

Document Accessibility

If you have a disability and the format of any material on our web pages interferes with your ability to access the information or you have a question regarding the School District's website accessibility, please contact us via any of the following means for assistance:

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

To help us respond in a manner most helpful to you, please indicate the nature of the accessibility problem, the web address of the requested material, your preferred format in which you want to receive the material (electronic format (ASCII, etc.), standard print, large print, etc.), and your contact information (name, email, telephone, and physical mailing address).



**The Comprehensive Annual Financial Report
of
The School District of Philadelphia
A Component Unit of
The City of Philadelphia, Pennsylvania
Year Ended June 30, 2006**

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, 2006



Marcy F. Blender, CPA
Comptroller

Prepared by
Office of General Accounting

STUDENT ART

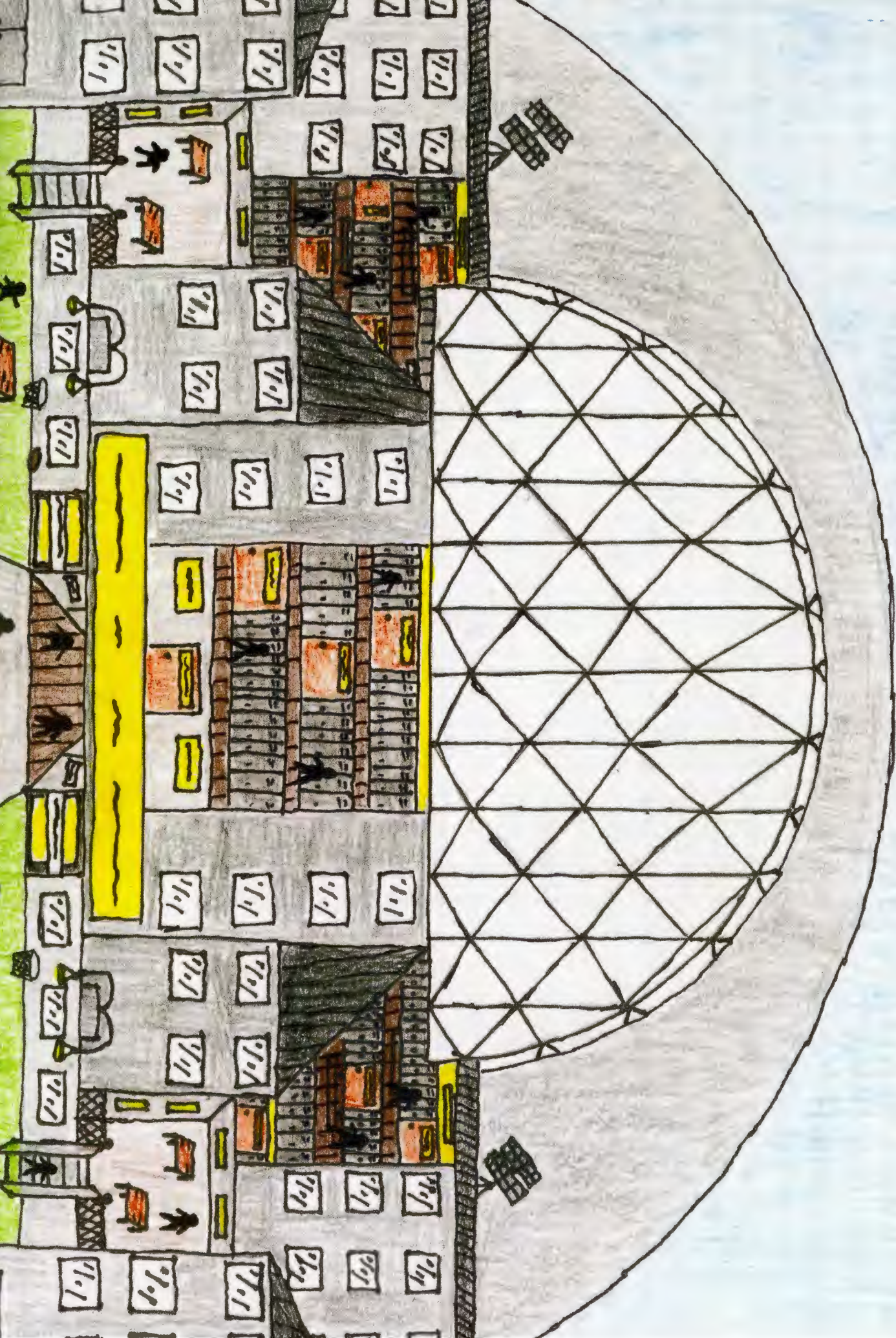
The art displayed in this report is the work of Philadelphia school students and was selected from entries submitted to the 2006 Cover Design Contest entitled, "SCHOOLS OF THE FUTURE." This year the District unveiled the "School of the Future" built under the guidance of Microsoft Corporation and hailed as a first-of-its kind model for technologically advanced schools worldwide. It is a "high-tech high" with technology aplenty. From laptop computers for every student to white boards, plasma boards and ceiling projectors in every classroom, this school is a model building for modern efficiency and innovation. The contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to create their vision for education in the new millennium.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Angelo Molinari Creative and Performing Arts High School Grade 12	Mr. John Sebastian
2nd Prize Back Cover	Alla Melnik Northeast High School Grade 12	Ms. Laurie Martin
3rd Prize Divider: 1st	Nina Poltoranina Creative and Performing Arts High School Grade 10	Mr. John Sebastian
	Lamont Spann Jr. Frankford High School Grade 10	Ms. Nina Gordon
2 nd	Wilmer Sanchez Frankford High School Grade 12	Ms. Nina Gordon
	Ejona Meka Creative and Performing Arts High School Grade 10	Mr. John Sebastian
3 rd	Joshua Torres Frankford High School Grade 10	Ms. Nina Gordon
	Vanesha Langley Pennypack House School Grade 10	Ms. Merrill Spector

Ms. Tessie Varthas, Lead Academic Coach – Art Education





SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
TABLE OF CONTENTS

I.	<u>INTRODUCTORY SECTION</u>	<u>Page</u>
	Letter of Transmittal	1-7
	Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association	8
	Certificate of Excellence in Financial Reporting, Association of School Business Officials	9
	Organizational Chart	10
	List of Principal Officials	11
II.	<u>FINANCIAL SECTION</u>	
	Independent Auditor's Report	13-14
A.	Management's Discussion and Analysis	15-31
B.	Basic Financial Statements	33
	District-Wide Financial Statements	
	Statement of Net Assets	34
	Statement of Activities	35
	Governmental Funds Financial Statements	
	Balance Sheet	36-37
	Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets	38
	Statement of Revenues, Expenditures, and Changes in Fund Balances	40-41
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42
	Proprietary Funds Financial Statements	
	Statement of Net Assets	43
	Statement of Revenues, Expenses, and Changes in Fund Net Assets	44
	Statement of Cash Flows	45
	Fiduciary Funds Financial Statements	
	Statement of Fiduciary Net Assets	46
	Statement of Changes in Fiduciary Net Assets	47
	Notes to the Financial Statements	49-85

SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
TABLE OF CONTENTS

	<u>Page</u>
II. FINANCIAL SECTION, CONT.	
C. Required Supplementary Information other than Management Discussion & Analysis	87
Budgetary Comparison Schedules	
General and Intermediate Unit Funds	88-89
Notes to the Required Supplementary Information	90-92
D. Other Supplementary Information	93
Non-Major Governmental Funds	94
Combining Balance Sheet – Non-Major Governmental Funds	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	96
Governmental Funds	97
Schedule of Detailed Budgetary and Actual Revenues – General Fund	98
Schedule of Budgetary and Actual Organizational Unit Obligations	
By Object Class and Uses – General Fund	99- 105
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations	
By Object Class and Uses – Intermediate Unit Fund	106-107
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations	
By Object Class and Uses – Debt Service Fund	108
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations	
By Object Class and Uses – Capital Projects Fund	109
Fiduciary Funds	111
Combining Schedule of Fiduciary Net Assets - Agency Funds	112
Combining Statement of Changes in Assets and Liabilities - Agency Funds	113
Schedule of Bonds Outstanding	114-116
Capital Assets Used in the Operation of Governmental Funds	117
Comparative Schedule by Source	118
Schedule by Function and Activity	119
Schedule of Changes by Function and Activity	120

SCHOOL DISTRICT OF PHILADELPHIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
TABLE OF CONTENTS

III. <u>STATISTICAL SECTION</u>	<u>Page</u>
Statistical Section	121
Financial Trends:	
Table 1 Net Assets by Component For the Fiscal Years 2002 through 2006	122
Table 2 Expenses, Program Revenues, and Net (Expense)/Revenue For the Fiscal Years 2002 through 2006	123
Table 3 Net (Expenses)/Revenue, General Revenues, and Total Change in Net Assets For the Fiscal Years 2002 through 2006	124
Table 4 Fund Balances of Governmental Funds For the Fiscal Years 1997 through 2006	125
Table 5 Governmental Funds Revenues For the Fiscal Years 1997 through 2006	126
Table 6 Governmental Funds Expenditures and Debt Service Ratio For the Fiscal Years 1997 through 2006	127
Table 7 Other Financing Sources and (Uses) and Net Change in Fund Balance Governmental Funds For the Fiscal Years 1997 through 2006	128
Revenue Capacity:	
Table 8 Governmental Funds Revenue By Own-Sources For the Fiscal Years 1997 through 2006	129
Table 9 Assessed and Estimated Actual Market Value of Taxable Property For the Calendar Years 1997 through 2006	130
Table 10 Property Tax Rates – All Direct and Overlapping Governments For the Calendar Years 1997 through 2006	131
Table 11 Principal Property Taxpayers Current Calendar Year and Nine Years Ago	132
Table 12 Real Estate Tax Levies and Collections For the Years 1997 through 2006	133
Debt Capacity:	
Table 13 Ratios of Outstanding Debt by Type For the Fiscal Years 1997 through 2006	134
Table 14 Ratios of Net General Bonded Debt Outstanding For the Fiscal Years 1997 through 2006	135
Table 15 Direct and Overlapping Governmental Activities Debt As of June 30, 2006	136
Table 16 Legal Debt Margin Information For the Fiscal Years 1997 through 2006	137
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 1997 through 2006	138
Demographic and Economic Information	
Table 18 Demographic and Economic Statistics For the Calendar Years 1996 through 2005	139
Table 19 Principal Employers Current Calendar Year and Nine Years Ago	140
Operating Information	
Table 20 School District Employees by Function For the Fiscal Years 2000 through 2006	141
Table 21 Operating Statistics For the Fiscal Years 1997 through 2006	142
Table 22 Miscellaneous Statistics For the Fiscal Years 1997 through 2006	143

THIS PAGE INTENTIONALLY LEFT BLANK

THE SCHOOL DISTRICT OF PHILADELPHIA

440 NORTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19130

PAUL G. VALLAS
CHIEF EXECUTIVE OFFICER

TELEPHONE (215) 400-4100
FAX (215) 400-4104

January 23, 2007

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 of the School District of Philadelphia for the Fiscal Year ended June 30, 2006. Pursuant to provisions of The Philadelphia Home Rule Charter, these financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States of America. As such, management of The School District of Philadelphia ("School District") assumes full responsibility for the completeness and reliability of all information presented in this report and provides reasonable assurance that its financial statements are free of any material misstatements.

