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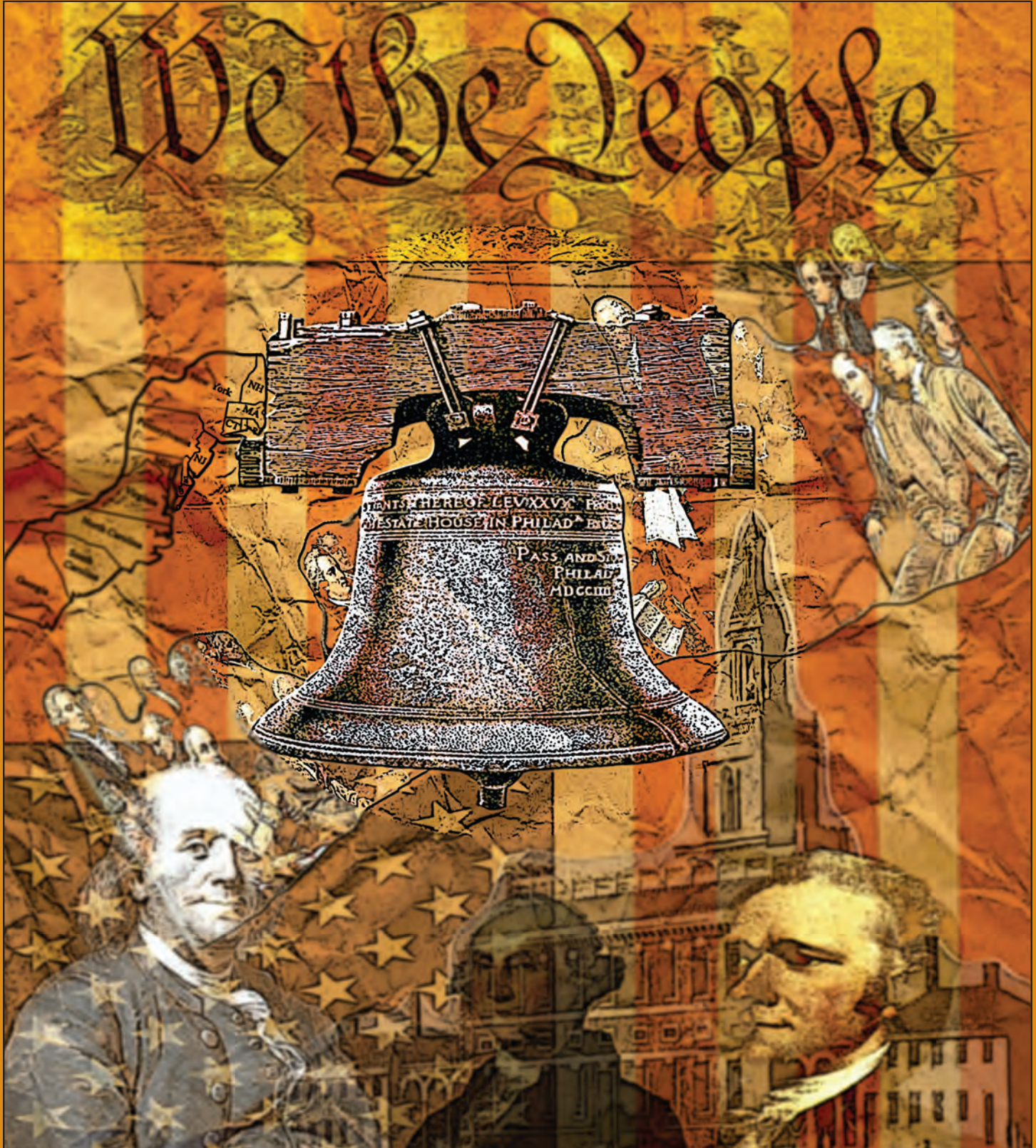
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*The Comprehensive Annual Financial Report of
The School District of Philadelphia*

A COMPONENT UNIT OF
THE CITY OF PHILADELPHIA, PENNSYLVANIA

Year Ended June 30, 2012



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, 2012



Marcy F. Blender, CPA
Deputy Chief Financial Officer and Comptroller

Prepared by
Office of General Accounting

STUDENT ART

The art displayed in this report is the work of School District of Philadelphia students and was selected from entries submitted to the 2012 Cover Design Contest that focused on the theme “The 225th Anniversary of the United States Constitution.” The contest theme celebrated this historical document that serves as the supreme law of the land and stands as the bedrock of our democracy. Students participating in this competition challenged their intellect, imagination and creativity to visually express their ideas, research and experience about the U.S. Constitution and its relevance in today’s society. Additionally, it offered students a vehicle to visually express their personal interpretation of the ideals embodied in the Constitution such as freedom, equality and justice.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Ryan Efendy Academy at Palumbo Grade 12	Ms. Kiana Thompson
2 nd Prize Back Cover	Omar Asid Academy at Palumbo Grade 12	Ms. Kiana Thompson
3 rd Prize Divider: 1 st	Jie Lin Benjamin Franklin High School Grade 12	Mr. Richard Dunoff
	Alesha Mercado Benjamin Franklin High School Grade 12	Mr. Richard Dunoff
2 nd	Alexander Molina Academy at Palumbo Grade 11	Ms. Kiana Thompson
	Qing Chen Academy at Palumbo Grade 11	Ms. Kiana Thompson
3 rd	Christopher Martin Davis Benjamin Franklin High School Grade 12	Mr. Richard Dunoff
	Tajrin Shikha George Washington High School Grade 12	Ms. Temi Allen
	Ms. Tessie Varthas, Content Specialist – Art Education Office of Academic Enrichment and Support	





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February 11, 2013

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 ("School District" or "District") for the Fiscal Year ended June 30, 2012. Pursuant to provisions of The Philadelphia Home Rule Charter ("Charter"), these financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States of America. As such, management of the School District assumes full responsibility for the completeness and reliability of all information presented in this report and provides reasonable assurance that its financial statements are free of any material misstatements.

The Charter requires that the Office of the City Controller of the City of Philadelphia ("Office of the City Controller") performs 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, 2012, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented for your formal review and consideration.

As further required, senior management of the School District established a comprehensive system of internal controls that are designed to protect the School District's assets from loss, theft, and misuse. Internal offices of the School District, namely the offices of Management and Budget, General Accounting, Accounts Payable, Grants Development and Compliance 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" or "State") created to assist in the administration of the Commonwealth's responsibility under the Pennsylvania Constitution to "provide for the maintenance and support of a thorough and efficient system of public education." It is by far the largest of the 501 school districts in the Commonwealth employing 19,934 full time employees as of June 15, 2012 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 School District. All IU services are performed by the School District pursuant to contracts between it and the IU.

Although considered a quasi-state agency, the School District directly serves the citizens of the City of Philadelphia, Pennsylvania, the sixth largest city in the United States with a population of 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 over the past decade while charter school enrollment significantly increased. Enrollment for the School District is over 199,200 students including 47,462 attending charter school; 4,951 enrolled in cyber schools and Non-Philadelphia (brick and mortar) charter schools; and 3,812 in alternative education programs/schools. A recent survey ranks Philadelphia among the top ten cities for the percentage of students attending charter schools.

There are 249 schools that the School District operates, as well as 26 alternative education programs/schools (6 schools and 20 programs) and 80 charter schools managed by other entities within the city and that serve Philadelphia's children. In fiscal year 2012, about one of every four (26.3%) 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 2012 organizational structure for the School District includes 168 elementary schools; 23 middle schools; and 58 high schools. About 15% of the School District's buildings are 40 years old or less, 46% are between 41 and 80 years old, 39% are 81 years or older. The average building age is 64 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 provided limited 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 schools were organized into three autonomy levels apportioned across all grade levels: elementary, middle and high school. To provide targeted supports and services through the two main divisions in the Chief Academic Office (Support Services and Accountability, Equity and Compliance) schools were assigned to one of twelve Principal Learning Teams.

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

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 Acting Superintendent of Schools/Chief Executive Officer during the fiscal year 2012 reporting period was Dr. Leroy Nunery until January 2012 at which time Thomas E. Knudsen was named Chief Recovery Officer and Acting Superintendent/Chief Executive Officer, replacing the previous Acting Superintendent. On September 17, 2012 Dr. William R. Hite, Jr. was named Superintendent of Schools/Chief Executive Officer replacing Mr. Knudsen in his Acting Superintendent role. Mr. Knudsen remained on as Chief Recovery Officer and Chief Financial Officer until November 28, 2012 when he was replaced as Chief Financial Officer by Matthew Stanski.

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 \$25,000 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

During Fiscal Year 2012, the School District began a fundamental effort to reform both its academic departments and business functions as well as begin to place all of its operations on a financially sustainable basis. The major initiatives during the fiscal year began with addressing a massive deficit that developed with the loss of state and federal subsidies for the fiscal period and then proceeded with a change in governance at both the SRC and Superintendent levels; a major undertaking (a) to determine how best to effect needed economies from operations to close the deficit, (b) to determine how the academic programs might be structured within existing means and (c) to develop a five year plan providing an operating and financial road map for structural balance by 2017; to implement portions of the Five Year Plan in Fiscal Year 2012 which included a reform contract with the District's blue collar workers and the refinement of the Facilities Master Plan to right-size the District school system to recognize the growth of charter schools; to sell a \$300 million long term bond to fund short term obligations in Fiscal Year 2013 and 2014 and, finally, to establish a position with our stakeholders and our communities that demonstrated an openness to new ideas and a transparency of policy execution that invited broad-based support for a future direction for K-12 education in Philadelphia.

Although the change in financial support from the State and Federal governments was anticipated, at the end of Fiscal Year 2011 various revenues sources were reduced by a staggering \$400 million. In addition, as the fiscal year began, a series of cost increases, to include pension, health care, charter payments, also arose. By the time the picture completely unfolded in February, 2012, the District was facing a potential budget shortfall of \$725 million. Serious, deep and recurring cuts were made to school budgets and to other operating departments totaling more than \$400 million. In addition, another \$100 million in recurring cuts were identified together with \$200 million of non-recurring revenues and expenses. The fiscal year ended with a \$20.5 million negative available operating fund balance. The challenge in Fiscal Year 2013 and beyond, and the intent of the Five Year Plan, will be to effect changes to structures and programs that cover the non-recurring \$200 million of costs, the deficit for Fiscal Year 2012 and the on-going increases in charges and inflation in the years moving forward.

In Fiscal Year 2012, the governance of the District underwent fundamental change as well. With the departure of Superintendent Arlene Ackerman in late summer, the Mayor and the Governor acted to replace four of the five SRC Commissioners, who were all in place by December, 2011. In addition, a Chief Recovery Officer and Acting Superintendent was appointed to manage the financial challenges confronting the District and to oversee the needed transition within the organization as well as the comprehensive analysis and planning effort that took place from January to September. In September, 2012, a new Superintendent, Dr. William Hite, was appointed.

To provide the necessary analysis and planning, the Boston Consulting Group was retained to review District operations for possible savings beyond those already taken and to recommend a framework for operating District schools focused on two primary goals: to provide safe, high quality public schools throughout the City and to bring the budget back into structural balance. The resulting Five Year Plan is the necessary blueprint that demonstrates that fewer District schools can continue to provide essential education but only with the contribution and sacrifice of unions, reduced payments to charter operators, further operating efficiencies, including school closures, and, ultimately, additional revenues from the State and City,

The implementation of the Five Year Plan began immediately. The first effort was to negotiate with the District's blue collar workers (facilities and transportation workers) to obtain a reduction in wages and benefits of approximately 10% and a change in work rules. Both of those objectives were reached in the negotiations. At the same time, the implementation of the Facilities Master Plan (FMP) continued by providing a framework to reduce excess capacity in District schools and to develop a plan for surplus real estate which would generate revenue from the sale of surplus properties. During Fiscal Year 2012, the SRC voted to close seven schools and management proposed the sale of twelve surplus properties. It is anticipated that approximately thirty six schools will be closed by the start of the 2014 school year saving an estimated \$28 million per year. This right-sizing is needed due to the growth in the number of Charter schools over the last 15 years with the attendant reduction in the number of District students.

But, because all of the elements of the Five Year Plan could not be implemented immediately, it was necessary to undertake a deficit financing of operations for Fiscal Year 2013 and a portion of Fiscal Year 2014. This action took the form of a bond sale through the State Public School Building Authority to yield \$300 million; beginning in Fiscal Year 2014 this will add approximately \$22 million of debt service expenditures each year for 20 years to enable the time to rebuild the financial infrastructure.

Last, a major effort was undertaken by the SRC and management to fundamentally alter the relationship between the Commission and District executives with parents, students, community groups, educational partners and other stakeholders. This effort is characterized by an open structure of SRC monthly meetings and educational training/information sessions, full financial disclosure, transparency in deliberation and candor with the press and media.

Budget Structure

The Operating Budget is made up of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2012 ending Operating Fund balance is a negative \$0.7 million compared with \$54.2 million for Fiscal Year 2011. Of the total negative \$0.7 million fund balance for the Operating Fund at June 30, 2012, \$8.2 million is non-spendable and \$11.6 million is encumbered for existing purchase commitments, leaving a fund balance of negative \$20.5 million. Applying the GASB 54 fund balance definitions to the negative \$0.7 million ending Operating Fund balance results in the following classifications of fund balances: 1) in the General Fund, a negative \$138.2 million unassigned (consisting of a negative \$148.4 million of unassigned offset by \$10.2 million of encumbrances), \$18.4 million of restricted for self-insurance and, \$8.2 million of non-spendable fund balance for inventories and a long-term interfund loan, 2) in the Intermediate Unit Fund, a positive \$1.4 million of assigned fund balance for encumbrances, and 3) in the Debt Service Fund, a positive \$109.5 million is considered restricted for future debt service payments. The Fiscal Year 2012 available fund balance represents a \$51.3 million decrease from the Fiscal Year 2011 available Operating Fund balance of a positive \$30.8 million to the negative \$20.5 million Fiscal Year 2012 balance.

The SRC on May 31, 2011 adopted the fiscal year 2012 operating budget of \$ 2,167.6 million and on May 31, 2012 amended the fiscal year 2012 operating budget of \$2,379.9 million in revenues and other financing sources and expenditures and other financing uses of \$2,434.3 million. Under the GASB 54 guidelines the fiscal year 2012 ending operating fund balance available for future operations is an increase of \$1.3 million from the amended budget ending fund balance of negative \$21.7 million. The main reason for this improvement was an increase in the indirect costs expensed to Food Service Fund from the General Fund.

The Capital Improvement Program (CIP) identifies over \$975.1 million in facilities' needs through fiscal years 2012-2017 to improve major infrastructure systems and buildings. The Fiscal Year 2013 Capital Budget reflects two realities: the completion of the final projects under the \$1.9 billion CIP that began in 2003 and a reduction in capital spending that prioritizes the funding of deferred maintenance and life cycle replacements rather than new construction that would add to the District's overall capacity. Currently the budget assumes a moratorium on increasing capacity through new construction or additions over the next five years. On May 31, 2012, the School District adopted its 2013 Capital Budget and six-year capital improvement program for Fiscal Years 2013-2018 ("Capital Improvement Program" or "CIP") which collectively totaled approximately \$1.0 billion. The School District amended its Capital Budget for Fiscal Year 2012 on May 31, 2012 to total approximately \$102.4 million. The School District presented the new strategic Facilities Master Plan (FMP) to the Governing Body (the SRC) in late fall of 2011 and the SRC approved the plan in the spring of 2012. The FMP has begun to be implemented with the first cohort of school closings and consolidations approved this past spring and completed in the summer of 2012; continued implementation of the plan is on-going.

The School District continues to 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 work force reductions reduced about 50% of its central administrative staff. The School District spends about 3% of its operating budget on administrative costs (excluding financings); one of the lowest rates when compared with other large urban public school systems and 97% of the operating budget is spent on items directly benefiting the schools. Specifically, 73% 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:

In Fiscal Year 2012 an anticipated \$721 million budget gap was narrowed to \$20.5 million through the financial planning actions described below.

The Philadelphia School District faced the reality of extraordinary reductions in state and federal aid in Fiscal Year 2012 rolling revenues back to Fiscal Year 2009 levels which included: \$193 million of Federal Stimulus and Federal Education Jobs funds, \$143 million of direct Fiscal Stabilization Funds, \$21 million of the State Accountability Block Grant funds and \$110 million of Charter School Reimbursements from the State. The only increases in revenues were from local sources which comprise only about 34% of total government fund revenues. A significant portion of the financial cost drivers comprise non-discretionary and mandated items such as pension contributions, state-mandated per-pupil payments to charter schools, coupled with significant charter school enrollment growth, increases in collective bargaining agreement costs, debt service costs and special education costs which comprise approximately 63% of the operating budget. Adding to these

challenging financial issues was the use of one-time cost savings measures to close the budget gap which would not carry forward into future years. These one-time savings included: debt restructuring and savings on interest costs of \$79 million, a \$30.8 million operating surplus from Fiscal Year 2011, a loan from SEPTA to cover transportation costs of \$35.3 million and the delay of PFT health and welfare payments of \$42 million into Fiscal Year 2013.

The SRC adopted a Five-Year Financial Plan to achieve structural balance in the fall of 2012 as it was recognized that the School District was operating within a structure which could not be sustained within the existing budget and this would cause expenditures to rise if no actions were taken to transform the operations and infrastructure which were driving these costs. At the same time the Five-Year Plan seeks to improve accountability and efficiencies, concentrate on school safety and educational programming, and focus on the implementation of the FMP to right-size the School District with the result of reducing the CIP.

The Local Economy: The local economy faces challenges in the current environment of an economic recession which officially began in December 2007 and continued through 2012 although there are beginning signs of slow recovery. 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 modest population growth continued in 2011 with the City adding 10,465 residents as estimated by the U.S. Census Bureau.

Philadelphia has developed an increasingly diverse economy centered on the healthcare industry, higher education, professional and business services and leisure and hospitality. The City is in the heart of a nine-county metropolitan area with approximately six million residents making it the country's sixth largest. Air, rail, highway, and water routes provide easy access to the area. The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City is experiencing a revival of construction with over 30 major projects under construction concurrently, representing over \$2.6 billion with higher education and healthcare institutions being the most active.

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. Expansion of the Convention Center in 2011 increases the City's appeal as a tourist destination. 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, the Rodin Museum and the recent addition of the Barnes Foundation 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. In 2011, Travel and Leisure magazine ranked Philadelphia as the number one City for arts and culture in the U.S.

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 2011 unemployment rate for the Philadelphia Metropolitan area was 8.6% which represents a 41% decrease from 2010. The unemployment rate for the City was 10.8% for 2011.

Accounting Pronouncements: There were no new accounting pronouncements that took effect in Fiscal Year 2012 that impacted the School District of Philadelphia.

Long-term Debt: As of June 30, 2012, the School District's outstanding principal amount of general obligation bonds and lease rental indebtedness was \$3.1 billion.

The SRC adopted a Debt Policy on February 18, 2009. The debt management policies are written guidelines that affect the amount and type of debt issued by the School District, the issuance process, and the management of a debt portfolio. The goal of the debt management policy is to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital

plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and can be expected to meet its obligations in a timely manner.

According to the Local Government Unit Debt Act, and as further stated in the Debt Policy, the School District must establish serial maturities or sinking fund installments for each bond issue that achieve, as nearly as practicable, level debt service within an issue or overall debt service within a particular classification of debt. The School District has never defaulted in the payment of debt service on any of its bonds, notes or lease rental obligations.

Almost all outstanding bonds issued prior to 2010 (except for its Qualified Zone Academy Bonds and Qualified School Construction 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 when issuing bonds, thereafter, has relied on the enhanced security that the State Intercept Program provides. The State intercept ratings are Aa3 with a stable outlook from Moody's, A+ with a stable outlook from Standard & Poor's and AA with a negative outlook from Fitch. Moody's and Fitch provide underlying ratings for the School District which are Ba1 and BBB- both with negative outlooks, respectively. Standard & Poor's only provides a rating based upon State Intercept Program for the School District.

On August 30, 2011, the School District issued \$44,415,000 of Series A General Obligation Refunding Notes and \$16,885,000 of Series B Federally Taxable General Obligation Refunding Notes (together "the Notes") for a total par amount of \$61,300,000. The Series A Notes refunded a portion of the Series 1999B, 2008E and the 2010C Bonds. The Series B Notes advanced refunded portions of the Series 2002A, 2005D, 2006A and 2010A Bonds. The interest rate for the Series A Notes is 0.70% and for the Series B Notes is 0.80%.

This transaction provided cash flow savings for debt service in Fiscal Year 2012 of approximately \$56.9 million by moving a portion of the School District's debt service scheduled for payment in Fiscal Year 2012 into the next ten years without extending the final maturities of any of the bonds refunded.

At the time of the issuance of the Notes, the School District expected to refund the Notes later in the fiscal year through the issuance of long-term bonds. A sale that combined the refunding of the Notes, as well as the School District's first issuance of Qualified School Construction Bonds ("QSCB") occurred on November 23, 2011 in the total par amount of \$219,110,000, entitled the Series A, B, C and D of 2011.

The Series 2011A Bonds were taxable QSCB bonds, in the par amount of \$144,625,000, and were issued with a federal tax credit subsidy of 4.87%, for a 1.125% net interest rate for the School District. The Series 2011B Bonds, in the par amount of \$16,970,000, were tax-exempt bonds and, along with the Series 2011A Bonds, funded projects for the School District's capital improvement program. The 2011C Bonds refunded the Series 2011A Notes in the par amount of \$41,185,000 and the Series 2011D Bonds in the par amount of \$16,330,000 refunded the Series 2011 B Notes.

Southeastern Pennsylvania Transportation Authority ("SEPTA") Loan for Student Transpasses: The School District entered into a loan agreement with SEPTA for \$35.3 million to cover the cost of the Fiscal Year 2012 transpasses to provide transportation for eligible students' to and from school. The principal amount of the loan, plus 2% in interest payments on the outstanding principal after a \$3.5 million administrative fee adjustment is deducted is to be paid in five equal installments beginning in Fiscal Year 2013.

Philadelphia Federation of Teachers Union Modifications to the Health and Welfare Payment Schedule: During Fiscal Year 2012 the School District agreed to make payments on an altered schedule to the Health and Welfare Fund ("Fund") until \$58 million in savings were accrued. Normal bi-weekly contributions to the fund resumed in Fiscal Year 2013. The alteration of the ("Fund") contributions resulted in net savings to the District of approximately \$42 million in Fiscal Year 2012.

Initiative to Increase Local Tax Collections: Local tax rates for the School District are authorized by the City Council. The City of Philadelphia collects the following taxes for the School District: the Real Estate Tax (current and delinquent); the Liquor by the Drink Tax; the School Income Tax; and the Use & Occupancy Tax. These taxes represent about 34% of the Fiscal Year 2012 overall revenues. As the School District faces its most difficult financial situation in many years, there is a new focus on improving collections.

Awards and Acknowledgements

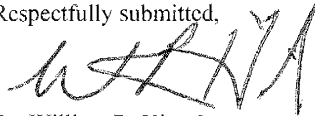
The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2011. Similarly, the Association of School Business 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 2011. 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 2012.

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,



Dr. William R. Hite, Jr.
Superintendent and Chief Executive Officer
School District of Philadelphia



Matthew Stanski
Chief Financial Officer
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, 2011

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.



Christopher P. Maxwell

President

Jeffrey R. Egan

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)

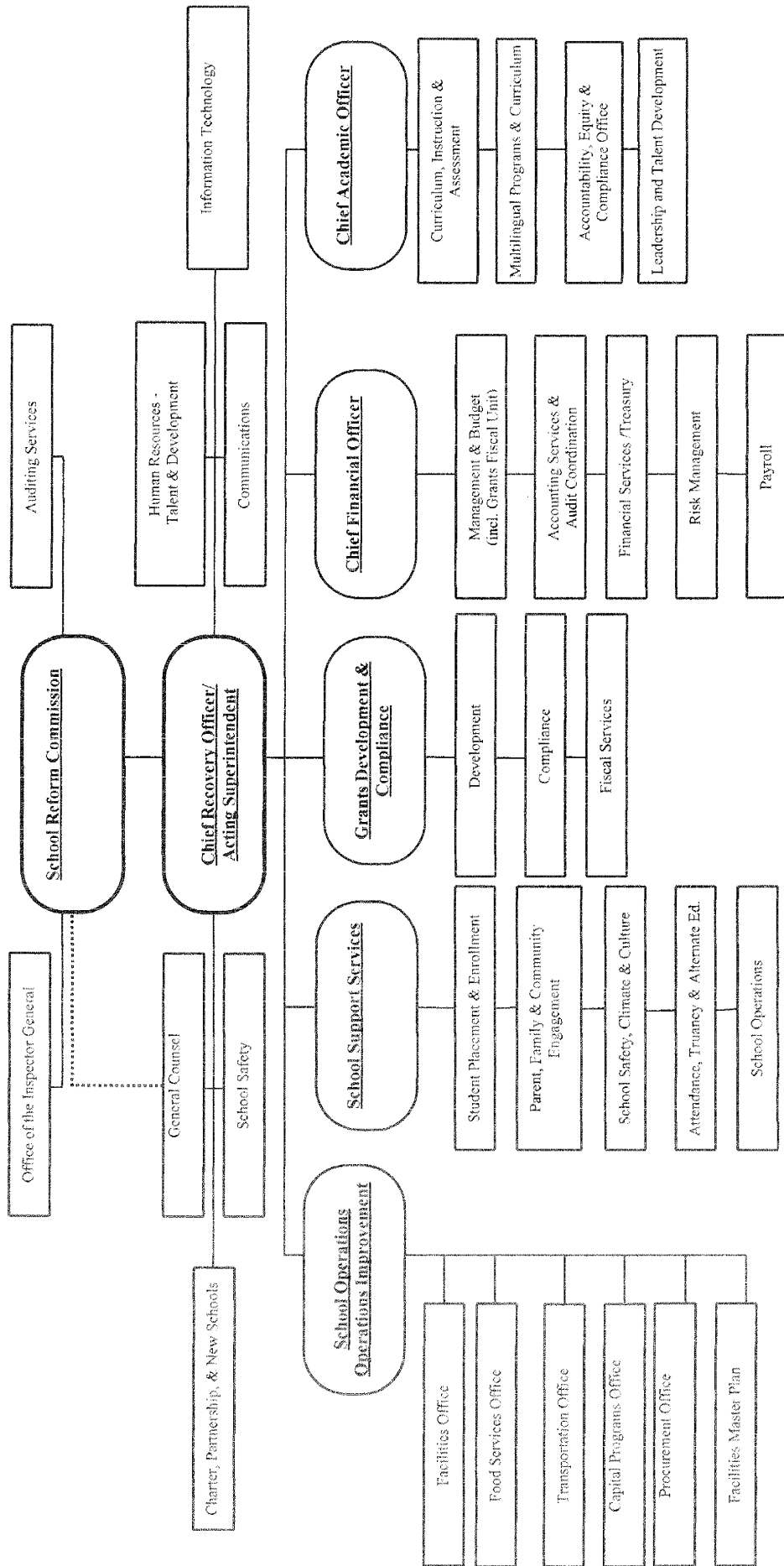
For the Fiscal Year Ended June 30, 2011

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



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2012

List of Principal Officials of the School District

School Reform Commission

Pedro A. Ramos, Esq., Chairman
Lorene Cary, Member
Feather Houstoun, Member
Joseph A. Dworetzky, Esq., Member
Wendell E. Pritchett, Member

School District of Philadelphia

Thomas E. Knudsen
Chief Recovery Officer/Acting Superintendent and CEO/Chief Financial Officer

Penny Nixon
Chief Academic Officer

Michael A. Davis
General Counsel

Theresa Gavigan
Chief Human Resource Officer

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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, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

Our audit for the year ended June 30, 2012 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 for the year ended June 30, 2012 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2012, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012. 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 do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the School District's basic financial statements as of and for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated February 10, 2012, which contained unqualified opinions on the respective 2011 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The 2011 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The 2011 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds have been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 amounts included in the Comparative Schedule by Source of Capital Assets Used in the Operation of Governmental Funds are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

February 11, 2013


GERALD V. MICCIULLA, CPA
Deputy City Controller

**SCHOOL DISTRICT OF PHILADELPHIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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, 2012. 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 ten 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 2012 include, but are not limited to, the following:

- Total revenues for the governmental funds were \$2.7 billion. A little over one third of total revenues are received from the PA Basic Education Subsidy (BES). A little under one third of the District's revenues are from the collection of local taxes and local non-tax sources. The remaining one third represents subsidies and grants awarded and appropriated by Pennsylvania state governmental entities and agencies; as well as recurring federal grants and subsidies with the state representing slightly more than the federal components.
- Total expenditures for the governmental funds were \$2.9 billion, which includes \$78.4 million of capital expenditures from funds received in prior years. Approximately ninety seven percent (97%) of all expenditures were incurred for instructional services, direct student-related costs and expenditures and services directly benefitting students and schools such as transportation, utilities and debt service for school renovations and construction. A significant portion of expenditures are fixed and/or mandated by regulatory and contractual obligations (e.g., salary increases per the

Management's Discussion and Analysis

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 (\$1,436.6) 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) claims related to the self insurance medical 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 Unit Fund. The fiscal year 2012 ending Operating Fund balance is (\$0.7) million, as restated for GASB 54 which became effective for fiscal year 2011. Of the total (\$0.7) million fund balance for the Operating Fund at June 30, 2012, \$8.2 million is non-spendable and \$11.6 million is encumbered for existing purchase commitments, leaving an ending budgetary fund balance of (\$20.5) 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 \$109.5 million from the School District to pay obligations for the next fiscal year.

