2,795,000</u>
OCTOBER 20, 2005 (SERIES D) GOB-Non	29,920,000	1,725,000 1,815,000 1,905,000 2,000,000 2,100,000 12,370,000 <u>21,915,000</u>	JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017-21	5.250 5.000 5.000 5.000 5.500 5.500	90,563 90,750 95,250 100,000 115,500 680,350 <u>1,172,413</u>	- - - - - - <u>-</u>	1,725,000 - - - - - <u>1,725,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2011

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2012 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
DECEMBER 28, 2006 (SERIES A) GOB Non State Public School Building Authority Capital Obligation Bonds	317,125,000	6,225,000 6,535,000 6,865,000 7,210,000 7,530,000 43,705,000 55,780,000 71,185,000 89,920,000 <u>294,955,000</u>	JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017-21 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-36	5.000 5.000 5.000 4.500 5.000 5.000 5.000 5.000 4.486	311,250 326,750 343,250 324,450 376,500 2,185,250 2,789,000 3,559,250 4,033,900 <u>14,249,600</u>	- - - - - - - - -	6,225,000 - - - - - - - - <u>6,225,000</u>
DECEMBER 28, 2006 (SERIES B) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000 5,000 5,000 5,000 5,000 25,000 104,430,000 208,675,000 232,395,000 <u>545,550,000</u>	JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017-21 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-33	3.500 3.500 3.500 3.625 3.625 3.875 4.825 3.850 4.750	175 175 175 181 181 970 5,202,644 15,043,175 5,937,750 <u>26,185,426</u>	- - - - - - - - -	5,000 - - - - - - - <u>5,000</u>
MAY 22, 2007 (SERIES A) GOB Non Refunding	146,530,000	10,000 10,000 10,000 10,000 15,000 275,000 35,360,000 36,315,000 74,490,000 <u>146,495,000</u>	JUNE 1, 2012 JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017-21 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-34	3.700 4.000 4.000 4.000 4.000 4.986 5.000 5.000 4.748	370 400 400 400 600 13,600 1,768,000 1,815,750 3,537,000 <u>7,136,520</u>	- - - - - - - - -	10,000 - - - - - - - <u>10,000</u>
DECEMBER 28, 2007 (SERIES C) QZAB	13,510,000	900,667 900,667 900,667 900,667 900,667 4,503,335 1,801,334 <u>10,808,004</u>	DEC 28, 2011 DEC 28, 2012 DEC 28, 2013 DEC 28, 2014 DEC 28, 2015 DEC 28, 2016-20 DEC 28, 2021-22	- - - - - - -	- - - - - - -	- - - - - - -	900,667 - - - - - <u>900,667</u>
DECEMBER 28, 2007 (SERIES D) QZAB	28,160,000	5,000 5,000 5,000 5,000 5,000 20,005,000 8,115,000 <u>28,145,000</u>	DEC 28, 2011 DEC 28, 2012 DEC 28, 2013 DEC 28, 2014 DEC 28, 2015 DEC 28, 2016-20 DEC 28, 2021-22	1.250 1.250 1.250 1.250 1.250 1.250 1.250	63 63 63 63 63 250,060 101,625 <u>352,000</u>	- - - - - - -	5,000 - - - - - <u>5,000</u>
APRIL 23, 2008 (SERIES D) GOB Refunding	85,000,000	2,150,000 <u>2,150,000</u>	SEPT 1, 2011	4.500	24,188 <u>24,188</u>	35 <u>35</u>	2,150,000 <u>2,150,000</u>
NOVEMBER 20, 2008 (SERIES E) GOB Non Refunding	282,365,000	4,540,000 4,755,000 4,975,000 5,205,000 5,445,000 31,610,000 40,790,000 53,560,000 72,195,000 54,935,000 <u>278,010,000</u>	SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016-20 SEPT 1, 2021-25 SEPT 1, 2026-30 SEPT 1, 2031-35 SEPT 1, 2036-38	5.000 4.125 5.000 4.000 5.000 4.950 5.225 5.625 6.000 6.000	113,500 196,144 248,750 208,200 272,250 1,567,488 2,134,500 3,024,663 4,331,700 3,296,100 <u>15,393,295</u>	- - - - - - - - - -	4,540,000 - - - - - - - - <u>4,540,000</u>
NOVEMBER 20, 2008 (SERIES F) GOB Refunding	114,215,000	5,000 5,000 5,000 5,000 11,380,000 50,380,000 39,695,000 12,750,000 <u>114,205,000</u>	SEPT 1, 2011 SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016-20 SEPT 1, 2021-25 SEPT 1, 2026-27	3.750 4.125 3.875 4.000 5.000 5.000 5.175 5.250	94 206 194 200 569,000 2,518,000 2,052,656 669,375 <u>5,809,725</u>	- - - - - - - -	5,000 - - - - - - <u>5,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2011