This Comprehensive Annual Financial Report ("CAFR") is generally presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this Letter of Transmittal, an Organizational Chart and a List of Principal Officials of the School District. The Financial Section includes Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and the Combining and Individual Fund Statements while the Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

As mandated, GAAP requires that management provide a narrative introduction, overview and analysis to accompany its basic financial statements. This narrative is known as Management's Discussion and Analysis ("MD&A") which is contained in the Financial Section as mentioned above. More specifically, the School District's MD&A can be found immediately following the Independent Auditor's Report. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

In addition, The Philadelphia Home Rule Charter requires that the Office of the City Controller of the City of Philadelphia ("Office of the City Controller") perform an annual audit of the books of account as well as financial records and transactions of the School District. The City Controller, an independently elected local official, is required to appoint a Certified Public Accountant as deputy in charge of auditing. Pursuant to these requirements, the Office of the City Controller conducted an independent audit of the School District's financial statements. The independent audit examined evidence supporting the amounts and disclosures contained in these financial statements on a test basis; assessed the accounting principles used and significant estimates made by senior management; and evaluated the overall presentation of these financial statements. The Office of the City Controller concluded that there was a reasonable basis for rendering an unqualified opinion that the School District's financial statements for the Fiscal Year ended June 30, 2006 are fairly

presented in conformity with GAAP. The Independent Auditor's Report is presented as a component of the Financial Section of this CAFR for your formal review and consideration.

As further required, senior management of the School District established an internal control framework that is designed to protect the School District's assets from loss, theft and misuse. Internal offices of the School District, namely the offices of Management and Budget, General Accounting, Accounts Payable and Audit Services, regularly review expenditures of School District funds and perform selective reviews of operations and controls further assuring that this report is complete and reliable in all material respects and in conformity with GAAP standards. Furthermore and as part of the federally mandated "Single Audit" requirement, the Independent Auditor 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.

Profile of the School District

Despite being a component unit of the City of Philadelphia for financial reporting purposes only, the School District is an agency of the Commonwealth of Pennsylvania created to assist in the administration of the state's responsibility under the Pennsylvania Constitution to "provide for the maintenance and support of a thorough and efficient system of public education." The District itself has no component units. It is the largest school district in the Commonwealth of Pennsylvania employing approximately 24,000 employees and the eighth largest in the United States based on enrollment data. Although considered a quasi-state agency, the School District directly serves the City of Philadelphia, Pennsylvania, the fifth largest city in the United States with a population of close to 1.5 million and a land area of approximately 130 square miles. Enrollment for the School District is over 207,000 students including over 26,000 in Charter Schools and 4,300 in Alternative Education programs. In addition to the 281 schools that the School District operates, including 13 Alternative Schools, there are 55 Charter Schools that also serve Philadelphia's children. About twenty seven percent (27%) of schools are forty (40) years old or less, forty seven percent (47%) are between forty one (41) and eighty (80) years old and twenty six percent (26%) are between eighty one (81) and one hundred and twenty (120) years old.

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

As an agency of the Commonwealth of Pennsylvania, the School District is governed by both The Public School Code and The Philadelphia Home Rule Charter ("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 of Philadelphia ("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 of Pennsylvania.

Historically, the School District was governed by the Board of Education (“Board”) consisting of nine members appointed generally by the Mayor of the City of Philadelphia. In December of 2001, however, the Secretary of Education of the Commonwealth of Pennsylvania declared the School District financially distressed suspending the governing powers of the Board and placing control of the School District in the hands of a five-member School Reform Commission (“SRC”). Three members, including the Chairman, were appointed by the Governor of Pennsylvania while the Mayor of Philadelphia appointed 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 education policy, the adoption of an annual budget, the development of a comprehensive capital improvement budget and program and the incurrence of indebtedness.

By way of summary, the School District’s fiscal year is July 1st to June 30th, and is identical with those of both the City of Philadelphia and the Commonwealth of Pennsylvania. The Charter requires that the School District adopt an operating budget, a capital budget and a capital improvement program each fiscal year. To ensure financial control, the SRC must first approve, by resolution, all personnel appointments, purchases of materials, supplies, books and equipment in excess of \$10,000 and individual contracts for professional services and associated costs in support of the instructional program in excess of \$25,000. The School District maintains further budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget by the SRC. Activities in the General Fund, the Intermediate Unit Fund, the Debt Service Fund and the Capital Projects Fund are included in the annual appropriated budget. Purchase commitments are subject to an automated accounting system which tests for verification of available allotments and are encumbered, if not in excess of the available allotment, prior to the release of funds to a vendor and do not lapse. At year-end, encumbrances are reported as reservations of fund balance in governmental funds, except in Categorical Funds, since they do not constitute expenditures or liabilities. However, unencumbered appropriations lapse at year-end.

Major Initiatives

Despite the realization of budgetary shortfalls and unexpected revenue loss, the School District initially presented the SRC with a balanced operating budget of over \$1.9 billion. The School District will continue to aggressively pursue additional revenue opportunities and savings to ensure that current academic reforms are fully funded. Aligning budget line items and expenditures with the priorities of the SRC’s Declaration of Education continues to be a major milestone for the School District. The Declaration of Education, unveiled on May 24, 2004, established outcome-based goals in the areas of academic achievement, early literacy, school climate and security, community collaboration, equity and operations. Major programs that support the Declaration of Education include completing the standardization of core curriculum in all grade levels and reaching academic achievement goals and testing, enhancing school choice, expanding pre- and after-school programs and establishing community partnerships.

The Capital Improvement Program, a plan that identifies over \$3.1 billion in needs through Fiscal Years 2006-2012 to improving major systems and structures, is yet another major undertaking. In Fiscal Year 2006 the School District obligated \$ 257.1 million in new construction, renovation projects and classroom modernization initiatives that will collectively make schools more equitable despite the socio-economic issues of any given community. For Fiscal Year 2007, the School District expects to spend approximately \$737

million. This program also places a major emphasis on the restructuring of high schools and the phase-out of middle schools with a number of elementary school expansions as the School District moves to a K-8 and 9-12 grade configuration.

With the continual reduction of administrative costs, the identification of additional cost savings and reduction programs, and the consolidation of administrative offices last fiscal year, the School District continues to believe that this will improve administrative efficiencies far into the future. Likewise, the School District realized millions of dollars in accumulative savings by optimizing revenues and grants from federal, state and local sources, strategic outsourcing and personnel savings. In fact, the School District spends less than six percent (6%) of its operating budget on administrative costs; one of the lowest rates when compared to and with other large urban public school systems; and close to seventy percent (70%) of its total funds on academic and education support services. The remaining twenty four percent (24%) is spent on capital financing and maintenance.

Factors Affecting Financial Conditions

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

The Local Economy: The City of Philadelphia's economic outlook closely resembles that of the national economic outlook and, in some respects, Philadelphia has performed comparatively better than similar urban or large metropolitan cities. The employment base has undergone a gradual shift over the last decade, most notably marked by growth in leisure/hospitality and education/health services sector employment.

Despite the continued lack of a sustained national employment recovery following the 2001 recession, the national economy has shown some signs of growth over the past year. The local economy has reflected this trend; between 2004 and 2005, jobs in 6 of the 10 employment sectors remained stable or grew while overall job loss has leveled off. Over a longer term, employment in Philadelphia's education and health services sector increased by 8.2 percent from 1999 to 2005. In addition, the leisure and hospitality sector captured a more modest growth of 1.8 percent. The City of Philadelphia anticipates a more positive direction moving forward and these sectors, as well as the professional and business services and information sectors, will continue to play a large role in Philadelphia's future.

In the early 1990s, the City focused on capitalizing on its existing, yet underdeveloped, hospitality and tourism assets as a means of replacing some of the manufacturing jobs lost in previous decades. The completion of the Pennsylvania Convention Center in 1993 spurred a surge of hotel development and new visitor destination developments. The City is in the midst of another substantial enhancement of its cultural assets, which already include such recent additions as the Kimmel Center for the Performing Arts, the Independence Visitor Center, the National Constitution Center, the new Lincoln Financial Field, and Citizens Bank Park. The pending relocation of the Barnes Foundation to the Benjamin Franklin Parkway and the proposed development of an entertainment district at Broad and South Streets, coupled with the Free Library and Convention Center expansion projects, will enhance Philadelphia's position as a world class city.

One sector of the economy that shows great promise is the "knowledge industry," also referred to as the "new economy" or "knowledge economy." In the knowledge industry, which generally relies on the supply of new college graduates, companies apply emerging technologies to deliver high-quality knowledge-based services. Imbedded within the knowledge economy is another sector of great importance to Philadelphia and the region, i.e.

the life sciences, which includes health care, research, biotechnology and pharmaceuticals. The Innovation Philadelphia/Chamber of Commerce “Roadmap” report identified, among other things, the region’s opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites could foster new incubator opportunities in the future, including the Navy Yard, the former Civic Center site in West Philadelphia, and the site of the postal lands along the west bank of the Schuylkill River.

Philadelphia’s competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City of Philadelphia, the fifth-largest city in the nation with the third largest downtown population, is at the center of the sixth largest metropolitan region. Our region includes the fourth-largest retail sales market in the nation as well as a diverse network of business suppliers and complementary industries.