Financial results for Fiscal Year 2012, compared to Fiscal Year 2011, are the result of several factors and events; the most significant include, but are not limited to:

- Total revenues for the governmental funds decreased by \$201.2 million compared to Fiscal Year 2011. This was primarily the result of the loss of State directed Federal Stimulus and Education Jobs Bill funding of \$200 million and the loss of over \$100 million of State funding primarily for Charter School Reimbursements. The only increases were from Local tax and non-tax revenues of about \$95 million primarily due to higher use and occupancy, liquor by the glass, and current real estate tax collections and an increase of \$10 million in the City of Philadelphia grant. Overall direct Federal Grants and Subsidies remained relatively flat, although directly-provided Federal Stimulus dollars were substantially reduced by about \$130 million.
- Total expenditures for the governmental funds decreased by \$408.1 million compared to Fiscal Year 2011. These decreases reflect the continued reduction of expenditures to return the District to structural balance. These expenditure reductions were caused by decreases of \$326.2 million in instructional, student support services, administrative support, pupil transportation costs, operation and maintenance of plant services, and early childhood; a \$109.2 million decrease in long-term debt principal and interest costs and \$100.5 million less in expenditures in the Capital Improvement Plan (CIP). These reductions were offset by expenditure increases in charter school payments of \$128.0 million.
- The Debt Service Fund is a separate governmental operating fund established for the accumulation of resources to pay bond principal and interest, and for payment of other associated costs. The variance in the net change in the debt service fund balance was (\$3.4) million from Fiscal Year 2011 to Fiscal Year 2012. This change reflects: a net reduction of proceeds of (\$64.7) million from refundings, less sources of financing from tax revenues and state subsidies of (\$48.5) million, smaller principal, interest, issuance and administrative payments of \$109.4 million and a reduction in revenues from interest earnings and variable rate income of \$0.4 million.
- The Operating Fund balance of (\$0.7) million as of June 30, 2012 reflects a \$54.9 million decrease from the Fiscal Year 2011 balance. This balance, which includes \$31.0 million that is not available for appropriation because it is reserved for medical self insurance, encumbrances, etc., is primarily the result of several factors: 1) higher expenditures for student direct and indirect instructional support, 2) a significant increase in charter school per pupil payments due to higher enrollments and increases in per student payments, 3) the elimination of charter school funding from the state which previously was used to offset charter expenses, and 4) ongoing effects of the elimination of stimulus

funding and reduction of state funding. These reductions were offset partially by: 1) increased local funding, 2) lower than budgeted benefit expenditures, 3) the elimination of certain City-mandated payments and 4) improved 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 with detailed information and data regarding the School District's major governmental funds: General, Intermediate Unit, Categorical, Debt Service and Capital Projects. From these statements, the reader can understand how services were financed on a short-term basis as well as what funding remains available for future spending to cover those services.

In contrast to district-wide financial statements, the fund financial statements utilize the modified accrual basis of accounting and the current financial resource measurement 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 2012. 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, 2012. 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, 2012
(Dollars in Millions)
Table 1

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
<u>Assets</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current & Other Assets	\$ 628.8	\$ 792.1	\$ 6.7	\$ (0.9)	\$ 635.5	\$ 791.2
Capital Assets	1,956.3	1,996.5	2.5	2.9	1,958.8	1,999.4
Total Assets	<u>\$ 2,585.1</u>	<u>\$ 2,788.6</u>	<u>\$ 9.2</u>	<u>\$ 2.0</u>	<u>\$ 2,594.3</u>	<u>\$ 2,790.6</u>
<u>Liabilities</u>						
Long-Term Liabilities	\$ 3,694.8	\$ 3,779.2	\$ 2.8	\$ 3.0	\$ 3,697.6	\$ 3,782.2
Other Liabilities	322.6	356.9	10.7	5.4	333.3	362.3
Total Liabilities	<u>\$ 4,017.4</u>	<u>\$ 4,136.1</u>	<u>\$ 13.5</u>	<u>\$ 8.4</u>	<u>\$ 4,030.9</u>	<u>\$ 4,144.5</u>
<u>Net Assets</u>						
Invested in Capital Assets - Net of Related Debt	\$ (211.0)	\$ (126.0)	\$ 2.5	\$ 2.9	\$ (208.5)	\$ (123.1)
Restricted	134.5	123.3	-	-	134.5	123.3
Unrestricted	<u>\$ (1,355.8)</u>	<u>(1,344.8)</u>	<u>\$ (6.8)</u>	<u>(9.3)</u>	<u>(1,362.6)</u>	<u>(1,354.1)</u>
Total Net Assets	<u>\$ (1,432.3)</u>	<u>\$ (1,347.5)</u>	<u>\$ (4.3)</u>	<u>\$ (6.4)</u>	<u>\$ (1,436.6)</u>	<u>\$ (1,353.9)</u>

For the Fiscal Year ending June 30, 2012, the School District's total net assets were (\$1,436.6) million. This negative net asset amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,362.6) million is unrestricted. This balance also reflects a decrease of \$82.7 million from Fiscal Year ending June 30, 2011. This decrease was caused primarily by a net increase in receivables, internal balances, inventory, cash and cash equivalents and pooled cash and investments of \$105.4 million; a decrease in capital asset investments related to the Capital Improvement Program (CIP) of \$40.6 million and in deferred charges of (\$0.7) million; a net decrease in due from other governments of \$78.1 million primarily for categorical programs; a

Management's Discussion and Analysis

decrease in unearned revenues primarily from categorical funds of \$81.6 million; a net increase in accounts payable, overpaid taxes, other short-term payables and accrued salaries and benefits of \$60.7 million; a decrease in derivative swap liabilities of \$4.2 million; an increase in bonds payable and bond debt related liabilities of \$165.1 million; a decrease in termination pay, severance pay and workers compensation pay liabilities of \$71.6 million, and the combination of various net decreases to other liabilities of (\$0.5) 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, 2012
(Dollars in Millions)
Table 2

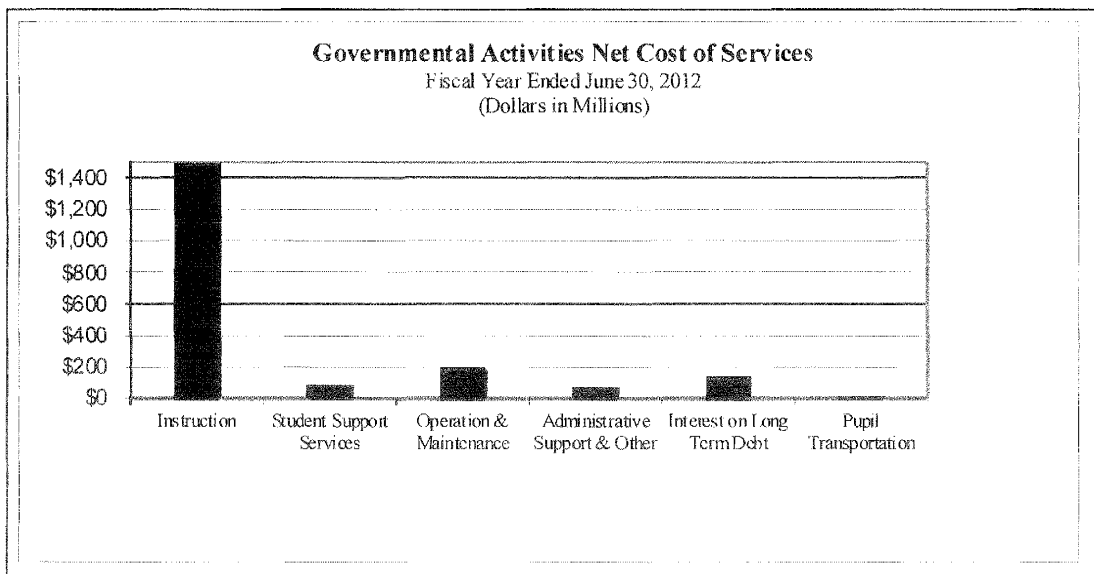
	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Revenues				
Program Revenues				
Charges for Services	\$ 1.9	\$ 5.8	\$ 2.1	\$ 2.7
Operating Grants & Contributions	788.5	1,046.9	77.3	79.5
Capital Grants & Contributions	(0.2)	1.2	0.2	-
General Revenues				
Property Taxes	658.5	605.2	-	-
Other Taxes	197.0	186.4	-	-
Grants & Contributions Not Restricted	87.9	69.0	-	-
State & Federal Subsidies Not Restricted	969.3	1,089.7	-	-
Investment Revenue	4.2	13.3	-	-
Total Revenues	\$ 2,707.1	\$ 3,017.5	\$ 79.6	\$ 82.2
Expenses				
Instruction	\$ 2,088.0	\$ 2,268.3	\$ -	\$ -
Student Support Services	181.6	255.0	-	-
Administrative Support & Other	236.7	273.8	-	-
Pupil Transportation	82.0	81.2	-	-
Operation & Maintenance	197.2	241.4	-	-
Early Childhood Education	0.2	1.5	-	-
Food Service	-	-	77.3	81.0
Total Expenses	\$ 2,785.7	\$ 3,121.2	\$ 77.3	\$ 81.0
Excess (Deficiency) before Transfers	\$ (78.6)	\$ (103.7)	\$ 2.3	\$ 1.2
Transfers	\$ 0.2	\$ (0.3)	\$ (0.2)	\$ 0.3
Increase/(Decrease) in Net Assets	\$ (78.4)	\$ (104.0)	\$ 2.1	\$ 1.5
Net Assets - Beginning	\$ (1,347.5)	\$ (1,243.0)	\$ (6.4)	\$ (7.9)
Prior Period Adjustment	(6.4)	(0.5)	-	-
Net Assets - Ending	\$ (1,432.3)	\$ (1,347.5)	\$ (4.3)	\$ (6.4)

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, 2012
(Dollars in Millions)
Table 3

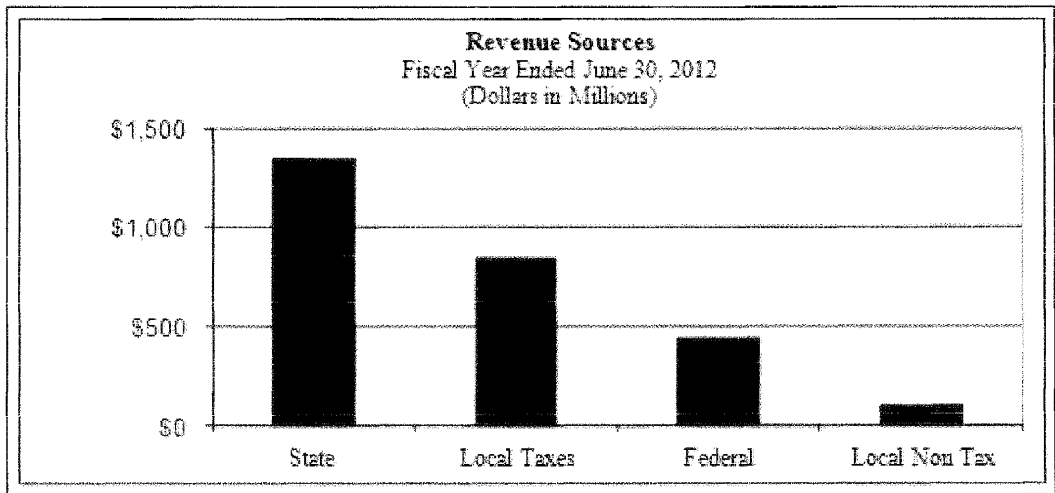
<u>Functional Expense</u>	<u>Gross Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 2,088.0	\$ 1,539.7
Student Support Services	181.6	75.6
Operation & Maintenance	197.2	183.3
Administrative Support & Other	97.7	64.7
Interest on Long Term Debt	139.0	128.8
Pupil Transportation	82.0	3.5
Food Service	77.3	(2.4)
Early Childhood Education	0.2	-
Total Expenses	\$ 2,863.0	\$ 1,993.2



Major Sources of Revenues

The School District's overall revenues are derived primarily from three sources: (i) state grants and subsidies totaling 49.4%; (ii) local taxes and non-tax revenues totaling 34.3%; and (iii) federal grants and subsidies totaling 16.3% which includes a small amount of ARRA 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 source of revenue is the federal stimulus grants including Stimulus Title I and Stimulus IDEA (Special Education) funds.

The following bar graph illustrates the School District's major sources of revenues for all Governmental Funds for Fiscal Year 2012:



As previously illustrated in Table 2, most of the School District's revenues are considered to be general as opposed to program related. Table 4, 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 in the Categorical Funds of about \$24.3 million. Total revenues for all Governmental Funds of \$2,729.6 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, 2012
 (Dollars in Millions)

Table 4

<u>Revenue Source</u>	<u>General Fund</u>	<u>Intermediate Unit Fund</u>	<u>Categorical Funds</u>
Local Taxes	\$ 840.9	\$ -	\$ -
Local Non-Tax	86.1	0.4	4.6
State Grants and Subsidies	1,208.0	89.6	51.3
Federal Grants and Subsidies	5.2	-	439.3
Total Revenue	\$ 2,140.2	\$ 90.0	\$ 495.2

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 \$111.6 million on June 30, 2012. For Fiscal Year 2012, there was an excess of revenues over expenditures of \$275.8 million and net transfers to other funds and SEPTA loan proceeds of \$344.0 million which together resulted in a \$68.2 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 2012, the Intermediate Unit Fund had a \$1.3 million net decrease in fund balance which resulted in an ending fund balance of \$1.4 million at June 30, 2012.

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 \$45.1 million net increase in fund balance which added to the Fiscal Year 2011 negative ending fund balance to result in a negative \$9.5 million at June 30, 2012. The primary reason for this increase was that the Fiscal Year 2011 deferred balance of \$54.6 million was received during Fiscal Year 2012. At June 30, 2012, there was a \$9.5 million 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 2012, the Debt Service Fund reflects a

\$14.6 million net increase in fund balance to \$109.5 million as of June 30, 2012. Debt Service expenditures of \$166.7 million and defeasance payments of \$122.6 million were offset by interfund transfers of \$178.1 million, refunding proceeds of \$123.1 million, revenues of \$2.6 million and capital asset sales of \$0.1 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 2012, the issuance of new bonds combined with a delay in capital outlays resulted in a positive net change of \$83.7 million in the capital projects fund which increased the fund balance as of June 30, 2012 to \$169.9 million. New building construction totaling \$7.9 million, capital alterations and improvements totaling \$64.3 million, a transfer of \$1.3 million to the Debt Service Fund and equipment acquisitions totaling \$6.2 million were offset with debt issuance of \$161.7 million and revenues of \$1.6 million and capital asset sales of \$0.1 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 \$4.3 million at the end of Fiscal Year 2012 which reflects a \$2.1 million improvement from the previous fiscal year and was used to pay back 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 follows:

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

Fiscal Year Ended June 30, 2012

(Dollars in Millions)

Table 5

<u>Fund</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
General	\$ (68.2)	\$ (45.2)
Intermediate Unit	(1.3)	1.4
Categorical	45.1	(39.0)
Debt Service	14.6	18.1
Capital Projects	83.7	(195.0)
Enterprise	2.1	1.5
Non-Major Governmental	(0.1)	0.1
Total Change in Fund Balance	<u>\$ 75.9</u>	<u>\$ (258.1)</u>

Total Fund Balances for Major and Non-Major Governmental Funds
 As of June 30, 2012
 (Dollars in Millions)
 Table 6

<u>Fund</u>	Fiscal Year	Fiscal Year
	2012	2011
General	\$ (111.6)	\$ (43.4)
Intermediate Unit	1.4	2.6
Categorical	(9.5)	(54.6)
Debt Service	109.5	94.9
Capital Projects	169.9	86.2
Enterprise	(4.3)	(6.4)
Non-Major Governmental	<u>6.3</u>	<u>6.4</u>
 Total Fund Balance	 <u>\$ 161.7</u>	 <u>\$ 85.7</u>

VI. BUDGETING HIGHLIGHTS

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

The capital budget is prepared as part of a six-year capital improvement program, of which, the first year of the program is the 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 2012, the final budgeted General Fund revenue was \$57.4 million higher than the original May 2011 adopted budget. This resulted primarily from increases of \$45.6 million in Current Real Estate taxes, \$10.1 million increase in City contributions, \$7.3 million in Non Business income taxes, \$6.1 million in Parking Authority revenue, and \$2.5 million in Liquor taxes, offset by an net decrease of \$14.1 million in Social Security and Retirement Revenue.

Management's Discussion and Analysis

The anticipated obligations in the final General Fund budget represented an increase of \$220.4 million over the original adopted budget. This increase resulted primarily from the following increases in budgets: 1) \$170 million of "District-wide Gap Closing Measures" cost cutting initiatives associated with Collective Bargaining, Charter School Reductions, Efficiency Measures, the Facilities Master Plan, and the implementation of an Early Retirement Program which were not fully realized, 2) \$62.2 million in unrealized budget savings for administrative cost cutting initiatives, and 3) a \$33.2 million increase in Charter and Charter Transportation budgets. These budget increases were offset by a \$45.0 million reduction in Instruction budgets (Elementary, Middle, Senior, and Career & Technical Education).

The anticipated Other Financing Sources/ (Uses) in the final General Fund budget were \$102.7 million favorable over the original adopted budget. This is due to a \$36.6 million loan with SEPTA for student transpasses, a \$67.1 million reduction in the General Fund to Debt Service transfer, and a \$0.3 million increase in other sources offset by a \$1.3 million increase in the General Fund to IU transfer.

The General Fund ending fund balance variance from the final budget at June 30, 2012 is a positive \$21.2 million. Of this amount, a net \$18.4 million is not available for appropriation because it is reserved for medical self insurance and encumbrances. The remainder is due to \$14.4 million in increased revenues, offset \$6.6 million increase in obligations, and a \$5.0 million increase in net uses.

Actual General Fund revenues of \$2,140.2 million are \$14.4 million more than those estimated in the final General Fund budget of \$2,125.8 million. Actual General Fund obligations totaling \$1,862.6 million were \$6.6 million higher than estimated in the final budget of \$1,856.0 million. Other financing sources/uses of \$345.4 million were \$5.0 million above the final budget and the \$18.8 million favorable difference between the final budget and actual beginning fund balance is due to medical and other reserves not available for appropriation.

The actual ending General Fund balance at June 30, 2012 of a negative \$111.6 million was \$21.2 million favorable from the final budget ending balance of a negative \$132.8 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, 2012
(Dollars in Millions)
Table 7

	<u>Budget</u>		<u>Actual</u>	Variance vs
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Total Revenues	\$ 2,068.4	\$ 2,125.8	\$ 2,140.2	\$ 14.4
Total Obligations	1,635.6	1,856.0	1,862.6	(6.6)
Total Other Financing Sources/(Uses)	(443.2)	(340.4)	(345.4)	(5.0)
Net Change in Fund Balance	(10.4)	(70.6)	(67.8)	2.8
Fund Balance Beginning of Year	(92.8)	(62.2)	(43.4)	18.8
Change in Reserves	-	-	(0.4)	(0.4)
Fund Balance End of Year	<u>\$ (103.2)</u>	<u>\$ (132.8)</u>	<u>\$ (111.6)</u>	<u>\$ 21.2</u>

Management's Discussion and Analysis

During Fiscal Year 2012, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$14.4 million favorable variance due to a \$12.6 million increase in taxes (primarily in real estate and U&O taxes), a \$5.3 increase in local non tax revenues offset by a \$3.5 million reduction in state revenue.
- Obligations were \$6.6 million more than budgeted primarily due to \$11.2 million favorable variance in operation and maintenance services, and \$13.1 million favorable variance in undistributed benefits and other savings, offset by a \$30.9 million unfavorable variance in District operated schools instructional costs.
- Other Financing Sources/ (Uses) were \$5.0 million unfavorable from the final budget. Uses of funds were \$2.7 million unfavorable to the final budget due to the following factors: 1) a lower than budgeted transfer to the Debt Service fund of \$2.9 million, 2) a \$5.8 million higher than budgeted transfer to the IU for special education services, and 3) an increase in net all other transfers of \$0.1 million. Sources of funds were \$2.3 million below budget due to: 1) \$1.2 million negative variance between the budgeted and actual SEPTA loan, and 2) a \$1.1 million negative variance in all other sources.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2012, the School District had \$3,454.3 million invested in capital assets. Over the years, these assets have depreciated by \$1,495.5 million leaving a carrying value of \$1,958.8 million. This represents a decrease of \$33.2 million over the Fiscal Year 2011 ending balance. Table 8 represents Net Capital Assets net of prior period adjustments. Refer to Note 4C, page 66 for additional information.

Net Capital Assets
As of June 30, 2012
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 131.8	\$ 131.8	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,669.3	1,654.8	-	-
Personal Property	97.0	101.6	2.5	2.9
Construction In Progress	58.2	100.9	-	-
Total Net Book Value	<u>\$ 1,956.3</u>	<u>\$ 1,989.1</u>	<u>\$ 2.5</u>	<u>\$ 2.9</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 August 30, 2011, the School District issued General Obligation Refunding Notes in the aggregate amount of \$61.3 million to refund certain principal and interest payments due during Fiscal Year 2012. The General Obligation Refunding Notes were replaced on December 20, 2011 with General Obligation Refunding Bonds in the aggregate amount of \$57.5 million. Also, on December 20, 2011, the School District issued General Obligation Bonds in the aggregate amount of \$161.6 million for the Capital Improvement Program.

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

Long-Term Obligations Outstanding
As of June 30, 2012
(Dollars in Millions)
Table 9

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Total Bonded Debt	\$ 3,067.5	\$ 2,896.0	\$ -	\$ -
Employee Related Obligations	441.1	534.2	2.8	3.0
Due to Other Governments	45.3	45.3	-	-
Other	140.8	121.4	7.1	9.1
Total Long-Term Obligations Outstanding	\$ 3,694.7	\$ 3,596.9	\$ 9.9	\$ 12.1

Total long-term obligations outstanding for governmental activities increased by \$97.8 million. This includes an increase in bonded debt of \$171.5 million with a corresponding decrease in employee obligations of \$93.1 million. All other long-term obligations increased by \$19.4 million. Refer to Note 4D(2), pages 67-74 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District continued to experience operating losses for the fiscal year ended June 30, 2012 of \$31.5 million (without considering the positive opening fund balance amount of \$30.8 million). This continued the trend of operating losses from the previous two fiscal years. Two successive years of budget reduction efforts and one-time savings initiatives have trimmed many of the areas of the greatest savings opportunities and makes structurally balancing the budget in future years that much more difficult. In fiscal year 2012 about \$169 million of the gap closing measures were non-recurring items which included: a bond refinancing, one time deferral and elimination of payments to the PFT health and welfare fund, a SEPTA transpass loan, and the surplus balance. Nearly \$400 million of recurring cuts were made in Fiscal Year 2012, which included an Early Retirement Incentive Program effective July 1, 2011, hundreds of lay-offs, a salary reduction and 5% payment for medical benefits for non-represented employees and the reduction of school support costs, like school nurses and police officers. It also requires the transformation of the School District into a sustainable cost structure while making sure our schools are safe and students are receiving a quality education from a portfolio of school choices and an expansion of high performing seats.

The School District projects a positive fiscal year ended June 30, 2013 operating fund balance of \$74.5 million which includes \$300 million of proceeds from a deficit financing for operations; without the proceeds, the District was anticipating a \$201 million operating loss in fiscal year 2013. The shortfall in fiscal year 2012 and the projected shortfall in fiscal year 2013 are driven primarily by sharp drops in federal and especially state revenues, as well as growing obligations for non-discretionary costs (those required by law, contract or negotiations) to include items such as wages, benefits, pension contributions and charter payments. Nearly 63% of the budget is mandated and cannot be reduced in the short-term. The fiscal year 2013 deficit financing will allow the District sufficient time to implement longer term and more strategic transformation initiatives which include closing approximately 37 schools (1 in 6), the sale of surplus real estate, implementation of the initiative to increase tax collections, renegotiating union contracts and operating efficiencies. One union, representing blue collar workers renegotiated their contract to save the District \$100 million over the life of the 2013-2017 Five-Year Financial Plan.

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 2012 supported 80 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 2012, the School District paid charter schools on a per pupil basis \$8,773.03 for a regular education student and \$19,422.86 for a special education student. The School District's Charter School obligations increased by about \$120.9 million compared to the prior year, while the State Charter School reimbursement decreased by \$109.5 million due to the elimination of the entire reimbursement. 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.

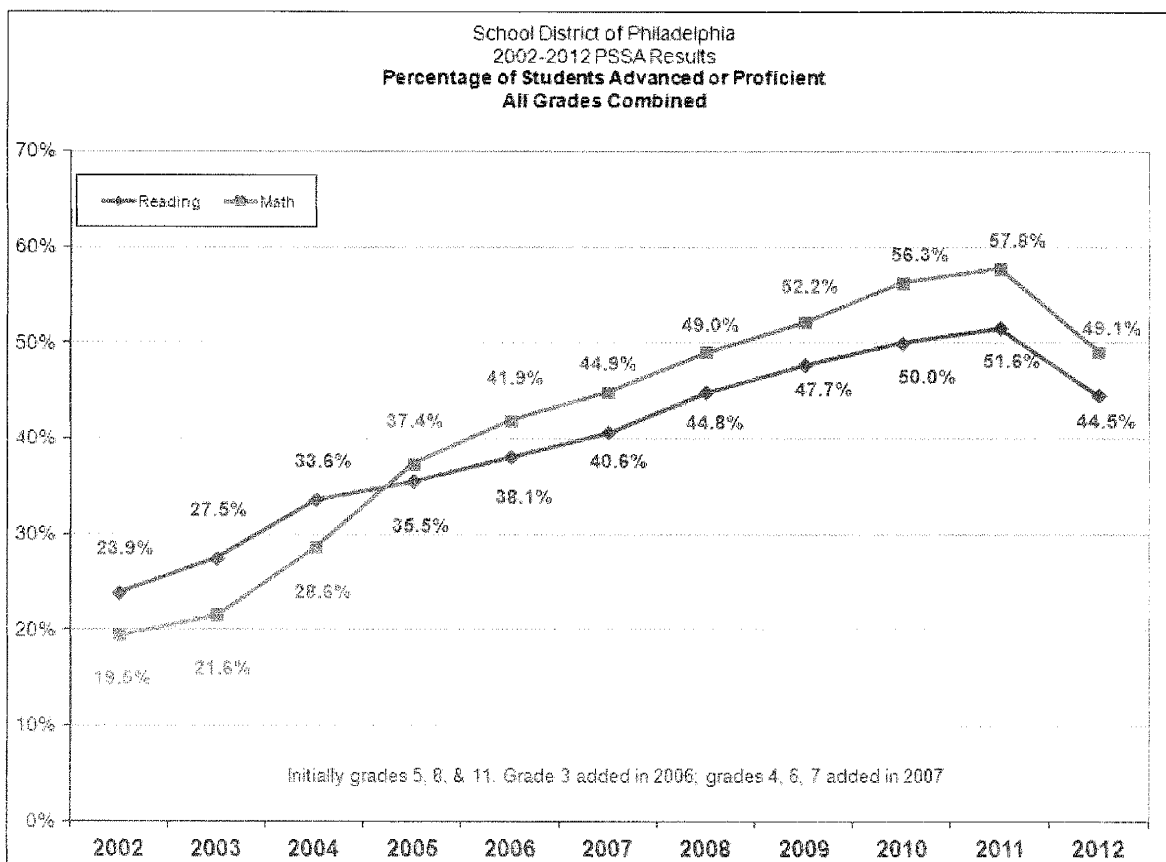
"NCLB" also mandates that all teachers of core academic subjects must be considered "highly qualified" by 2006. To meet this standard, all teachers must be fully certified and/or licensed by the state; hold at least a bachelor's degree from a four-year institution; and demonstrate competence in each core academic subject area they teach. By the end of fiscal year 2011, 88.8% of teachers in the School District were considered highly qualified, and 97.0% were considered fully certified. Due to recruitment and retention strategies, on-going professional development, and staffing process improvements, the percentage of highly qualified teachers of core academic subjects was raised to 90.7% and the number of fully certified teachers was raised to 99.2% in Fiscal Year 2012.

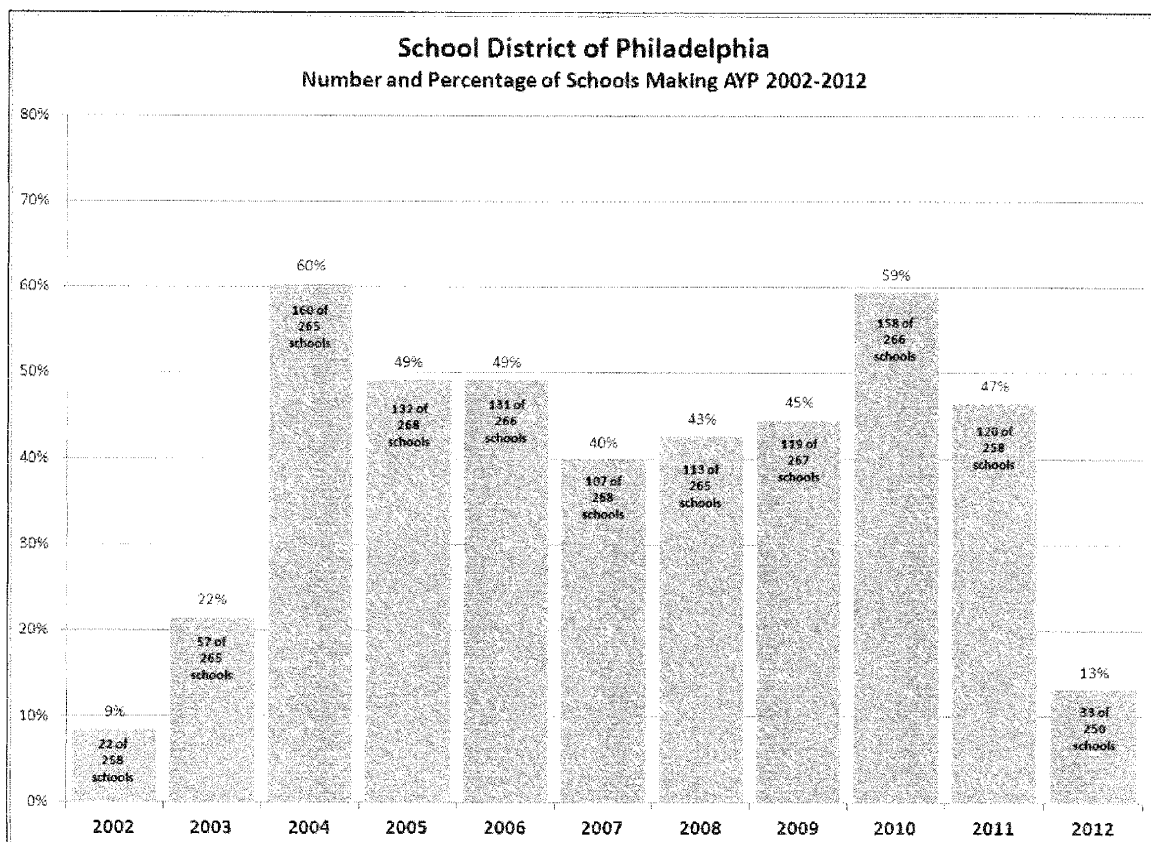
Academic Achievement

Students in grades 3 - 8 and 11 are currently administered the Pennsylvania System of School Assessment (PSSA) in reading and math, which is given annually throughout the Commonwealth. The School District has demonstrated 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 44.5% in 2012, an increase of 20.6 percentage points. In math, the percentage of students achieving a proficient score or above increased from 19.5% in 2002 to 49.1% in 2012, an increase of 29.6 percentage points. See chart following on next page.