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2012 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
MAY 28, 2009	20,075,000	4,810,000	JUNE 1, 2012	4.171	200,625	-	4,810,000
SERIES A		5,010,000	JUNE 1, 2013	4.527	226,803	-	-
GOB Refunding		3,070,000	JUNE 1, 2014	4.827	148,189	-	-
		<u>12,890,000</u>			<u>575,617</u>	-	<u>4,810,000</u>
MAY 28, 2009	30,710,000	2,165,000	JUNE 1, 2014	3.000	64,950	-	-
SERIES B		5,165,000	JUNE 1, 2015	5.000	258,250	-	-
GOB Refunding		5,425,000	JUNE 1, 2016	5.000	271,250	-	-
		5,695,000	JUNE 1, 2017	5.000	284,750	-	-
		5,980,000	JUNE 1, 2018	5.000	299,000	-	-
		6,280,000	JUNE 1, 2019	4.500	283,700	-	-
		<u>30,710,000</u>			<u>1,461,900</u>	-	-
MAY 28, 2009	49,200,000	6,255,000	JUNE 1, 2020	4.500	281,475	-	-
SERIES C		6,495,000	JUNE 1, 2021	4.500	292,275	-	-
GOB Refunding		6,750,000	JUNE 1, 2022	4.500	303,750	-	-
		7,010,000	JUNE 1, 2023	4.500	315,450	-	-
		7,280,000	JUNE 1, 2024	4.500	327,600	-	-
		<u>15,410,000</u>	JUNE 1, 2025-26	4.500	<u>693,450</u>	-	-
		<u>49,200,000</u>			<u>2,214,000</u>	-	-
APRIL 6, 2010	27,820,000	4,560,000	JUNE 1, 2012	3.649	166,400	-	4,560,000
SERIES A		4,730,000	JUNE 1, 2013	5.000	236,500	-	-
(TAX EXEMPT)		4,965,000	JUNE 1, 2014	5.000	248,250	-	-
		5,210,000	JUNE 1, 2015	5.000	260,500	-	-
		5,470,000	JUNE 1, 2016	5.000	273,500	-	-
		<u>24,935,000</u>			<u>1,185,150</u>	-	<u>4,560,000</u>
APRIL 6, 2010	221,485,000	5,745,000	JUNE 1, 2017	4.735	272,026	-	-
SERIES B		5,920,000	JUNE 1, 2018	5.139	304,229	-	-
(BAB)		6,115,000	JUNE 1, 2019	5.289	323,422	-	-
		6,325,000	JUNE 1, 2020	5.419	342,752	-	-
		6,550,000	JUNE 1, 2021	5.589	366,080	-	-
		36,630,000	JUNE 1, 2022-26	5.739	2,242,456	-	-
		44,880,000	JUNE 1, 2027-31	6.645	2,983,430	-	-
		55,505,000	JUNE 1, 2032-36	6.765	3,754,913	-	-
		53,815,000	JUNE 1, 2037-40	6.765	3,640,585	-	-
		<u>221,485,000</u>			<u>14,229,893</u>	-	-
APRIL 6, 2010	300,045,000	31,700,000	SEPT 1, 2011	4.044	640,910	-	31,700,000
SERIES C		37,455,000	SEPT 1, 2012	4.875	1,825,931	-	-
GOB Refunding		21,785,000	SEPT 1, 2013	4.899	1,067,247	-	-
		23,340,000	SEPT 1, 2014	4.876	1,138,058	-	-
		24,200,000	SEPT 1, 2015	4.907	1,187,494	-	-
		135,075,000	SEPT 1, 2016-20	4.980	6,728,434	-	-
		25,745,000	SEPT 1, 2021	5.000	1,287,250	-	-
		<u>299,300,000</u>			<u>13,875,324</u>	-	<u>31,700,000</u>
APRIL 6, 2010	49,365,000	7,245,000	SEPT 1, 2017	4.410	319,494	-	-
SERIES D		7,600,000	SEPT 1, 2018	4.976	378,213	-	-
GOB Refunding		8,000,000	SEPT 1, 2019	4.974	397,900	-	-
		8,410,000	SEPT 1, 2020	4.973	418,188	-	-
		8,850,000	SEPT 1, 2021	4.885	432,313	-	-
		9,260,000	SEPT 1, 2022	4.000	370,400	-	-
		<u>49,365,000</u>			<u>2,316,508</u>	-	-
January 3, 2011	125,880,000	5,000	SEPT 1, 2011	3.480	174	-	5,000
SERIES E		5,040,000	SEPT 1, 2012	3.483	175,558	-	-
GOB Refunding		3,855,000	SEPT 1, 2013	4.644	179,042	-	-
		3,555,000	SEPT 1, 2014	4.644	165,108	-	-
		3,710,000	SEPT 1, 2015	5.805	215,384	-	-
		21,655,000	SEPT 1, 2016-20	5.806	1,257,181	-	-
		88,060,000	SEPT 1, 2021-24	6.098	5,367,936	-	-
		<u>125,880,000</u>			<u>7,360,383</u>	-	<u>5,000</u>
January 3, 2011	150,000,000	18,625,000	SEPT 1, 2024	4.500	838,125	-	-
(Series F)		20,330,000	SEPT 1, 2025	4.500	914,850	-	-
GOB Refunding		12,615,000	SEPT 1, 2026	4.500	567,675	-	-
		27,325,000	SEPT 1, 2027	4.500	1,229,625	-	-
		27,635,000	SEPT 1, 2028	4.500	1,243,575	-	-
		43,470,000	SEPT 1 2029-30	4.500	1,956,150	-	-
		<u>150,000,000</u>			<u>6,750,000</u>	-	-
January 3, 2011	150,000,000	18,625,000	SEPT 1, 2024	4.500	838,125	-	-
SERIES G		20,330,000	SEPT 1, 2025	4.500	914,850	-	-
GOB Refunding		12,615,000	SEPT 1, 2026	4.500	567,675	-	-
		27,325,000	SEPT 1, 2027	4.500	1,229,625	-	-
		27,635,000	SEPT 1, 2028	4.500	1,243,575	-	-
		43,470,000	SEPT 1, 2029-30	4.500	1,956,150	-	-
		<u>150,000,000</u>			<u>6,750,000</u>	-	-
TOTAL SERIAL BONDS	\$ 4,285,135,000	\$ 2,980,921,578			\$ 146,370,516	\$ 35	\$ 91,116,738
NON-ELECTORAL DEBT- SERIAL BONDS	\$ 2,834,300,000	\$ 2,096,911,578			\$ 103,542,715	\$ 35	\$ 84,886,738
CAPITAL OBLIGATION BONDS (Lease Rental)	1,450,835,000	884,010,000			42,827,801	-	6,230,000
TOTAL SERIAL BONDS OUTSTANDING	\$ 4,285,135,000	\$ 2,980,921,578			\$ 146,370,516	\$ 35	\$ 91,116,738

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, 2011
(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>
Governmental Funds Capital Assets:		
Land	\$ 131,841	\$ 119,178
Buildings	1,672,912	1,511,570
Improvements	1,158,278	1,043,385
Construction in Progress	149,527	324,526
Personal Property	285,463	275,503
Total Governmental Funds Capital Assets	<u>\$ 3,398,021</u>	<u>\$ 3,274,162</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 81,461	\$ 81,374
Capital Projects Fund	3,235,504	3,123,203
Categorical Funds	81,056	69,585
Total Governmental Funds Capital Assets	<u>\$ 3,398,021</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 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, 2011
 (Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 129,573	\$ 1,568,981	\$ 1,097,533	\$ 149,527	\$ 215,583	\$ 3,161,197
Student Support Services	821	9,458	3,101	-	28,875	42,255
Administrative Support	1,447	94,473	57,644	-	5,780	159,344
Operation & Maintenance of Plant Services	-	-	-	-	9,844	9,844
Pupil Transportation	-	-	-	-	546	546
All Other Support Services	-	-	-	-	24,835	24,835
Total Governmental Funds Capital Assets	<u>\$ 131,841</u>	<u>\$ 1,672,912</u>	<u>\$ 1,158,278</u>	<u>\$ 149,527</u>	<u>\$ 285,463</u>	<u>\$ 3,398,021</u>

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

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
 June 30, 2011
 (Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets (1) July 1, 2010	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2011
Instruction	\$ 3,044,034	\$ (514)	\$ 153,215	\$ 35,538	\$ 3,161,197
Student Support Services	33,861	-	10,246	1,852	42,255
Administrative Support	159,059	-	1,753	1,468	159,344
Operation & Maintenance of Plant Services	9,929	-	353	438	9,844
Pupil Transportation	523	-	23	-	546
All Other Support Services	26,756	-	160	2,081	24,835
Total	<u>\$ 3,274,162</u>	<u>\$ (514)</u>	<u>\$ 165,750</u>	<u>\$ 41,377</u>	<u>\$ 3,398,021</u>

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

(1) July 1, 2010 balances were adjusted to accurately reflect amounts by Function/Activity.





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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 2011
(necrmi basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 76,633	\$ 68,267	\$ (76,702)	\$ 15,075 (2)	\$ 19,345	\$ 1,183	\$ 27,119	\$ 17,712	\$ (27,665)	\$ (125,999)
Restricted										
Medical Self-Insurance	-	-	-	-	-	-	-	-	-	18,375
Debt Service	53,102	63,072	55,071	50,380	64,613	70,056	74,032	71,650	76,811	94,901
Special Revenue & Permanent Funds	5,406	5,422	5,256	5,331	-	-	-	-	-	-
Expendable	-	-	-	-	1,969	2,667	2,814	2,109	2,166	3,495
Non-Expendable	-	-	-	-	3,622	3,329	3,393	4,121	4,149	2,891
Arbitrage Rebate Payable	-	-	-	-	-	-	3,767	4,286	4,286	3,646
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)	(1,344,779)
Total Governmental Activities Net Assets	(483,907)	(567,952)	(693,537)	(936,629)	(1,116,884)	(1,226,029)	(1,177,295)	(1,176,052)	(1,243,010)	(1,347,470)
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	3,638	3,625	3,450	3,449	3,188	3,133	4,005	3,281	3,247	2,927
Unrestricted (Deficit)	7,405	8,143	7,474	7,855	2,442	(5,613)	(7,346)	(11,196)	(11,162)	(9,342)
Total Business-type Activities Net Assets	11,043	11,768	10,923	11,304	5,630	(2,480)	(3,341)	(7,915)	(7,915)	(6,415)
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)	(123,072)
Restricted	176,897	136,720	79,951	79,600	72,538	76,052	84,006	82,166	87,412	123,308
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)	(1,354,121)
Total School District Net Assets	\$ (472,864)	\$ (556,184)	\$ (682,604)	\$ (925,325)	\$ (1,111,254)	\$ (1,228,509)	\$ (1,200,656)	\$ (1,183,967)	\$ (1,250,925)	\$ (1,353,885)