The City’s marketplace is at the center of a densely populated, affluent region along the Atlantic Coast, a region stretching from Boston through New York and Philadelphia to Baltimore and Washington, DC. Philadelphia is in a key position to access regional markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK’s Northeast Corridor service, major interstate highway access, and SEPTA, the regional public transportation service. The capacity of Philadelphia’s transportation infrastructure is demonstrated by its median commuting time, which is nineteen percent (19%) lower than the national metropolitan average. Center City is at the heart of the region’s transportation network, and downtown employers benefit from the large concentration of professional and business service firms located there. Recent analysis has shown that employees benefit too: Commuters to suburban firms, nearly all of whom drive to work, spend almost \$7,000 per year in vehicle expenses. By contrast, seventy percent (70%) of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just \$1,774. In addition, thirty seven percent (37%) of downtown residents walk to work, the highest percentage of any major American city.

Long-Term Debt of the School District: Pursuant to statutory requirements, the School District must establish serial maturities or sinking fund installments for each bond issue that achieve, as nearly as practicable, level debt service within an issue or overall debt service within a particular classification of debt. The School District’s outstanding general obligation and lease rental indebtedness equaled approximately \$2.4 billion for the Fiscal Year ending June 30, 2006. All outstanding general obligation bonds (except for its Qualified Zone Academy Bonds) are insured and carry among the highest credit ratings in the industry from Standard & Poor’s Rating Services, Moody’s Investors Service and Fitch IBCA. The School District has never defaulted in the payment of debt service on any of its bonds, notes or lease rental obligations. The School District will continue to develop and maintain a fiscally responsible and stable operating budget at the same time that it improves accountability and efficiencies, expands educational programming and embarks on a comprehensive capital improvement program.

Cash Management Policies and Practices: All monies of the School District are held separate and apart from the funds of any other entity, including the City of Philadelphia. The Director of Treasury Operations accounts for all monies received and disbursed by the School District and develops twelve-month cash flow forecasts (updated monthly) based on historical and projected receipts and expenditure data. These forecasts form the basis for cash management activities during the fiscal year, including forms and sources of temporary cash deficiencies and negotiating the best forms of investment of idle funds consistent with legal limitations. Generally, cash temporarily idle during the fiscal year is invested in

United States Treasury and certain government agency obligations, certificates of deposit, repurchase agreements and permissible money market and interest bearing accounts, all in compliance with state statutes. These instruments have maturities ranging from one day to multiple years depending on the type of fund. Under custody and trust agreements, the underlying collateral for repurchase agreements is delivered to the trust department of third party banks which hold the collateral during the term of the repurchase agreement. The average yield on all maturing investments during Fiscal Year 2006 was approximately 3.56% and total interest income was \$29.6 million. This was a \$2.2 million increase over Fiscal Year 2005 primarily due to capital and operating cash balances available for investment and higher interest rates than previous fiscal years.

Risk Management: The School District is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. The School District does purchase certain insurance, however. For instance, the School District maintains excess insurance over a \$5 million self-insured retention for workers' compensation as well as property insurance to cover losses related to damage sustained from fire or flood and boiler and machinery with a deductible of \$500,000 and a limit of \$250 million per occurrence. Certain insurance coverage, including employee performance bonds, student and travel accident insurances and employee dishonesty bonds, are also typically procured along with property and liability insurance or surety bonds when required by law, leases or other contract. Unemployment and workers' compensation coverages are initially funded through the General Fund which, in turn, charges a proportionate share of the costs to each fund. The School District annually budgets an amount management believes is adequate, based on historical data, to provide for all claims when they become fixed and determinable in amount.

Pension Plan: Pursuant to federal law, school districts within the Commonwealth of Pennsylvania are required to pay the full employer's share of social security taxes directly to the Federal government and await monthly reimbursement by the state for a portion of such retirement contributions. More specifically, the School District participates in the Public School Employees Retirement System ("PSERS"), a state-administered pension program, and receives quarterly reimbursements from the state. In Fiscal Year 2006, the employer rate was 4.69% of payroll costs. Furthermore, the School District's total contribution is projected to increase over the next ten years, reaching, for example, a high of 22.52% in Fiscal Year 2013. Consequently, the School District will have to provide for and budget a larger expenditure for PSERS contributions in the future.

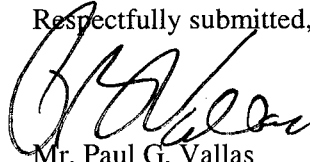
Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2005. 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 2005. 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.

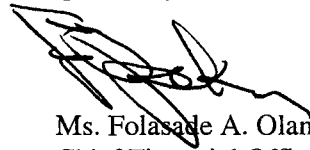
The Certificates are valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet legal requirements and all applicable mandates and guidelines. Consequently, the School District is submitting it to both GFOA and ASBO respectively to determine its eligibility for additional certificates for Fiscal Year 2006.

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

Respectfully submitted,



Mr. Paul G. Vallas
Chief Executive Officer



Ms. Folasade A. Olanipekun-Lewis
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to
School District of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



A handwritten signature in black ink, appearing to read "Thomas J. Flannery".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Ennis".

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, 2005

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

A handwritten signature in black ink, appearing to read 'Melody Longfellow'.

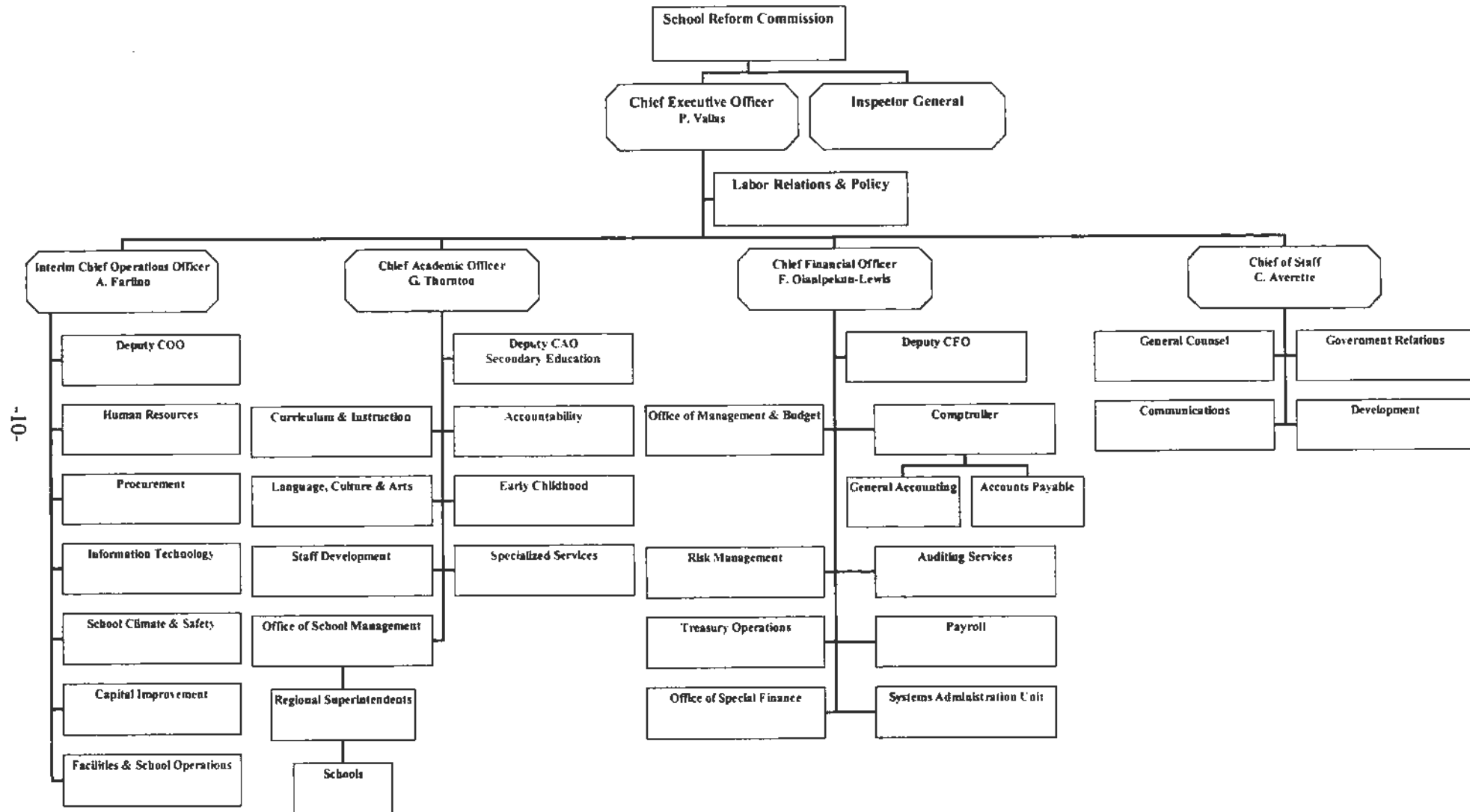
President

A handwritten signature in black ink, appearing to be a stylized 'A82' followed by a horizontal line.