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 AYP in accordance with the federally mandated NCLB provisions. By 2010, 59% of School District schools (158 of 266) made AYP. From 2002 to 2010, the Annual Measureable Objective (AMO) targets for AYP in reading increased from 45% to 63% and the AMO for math increased from 35% to 56%. From 2010 to 2012, the AMO for reading increased from 63% to 81% and the AMO for math increased from 56% to 78%. From 2010 to 2012, the AMO targets for AYP increased at a rate four-times higher than in previous years and the percentage of schools making AYP declined accordingly. In 2012, 13% (33 of 250 schools) made their AYP targets, a decline of 46 percentage points since 2010. See chart on the next page.

The decline in student performance on standardized tests in fiscal year 2012 from steadily increasing performance trends is believed to be influenced by: 1) increased targets for proficiency, 2) changes in test monitoring and proctoring, and 3) reductions in education funding and supports such as extended day programs. Although the decline in 2012 has reversed the previous three years of gains in student performance, the District still shows an overall gain over the last decade. The District is conducting a full review of test results to determine the factors which contributed to the decline in student performance.





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 incidents decreased by 4% from Fiscal Year 2011 to Fiscal Year 2012.

There has been significant focus and much improvement to school safety over the past several years and in particular in Fiscal Year 2012. 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 maintains a “focus schools list” that provided direct 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 2012, ten schools are identified as “Persistently Dangerous.” The ten (10) Philadelphia schools designated Persistently Dangerous in Fiscal Year 2012 have made significant progress over the past year. Six (6) schools are no longer designated as PDS and seven (7) 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 response to intervention 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 transition program that is 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.

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, as well as support the Facilities Master Plan which will collectively stabilize the School District's real property portfolio. The current CIP covers \$1.0 billion from Fiscal Year 2013 to Fiscal Year 2018 and is updated every year with the planned annual expenditure levels dependent on the district's ability to fund and issue long-term debt instruments as determined by the annual operating budget's debt capacity.

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 Matthew Stanski, Chief Financial Officer or Marcy F. Blender, CPA, Deputy Chief Financial Officer and Comptroller, at 440 North Broad Street, Philadelphia, PA 19130.

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 526,164	\$ 2,722	\$ 528,886
Cash and Investments with Fiscal Agent	109,543,950	-	109,543,950
Equity In Pooled Cash and Investments	34,273,036	5,749,155	40,022,191
Taxes Receivable (Net)	180,665,080	-	180,665,080
Due from Other Governments	61,234,684	4,252,373	65,487,057
Accounts Receivable (Net of Allowance)	7,340,204	3,000,000	10,340,204
Accrued Interest Receivable	150,010	-	150,010
Internal Balances	8,460,515	(8,460,515)	-
Inventory	1,438,052	2,180,330	3,618,382
Prepaid Expenses	144,642	-	144,642
Deferred Debt Issuance Cost	29,067,793	-	29,067,793
Restricted Assets:			
Cash and Cash Equivalents	174,854,707	-	174,854,707
Cash and Investments Held by Trustee	2,693,267	-	2,693,267
Funds on Deposit	18,375,000	-	18,375,000
Capital Assets:			
Land	131,840,583	-	131,840,583
Artwork	8,070,550	-	8,070,550
Buildings and Improvements	2,937,936,125	-	2,937,936,125
Personal Property	256,049,239	16,506,849	272,556,088
Construction in Progress	58,167,364	-	58,167,364
Intangibles	45,597,636	-	45,597,636
Accumulated Depreciation	(1,481,355,966)	(14,040,828)	(1,495,396,794)
Total Assets	2,585,072,635	9,190,086	2,594,262,721
LIABILITIES			
Accounts Payable	104,514,323	9,893,921	114,408,244
Overpayment of Taxes	8,600,627	-	8,600,627
Accrued Salaries and Benefits Payable	49,367,478	738,938	50,106,416
Termination Compensation Payable	25,316,039	-	25,316,039
Severance Payable	7,687,661	-	7,687,661
Other Liabilities	427,886	-	427,886
Payable to External Parties	49,289,751	-	49,289,751
Derivative Instrument - Swap Liability	22,086,780	-	22,086,780
Unearned Revenue	18,844,413	-	18,844,413
Due to Other Governments	3,461,969	-	3,461,969
Bond Interest Payable	33,050,130	-	33,050,130
Non-Current Liabilities			
Due within one year	260,041,961	400,000	260,441,961
Due in more than one year	3,434,708,656	2,438,197	3,437,146,853
Total Liabilities	4,017,397,674	13,471,056	4,030,868,730
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(210,988,335)	2,466,021	(208,522,314)
Restricted for:			
Medical Self-Insurance	18,375,000	-	18,375,000
Debt Service	109,543,587	-	109,543,587
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	3,466,528	-	3,466,528
Non-Expendable - Scholarships	2,838,409	-	2,838,409
Arbitrage Rebate Payable	286,173	-	286,173
Unrestricted (Deficit)	(1,355,846,401)	(6,746,991)	(1,362,593,392)
Total Net Assets	\$ (1,432,325,039)	\$ (4,280,970)	\$ (1,436,606,009)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 526,164	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	-	16,924,595	9,930,463
Cash and Investments Held by Trustee	-	-	-
Funds on Deposit	18,375,000	-	-
Taxes Receivable (Net)	180,665,080	-	-
Due from Other Funds	8,584,022	-	-
Due from Other Governments	8,072,751	4,183,858	48,907,301
Accounts Receivable (Net)	8,747,239	-	-
Accrued Interest Receivable	538	-	-
Inventory	1,399,765	-	-
Prepaid Items	87,780	-	-
Total Assets	\$ 226,458,339	\$ 21,108,453	\$ 58,837,764
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 68,092,813	\$ 7,570,371	\$ 20,599,669
Overpayment of Taxes	8,600,627	-	-
Accrued Salaries and Benefits Payable	20,223,487	12,140,450	16,544,917
Termination Compensation Payable	25,316,039	-	-
Severance Payable	7,687,661	-	-
Deferred Revenue	158,219,145	-	28,000,737
Due to Other Funds	49,289,751	-	-
Due to Other Governments	213,544	38,376	3,159,665
Other Liabilities	427,886	-	-
Total Liabilities	338,070,953	19,749,197	68,304,988
Fund Balances:			
Nonspendable:			
Inventories	1,102,002	-	-
Permanent Fund Principal	-	-	-
Long Term Interfund Loan	7,060,515	-	-
Restricted:			
Medical Self-Insurance	18,375,000	-	-
Retirement of Long Term Debt	-	-	-
Debt Service Interest	-	-	-
Arbitrage Rebate Payable	-	-	-
Trust Purposes	-	-	-
Capital Purposes	-	-	-
Assigned:			
Special Education	-	1,359,256	-
Unassigned:			
	(138,150,131)	-	(9,467,224)
Total Fund Balances	(111,612,614)	1,359,256	(9,467,224)
Total Liabilities and Fund Balances	\$ 226,458,339	\$ 21,108,453	\$ 58,837,764

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
\$ -	\$ 174,854,707	\$ -	\$ 175,380,871
109,543,950	-	-	109,543,950
105,416	998,696	6,313,866	34,273,036
-	2,693,267	-	2,693,267
-	-	-	18,375,000
-	-	-	180,665,080
-	-	-	8,584,022
-	64,571	-	61,228,481
-	-	-	8,747,239
148,358	1,114	-	150,010
-	-	-	1,399,765
56,862	-	-	144,642
<u>\$ 109,854,586</u>	<u>\$ 178,612,355</u>	<u>\$ 6,313,866</u>	<u>\$ 601,185,363</u>
\$ 16,615	\$ 8,189,098	\$ 8,929	\$ 104,477,495
-	-	-	8,600,627
-	417,601	-	49,326,455
-	-	-	25,316,039
-	-	-	7,687,661
294,384	16,516	-	186,530,782
-	-	-	49,289,751
-	50,384	-	3,461,969
-	-	-	427,886
<u>310,999</u>	<u>8,673,599</u>	<u>8,929</u>	<u>435,118,665</u>
-	-	-	1,102,002
-	-	1,365,873	1,365,873
-	-	-	7,060,515
-	-	-	18,375,000
62,208,085	-	-	62,208,085
47,335,502	-	-	47,335,502
-	286,173	-	286,173
-	-	4,939,064	4,939,064
-	169,652,583	-	169,652,583
-	-	-	1,359,256
-	-	-	(147,617,355)
<u>109,543,587</u>	<u>169,938,756</u>	<u>6,304,937</u>	<u>166,066,698</u>
<u>\$ 109,854,586</u>	<u>\$ 178,612,355</u>	<u>\$ 6,313,866</u>	<u>\$ 601,185,363</u>

School District of Philadelphia
 Reconciliation of the Balance Sheet for Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

Fund Balance - Total Governmental Funds (page 37) \$ 166,066,698

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. 1,956,254,993

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 166,279,334

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. (3,698,577,455)

Derivative instruments, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. (22,086,780)

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. (261,829)

Net assets of governmental activities (page 34) \$ (1,432,325,039)

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, 2012

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 840,903,575	\$ -	\$ -
Locally Generated Non Tax	86,108,444	389,340	4,626,158
State Grants and Subsidies	1,207,925,622	89,598,759	51,288,274
Federal Grants and Subsidies	5,213,047	-	439,290,497
Total Revenues	2,140,150,688	89,988,099	495,204,929
EXPENDITURES			
Current:			
Instruction	963,622,862	203,617,307	319,723,940
Student Support Services	25,731,976	80,622,042	94,112,169
Administrative Support	69,472,317	9,443,289	28,571,206
Operation & Maintenance of Plant Services	199,756,695	-	1,136,145
Pupil Transportation	83,396,470	-	-
All Other Support Services	(10,661,078)	-	-
Early Childhood Education	-	-	188,591
Payments to Charter Schools	533,025,957	-	6,714,742
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	1,864,345,199	293,682,638	450,446,793
Excess (Deficiency) of Revenues over Expenditures	275,805,489	(203,694,539)	44,758,136
OTHER FINANCING SOURCES (USES)			
Transfers In	1,831,164	202,408,671	2,193,441
Transfers Out	(381,132,864)	-	(1,831,164)
SEPTA Loan Proceeds	35,312,564	-	-
Capital Asset Proceeds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources and (Uses)	(343,989,136)	202,408,671	362,277
Net Change in Fund Balances	(68,183,647)	(1,285,868)	45,120,413
Fund Balances, July 1, 2011	(43,376,587)	2,645,124	(54,587,637)
Change in Inventory Reserve	(52,380)	-	-
Fund Balances, June 30, 2012	\$ (111,612,614)	\$ 1,359,256	\$ (9,467,224)

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
\$ -	\$ -	\$ -	\$ 840,903,575
2,614,913	927,665	32,273	94,698,793
-	701,624	-	1,349,514,279
-	-	-	444,503,544
<u>2,614,913</u>	<u>1,629,289</u>	<u>32,273</u>	<u>2,729,620,191</u>
-	-	114,251	1,487,078,360
-	-	-	200,466,187
-	-	-	107,486,812
-	-	-	200,892,840
-	-	-	83,396,470
-	-	-	(10,661,078)
-	-	-	188,591
-	-	-	539,740,699
31,576,738	-	-	31,576,738
87,040,570	-	-	87,040,570
42,521,550	-	-	42,521,550
1,836,139	-	-	1,836,139
3,683,522	-	-	3,683,522
-	7,923,216	-	7,923,216
-	2,997,484	-	2,997,484
-	61,290,827	-	61,290,827
-	6,190,693	-	6,190,693
<u>166,658,519</u>	<u>78,402,220</u>	<u>114,251</u>	<u>2,853,649,620</u>
<u>(164,043,606)</u>	<u>(76,772,931)</u>	<u>(81,978)</u>	<u>(124,029,429)</u>
178,056,164	-	-	384,489,440
-	(1,308,397)	-	(384,272,425)
-	-	-	35,312,564
70,000	141,481	-	211,481
118,815,000	161,595,000	-	280,410,000
4,323,304	313,255	-	4,636,559
-	(265,965)	-	(265,965)
(122,578,020)	-	-	(122,578,020)
<u>178,686,448</u>	<u>160,475,374</u>	<u>-</u>	<u>197,943,634</u>
14,642,842	83,702,443	(81,978)	73,914,205
94,900,745	86,236,313	6,386,915	92,204,873
-	-	-	(52,380)
<u>\$ 109,543,587</u>	<u>\$ 169,938,756</u>	<u>\$ 6,304,937</u>	<u>\$ 166,066,698</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, 2012

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)	\$	73,914,205
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.		(37,815,145)
Non capitalized purchases that exceed capital outlays.		6,594,648
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.		(1,717,013)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(22,666,378)
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.		(165,933,400)
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.		69,655,662
The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.		(285,549)
Contributed Capital transferred to the Business-Type Activity are not reported as transfers in the governmental funds.		(211,003)
Change in net assets of governmental activities (page 35)	<u>\$</u>	<u>(78,463,973)</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, 2012

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,722	\$ -
Equity in Pooled Cash and Investments	5,749,155	-
Due From Other Governments	4,252,373	6,203
Other Receivables	3,000,000	-
Inventories	2,180,330	38,287
Total Current Assets	15,184,580	44,490
Noncurrent Assets:		
Machinery & Equipment	16,506,849	693,650
Accumulated Depreciation	(14,040,828)	(643,112)
Total Noncurrent Assets	2,466,021	50,538
Total Assets	\$ 17,650,601	\$ 95,028
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 9,893,921	\$ 36,828
Accrued Salaries and Benefits Payable	738,938	41,023
Due to Other Funds	1,400,000	123,507
Total Current Liabilities	12,032,859	201,358
Noncurrent Liabilities:		
Termination Compensation Payable	2,060,059	155,499
Severance Payable	778,138	-
Interfund Loan	7,060,515	-
Total Noncurrent Liabilities	9,898,712	155,499
Total Liabilities	21,931,571	356,857
NET ASSETS		
Invested in Capital Assets	2,466,021	50,538
Unrestricted	(6,746,991)	(312,367)
Total Net Assets	(4,280,970)	(261,829)
Total Liabilities and Net Assets	\$ 17,650,601	\$ 95,028

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, 2012

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 2,094,235	\$ -
Sale of Printing Services	-	919,951
 Total Operating Revenues	 2,094,235	 919,951
Operating Expenses:		
Salaries	15,516,969	465,306
Employee Benefits	12,133,682	205,020
Other Purchased Service - Food	41,681,883	-
Depreciation	716,294	18,668
Other Operating Expenses	7,196,838	516,506
 Total Operating Expenses	 77,245,666	 1,205,500
 Operating Gain/(Loss)	 (75,151,431)	 (285,549)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	77,291,266	38,090
 Income (loss) Before Contributions and Transfers	 2,139,835	 (247,459)
Capital Contributions	211,003	-
Transfers Out	(217,015)	-
 Change in Net Assets	 2,133,823	 (247,459)
 Total Net Assets July 1, 2011	 (6,414,793)	 (14,370)
 Total Net Assets June 30, 2012	 \$ (4,280,970)	 \$ (261,829)

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, 2012

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 2,094,235	\$ 919,951
Cash Payments to Employees for Services	(27,610,200)	(712,605)
Cash Payments to Suppliers for Goods and Services	(37,093,459)	-
Cash Payments for Other Operating Expenses	(7,196,838)	(528,713)
	(69,806,262)	(321,367)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to/Advances from Other Funds	(7,455,632)	123,507
State Sources	5,531,418	20,124
Federal Sources	77,740,508	17,966
Transfers Out	(217,015)	-
	75,599,279	161,597
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(53,030)	-
Loss on disposal of Assets	9,299	1,246
	(43,731)	1,246
Net (Decrease)/Increase in Cash and Cash Equivalents	5,749,286	(158,524)
Cash and Cash Equivalents July 1, 2011	2,591	158,524
	\$ 5,751,877	\$ -
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating (Loss)	\$ (75,151,431)	\$ (285,549)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	716,294	18,668
Donated Food Commodities	3,303,036	-
(Increase)/Decrease in Accounts Receivable	(2,842,559)	949
(Increase)/Decrease in Inventories	(890,490)	184
Increase/(Decrease) in Accounts Payable	5,018,437	(13,340)
Increase in Accrued Salaries and Benefits Payable	232,886	14,303
Increase/(Decrease) in Termination Compensation Payable	82,617	(56,582)
(Decrease) in Severance Payable	(275,052)	-
	5,345,169	(35,818)
Net Cash Used by Operating Activities	\$ (69,806,262)	\$ (321,367)

Noncash Investing, Capital and Financing Activities:

During the fiscal year, the General Fund of the School District of Philadelphia contributed \$211,003 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, 2012

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,037,271
Equity in Pooled Cash and Investments	501,147	23,518,823
Investments	200,012	-
Accounts Receivable	256	955,366
Due From Other Funds	-	49,289,751
Inventories	-	101,617
Total Assets	701,415	78,902,828
 LIABILITIES		
Payroll Deductions and Withholdings	-	73,131,734
Due to Student Activities	-	5,034,648
Other Liabilities	-	736,446
Total Liabilities	-	78,902,828
 NET ASSETS		
Held in Trust for Various Purposes	\$ 701,415	\$ -

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, 2012

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 133,014
Interest Received	1,964
Total Additions	134,978
DEDUCTIONS	
Scholarships Awarded	8,607
Total Deductions	8,607
Change in Net Assets	126,371
Net Assets July 1, 2011	575,044
Net Assets June 30, 2012	\$ 701,415

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, 2012

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2012, 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 2012, the School District served over 199,200 students, including those in Charter and Alternative Schools, as well as employed over 19,900 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.

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, 2012 included a Chief Recovery Officer who was also functioning in the role of Acting Superintendent and CFO and Chief Financial Officer. The organizational structure also includes a General Counsel, a Chief Academic Officer, a Chief of School Support Services, a Chief of Human Resource Officer, a

Chief of Charter, Partnership and New Schools, a Chief of Information Technology and a Chief of School Operations, all of who directly report to the CEO.

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

Moreover, the School District also serves as the agent for the Intermediate Unit No. 26 (the "IU"); a separate entity established by the Commonwealth to provide special education, special education transportation and non-public school 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 reports all financial resources not accounted for and reported in another fund.
 - (b) **Special Revenue Funds** – these funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. Special Revenue funds include:
 - (i) Intermediate Unit Fund - used to account for State appropriations for special education and non-public school services, 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, 2012, 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 report only assets and liabilities and therefore do not have a measurement focus. They do, however, use 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 (gross instruction, special education and transportation, retirement and social security reimbursement etc.), local taxes (real estate, school income, use and occupancy, liquor sales etc.), federal grants, state grants and non-tax revenues (City contributions, Parking Authority contributions etc.).

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 is collected on a calendar year basis. For the first six months of Fiscal Year 2012 the tax rate 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. For the last six months of Fiscal Year 2012 the tax rate was 53.09 mills. Of this total, 36.34 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 \$1.1 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 \$1.8 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.

GASB Statement 51 requires the capitalization of intangible assets. The most common circumstances in which GASB 51 applies to the School District is in cases involving computer software. The School District will capitalize internally generated software applications and modifications to existing internally generated software applications as well as purchased software and modifications.

Land and Construction in Progress are not depreciated.

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
Intangibles	10

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

For many years, medical benefits for nearly all of its represented and unrepresented employees were procured through a fully-insured medical contract. In fiscal year 2010, the fully-insured premium payments increased by over 10% and the prevailing sentiment predicted continued excessively high increases. The unions agreed to a conversion to a self-funded, self-insured plan to be implemented in fiscal year 2011. 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. The School District's experience during Fiscal Year 2012 supports the actuarial conclusion that we are managing these costs better.

The School District is also self-insured for most of its risks including casualty losses, public liability, unemployment, and weekly indemnity. Workers' Compensation is covered by excess insurance over a \$5.0 million self-insured retention. The School District does purchase certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from fire, flood or boiler and machinery with a deductible of \$500,000 and a limit of \$250.0 million per occurrence. Certain insurance coverages, including employee performance bonds, student accident and employee dishonesty bonds, are also procured regularly. 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). 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 a resolution 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 resolution. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- (d) Assigned Fund Balance: The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. Currently, only the SRC itself can assign fund balance. If the SRC delegates the authority it can only be done through a resolution and may be delegated to (a) a budget committee, (b) finance committee, or (c) a specific School District official.
- (e) Unassigned Fund Balance: The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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 2011 is provided as a key element of the MD&A sections of this report to better enhance the analysis and comprehension of financial data of the current fiscal period.

E. Basis of Presentation

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 Fiscal Year 2012, the School District's combined Operating Funds experienced a loss of \$54.8 million and ended the fiscal year with a negative \$20.5 million fund balance.

In an attempt to reach the goal of structural balance by 2015, a Five-Year Financial Plan (the "Financial Plan") was developed under the direction of the Chief Recovery Officer, who was appointed on January 19, 2012. On September 10, 2012, the Financial Plan was approved by the School Reform Commission.

The Financial Plan makes certain assumptions as to revenues and expenditures in order for the School District to achieve structural balance by 2015. Consistent with the assumptions in the Financial Plan, in November, 2012, the State Public School Building Authority issued deficit bonds for the benefit of the School District which produced \$300 million in proceeds which are reflected as revenues in the revised Fiscal Year 2013 budget contained in the Financial Plan. The School District is using this bond issuance to bridge the \$225.5 million estimated operating budget shortfall for Fiscal Year 2013 and, as a result, is now projecting a positive fund balance at June 30, 2013. Further consistent with the assumptions in the Financial Plan, in July 2012, the School District renegotiated the collective bargaining agreement with the Service Employees International Union Local 32BJ District 1201, the changes to which are estimated to achieve a cost savings of approximately \$100 million over the life of the Five Year Financial Plan. The School Reform Commission is committed to pursuing other actions consistent with the assumptions in the Financial Plan, including collective bargaining agreement changes with the other unions representing School District employees, the closing of approximately 35 to 40 school buildings by June 30, 2013, and the sale of closed School District buildings. Based upon actions taken to date and its commitment to implement the Financial Plan, the School District believes that it will have sufficient cash necessary to fund operations through Fiscal Year 2013 and will continue to be able to operate thereafter.

2. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

School District of Philadelphia

Cost of Capital Assets	\$ 3,436,967,847
Accumulated Depreciation	<u>(1,480,712,854)</u>
Net Cost of Capital Assets	<u><u>\$ 1,956,254,993</u></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	\$ 152,982,110
Grants & Subsidies	9,467,224
SEPTA Administrative Fee	3,500,000
Sale of School District of Philadelphia building	<u>330,000</u>
Total Adjustment of Other Assets	<u><u>\$ 166,279,334</u></u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current fiscal period and therefore are not reported as liabilities in the governmental funds.” The details of the (\$3,698,577,455) difference are as follows:

Bonds Payable	\$ (3,144,227,400)
Deduct: Discount on Bonds Payable	10,286,980
Add: Premium on Bonds Payable	(100,914,962)
Deduct: Deferred Charge on Refunding	167,280,548
Deduct: Deferred Charge for Issuance Cost	29,067,793
Bond Interest Payable	(33,050,130)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(123,805,999)
Unemployment Compensation Payable	(6,060,918)
Compensated Absences	(251,173,185)
Severance Payable	(166,276,026)
Claims and Judgments	(6,585,778)
Arbitrage Rebate Payable	(286,173)
DHS Payable	(4,000,000)
OPEB Payable	(130,344)
Incurred But Not Reported IBNR Payable	(12,020,000)
Voluntary Early Retirement Incentive Program	<u>(11,403,295)</u>

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

	<u><u>\$ (3,698,577,455)</u></u>
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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 (\$37,815,145) difference are as follows:

School District of Philadelphia

Capital outlay	\$ 78,402,220
Depreciation expense	<u>(116,217,365)</u>

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

\$ (37,815,145)

Another element of that reconciliation states that “The net effect of 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 (\$1,717,013) difference are as follows:

Loss on Disposal of Capital Assets	\$ (1,807,013)
Gain on Sale of Capital Assets	301,481
Proceeds from Sale of Capital Assets	<u>(211,481)</u>

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

\$ (1,717,013)

Another element of that reconciliation states that “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.” The details of this (\$22,666,378) difference are as follows:

Deferred Revenue	\$ (30,533,307)
Derivative Investment Income	4,170,217
Adjustment Operating Grants and Contributions	3,500,000
Miscellaneous Revenue	<u>196,712</u>

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

\$ (22,666,378)

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 (\$165,933,400) difference are as follows:

Principal Repayment on Bonds	\$ 31,576,738
Principal Repayment on Authority Obligations	5,000
Bond Issuance and Defeasance	<u>(197,515,138)</u>

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

\$ (165,933,400)

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 \$69,655,662 difference are as follows:

Change in Compensated Absences Payable	\$ 53,157,239
Change in Severance Payable	21,297,205
Change in Workers' Compensation Payable	(13,169,877)
Change in Unemployment Compensation Payable	(4,392,876)
Change in Claims and Judgments Payable	(1,145,863)
Change in Early/Voluntary Retirement Incentive Payable	17,156,741
Change in Arbitrage Rebate Payable	3,359,686
Change in Net Accrued Bond Interest	(5,782,388)
Change in Bond Issuance Costs	1,836,139
Change in DHS Payable	(4,000,000)
Change in OPEB Payable	(130,344)
Change in IBNR Payable	<u>1,470,000</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><u>\$ 69,655,662</u></u>

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

A. **Budgetary Information**

(1) **General Budget Policies**

As required by various legislative mandates, the School District is required to adopt both an operating budget and a capital budget for each fiscal year. The operating budget consists of the General Fund, the Intermediate Unit Fund and the Debt Service Fund. In the fall of each fiscal year, the CEO provides a status report to the Governing Body on the budget for the current Fiscal Year. Multi-year projections are also developed during the normal budget preparation process so that consideration of any changes in the current educational program can be discussed.

In 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. All such requests are defined by items of expenditures referred to as “object classes.” Completed budget requests are submitted to the Office of Management and Budget for review 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.

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 negative fund balance of \$0.7 million. This amount is comprised of a General Fund negative fund balance of \$111.6 million, which is offset by \$109.5 million in the Debt Service Fund and \$1.4 million in the Intermediate Unit Fund.

Categorical Funds experienced a negative fund balance of \$9.5 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 \$4.3 million. The Internal Service Fund had negative net assets of \$0.3 million.

4. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$28.6 million held in agency funds, at June 30, 2012 are summarized as follows:

Cash and Cash Equivalents	\$ 180,420,864
Cash and Investments with Fiscal Agent	109,543,950
Equity in Pooled Cash and Investments	64,042,161
Cash and Investments Held by Trustee	2,693,267
Investments	<u>200,012</u>
Total Cash and Investments	<u>\$ 356,900,254</u>

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

The School District's investment policy is contained in a formal resolution of the SRC, namely SRC-3, dated April 21, 2004. It allows the District to invest School District funds consistent with Pennsylvania Public School Code Section 440.1. The resolution delineates the standards and specifications for banks and other institutions permitted to be used for investments /deposits of School District funds.

(2) Cash Management Practices

The average yield on all maturing investments during Fiscal Year 2012 was approximately 0.38% and total interest income was \$2.8 million. This was a \$ 0.1 million increase in total income over Fiscal Year 2011 primarily due to continuation of lower average interest rates.

(3) Investments

As of June 30, 2012, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 103,660,338	.008
Discounted Notes	19,073,567	.413

(a) *Interest Rate Risk* -- The School District minimizes the affect that 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, 2012 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	AA+	AAA
Discounted Notes under Forward Purchase Agreement	Federal National Mortgage Association (FNMA)	Aaa	AA+	AAA
	Federal Home Loan Bank (FHLB)	Aaa	AA+	N/R *

*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.