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 uncaptured 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 2011.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2002 through 2011
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:										
Governmental Activities										
Instruction	\$ 1,262,232	\$ 1,283,177	\$ 1,382,087	\$ 1,458,022	\$ 1,696,973	\$ 1,706,310	\$ 1,733,663	\$ 1,869,789	\$ 2,033,799	\$ 2,268,293
Student Support Services	283,732	326,276	352,200	412,909	247,845	262,044	210,438	205,374	240,883	254,991
Administrative Support	124,344	120,226	114,931	117,811	112,455	114,397	92,100	122,523	135,193	147,661
Operation & Maintenance of Plant Services (7)	229,683	238,238	243,485	258,985	263,163	270,163	273,335	261,750	256,291	241,486
Pupil Transportation	42,237	44,708	76,382	84,170	88,867	89,079	107,050	73,636	76,175	81,154
All Other Support Services	4,858	279	26,868	15,815	38,422	19,654	32,047	1,591	(3,262)	(21,283)
Early Childhood Education	24,481	25,562	21,628	20,952	18,005	20,448	22,816	24,157	20,515	1,487
Interest on Long-Term Debt	52,458	76,895	88,732	114,535	128,245	138,286	137,906	139,001	142,337	147,505
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)	1,964,025	2,115,361	2,312,735	2,544,669	2,593,078	2,620,381	2,609,375	2,697,821	2,901,831	3,121,294
Business-type Activities:										
Food Service (7)	70,730	72,538	80,638	77,595	79,851	81,798	78,189	81,008	80,638	81,035
Loss on Disposal of Capital Assets (5)	-	-	-	8	6	-	-	-	-	-
Total Business-type Activities Expenses	70,730	72,538	80,638	77,603	79,857	81,798	78,189	81,008	80,638	81,035
Total School District Expenses	\$ 2,034,755	\$ 2,187,899	\$ 2,393,373	\$ 2,622,272	\$ 2,672,935	\$ 2,702,179	\$ 2,687,564	\$ 2,778,829	\$ 2,982,469	\$ 3,202,329
Program Revenues										
Governmental Activities										
Charges for Services (6)										
Instruction	\$ 330	\$ 405	\$ 1,280	\$ 447	\$ 599	\$ 773	\$ 686	\$ 1,037	\$ 664	\$ 745
Student Support Services	415	91	274	260	90	103	65	69	2	-
Administrative Support	545	1,370	340	358	477	313	3,843	3,963	3,882	3,922
Operation & Maintenance of Plant Services	1,465	1,860	2,885	1,342	1,325	991	959	1,213	1,114	1,171
Pupil Transportation	3	-	-	-	-	-	-	-	-	-
Early Childhood Education	1,721	3,155	2,942	2,629	485	349	218	536	60	-
Operating grants and contributions	392,115	541,135	657,781	743,746	778,978	804,080	853,660	904,656	1,001,353	1,046,867
Capital grants and contributions	24	5,176	4,552	290	-	123	22	500	92	1,200
Total Governmental Activities Program Revenues	398,638	553,192	668,009	748,982	781,954	807,652	859,453	911,974	1,007,167	1,053,905
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	2,675
Operating grants and contributions	62,186	65,152	71,660	71,456	69,527	68,530	69,445	72,063	76,870	79,553
Total Business-type Activities Program Revenues	70,799	73,338	79,879	78,151	74,361	73,616	73,154	75,152	80,107	82,228
Total School District Program Revenues	\$ 469,437	\$ 626,530	\$ 747,048	\$ 827,133	\$ 856,315	\$ 881,248	\$ 932,607	\$ 987,126	\$ 1,087,274	\$ 1,136,133
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)	(1,894,664)	(2,067,389)
Business-type Activities	69	800	(759)	548	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193
Total School District Net (Expense)/Revenue	\$ (1,565,318)	\$ (1,561,369)	\$ (1,645,425)	\$ (1,795,139)	\$ (1,817,517)	\$ (1,820,931)	\$ (1,754,957)	\$ (1,791,703)	\$ (1,895,195)	\$ (2,066,196)

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 GAAP 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) Direct and Indirect Expenses were combined starting in Fiscal Year 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2011.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Assets
For the Fiscal Years 2002 through 2011
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)	\$ (2,067,389)
Business-type Activities	69	820	(759)	549	(5,496)	(8,183)	(5,035)	(5,857)	(331)	1,192
Total School District Net (Expense)/Revenue	<u>(1,565,318)</u>	<u>(1,561,349)</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>(1,895,196)</u>	<u>(2,066,198)</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	605,249
Other Taxes (2)										
Use & Occupancy Taxes	88,060	96,593	89,005	97,908	97,940	104,147	108,298	112,225	111,801	115,361
Liquor Taxes	26,615	30,769	28,824	33,381	37,181	39,733	41,616	41,136	42,787	45,185
School (Non-Business) Income Taxes	19,004	13,913	15,436	16,278	20,901	23,902	26,650	25,240	21,590	24,738
Public Utility/PILOT Taxes	1,049	940	998	844	1,441	702	1,054	965	1,098	1,115
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	69,057
State & Federal Subsidies	796,328	768,988	760,743	783,947	804,829	843,647	870,686	922,965	1,018,811	1,089,698
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)	(308)
Investment Revenue	-	-	-	-	-	-	-	-	2,261	13,348
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>	<u>1,963,443</u>
Business-type Activities										
Contributed Capital	-	-	-	-	-	250	63	-	(2)	-
Transfers	(76)	(76)	(76)	(178)	(178)	(178)	4,112	1,283	534	308
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>	<u>308</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>	<u>1,963,751</u>
Changes in Net Assets:										
Governmental Activities	(82,905)	(79,631)	(149,604)	(240,735)	(196,352)	(107,994)	26,627	22,612	(25,018)	(103,946)
Business-type Activities	(7)	724	(835)	371	(5,674)	(8,111)	(860)	(4,574)	(0)	1,500
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>	<u>\$ (102,446)</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 not 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 2011.

School District of Philadelphia

Table 4

Fund Balances of Governmental Funds (1)
For the Fiscal Years 2002 through 2011
(modified accrual basis of accounting)
(dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable										
Inventories	\$ 1,150	\$ 1,342	\$ 1,657	\$ 1,227	\$ 1,116	\$ 1,284	\$ 1,204	\$ 1,306	\$ 1,232	\$ 1,154
Long-term Interfund Loan	-	-	-	-	-	-	-	-	10,561	9,061
Restricted										
Medical Self-Insurance	-	-	-	-	-	-	-	-	-	18,375
Workers' Compensation	-	-	19,624	14,298	2,354	-	-	-	-	-
Termination/Incentive Compensation	-	-	-	9,591	-	-	-	-	-	-
Committed	-	-	-	20,000	15,000	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	177,557	130,839	22,325	11,423	(84,603)	(52,430)	(44,608)	8,368	(9,866)	(71,967)
Total General Fund	\$ 178,707	\$ 132,181	\$ 43,606	\$ 56,539	\$ (66,133)	\$ (51,146)	\$ (43,404)	\$ 9,674	\$ 1,927	\$ (43,377)
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,088	\$ 1,088	\$ 1,178	\$ 1,219	\$ 1,222	\$ 1,291	\$ 1,291	\$ 1,291	\$ 1,336	\$ 1,366
Restricted										
Retirement of Long-term Debt	29,588	34,138	20,318	28,048	39,960	46,895	48,741	49,138	47,944	59,126
Debt Service Interest	23,513	28,934	34,753	22,332	24,653	23,161	25,291	22,512	28,867	35,775
Debt Service - Other	-	95	-	-	-	-	-	-	-	-
Arbitrage Rebate Payable	-	-	-	-	-	-	3,767	4,286	4,286	3,646
Trust purposes	4,350	4,356	4,094	4,123	4,377	4,705	4,918	4,960	4,982	5,021
Capital Purposes	95,285	44,871	752,549	603,204	425,649	437,883	117,876	165,315	257,067	82,591
Committed	-	-	-	-	-	-	-	9,886	19,886	-
Assigned	534	534	534	534	534	-	-	2,383	1,220	2,645
Unassigned	(7,131)	(6,095)	(30,648)	(22,775)	(17,156)	(18,454)	(12,266)	(18,972)	(15,620)	(54,588)
Total All Other Governmental Funds	\$ 147,227	\$ 107,921	\$ 782,778	\$ 636,685	\$ 479,239	\$ 495,481	\$ 189,618	\$ 240,799	\$ 349,968	\$ 135,582
Total Fund Balance	\$ 325,934	\$ 240,102	\$ 826,384	\$ 693,224	\$ 413,106	\$ 444,335	\$ 146,214	\$ 250,473	\$ 351,895	\$ 92,205