Interim Executive Director

School District of Philadelphia

Organizational Chart



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

List of Principal Officials of the School District

School Reform Commission

James E. Nevels, Chairman
Martin G. Bednarek, Member
Dr. James P. Gallagher, Member
Sandra Dungee Glenn, Member
Daniel J. Whelan, Member

School District of Philadelphia

Paul G. Vallas
Chief Executive Officer

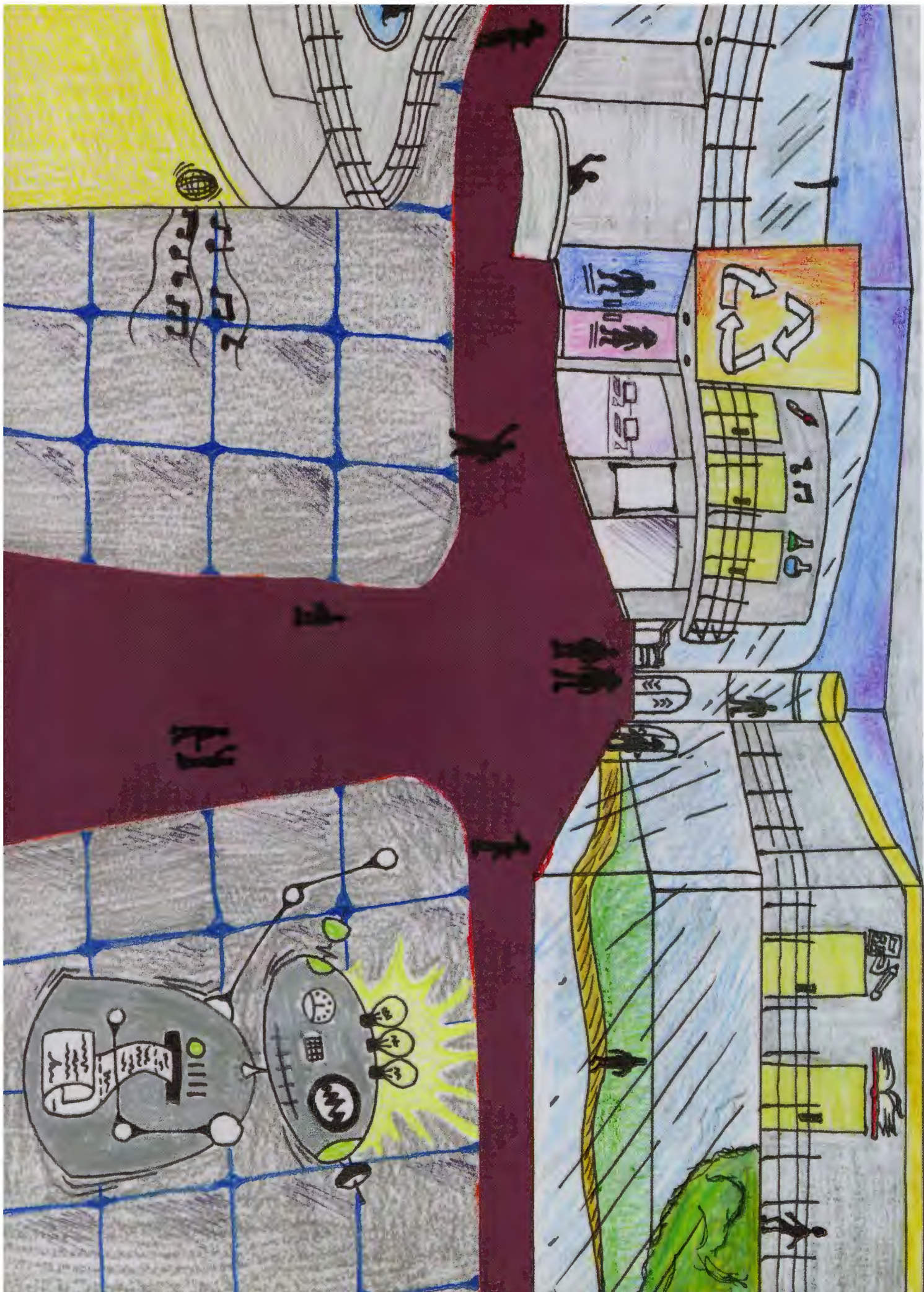
Dr. Gregory E. Thornton
Chief Academic Officer

Folasade A. Olanipekun-Lewis
Chief Financial Officer

Alfred J. Farlino
Interim Chief Operations Officer

Sherry A. Swirsky
General Counsel

THIS PAGE INTENTIONALLY LEFT BLANK







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

ALBERT F. SCAPEROTTO
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Philadelphia, Pennsylvania, a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 of Philadelphia, Pennsylvania, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

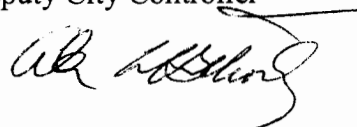
C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

The management's discussion and analysis on pages 15 through 31, and the major funds budgetary comparison schedules and the related notes to required supplementary information, on pages 88 through 92, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Philadelphia's basic financial statements. The introductory section, combining nonmajor fund financial statements, individual fund schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 22, 2007


ALBERT F. SCAPEROTTO, CPA
Deputy City Controller


ALAN BUTKOVITZ
City Controller

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

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, 2006. The intent of this narrative discussion and analysis is to provide readers with brief explanations of the type of presentations that form the School District's basic financial statements, results of operations, long-term debt activity and any significant variations from the original adopted and final amended budgets pertaining to certain major funds.

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

II. FINANCIAL HIGHLIGHTS

For four 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 helped to realign and reallocate resources, amend school procedures, develop achievement plans and implement district-wide reforms in an effort to improve both the quality of education and administrative efficiencies.

The School Reform Commission's *Declaration of Education* and accompanying *Measures that Matter* now dictate how resources are allocated along with quantifiable goals and measures to ensure the School District's long-term educational and financial success.

A number of key financial highlights for Fiscal Year 2006 include, but are not limited to, the following:

- Total revenues were \$2.4 billion. Although a majority of the revenues represent subsidies and grants to the School District by federal and state governmental entities and agencies thereof, the other portion is derived mainly from local taxes.

Management's Discussion and Analysis

- Total expenses for all funds were \$2.7 billion which includes expenditures from capital funding received in prior years. Approximately eighty percent (80%) of all expenses were incurred for instructional and direct student related costs.
- At the end of the current Fiscal Year, total net assets were (\$1,111.3) million resulting from an excess of liabilities over assets. Bonds payable and other unfunded liabilities, such as workers' compensation, compensated absences and severance payable are the primary long-term liabilities impacting this balance.
- The operating funds ended the year with an unreserved/undesignated negative fund balance of \$23.8 million, a 3.7% variance from the final budget. This amount is comprised of a General Fund unreserved negative fund balance of \$86.4 million, which is offset by \$62.6 million in the Debt Service Fund. The \$62.6 million in the Debt Service Fund includes a positive fund balance of \$64.6 million in fund balance reduced by \$2.0 million in trapped funds for future appropriations.
- Designation of \$15.0 million, from the sale of properties, in the General Fund for new educational programs and other strategic initiative expenditures over the next three fiscal years.

Financial results for Fiscal Year 2006, compared to Fiscal Year 2005, are the culmination of several factors and events, the most significant include, but are not limited to:

- Total revenues increased by \$82.1 million compared with Fiscal Year 2005. In fact, local revenues increased by \$30.4 million while federal, state grants and subsidies increased by \$51.7 million. Collectively, increased revenues were the result of both higher local tax collections and additional state grants and subsidies.
- Total expenses increased by \$135.3 million compared with Fiscal Year 2005. Collectively, increased expenses were the result of unanticipated Instructional and Other Support Services costs and unrealized savings assumptions.
- Debt service expenditures increased by \$30.4 million compared to Fiscal Year 2005. This reflects normal increased scheduled principal and interest payments of \$24.7 million and increased interest from variable rate swap income of \$8.5 million due to rising interest rates and decrease payments for administrative and issuance cost of \$2.8 million.
- The operating funds, which consists of the General Fund, Intermediate Unit Fund and Debt Service Fund, had a change in undesignated/unreserved fund balance from fiscal year 2005 to fiscal year 2006 of (\$73.7) million. This resulted from the change in the ending Fiscal Year 2005 balance of \$49.9 million to the ending Fiscal Year 2006 balance of (\$23.8) million. This is a result of unrealized budget assumptions and unanticipated expenditures.

III. USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

statements are then later organized to provide a detailed look at the School District's specific financial activities.

District-Wide Statements

The Statement of Net Assets and the Statement of Activities are financial statements that provide information concerning the overall activities of the School District while also presenting a long-term view of the School District's finances. These statements utilize the accrual basis of accounting and the economic resources measurement basis which is similar to the accounting methods used in most private sector companies. 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 in addition to its impending borrowing capacity. It 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 that 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

The fund financial statements provide an additional level of detail not generally found in the district-wide financial statements. 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.

Principally, fund financial statements provide the reader with more detail concerning current operations than the district-wide financial statements by providing the reader detailed information and data regarding the School District's major governmental funds: General, Intermediate Unit, Categorical, Debt Service and Capital Projects. From these statements, the reader can understand how services were financed on a short-term basis as well as what funding remains available for future spending to cover those services.

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 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 the trustee for the Fiduciary Funds.

IV. REPORTING BY THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities provides 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 2006. These two statements report the School District's net assets and any changes in net assets. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the Fiscal Year and 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, 2006:

Net Assets As of June 30, 2006 (Dollars in Millions) Table 1						
	Governmental Activities		Business-Type Activities		Total	
Assets	2006	2005	2006	2005	2006	2005
Current & Other Assets	\$ 873.0	\$ 1,134.8	\$ 12.4	\$ 15.9	\$ 885.4	\$ 1,150.7
Capital Assets	1,313.0	1,184.4	3.2	3.4	1,316.2	1,187.8
Total Assets	\$ 2,186.0	\$ 2,319.2	\$ 15.6	\$ 19.3	\$ 2,201.6	\$ 2,338.5
Liabilities						
Long-Term Liabilities	\$ 3,022.2	\$ 3,019.8	\$ 3.3	\$ 3.2	\$ 3,025.5	\$ 3,023.0
Other Liabilities	280.7	236.0	6.7	4.8	287.4	240.8
Total Liabilities	\$ 3,302.9	\$ 3,255.8	\$ 10.0	\$ 8.0	\$ 3,312.9	\$ 3,263.8
Net Assets						
Invested in Capital Assets - Net of Related Debt	\$ 10.3	\$ 15.1	\$ 3.2	\$ 3.4	\$ 13.5	\$ 18.5
Restricted	72.6	79.6	-	-	72.6	79.6
Unrestricted	\$ (1,199.8)	(1,031.3)	2.4	7.9	(1,197.4)	(1,023.4)
Total Net Assets	\$ (1,116.9)	\$ (936.6)	\$ 5.6	\$ 11.3	\$ (1,111.3)	\$ (925.3)

For the Fiscal Year ending June 30, 2006, the School District's total net assets were (\$1,111.3) million. This negative net asset amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,197.4) million is unrestricted. This balance also reflects a decrease of \$186.0 million from Fiscal Year ending June 30, 2005. This decrease was caused primarily by a deficiency in revenues and other financing sources which fell short of actual expenditures and financing uses of \$201.9 million, and offset by prior period adjustments increasing net assets by \$16.1 million.