(4) 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, 2012, the School District's basis swaps are considered to be investment derivative instruments with the following maturities (amounts in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Investment Derivative Instruments	\$ (22,087)				\$ (22,087)

(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, 2012, the fair value of the swaps is \$(22,086,780). 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, 2012, the School District was not exposed to credit risk on any of its outstanding basis swaps because the swaps had negative fair values of \$22,086,780. 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, 2012 are as follows:

Initial Notional	Bank Counterparty	Credit Rating		
		Moody's	S&P	Fitch
\$150,000,000	Wells Fargo	Aa3	AA-	AA-
\$350,000,000	JP Morgan Chase Bank	Aa3	A+	A+

- (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)					Total
	General	Debt Service	Capital Projects	Enterprise	Fiduciary	
Receivables						
Interest	\$ 0.5	\$ 148.4	\$ 1.1	\$ -	\$ -	\$ 150.0
Taxes	264,609.2	-	-	-	-	264,609.2
Accounts (net)	8,747.2	-	-	3,000.0	955.6	12,702.8
Gross Receivables	273,356.9	148.4	1.1	3,000.0	955.6	277,462.0
Less: Allowances for Uncollectible						
Taxes	83,944.1	-	-	-	-	83,944.1
Total Allowance	83,944.1	-	-	-	-	83,944.1
Net Total Receivables	\$ 189,412.8	\$ 148.4	\$ 1.1	\$ 3,000.0	\$ 955.6	\$ 193,517.9

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(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, 2012 equaled \$180.6 million as follows:

	(Dollars in Millions)		
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 71.0	\$ 6.0	\$ 65.0
Prior	<u>148.3</u>	<u>53.7</u>	<u>94.6</u>
Total Real Estate Taxes	<u>219.3</u>	<u>59.7</u>	<u>159.6</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	15.5	8.6	6.9
School Income Tax	5.9	1.8	4.1
Liquor Sales Tax	<u>23.9</u>	<u>13.9</u>	<u>10.0</u>
Total Self Assessed Taxes	<u>45.3</u>	<u>24.3</u>	<u>21.0</u>
Total Taxes Receivable	<u>\$ 264.6</u>	<u>\$ 84.0</u>	<u>\$ 180.6</u>

During July and August 2012, \$19.3 million in real estate taxes receivable and \$8.4 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2012 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)	\$ 152,982,110	-
Accounts receivables earned but not available (General Fund)	5,237,035	-
Grant funds earned but not available (Categorical Funds)	9,467,224	-
Grant funds received prior to meeting all eligibility requirements (Categorical Funds)	-	\$ 18,533,513
Interest on investments received prior to being earned (Debt Service Fund)	-	294,384
Grant funds received prior to meeting all eligibility requirements (Capital Projects Fund)	-	16,516
Total Deferred Revenue for Governmental Funds	<u>\$ 167,686,369</u>	<u>\$ 18,844,413</u>

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C. **Capital Assets**

Capital Assets activity for the fiscal year ended June 30, 2012 are summarized as follows:

(Dollars in Millions)

	Balance July 1,2011	Additions	Deletions	Transfers	Balance June 30,2012
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 131.8	\$ -	\$ -	\$ -	\$ 131.8
Construction in Progress	100.9	34.0	-	(76.7)	58.2
Artwork	8.1	-	-	-	8.1
Total Capital Assets - Not Depreciated	<u>\$ 240.8</u>	<u>\$ 34.0</u>	<u>\$ -</u>	<u>\$ (76.7)</u>	<u>\$ 198.1</u>
Capital Assets - Depreciated					
Buildings	\$ 1,689.7	\$ 10.3	\$ -	\$ 52.9	\$ 1,752.9
Improvements	1,146.1	16.1	-	22.9	1,185.1
Intangible Assets	44.1	0.5	-	1.0	45.6
Personal Property	277.3	24.2	(46.2)	-	255.3
Print Shop	0.8	-	(0.1)	-	0.7
Total Capital Assets - Depreciated	<u>\$ 3,158.0</u>	<u>\$ 51.1</u>	<u>\$ (46.3)</u>	<u>\$ 76.8</u>	<u>\$ 3,239.6</u>
Less Accumulated Depreciation					
Buildings	\$ (578.2)	\$ (31.3)	\$ -	\$ -	\$ (609.5)
Improvements	(614.5)	(55.8)	-	-	(670.3)
Intangible Assets	(32.4)	(2.1)	-	-	(34.5)
Personal Property	(183.9)	(27.0)	44.4	-	(166.5)
Print Shop	(0.7)	-	0.1	-	(0.6)
Total Accumulated Depreciation	<u>\$ (1,409.7)</u>	<u>\$ (116.2)</u>	<u>\$ 44.5</u>	<u>\$ -</u>	<u>\$ (1,481.4)</u>
Net Capital Assets Depreciated	<u>\$ 1,748.3</u>	<u>\$ (65.1)</u>	<u>\$ (1.8)</u>	<u>\$ 76.8</u>	<u>\$ 1,758.2</u>
Governmental Activities - Net Capital Assets	<u><u>\$ 1,989.1</u></u>	<u><u>\$ (31.1)</u></u>	<u><u>\$ (1.8)</u></u>	<u><u>\$ 0.1</u></u>	<u><u>\$ 1,956.3</u></u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 16.3	\$ 0.3	\$ -	\$ -	\$ 16.6
Less Accumulated Depreciation	(13.4)	(0.7)	-	-	(14.1)
Business-Type Activities - Net Capital Assets	<u>\$ 2.9</u>	<u>\$ (0.4)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2.5</u>

The beginning balances of certain capital asset accounts were adjusted by a net total of \$7,270,311 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	\$ 106.0
Student Support Services	3.9
Administrative Support	5.3
Operation & Maintenance of Plant Services	0.7
All Other Support Services	0.3
Total Depreciation Expense	<u>\$ 116.2</u>

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

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D. Obligations

(1) Short-Term Obligations

The School District issued \$450.0 million of Tax and Revenue Anticipation Notes (TRANS) on July 1, 2011 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 29, 2012. Changes in short-term obligations payable during Fiscal Year 2012 were as follows:

	(Dollars in Millions)			
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>Governmental Activities:</u>				
Tax and Revenue Anticipation Note (Series of 2011-2012)	\$ -	\$ 450.0	\$ (450.0)	\$ -
Total	\$ -	\$ 450.0	\$ (450.0)	\$ -

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2012 were as follows:

	(Dollars in Millions)				
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,980.9	\$ 254.4	\$ (91.1)	\$ 3,144.2	\$ 114.2
Bond Premium	108.0	4.7	(11.8)	100.9	7.8
Bond Refunding Losses	(182.3)	(7.0)	22.0	(167.3)	(13.2)
Bond Discount	(10.6)	(0.3)	0.6	(10.3)	(0.5)
Total Bonded Debt	\$ 2,896.0	\$ 251.8	\$ (80.3)	\$ 3,067.5	\$ 108.3
Termination Compensation Payable	\$ 304.6	\$ 5.7	\$ (58.9)	\$ 251.4	\$ 31.2
Severance Payable	187.5	1.0	(22.3)	166.2	13.6
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	117.7	67.1	(48.3)	136.5	37.8
Incurred But Not Reported (IBNR) Payable	13.5	-	(1.5)	12.0	12.0
Early/Voluntary Retirement Incentive	28.6	-	(17.2)	11.4	10.9
Arbitrage Liability	3.7	-	(3.4)	0.3	0.3
DIS Liability	-	4.0	-	4.0	0.5
OPEB Liability	-	0.1	-	0.1	0.1
Governmental Activity - Long-Term Liabilities	\$ 3,596.9	\$ 329.7	\$ (231.9)	\$ 3,694.7	\$ 260.0
Business-Type Activities:					
Termination Compensation Payable	\$ 2.0	\$ 0.5	\$ (0.4)	\$ 2.1	\$ 0.3
Severance Payable	1.0	0.1	(0.4)	0.7	0.1
Interfund Loan	9.1	-	(2.0)	7.1	-
Other Liabilities	-	-	-	-	-
Business-Type Activities - Long-Term Liabilities	\$ 12.1	\$ 0.6	\$ (2.8)	\$ 9.9	\$ 0.4

The beginning balance for Total Bonded Debt has been adjusted to exclude Bond Issuance Expense previously reported in prior fiscal years in the amount of (\$29.7) million.

Long-Term liabilities are accrued to the governmental funds to which the individual is charged. The Interfund Loan of \$7.1 million under the Business-Type Activity is presented on the Government-Wide Statement of Net Assets Business-Type Activity column as part of the \$8.5 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, and to provide level debt service payments for the District.
- The School District is authorized, under amendments to the Debt Act enacted in September 2003, to enter into “qualified interest rate management agreements.” These qualified interest rate management agreements are, defined in the Debt Act, as agreements determined in the judgment of the School District designed to manage interest rate risk or interest cost of the School District on any debt which the School District is authorized to incur under the Debt Act. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements. The School District’s Debt Policy places limits on the amount of qualified interest rate management agreements the School District may enter.

General obligation bonds and lease obligations at June 30, 2012 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue ⁽¹⁾	Interest Rates	Maturity	Original	Principal	Interest	Total
		Year Ending	Principal	Outstanding		
		30-Jun	Issued			
1999 - B	5.250	2013	98,405	7,330	192	7,522
2000 - B	QZABS ⁽²⁾	2014	22,985	22,935	-	22,935
2002 - B	5.500	2013	300,000	13,990	385	14,375
2003 - B	5.500 ⁽³⁾	2028	588,140	43,505	38,284	81,789
2004 - D	4.000 - 5.000	2015	100,000	8,710	1,306	10,016
2004 - E	QZABS ⁽²⁾	2019	19,335	9,667	-	9,667
2005 - A	4.000 - 5.000	2023	198,140	195,140	61,446	256,586
2005 - B	5.000	2017	43,415	32,470	5,033	37,503
2005 - C	4.470 - 5.310	2026	71,740	56,700	23,024	79,724
2005 - D	5.000 - 5.500	2021	29,920	20,190	5,878	26,068
2006 - A	4.450 - 5.000 ⁽³⁾	2036	317,125	288,730	202,696	491,426
2006 - B	3.500 - 5.000 ⁽³⁾	2033	545,570	545,545	468,186	1,013,731
2007 - A	4.000 - 5.000	2034	146,530	146,485	128,901	275,386
2007 - C	QZABS ⁽²⁾	2023	13,510	9,907	-	9,907
2007 - D	QZABS ⁽²⁾	2023	28,160	28,140	3,696	31,836
2008 - E	4.125 - 6.000	2039	282,365	273,470	265,469	538,939
2008 - F	3.875 - 5.250	2028	114,215	114,200	51,584	165,784
2009 - A	4.527 - 4.827	2014	20,075	8,080	523	8,603
2009 - B	3.000 - 5.000	2019	30,710	30,710	7,193	37,903
2009 - C	Variable Rate ⁽⁴⁾	2026	49,200	49,200	6,858 ⁽⁵⁾	56,058
2010 - A	5.000	2016	27,820	20,375	2,609	22,984
2010 - B	4.735 - 6.765	2040	221,485	221,485	269,315 ⁽⁶⁾	490,800
2010 - C	2.500 - 5.000	2022	300,045	267,600	66,027	333,627
2010 - D	3.125 - 5.000	2023	49,365	49,365	18,751	68,116
2010 - E	3.000 - 5.250	2025	125,880	125,875	58,841	184,716
2010 - F	Variable Rate ⁽⁴⁾	2031	150,000	150,000	28,856 ⁽⁵⁾	178,856
2010 - G	Variable Rate ⁽⁴⁾	2031	150,000	150,000	28,856 ⁽⁵⁾	178,856
2011 - A	5.995	2031	144,625	144,625	162,110 ⁽⁷⁾	306,735
2011 - B	2.000 - 5.000	2022	16,970	16,970	2,791	19,761
2011 - C	2.000 - 5.000	2022	41,185	41,185	10,257	51,442
2011 - D	3.000 - 5.000	2022	16,330	16,330	3,710	20,040
2012 - A	2.000	2017	35,313	35,313	1,755 ⁽⁸⁾	37,068
			<u>4,298,558</u>	<u>3,144,227</u>	<u>1,924,532</u>	<u>5,068,759</u>

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- (1) All debt has been issued for Capital purposes, except for issues for 2002-B, 2005-A, 2005-C, 2009-A and 2012-A.
- (2) Prior to 2006, Qualified Zone Academy Bonds were interest free to the issuer. The 2007D QZABS bear interest at 1.25%.
- (3) Lease rental debt issued through the State Public School Building Authority.
- (4) Maximum interest rate on the Series C of 2009 and Series 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 Series C, F & G bonds are secured by letters of credit which expire in 2014. All variable rate bonds are trading at or below SIFMA.
- (5) The School District budgets its variable rate debt at 1.25%.
- (6) Bonds issued as ARRA Federal Taxable Build American Bonds receive a cash subsidy from United States Treasury equal to 35% of interest payable.
- (7) Bonds issued as ARRA Qualified School Construction Bonds receive a cash subsidy from United States Treasury that is set at the time of the sale. The School District will receive a 4.87% subsidy on bonds that were issued at a 5.995% interest rate.
- (8) SEPTA issued a loan to the School District in the aggregate principal amount of \$35.3 million to be paid in five equal payments with interest for Transpasses in fiscal year 2012. Total debt service will be reduced by \$3.5 million administrative fee adjustment.

Debt service to maturity on general obligation bonds at June 30, 2012 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

<u>Governmental Activities</u> (Dollars in Thousands)			
Year Ending June 30	Principal	Interest ⁽¹⁾	Total
2013	\$ 107,664	\$ 101,219	\$ 208,883
2014	106,059	95,190	201,249
2015	102,499	91,527	194,026
2016	108,664	86,861	195,525
2017	111,944	82,130	194,074
2018-2022	594,281	334,995	929,276
2023-2027	496,841	219,826	716,667
2028-2032	350,495	139,195	489,690
2033-2037	209,075	56,470	265,545
2038-2039	78,925	7,952	86,877
Total	<u>\$ 2,266,447</u>	<u>\$ 1,215,365</u>	<u>\$ 3,481,812</u>

- (1) The schedule above includes estimated interest cost for three variable rate bond issues budgeted at 1.25%. Maximum interest rate on the Series C of 2009 and Series 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 Series C, F & G bonds are secured by letters of credit which expire in 2014. All variable rate bonds are trading at or below SIFMA.

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2012 is summarized as follows:

<u>Governmental Activities</u> (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
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	3.750-5.000	7,915	41,145	49,060
2018 – 2022	3.750-5.000	48,065	199,378	247,443
2023 – 2027	5.000	197,660	175,548	373,208
2028 – 2032	4.500-5.000	403,745	110,664	514,409
2033 – 2036	4.450-4.500	192,235	14,360	206,595
Total		<u>\$ 877,780</u>	<u>\$ 709,167</u>	<u>\$ 1,586,947</u>

(ii) Sinking Fund Covenants

- Fixed Rate General Obligation Bonds: The School District has covenanted that the City will, on each business day, irrevocably deposit with the paying agent for the bonds, from local tax revenues collected that day, 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 this method by the 15th day prior to each specified payment date. These covenants were established to enhance the credit 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, fifteen days prior to the next payment date, from any revenues available that day into the sinking fund, 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 underlying the School District's variable rate bonds and to assure timely payment of debt service. The Debt Policy places limits on the portion of the School District's debt portfolio that can be in the variable rate mode.
- Lease Rental Debt: The School District has entered into an intercept agreement with the Treasurer of the Commonwealth of Pennsylvania who will irrevocably deposit semi-annually, with the paying agent for these bonds, from any Commonwealth revenues due the School District into a sinking fund, an amount equal to the Base Rental payments due under the sublease on or prior to each Base Rental payment. These payments are due on or prior to the fifteenth (15th) day of the calendar month immediately preceding each debt service date for the State Public School Building Authority bonds. These covenants were established to enhance the credit underlying the School District's Lease Rental Debt and to assure timely payment of debt service.
- Interest Rate Management Agreements: Pursuant to the Debt Act, periodic scheduled payments due from the School District under a qualified interest rate management agreement are payable on a parity with debt service on the bonds related to the applicable qualified interest rate management agreement. The School District has covenanted to budget, appropriate and pay such periodic scheduled payments from its general revenues, and has pledged its full faith and credit and taxing power (within the limits prescribed by law) to secure such payments. Termination payments are subject and subordinate to periodic scheduled payments and are not secured by the foregoing pledge.

(b) 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, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows (amounts in thousands; debit (credit)):

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	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2012</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment derivatives:					
Pays-variable interest rate swaps	Investment revenue	\$ 4,170	Investment	\$ (22,087)	\$ 500,000
				<u>\$ (22,087)</u>	

As of June 30, 2012, 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. The basis swaps produced net positive receipts of \$1,492,086.

(i) Hedging Derivatives

The School District did not have any hedging derivative instruments outstanding at June 30, 2012 due to the maturity and retirement of the bonds during Fiscal Year 2012 for the pay-fixed interest rate swaps. The pay-fixed interest rate swap that matured on September 1, 2011 is listed below:

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating Moody's/S&P/Fitch</u>
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	\$ 2,150,000	6/29/2004	9/1/2011	Pay 3.24%, receive 58.5% of LIBOR + .27%	A2/A/A+

When this swap-related variable rate debt matured on September 1, 2011, the net swap payments for the year ended June 30, 2012 were as follows:

<u>Year Ending June 30</u>	<u>Variable Rate Bonds</u>		<u>Change In</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest (1)</u>	<u>Fair Value</u>	
2012	2,150,000	(844)	33,231	2,182,387

(1) Actual interest earned exceeded interest payments.

(a) 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 previously 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, 2012, the School District was no longer exposed to credit risk because all of its pay-fixed interest rate swaps either matured or were terminated. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. Fair values are 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 no longer exposed to interest rate risk on its interest rate swaps since they matured.

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 no longer bears basis risk on its fixed-to-floating swaps since they matured.

Termination risk - The School District no longer bears termination risk on its fixed-to-floating swaps since they matured. 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 no longer exposed to any rollover risk, market-access risk, or foreign currency risk.

(c) General Obligation Notes, Bonds, Refundings, and Defeasements

(i) *General Obligation Refunding Notes:*

On August 30, 2011, the School District issued General Obligation Refunding Notes, Series A of 2011 and Series B of 2011 in the principal amount of \$61.3 million. These notes refunded certain principal and interest payments due during Fiscal Year 2012 for the Series 1999B, 2002A, 2005D, 2006A, 2008E, 2010A, and 2010C in the amount of \$61.1 million. In addition, Bond proceeds of \$0.2 million were utilized for underwriting fees, and other issuance costs.

(ii) *General Obligation Bonds:*

- (a) On December 20, 2011, the School District issued Series A of 2011 general obligation bonds in the aggregate amount of \$144,625,000 for the Capital Improvement Program. Bond proceeds of \$1.2 million were utilized for underwriting fees, and other bond issuance costs. The Series A bonds were designated as federally taxable Qualified School Construction Bonds (QSCB), in accord with The American Recovery and Reinvestment Act of 2009. The School District expects to receive a cash subsidy from the United States Treasury that was set at the time of sale. Unless the Federal government takes some action to reduce the QSCB subsidy, the School District will receive a 4.87 percent subsidy on these bonds that were issued at a 5.995 percent interest rate for a net interest rate of 1.125 percent. The eligibility of this federal subsidy will begin in Fiscal Year 2013.

- (b) On December 20, 2011, the School District issued Series B of 2011 fixed rate general obligation bonds in the aggregate amount of \$16,970,000 with a net premium of \$47,290 for the Capital Improvement Program. Bond proceeds of \$115,700 were utilized for underwriting fees, and other bond issuance costs.

(iii) *Refunding Bonds:*

- (a) On December 20, 2011, the School District issued General Obligation Refunding Bonds Series C of 2011 in the aggregate amount of \$41,185,000 to refund General Obligation Refunding Notes, Series A of 2011 with a net premium of \$3.6 million. Bond proceeds of \$266,700 were utilized for underwriting fees, and other issuance costs.
- (b) 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 notes. The net proceeds were used by the escrow agent to purchase State Local Government Securities of \$44.5 million which were used to retire the General Obligation Refunding Notes, Series A of 2011.
- (c) On December 20, 2011, the School District issued General Obligation Refunding Bonds Series D of 2011 in the aggregate amount of \$16,330,000 with net premiums of \$0.7 million to refund certain maturities of the outstanding General Obligation Refunding Notes, Series B of 2011. Bond proceeds of \$116,900 were utilized for underwriting fees, and other issuance costs.
- (d) Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities of \$16.9 million which were used to retire the General Obligation Refunding Notes, Series B of 2011.
- (e) The cash flow required to service the new debt for the restructuring is \$10.0 million more than the cash flow required to service the old debt. This restructuring was done to provide debt service savings of \$61.1 million in Fiscal Year 2012. The final maturity was identical to the original maturity schedule. In addition, there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$0.4 million to the School District.
- (f) For accounting purposes, the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 3.7 million. This difference is being amortized through the operations in the District-wide statements until the year 2022.

(iv) *General Obligation Note:*

On March 26, 2012, the School District issued General Obligation Notes Series A of 2012 and in the aggregate principal amount of \$35.3 million to Southeastern Pennsylvania Transportation Authority for transpases during Fiscal Year 2012. The note will be paid in five equal payments. Interest on the note will be reduced by a \$3.5 million administrative fee adjustment spread equally over the repayment period.

- (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, 2012, \$635.6 million of bonds outstanding are considered to be totally 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, 2012, \$9.7 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 for Series 2007C. 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, 2012, \$3.6 million is considered partially defeased in substance for accounting and financial reporting purposes.

(d) Debt Limits

The Pennsylvania Local Government Unit Debt Act of 1996 (Act No. 177) establishes borrowing base and debt limits for municipalities and school districts within the Commonwealth. The Act provides no limitation on debt approved by the voters (electoral) and excludes Tax and Revenue Anticipation Notes from the computation of the non-electoral debt limit along with certain other exclusions e.g., self-liquidating debt, subsidized debt and debt issued to fund an unfunded actuarial accrued liability. As of June 30, 2012, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$1,696.7 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, 2012, the arbitrage rebate calculation indicates a liability totaling \$286,173 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 when the remaining project funds are expended. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2012. Per IRS regulations, a payment of \$3,144,929.38 was made on January 23, 2012 which is within 60 days of the fifth anniversary of issuance.

(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, 2012 amounted to \$10,207,122. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2013	\$ 8.2
2014	5.0
2015	2.4
2016	2.5
Total	<u>\$ 18.1</u>

(4) General Obligation Bonds/Lease Rental Payable

The ending balance for bonded debt was \$3,144.2 million with net adjustment for bond premiums and discounts of \$90.6 million and deductions of \$167.3 million for bond refunding losses. As of June 30, 2012, the total

bonded debt was \$3,067.5 million. 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 had been established to reflect the costs of these benefits at June 30, 2011. As of June 30, 2012 the outstanding balance was \$11.4 million.

(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, 2012, was \$166.2 million under the governmental activities. July and August 2012 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2013 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, 2012. 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, 2012, the Incurred But Not Reported Payable amounted to \$12.0 million.

(9) Department of Human Services (DHS) Liability

The City of Philadelphia, Department of Human Services (DHS) paid the costs for Philadelphia children receiving educational services at various residential treatment programs during fiscal years 2009 and 2010. The School District and DHS agreed these costs were the responsibility of the School District. DHS requested reimbursement from the School District for these costs. On December 21, 2011, the School District and DHS entered into a structured settlement whereby the School District agreed to a payment plan to pay \$4.0 million to DHS over a four year period. As of June 30, 2012, the DHS liability was \$4.0 million.

(10) Other Post Employment Benefits (OPEB)

The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. The cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. As of June 30, 2012,

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the District had an OPEB obligation of \$130,344. See Note 4J Other Post Employment Life Insurance Benefits for details.

(11) 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.

(12) Other Liabilities

Other liabilities consist of \$123.8 million for Workers' Compensation, \$6.0 million for Unemployment Compensation Claims and \$6.6 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, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	\$ 8,460,515
General Fund	Internal Service Fund	123,507
Payroll Liabilities Fund	General Fund	49,289,751

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 \$8,460,515 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 \$12,060,515 accumulated liability due to the General Fund as of June 30, 2010 will be repaid in increments from fiscal years 2011 through 2015. Repayment will be made by a reduction in the General Fund indirect cost charge to the Enterprise Fund to the extent necessary to enable the Enterprise Fund to pay the scheduled increments. \$1,500,000 was repaid in FY11. \$2,100,000 was repaid in FY12 which was comprised of the scheduled \$1,500,000 payment and an extra \$600,000 towards the payment due June 2013.

The balance of \$123,507 under the Internal Service Fund is consolidated with governmental activities on the District-wide financial statements.

The balance of \$49,289,751 payable under the General Fund primarily represents accrued fringe benefits payable in the final payroll for FY 12. This payable was satisfied on July 6, 2012.

(2) Interfund transfers at June 30, 2012 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	\$ -	\$ 1,831,164	\$ -	\$ -	\$ 1,831,164
Intermediate Unit	202,408,671	-	-	-	202,408,671
Categorical	2,193,441	-	-	-	2,193,441
Debt Service	176,530,752	-	1,308,397	217,015	178,056,164
Total	\$ 381,132,864	\$ 1,831,164	\$ 1,308,397	\$ 217,015	\$ 384,489,440

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; and, (b) move receipts to the Debt Service Fund from the Enterprise Fund as a transfer to cover Fiscal Year 2012 allocations of cafeteria renovations.

F. Commitments

(1) Capital Projects Fund Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2012 are summarized as follows:

New Construction and Land	\$ 8,269,467
Environmental Management	247,563
Alterations and Improvements	36,042,136
Equipment Acquisition	<u>809,166</u>
Total	<u>\$ 45,368,332</u>

(2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2012 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$10,485,132	\$1,359,256

(3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$22.2 million at June 30, 2012.

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 \$28.8 million in contract revenue from the School District during Fiscal Year 2012. 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 fifty-six (256) 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 forty-four (244) 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, one hundred and nine (109) unfavorable outcomes are deemed probable and one hundred and seven (107) are considered reasonably possible, in the aggregate of \$0.7 million and \$0.6 million respectively.

There are six (6) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes of five (5) are deemed probable and reasonably possible in the aggregate amounts of approximately \$0.14 million and \$0.52 million respectively.

There are six (6) 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 \$0.2 million and \$0.07 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 \$20.1 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 \$0.5 million and \$2.1 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 \$2.5 million and \$2.2 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. The final audit report was issued on February 14, 2012, including the School District's corrective action plan. 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. On November 30, 2012, NSF sent a letter demanding payment in the amount of \$2,512,246. The School District requested a review of the debt. By letter dated January 25, 2013, NSF denied the School District's request. The School District will review its legal options, including filing suit against NSF in federal court. In the opinion of outside counsel, the loss to the School District is probable.

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 March 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.

USDE’s counsel stipulated that \$2.8 million is barred by the statute of limitations, leaving a balance of \$7.2 million. To extinguish this remaining liability, in late April 2012, the School District submitted documentation for equitable offset for non federal expenditures by Philadelphia for the Education Assistance Program and Bullying Prevention program. On June 8, 2012, counsel advised USDE’s counsel that unless the School District heard back from them on the equitable offset documentation by July 1, 2012, the School District would ask the Administrative Law Judge (ALJ) to reinstate the briefing schedule. On August 1, 2012, the tribunal granted PDE’s motion to reinstate the briefing schedule. PDE filed its initial brief on September 28, 2012. USDE’s counsel filed its brief on October 27, 2012. PDE then filed the reply brief on November 21, 2012. The Administrative Law Judge (ALJ) may issue the decision entirely on the basis of the briefs, or may schedule an evidentiary hearing or oral argument. To date, no oral argument or evidentiary hearing has been requested or scheduled. Once the initial decision is rendered by the ALJ, either party may request a review of that initial decision by the Secretary. The Secretary may affirm, remand or set aside the ALJ decision. The Secretary’s final decision may be appealed to the U.S. Court of Appeals for the Third Circuit.

On September 29, 2011, USDE issued a second PDL (“September PDL”) seeking a recovery of approximately \$2.5 million based on finding 1. The September PDL was not timely appealed by PDE. However, the September PDL invited PDE to present evidence of the amount barred by the statute of limitations. With regard to the September PDL, PDE and the School District have assembled documentation demonstrating the application of the statute of limitations. USDE will then review the documentation and indicate what costs USDE agrees are barred by the statute of limitations.

In August 2012, a third PDL was issued (“August PDL”). The August PDL addressed portions of findings 4 and 5, but did not seek a recovery of funds.

On December 19, 2012, USDE, by Program Review letter, requested the School District provide additional documentation in support of questioned expenditures, totaling \$341,693, charged to the GEAR UP grant. The School District is gathering these materials to provide to USDE by January 30, 2013. To date, USDE has not issued a formal determination regarding these expenditures.

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 the opinion of the outside counsel, with regard to the March PDL and the September PDL, the likelihood of a recovery by the U.S. Government in the amount of \$9.6 million is remote.

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

Pursuant to resolutions of the School Reform Commission, the School District implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan (collectively, the “Plans”) in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees resigning or 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 resigning or retiring on and 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 resign or 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 Federal income tax, FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax when contributed to the 403(b) Plan. 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 Federal income tax, 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 contribution of termination pay to the 403(b) and 457(b) Plans, and has provided an opinion as to its proper tax treatment. By letter dated October 16, 2012, the IRS stated that “the School District is in fact following the policy [relating to the employer contribution of termination pay to the 403(b) Plan] as it was revised in 2005, [and] therefore no Federal employment tax liability exists.” The School District management believes that if it were finally determined that any liability for State or City taxes (including interest and penalties) relating to these plans existed at June 30, 2012, such liability would not be material to the School District’s financial position or results of operations for the fiscal year ended June 30, 2012.

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, 2012, 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	13,907	45.9
Non-represented	848	48.4
Retirees	9,758	76.3
Disabled	120	58.6
Total	24,633	55.9

Annual OPEB Cost and Net OPEB Obligation:

The School District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that

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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 biennial actuarial valuation date, amortized over a 30 year period for the valuation period ending June 30, 2012, 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:

Normal Cost	\$ 206,936
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	603,813
Annual Required Contribution (ARC)	<u>810,749</u>
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	<u><u>810,749</u></u>
Net OPEB Obligation as of June 30, 2011	\$ -
Annual OPEB Cost	810,749
Employer Contributions	<u>(680,405)</u>
Increase/(Decrease) in net OPEB Obligation	130,344
Net OPEB Obligation as of June 30, 2012	<u><u>130,344</u></u>

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2010	\$659,317	100%	\$0
2011	673,167	100%	0
2012	810,749	83.9%	130,344

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, 2012, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$18.1 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.1 million.

Active	\$4,088,289
Inactive	14,026,106
Total	\$18,114,395

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2012 OPEB actuarial valuations are those specific to the OPEB valuations. Actuarial valuations involve estimates of the values of reported amounts, assumptions about the probability of events far into the future, and are subject to continual revision. Actuarial calculations reflect a long-term perspective.

- Discount Rate: 3.25% per year, compounded annually.
- Payroll Growth: Payroll is assumed to increase at an average rate of 3.25% per year considering inflation.
- Mortality: Pre-termination and post-termination healthy annuitant rates are projected on a generational basis using Scale AA. As generational tables, they reflect mortality improvements both before and after the measurement date.

Pre-termination: RP-2000 Employee Mortality Table for Males and Females.

Post-termination Healthy Lives: RP-2000 Healthy Annuitant mortality table for males and females.

Post-termination Disabled Lives: RP-2000 Disabled Annuitant mortality table for males and females. No provision was made for future mortality improvements for disabled lives.

- Termination: Rates which vary by age and years of services were used. Sample rates are shown below:

<u>If less than 5 years of Service</u>		<u>If 5 or more Years of Service</u>	
<u>Years of Service</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
Less than one year	24.49%	25	24.75%
1 - 2	25.23%	30	18.01%
2 - 3	16.54%	35	10.98%
3 - 4	14.07%	40	7.91%
4 - 5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

- Retirement: Retirement rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	15%	15%
60	12	15

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	30%	30%
60	28	30
65	20	25
74	100	100

- Disability: Disability rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age and gender. In addition, no disabilities are assumed to occur at age 60 or later. Sample rates are as follows:

<u>Attained</u> <u>Age</u>	<u>Percentage Disability Incidence</u>	
	<u>Male</u>	<u>Female</u>
25	0.024%	0.030%
30	0.024%	0.040%
35	0.100%	0.060%
40	0.180%	0.100%
45	0.180%	0.150%
50	0.280%	0.200%
55	0.430%	0.380%

- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.
- Life Insurance Coverage while Disabled: The maximum amount of life insurance of \$45,000 for non-represented employees or \$25,000 for represented employees was assumed to be in effect for future disabled retirees prior to age 65. Actual amounts were used for current disabled retirees prior to age 65.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2012 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.
- Special Data Adjustments: Male was assumed for 555 retirees for whom gender was not provided. Active members hired after June 30, 2011 was assumed to be in Class T-E or T-F in PSERS; otherwise Class T-C or T-D was assumed.

K. Pension Plan

(1) Plan Description

The School District of Philadelphia contributes to the Public School Employees' Retirement System (the System), a governmental cost-sharing multiple-employer defined benefit plan administered by the Public School Employees' Retirement System. The System provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System.

The System issues a comprehensive annual financial report (CAFR) 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. The CAFR is also available on the Publications page of the PSERS website.

(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

Members Contributions - Active members who joined prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or 6.50 percent (Membership Class TD) of the member's qualifying compensation.