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2002 through 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2011

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2002 through 2011
(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

Gaming Revenue

Reimbursements from Other Funds

Variable Rate Income/Basis Swap Income

Other Miscellaneous/Voluntary Contributions

Total Local Generated Non Tax

Total Local Sources

Total Revenues

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Federal Sources										
Grants and Subsidies	\$ 219,272	\$ 260,343	\$ 306,669	\$ 339,280	\$ 335,727	\$ 293,012	\$ 297,128	\$ 301,723	\$ 557,950	\$ 632,055
Total Federal Sources	219,272	260,343	306,669	339,280	335,727	293,012	297,128	301,723	557,950	632,055
State Sources										
Grants and Subsidies	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	1,458,468
Total State Sources	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	1,458,468
Local Sources										
Local Taxes										
Real Estate										
Current	401,978	451,067	438,085	486,815	493,147	501,282	547,580	548,166	546,352	549,717
Prior Years	39,188	37,615	55,438	49,459	53,862	49,357	51,814	50,662	55,684	39,555
Payment in Lieu of Taxes	5	5	5	5	5	5	5	5	5	-
Use and Occupancy	93,385	98,862	96,154	99,050	103,762	103,757	108,614	112,266	117,295	109,273
School (Non-Business) Income	16,878	16,515	14,605	17,617	20,013	24,035	26,938	25,335	22,175	24,011
Liquor Sales	28,306	28,650	33,082	33,950	38,241	39,531	41,586	41,016	43,280	43,892
Public Utility Realty	1,145	960	1,055	857	1,096	1,123	1,049	960	1,093	1,115
Total Local Taxes	580,885	633,674	638,424	687,733	710,126	718,890	777,586	778,410	785,884	767,563
Locally Generated Non Tax										
Interest and other income	23,155	21,171	25,641	39,939	39,687	56,614	49,952	20,771	9,101	5,986
City Contributions	60,000	33,000	35,000	35,000	35,000	35,000	37,000	38,490	38,540	38,600
Legal Settlements	4,500	4,500	2,650	2,501	2,819	2,590	2,555	2,710	2,735	2,613
Stadium Agreements	-	-	1,159	1,159	1,159	2,898	3,000	3,000	3,000	3,000
Parking Authority	-	-	-	-	-	-	2,221	3,801	7,284	7,789
Gaming Revenue	-	-	-	-	-	-	-	-	-	5,793
Reimbursements from Other Funds	7,160	7,386	7,668	7,221	6,503	7,462	7,233	7,576	14	14
Variable Rate Income/Basis Swap Income	-	-	-	11,383	20,001	23,765	20,697	8,471	2,656	1,445
Other Miscellaneous/Voluntary Contributions	-	-	-	-	-	-	-	-	7,975	7,533
Total Local Generated Non Tax	94,815	68,057	72,118	97,203	105,169	128,329	122,658	84,819	71,305	72,773
Total Local Sources	675,700	701,731	730,542	784,936	815,295	847,219	900,244	863,229	857,189	840,336
Total Revenues	\$ 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	\$ 2,930,859

(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 2002 through 2011.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2002 through 2011
(modified accrual basis of accounting)
(dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXPENDITURES										
Current:										
Instruction	\$ 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	\$ 1,707,424
Student Support Services	183,260	188,932	201,879	221,853	233,336	230,955	226,504	199,912	232,525	250,054
Administrative Support	107,338	113,717	108,318	111,021	106,691	102,197	82,101	109,777	131,064	140,202
Operation & Maintenance of Plant Services	226,556	233,222	241,579	256,029	261,984	262,181	271,003	257,910	254,114	237,243
Pupil Transportation	41,667	44,247	76,523	82,228	88,502	87,071	107,666	73,437	76,068	80,279
All Other Support Services	4,858	279	26,380	15,302	36,822	18,877	31,473	1,462	(3,647)	(21,612)
Early Childhood Education	24,481	25,562	21,628	20,952	17,994	20,448	22,814	24,157	20,505	1,487
Payments to Charter Schools	95,312	126,061	153,410	184,084	220,930	240,377	269,695	308,505	338,320	411,713
Debt Service:										
Principal	33,305	34,585	45,000	21,131	37,437	63,122	66,417	71,159	70,762	65,454
Interest	369	369	369	369	215	34	7	3	-	-
Principal & Interest - Authority	53,476	70,193	74,044	71,023	91,726	99,242	99,625	82,157	110,433	155,797
Insurance Costs	-	-	22,908	33,615	20,953	33,805	49,062	49,058	49,058	49,060
Administrative Expenses	6,675	-	26,593	4,749	1,449	15,235	3,370	10,281	4,133	2,248
	-	-	-	2,346	2,820	2,436	2,901	8,786	6,306	3,459
Capital Outlay: (1)										
New Buildings and Additions	60,546	18,175	44,753	100,986	52,702	73,734	147,024	88,048	42,641	88,339
Environmental Management	7,134	8,294	3,355	2,994	3,837	3,824	3,504	3,521	3,367	3,335
Alterations and Equipment	57,745	27,003	79,590	87,304	154,603	226,794	213,146	111,638	90,969	71,323
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	15,952
Total Expenditures	\$ 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	\$ 3,261,757
Debt Service as a percentage of noncapital expenditures (2)	4.7%	5.3%	6.3%	5.4%	6.6%	8.1%	8.6%	7.9%	8.3%	9.1%

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 and depreciation divided into debt service expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2011.

School District of Philadelphia

Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2002 through 2011
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Excess (Deficiency) of Revenues over Expenditures	\$ (187,984,448)	\$ (86,099,702)	\$ (318,619,908)	\$ (267,184,027)	\$ (320,380,341)	\$ (322,041,866)	\$ (338,912,254)	\$ (187,673,270)	\$ (179,719,620)	\$ (330,898,060)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	456,000,000 (1)	-	1,587,760,623 (1)	332,630,000	29,920,000	1,008,348,549	724,300,000	496,565,000	598,715,000	425,880,000
Land Sale Proceeds	-	-	-	27,754,440	-	-	-	-	-	-
Capital Asset Proceeds	-	-	-	221,507	207,071	2,461,045	5,644,893	11,390,163	276,989	5,764,807
Swaption Net Proceeds	-	-	16,641,000	-	-	-	-	-	-	-
Basis Swap Proceeds	-	-	-	-	7,235,000	10,740,000	-	-	-	-
Bond Premium	21,132,860 (1)	-	4,884,867 (1)	18,512,125	2,833,532	62,356,553	-	-	35,336,224	7,724,600
Bond Discounts	-	-	(10,513,043) (1)	-	-	-	-	(9,657,934)	-	-
Bond Defeasement	-	-	(691,989,393)	(256,746,398)	-	(727,979,601)	(681,892,949)	(208,995,106)	(353,329,003)	(368,301,151)
Transfers In	185,163,129	186,486,249	340,421,880	288,138,801	347,924,848	373,071,792	397,861,227	400,368,761	428,883,276	459,497,642
Transfers Out	(185,087,395)	(186,410,518)	(340,346,151)	(287,960,801)	(347,746,807)	(372,893,770)	(405,042,208)	(401,651,694)	(428,666,212)	(459,280,627)
Total Other Financing Sources and (Uses)	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	71,285,271
Net Change in Fund Balance	\$ 289,224,146	\$ (86,023,971)	\$ 598,239,875	\$ (144,634,353)	\$ (280,006,697)	\$ 31,062,702	\$ (298,041,291)	\$ 104,155,331	\$ 101,496,654	\$ (259,612,789)

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 2002 through 2011.