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

Changes in Net Assets

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

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

Changes in Net Assets
Fiscal Year Ended June 30, 2006
(Dollars in Millions)
Table 2

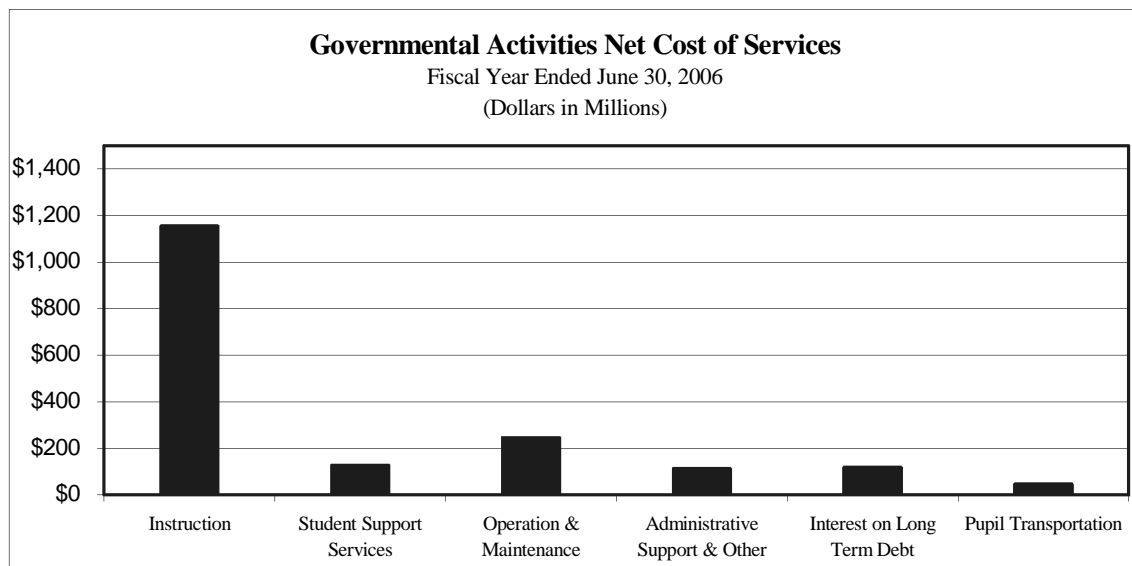
	Governmental Activities		Business-Type Activities	
Revenues	2006	2005	2006	2005
Program Revenues				
Charges for Services	\$ 3.0	\$ 5.0	\$ 4.8	\$ 6.7
Operating Grants & Contributions	779.0	743.7	69.5	71.5
Capital Grants & Contributions	-	0.2	-	-
General Revenues				
Property Taxes	540.2	540.3	-	-
Other Taxes	157.5	148.4	-	-
Grants & Contributions Not Restricted	112.9	81.9	-	-
State & Federal Subsidies Not Restricted	804.8	784.0	-	-
Total Revenues	<u>\$ 2,397.4</u>	<u>\$ 2,303.5</u>	<u>\$ 74.3</u>	<u>\$ 78.2</u>
Expenses				
Instruction	\$ 1,697.0	\$ 1,458.0	\$ -	\$ -
Student Support Services	247.8	413.0	-	-
Administrative Support & Other	279.1	248.1	-	-
Pupil Transportation	88.9	84.2	-	-
Operation & Maintenance	263.2	259.0	-	-
Early Childhood Education	18.0	21.0	-	-
Food Service	-	-	79.8	77.6
Loss on Disposal of Capital Assets	-	3.8	-	-
Loss on Sale of District Property	-	57.5	-	-
Total Expenses	<u>\$ 2,594.0</u>	<u>\$ 2,544.6</u>	<u>\$ 79.8</u>	<u>\$ 77.6</u>
Excess (Deficiency) before Transfers	<u>\$ (196.6)</u>	<u>\$ (241.1)</u>	<u>\$ (5.5)</u>	<u>\$ 0.6</u>
Transfers	\$ 0.2	\$ 0.2	\$ (0.2)	\$ (0.2)
Increase/(Decrease) in Net Assets	<u>\$ (196.4)</u>	<u>\$ (240.9)</u>	<u>\$ (5.7)</u>	<u>\$ 0.4</u>
Disposal of Capital Assets	-	0.2	-	-
Net Assets - Beginning	\$ (936.6)	\$ (693.5)	\$ 11.3	\$ 10.9
Prior Period Adjustment	16.1	(2.4)	-	-
Net Assets - Ending	<u>\$ (1,116.9)</u>	<u>\$ (936.6)</u>	<u>\$ 5.6</u>	<u>\$ 11.3</u>

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, offsetting program revenues and the resulting net cost 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, 2006
(Dollars in Millions)
Table 3

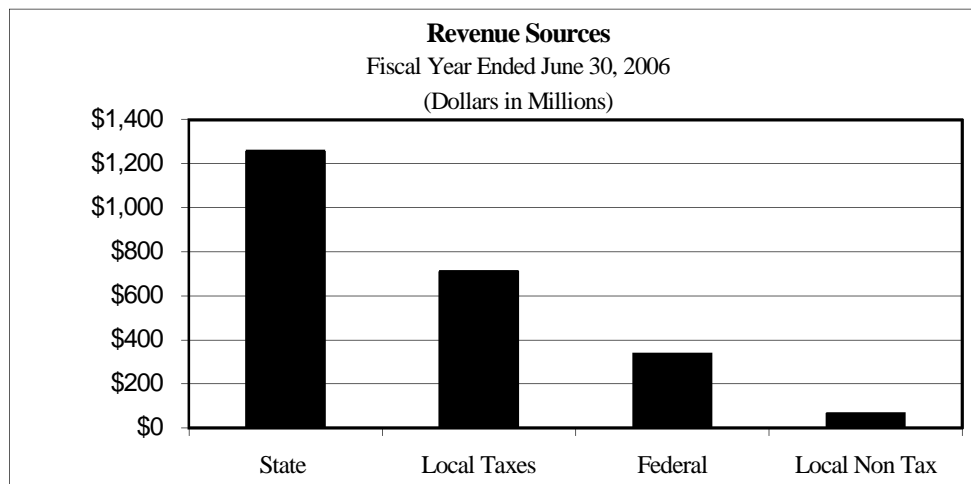
Functional Expense	Gross Cost of Services	Net Cost of Services
Instruction	\$ 1,697.0	\$ 1,155.8
Student Support Services	247.8	127.0
Operation & Maintenance	263.2	245.5
Administrative Support & Other	150.9	112.7
Interest on Long Term Debt	128.2	117.6
Pupil Transportation	88.9	46.4
Food Service	79.8	5.5
Early Childhood Education	18.0	7.0
Total Expenses	<u>\$ 2,673.8</u>	<u>\$ 1,817.5</u>



Major Sources of Revenues

The School District's revenue is derived primarily from three sources: (i) state subsidies and grants totaling 52%; (ii) local taxes and grants totaling 34%; and (iii) federal subsidies and grants totaling 14%. 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 of taxes such as real estate, business use and occupancy, non-business income, public utility realty and liquor sales. A secondary source of revenue is both federal and state grants dedicated to providing specific programs and services.

The following bar graph illustrates the School District's major sources of revenues for Fiscal Year 2006:



As previously illustrated in Table 2 on page 19, most of the School District's revenues are considered to be general as opposed to program related. Table 4, below, provides further detail on the School District's primary sources of revenue:

Revenue by Source and Type
Fiscal Year Ended June 30, 2006
(Dollars in Millions)
Table 4

Revenue Source	General Fund	Intermediate Unit Fund	Categorical Funds
Local Taxes	\$ 710.1	\$ -	\$ -
Local Non-Tax	57.8	0.7	6.4
State Grants and Subsidies	1,071.6	73.9	111.1
Federal Grants and Subsidies	0.2	-	335.5
Total Revenue	\$ 1,839.7	\$ 74.6	\$ 453.0

V. MAJOR FUND HIGHLIGHTS

While the School District maintains and accounts for a number of funds, six of these funds are considered major funds. These funds are the General Fund, Intermediate Unit Fund, Categorical Funds, Debt Service Fund, Capital Projects Fund and Enterprise Fund.

General Fund

The General Fund, which functions and serves as the School District's main operating fund, records all financial activity except for those transactions that must be specifically accounted for in another type of fund. For Fiscal Year 2006, the General Fund had an excess of revenues over expenditures of \$217.8 million and \$340.4 million in net transfers to other funds which together resulted in a \$122.6 million decrease to fund balance. The General Fund's ending fund balance at June 30, 2006 was a negative \$66.1 million. This decrease in fund balance resulted from a combination of budgeted revenues that were not received in time to be recorded in this fiscal year, extraordinary costs the School District incurred during the final months of the fiscal year and unrealized savings assumptions contained in the budget. The delayed revenues were attributable to delays in selling two properties and in receiving state debt service reimbursements (PlanCon). The costs included significantly larger than anticipated termination payments to those leaving the system and severance payments for 10-month employees who left the system in the prior fiscal year that were not properly accrued to Fiscal Year 2005. The unrealized savings included expenditures absorbed by the General Fund due to a drop in the historical growth rate of categorical grant funds and an inability to record certain expenditures in the capital fund as planned. In addition, salaries were over spent due to delays in the implementation of position hiring controls for school-based personnel and unrealized savings from a hiring freeze and vacancy elimination for non-school personnel.

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 services include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2006, the Intermediate Unit Fund had a \$0.9 net decrease in fund balance which reduced the ending fund balance to \$0.5 million at June 30, 2006.

Categorical Funds

Categorical Funds are used to account for specific purpose Federal, State, City or Private Grants to cover the costs of specific programs and special initiatives. Categorical Funds had a \$5.6 million net increase in fund balance which reduced the ending fund balance to a negative \$17.2 million at June 30, 2006. At June 30, 2006, \$17.2 million was still due from grantors and recorded as deferred revenues and not yet recognized as current revenues under GASB Statement No. 33 guidelines. Nonetheless, this still represents an improved remittance of revenue in Fiscal Year 2006 as compared to the prior fiscal year.