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Members who joined 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 the System after June 30, 2001 and before July 1, 2011 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.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer's Contributions -Contributions required of employers are based upon an actuarial valuation. For Fiscal Year ended June 30, 2012 the rate of employer contribution was 8.65 percent of qualifying compensation. The 8.65 percent rate consists of a pension contribution rate of 8.00 percent for pension benefits and .65 percent for health insurance premium assistance. The School District's contributions to PSERS for the years ending June 30, 2010, 2011, and 2012 were \$59,526,722, \$72,863,462, and \$93,833,216 respectively, and were equal to the required contributions for each year.

Commonwealth Contributions - 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/personal income aid ratio for Fiscal Year 2012 was 72.23 percent.

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 with a deductible of \$500,000 and a limit of \$250.0 million per occurrence. 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 \$32.0 million in the General Fund and the long-term portion of its risk management obligations totaling \$148.5 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, 2012, the amount of these liabilities totaled \$180.5 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

	<u>Beginning Liability</u>	<u>Claims & Adjustments</u>	<u>Claim Payments</u>	<u>Ending Liability</u>	<u>Due Within One Year</u>
Fiscal Year 2011	\$ 137.9	\$ 248.3	\$ 219.8	\$ 166.4	\$ 84.9
Fiscal Year 2012	\$ 166.4	\$ 275.4	\$ 261.2	\$ 180.5	\$ 81.9

Settled claims covered by commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) years. There has not been a significant reduction in insurance coverage from coverage in the prior fiscal year for any risk category. The School District has not entered into any annuity contracts as part of claims settlements.

M. Prior Period Adjustments

District-wide net assets beginning balances were decreased by \$6,391,188. This decrease was a result of adjustments for capital assets and deferred charges. Capital asset beginning balances were decreased by \$7,270,311. This adjustment involved a correction of Capital Asset balances for an understatement of \$1,579,332 in accumulated depreciation for buildings and \$5,690,979 in accumulated depreciation for improvements (See Note 4C). The net asset balance for deferred charges was increased by \$879,123. This adjustment consisted of an understatement of \$901,851 for the beginning refunding charge balance and an overstatement of \$22,728 for beginning bond issuance cost balance.

In addition, the District processed two reclassifications that netted to zero. The first was a reclassification of \$44,078,437 of improvement assets and \$32,371,675 of related accumulated depreciation to the intangible asset classification due to GASB 51 requirements. The second reclassification involved specific identification of \$48,663,069 of construction in progress assets to \$16,747,089 of building assets and \$31,915,980 of improvement assets (See Note 4C).

N. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that occurred subsequent to June 30, 2012 through and including February 11, 2013. The following events are described below:

- (1) Tax and Revenue Anticipation Notes
On July 3, 2012 the School District issued annual tax and revenue anticipation notes for cyclical cash flow purposes for Fiscal Year 2013 in the aggregate principal amount of \$500.0 million (the "FY 2013 Notes"). The FY2013 Notes mature on June 28, 2013.
- (2) Tax Bills for Fiscal Year 2013
On June 30, 2012, City Council enacted Ordinance (Bill No.) 120175-AA and on July 5, 2012, the Commonwealth enacted Act 131 both of which provide that assessed values for tax year 2011 are to be used for determining real estate and use and occupancy tax bills for tax year 2013, using a predetermined ratio of 32%.
- (3) Five-Year Financial Plan
On September 10, 2012, the SRC approved a five-year financial plan ("Financial Plan") designed to bring the School District's Operating Budget into structural balance over the five-year period. The Financial Plan assumes a borrowing of \$300 million in Fiscal Year 2013 to provide revenues to balance the Fiscal Year 2013 budget.
- (4) School Lease Revenue Bonds
On November 28, 2012, the State Public School Building Authority (SPSBA) issued \$264,995,000 aggregate principal amount of fixed rate school lease revenue bonds for the benefit of the School District. The bonds mature in serial installments over a 20-year period. The proceeds, including a premium of \$36,908,311, are to be used to fund District operations in FY2013 as well as pay the costs of issuance. It is expected that a portion of the proceeds will be available to fund certain operating expenses in FY2014.
- (5) Actual Value Initiative ("AVI")
The City has begun the work of reassessing approximately 577,000 parcels to more nearly approximate the market values of such properties for assessing taxes in Fiscal Year 2014, and thereafter.

On October 24, 2012, Act 160 was enacted by the Commonwealth at the City's request, to permit downward adjustments to the School District millage rates in the face of higher assessments which would have been otherwise prohibited by state law absent the amendment contained in Act 160. Act 160 provides, among other things, that for the year in which the City first certifies the total assessed value of all real property in the City at its full market value (the "reassessment year") and the two years thereafter, the rate of any real estate based tax authorized by City Council for the School District would be set to yield an amount equal to or greater than the highest yield of the taxes authorized by City Council during any of the three full preceding years prior to the reassessment year.

Act 160 also limits the amount of millage that the School District may levy directly through legislative authorization by the General Assembly (currently at 16.75 mills) once the full value assessments are in use. In the third and fourth years following the reassessment year, the rate of any real estate based tax authorized by City Council to be levied by the School District shall not be less than the rate authorized in the immediately preceding year.

(6) Appeals Related to the State Tax Equalization Board Assessment of Real Estate

In July 2011, the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia for the tax year 2012--significantly lower than the City's Established Predetermined Ratio (EPR) of 32.0% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15.0% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Board of Revision of Taxes (BRT) is directed by statute to calculate the assessed value using the CLR rather than the EPR. In April 2012, in response to informal objections filed by the City and The School District of Philadelphia (School District), STEB raised the CLR to 25.2%--a percentage that is not enough to avoid the use of CLR in calculating assessed value for real estate tax purposes. The appeal period from STEB's increase to the CLR passed without any appeal being filed.

For tax year 2012, about 2,000 taxpayers with property collectively valued at about \$2 billion filed assessment appeals with the BRT. The School District filed cross-appeals, seeking higher market values in all of those cases. Roughly 1,400 of those cases have now been resolved at a total estimated cost of \$3.4 million to the School District. The School District estimates that if the City were to lose the remaining 600 cases, the loss to the School District would be around \$4.5 million.

New state legislation (Act 131) mandates that 2013 real estate taxes will be based on 2011 assessed values (with adjustments for subsequent demolitions and improvements) and will not be subject to adjustment for the common level ratio. On October 26, 2012, a lawsuit was filed on behalf of the owners of approximately 1,240 parcels of real property in the County of Philadelphia and on behalf of all real property owners in the City against the Commonwealth of Pennsylvania, the City of Philadelphia, The School District of Philadelphia and the State Tax Equalization Board ("STEB"). The lawsuit seeks to invalidate Act 131 and the city tax ordinance implementing Act 131. The lawsuit challenges Act 131 which applies to real estate taxes for the City and the School District and use and occupancy taxes for the School District on federal and State Constitution grounds. The City represents the School District in all tax matters and has advised that it intends to vigorously defend the City and the School District. Act 131 provides for the adoption of actual values for 2014 real estate taxes. The CLR will not apply to assessment appeals made immediately after a full reassessment.

**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, 2012

General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes	\$ 777,078,000	\$ 828,289,000	\$ 840,903,575	\$ 12,614,575
Locally Generated Non Tax	63,839,000	80,932,000	86,108,444	5,176,444
State Grants and Subsidies	1,222,281,000	1,211,416,000	1,207,925,622	(3,490,378)
Federal Grants and Subsidies	5,168,000	5,191,000	5,213,047	22,047
Total Revenues	2,068,366,000	2,125,828,000	2,140,150,688	14,322,688
OBLIGATIONS				
Current Operating				
Instruction	999,082,495	936,683,775	967,641,652	(30,957,877)
Student Support Services	28,305,258	25,387,050	25,724,458	(337,408)
Administrative Support	55,527,912	72,321,297	71,470,046	851,251
Operation & Maintenance of Plant Services	226,609,725	221,347,530	199,508,552	21,838,978
Pupil Transportation	19,793,095	87,797,999	84,183,416	3,614,583
All Other Support Services	(190,629,029)	(3,967,748)	(18,744,264)	14,776,516
Payments to Charter Schools	513,831,282	533,333,081	532,818,533	514,548
Allocated Costs	(16,914,317)	(16,905,319)	-	(16,905,319)
Total Obligations	1,635,606,421	1,855,997,665	1,862,602,393	(6,604,728)
Excess of Revenues Over (Under) Obligations	432,759,579	269,830,335	277,548,295	7,717,960
OTHER FINANCING SOURCES (USES)				
Transfers In	2,417,000	2,816,000	1,831,164	(984,836)
Transfers Out	(445,591,494)	(379,812,884)	(382,495,483)	(2,682,599)
SEPTA Loan Proceeds	-	36,554,000	35,312,564	(1,241,436)
Total Other Financing Sources (Uses)	(443,174,494)	(340,442,884)	(345,351,755)	(4,908,871)
Net Change in Fund Balances	(10,414,915)	(70,612,549)	(67,803,460)	2,809,089
Fund Balances, July 1, 2011	(92,790,200)	(62,176,500)	(43,376,587)	18,799,913
Change in Inventory Reserve	-	-	(52,380)	(52,380)
Change in Encumbrance Reserve	-	-	(380,187)	(380,187)
Fund Balances, June 30, 2012	\$ (103,205,115)	\$ (132,789,049)	\$ (111,612,614)	\$ 21,176,435

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
412,000	403,000	389,340	(13,660)
90,333,000	88,658,000	89,598,759	940,759
-	-	-	-
90,745,000	89,061,000	89,988,099	927,099
198,817,075	198,594,929	203,413,523	(4,818,594)
78,389,481	78,727,568	80,632,091	(1,904,523)
1,017,654	726,122	680,629	45,493
-	-	-	-
-	-	-	-
-	-	-	-
9,226,416	8,994,004	9,033,146	(39,142)
287,450,626	287,042,623	293,759,389	(6,716,766)
(196,705,626)	(197,981,623)	(203,771,290)	(5,789,667)
196,705,600	197,981,600	203,771,290	5,789,690
-	-	-	-
-	-	-	-
196,705,600	197,981,600	203,771,290	5,789,690
(26)	(23)	-	23
-	-	2,645,124	2,645,124
-	-	-	-
-	-	(1,285,868)	(1,285,868)
\$ (26)	\$ (23)	\$ 1,359,256	\$ 1,359,279

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
06/30/2012	0	18,114,395	18,114,395	0.0%	N/A	N/A

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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	\$ 2,140,151	\$ 89,988
Revenue - GAAP Basis	\$ 2,140,151	\$ 89,988
Obligations – Basis of Budgeting	\$ 1,862,602	\$ 293,759
Current Year Encumbrances	(9,567)	(1,335)
Prior Year Encumbrance Payments	3,478	1,259
Prior Year Encumbrance Cancellations and Other Adjustments	7,832	-
Expenditures - GAAP Basis	\$ 1,864,345	\$ 293,683
Other Financing Sources (Uses) -		
Basis of Budgeting	\$ (345,352)	\$ 203,771
Prior Year Encumbrance Cancellations	1,363	(1,362)
Other Financing Sources (Uses) - GAAP Basis	\$ (343,989)	\$ 202,409

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2012:

A. General Fund

(1). Instruction	\$ 30,957,877
(2). Student Support Services	337,408
(3). Allocated Costs	16,905,319

B. Intermediate Unit Fund

(1). Instruction	4,818,594
(2). Student Support Services	1,904,523

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$30,957,877 in “Instruction” reflects salary savings from turnover and delayed hiring below budgeted amounts, offsetting employee benefit savings generated in school areas not being captured in the Instructional budgetary unit, and higher than budgeted payments to Other Educational Entities.

The negative variance of \$337,408 in “Student Support Services” reflects offsetting employee benefit savings generated in student support areas not being captured in the Instructional budgetary unit.

The negative variance of \$16,905,319 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 \$4,818,594 in “Instruction” reflects salary savings from turnover and delayed hiring below budgeted amounts, offsetting employee benefit savings generated in school areas not being captured in the Instructional budgetary unit, rising special education compensatory education costs and lower than anticipated ACCESS/Medicaid fee-for-service reimbursements.

The negative variance of \$1,904,523 in “Student Support Services” reflects higher than budgeted Transportation costs for special education students allocated from the General Fund.

4. ALLOCATED COSTS

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

In the General Fund allocated costs under All Other Support Services cost center are budgeted with a credit balance due to Intermediate Unit operations and allocated costs attributable to other funds and other adjustments. The original and final budget, for the credit balance, was \$ 16,914,317 and \$ 16,905,319, respectively.

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

5. OTHER POSTEMPLOYMENT LIFE INSURANCE BENEFITS

The schedule of funding progress presents the results of Other Postemployment Benefits (OPEB) valuations performed on a biennial basis, for the fiscal year ending June 30th 2008, 2010, and 2012. This schedule is intended to 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, June 30, 2010, and June 30, 2012, the plan is not funded and therefore there are no assets. Payroll is assumed to increase at an average rate of 3.25% per year. (N/A – not applicable - life insurance benefit is not based upon payroll.)

Several actuarial assumptions were changed in the current valuation from previous valuations to better reflect anticipated experience. The changes include: (1) decrease in the discount rate from 4.00 percent to 3.25 percent; (2) decrease in the payroll growth assumption from 4.00 percent to 3.25 percent; (3) update of the mortality assumption from The Uninsured Pensioner 1994 Mortality Table (UP94) to the RP-2000 mortality tables projected on a generational basis for healthy lives and a separate table for disabled retirees; (4) an update of the retirement and disability rates to those used in the June 30, 2011 valuation of the Pennsylvania Public Employees Retirement System; and (5) the use of actual gender for all but 555 retirees, who were assumed to be male.

6. 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, 2012 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, 2012 there were eighty-nine Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,140,387	\$ 2,173,479	\$ 6,313,866
Accounts Receivable	-	-	-
Total Assets	\$ 4,140,387	\$ 2,173,479	\$ 6,313,866
 LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 625	\$ 8,304	\$ 8,929
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	-	1,365,873	1,365,873
Restricted:			
Trust Purposes	4,139,762	799,302	4,939,064
Total Fund Balances	4,139,762	2,165,175	6,304,937
Total Liabilities and Fund Balances	\$ 4,140,387	\$ 2,173,479	\$ 6,313,866

School District of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 24,948	\$ 7,325	\$ 32,273
EXPENDITURES			
Instruction	77,699	36,552	114,251
Excess (Deficiency) of Revenues Over Expenditures	(52,751)	(29,227)	(81,978)
Fund Balances, July 1, 2011	4,192,513	2,194,402	6,386,915
Fund Balances, June 30, 2012	\$ 4,139,762	\$ 2,165,175	\$ 6,304,937

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.
- 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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 547,113,000	\$ 592,740,000	\$ 597,788,247	\$ 5,048,247
Prior Years	52,500,000	51,550,000	51,605,746	55,746
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	112,200,000	109,000,000	112,539,668	3,539,668
School (Non-Business) Income	20,250,000	27,500,000	27,743,863	243,863
Liquor Sales	43,900,000	46,400,000	50,122,677	3,722,677
Public Utility Realty	1,115,000	1,099,000	1,098,755	(245)
Total Local Taxes	777,078,000	828,289,000	840,903,575	12,614,575
Locally Generated Non Tax				
Interest on Investments	950,000	880,000	805,877	(74,123)
City Contributions	38,870,000	48,930,000	48,930,000	-
Legal Settlements	2,646,000	2,392,000	2,485,307	93,307
Stadium Agreements	2,730,000	2,815,000	2,814,500	(500)
Voluntary Contributions	320,000	370,000	340,277	(29,723)
Parking Authority Contributions	7,284,000	13,384,000	13,955,844	571,844
Gaming Revenue	5,000,000	6,032,000	5,893,873	(138,127)
Reimbursement from Other Funds	14,000	14,000	13,860	(140)
Miscellaneous	6,025,000	6,115,000	10,868,906	4,753,906
Total Locally Generated Non Tax	63,839,000	80,932,000	86,108,444	5,176,444
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation & Fed. Jobs)	968,181,000	968,149,000	968,148,606	(394)
Less: Reimbursement of Prior Years IU Advances	43,002,000	42,918,000	42,929,066	11,066
Net Instruction	925,179,000	925,231,000	925,219,540	(11,460)
Debt Service	12,500,000	13,420,000	5,222,810	(8,197,190)
School Health Program				
Nurse Services	1,318,000	1,328,000	1,328,047	47
Medical and Dental	2,259,000	2,296,000	2,295,624	(376)
Tuition	195,000	105,000	103,879	(1,121)
Area Vocational Technical Education	5,387,000	5,199,000	5,220,631	21,631
Transportation	53,886,000	56,316,000	56,335,492	19,492
District Special Education	127,550,000	127,611,000	127,610,906	(94)
Retirement	49,887,000	42,406,000	43,474,323	1,068,323
Social Security	44,120,000	37,504,000	41,114,370	3,610,370
Total State Grants and Subsidies	1,222,281,000	1,211,416,000	1,207,925,622	(3,490,378)
Federal Grants and Subsidies				
Build America Bonds Subsidy	4,980,000	4,980,000	4,980,462	462
Impacted Area Aid	188,000	211,000	232,585	21,585
Total Federal Grants and Subsidies	5,168,000	5,191,000	5,213,047	22,047
Total Other Governments	1,227,449,000	1,216,607,000	1,213,138,669	(3,468,331)
Total Revenues	\$ 2,068,366,000	\$ 2,125,828,000	\$ 2,140,150,688	\$ 14,322,688

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 2,202,811	\$ 2,136,840	\$ 1,749,726	\$ 387,114
Employee Benefits	1,348,080	1,195,892	1,012,290	183,602
Prof.,Tech. Services	58,225	700	666	34
Property,Transportation,Comm.	17,300	-	11,487	(11,487)
Materials, Supplies, Books and Equipment	28,508	112,853	5,684	107,169
	<u>3,654,924</u>	<u>3,446,285</u>	<u>2,779,853</u>	<u>666,432</u>
Elementary Education				
Personal Services	297,408,364	275,531,108	292,059,603	(16,528,495)
Employee Benefits	135,403,213	134,420,882	142,176,777	(7,755,895)
Prof.,Tech. Services	789,155	519,137	569,485	(50,348)
Property,Transportation,Comm.	39,328	50,405	272,433	(222,028)
Materials, Supplies, Books and Equipment	7,125,861	5,239,399	4,319,739	919,660
Other	(2,075,474)	-	-	-
	<u>438,690,447</u>	<u>415,760,931</u>	<u>439,398,037</u>	<u>(23,637,106)</u>
Middle School Education				
Personal Services	52,697,092	53,360,493	54,752,565	(1,392,072)
Employee Benefits	23,636,936	25,521,788	26,373,798	(852,010)
Prof.,Tech. Services	179,300	159,676	77,100	82,576
Property,Transportation,Comm.	301,161	355,333	144,999	210,334
Materials, Supplies, Books and Equipment	1,226,197	973,557	1,009,442	(35,885)
	<u>78,040,686</u>	<u>80,370,847</u>	<u>82,357,904</u>	<u>(1,987,057)</u>
Senior High School Education				
Personal Services	153,972,531	143,558,764	144,659,080	(1,100,316)
Employee Benefits	69,088,379	68,690,869	67,968,966	721,903
Prof.,Tech. Services	23,171,129	2,013,955	1,887,397	126,558
Property,Transportation,Comm.	685,691	542,251	741,842	(199,591)
Materials, Supplies, Books and Equipment	5,958,198	2,735,193	3,027,557	(292,364)
	<u>252,875,928</u>	<u>217,541,032</u>	<u>218,284,842</u>	<u>(743,810)</u>
Special Education				
Personal Services	7,653,817	5,295,792	5,937,356	(641,564)
Employee Benefits	3,428,080	2,505,855	2,940,140	(434,285)
Materials, Supplies, Books and Equipment	18,450	18,450	6,986	11,464
	<u>11,100,347</u>	<u>7,820,097</u>	<u>8,884,482</u>	<u>(1,064,385)</u>

(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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Area Vocational Technical Education				
Personal Services	\$ 26,580,892	\$ 28,284,141	\$ 29,212,246	\$ (928,105)
Employee Benefits	11,960,037	13,477,123	14,168,184	(691,061)
Prof.,Tech. Services	923,961	355,909	270,395	85,514
Property,Transportation,Comm.	349,300	174,297	310,244	(135,947)
Materials, Supplies, Books and Equipment	1,000,908	702,813	645,190	57,623
Other	154,906	154,906	-	154,906
	<u>40,970,004</u>	<u>43,149,189</u>	<u>44,606,259</u>	<u>(1,457,070)</u>
Desegregation				
Personal Services	5,582,330	4,064,261	4,767,102	(702,841)
Employee Benefits	2,187,283	1,826,255	2,187,432	(361,177)
Prof.,Tech. Services	26,710	55,309	55,045	264
Property,Transportation,Comm.	21,125	19,525	51,603	(32,078)
Materials, Supplies, Books and Equipment	1,623,001	624,824	574,531	50,293
	<u>9,440,449</u>	<u>6,590,174</u>	<u>7,635,713</u>	<u>(1,045,539)</u>
Promise Academies				
Personal Services	18,701,033	5,292,737	4,102,551	1,190,186
Employee Benefits	5,913,799	2,289,324	1,820,190	469,134
Property,Transportation,Comm.	422,722	-	-	-
Materials, Supplies, Books and Equipment	7,446	-	1,044	(1,044)
Other	1,155,000	-	-	-
	<u>26,200,000</u>	<u>7,582,061</u>	<u>5,923,785</u>	<u>1,658,276</u>
School Support Services				
Personal Services	47,410,316	45,819,360	48,271,287	(2,451,927)
Employee Benefits	16,676,782	18,071,235	17,656,992	414,243
Prof.,Tech. Services	3,423,863	3,041,030	1,675,680	1,365,350
Property,Transportation,Comm.	312,361	283,670	86,777	196,893
Materials, Supplies, Books and Equipment	5,202,457	2,176,673	1,234,162	942,511
Other	675	-	-	-
	<u>73,026,454</u>	<u>69,391,968</u>	<u>68,924,898</u>	<u>467,070</u>
Payment to Other Educational Entities				
Prof.,Tech. Services	7,531,318	30,508,498	31,384,540	(876,042)
Property,Transportation,Comm.	57,442,344	56,224,364	57,401,958	(1,177,594)
Other	-	(1,778,562)	-	(1,778,562)
	<u>64,973,662</u>	<u>84,954,300</u>	<u>88,786,498</u>	<u>(3,832,198)</u>
Adult Education				
Personal Services	59,380	59,380	48,164	11,216
Employee Benefits	13,592	17,511	11,217	6,294
Prof.,Tech. Services	3,000	-	-	-
Property,Transportation,Comm.	26,792	-	-	-
Materials, Supplies, Books and Equipment	6,830	-	-	-
	<u>109,594</u>	<u>76,891</u>	<u>59,381</u>	<u>17,510</u>
Total Instruction	<u>999,082,495</u>	<u>936,683,775</u>	<u>967,641,652</u>	<u>(30,957,877)</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 18,547,549	\$ 16,385,682	\$ 16,862,430	\$ (476,748)
Employee Benefits	8,115,065	7,914,034	8,247,934	(333,900)
Prof.,Tech. Services	325,000	325,000	114,555	210,445
Property,Transportation,Comm.	80,446	80,446	6,882	73,564
Materials, Supplies, Books and Equipment	191,997	191,997	121,504	70,493
	<u>27,260,057</u>	<u>24,897,159</u>	<u>25,353,305</u>	<u>(456,146)</u>
Office of Specialized Services				
Personal Services	622,537	243,287	265,096	(21,809)
Employee Benefits	252,952	105,429	80,379	25,050
Prof.,Tech. Services	143,400	134,200	19,995	114,205
Property,Transportation,Comm.	13,620	4,775	4,231	544
Materials, Supplies, Books and Equipment	12,692	2,200	1,452	748
	<u>1,045,201</u>	<u>489,891</u>	<u>371,153</u>	<u>118,738</u>
Total Student Support Services	<u>28,305,258</u>	<u>25,387,050</u>	<u>25,724,458</u>	<u>(337,408)</u>
Administrative Support				
Regional Offices				
Personal Services	3,868,168	3,117,382	3,644,151	(526,769)
Employee Benefits	1,508,369	1,441,501	1,534,456	(92,955)
Prof.,Tech. Services	-	15,000	89,600	(74,600)
Property,Transportation,Comm.	6,000	5,500	45,186	(39,686)
Materials, Supplies, Books and Equipment	89,967	166,746	74,555	92,191
Other	-	-	(248,715)	248,715
	<u>5,472,504</u>	<u>4,746,129</u>	<u>5,139,233</u>	<u>(393,104)</u>
Financial Services				
Personal Services	5,627,361	3,182,906	3,626,872	(443,966)
Employee Benefits	2,572,334	1,585,498	1,647,613	(62,115)
Prof.,Tech. Services	914,636	777,570	1,027,127	(249,557)
Property,Transportation,Comm.	73,385	79,435	89,431	(9,996)
Materials, Supplies, Books and Equipment	101,357	64,321	30,329	33,992
Other	(159,657)	398	(43,242)	43,640
	<u>9,129,416</u>	<u>5,690,128</u>	<u>6,378,130</u>	<u>(688,002)</u>
Office of the Chief Finance Officer				
Personal Services	(1,565,081)	610,075	558,272	51,803
Employee Benefits	(864,859)	269,671	185,799	83,872
Prof.,Tech. Services	(171,785)	139,987	139,987	-
Property,Transportation,Comm.	86,801	9,752	10,250	(498)
Materials, Supplies, Books and Equipment	12,231	9,034	6,931	2,103
Other	(619,710)	-	-	-
	<u>(3,122,403)</u>	<u>1,038,519</u>	<u>901,239</u>	<u>137,280</u>
Office of Procurement Services				
Personal Services	1,065,236	632,895	595,328	37,567
Employee Benefits	498,786	330,309	323,961	6,348
Prof.,Tech. Services	121,914	91,914	3,966	87,948
Property,Transportation,Comm.	16,745	16,745	15,364	1,381
Materials, Supplies, Books and Equipment	14,579	14,579	(107,236)	121,815
Other	-	(299,285)	(229,284)	(70,001)
	<u>1,717,260</u>	<u>787,157</u>	<u>602,099</u>	<u>185,058</u>

(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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personal Services	\$ 7,394,721	\$ 4,193,809	\$ 4,428,586	\$ (234,777)
Employee Benefits	3,401,423	2,189,368	2,127,572	61,796
Prof.,Tech. Services	795,750	295,346	298,764	(3,418)
Property,Transportation,Comm.	224,090	29,492	56,935	(27,443)
Materials, Supplies, Books and Equipment	170,225	74,433	28,078	46,355
Other	966	(39,347)	(324,100)	284,753
	<u>11,987,175</u>	<u>6,743,101</u>	<u>6,615,835</u>	<u>127,266</u>
Information Technology				
Personal Services	5,768,004	4,501,437	4,473,782	27,655
Employee Benefits	2,514,511	2,267,599	2,228,802	38,797
Prof.,Tech. Services	5,329,374	4,657,024	4,561,368	95,656
Property,Transportation,Comm.	2,209,153	2,169,153	2,124,055	45,098
Materials, Supplies, Books and Equipment	2,496,319	2,825,790	2,815,495	10,295
Other	(4,229,375)	(3,436,871)	(3,461,006)	24,135
	<u>14,087,986</u>	<u>12,984,132</u>	<u>12,742,496</u>	<u>241,636</u>
Municipal Services				
Personal Services	-	435,171	324,607	110,564
Employee Benefits	-	266,424	185,254	81,170
Prof.,Tech. Services	-	3,798,000	(2,000)	3,800,000
Property,Transportation,Comm.	-	2,152	92	2,060
Other	-	-	(76,336)	76,336
	<u>-</u>	<u>4,501,747</u>	<u>431,617</u>	<u>4,070,130</u>
Alternative Education				
Personal Services	1,834,414	728,940	824,600	(95,660)
Employee Benefits	908,949	421,080	420,253	827
Property,Transportation,Comm.	3,219	3,219	4,304	(1,085)
Materials, Supplies, Books and Equipment	251,720	95,720	7,152	88,568
	<u>2,998,302</u>	<u>1,248,959</u>	<u>1,256,309</u>	<u>(7,350)</u>
Accountability, Assessment & Intervention				
Personal Services	(3,690,786)	1,696,509	1,464,352	232,157
Employee Benefits	(1,446,236)	849,988	688,628	161,360
Prof.,Tech. Services	1,370,868	1,395,920	1,383,812	12,108
Property,Transportation,Comm.	(478,670)	15,597	29,528	(13,931)
Materials, Supplies, Books and Equipment	(420,436)	37,143	21,389	15,754
Other	(721,073)	(300,000)	(495,566)	195,566
	<u>(5,386,333)</u>	<u>3,695,157</u>	<u>3,092,143</u>	<u>603,014</u>
Office of School Management				
Personal Services	5,963,184	6,521,200	7,832,308	(1,311,108)
Employee Benefits	3,028,586	3,662,477	3,786,768	(124,291)
Prof.,Tech. Services	733,281	496,325	489,139	7,186
Property,Transportation,Comm.	107,658	73,571	83,827	(10,256)
Materials, Supplies, Books and Equipment	397,228	64,267	40,294	23,973
Other	487	187	(14,290)	14,477
	<u>10,230,424</u>	<u>10,818,027</u>	<u>12,218,046</u>	<u>(1,400,019)</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Office of Secondary Education				
Personal Services	\$ 1,386,208	\$ 144,389	\$ 265,580	\$ (121,191)
Employee Benefits	512,622	49,772	111,733	(61,961)
Prof.,Tech. Services	902,265	361,181	328,723	32,458
Property,Transportation,Comm.	171,298	63,879	59,913	3,966
Materials, Supplies, Books and Equipment	570,563	342,119	333,391	8,728
Other	262,279	-	-	-
	<u>3,805,235</u>	<u>961,340</u>	<u>1,099,340</u>	<u>(138,000)</u>
Curriculum, Instruction & Professional Development				
Personal Services	5,053,100	1,531,097	1,697,276	(166,179)
Employee Benefits	1,750,991	675,059	783,473	(108,414)
Prof.,Tech. Services	317,216	1,500	339	1,161
Property,Transportation,Comm.	720,861	112,549	219,606	(107,057)
Materials, Supplies, Books and Equipment	404,393	87,609	10,383	77,226
Other	701,873	21,688	-	21,688
	<u>8,948,434</u>	<u>2,429,502</u>	<u>2,711,077</u>	<u>(281,575)</u>
Professional Growth Trust Fund				
Employee Benefits	811,890	-	-	-
	<u>811,890</u>	<u>-</u>	<u>-</u>	<u>-</u>
Office of the Chief Operations Officer				
Personal Services	(2,566,591)	1,248,951	964,301	284,650
Employee Benefits	(1,199,471)	626,056	522,197	103,859
Prof.,Tech. Services	(433,800)	100	-	100
Property,Transportation,Comm.	205,200	195,002	140,557	54,445
Materials, Supplies, Books and Equipment	(1,330)	30,778	14,232	16,546
Other	(3,669,505)	-	(871)	871
	<u>(7,665,497)</u>	<u>2,100,887</u>	<u>1,640,416</u>	<u>460,471</u>
Executive / Board Management				
Personal Services	1,021,683	5,084,123	4,938,474	145,649
Employee Benefits	(11,169)	2,399,757	2,134,576	265,181
Prof.,Tech. Services	2,315,281	4,976,376	5,398,921	(422,545)
Property,Transportation,Comm.	20,847	206,708	159,597	47,111
Materials, Supplies, Books and Equipment	78,446	92,048	52,754	39,294
Other	(4,324,642)	(1,337,125)	775,000	(2,112,125)
	<u>(899,554)</u>	<u>11,421,887</u>	<u>13,459,322</u>	<u>(2,037,435)</u>
Office of Grant Development & Compliance				
Personal Services	-	-	397,868	(397,868)
Employee Benefits	-	-	(170,070)	(170,070)
Prof.,Tech. Services	-	-	257	(257)
Property,Transportation,Comm.	-	-	5,461	(5,461)
Materials, Supplies, Books and Equipment	-	-	9,275	(9,275)
	<u>-</u>	<u>-</u>	<u>582,931</u>	<u>(582,931)</u>
Office of the Chief Academic Officer				
Personal Services	3,147,495	1,917,317	1,793,615	123,702
Employee Benefits	1,310,647	861,216	756,734	104,482
Prof.,Tech. Services	38,234	24,725	-	24,725
Property,Transportation,Comm.	44,583	32,129	16,005	16,124
Materials, Supplies, Books and Equipment	214,602	73,773	33,716	40,057
Other	(1,342,488)	245,465	(257)	245,722
	<u>3,413,073</u>	<u>3,154,625</u>	<u>2,599,813</u>	<u>554,812</u>
Total Administrative Support	<u>55,527,912</u>	<u>72,321,297</u>	<u>71,470,046</u>	<u>851,251</u>