School District of Philadelphia

Table 8
Governmental Funds Revenue By Own-Sources (3)
For the Fiscal Years 2002 through 2011
(modified accrual accounting)
(dollars in millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Percentage Change 2002 - 2011
Local Taxes											
Real Estate	\$ 441.2	\$ 488.7	\$ 513.5	\$ 536.3	\$ 547.0	\$ 550.6	\$ 599.4	\$ 598.8	\$ 602.0	\$ 589.3	33.6 %
Use and Occupancy	93.4	98.8	96.2	99.0	103.8	103.8	108.6	112.3	117.3	109.3	17.0
Other	46.3	46.1	48.7	52.4	59.3	64.5	69.6	67.3	66.6	69.0	49.1
Total Taxes	580.9	633.6	658.4	687.7	710.1	718.9	777.6	778.4	785.9	767.6	32.1
Locally Generated Non Tax											
City Contributions	60.0	35.0	35.0	35.0	35.0	35.0	37.0	38.5	38.5	38.6	(35.7)
Other	34.8	33.1	37.1	62.2	70.2	93.3	85.6	46.3	32.8	34.2	(1.7)
Total Local	94.8	68.1	72.1	97.2	105.2	128.3	122.6	84.8	71.3	72.8	(23.2)
Total Own-Source Revenues (1)	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	24.4 %
Summary of Own-Source Revenues by Fund:											
General (4)	\$ 660.4	\$ 692.0	\$ 712.3	\$ 744.6	\$ 767.9	\$ 790.0	\$ 852.7	\$ 842.8	\$ 847.2	\$ 833.7	26.2 %
Intermediate	0.4	0.3	0.2	0.4	0.7	1.3	1.0	0.6	0.4	0.5	19.3
Categorical	10.1	6.4	6.4	9.7	6.4	6.2	7.0	4.2	3.3	2.8	(72.4)
Debt Service (1) (4) (5)	1.6	1.7	1.5	12.6	23.1	28.5	23.7	9.9	3.8	2.1	32.2
Capital Projects	2.9	1.2	9.9	17.4	16.9	20.8	15.5	5.6	2.4	1.2	(58.5)
Non-Major	0.3	0.1	0.2	0.2	0.3	0.4	0.3	0.1	0.1	0.1	(68.1)
Total Own-Source Revenues	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	24.4 %
Totals Restated on a Constant Dollar Basis: (2)											
2002 as base year	\$ 675.7	\$ 689.3	\$ 687.4	\$ 714.2	\$ 710.0	\$ 726.5	\$ 734.3	\$ 718.5	\$ 700.2	\$ 667.8	(1.2) %
2011 as base year	\$ 850.4	\$ 867.5	\$ 865.1	\$ 898.8	\$ 893.6	\$ 914.3	\$ 924.0	\$ 904.3	\$ 881.2	\$ 840.4	(1.2) %

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 2002 through Fiscal Year 2004 were reclassified as other financing sources under the Debt Service Fund and Tax Revenue under the General Fund.

(5) 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.

School District of Philadelphia
Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2002 through 2011
(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					
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	0.2880	42,274	
2009	17,352	5,146	12,206	4.959	12,206	0.2856	42,738	
2010	17,615	5,339	12,276	4.959	12,276	0.2673	45,926	
2011	17,940	5,593	12,347	4.959	12,347	0.2673 ⁽³⁾	46,192	

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 2002 through 2011
(Per \$100 Assessed Value)

Calendar Year	City of Philadelphia	School District of Philadelphia	Total
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
2011	4.123	4.959	9.082

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	2011			2002		
	Rank	Assessment Value (1)	Percentage of Total Assessments	Rank	Assessment Value (1)	Percentage of Total Assessments
Franklin Mills Associates	1	\$ 57.6	0.47%	5	\$ 48.1	0.47%
Philadelphia Liberty Place LP	2	54.4	0.44%	1	64.3	0.63%
Nine Penn Center Associates	3	54.1	0.44%	3	52.0	0.51%
Sugarhouse HSP Gaming LP	4	48.3	0.39%	-	-	-
HUB Properties Trust	5	43.8	0.35%	2	59.5	0.59%
Brandywine Operating Part (Bell Atlantic)	6	40.6	0.33%	6	43.3	0.43%
PRU 1901 Market LLC	7	35.2	0.29%	7	32.9	0.32%
Maguire/Thomas	8	33.9	0.27%	9	32.0	0.32%
Commerce Square Partners	9	33.3	0.27%	8	32.3	0.32%
Philadelphia Shipyard Development Corp.	10	30.3	0.25%	-	-	-
The Philadelphia Market Street (Marriott)	-	-	-	10	30.4	0.30%
Two Liberty Place	-	-	-	4	51.8	0.51%
Total of the Ten Largest Real Estate Assessments		<u>\$ 431.5</u>	<u>3.49%</u>		<u>\$ 446.6</u>	<u>4.40%</u>
Total Taxable Assessments		<u>\$ 12,347.1</u>	<u>100.00%</u>		<u>\$ 10,158.6</u>	<u>100.00%</u>

Note:

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

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

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2002 through 2011

Calendar Year	Calendar Years 2002 through 2011				
	Collected within the				Ratio of Total Tax Collections to Adjusted Total Tax Levy
	Adjusted Total Tax Levy (a)	Calendar Year of the Tax Levy Current Tax Collections (b)	Percent of Current Taxes Collected	Delinquent Tax Collections (b)	
2002	\$ 447,840,258	\$ 409,511,813	91.44%	\$ 32,837,106	98.77%
2003	494,536,667	444,645,287	89.91%	43,254,641	98.66%
2004	502,838,785	463,323,859	92.14%	32,301,100	98.57%
2005	511,193,660	473,681,165	92.66%	29,636,706	98.46%
2006	529,044,095	490,407,195	92.70%	29,156,210	98.21%
2007	540,723,643	498,322,166	92.20%	29,410,450	97.63%
2008	589,438,814	541,177,021	91.81%	31,666,336	97.18%
2009	596,223,097	543,170,566	91.10%	29,047,017	95.97%
2010	604,130,918	540,772,590	89.51%	22,720,234	93.27%
2011	620,001,464	551,328,336	88.92%	N/A	88.92%

Notes:

(a) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.

(b) Source: City of Philadelphia, Revenue Department Reports - Taxes Collected for Tax Years 2002 through 2011 - Principal Only.

Fiscal Year	Fiscal Years 2002 through 2011		
	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
2002	\$ 401,977,746	\$ 39,188,455	\$ 441,166,201
2003	451,066,708	37,615,252	488,681,960
2004	458,085,281	55,437,680	513,522,961
2005	486,814,775	49,459,199	536,273,974
2006	493,146,748	53,862,637	547,009,385
2007	501,282,361	49,357,210	550,639,571
2008	547,620,741	51,418,561	599,039,302
2009	548,166,501	50,662,332	598,828,833
2010	546,351,751	55,684,401	602,036,152
2011	549,717,468	39,704,621	589,422,089

Source: The School District of Philadelphia - Accounting System fiscal year records as of December 31, 2011.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2002 through 2011
(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 - 2002 as Base Year (2) (3)	
2002	\$ 1,440,475	\$ -	\$ 1,365	\$ -	\$ 1,441,840	3.54 %	\$ 962	\$	962
2003	1,405,890	-	997	-	1,406,887	3.33	942		925
2004	1,726,595	588,135	628	3,856	2,319,214	5.34	1,554		1,462
2005	1,805,490	588,130	259	3,125	2,397,004	5.33	1,608		1,463
2006	1,798,724	588,125	44	2,375	2,389,268	5.02	1,605		1,398
2007	1,732,258	906,200	10	1,604	2,640,072	5.21	1,768		1,516
2008	1,712,357	901,025	3	813	2,614,198	4.87	1,743		1,422
2009	1,929,620	895,570	-	-	2,825,190	5.22	1,865		1,553
2010	2,104,498	889,955	-	-	2,994,453	5.49	1,935		1,581
2011	2,096,912	884,010	-	-	2,980,922	5.42	1,953		1,552