Debt Service Fund

The Debt Service Fund is used to account for the School District's accumulation of resources for the payment of debt service and bond issuance costs. During Fiscal Year 2006, the Debt Service Fund had a \$14.2 million net increase in fund balance thereby increasing the balance to \$64.6 million as of June 30, 2006. Basis Swap proceeds of \$7.2 million contributed to the net increase.

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 of the School District's major capital facilities, buildings and systems. During Fiscal Year 2006, the Capital Projects Fund had a negative net change of \$176.6 million in fund balance primarily due to capital outlays needed to fund various aspects of the Capital Improvement Program budgeted for the current Fiscal Year. This decreased the June 30, 2006 fund balance to \$425.6 million. New building construction, totaling \$52.7 million and alterations and improvements totaling \$154.6 million account for much of the change. The issuance of General Obligation Bonds (Series D 2005) provided an additional \$32.7 million in revenue to this fund, including the related bond premium.

Enterprise Fund

The Enterprise Fund is used to account for the operation of the Food Service Division. During Fiscal Year 2006, the Enterprise Fund had a change in net assets of a negative \$5.7 million and total net assets ended at \$5.6 million as of June 30, 2006. Revenues from operations and federal and state grants decreased by \$3.9 million.

The financial performance and position of each of the previously discussed major funds and also non-major governmental funds are summarized in Table 5 and Table 6 that immediately follow below:

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

Fiscal Year Ended June 30, 2006

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2006	Fiscal Year 2005
General	\$ (122.6)	\$ 13.4
Intermediate Unit	(0.9)	-
Categorical	5.6	7.9
Debt Service	14.2	(4.7)
Capital Projects	(176.6)	(161.2)
Enterprise	(5.7)	0.4
Non-Major Governmental	0.3	0.1
Total Change in Fund Balance	\$ (285.7)	\$ (144.1)

Total Fund Balances for Major and Non-Major Governmental Funds

As of June 30, 2006

(Dollars in Millions)

Table 6

Fund	Fiscal Year	Fiscal Year
	2006	2005
General	\$ (66.1)	\$ 56.5
Intermediate Unit	0.5	1.5
Categorical	(17.2)	(22.8)
Debt Service	64.6	50.4
Capital Projects	425.6	602.3
Enterprise	5.6	11.3
Non-Major Governmental	5.6	5.3
Total Fund Balance	\$ 418.6	\$ 704.5

VI. GENERAL FUND 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. The capital budget is prepared as part of a six-year capital improvement program, of which, the first year of the program is the current budget or fiscal year. All proposed expenditures included in the School District's Capital Improvement Program require the authorization and approval of the School Reform Commission on a project by project basis. 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 holds hearings to determine the level of local tax funding for the School District.

The budgets are based on obligations. The most significant budgeted fund is the General Fund.

In addition and 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.

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.

For Fiscal Year 2006, the final budgeted General Fund revenue was \$20.8 million higher than the original adopted budget. Of this increase, \$7.0 million was for higher state charter school reimbursements, which were passed by the Pennsylvania General Assembly, after the original adopted budget. The remaining is due to increases in the collection of local taxes, state grants and subsidies.

The anticipated obligations in the final General Fund budget represented an increase of \$23.9 million over the original adopted budget. This is the result of higher than projected costs associated with: Charter Schools; Utilities; Payments to Other Educational Entities; Local Share for Early Childhood/JROTC; changes made to existing contracts, staffing and programs; and other adjustments.

Actual General Fund revenues of \$1,839.7 million are \$5.4 million greater than those estimated in the final General Fund budget of \$1,834.3 million. Actual General Fund obligations totaling \$1,616.2 million were \$82.4 million higher than estimated in the budget of \$1,533.8 million. Other financing uses of \$340.5 million were \$7.9 million below budget. The net change in the fund balance was a decrease of \$69.1 million over the final budget estimate of a negative \$47.9 million.

Table 7 presents a summary comparison of the General Fund's original and final operating budgets with actual performance:

General Fund Budget Comparison

Fiscal Year Ended June 30, 2006

(Dollars in Millions)

Table 7

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 1,813.5	\$ 1,834.3	\$ 1,839.7	\$ 5.4
Total Obligations	1,509.9	1,533.8	1,616.2	(82.4)
Total Other Financing (Sources)/Uses	345.8	348.4	340.5	7.9
Net Change in Fund Balance	(42.2)	(47.9)	(117.0)	(69.1)
Fund Balance Beginning of Year	80.2	113.9	56.5	(57.4)
Change in Reserves	-	-	(5.6)	(5.6)
Fund Balance End of Year	\$ 38.0	\$ 66.0	\$ (66.1)	\$ (132.1)

During Fiscal year 2006, the School District incurred a number of significant and unanticipated variances compared to what was originally budgeted for including, but not limited to:

- Revenues were a \$5.4 million favorable variance because local tax revenues were \$7.7 million higher than projected due to real estate tax collections, local generated non-tax revenues were \$1.3 million higher than projected and state revenues were \$3.6 million lower than projected primarily due to a delay in receipt of debt service reimbursements.
- Expenditure obligations were \$82.4 million more than budgeted. The primary reasons for this include: \$10.6 million of higher than anticipated termination payouts, \$8.8 million of delayed implementation of position hiring controls for school based positions, \$8.6 million of severance obligations from Fiscal Year 2005 retirements, \$6.5 million of unrealized savings from mid-year elimination of non school based vacancies due to other

position hiring, \$4.6 million of marginally higher charter school expenditures, \$4.0 million of expenditures determined to be non-capital eligible, \$2.0 million of District-wide overtime savings not realized, \$1.7 million of early retirements which were not anticipated, \$1.1 million of cancellation of prior year encumbrances, \$1.0 million of research and evaluation charges that were not chargeable to grants, and \$0.7 of losses and judgments overages. In addition, \$26.4 million of unrealized grant revenues due to significant historical trend decreases. All other unfavorable variances totaled \$6.4 million.

- Other Financing Sources (Uses) were \$7.9 million favorable due to a smaller than anticipated transfer from the General Fund of \$7.8 million to cover IU expenditures, less transfers to cover Categorical Fund local share of \$1.3 million, a greater transfer to cover debt service expenditures of (\$1.7) million and \$0.5 million in transfers from the Categorical Fund for Medicare revenues.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

As of the end of Fiscal Year 2006, the School District had \$2,371.0 million invested in capital assets. Over the years, these assets have depreciated by \$1,054.8 million leaving a carrying value of \$1,316.2 million. This represents an increase of \$112.3 million over the Fiscal Year 2005 balance. Table 8 represents Net Capital Assets net of prior period adjustments. Refer to Note 4C, page 68 for additional information.

Net Capital Assets
As of June 30, 2006
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	<u>2006</u>	<u>2005</u>
Land	\$ 113.0	\$ 109.9
Buildings & Improvements	862.1	798.3
Personal Property	88.3	83.0
Construction In Progress	<u>252.8</u>	<u>212.7</u>
Total Net Book Value	<u>\$ 1,316.2</u>	<u>\$ 1,203.9</u>

The School District is a component unit of the City of Philadelphia for reporting purposes. The School District issues debt in the form of bonds to be used for construction purposes and notes to cover its short-term cash flow needs. The School District recognizes bond premiums as unearned revenue in the Statement of Net Assets and the bond premium is amortized over the life of the bond; \$29.9 million in new bonds were issued for the Fiscal Year ending June 30, 2006.

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

Long-Term Debt Outstanding

As of June 30, 2006

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
General Obligation Bonds	\$ 2,408.9	\$ 2,414.7	\$ -	\$ -
Employee Related Obligations	464.9	442.0	3.3	3.2
Due to Other Governments	45.3	45.3	-	-
Other	103.1	117.8	-	-
Total Long-Term Debt	\$ 3,022.2	\$ 3,019.8	\$ 3.3	\$ 3.2

Long-term debt for governmental activities increased by \$9.4 million and general obligation bonds decreased by \$5.8 million with a corresponding increase in employee obligations of \$22.9 million. Refer to Note 4D(2), pages 69-76 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District of Philadelphia faces an immediate financial challenge due to the negative fund balance of \$23.8 million in the operating funds at the end of Fiscal Year 2006. The District must run a corresponding operating surplus in Fiscal Year 2007 in order to reestablish a positive fund balance, as required by the Pennsylvania School Code and the Philadelphia Home Rule Charter. This task is made more challenging because the District's Fiscal Year 2007 budget was built on similar assumptions to those contained in the Fiscal Year 2006 budget. The District's analysis of the Fiscal Year 2006 operating results indicates that as much as \$50.0 million of the Fiscal Year 2006 operating deficit could reoccur in Fiscal Year 2007; only the \$13.4 million in deferred revenues and \$8.6 million in Fiscal Year 2005 severance costs are non-recurring. Therefore the District is currently in the process of making substantial adjustments to the Fiscal Year 2007 Budget to ensure that budget assumptions are in line with the historical experiences in Fiscal Year 2006.

Despite these financial challenges, the District is determined to continue on the path of academic and safety improvements that have led to four consecutive years of major increases in test scores and schools qualifying as meeting Adequate Yearly Progress under the federal "No Child Left Behind" legislation. In addition, the District remains fully committed to the educational reform initiatives defined in the School Reform Commission's *Declaration of Education* and the *Measures that Matter*. In order to meet these goals while making the budget adjustments described above, the District has gone through an extensive process of prioritization and evaluation of its budget and programs. In addition, immediate corrective actions are being taken in Fiscal Year 2007. A more extensive discussion of these actions are described in the "Corrective Actions" section below.

No Child Left Behind

One major cost driver that affects School District spending is implementing the requirements of "No Child Left Behind" ("NCLB"). As part of "No Child Left Behind", 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 "No Child Left Behind", the School District supports over fifty five (55) charter schools that any student may elect to attend. Funding charter schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997, has sparked a significant fiscal impact on the School District since its passage. Though charter schools, in and of themselves, would not be a net cost to the School District if resources could be shifted from existing public schools to new charter schools on a dollar-for-dollar basis, this cost shifting is not possible in practice. Since charter schools remain highly dispersed geographically, students enrolled in charter schools do not all come from the same grade level or even from the same school or neighborhood. Thus, the School District has not been able to make reductions in cost areas such as the number of principals, counselors, nurses, custodians and bus drivers it employs overall, or even in the number of schools that are in operation district-wide. Additionally, a significant number of charter school students are from private or parochial schools for which the School District did not provide education previously. Therefore, these per pupil costs were not borne by the School District.