(Continued on pages 104 through 105)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 69,967,092	\$ 64,051,050	\$ 66,753,330	\$ (2,702,280)
Employee Benefits	43,224,664	45,446,802	41,941,684	3,505,118
Prof.,Tech. Services	17,123,963	12,258,963	11,546,589	712,374
Property,Transportation,Comm.	10,613,573	10,813,573	10,540,034	273,539
Materials, Supplies, Books and Equipment	(4,507,640)	8,223,205	7,117,478	1,105,727
Other	(15,323,007)	(3,668,524)	(9,698,965)	6,030,441
	121,098,645	137,125,069	128,200,150	8,924,919
Food Services Indirect Cost				
Other	-	(4,543,135)	(5,993,064)	1,449,929
Utilities				
Prof.,Tech. Services	451,020	451,020	291,945	159,075
Property,Transportation,Comm.	15,841,320	15,538,220	13,808,526	1,729,694
Materials, Supplies, Books and Equipment	57,101,031	40,007,973	37,463,780	2,544,193
Other	-	-	(3,836,254)	3,836,254
	73,393,371	55,997,213	47,727,997	8,269,216
Security Operations				
Personal Services	20,581,390	19,179,168	19,388,350	(209,182)
Employee Benefits	12,056,833	12,906,222	11,787,531	1,118,691
Prof.,Tech. Services	(48,284)	67,916	67,400	516
Property,Transportation,Comm.	81,281	137,010	12,879	124,131
Materials, Supplies, Books and Equipment	356,255	478,067	434,497	43,570
Other	(909,766)	-	(2,117,188)	2,117,188
	32,117,709	32,768,383	29,573,469	3,194,914
Total Oper. & Maint. of Plant Services	226,609,725	221,347,530	199,508,552	21,838,978
Pupil Transportation				
Personal Services	22,837,182	23,048,987	22,130,498	918,489
Employee Benefits	14,554,134	17,126,939	14,267,912	2,859,027
Prof.,Tech. Services	80,600	82,100	63,105	18,995
Property,Transportation,Comm.	19,469,057	84,640,355	85,920,982	(1,280,627)
Materials, Supplies, Books and Equipment	4,962,266	4,992,618	4,730,670	261,948
Other	(42,110,144)	(42,093,000)	(42,929,751)	836,751
Total Pupil Transportation	19,793,095	87,797,999	84,183,416	3,614,583
All Other Support Services				
Risk Management				
Personal Services	607,364	286,165	284,371	1,794
Employee Benefits	268,187	140,808	140,719	89
Prof.,Tech. Services	26,656	18,743	-	18,743
Property,Transportation,Comm.	412,694	2,089,582	2,077,652	11,930
Materials, Supplies, Books and Equipment	7,957	3,000	1,995	1,005
Losses and Judgments	4,035,734	5,581,392	3,734,207	1,847,185
	5,358,592	8,119,690	6,238,944	1,880,746

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Temporary Borrowing				
Prof.,Tech. Services	\$ 485,000	\$ 454,800	\$ 242,114	\$ 212,686
Property,Transportation,Comm.	15,000	-	2,145	(2,145)
Interest	5,818,600	2,709,600	2,876,392	(166,792)
	<u>6,318,600</u>	<u>3,164,400</u>	<u>3,120,651</u>	<u>43,749</u>
Undistributed				
Personal Services	1,608,770	1,608,770	-	1,608,770
Employee Benefits	665,278	(881,922)	(20,265,267)	19,383,345
Prof.,Tech. Services	922,582	122,582	-	122,582
Property,Transportation,Comm.	(17,304,518)	(2,325,000)	-	(2,325,000)
Materials, Supplies, Books and Equipment	(5,978,151)	(5,053,310)	-	(5,053,310)
Other	(168,528,230)	520,166	(8,580)	528,746
Cancellation of Prior Years' Encumbrances	(13,691,952)	(9,243,124)	(7,830,012)	(1,413,112)
	<u>(202,306,221)</u>	<u>(15,251,838)</u>	<u>(28,103,859)</u>	<u>12,852,021</u>
Total All Other Support Services	<u>(190,629,029)</u>	<u>(3,967,748)</u>	<u>(18,744,264)</u>	<u>14,776,516</u>
Payments to Charter Schools				
Personal Services	1,525,675	661,484	518,258	143,226
Employee Benefits	643,389	330,287	205,341	124,946
Prof.,Tech. Services	702,687	429,253	538,174	(108,921)
Property,Transportation,Comm.	510,930,746	531,903,272	531,553,219	350,053
Materials, Supplies, Books and Equipment	28,785	8,785	3,541	5,244
	<u>513,831,282</u>	<u>533,333,081</u>	<u>532,818,533</u>	<u>514,548</u>
Allocated Costs	<u>(16,914,317)</u>	<u>(16,905,319)</u>	<u>-</u>	<u>(16,905,319)</u>
Total Obligations	<u>1,635,606,421</u>	<u>1,855,997,665</u>	<u>1,862,602,393</u>	<u>(6,604,728)</u>
OTHER FINANCING USES				
Local Share of Categorical Programs	2,331,094	2,396,684	2,193,441	203,243
Debt Service Fund	246,554,800	179,434,600	176,530,752	2,903,848
Special Education	196,705,600	197,981,600	203,771,290	(5,789,690)
Total Other Financing Uses	<u>445,591,494</u>	<u>379,812,884</u>	<u>382,495,483</u>	<u>(2,682,599)</u>
Total General Fund	<u>\$ 2,081,197,915</u>	<u>\$ 2,235,810,549</u>	<u>\$ 2,245,097,876</u>	<u>\$ (9,287,327)</u>
Fund Totals - Object Classes				
Personal Services	\$ 782,873,241	\$ 724,413,670	\$ 749,591,985	\$ (25,178,315)
Employee Benefits	364,734,056	369,001,108	350,330,108	18,671,000
Prof.,Tech. Services	68,552,519	68,029,759	62,524,188	5,505,571
Property,Transportation,Comm.	603,182,513	703,546,961	706,008,004	(2,461,043)
Materials, Supplies, Books, and Equipment	78,752,912	65,416,657	64,069,990	1,346,667
Other	(241,736,885)	(56,553,039)	(68,702,469)	12,149,430
Interest on Temporary Borrowing	5,818,600	2,709,600	2,876,392	(166,792)
Losses and Judgments	4,035,734	5,581,392	3,734,207	1,847,185
Allocated Costs	(16,914,317)	(16,905,319)	-	(16,905,319)
Other Financing Uses	445,591,494	379,812,884	382,495,483	(2,682,599)
Cancellation of Prior Years' Encumbrances	(13,691,952)	(9,243,124)	(7,830,012)	(1,413,112)
Total General Fund	<u>\$ 2,081,197,915</u>	<u>\$ 2,235,810,549</u>	<u>\$ 2,245,097,876</u>	<u>\$ (9,287,327)</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 28,000	\$ 30,000	\$ 32,459	\$ 2,459
Non-Public School Programs	34,000	23,000	25,316	2,316
Tuition	350,000	350,000	331,565	(18,435)
Total Locally Generated Non Tax	412,000	403,000	389,340	(13,660)
State Grants and Subsidies				
Special Education Program	4,460,000	4,939,000	4,938,576	(424)
Special Education Transportation	53,280,000	54,520,000	56,508,809	1,988,809
Non-Public School Programs	15,844,000	14,442,000	14,441,524	(476)
Social Security	7,861,000	6,926,000	7,714,872	788,872
Retirement	8,888,000	7,831,000	5,994,978	(1,836,022)
Total State Grants and Subsidies	90,333,000	88,658,000	89,598,759	940,759
Total Revenues	<u>\$ 90,745,000</u>	<u>\$ 89,061,000</u>	<u>\$ 89,988,099</u>	<u>\$ 927,099</u>
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 123,023,257	\$ 115,433,860	\$ 119,826,605	\$ (4,392,745)
Employee Benefits	60,770,558	60,810,961	60,649,332	161,629
Prof.,Tech. Services	8,591,391	7,357,413	1,300,915	6,056,498
Property,Transportation,Comm.	73,285	38,150	73,220	(35,070)
Materials, Supplies, Books and Equipment	2,213,349	2,003,571	1,804,870	198,701
Other	(10,565,696)	(842,900)	5,867,817	(6,710,717)
Total Special Education	184,106,144	184,801,055	189,522,759	(4,721,704)
Services to Non-Public School Students				
Personal Services	82,373	-	373	(373)
Employee Benefits	34,411	-	61	(61)
Prof.,Tech. Services	14,592,447	13,793,874	13,890,330	(96,456)
Property,Transportation,Comm.	400	-	-	-
Materials, Supplies, Books and Equipment	1,300	-	-	-
Total Services to Non-Public School Students	14,710,931	13,793,874	13,890,764	(96,890)
Total Instruction	198,817,075	198,594,929	203,413,523	(4,818,594)
Student Support Services				
Special Education *				
Personal Services	18,575,810	17,496,636	18,287,698	(791,062)
Employee Benefits	13,264,571	14,057,332	13,323,975	733,357
Prof.,Tech. Services	312,300	15,000	15,000	-
Property,Transportation,Comm.	5,055,300	5,055,300	6,066,727	(1,011,427)
Materials, Supplies, Books and Equipment	198,500	10,300	8,940	1,360
Allocated Costs	(12,325,000)	(12,457,000)	(13,611,517)	1,154,517
Total Special Education	25,081,481	24,177,568	24,090,823	86,745

* 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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation Allocated Costs	\$ 53,308,000	\$ 54,550,000	\$ 56,541,268	\$ (1,991,268)
Total Student Support Services	78,389,481	78,727,568	80,632,091	(1,904,523)
Services to Non-Public School Students				
Personal Services	660,939	437,787	425,528	12,259
Employee Benefits	299,015	220,635	209,400	11,235
Prof.,Tech. Services	2,000	12,000	2,000	10,000
Property,Transportation,Comm.	40,000	40,000	31,046	8,954
Materials, Supplies, Books and Equipment	15,700	15,700	12,655	3,045
	1,017,654	726,122	680,629	45,493
Total Administrative Support	1,017,654	726,122	680,629	45,493
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	226,416	(5,996)	33,146	(39,142)
Total Allocated Costs	9,226,416	8,994,004	9,033,146	(39,142)
Total Obligations	287,450,626	287,042,623	293,759,389	(6,716,766)
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(196,705,600)	(197,981,600)	(203,771,290)	5,789,690
Total Intermediate Unit	\$ 90,745,026	\$ 89,061,023	\$ 89,988,099	\$ (927,076)
Fund Totals - Object Classes				
Personal Services	\$ 142,342,379	\$ 133,368,283	\$ 138,540,204	\$ (5,171,921)
Employee Benefits	74,368,555	75,088,928	74,182,768	906,160
Prof.,Tech. Services	23,498,138	21,178,287	15,208,245	5,970,042
Property,Transportation,Comm.	5,168,985	5,133,450	6,170,993	(1,037,543)
Materials, Supplies, Books and Equipment	2,428,849	2,029,571	1,826,465	203,106
Other	(10,565,696)	(842,900)	5,867,817	(6,710,717)
Allocated Costs	50,209,416	51,087,004	51,962,897	(875,893)
Total Obligations	287,450,626	287,042,623	293,759,389	(6,716,766)
Other Financing Sources				
Operating Transfers from Other Funds	(196,705,600)	(197,981,600)	(203,771,290)	5,789,690
Total Intermediate Unit	\$ 90,745,026	\$ 89,061,023	\$ 89,988,099	\$ (927,076)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 818,000	\$ 818,000	\$ 1,121,378	\$ 303,378
Variable Rate Swap Income	24,000	24,000	1,449	(22,551)
Basis Swap	-	-	1,492,086	1,492,086
Total Revenues	\$ 842,000	\$ 842,000	\$ 2,614,913	\$ 1,772,913
OBLIGATIONS				
Principal				
Bonds	\$ 84,886,738	\$ 31,576,738	\$ 31,576,738	\$ -
Interest	87,804,545	86,510,173	86,593,374	(83,201)
Authority Obligations (SPSBA)				
Principal	6,230,000	5,000	5,000	-
Interest	42,827,800	42,516,550	42,516,550	-
Variable Rate Interest on Swaps	15,738,125	425,000	412,366	12,634
Fixed Rate Swap Payments	34,830	34,830	34,830	-
Issuance Costs	3,365,700	1,342,290	1,836,139	(493,849)
Administrative Expenses	3,275,162	3,337,619	3,683,522	(345,903)
Total Obligations	\$ 244,162,900	\$ 165,748,200	\$ 166,658,519	\$ (910,319)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 250,137,800	\$ 180,993,600	\$ 178,056,164	\$ (2,937,436)
Land Sale Proceeds	1,598,000	70,000	70,000	-
Refunding Bond Proceeds	-	123,138,000	123,138,304	304
Bond Defeasement	-	(123,138,000)	(122,578,020)	559,980
Total Other Financing Sources (Uses)	\$ 251,735,800	\$ 181,063,600	\$ 178,686,448	\$ (2,377,152)
Net Change in Fund Balance	8,414,900	16,157,400	14,642,842	(1,514,558)
Fund Balances, July 1, 2011	94,790,200	94,900,700	94,900,745	45
Fund Balances, June 30, 2012	\$ 103,205,100	\$ 111,058,100	\$ 109,543,587	\$ (1,514,513)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 400,000	\$ 400,000	\$ 436,118	\$ 36,118
Miscellaneous	2,236,000	50,000	491,547	441,547
Total Locally Generated Non Tax	2,636,000	450,000	927,665	477,665
State Grants and Subsidies	-	530,000	701,624	171,624
Total Revenues	<u>\$ 2,636,000</u>	<u>\$ 980,000</u>	<u>\$ 1,629,289</u>	<u>\$ 649,289</u>
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (2,658,359)	\$ 2,658,359
New Buildings and Additions	41,606,913	16,900,578	17,775,268	(874,690)
Environmental Management				
Asbestos Abatement	10,584,693	10,123,557	-	10,123,557
Environmental Services	2,433,960	2,701,972	3,228,284	(526,312)
Total Environmental Management	13,018,653	12,825,529	3,228,284	9,597,245
Alterations and Improvements				
Various Projects	113,521,281	47,571,468	9,329,422	38,242,046
Administrative Support	15,504,796	16,948,327	15,803,487	1,144,840
Major/Building Renovations	12,975,602	7,598,346	34,756,463	(27,158,117)
Total Alterations and Improvements	142,001,679	72,118,141	59,889,372	12,228,769
Total Obligations	<u>\$ 196,627,245</u>	<u>\$ 101,844,248</u>	<u>\$ 78,234,565</u>	<u>\$ 23,609,683</u>
OTHER FINANCING SOURCES (USES)				
Debt Issuance	160,000,000	160,300,000	161,595,000	1,295,000
Bond Premium	-	-	313,255	313,255
Bond Discount	-	-	(265,965)	(265,965)
Gain on Sale of Capital Assets	-	-	141,481	141,481
Bond Issuance Costs	(3,437,000)	(554,192)	(1,308,397)	(754,205)
Total Other Financing Sources (Uses)	<u>\$ 156,563,000</u>	<u>\$ 159,745,808</u>	<u>\$ 160,475,374</u>	<u>\$ 729,566</u>
Net Change in Fund Balance	<u>\$ (37,428,245)</u>	<u>\$ 58,881,560</u>	<u>\$ 83,870,098</u>	<u>\$ 24,988,538</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, 2012 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, 2012 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, 2012

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 2,623	\$ 5,034,648	\$ -	\$ 5,037,271
Equity in Pooled Cash and Investments	22,886,617	-	-	632,206	23,518,823
Due From Other Funds	49,289,751	-	-	-	49,289,751
Accounts Receivable	955,366	-	-	-	955,366
Inventories	-	101,617	-	-	101,617
Total Assets	73,131,734	104,240	5,034,648	632,206	78,902,828
LIABILITIES					
Payroll Deductions and Withholdings	73,131,734	-	-	-	73,131,734
Due to Student Activities	-	-	5,034,648	-	5,034,648
Other Liabilities	-	104,240	-	632,206	736,446
Total Liabilities	73,131,734	104,240	5,034,648	632,206	78,902,828
NET ASSETS					
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of May 31, 2012.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 65,217,246	\$ 764,031,305	\$ 806,361,934	\$ 22,886,617
Due From Other Funds	-	49,289,751	-	49,289,751
Accounts Receivable	1,137,949	955,366	1,137,949	955,366
Total Assets	\$ 66,355,195	\$ 814,276,422	\$ 807,499,883	\$ 73,131,734
Liabilities				
Payroll Deductions and Withholdings	\$ 66,355,195	\$ 814,276,422	\$ 807,499,883	\$ 73,131,734
Total Liabilities	\$ 66,355,195	\$ 814,276,422	\$ 807,499,883	\$ 73,131,734
Student Bus Token Fund				
Assets				
Cash and Cash Equivalents	\$ 2,623	\$ -	\$ -	\$ 2,623
Inventories	15,858	95,417	9,658	101,617
Total Assets	\$ 18,481	\$ 95,417	\$ 9,658	\$ 104,240
Liabilities				
Other Liabilities	\$ 18,481	\$ 95,417	\$ 9,658	\$ 104,240
Total Liabilities	\$ 18,481	\$ 95,417	\$ 9,658	\$ 104,240
Student Activities Fund				
Assets				
Cash	\$ 5,481,758	\$ 9,110,436	\$ 9,557,546	\$ 5,034,648
Liabilities				
Due to Student Activities	\$ 5,481,758	\$ 9,110,436	\$ 9,557,546	\$ 5,034,648
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 659,507	\$ 545,658	\$ 572,959	\$ 632,206
Liabilities				
Other Liabilities	\$ 659,507	\$ 545,658	\$ 572,959	\$ 632,206
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,484,381	\$ 9,110,436	\$ 9,557,546	\$ 5,037,271
Equity in Pooled Cash and Investments	65,876,753	764,576,963	806,934,893	23,518,823
Due From Other Funds	-	49,289,751	-	49,289,751
Accounts Receivable	1,137,949	955,366	1,137,949	955,366
Inventories	15,858	95,417	9,658	101,617
Total Assets	\$ 72,514,941	\$ 824,027,933	\$ 817,640,046	\$ 78,902,828
Liabilities				
Payroll Deductions and Withholdings	\$ 66,355,195	\$ 814,276,422	\$ 807,499,883	\$ 73,131,734
Due to Student Activities	5,481,758	9,110,436	9,557,546	5,034,648
Other Liabilities	677,988	641,075	582,617	736,446
Total Liabilities	\$ 72,514,941	\$ 824,027,933	\$ 817,640,046	\$ 78,902,828

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2012

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2013 Debt Service Requirements	
					Interest	Principal
DECEMBER 15, 1998 (SERIES B)	98,405,000	7,330,000	OCT 1, 2012	5.250	192,413	7,330,000
		<u>7,330,000</u>			<u>192,413</u>	<u>7,330,000</u>
NOVEMBER 30, 2000 (SERIES B) - QZAB	22,985,000	5,000	NOV 30, 2012	-	-	5,000
		<u>22,930,000</u>	NOV 30, 2013	-	-	-
		<u>22,935,000</u>			<u>-</u>	<u>5,000</u>
MAY 15, 2002 (SERIES B)	300,000,000	13,990,000	AUG 1, 2012	5.500	384,725	13,990,000
		<u>13,990,000</u>			<u>384,725</u>	<u>13,990,000</u>
SEPTEMBER 10, 2003 (SERIES B) State Public School Building Authority Capital Obligation Bonds	568,140,000	43,505,000	JUNE 1, 2028	5.500	2,392,775	-
		<u>43,505,000</u>			<u>2,392,775</u>	<u>-</u>
JUNE 29, 2004 (SERIES D) GOB Fixed Rate	100,000,000	5,000	JUNE 1, 2013	4.000	200	5,000
		5,000	JUNE 1, 2014	4.150	208	-
		<u>8,700,000</u>	JUNE 1, 2015	5.000	435,000	-
		<u>8,710,000</u>			<u>435,408</u>	<u>5,000</u>
AUGUST 1, 2004 2004 QZAB CSF P (SERIES E)	19,335,000	1,381,071	SEPT 1, 2012	-	-	1,381,071
		1,381,071	SEPT 1, 2013	-	-	-
		1,381,071	SEPT 1, 2014	-	-	-
		1,381,071	SEPT 1, 2015	-	-	-
		1,381,071	SEPT 1, 2016	-	-	-
		2,762,148	SEPT 1, 2017-18	-	-	-
		<u>9,667,503</u>			<u>-</u>	<u>1,381,071</u>
MAY 25, 2005 (SERIES A) GOB-Refunding	198,140,000	890,000	AUGUST 1, 2012	4.000	17,800	890,000
		15,675,000	AUGUST 1, 2013	5.000	783,750	-
		16,460,000	AUGUST 1, 2014	5.000	824,000	-
		17,325,000	AUGUST 1, 2015	5.000	866,250	-
		18,215,000	AUGUST 1, 2016	5.000	910,750	-
		106,060,000	AUGUST 1, 2017-21	5.000	5,303,000	-
		<u>20,455,000</u>	AUGUST 1, 2022	5.000	1,024,750	-
		<u>165,140,000</u>			<u>9,730,300</u>	<u>890,000</u>
MAY 25, 2005 (SERIES B) GOB-Refunding	43,415,000	5,860,000	APRIL 1, 2013	5.000	293,000	5,860,000
		6,155,000	APRIL 1, 2014	5.000	307,750	-
		6,485,000	APRIL 1, 2015	5.000	324,250	-
		6,805,000	APRIL 1, 2016	5.000	340,250	-
		7,165,000	APRIL 1, 2017	5.000	358,250	-
		<u>32,470,000</u>			<u>1,623,500</u>	<u>5,860,000</u>
JUNE 16, 2005 (SERIES C) GOB-Non	71,740,000	2,915,000	JULY 1, 2012	4.470	65,150	2,915,000
		3,045,000	JULY 1, 2013	4.610	140,375	-
		3,185,000	JULY 1, 2014	4.660	148,421	-
		3,335,000	JULY 1, 2015	4.700	156,745	-
		3,490,000	JULY 1, 2016	5.090	177,641	-
		20,315,000	JULY 1, 2017-21	5.134	1,043,880	-
		<u>20,415,000</u>	JULY 1, 2022-25	5.310	1,084,034	-
		<u>56,700,000</u>			<u>2,816,246</u>	<u>2,915,000</u>
OCTOBER 20, 2005 (SERIES D) GOB-Non	29,920,000	1,815,000	JUNE 1, 2013	5.000	90,750	1,815,000
		1,905,000	JUNE 1, 2014	5.000	95,250	-
		2,000,000	JUNE 1, 2015	5.000	100,000	-
		2,100,000	JUNE 1, 2016	5.500	115,500	-
		2,220,000	JUNE 1, 2017	5.500	122,100	-
		<u>10,150,000</u>	JUNE 1, 2018-21	5.500	558,250	-
		<u>20,190,000</u>			<u>1,061,850</u>	<u>1,815,000</u>
DECEMBER 28, 2006 (SERIES A) GOB-Non State Public School Building Authority Capital Obligation Bonds	317,125,000	6,535,000	JUNE 1, 2013	5.000	326,750	6,535,000
		6,865,000	JUNE 1, 2014	5.000	343,250	-
		7,210,000	JUNE 1, 2015	4.500	324,450	-
		7,536,000	JUNE 1, 2016	5.000	375,500	-
		7,910,000	JUNE 1, 2017	5.000	395,500	-
		45,690,000	JUNE 1, 2018-22	5.000	2,294,500	-
		58,565,000	JUNE 1, 2023-27	5.000	2,869,250	-
		74,745,000	JUNE 1, 2028-32	4.987	3,662,763	-
		<u>73,460,000</u>	JUNE 1, 2033-36	4.486	3,296,367	-
		<u>268,730,000</u>			<u>13,938,350</u>	<u>6,535,000</u>
DECEMBER 28, 2006 (SERIES B) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000	JUNE 1, 2013	3.500	173	5,000
		5,000	JUNE 1, 2014	3.500	175	-
		5,000	JUNE 1, 2015	3.625	181	-
		5,000	JUNE 1, 2016	3.625	181	-
		5,000	JUNE 1, 2017	3.750	188	-
		2,175,000	JUNE 1, 2018-22	4.123	89,675	-
		135,095,000	JUNE 1, 2023-27	5.000	6,914,750	-
		285,406,000	JUNE 1, 2028-32	4.624	13,262,175	-
		<u>118,755,000</u>	JUNE 1, 2033	5.000	5,937,750	-
		<u>545,545,000</u>			<u>26,165,250</u>	<u>5,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2012

01/07/13

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2013 Debt Service Requirements	
					Interest	Principal
MAY 22, 2007 (SERIES A) GOB Non Refunding	146,530,000	10,000 10,000 10,000 15,000 15,000 765,000 65,535,000 5,645,000 74,480,000 <u>146,485,000</u>	JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018-22 JUNE 1, 2023-27 JUNE 1, 2028-32 JUNE 1, 2033-34	4.000 4.000 4.000 4.000 4.000 5.000 5.000 5.000 4.748	400 400 400 600 600 38,250 3,275,750 282,250 3,536,600 <u>7,136,150</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 4,503,335 900,663 <u>8,907,333</u>	DEC 28, 2012 DEC 28, 2013 DEC 28, 2014 DEC 28, 2015 DEC 28, 2016 DEC 28, 2017-21 DEC 28, 2022	- - - - - - -	- - - - - - -	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 25,000,000 3,115,000 <u>28,140,000</u>	DEC 28, 2012 DEC 28, 2013 DEC 28, 2014 DEC 28, 2015 DEC 28, 2016 DEC 28, 2017-21 DEC 28, 2022	1.250 1.250 1.250 1.250 1.250 1.250 1.2560	63 63 63 63 63 312,500 39,165 <u>352,000</u>	5,000 - - - - - - <u>5,000</u>
NOVEMBER 20, 2008 (SERIES E) GOB Non Refunding	282,365,000	4,755,000 4,975,000 5,205,000 5,445,000 5,725,000 33,220,000 42,965,000 56,760,000 76,660,000 37,710,000 <u>273,470,000</u>	SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017-21 SEPT 1, 2022-26 SEPT 1, 2027-31 SEPT 1, 2032-36 SEPT 1, 2037-38	4.125 5.000 4.000 5.000 5.000 4.975 5.275 5.750 6.000 6.000	98,072 248,750 208,200 272,250 286,250 1,657,156 2,271,356 3,277,488 4,599,600 226,600 <u>15,181,722</u>	4,755,000 - - - - - - - - - <u>4,755,000</u>
NOVEMBER 20, 2008 (SERIES F) GOB Refunding	114,215,000	5,000 5,000 5,000 11,360,000 10,845,000 48,190,000 37,825,000 6,045,000 <u>114,200,000</u>	SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017-21 SEPT 1, 2022-26 SEPT 1, 2027	4.125 3.875 4.000 5.000 5.000 5.025 5.200 5.250	103 194 200 569,000 547,250 2,420,469 1,954,950 317,362 <u>5,809,526</u>	5,000 - - - - - - - <u>5,000</u>
MAY 28, 2009 SERIES A GOB Refunding	20,075,000	5,010,000 3,070,000 <u>8,080,000</u>	JUNE 1, 2013 JUNE 1, 2014	4.527 4.827	226,803 148,189 <u>374,992</u>	5,010,000 - <u>5,010,000</u>
MAY 28, 2009 SERIES B GOB Refunding	30,710,000	2,165,000 5,165,000 5,425,000 5,865,000 5,960,000 6,280,000 <u>36,710,000</u>	JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016 JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019	3.000 5.000 5.000 5.000 5.000 4.500	64,850 248,250 271,250 284,750 289,000 283,700 <u>1,461,800</u>	- - - - - - <u>-</u>
MAY 28, 2009 SERIES C GOB Refunding	49,200,000	6,255,000 6,465,000 6,750,000 7,010,000 7,260,000 15,410,000 <u>49,200,000</u>	JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025-28	1.250 1.250 1.250 1.250 1.250 1.250	78,188 81,188 84,375 87,625 91,000 182,624 <u>615,000</u>	- - - - - - <u>-</u>
APRIL 6, 2010 SERIES A (TAX EXEMPT)	27,820,000	4,730,000 4,865,000 5,210,000 5,470,000 <u>20,275,000</u>	JUNE 1, 2013 JUNE 1, 2014 JUNE 1, 2015 JUNE 1, 2016	5.000 5.000 5.000 5.000	286,500 248,250 260,500 273,500 <u>1,018,750</u>	4,730,000 - - - <u>4,730,000</u>
APRIL 6, 2010 SERIES B (BAB-FEDERAL SUBSIDY)	221,485,000	5,745,000 5,920,000 6,115,000 6,325,000 6,550,000 36,830,000 44,860,000 55,965,000 53,815,000 <u>221,485,000</u>	JUNE 1, 2017 JUNE 1, 2018 JUNE 1, 2019 JUNE 1, 2020 JUNE 1, 2021 JUNE 1, 2022-26 JUNE 1, 2027-31 JUNE 1, 2032-38 JUNE 1, 2037-40	4.735 5.139 5.266 5.419 5.569 5.739 6.645 6.765 6.765	272,028 304,229 323,422 342,752 366,060 2,240,456 2,983,429 3,754,913 3,640,585 <u>14,226,892</u>	- - - - - - - - - <u>-</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2012