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 2002 through 2011
(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 - 2002 as Base Year (3) (4)
2002	\$ 1,117,490	\$ 22,985	\$ 300,000	\$ -	\$ -	\$ 1,440,475	\$ 29,588	\$ 1,410,887	3.46 %	4.18 %	\$ 942	\$ 942
2003	1,082,910	22,980	300,000	-	-	1,405,890	34,138	1,371,752	3.25	3.88	918	902
2004	1,203,425	22,975	291,195	209,000	588,135	2,314,730	20,318	2,294,412	5.28	6.23	1,537	1,446
2005	1,262,915	42,305	291,280	208,990	588,130	2,393,620	28,048	2,365,572	5.26	6.37	1,587	1,444
2006	1,267,141	40,918	281,685	208,980	588,125	2,386,849	39,960	2,346,889	4.93	6.00	1,576	1,373
2007	1,212,170	39,533	271,585	208,970	906,200	2,638,458	46,895	2,591,563	5.11	6.52	1,735	1,488
2008	1,162,645	79,817	260,935	208,960	901,025	2,613,382	48,741	2,564,641	4.78	6.07	1,710	1,395
2009	1,602,860	77,525	249,235	-	895,570	2,825,190	49,138	2,776,052	5.13	6.50	1,833	1,526
2010	1,792,685	75,233	236,580	-	889,955	2,994,453	47,944	2,946,509	5.40	6.42	1,904	1,555
2011	1,800,745	72,942	223,225	-	884,010	2,980,922	59,126	2,921,796	5.31	6.33	1,915	1,521

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, 2011
(dollars in millions)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	\$ 2,921.8	100.0%	\$ 2,921.8
City of Philadelphia Direct Debt			4,271.1
Total Direct and Overlapping Debt			<u>\$ 7,192.9</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 9.082 percent of the assessed value of residential and commercial property. The City's share currently is 4.123 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 2002 through 2011
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2011										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 1,322.3	\$ 1,600.5	\$ 1,688.5	\$ 1,782.7	\$ 1,857.6	\$ 1,943.0	\$ 2,035.8	\$ 2,128.6	\$ 2,208.0	\$ 2,272.0
General Obligation Bonds	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	2,980.9
Less: (Schedule of Bonds O/S)	-	-	(588.1)	(588.1)	(588.1)	(596.2)	(901.0)	(895.6)	(890.0)	(884.0)
Lease Rental SPB/RA	(12.4)	(6.1)	(3.6)	(2.3)	(1.3)	-	-	-	-	-
Capital Appreciation Bonds - Non-electoral Debt	1,428.1	1,399.8	1,723.0	1,803.0	1,797.4	1,732.3	1,712.4	1,929.6	2,104.5	2,096.9
Financial Debt	(300.0)	(300.0)	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.6)	(223.2)
Facilities	-	-	-	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)
Deficit Bonds	-	-	-	-	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)
Termination Bonds	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	1,792.3
Stadium Bonds	-	-	-	-	-	-	-	-	-	-
Non-electoral Debt Outstanding applicable to Debt Limit	1,522.3	1,600.5	1,688.5	1,782.7	1,857.6	1,943.0	2,035.8	2,128.6	2,208.0	2,272.0
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	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	1,792.3
Lease - Non-electoral Debt Outstanding applicable to Debt Limit	\$ 394.2	\$ 500.7	\$ 256.7	\$ 341.5	\$ 442.1	\$ 580.1	\$ 678.3	\$ 538.1	\$ 425.9	\$ 479.7
Non-electoral Debt Capacity (2)	% 74.1	% 68.7	% 84.8	% 80.8	% 76.2	% 70.1	% 66.7	% 74.7	% 80.7	% 78.9
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)	\$ 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	\$ 4,544.1
General Obligation Bonds	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	2,980.9
Less:	-	-	-	-	-	-	-	-	-	-
Capital Appreciation Bonds - Non-electoral Debt	(12.4)	(6.1)	(3.6)	(2.3)	(1.3)	-	-	-	-	-
Financial Debt	1,428.1	1,399.8	2,311.1	2,391.1	2,385.5	2,638.5	2,613.4	2,825.2	2,994.5	2,980.9
Facilities	(300.0)	(300.0)	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.6)	(223.2)
Deficit Bonds	-	-	-	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)
Termination Bonds	-	-	-	-	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)
Stadium Bonds	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1	2,672.1	2,676.3
Net Non-electoral Debt and Lease Rental Outstanding	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	4,544.1
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,258.5	2,486.1	2,672.1	2,676.3
Less: Net Non-electoral Debt and Lease Rental Outstanding	\$ 1,916.5	\$ 2,101.2	\$ 1,357.0	\$ 1,536.2	\$ 1,711.6	\$ 1,617.0	\$ 1,813.0	\$ 1,771.2	\$ 1,743.8	\$ 1,867.8
Non-electoral Debt and Lease Rental Borrowing Capacity	% 37.1	% 34.4	% 59.8	% 56.9	% 55.9	% 58.4	% 55.5	% 58.4	% 60.5	% 58.9
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)										
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 1,916.5	\$ 2,101.2	\$ 1,357.0	\$ 1,536.2	\$ 1,711.6	\$ 1,617.0	\$ 1,813.0	\$ 1,771.2	\$ 1,743.8	\$ 1,867.8
Net Non-electoral Debt and Lease Rental Outstanding	% 37.1	% 34.4	% 59.8	% 56.9	% 55.9	% 58.4	% 55.5	% 58.4	% 60.5	% 58.9

Notes:

(1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit).

Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.

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

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

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 2002 through 2011
(dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Bonded Debt Principal	\$ 33,305	\$ 34,585	\$ 45,000	\$ 20,410	\$ 36,686	\$ 62,352	\$ 65,626	\$ 70,347	\$ 70,762	\$ 65,454
General Bonded Debt Interest	53,476	70,193	74,044	74,572	91,643	99,178	99,582	82,134	83,864	85,332
Loans	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	49,060
Total Debt Service Expenditures (2)	<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>	<u>199,846</u>
Total General Expenditures Excluding Categorical Funds	<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>	<u>2,637,062</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical Funds	<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>	<u>7.58</u>
Total General Expenditures (2) (3)	<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>	<u>3,261,757</u>
Ratio of Debt Service to Total General Expenditures	<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>	<u>6.13</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 2002 through 2011

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		Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
						(dollars in millions) (2)	Assessed (dollars in millions) (3)		
2002	1,498	27,182	40,731,865	7.3	635.2	43,005	10,300	16,872	9,384
2003	1,494	28,249	42,198,628	7.5	622.6	44,770	10,819	19,719	8,730
2004	1,493	29,113	43,463,015	7.3	618.3	46,292	11,141	19,883	9,636
2005	1,491	30,146	44,944,207	6.7	616.8	47,099	11,283	22,325	13,199
2006	1,489	31,951	47,566,075	6.2	614.5	49,384	11,904	23,376	18,504
2007	1,493	33,933	50,672,227	6.0	615.9	50,759	11,615	26,609	18,150
2008	1,500	35,799	53,689,351	7.1	627.2	53,045	12,175	28,306	16,719
2009	1,515	35,734	54,125,507	9.8	629.9	54,224	12,206	31,624	16,673
2010	1,526	35,757	54,565,206 (6)	10.9	647.4	55,047	12,276	35,060	11,504
2011	1,564	35,172	55,008,477 (6)	11.6	654.0	56,062	12,347	35,809	15,244

Notes:

- (1) Data for calendar years 2002 through 2011 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.
- (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 Ten Years Ago

2011 (1)			2001 (2)		
<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment (%)</u>	<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
University of Pennsylvania/University of Pennsylvania Hospital	31,650	5.48	City of Philadelphia (3)	29,519	4.71
City of Philadelphia	26,872	4.65	School District of Philadelphia	27,001	4.30
School District of Philadelphia	23,969	4.15	University of Pennsylvania/University of Pennsylvania Hospital	26,000	4.15
Thomas Jefferson University Hospitals Inc.	19,144	3.31	Temple University	13,000	2.07
Children's Hospital of Philadelphia	10,190	1.76	Tenet Healthcare Systems, Inc	8,200	1.31
Southeastern Pennsylvania Transportation Authority	9,195	1.59	PECO Energy	6,500	1.04
Drexel University	8,996	1.56	PNC Financial Services Group	6,400	1.02
Aramark Corp.	8,406	1.45	Aramark Corp.	5,500	0.88
Albert Einstein Healthcare Network	8,400	1.45	Independence Blue Cross	5,300	0.85
Temple University Health System	6,295	1.09	US Airways	5,000	0.80
Temple University	5,758	1.00	First Union National Bank	4,800	0.77