In Fiscal Year 2005, one hundred and thirty two (132) schools out of two hundred and sixty eight (268) made Adequate Yearly Progress (AYP). Consequently, in 2005-2006, students were offered the opportunity to apply for NCLB School Choice and Supplemental Educational Services (SES), as appropriate, as required by NCLB. In Fiscal Year 2006, three hundred and ninety four (394) students from one hundred and eighty two (182) schools in all levels of school improvement transferred as a result of NCLB School Choice. (These students were identified based on schools' 2004 AYP results and applied in spring 2005 for placement in fall 2005.) In fall 2005, based on 2005 AYP results, students from the one hundred and eighteen (118) schools in School Improvement II, Corrective Action I and Corrective Action II applied for SES. One thousand eight hundred and fourteen (1,814) eligible students applied for SES, one thousand two hundred and ninety two (1,292) received some level of service and seven hundred and eight four (784) of which received at least 80% of their hours of instruction.

In Fiscal Year 2006, one hundred and thirty one (131) schools made AYP. In fall 2006, students received NCLB School Choice transfers based on the process implemented in spring 2006 as a result of the 2005 PSSA. Based on the 2006 PSSA, eligible students from one hundred and ten (110) schools in School Improvement II, Corrective Action I and Corrective Action II had the opportunity to apply for SES; one thousand seven hundred and thirty five (1,735) eligible students applied. In spring 2007, students in schools in all levels of school improvement, based on the 2006 PSSA, will have the opportunity to apply for a NCLB School Choice transfer for placement in 2007-2008. The School District will continue to set aside money for NCLB School Choice and SES, as mandated by NCLB.

Furthermore and similar to new academic requirements, "No Child Left Behind" 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 2005, over 85.9% of teachers in the School District were considered highly qualified, and 92.4% were considered fully certified, as a result of effective professional development initiatives and additional outreach efforts. In Fiscal Year 2006, the percentage increased to 93% for teachers who were considered fully certified.

However, the number of highly qualified teachers has not yet been released. To help reach the 100% benchmark, the School District established a cadre of highly trained New Teacher Coaches and School Growth Teachers who support new teachers in their first and second years. Additionally, the School District implemented the "Campaign for Human Capital" to guide investments, now \$10.7 million annually, for recruitment, retention, professional development and deployment of qualified educators.

Lastly, "No Child Left Behind" requires that all states establish and implement standards for identifying "Persistently Dangerous Schools." In Pennsylvania, a school is labeled Persistently Dangerous based on and as determined by the number of dangerous incidents (defined as weapon possession or violence) that result in arrest in the school or on school premises. In order to create a safer school environment where all students can learn and all staff can educate, students who attend Persistently Dangerous Schools are given the option to transfer to a safer public school. Students who are victims of violent criminal offenses may also be offered the opportunity to transfer to a safer public school within the district.

In Fiscal Year 2005, one hundred and eighty three (183) School District students requested transfers as a victim of a crime/serious incident, forty four (44) requested transfers as a witness to a crime/serious incident and three hundred and seventeen (317) requested other safety-related transfers. In Fiscal Year 2006, sixty three (63) School District students requested transfers as a victim of a crime/serious incident, five (5) requested transfers as a witness to a crime/serious incident and two hundred and forty four (244) requested other safety-related transfers. These numbers significantly decreased from the prior fiscal year. Since the School District will continue to be held accountable for the safety of its schools and will implement its own efforts to enhance school climate, costs associated with offering transfers will decline as schools are removed from this list. In fact, the School District is already making progress in improving school safety: in Fiscal Year 2004, twenty seven (27) schools were labeled Persistently Dangerous based on serious incidents from the previous year while compared to only fourteen (14) in Fiscal Year 2005 or otherwise a fifty percent (50%) reduction. In Fiscal Year 2006, this number reduced from fourteen (14) schools to ten (10) schools on the Persistently Dangerous List. The Fiscal Year 2007, only nine (9) schools are identified as "Persistently Dangerous."

While the School District has already shown marked improvement in meeting the benchmarks set forth by the "No Child Left Behind" legislative mandate, it still has improvements to make before all students meet the rigorous federal requirements. Because funding the programs required of Title I schools will draw substantial funds from the School District, administrators and teachers will need to focus on using proven methods to boost student achievement and ensure school safety.

The Declaration of Education

To meet its own goals for student achievement, the School Reform Commission set forth the *Declaration of Education* at the end of Fiscal Year 2004 and later divided its priorities into six *Measures that Matter*: Early Literacy, Academic Achievement, Safe and Orderly Environment, Equity, Community Collaboration, and Efficient and Effective Support Operations. In each of these six areas, the School District established aggressive goals and benchmarks to attain by the end of 2008; reaching these goals requires implementing a wide array of reform efforts and substantial investments over the next few years.

In the area of Academic Achievement, many programs required by the federal "No Child Left Behind" legislative mandate will also help the School District reach its own goals. However, the School District committed itself to achieve much more aggressive targets than simply meeting

AYP. Among others, the School District anticipates that: 80% of all students in grades 3-11 will perform at or above the proficient level in reading, mathematics and science; average SAT and ACT scores will meet or exceed the national average; 85% of all high school students will graduate; 80% of graduating seniors will enroll in postsecondary education institutions; and disparity ratios based on race, ethnicity, gender and socioeconomic status will be less than 10 percentage points on all academic measures. The School District is relying on best practice models and research to narrow the achievement gap and help all students reach their academic potential. Most notably, the School District increased instructional time on tasks: K-8 grade levels now have daily instructional blocks of 120 minutes in reading and 90 minutes in math; students who require extra help participate in the Extended Day Program to provide math and reading support during after-school hours; and Extended Year summer programs offer academic help and enrichment activities to eligible students. Also, the School District is continuing to roll out a standardized curriculum that involves new materials, testing and teacher training. These programs will drive costs for the School District through Fiscal Year 2008.

As previously mentioned, the School District is also 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 and drugs, for instance, will create an environment that is more conducive to learning. Since students cannot learn if they are not in school, the School District is undertaking forceful truancy reduction efforts including the recruitment of parents to help ensure that students arrive at school on time everyday. The Saturday Morning Alternative Reach and Teach ("SMART") program keeps children in school; as an alternative to expulsion, it offers students with two or more suspensions mandatory sessions on character development, conflict resolution, decision-making, familial relationships and peer pressure. To ease the transition back to school for students who are returning from juvenile detention or incarceration, the School District offers the Re-Entry Transition Initiative - Welcome Return Assessment Process ("RETI-WRAP"), a two week program required by legislation that assesses, evaluates and prepares students before they return to school.

Capital Improvement Program

The School District launched its comprehensive Capital Improvement Program in Fiscal Year 2004. The total needs for new construction, renovations and repairs have been identified to total \$3.1 billion from Fiscal Year 2006 through Fiscal Year 2012. The Capital Improvement Program ("CIP") supports the School District's initiative to make schools more equitable; provides space for the reduced class size initiative; enhances academic reform efforts by ensuring students have state-of-the-art facilities; and presents all students with a safe modern learning environment. Additionally, the CIP is vital to the School District's plans for educational reorganization over the next six years. To phase out middle schools, alleviate overcrowding in elementary schools and improve high school options, the CIP funds the construction of eleven (11) new neighborhood high schools, eighteen (18) new smaller high schools and four (4) new neighborhood elementary schools; five (5) middle school to high school conversions; thirteen (13) school additions including four (4) primary education centers. Other specific plans under the CIP include classroom modernization, upgrades to school athletic fields and stadiums, environmental projects, boiler and roof replacements and substantial renovation and repairs to existing school buildings, which will collectively stabilize the School District's real property portfolio.

Corrective Actions

As described above, the School District is currently seeking to make adjustments to the Fiscal Year 2007 budget in order to generate an operating surplus sufficient to re-establish a positive fund balance. This effort must also ensure that the Fiscal Year 2007 budget assumptions are realistic in light of the experience of the Fiscal Year 2006 budget.

The School Reform Commission has established a rigorous process to evaluate realistic savings and revenue initiatives that can be accomplished while having the smallest possible impact on the District's ongoing educational reform efforts. This process has benefited from deep involvement by outside consultants and Commission members as well as District staff. The District has invited its many stakeholders to participate in the process by making public documents with savings targets and impact analyses. The SRC has held four lengthy and well-attended public hearings to discuss the proposals and two briefing sessions have also been held for city and state elected officials and their staffs. The District is committed to continuing this open and extensive communication with its stakeholders as this process goes forward.

The School Reform Commission has already approved a reduction in force for administrative staff that is expected to generate approximately \$7 million in savings in Fiscal Year 2007 and more than twice that amount in Fiscal Year 2008. The School Reform Commission has also approved \$53.6 million in savings initiatives which include \$12 million in specific contract reductions and eliminations for this fiscal year. Additional savings initiatives for Fiscal Year 2007 are still under consideration by the School Reform Commission. In most cases, the proposed initiatives are projected to yield more savings in Fiscal Year 2008 when they will be in place for the full year.

The School Reform Commission has also passed a resolution confirming and strengthening ongoing financial controls to strictly manage the School District's limited financial resources. This resolution also established a Financial Accountability Unit made up of senior Commission and School District staff and outside financial consultants to closely monitor the implementation of the savings initiatives ultimately endorsed by the Commission. This unit will also be responsible for monthly monitoring of expenditures and budget adjustments and reporting its findings to the School Reform Commission .

Finally, the School District is also in the process of a substantial revision of a Five-Year Financial Plan that should be completed as part of the development of the Fiscal Year 2008 budget development process. The Five-Year Plan will explicitly address the School District's need to rebuild an adequate fund balance reserve beginning in Fiscal Year 2008 to ensure that the School District does not return to a negative fund balance in the future.