01/07/13

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2013 Debt Service Requirements	
					Interest	Principal
APRIL 6, 2010 SERIES C GOB Refunding	300,045,000	37,455,000 21,785,000 23,340,000 24,200,000 25,065,000 135,755,000 267,600,000	SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017-21	4.875 4.899 4.876 4.907 4.699 5.000	913,025 1,067,300 1,138,000 1,187,500 1,227,950 6,787,750 12,321,525	37,455,000 - - - - - -
APRIL 6, 2010 SERIES D GOB Refunding	49,365,000	7,248,000 7,600,000 8,000,000 8,410,000 8,650,000 9,260,000 49,365,000	SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019 SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022	4.410 4.976 4.974 4.973 4.885 4.000	319,484 378,213 397,900 418,167 432,312 370,400 2,316,506	- - - - - - -
JANUARY 3, 2011 SERIES E GOB Refunding	125,880,000	5,040,000 3,855,000 3,655,000 3,710,000 3,910,000 27,190,000 78,625,000 125,875,000	SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017-21 SEPT 1, 2022-24	3.000 4.000 4.000 5.000 5.000 5.050 5.2500	75,600 154,200 142,200 185,500 195,500 1,382,568 4,127,812 6,263,400	5,040,000 - - - - - - -
JANUARY 3, 2011 (Series F) GOB Refunding	150,000,000	18,625,000 20,330,000 12,615,000 27,325,000 27,635,000 43,470,000 150,000,000	SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027 SEPT 1, 2028 SEPT 1, 2029-30	1.250 1.250 1.250 1.250 1.250 1.250	232,813 254,125 157,688 341,562 345,437 543,375 1,875,000	- - - - - - -
JANUARY 3, 2011 SERIES G GOB Refunding	150,000,000	18,625,000 20,330,000 12,615,000 27,325,000 27,635,000 43,470,000 150,000,000	SEPT 1, 2024 SEPT 1, 2025 SEPT 1, 2026 SEPT 1, 2027 SEPT 1, 2028 SEPT 1, 2029-30	1.250 1.250 1.250 1.250 1.250 1.250	232,813 254,125 157,688 341,562 345,437 543,375 1,875,000	- - - - - - -
DECEMBER 20, 2011 SERIES A (QSCB) - (FEDERAL SUBSIDY) GOB	144,625,000	7,415,000 7,415,000 7,415,000 7,415,000 7,415,000 41,025,000 46,950,000 19,575,000 144,625,000	SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018 SEPT 1, 2019-23 SEPT 1, 2024-28 SEPT 1, 2029-30	5.995 5.995 5.995 5.995 5.995 5.995 5.995 5.995	532,200 532,200 532,200 532,200 532,200 2,944,507 3,369,765 1,404,966 10,380,238	- - - - - - - - -
DECEMBER 20, 2011 SERIES B (TAX EXEMPT) GOB	16,970,000	1,380,000 1,515,000 1,570,000 1,640,000 1,700,000 9,165,000 16,970,000	SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017-21	2.405 2.637 4.522 4.726 2.405 2.840	16,597 48,048 85,392 93,210 40,892 313,041 597,180	1,380,000 - - - - - -
DECEMBER 20, 2011 SERIES C GOB Refunding	41,185,000	7,120,000 3,100,000 3,230,000 3,385,000 3,565,000 20,775,000 41,185,000	SEPT 1, 2012 SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017-21	2.411 3.618 6.027 6.027 6.027 6.027	85,026 112,104 194,678 204,620 214,867 1,252,132 2,064,225	7,120,000 - - - - - -
DECEMBER 20, 2011 SERIES D GOB Refunding	16,330,000	1,550,000 1,565,000 1,665,000 1,725,000 1,860,000 8,005,000 16,330,000	SEPT 1, 2013 SEPT 1, 2014 SEPT 1, 2015 SEPT 1, 2016 SEPT 1, 2017 SEPT 1, 2018-21	3.000 3.000 4.000 4.000 5.000 3.792	56,971 57,267 79,266 82,668 107,750 356,069 739,571	- - - - - - -
MARCH 29, 2012 SERIES A GOB (SEPTA Loan)	35,312,594	7,062,513 7,062,513 7,062,513 7,062,513 7,062,513 7,062,513 35,312,594	DEC 28, 2012 DEC 28, 2013 DEC 28, 2014 DEC 28, 2015 DEC 28, 2016	2.000 2.000 2.000 2.000 2.000	68,497 68,497 68,497 68,497 68,497 68,496 342,484	7,062,513 - - - - - -
TOTAL BONDS OUTSTANDING	\$ 4,298,557,564	\$ 3,144,227,400			\$ 143,734,980	\$ 114,204,251
NON-RECTORAL DEBT BONDS	\$ 2,847,722,564	\$ 2,266,447,400			\$ 101,218,605	\$ 107,064,251
CAPITAL OBLIGATION BONDS (Lease Rental)	\$ 1,450,835,000	\$ 877,780,000			\$ 42,516,375	\$ 6,549,000
TOTAL BONDS OUTSTANDING	\$ 4,298,557,564	\$ 3,144,227,400			\$ 143,734,980	\$ 114,204,251

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, 2012
 (Dollars in Thousands)

	2012	2011
Governmental Funds Capital Assets:		
Land	\$ 131,841	\$ 131,841
Buildings	1,752,872	1,672,912
Improvements	1,185,064	1,125,906
Intangible Assets (1)	45,598	32,372
Construction in Progress	58,167	149,527
Personal Property	263,426	285,463
Total Governmental Funds Capital Assets	\$ 3,436,968	\$ 3,398,021

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 75,424	\$ 81,461
Capital Projects Fund	3,281,208	3,235,504
Categorical Funds	80,336	81,056
Total Governmental Funds Capital Assets	\$ 3,436,968	\$ 3,398,021

(1) Intangible Assets category added in Fiscal Year 2012 per GASB 51.

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, 2012
 (Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Intangible Assets (1)	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 129,573	\$ 1,648,479	\$ 1,168,365	-	\$ 58,167	\$ 195,499	\$ 3,200,083
Student Support Services	821	9,594	3,133	-	-	26,736	40,284
Administrative Support	1,447	94,799	13,566	45,598	-	5,648	161,058
Operation & Maintenance of Plant Services	-	-	-	-	-	11,610	11,610
Pupil Transportation	-	-	-	-	-	446	446
All Other Support Services	-	-	-	-	-	23,487	23,487
Total Governmental Funds Capital Assets	\$ 131,841	\$ 1,752,872	\$ 1,185,064	\$ 45,598	\$ 58,167	\$ 263,426	\$ 3,436,968

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) Intangible Assets category added in Fiscal Year 2010 per GASB 51.

School District of Philadelphia
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 June 30, 2012
 (Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets (1) July 1, 2011	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2012
Instruction	\$ 3,159,908	\$ (59)	\$ 76,421	\$ 36,187	\$ 3,200,083
Student Support Services	42,255	59	5,027	7,057	40,284
Administrative Support	160,633	-	1,292	867	161,058
Operation & Maintenance of Plant Services	9,844	-	2,259	493	11,610
Pupil Transportation	546	-	17	117	446
All Other Support Services	24,835	-	140	1,488	23,487
Total	<u>\$ 3,398,021</u>	<u>\$ -</u>	<u>\$ 85,156</u>	<u>\$ 46,209</u>	<u>\$ 3,436,968</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, 2011 balances were adjusted to accurately reflect amounts by Function/Activity.





Statistical Section

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

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

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

School District of Philadelphia
Table 1
Net Assets by Component
For the Fiscal Years 2003 through 2012
(accrual basis of accounting)
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 68,267	\$ (76,702)	\$ 15,075	\$ 10,345	\$ 1,183	\$ 27,119	\$ 17,712	\$ (27,665)	\$ (125,999)	\$ (210,988)
Restricted										
Medical Self-Insurance	-	-	-	-	-	-	-	-	18,375	18,375
Debt Service	63,072	55,071	50,380	64,613	70,056	74,032	71,650	76,811	94,901	109,544
Special Revenue & Permanent Funds	5,422	5,256	5,331	-	-	-	-	-	-	-
Expendable	-	-	-	1,969	2,667	2,814	2,109	2,166	3,495	3,466
Non-Expendable	-	-	-	3,622	3,329	3,393	4,121	4,149	2,891	2,838
Arbitrage Rebate Payable	-	-	-	-	-	3,767	4,286	4,286	3,646	286
Workers' Compensation/Termination/Other	-	19,624	23,889	2,354	-	-	-	-	-	-
Other (2)	68,227	-	-	-	-	-	-	-	-	-
Unrestricted (Deficit)	(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)	(1,355,846)
Total Governmental Activities Net Assets	<u>(567,952)</u>	<u>(693,537)</u>	<u>(936,629)</u>	<u>(1,116,884)</u>	<u>(1,226,029)</u>	<u>(1,197,295)</u>	<u>(1,176,052)</u>	<u>(1,243,010)</u>	<u>(1,347,470)</u>	<u>(1,432,525)</u>
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	3,625	3,459	3,449	3,188	3,153	4,005	3,281	3,247	2,927	2,466
Unrestricted (Deficit)	8,143	7,474	7,855	2,442	(5,613)	(7,346)	(11,196)	(11,162)	(9,342)	(6,747)
Total Business-type Activities Net Assets	<u>11,768</u>	<u>10,933</u>	<u>11,304</u>	<u>5,630</u>	<u>(2,480)</u>	<u>(3,341)</u>	<u>(7,915)</u>	<u>(7,915)</u>	<u>(6,415)</u>	<u>(4,281)</u>
Total School District										
Invested in Capital Assets, Net of Related Debt	71,893	(73,243)	18,524	13,533	4,316	31,124	20,993	(24,418)	(123,072)	(208,522)
Restricted	156,720	79,951	79,600	72,538	76,052	84,006	82,166	87,412	123,308	134,509
Unrestricted (Deficit)	(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)	(1,362,593)
Total School District Net Assets	<u>\$ (556,184)</u>	<u>\$ (682,604)</u>	<u>\$ (925,325)</u>	<u>\$ (1,111,254)</u>	<u>\$ (1,228,509)</u>	<u>\$ (1,200,636)</u>	<u>\$ (1,183,967)</u>	<u>\$ (1,250,925)</u>	<u>\$ (1,353,885)</u>	<u>\$ (1,436,606)</u>

Notes:

- (1) 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.
- (2) During Fiscal Year 2003 the School District reported restricted net assets for capital projects, educational projects, inventories, self-insurance, and tax lions 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 2003 through 2012.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2003 through 2012
(accrual basis of accounting)
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental Activities										
Instruction	\$ 1,383,177	\$ 1,382,087	\$ 1,458,022	\$ 1,696,973	\$ 1,706,310	\$ 1,735,663	\$ 1,869,789	\$ 2,033,799	\$ 2,268,293	\$ 2,087,983
Student Support Services	326,276	352,299	412,991	247,845	262,644	216,458	205,474	249,893	254,991	181,595
Administrative Support	129,236	114,931	117,311	112,455	134,597	92,100	122,523	135,193	147,663	163,130
Operation & Maintenance of Plant Services (6)	238,238	243,485	258,985	263,163	270,163	273,335	261,250	256,291	241,686	197,265
Pupil Transportation	44,708	76,382	84,176	88,867	89,079	107,050	73,636	76,175	81,154	81,983
All Other Support Services	279	26,868	15,815	38,422	19,654	32,047	1,591	(2,362)	(21,283)	(10,373)
Early Childhood Education	25,561	21,628	20,972	18,005	20,448	22,816	24,157	20,515	1,487	189
Interest on Long-Term Debt	76,895	88,752	114,533	128,245	138,286	137,906	139,001	142,337	147,505	139,023
Loss on Disposal of Capital Assets (1)	-	6,323 (2)	3,938	-	-	-	-	-	-	-
Loss on Sale of Real Property	-	-	57,550	-	-	-	-	-	-	-
Total Governmental Activities Expenses (3)	<u>2,115,361</u>	<u>2,312,735</u>	<u>2,544,609</u>	<u>2,593,973</u>	<u>2,620,381</u>	<u>2,602,725</u>	<u>2,697,821</u>	<u>2,901,831</u>	<u>3,121,294</u>	<u>2,785,725</u>
Business-type Activities										
Food Services (8)	72,538	80,638	77,595	79,851	81,798	78,189	81,008	80,638	81,035	77,246
Loss on Disposal of Capital Assets (4)	-	-	8	6	-	-	-	-	-	-
Total Business-type Activities Expenses	<u>72,538</u>	<u>80,638</u>	<u>77,603</u>	<u>79,857</u>	<u>81,798</u>	<u>78,189</u>	<u>81,008</u>	<u>80,638</u>	<u>81,035</u>	<u>77,246</u>
Total School District Expenses	<u>\$ 2,187,899</u>	<u>\$ 2,393,373</u>	<u>\$ 2,622,212</u>	<u>\$ 2,673,832</u>	<u>\$ 2,702,179</u>	<u>\$ 2,680,914</u>	<u>\$ 2,778,829</u>	<u>\$ 2,982,469</u>	<u>\$ 3,202,329</u>	<u>\$ 2,862,971</u>
Program Revenues										
Governmental Activities										
Charges for Services (5)										
Instruction	\$ 405	\$ 1,280	\$ 447	\$ 599	\$ 773	\$ 686	\$ 1,037	\$ 664	\$ 745	\$ 642
Student Support Services	91	274	260	90	103	65	69	2	-	-
Administrative Support	1,370	340	538	477	313	3,843	3,963	3,882	3,922	322
Operation & Maintenance of Plant Services	1,860	2,855	1,342	1,325	994	959	1,213	1,114	1,171	872
Pupil Transportation	-	-	-	-	-	-	-	-	-	-
Early Childhood Education	3,155	2,942	2,629	485	349	218	536	60	-	28
Operating grants and contributions	541,135	657,783	743,746	778,978	804,980	853,646	904,656	1,001,353	1,046,677	788,546
Capital grants and contributions	5,176	2,565	700	-	125	27	509	97	1,200	(211)
Total Governmental Activities Program Revenues	<u>553,192</u>	<u>668,969</u>	<u>748,997</u>	<u>781,054</u>	<u>807,652</u>	<u>859,457</u>	<u>911,974</u>	<u>1,007,167</u>	<u>1,055,905</u>	<u>799,199</u>
Business-type Activities										
Charges for Services:										
Food Services	8,186	8,219	6,695	4,834	5,086	3,769	3,089	3,237	2,675	2,094
Operating grants and contributions	65,152	71,660	71,456	69,527	68,530	69,445	72,063	76,870	79,553	77,291
Capital grants and contributions	-	-	-	-	-	-	-	-	-	211
Total Business-type Activities Program Revenues	<u>73,338</u>	<u>79,879</u>	<u>78,151</u>	<u>74,361</u>	<u>73,616</u>	<u>73,154</u>	<u>75,152</u>	<u>80,107</u>	<u>82,228</u>	<u>79,596</u>
Total School District Program Revenues	<u>\$ 626,530</u>	<u>\$ 747,948</u>	<u>\$ 827,148</u>	<u>\$ 855,415</u>	<u>\$ 881,268</u>	<u>\$ 932,611</u>	<u>\$ 987,126</u>	<u>\$ 1,087,274</u>	<u>\$ 1,138,133</u>	<u>\$ 869,795</u>
Net (Expense)/Revenue										
Governmental Activities	(1,562,169)	(1,644,666)	(1,795,687)	(1,812,021)	(1,812,740)	(1,749,922)	(1,785,847)	(1,894,664)	(2,067,389)	(1,995,526)
Business-type Activities	890	(759)	548	(5,496)	(8,182)	(5,035)	(5,856)	(531)	1,193	2,350
Total School District Net (Expense)/Revenue	<u>\$ (1,561,369)</u>	<u>\$ (1,645,425)</u>	<u>\$ (1,795,139)</u>	<u>\$ (1,817,517)</u>	<u>\$ (1,820,922)</u>	<u>\$ (1,754,957)</u>	<u>\$ (1,791,703)</u>	<u>\$ (1,895,495)</u>	<u>\$ (2,066,196)</u>	<u>\$ (1,993,176)</u>

Notes:

- 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.
- 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 GAAPF 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.
- 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.
- Change accounting procedure for reporting "Loss on Disposal of Capital Assets" during Fiscal Year 2007. Began allocating losses to functional activities.
- Reclassified Charges for Services, under Program Revenues, by functional activities.
- 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 2003 through 2012.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Assets
For the Fiscal Years 2003 through 2012
(accrual basis of accounting)
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (1,995,526)
Business-type Activities	808	(759)	548	(5,496)	(8,182)	(5,035)	(5,850)	(531)	1,195	2,350
Total School District Net (Expense)/Revenue	<u>(1,561,361)</u>	<u>(1,645,425)</u>	<u>(1,795,139)</u>	<u>(1,817,517)</u>	<u>(1,820,931)</u>	<u>(1,754,957)</u>	<u>(1,791,697)</u>	<u>(1,895,195)</u>	<u>(2,066,194)</u>	<u>(1,993,176)</u>
General Revenues/Contributed Capital/Transfers:										
Governmental Activities										
Property Taxes	503,114	516,385	540,322	540,241	549,519	598,556	604,962	608,377	605,219	658,540
Other Taxes (1)										
Use & Occupancy Taxes	96,593	89,005	97,908	97,940	104,147	108,298	112,225	111,801	115,361	113,843
Liquor Taxes	30,769	28,824	33,381	37,181	39,733	41,616	41,136	42,787	45,185	52,314
School (Non-Business) Income Taxes	13,913	15,436	16,278	20,901	23,902	26,650	25,240	21,590	24,738	29,691
Public Utility/PILOT Taxes	940	998	844	1,441	702	1,054	965	1,098	1,115	1,103
Grants and Contributions Not Restricted to Specific Programs	68,145	83,595	81,872	112,958	142,927	133,801	102,249	63,462	69,057	87,921
State & Federal Subsidies	768,988	760,743	783,947	804,829	843,647	870,686	922,965	1,018,811	1,089,698	969,264
General Obligation Bond Premium (2)	-	-	222	-	-	-	-	(6)	-	-
Gain on Sale of Capital Assets	-	-	178	178	178	(4,112)	(1,283)	(534)	(308)	217
Transfers	76	76	178	178	178	(4,112)	(1,283)	(534)	(308)	217
Investment Revenue	-	-	-	-	-	-	-	2,261	13,348	4,170
Total Governmental Activities	<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>1,869,617</u>	<u>1,963,443</u>	<u>1,917,663</u>
Business-type Activities										
Contributed Capital	-	-	-	-	250	63	-	(3)	-	-
Transfers	(76)	(76)	(178)	(178)	(178)	4,112	1,283	534	308	(217)
Total Business-type Activities	<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>	<u>(217)</u>
Total School District General Revenues/Contributed Capital/Transfers	<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>	<u>1,916,846</u>
Changes in Net Assets:										
Governmental Activities	(79,631)	(149,604)	(240,735)	(196,352)	(107,994)	26,627	22,612	(25,017)	(103,946)	(78,463)
Business-type Activities	724	(835)	370	(5,674)	(8,110)	(860)	(4,573)	(1)	1,501	2,133
Total School District Change in Net Assets	<u>\$ (78,907)</u>	<u>\$ (150,439)</u>	<u>\$ (240,365)</u>	<u>\$ (202,026)</u>	<u>\$ (116,104)</u>	<u>\$ 25,767</u>	<u>\$ 18,039</u>	<u>\$ (25,018)</u>	<u>\$ (102,445)</u>	<u>\$ (76,330)</u>

Notes:

(1) Reclassified other taxes previously reported into its various components, U&O, Liquor, School, etc.

(2) During Fiscal Year 2002 the School District reported General Obligation Bond (GOB) premiums as a revenue source along with the general revenues. Further review disclosed that the amortized annual premium amount should reduce the liability (premium) and net assets. Beginning in Fiscal Year 2003, the School District reported the GOB premium as such.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2003 through 2012.

School District of Philadelphia
Table 4
Fund Balances of Governmental Funds (1)
For the Fiscal Years 2003 through 2012
(modified accrual basis of accounting)
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable										
Inventories	\$ 1,342	\$ 1,657	\$ 1,227	\$ 1,116	\$ 1,284	\$ 1,204	\$ 1,366	\$ 1,232	\$ 1,154	\$ 1,102
Long-term Interfund Loan	-	-	-	-	-	-	-	10,561	9,061	7,061
Restricted										
Medical Self-Insurance	-	-	14,298	2,354	-	-	-	-	18,375	18,375
Workers' Compensation	-	19,624	9,591	2,591	-	-	-	-	-	-
Termination/Incentive Compensation	-	-	20,000	15,000	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	130,839	22,325	11,423	(84,603)	(52,430)	(44,608)	8,368	(9,866)	(71,967)	(138,150)
Unassigned										
Total General Fund	\$ 132,181	\$ 43,606	\$ 56,539	\$ (66,133)	\$ (51,146)	\$ (43,404)	\$ 9,674	\$ 1,922	\$ (43,377)	\$ (111,612)
All Other Governmental Funds:										
Nonspendable										
Permanent Fund Principal	\$ 1,088	\$ 1,178	\$ 1,219	\$ 1,222	\$ 1,291	\$ 1,291	\$ 1,291	\$ 1,336	\$ 1,366	\$ 1,366
Restricted										
Retirement of Long-term Debt	34,138	20,318	28,048	39,960	46,895	48,741	49,138	47,944	59,126	62,208
Debt Service Interest	28,934	34,753	22,332	24,653	23,161	25,291	22,512	28,867	35,775	47,355
Debt Service - Other	95	-	-	-	-	-	-	-	-	-
Arbitrage Rebate Payable	-	-	-	-	-	3,767	4,286	4,286	3,646	286
Trust purposes	4,356	4,094	4,123	4,377	4,705	4,918	4,960	4,982	5,021	4,939
Capital Purposes	44,871	752,549	603,204	425,649	437,883	117,876	165,315	257,067	82,591	169,653
Committed	-	-	-	-	-	-	9,886	19,886	-	-
Assigned	534	534	534	534	-	-	2,383	1,220	2,645	1,359
Unassigned	(6,095)	(30,649)	(22,775)	(17,156)	(18,454)	(12,266)	(18,972)	(15,620)	(54,588)	(94,467)
Total All Other Governmental Funds	\$ 107,521	\$ 732,778	\$ 636,685	\$ 479,239	\$ 495,481	\$ 189,618	\$ 240,709	\$ 349,968	\$ 135,582	\$ 277,679
Total Fund Balance	\$ 240,102	\$ 826,384	\$ 693,224	\$ 413,106	\$ 444,335	\$ 146,214	\$ 250,473	\$ 351,895	\$ 92,205	\$ 166,067

(1) The School District of Philadelphia retroactively applied GASB Statement No. 54 fund balance classification for fiscal years 2003 through 2010.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2003 through 2012.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2003 through 2012
(modified accrual basis of accounting)
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Federal Sources										
Grants and Subsidies	\$ 260,343	\$ 306,669	\$ 339,280	\$ 335,727	\$ 293,012	\$ 297,128	\$ 301,723	\$ 557,950	\$ 632,055	\$ 444,504
Total Federal Sources	260,343	306,669	339,280	335,727	293,012	297,128	301,723	557,950	632,055	444,504
State Sources										
Grants and Subsidies	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	1,349,514
Total State Sources	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	1,349,514
Local Sources										
Local Taxes										
Real Estate										
Current	451,067	458,085	486,815	493,147	501,282	547,580	548,166	546,352	549,717	597,788
Prior Years	37,615	55,438	49,459	53,862	49,357	51,814	50,662	55,684	39,555	51,606
Payment in Lieu of Taxes	5	5	5	5	5	5	5	5	-	5
Use and Occupancy	98,862	96,154	99,050	103,762	103,757	108,614	112,266	117,295	109,273	112,540
School (Non-Business) Income	16,515	14,605	17,617	20,013	24,035	26,938	25,335	22,175	24,011	27,744
Liquor Sales	28,650	33,082	33,930	38,241	39,331	41,586	41,016	43,280	43,892	50,122
Public Utility Realty	960	1,055	857	1,096	1,123	1,049	960	1,093	1,115	1,099
Total Local Taxes	633,674	658,424	687,733	710,126	718,890	777,586	778,410	785,884	767,563	840,904
Locally Generated Non Tax										
Interest and other income	21,171	25,641	39,939	39,687	56,614	49,952	20,771	9,101	5,986	7,903
City Contributions	35,000	35,000	35,000	35,000	35,000	37,000	38,490	38,540	38,600	48,930
Legal Settlements	4,500	2,650	2,501	2,819	2,590	2,555	2,710	2,735	2,613	2,485
Stadium Agreements	-	1,159	1,159	1,159	2,898	3,000	3,000	3,000	3,000	2,815
Parking Authority	-	-	-	-	-	2,221	3,801	7,284	7,789	13,956
Gaming Revenue	-	-	-	-	-	-	-	-	5,793	5,894
Reimbursements from Other Funds	-	-	7,221	6,503	7,462	7,233	-	-	14	14
Variable Rate Income/Swap Income	7,386	7,668	11,383	20,001	23,765	20,697	8,471	2,656	1,445	1,492
Other Miscellaneous/Voluntary Contributions	-	-	-	-	-	-	-	7,975	7,533	11,209
Total Local Generated Non Tax	68,057	72,118	97,203	105,169	128,329	122,658	84,819	71,305	72,773	94,698
Total Local Sources	701,731	730,542	784,936	815,295	847,219	900,244	863,229	857,189	840,336	935,602
Total Revenues	\$ 2,025,054	\$ 2,136,969	\$ 2,325,744	\$ 2,407,830	\$ 2,497,693	\$ 2,636,124	\$ 2,691,746	\$ 2,872,055	\$ 2,930,859	\$ 2,729,620

(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 Report for the Fiscal Years ended 2003 through 2012.

School District of Philadelphia
Table 6

Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2003 through 2012
(modified accrual basis of accounting)
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENDITURES										
Current:										
Instruction	\$ 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	\$ 1,487,078
Student Support Services	188,932	201,879	221,853	233,336	230,955	226,304	199,912	232,525	250,054	200,466
Administrative Support	113,717	108,318	111,021	106,691	102,197	82,101	109,777	131,064	140,202	107,487
Operation & Maintenance of Plant Services	233,222	241,579	256,029	261,984	262,181	271,003	257,910	254,114	237,243	200,893
Public Transportation	44,247	76,323	82,228	88,302	87,071	107,666	73,437	76,068	80,279	83,396
All Other Support Services	279	26,380	15,302	36,822	18,877	31,473	1,462	(3,647)	(21,612)	(10,661)
Early Childhood Education	25,562	21,628	20,952	17,994	20,448	22,814	24,157	20,505	1,487	189
Payments to Charter Schools	126,061	153,410	184,084	220,930	240,377	269,695	308,505	338,320	411,713	539,741
Debt Services:										
Principal	34,585	45,000	21,131	37,437	63,122	66,417	71,159	70,762	65,454	31,577
Interest	369	369	369	215	34	7	3	-	-	-
Principal & Interest - Authority	70,193	74,044	71,023	91,726	99,242	99,625	82,157	110,433	155,797	87,040
Issuance Costs	-	22,908	33,615	29,693	33,805	49,062	49,058	49,058	49,060	42,522
Administrative Expenses	-	26,593	4,749	1,449	15,235	3,370	10,281	4,133	2,248	1,836
	-	-	2,346	2,820	2,436	2,901	8,786	6,306	3,459	3,684
Capital Outlays: (1)										
New Buildings and Additions	18,175	44,733	100,986	52,702	73,734	147,024	88,048	42,641	88,339	7,923
Environmental Management	8,294	3,355	2,994	3,837	3,824	3,504	3,521	3,367	3,335	2,997
Alterations and Equipment	27,003	79,590	87,304	154,603	226,794	213,146	111,638	90,969	71,323	61,291
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	6,191
Total Expenditures	\$ 2,111,135	\$ 2,455,588	\$ 2,592,929	\$ 2,728,210	\$ 2,822,732	\$ 2,975,036	\$ 2,879,430	\$ 3,051,775	\$ 3,261,757	\$ 2,853,650
Debt Service as a percentage of noncapital expenditures (2)	5.0%	5.9%	5.1%	6.2%	7.6%	8.0%	7.4%	7.7%	8.3%	5.6%

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) Non-capital expenditures equal total governmental fund expenditures less (a) capital outlays and (b) depreciation expense which is for capitalized assets contained within the functional expenditures categories.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2003 through 2012.

School District of Philadelphia
Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2003 through 2012
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Excess (Deficiency) of Revenues over Expenditures	\$ (86,999,702)	\$ (318,619,908)	\$ (267,184,027)	\$ (320,380,341)	\$ (325,041,866)	\$ (338,912,254)	\$ (187,673,270)	\$ (179,719,620)	\$ (330,898,060)	\$ (124,029,429)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	-	1,587,769,623 (1)	332,630,000	29,920,000	1,008,348,549	724,300,000	496,565,000	598,715,000	425,880,000	280,410,000
Land Sale Proceeds	-	-	27,794,440	-	-	-	-	-	-	-
Capital Asset Proceeds	-	-	-	207,071	2,461,045	5,644,893	11,390,163	276,989	5,764,807	211,481
SEPTA Loan Proceeds	-	-	-	-	-	-	-	-	-	-
Swaption Net Proceeds	-	16,641,000	-	-	-	-	-	-	-	35,312,564
Basis Swap Proceeds	-	-	-	7,235,000	10,740,000	-	-	-	-	-
Bond Premium	-	4,884,867 (1)	18,512,125	2,853,532	62,356,553	-	-	35,336,224	7,724,000	4,636,539
Bond Discounts	-	(10,512,043) (1)	-	-	-	-	-	-	-	(265,965)
Bond Defacement	-	(691,987,393)	(256,746,398)	-	(727,979,601)	(681,897,949)	(9,657,934)	(353,329,003)	(368,301,151)	(122,578,020)
Transfers In	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	384,489,440
Transfers Out	(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)	(384,272,425)
Total Other Financing Sources and (Uses)	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	197,943,634
Net Change in Fund Balance	\$ (86,023,971)	\$ (388,739,875)	\$ (144,634,353)	\$ (280,006,697)	\$ (31,063,702)	\$ (298,041,291)	\$ (104,155,333)	\$ (101,496,654)	\$ (259,612,789)	\$ (73,914,205)

Note:

(1) Retained bond proceeds reported on Fiscal Year 2004 CAFR 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 2003 through 2012.