Notes:

- (1) Information obtained from (a) The Philadelphia Business Journal dated April 8, 2011 - "Who are the largest employers in Philadelphia?"
(b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2011 and (c) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2011.
- (2) Data for 2002 year was not available. 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 and (b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2009.
- (3) Data represents number of employees as of Fiscal Year 2003- data was not available prior to this date.
- (4) Based on annual 2001 and 2011 Civilian Labor Employed in Philadelphia, PA 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 2002 through 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Percentage Change 2002 - 2011
Instruction:											
<i>Classroom Teachers</i>											
Operating	11,180	10,861	11,033	10,347	9,509	8,884	8,648	8,696	8,561	8,313	(25.6) %
Grants	1,346	1,319	1,146	1,286	1,438	1,612	1,640	1,681	2,720	2,900	115.5
<i>Total Classroom Teachers</i>	12,526	12,180	12,179	11,633	10,947	10,496	10,288	10,377	11,281	11,213	(10.5)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	463	444	365	384	239	241	245	294	278	258	(44.3)
Classroom & Instructor Assistants	940	885	778	715	663	672	658	639	693	779	(17.1)
Counselor/Librarians	123	93	89	83	84	88	69	40	86	13	(89.4)
Psychologists/Therapists	41	41	39	41	37	38	36	32	38	41	-
P/T Classroom & Instructor Assistants	1,936	1,745	1,356	1,210	1,471	1,197	1,156	1,206	1,252	1,422	(26.5)
Other Paraprofessionals	270	245	237	203	172	152	146	100	97	102	(62.2)
<i>Total Non-Teaching</i>	3,773	3,453	2,864	2,636	2,666	2,388	2,310	2,311	2,444	2,615	(30.7)
Total Instruction	16,299	15,633	15,043	14,269	13,613	12,884	12,598	12,688	13,725	13,828	(15.2)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	501	512	532	522	515	510	478	475	465	479	(4.4)
Department Heads/Program Mgrs. & Coord.	77	61	63	59	35	31	34	35	35	33	(57.1)
Secretarial	634	602	597	580	540	497	495	487	472	453	(28.5)
Other Clerical	73	83	84	87	80	83	3	6	2	5	(93.2)
<i>Total In-school Instruction Leadership & Support</i>	1,285	1,258	1,276	1,248	1,170	1,121	1,010	1,003	974	970	(24.5)
<i>Professional Development & Training</i>											
Director	2	3	2	1	3	2	3	4	8	5	100.0
Non-Teaching Professionals	295	292	418	391	431	350	325	333	240	246	(16.6)
Secretarial	2	3	4	4	5	4	4	1	1	1	(50.0)
<i>Total Professional Development & Training</i>	299	298	424	396	439	356	332	338	249	252	(15.7)
<i>Student Support Services</i>											
Other Technical Staff	35	34	30	33	27	31	26	27	36	49	40.0
Non-professional supervisory	117	113	116	114	113	107	94	92	90	76	(35.0)
Counselor/Librarians	371	366	339	340	347	327	338	344	471	469	26.4
Psychologists/Therapists	104	101	99	100	106	102	97	100	96	113	8.7
Other Paraprofessionals	150	159	146	167	198	194	146	449	536	537	258.0
Bus Drivers/Attendants	1,153	1,130	1,129	1,126	1,125	1,127	1,084	1,047	1,072	1,053	(8.7)
Health Providers	340	344	340	320	310	326	317	325	331	325	(4.4)
Food Service	873	891	908	902	890	931	810	820	868	854	(2.2)
Other (includes Noon Time Aides)	1,402	1,403	1,381	1,458	1,431	1,400	1,429	1,498	1,574	1,608	14.7
<i>Total Student Support Services</i>	4,545	4,541	4,488	4,560	4,547	4,545	4,341	4,702	5,074	5,084	11.9
<i>Basic Building Services</i>											
Non-Teaching Assistants	560	503	471	421	311	248	196	187	161	120	(78.6)
Maintenance	440	416	400	416	428	410	416	376	365	368	(16.4)
Custodial	2,175	2,010	1,868	1,810	1,663	1,583	1,508	1,453	1,415	1,409	(35.2)
Warehouse/Distribution	33	33	34	33	34	28	21	27	29	27	(18.2)
Security	492	481	491	554	489	540	540	592	594	592	20.3
<i>Total Basic Building Services</i>	3,700	3,443	3,264	3,234	2,925	2,809	2,681	2,635	2,564	2,516	(32.0)
Total Classroom Support	9,829	9,540	9,452	9,438	9,081	8,831	8,364	8,678	8,861	8,822	(10.2)
Administrative Support											
Executive Management	14	28	26	27	33	28	26	32	37	46	228.6
AAOs/Regional Administrators	21	12	11	11	12	12	8	12	11	6	(71.4)
Directors	54	61	65	65	69	70	64	78	82	91	68.5
Asst. Directors/Admin Asst.	93	75	81	71	61	55	46	25	54	56	(39.8)
Prog. & Mgmt. Supervisors	102	107	112	126	178	147	154	167	185	164	60.8
Mgmt. Level Technicians	115	116	128	126	114	152	157	143	147	171	48.7
Other Technical Staff	292	309	359	350	398	288	273	316	362	335	14.7
Non-Professional Supervisory	123	113	114	118	116	111	90	107	106	103	(16.3)
Secretarial	179	165	166	165	151	141	102	109	101	97	(45.8)
Other Clerical	194	185	195	183	182	158	226	230	238	224	15.5
Other (2)	12	4	3	2	1	-	-	-	-	-	(100.0)
Total Administrative Support	1,199	1,175	1,260	1,244	1,315	1,162	1,146	1,219	1,323	1,293	7.8
Total School District	27,327	26,348	25,755	24,951	24,009	22,877	22,108	22,585	23,909	23,943	(12.4)
Add: Municipal Services (3)	97	95	95	96	92	93	82	86	75	26	(73.2)
Total School District-Wide	27,424	26,443	25,850	25,047	24,101	22,970	22,190	22,671	23,984	23,969	(12.6) %

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 2002 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 2002 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 2011.

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2002 through 2011

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Accrual) (dollars in thousands) (3)	Cost per Pupil Expenses	Percentage Change of Cost per Pupil Expenses	Percentage of Students Receiving Free or Reduced Price Meals (4)	Percentage of Students Using Bus/Cab (5)	Percentage of Students Using Free/ Subsidized Tokens (5)	Teaching Staff (6)	Pupil-Teacher Ratio
2002	197,344	1,742,349	8,829	4.06	1,964,025	9,952	N/A	51.5	17.1	15.5	12,526	15.8
2003	193,076	1,822,252	9,438	6.90	2,115,361	10,956	10.09	53.1	18.9	17.6	12,180	15.9
2004	188,397	1,995,652	10,593	12.24	2,306,412	12,242	11.74	55.9	20.6	17.7	12,179	15.5
2005	184,264	2,078,049	11,278	6.46	2,544,669	13,810	12.80	58.4	21.5	18.0	11,633	15.8
2006	180,993	2,118,524	11,705	3.76	2,593,976	14,332	3.78	56.7	22.0	17.8	10,947	16.5
2007	174,096	2,044,739	11,745	0.37	2,620,381	15,051	5.02	56.3	21.9	17.6	10,496	16.6
2008	167,311	2,110,375	12,613	7.40	2,609,375	15,596	3.62	57.6	22.0	33.9	10,288	16.3
2009	162,248	2,123,955	13,091	3.78	2,697,821	16,628	6.62	57.4	22.3	35.9	10,377	15.6
2010	160,659	2,311,605	14,388	9.91	2,906,375	18,090	8.80	58.0	23.6	36.1	11,281	14.2
2011	154,482	2,395,041	15,504	7.75	3,125,745	20,234	11.85	61.3	24.4	38.7	11,213	13.8