School District of Philadelphia
Table 8

Governmental Funds Revenue By Own-Source (3)
For the Fiscal Years 2003 through 2012
(modified accrual accounting)
(dollars in millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Percentage Change 2003 - 2012
Local Taxes											
Rent Estate	\$ 488.7	\$ 513.5	\$ 536.3	\$ 547.0	\$ 550.6	\$ 599.4	\$ 598.8	\$ 602.0	\$ 589.3	\$ 649.4	32.9 %
Use and Occupancy	98.8	96.2	99.0	103.8	103.8	108.6	112.3	117.3	109.3	112.5	13.9 %
Other	46.1	48.7	52.4	59.3	64.5	69.6	67.3	66.6	69.0	79.0	71.3 %
Total Taxes	633.6	658.4	687.7	710.1	718.9	777.6	778.4	785.9	767.6	840.9	32.7
Locally-Generated Non Tax											
City Contributions	35.0	35.0	35.0	35.0	35.0	37.0	38.5	38.5	38.6	48.9	39.8 %
Other	33.1	37.1	62.2	70.2	93.3	85.6	46.3	32.8	34.2	45.8	38.3 %
Total Local	681.7	721.1	784.9	815.3	847.2	900.2	863.2	857.2	840.4	935.6	33.3 %
Total Own-Source Revenues (1)	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	33.3 %
Summary of Own-Source Revenues by Fund:											
General (4)	\$ 692.0	\$ 712.3	\$ 744.6	\$ 767.9	\$ 790.0	\$ 832.7	\$ 842.8	\$ 847.2	\$ 833.7	\$ 927.0	34.0 %
Intermediate	0.3	0.2	0.4	0.7	1.3	1.0	0.6	0.4	0.5	0.4	33.3 %
Categorical	6.4	6.4	9.7	6.4	6.2	7.0	4.2	3.3	7.0	4.6	(28.1) %
Debt Service (1) (4) (5)	1.7	1.5	12.6	23.1	28.5	23.7	9.9	3.8	2.1	2.6	52.9 %
Capital Projects	1.2	9.9	17.4	16.9	20.8	15.5	5.6	2.4	1.2	0.9	(25.0) %
Non-Major	0.1	0.2	0.2	0.3	0.4	0.3	0.1	0.1	0.1	0.1	0.0 %
Total Own-Source Revenues	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	\$ 900.2	\$ 863.2	\$ 857.2	\$ 840.4	\$ 935.6	33.3 %
Totals Restated on a Constant Dollar Basis (2)											
2003 as base year	\$ 701.7	\$ 699.8	\$ 727.1	\$ 722.8	\$ 739.6	\$ 747.5	\$ 731.5	\$ 712.8	\$ 679.8	\$ 747.4	6.5 %
2012 as base year	\$ 878.4	\$ 875.9	\$ 910.2	\$ 904.8	\$ 925.8	\$ 935.7	\$ 915.7	\$ 892.3	\$ 851.0	\$ 935.6	6.5 %

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 2003 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 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 2003 through 2012
(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	Total Taxable Assessed Value of Property				
2003	\$ 14,326	\$ 3,705	\$ 10,621	4.790	%	\$ 10,621	0.3012	\$ 35,263
2004	14,813	3,867	10,946	4.790		10,946	0.3002	36,462
2005	15,072	4,040	11,032	4.790		11,032	0.2970	37,144
2006	15,803	4,372	11,431	4.790		11,431	0.2969	38,500
2007	16,243	4,628	11,615	4.790		11,615	0.2924	39,723
2008	16,974	4,799	12,175	4.959		12,175	0.2922	41,667
2009	17,352	5,146	12,206	4.959		12,206	0.2886	42,294
2010	17,615	5,339	12,276	4.959		12,276	0.2846	43,134
2011	17,940	5,593	12,347	4.959		12,347	0.2673	46,192
2012	18,022	5,685	12,337	5.309		12,337	0.2805 (3)	43,982

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 2003 through 2012
 (Per \$100 Assessed Value)

Calendar Year	City of Philadelphia	School District of Philadelphia	Total
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
2012	4.123	5.309	9.432

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	2012			2003		
	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	\$ 48.4	0.46%
Philadelphia Liberty Place LP	2	54.4	0.44%	1	64.3	0.61%
Nine Penn Center Associates	3	54.1	0.44%	4	54.1	0.51%
HUB Properties Trust	4	43.8	0.36%	2	59.5	0.56%
Brandywine Operating Part (Bell Atlantic)	5	40.6	0.33%	6	45.1	0.42%
PRU 1901 Market LLC	6	35.2	0.29%	7	32.9	0.31%
Maguire/Thomas	7	33.9	0.27%	9	32.0	0.30%
Commerce Square Partners	8	33.3	0.27%	8	32.3	0.30%
Philadelphia Shipyard Development Corp.	9	30.3	0.25%	-	-	0.00%
The Philadelphia Market Street (Marriott)	10	28.8	0.23%	10	30.4	0.29%
Two Liberty Place		-	-	3	56.0	0.53%
Total of the Ten Largest Real Estate Assessments		<u>\$ 412.0</u>	<u>3.34%</u>		<u>\$ 455.0</u>	<u>4.28%</u>
Total Taxable Assessments		<u>\$ 12,337.0</u>	<u>100.00%</u>		<u>\$ 10,621.1</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 2003 through 2012

Calendar Year	Calendar Years 2003 through 2012					Ratio of Total Tax Collections to Adjusted Total Tax Levy
	Collected within the					
	Adjusted Total Tax Levy (a)	Calendar Year of the Tax Levy Current Tax Collections (b)	Percent of Current Taxes Collected	Delinquent Tax Collections (b)	Total Tax Collections	
2003	\$ 494,536,667	\$ 444,645,287	89.91%	\$ 43,964,534	\$ 488,609,821	98.80%
2004	502,838,785	463,323,859	92.14%	33,154,625	496,478,484	98.74%
2005	511,193,660	473,681,165	92.66%	30,707,534	504,388,699	98.67%
2006	529,044,095	490,407,195	92.70%	30,672,739	521,079,934	98.49%
2007	540,723,643	498,522,166	92.20%	31,843,500	530,365,666	98.08%
2008	589,438,814	541,177,021	91.81%	36,403,009	577,580,030	97.99%
2009	596,223,097	543,170,566	91.10%	37,174,585	580,345,151	97.34%
2010	587,536,703	540,772,590	92.04%	41,483,422	582,256,012	99.10%
2011	595,724,756	551,328,336	92.55%	42,154,571	593,482,907	99.62%
2012	636,956,173	598,409,315	93.95%	N/A	598,409,315	93.95%

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 2003 through 2012 - Principal Only.

N/A = Data Not Available

Fiscal Year	Fiscal Years 2003 through 2012		Total Tax Collections
	Current Tax Collections	Prior Year Tax Collections	
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
2012	597,788,247	51,605,746	649,393,993

Source: The School District of Philadelphia - Accounting System fiscal year records as of December 31, 2012.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2003 through 2012
(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 - 2003 as Base Year (2) (3)
						%	\$	\$
2003	\$ 1,405,890	\$ -	\$ 997	\$ -	\$ 1,406,887	3.45 %	\$ 931	\$ 931
2004	1,726,595	588,135	628	3,856	2,319,214	5.50	1,536	1,471
2005	1,805,490	588,130	259	3,125	2,397,004	5.52	1,583	1,466
2006	1,798,724	588,125	44	2,375	2,389,268	5.32	1,574	1,396
2007	1,732,258	906,200	10	1,604	2,640,072	5.55	1,737	1,516
2008	1,712,357	901,025	3	813	2,614,198	5.16	1,709	1,419
2009	1,929,620	895,570	-	-	2,825,190	5.21	1,834	1,554
2010	2,104,498	889,955	-	-	2,994,453	5.54	1,935	1,609
2011	2,096,912	884,010	-	-	2,980,922	5.14	1,919	1,552
2012	2,266,447	877,780	-	-	3,144,227	5.24	2,046	1,635

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 2003 through 2012
(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 (DCCA)	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 - 2003 as Base Year (3) (4)
2003	\$ 1,082,910	\$ 22,980	\$ 300,000	\$ -	\$ -	\$ 1,405,890	\$ 34,138	\$ 1,371,752	3.37 %	3.89 %	\$ 908	\$ 908
2004	1,203,425	22,975	291,195	209,000	588,135	2,314,730	20,318	2,294,412	5.44	6.29	1,515	1,451
2005	1,262,915	42,305	291,280	208,990	588,130	2,393,620	28,048	2,365,572	5.44	6.37	1,559	1,444
2006	1,267,141	40,918	281,685	208,980	588,125	2,386,849	39,960	2,346,889	5.22	6.10	1,544	1,369
2007	1,212,170	39,533	271,585	208,970	906,200	2,638,458	46,895	2,591,563	5.45	6.52	1,694	1,479
2008	1,162,645	79,817	260,935	208,960	901,025	2,613,382	48,741	2,564,641	5.06	6.16	1,665	1,383
2009	1,602,860	77,525	249,235	-	895,570	2,825,190	49,138	2,776,052	5.12	6.56	1,794	1,520
2010	1,792,685	75,233	236,580	-	880,955	2,994,453	47,944	2,946,509	5.45	6.83	1,951	1,606
2011	1,800,745	72,942	223,225	-	884,010	2,980,922	59,126	2,921,796	5.13	6.33	1,902	1,538
2012	1,986,668	70,650	209,130	-	877,780	3,144,228	62,208	3,082,020	5.13	7.01	2,020	1,613

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, 2012
 (dollars in millions)

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (2)
School District of Philadelphia	\$ 3,082.0	100.0%	\$ 3,082.0
City of Philadelphia Direct Debt			4,143.1
Total Direct and Overlapping Debt			<u>\$ 7,225.1</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 2003 through 2012
 (dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2012	
Assessed value	\$ 12,337.0
Debt Limit (1)	297.0
Non-electoral Debt Capacity (2)	2,970.0
Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 1,696.7

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 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	\$ 2,277.4
General Obligation Bonds	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	3,144.2
Lease Bonds - STPFA	-	(588.1)	(588.1)	(588.1)	(906.2)	(901.0)	(895.6)	(890.0)	(884.0)	(877.8)
Capital Appreciation Bonds - Non-electoral Debt	(6.1)	(3.6)	(2.5)	(1.3)	-	-	-	-	-	-
Electoral Debt	1,999.8	1,725.0	1,803.0	1,797.4	1,752.3	1,712.4	1,929.6	2,104.5	2,096.9	2,266.4
Facilities	(300.0)	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.6)	(223.2)	(209.1)
Debt Bonds	(70.5)	(70.5)	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)
Termination Bonds	(29.7)	(29.7)	(29.7)	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)
Stadium Bonds	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	1,980.4
Non-electoral Debt Outstanding applicable to Debt Limit	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	2,277.4
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	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	1,980.4
Less: Non-electoral Debt Outstanding applicable to Debt Limit	500.7	256.7	341.5	442.1	580.1	678.3	538.1	425.9	479.7	297.0
Non-electoral Debt Capacity (2)	\$ 599.1	\$ 1,175.1	\$ 1,100.0	\$ 973.4	\$ 782.8	\$ 679.2	\$ 1,052.4	\$ 1,356.2	\$ 1,312.6	\$ 1,683.4
%	68.7 %	84.8 %	80.8 %	76.2 %	70.1 %	66.7 %	74.7 %	80.7 %	78.9 %	87.0 %
Debt Limit (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 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	\$ 4,554.9
General Obligation Bonds	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	3,144.2
Lease Bonds - STPFA	(6.1)	(3.6)	(2.5)	(1.3)	-	-	-	-	-	-
Capital Appreciation Bonds - Non-electoral Debt	1,999.8	1,725.0	1,803.0	1,797.4	1,752.3	1,712.4	1,929.6	2,104.5	2,096.9	2,266.4
Electoral Debt	(300.0)	(291.2)	(291.3)	(281.7)	(271.6)	(261.0)	(249.2)	(236.6)	(223.2)	(209.1)
Debt Bonds	(70.5)	(70.5)	(70.5)	(70.5)	(69.6)	(67.2)	(64.7)	(62.2)	(59.5)	(56.7)
Termination Bonds	(29.7)	(29.7)	(29.7)	(29.7)	(28.2)	(26.7)	(25.2)	(23.6)	(21.9)	(20.2)
Stadium Bonds	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	1,980.4
Non-electoral Debt and Lease Rental Outstanding	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	4,554.9
Less: Non-electoral Debt and Lease Rental Outstanding	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1	2,338.5	2,486.1	2,672.1	2,676.3	2,858.2
Non-electoral Debt and Lease Rental Outstanding	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	1,696.7
%	34.4 %	59.8 %	56.9 %	53.9 %	58.4 %	55.5 %	58.4 %	60.5 %	58.9 %	62.7 %

Notes:
 (1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit). Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.
 (2) Debt Capacity represents borrowing base less the amount of outstanding Non-electoral debt less certain exclusions. It is the maximum allowable debt that does not exceed the average revenue for the three preceding fiscal years.
 (3) Borrowing Capacity represents 200% of the borrowing base (from debt capacity) less Non-electoral debt and lease rental, less certain exclusions. It is the maximum amount the District could borrow without exceeding twice the borrowing base amounts.

School District of Philadelphia
 Table 17
 Ratio of Annual Debt Service
 For General Bonded Debt and Authority Payments
 To Total Governmental Funds Expenditures Excluding Categorical Funds
 For the Fiscal Years 2003 through 2012
 (dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Bonded Debt Principal	\$ 34,585	\$ 45,000	\$ 20,410	\$ 36,686	\$ 62,352	\$ 65,626	\$ 70,347	\$ 70,762	\$ 65,454	\$ 31,577
General Bonded Debt Interest	70,193	74,044	74,572	91,643	99,178	99,582	82,134	83,864	85,332	86,593
Loans	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	42,522
Total Debt Service Expenditures (2)	<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>	<u>160,692</u>
Total General Expenditures Excluding Categorical Funds	<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>	<u>2,358,330</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical Funds	<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>	<u>6.81</u>
Total General Expenditures (2) (3)	<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>	<u>2,853,650</u>
Ratio of Debt Service to Total General Expenditures	<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>	<u>5.63</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 2003 through 2012

Calendar Year	City of Philadelphia				Property Values (4)			Bank Deposits (5)	
	Estimated Population (1) (in thousands)	Per Capita Personal Income (2)	Personal Income (dollars in thousands) (2)	Unemployment Rate (2)	Civilian Labor Force (in thousands) (2)	Total Market (dollars in millions) (2)	Original Assessed (dollars in millions) (3)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
2003	1,510	27,945	42,198,628	7.5	622.6	44,770	10,819	19,719	8,730
2004	1,515	28,695	43,463,015	7.3	618.3	46,292	11,141	19,883	9,636
2005	1,518	29,615	44,944,207	6.7	619.0	47,099	11,283	22,325	13,199
2006	1,520	31,288	47,566,075	6.2	617.1	49,384	11,904	23,376	18,504
2007	1,530	33,118	50,672,227	6.0	619.2	50,759	11,615	26,609	18,150
2008	1,540	35,228	54,262,716	7.1	630.4	53,045	12,175	28,306	16,719
2009	1,547	34,939	54,061,223	9.6	652.7	54,224	12,206	31,624	16,673
2010	1,526	37,333	56,970,074	10.8	644.0	55,047	12,276	35,060	11,504
2011	1,536	39,074	60,035,440 (6)	10.8	643.5	56,062	12,347	35,809	15,244
2012	N/A	N/A	63,037,212 (6)	10.7	658.3	56,320	12,337	32,267	12,311

Notes:

(1) Data for calendar years 2003 through 2011 obtained from U.S. Census Bureau.

(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.

N/A = Data Not Available

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

2012 (1)		2003 (2)	
<u>Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment (3)</u>	<u>Employers</u>
University of Pennsylvania/University of Pennsylvania Hospital	32,052	5.45	City of Philadelphia
City of Philadelphia	26,853	4.57	School District of Philadelphia
School District of Philadelphia	19,934	3.39	University of Pennsylvania/University of Pennsylvania Hospital
Thomas Jefferson University Hospitals Inc.	19,232	3.27	Jefferson Health System/Thomas Jefferson University
Temple University/Temple University Health System	14,015	2.38	Temple University/Temple University Health System
Children's Hospital of Philadelphia	10,585	1.80	Southeastern Pennsylvania Transportation Authority
Drexel University	9,345	1.59	Tenet Healthcare Systems, Inc
Southeastern Pennsylvania Transportation Authority	9,195	1.56	US Airways
Aramark Corp.	8,406	1.43	Children's Hospital of Philadelphia
Albert Einstein Healthcare Network	8,100	1.38	Independence Bite Cross
US Airways	6,414	1.09	Wachovia
			Number of Employees
			29,519
			25,658
			22,600
			18,700
			13,200
			8,500
			7,000
			5,500
			5,100
			5,000
			4,500
			Percentage of Total Employment (3)
			5.13
			4.46
			3.93
			3.25
			2.29
			1.48
			1.22
			0.96
			0.89
			0.87
			0.78

Notes:

- (1) Information obtained from (a) The Philadelphia Business Journal dated June 22, 2012 - "The Philadelphia Region's Biggest Employers" (b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2012 and (c) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2012, and Greater Philadelphia Chamber of Commerce website.
- (2) Information obtained from (a) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2003 and website related to "largest employers in the City of Philadelphia, PA" Philadelphia City Planning Commission, City Stats, January 2005 and (b) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2009.
- (3) Based on annual 2003 and 2012 (October 2012) 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 2003 through 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Percentage Change 2003 - 2012
Instruction:											
<i>Classroom Teachers</i>											
Operating	10,861	11,033	10,347	9,509	8,884	8,648	8,696	8,561	8,313	7,591	(30.1) %
Grants	1,319	1,146	1,286	1,438	1,612	1,640	1,681	2,720	2,900	1,954	48.1
<i>Total Classroom Teachers</i>	12,180	12,179	11,633	10,947	10,496	10,288	10,377	11,281	11,213	9,545	(21.6)
<i>Non-Teaching</i>											
Assistant (Asst.) Teachers	444	365	384	239	241	245	294	278	258	232	(47.7)
Classroom & Instructor Assistants	885	778	715	663	672	658	639	693	779	782	(11.6)
Counselor/Librarians	93	89	83	84	88	69	40	86	13	85	(8.6)
Psychologists/Therapists	41	39	41	37	38	36	32	38	41	36	(12.2)
Supportive Service Assistants	1,745	1,356	1,210	1,471	1,197	1,156	1,206	1,252	1,422	1,111	(36.3)
Other Paraprofessionals	245	237	203	172	152	146	100	97	102	164	(33.1)
<i>Total Non-Teaching</i>	3,453	2,864	2,636	2,666	2,388	2,310	2,311	2,444	2,615	2,410	(30.2)
Total Instruction	15,633	15,043	14,269	13,613	12,884	12,598	12,688	13,725	13,828	11,955	(23.5)
Classroom Support:											
<i>In-school Instruction Leadership & Support</i>											
Principals/Assistant Principals	512	532	522	515	510	478	475	465	479	445	(13.1)
Department Heads/Program Mgrs. & Coord.	61	63	59	35	31	34	35	35	33	1	(98.4)
Secretarial	602	597	580	540	497	495	487	472	453	346	(42.5)
Other Clerical	83	84	87	80	83	3	6	2	5	1	(98.8)
<i>Total In-school Instruction Leadership & Support</i>	1,258	1,276	1,248	1,170	1,121	1,010	1,003	974	970	793	(37.0)
<i>Professional Development & Training</i>											
Director	3	2	1	3	2	3	4	8	5	-	(100.0)
Non-Teaching Professionals	292	418	391	431	350	325	333	240	246	124	(57.5)
Secretarial	3	4	4	5	4	4	1	1	1	-	(100.0)
<i>Total Professional Development & Training</i>	298	424	396	439	356	332	338	249	252	124	(58.4)
<i>Student Support Services</i>											
Other Technical Staff	34	30	33	27	31	26	27	36	49	1	(97.1)
Non-professional supervisory	113	116	114	113	107	94	92	90	76	5	(95.6)
Counselor/Librarians	366	339	340	347	327	338	344	471	469	379	3.6
Psychologists/Therapists	101	99	100	106	102	97	100	96	113	108	6.9
Other Paraprofessionals	159	146	167	198	194	146	449	536	537	320	101.3
Bus Drivers/Attendants	1,130	1,129	1,126	1,125	1,127	1,084	1,047	1,072	1,053	1,044	(7.6)
Health Providers	344	340	320	310	326	317	325	331	325	221	(35.8)
Food Service	891	908	902	890	931	810	820	868	854	764	(14.3)
Other (includes Noon Time Aides)	1,403	1,381	1,458	1,431	1,400	1,429	1,498	1,574	1,608	1,288	(8.2)
<i>Total Student Support Services</i>	4,541	4,488	4,560	4,547	4,545	4,341	4,702	5,074	5,084	4,130	(9.1)
<i>Basic Building Services</i>											
Non-Teaching Assistants	503	471	421	311	248	196	187	161	120	48	(90.5)
Maintenance	416	400	416	428	410	416	376	365	368	342	(17.8)
Custodial	2,010	1,868	1,810	1,663	1,583	1,508	1,453	1,415	1,409	1,228	(38.9)
Warehouse/Distribution	33	34	33	34	28	21	27	29	27	23	(30.3)
Security	481	491	554	489	540	540	592	594	592	401	(16.6)
<i>Total Basic Building Services</i>	3,443	3,264	3,234	2,925	2,809	2,681	2,635	2,564	2,516	2,042	(40.7)
Total Classroom Support	9,540	9,452	9,438	9,081	8,831	8,364	8,678	8,861	8,822	7,089	(25.7)
Administrative Support											
Executive Management	28	26	27	33	28	26	32	37	46	-	(100.0)
Regional Superintendent	12	11	11	12	12	8	12	11	6	-	(100.0)
Management /Administrative	-	-	-	-	-	-	-	-	-	642	-
Directors	61	65	65	69	70	64	78	82	91	-	(100.0)
Asst. Directors/Admin Asst.	75	81	71	61	55	46	25	54	56	-	(100.0)
Prog. & Mgmt. Supervisors	107	112	126	178	147	154	167	185	164	4	(96.3)
Mgmt. Level Technicians	116	128	126	114	152	157	143	147	171	6	(94.8)
Other Technical Staff	309	359	350	398	288	273	316	362	335	15	(95.1)
Non-Professional Supervisory	113	114	118	116	111	90	107	106	103	-	(100.0)
Secretarial	165	166	165	151	141	102	109	101	97	65	(60.6)
Other Clerical	185	195	183	182	158	226	230	238	224	154	(16.8)
Other (2)	4	3	2	1	-	-	-	-	-	-	(100.0)
Total Administrative Support	1,175	1,260	1,244	1,315	1,162	1,146	1,219	1,323	1,293	886	(24.6)
Total School District	26,348	25,755	24,951	24,009	22,877	22,108	22,585	23,909	23,943	19,930	(24.4)
Add: Municipal Services (3)	95	95	96	92	93	82	86	75	26	4	(95.8)
Total School District-Wide	26,443	25,850	25,047	24,101	22,970	22,190	22,671	23,984	23,969	19,934	(24.6) %

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 2003 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 2003 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 2012.

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 2003 through 2012

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
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	11,653	15.8
2006	181,053	2,118,524	11,701	3.76	2,593,976	14,327	3.75	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	5.05	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
2012	146,819	2,068,734	14,090	(9.12)	2,789,206	18,998	(6.11)	59.3	25.4	40.2	9,545	15.4

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.

School District of Philadelphia
Table 22
Miscellaneous Statistics
For the Fiscal Years 2003 through 2012

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 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 (3)	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Number of Schools (1)										
Elementary	175	175	176	177	178	175	175	177	170	168
Junior/Middle	41	42	38	32	30	31	30	27	26	23
Special	10	11	11	17	21	21	21	21	21	23
Senior	33	35	38	30	31	30	32	32	32	27
Vocational/Technical	5	5	7	9	9	9	9	8	9	8
Total Public Schools	264	268	270	265	269	266	267	265	258	249
Number of Charter Schools (2)	46	48	52	54	56	61	63	67	67	67
Number of Renaissance Schools (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	13
Number of Alternative Schools (6)	N/A	N/A	N/A	13	15	16	17	27	31	26
Number of Cyber Charter Schools (7)	5	6	9	11	11	11	11	11	11	13
Number of Brick & Mortar Charter Schools (7)	3	6	5	7	9	9	9	9	5	6
Total Schools	318	328	336	350	360	363	367	379	379	374
School Enrollment (2)										
Elementary	96,786	94,247	91,932	99,157	97,429	93,387	92,886	94,366	90,620	90,411
Junior/Middle	30,042	29,380	25,572	22,455	19,380	18,724	15,566	14,142	12,914	11,700
Special (3) (4)	-	-	-	8,829	9,268	9,762	10,860	12,198	11,499	12,671
Senior (3) (4)	-	-	-	35,861	35,329	32,505	30,716	29,179	27,430	22,163
Vocational/Technical (3)	-	-	-	8,961	8,351	8,230	7,652	6,535	7,113	6,062
Special/Senior/Vocational Technical (3)	66,248	64,770	64,222	-	-	-	-	-	-	-
Total Public Schools	193,076	188,397	181,726	175,263	169,697	162,608	157,680	156,420	149,576	143,007
Charter Schools	18,164	21,695	25,055	26,938	28,220	30,326	32,637	34,019	36,190	38,148
Renaissance Schools	-	-	-	-	-	-	-	-	4,293	9,314
Alternative Schools (6)	-	-	2,538	5,790	4,399	4,703	4,568	4,239	4,906	3,812
Cyber Charter Schools (7)	258	462	1,047	1,220	1,880	2,180	2,616	2,935	3,627	4,787
Brick & Mortar Charter Schools (7)	275	268	258	248	250	223	205	188	191	164
Total	211,773	210,822	210,624	209,459	204,446	200,040	197,706	197,801	198,783	199,232
Number of Public High School Graduates (1)										
	9,407	10,331	10,800	10,132	9,694	9,570	9,967	9,976	10,191	9,392
Number of Charter High School Graduates (5)	634	919	1,167	1,424	1,651	1,928	2,126	2,181	2,355	3,219
Total of High School Graduates	10,041	11,250	11,967	11,556	11,345	11,498	12,093	12,157	12,546	12,611

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- Performance Targets and Data
- (2) School District of Philadelphia, Budget Document - Fiscal Years 2003 through 2005. Data for Fiscal Years 2006 through 2012 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 Twilight schools.
- (5) Commonwealth of Pennsylvania, Department of Education - Reporting System for Fiscal Years 2003 through 2008. School District of Philadelphia, Office of Accountability and Assessment - School Innovation and Best - for Fiscal Year 2009 & Fiscal Year 2012.
- (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 2003 through 2012

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			
2003	\$ 34,580	\$ 54,055	\$ 71,818	3.29 %	\$ 51,425	45,686
2004	35,963	55,977	74,691	3.56	52,640	46,542
2005	37,622	58,187	74,691	3.95	53,281	47,516
2006	37,042	58,689	76,932	0.86	54,043	49,088
2007	38,153	60,361	79,240	2.85	54,970	51,142
2008	39,298	62,524	81,617	3.58	56,092	52,964
2009	40,870	65,066	84,882	4.07	57,237	54,402
2010	44,038	63,638	87,428	(2.19)	59,156	55,241
2011	44,038	66,372	87,428	4.30	60,760	55,623
2012	45,359	71,561	90,051	7.82	62,215 (E1)	56,643 (E2)

Notes:

- (1) Amounts exclude additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, etc.
- (2) Averages for State are based on school year which corresponded to ending fiscal years; For example, data for Calendar Year 2004 represent averages for school year 2003/04, 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 2.4% increase over 2011-12.
- (E2) Estimated at a 1.8% increase over 2011-12.

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year 2011-2012

	Buildings (1)	Range of Buildings Ages	Square Footage	Official Capacity (10)	Percentage of Capacity Used
<u>Schools</u>					
Elementary	140	4 yrs to 123 yrs	9,925,859	93,556	75.4 %
Elementary with Annexes	9	2 yr to 106 yrs	808,974	7,028	71.8
Elementary/Little School Houses	13	3 yrs to 85 yrs	1,192,984	13,731	92.9
Elementary Annex Only	1	60 yrs	20,862	N/A	N/A
Middle	19	12 yrs to 118 yrs	2,550,647	18,526	56.2
Middle with Annexes	1	40 yrs and 86 yrs	106,992	1,156	64.7
Senior	24	1 yr to 100 yrs	5,578,264	37,712	56.4
Senior/Elementary (2)	2	12 yrs and 63 yrs	456,271	3,684	39.3
Senior/Middle (3)	1	88 yrs	120,000	1,032	50.5
Special	15	6 yrs to 134 yrs	1,921,390	12,244	76.3
Special/Elementary (5)	2	79 yrs and 98 yrs	151,734	1,652	101.1
Special/Middle (6)	1	59 yrs	168,259	500	101.2
Vocational	8	27 yr to 86 yrs	1,651,851	8,934	67.9
Alternative	4	44 yrs to 49 yrs	297,465	2,377	N/A
Charter (7)	5	42 yrs to 91 yrs	678,604	4,457	61.2
Renaissance (4)	13	3 yrs to 100 yrs	1,762,307	13,996	66.5
<u>Other</u>					
Senior-Auto Academy	2	44 yrs and 46 yrs	49,070	200	N/A
Community Centers (8)	3	N/A	52,346	450	N/A
Closed / Vacant Property (9)	19	41 yrs to 118 yrs	1,987,661	11,610	N/A
<u>Administration</u>					
Administration	4	N/A	917,324	N/A	N/A
Warehouse/Storage	1	N/A	8,886	N/A	N/A
<u>Transportation</u>					
School Garages	1	57 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	6 yrs to 72 yrs	147,775	N/A	N/A
Pools	4	34 yrs to 43 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) School District buildings being leased to (used by) Renaissance Schools.
- (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 HHS 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.