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 2002 through 2011

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 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 (3)	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Number of Schools (1)										
Elementary	175	175	175	176	177	178	175	175	177	170
Junior/Middle	42	41	42	38	32	30	31	30	27	26
Special	8	10	11	11	17	21	21	21	21	21
Senior	32	33	35	38	30	31	30	32	32	32
Vocational/Technical	5	5	5	7	9	9	9	9	8	9
Total Public Schools	262	264	268	270	265	269	266	267	265	258
Number of Charter Schools (2)	41	46	48	52	54	56	61	63	67	74
Number of Alternative Schools (6)	N/A	N/A	N/A	N/A	13	15	16	17	27	31
Number of Cyber Charter Schools (7)	5	5	6	9	11	11	11	11	11	11
Number of Brick & Mortar Charter Schools (7)	4	3	6	5	7	9	9	9	9	5
Total Schools	312	318	328	336	350	360	363	367	379	379
School Enrollment (2)										
Elementary	99,992	96,786	94,247	91,932	99,157	97,429	93,387	92,886	94,366	90,620
Junior/Middle	31,519	30,042	29,380	25,572	22,455	19,380	18,724	15,566	14,142	12,914
Special (3) (4)	-	-	-	-	8,829	9,208	9,762	10,860	12,198	11,499
Senior (3) (4)	-	-	-	-	35,861	35,329	32,505	30,716	29,179	27,430
Vocational/Technical (3)	-	-	-	-	8,961	8,351	8,230	7,652	6,535	7,113
Special/Senior/Vocational Technical (3)	65,833	66,248	64,770	64,222	-	-	-	-	-	-
Total Public Schools	197,344	193,076	188,397	181,726	175,263	169,697	162,608	157,680	156,420	149,576
Charter Schools	15,250	18,164	21,695	25,055	26,938	28,220	30,326	32,637	34,019	40,483
Alternative Schools (6)	-	-	-	2,538	5,790	4,399	4,703	4,568	4,239	4,906
Cyber Charter Schools (7)	211	258	462	1,047	1,220	1,880	2,180	2,616	2,935	3,627
Brick & Mortar Charter Schools (7)	274	275	268	258	248	250	223	205	188	191
Total	213,079	211,773	210,822	210,624	209,459	204,446	200,040	197,706	197,801	198,783
Number of Public High School Graduates (1)	8,559	9,407	10,331	10,800	10,132	9,694	9,570	9,967	9,976	10,191
Number of Charter High School Graduates (5)	505	634	919	1,167	1,424	1,651	1,928	2,126	2,181	2,068
Total of High School Graduates	9,064	10,041	11,250	11,967	11,556	11,345	11,498	12,093	12,157	12,259

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data.
 - (2) School District of Philadelphia, Budget Document - Fiscal Years 2002 through 2005. Data for Fiscal Years 2006 through 2011 was obtained from the Office of Accountability and Assessment-Performance Targets and Data, School District of Philadelphia.
 - (3) School District of Philadelphia, Office of Management and Budget - School Services. Beginning in Fiscal Year 2006, the School District revised the reporting requirements for special, senior, vocational, and technical school enrollment. These types of schools were reported separately.
 - (4) Beginning in Fiscal Year 2008, the School District revised the reporting requirements for Educational Opportunities Program (EOP) which include nine high schools. Of the nine high schools, eight were identified as senior high schools and one as a vocational school. The Educational Opportunities Program is for students who attend designated high schools after core hours, formally called Twi-High schools.
 - (5) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2002 through 2008. School District of Philadelphia, Office of Accountability and Assessment - School Innovation and Best - for Fiscal Year 2009 & Fiscal Year 2011.
 - (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 2002 through 2011

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			
2002	\$ 33,250	\$ 52,336	\$ 69,056	1.41 %	\$ 50,600	44,655
2003	34,580	54,055	71,818	3.29	51,425	45,686
2004	35,963	55,977	74,691	3.56	52,640	45,542
2005	37,622	58,187	74,691	3.95	53,281	47,516
2006	37,042	58,689	76,932	0.86	54,043	49,086
2007	38,153	60,361	79,240	2.85	54,970	51,068
2008	39,298	62,524	81,617	3.58	56,092	52,800
2009	40,870	65,066	84,882	4.07	57,237	54,274
2010	44,038	63,638	87,428	(2.19)	59,156	55,202
2011	44,038	66,372	87,428	4.30	60,536 (E1)	56,069 (E2)

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

(E1) Estimated at a 2.3% increase over 2010-11.

(E2) Estimated at a 1.6% increase over 2010-11.

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year 2010-2011

	Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (10)	Percentage of Capacity Used
<u>Schools</u>					
Elementary	106	3 yrs to 122 yrs	11,132,184	91,865	77.0 %
Elementary with Annexes	11	1 yr to 105 yrs	943,314	9,087	62.8
Elementary/Little School Houses	13	2 yrs to 84 yrs	1,186,866	12,064	105.1
Middle	20	11 yrs to 117 yrs	2,617,172	20,565	50.8
Middle with Annexes	2	39 yrs and 87 yrs	246,191	2,124	75.0
Senior	27	0 yr to 97 yrs	6,621,629	42,396	61.0
Senior/Elementary (2)	2	11 yrs and 62 yrs	456,271	3,767	42.9
Senior/Middle (3)	2	39 yrs and 84 yrs	313,000	2,415	36.4
Special	12	5 yrs to 102 yrs	1,559,444	9,681	77.9
Special (4)	1	85 yrs	108,393	756	70.6
Special/Elementary (5)	2	78 yrs and 97 yrs	188,460	1,365	123.2
Special/Middle (6)	2	56 yrs and 87 yrs	288,259	1,911	60.8
Vocational	9	1 yr to 82 yrs	1,763,056	13,377	53.2
Alternative	4	7 yrs to 48 yrs	297,465	1,743	19.6
Charter (7)	13	39 yrs to 102 yrs	1,311,599	10,903	32.3
<u>Other</u>					
Senior-Auto Academy	2	43 yrs and 45 yrs	49,070	200	N/A
Community Centers (8)	3	N/A	52,346	504	N/A
Closed / Vacant Property (9)	14	38 yrs to 110 yrs	2,059,593	12,416	N/A
<u>Administration</u>					
Administration	5	N/A	938,572	N/A	N/A
Warehouse/Storage	1	N/A	8,886	N/A	N/A
<u>Transportation</u>					
School Garages	1	56 yrs	16,000	N/A	N/A
Administration Garages	5	N/A	182,912	N/A	N/A
Repair Garages	1	N/A	10,663	N/A	N/A
<u>Athletics</u>					
Fields	12	5 yrs to 71 yrs	147,775	N/A	N/A
Pools	4	33 yrs to 42 yrs	58,594	N/A	N/A

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- Lambertson H.S. and Lambertson Elementary School; and Strawberry Mansion H.S. and Leslie Hill Elementary School; Lambertson Elementary also uses a "Little School House".
- (3) Two Senior Schools, Thomas Fitzsimons and E. Washington Rhodes, are middle and high schools (senior).
- (4) Two Special Schools, Parkway Center City HS and Philadelphia HS for Business and Technology, use the same building.
- (5) Two Special Schools, start at the 5th grade through the 12th grade, use the same buildings; Masterman H.S. and Masterman Middle School; and Girard Music Program.
- (6) Two Special Schools, Parkway West HS and Philadelphia Military Academy at Leeds, use the same buildings for two middle schools- Middle Years Alternative and Morris E. Leeds.
- (7) School District buildings being leased to Charter Schools.
- (8) Used in conjunction with public schools.
- (9) School District is in process of determining disposition based on "Facility Master Plan".
- (10) 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 Venti, Equal Opportunity Compliance Officer, Procurement Department, 440 N. Broad Street, Philadelphia, PA 19130, (215) 400-4380.