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 Folasade A. Olanipekun-Lewis, Chief Financial Officer, or Marcy F. Blender, Comptroller, at 440 North Broad Street, Philadelphia, PA 19130.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 10,092,947	\$ 236,717	\$ 10,329,664
Cash and Investments with Fiscal Agent	64,613,390	-	64,613,390
Equity In Pooled Cash and Investments	18,929,285	4,827,339	23,756,624
Taxes Receivable (Net)	123,573,338	-	123,573,338
Due from Other Governments	87,233,686	5,496,385	92,730,071
Accounts Receivable (Net of Allowance)	3,242,826	27,686	3,270,512
Accrued Interest Receivable	167,994	-	167,994
Inventory	1,604,518	1,802,589	3,407,107
Prepaid Expenses	20,188	-	20,188
Deferred Debt Issuance Cost	27,454,222	-	27,454,222
Deferred Charge Refunding	68,686,925	-	68,686,925
Restricted Assets:			
Cash and Cash Equivalents	160,083,975	-	160,083,975
Cash and Investments Held by Trustee	307,368,937	-	307,368,937
Capital Assets:			
Land	113,000,526	-	113,000,526
Buildings and Improvements	1,762,615,879	-	1,762,615,879
Personal Property	229,396,746	13,188,589	242,585,335
Construction in Progress	252,782,703	-	252,782,703
Accumulated Depreciation	(1,044,826,395)	(10,000,581)	(1,054,826,976)
Total Assets	2,186,041,690	15,578,724	2,201,620,414
LIABILITIES			
Accounts Payable	166,553,398	6,474,175	173,027,573
Overpayment of Taxes	12,913,556	-	12,913,556
Accrued Salaries and Benefits Payable	30,820,838	193,266	31,014,104
Termination Compensation Payable	25,756,083	-	25,756,083
Severance Payable	8,588,373	-	8,588,373
Unearned Revenue	10,048,661	-	10,048,661
Due to Other Governments	488,150	-	488,150
Bond Interest Payable	25,521,892	-	25,521,892
Non-Current Liabilities			
Due within one year	150,996,167	-	150,996,167
Due in more than one year	2,871,238,814	3,280,805	2,874,519,619
Total Liabilities	3,302,925,932	9,948,246	3,312,874,178
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,344,589	3,188,008	13,532,597
Restricted for:			
Debt Service	64,613,063	-	64,613,063
Special Revenue & Permanent Funds			
Expendable	1,969,275	-	1,969,275
Non-Expendable	3,621,664	-	3,621,664
Workers' Compensation/Termination/Other	2,354,131	-	2,354,131
Unrestricted (Deficit)	(1,199,786,964)	2,442,470	(1,197,344,494)
Total Net Assets	\$ (1,116,884,242)	\$ 5,630,478	\$ (1,111,253,764)

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

School District of Philadelphia
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 1,696,972,804	\$ 598,809	\$ 540,571,291	\$ -	\$ (1,155,802,704)	\$ -	\$ (1,155,802,704)
Student Support Services	247,845,401	89,837	120,786,899	-	(126,968,665)	-	(126,968,665)
Administrative Support	112,456,544	476,848	36,125,671	-	(75,854,025)	-	(75,854,025)
Operation & Maintenance of Plant Services	263,162,606	1,326,174	16,311,637	-	(245,524,795)	-	(245,524,795)
Pupil Transportation	88,866,844	-	42,464,424	-	(46,402,420)	-	(46,402,420)
All Other Support Services	38,421,614	-	1,557,522	-	(36,864,092)	-	(36,864,092)
Early Childhood Education	18,005,141	484,777	10,516,275	-	(7,004,089)	-	(7,004,089)
Interest on Long-Term Debt	128,244,850	-	10,644,484	-	(117,600,366)	-	(117,600,366)
Total Governmental Activities	2,593,975,804	2,976,445	778,978,203	-	(1,812,021,156)	-	(1,812,021,156)
Business-Type Activities:							
Food Service	79,850,776	4,834,089	69,526,938	-	-	(5,489,749)	(5,489,749)
Loss on Disposal of Capital Assets	5,924	-	-	-	-	(5,924)	(5,924)
Total Business-Type Activities	79,856,700	4,834,089	69,526,938	-	-	(5,495,673)	(5,495,673)
Total	\$ 2,673,832,504	\$ 7,810,534	\$ 848,505,141	\$ -	\$ (1,812,021,156)	\$ (5,495,673)	\$ (1,817,516,829)

General Revenues/Transfers:

Property Taxes	\$ 540,240,822	\$ -	\$ 540,240,822
Other Taxes	157,463,760	-	157,463,760
Grants and Contributions Not Restricted to Specific Programs	112,957,854	-	112,957,854
State & Federal Subsidies Not Restricted to Specific Programs	804,828,927	-	804,828,927
Transfers	178,041	(178,041)	-
Total General Revenues and Transfers	\$ 1,615,669,404	\$ (178,041)	\$ 1,615,491,363
Change in Net Assets	(196,351,752)	(5,673,714)	(202,025,466)
Net Assets - As of July 1, 2005	(936,628,590)	11,304,192	(925,324,398)
Prior Period Adjustments	16,096,100	-	16,096,100
Net Assets - As of June 30, 2006	\$ (1,116,884,242)	\$ 5,630,478	\$ (1,111,253,764)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 10,064,409	\$ -	\$ 28,538
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	2,095,399	9,827,405	-
Cash and Investments Held by Trustee	-	-	-
Taxes Receivable (Net)	123,573,338	-	-
Due from Other Funds	19,565,874	-	-
Due from Other Governments	18,077,315	1,449,493	67,661,122
Accounts Receivable (Net)	2,153,678	-	833,383
Accrued Interest Receivable	5,658	-	-
Inventory	1,555,886	-	-
Prepaid Expense	-	-	-
Total Assets	\$ 177,091,557	\$ 11,276,898	\$ 68,523,043
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 79,778,906	\$ 7,617,405	\$ 36,719,692
Overpayment of Taxes	12,913,556	-	-
Accrued Salaries and Benefits Payable	22,613,015	3,124,950	4,780,656
Termination Compensation Payable	25,756,083	-	-
Severance Payable	8,588,373	-	-
Deferred Revenue	93,574,116	-	25,851,107
Due to Other Funds	-	-	17,839,801
Due to Other Governments	-	108	488,042
Total Liabilities	243,224,049	10,742,463	85,679,298
Fund Balances:			
Reserved for:			
Inventories	1,115,989	-	-
Encumbrances	1,799,771	534,435	-
Retirement of Long Term Debt	-	-	-
Debt Service Interest	-	-	-
Trust Principal	-	-	-
Workers' Compensation	2,354,131	-	-
Unreserved:			
Designated:			
Future Educational Programs	15,000,000	-	-
Special Revenue Funds	-	-	-
Permanent Funds	-	-	-
Undesignated:			
General Fund	(86,402,383)	-	-
Categorical Funds	-	-	(17,156,255)
Capital Projects Fund	-	-	-
Total Fund Balances	(66,132,492)	534,435	(17,156,255)
Total Liabilities and Fund Balances	\$ 177,091,557	\$ 11,276,898	\$ 68,523,043

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
\$ -	\$ 160,083,975	\$ -	\$ 170,176,922
64,613,390	-	-	64,613,390
1,399,661	-	5,606,820	18,929,285
-	307,368,937	-	307,368,937
-	-	-	123,573,338
-	-	-	19,565,874
-	39,657	-	87,227,587
255,765	-	-	3,242,826
162,336	-	-	167,994
-	-	-	1,555,886
20,188	-	-	20,188
<u>\$ 66,451,340</u>	<u>\$ 467,492,569</u>	<u>\$ 5,606,820</u>	<u>\$ 796,442,227</u>
\$ 65,450	\$ 41,100,014	\$ 7,060	\$ 165,288,527
-	-	-	12,913,556
-	280,675	-	30,799,296
-	-	-	25,756,083
-	-	-	8,588,373
1,772,827	80,380	-	121,278,430
-	384,138	-	18,223,939
-	-	-	488,150
<u>1,838,277</u>	<u>41,845,207</u>	<u>7,060</u>	<u>383,336,354</u>
-	-	-	1,115,989
-	178,716,967	8,821	181,059,994
39,959,575	-	-	39,959,575
24,653,488	-	-	24,653,488
-	-	2,523,623	2,523,623
-	-	-	2,354,131
-	-	-	15,000,000
-	-	2,427,415	2,427,415
-	-	639,901	639,901
-	-	-	(86,402,383)
-	-	-	(17,156,255)
-	246,930,395	-	246,930,395
<u>64,613,063</u>	<u>425,647,362</u>	<u>5,599,760</u>	<u>413,105,873</u>
<u>\$ 66,451,340</u>	<u>\$ 467,492,569</u>	<u>\$ 5,606,820</u>	<u>\$ 796,442,227</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Assets
June 30, 2006

Fund Balance - Total Governmental Funds (page 37)	\$ 413,105,873
---	----------------

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.	1,408,854,268
--	---------------

Other long-term assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	109,456,941
--	-------------

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.	(3,045,755,220)
---	-----------------

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.	(2,546,104)
--	-------------

Net assets of governmental activities (page 34)	<u>\$ (1,116,884,242)</u>
---	---------------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK

School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2006

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 710,126,469	\$ -	\$ -
Locally Generated Non Tax	57,819,198	654,355	6,402,967
State Grants and Subsidies	1,071,559,466	73,910,255	111,091,409
Federal Grants and Subsidies	194,823	-	335,531,656
Total Revenues	1,839,699,956	74,564,610	453,026,032
EXPENDITURES			
Current:			
Instruction	897,347,019	185,568,835	289,444,514
Student Support Services	61,772,794	62,472,648	109,090,621
Administrative Support	61,739,248	10,577,444	34,374,845
Operation & Maintenance of Plant Services	255,576,628	-	6,407,090
Pupil Transportation	87,148,002	-	1,353,577
All Other Support Services	36,822,296	-	-
Early Childhood Education	-	-	17,994,012
Payments to Charter Schools	220,929,800	-	-
Debt Service:			
Principal	510,386	-	240,182
Loans	-	-	-
Interest	56,955	-	26,803
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenses	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Major Renovations	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	1,621,903,128	258,618,927	458,931,644
Excess (Deficiency) of Revenues over Expenditures	217,796,828	(184,054,317)	(5,905,612)
OTHER FINANCING SOURCES (USES)			
Transfers In	3,379,987	183,146,630	14,903,955
Transfers Out	(343,737,331)	-	(3,379,987)
Capital Asset Proceeds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Total Other Financing Sources and (Uses)	(340,357,344)	183,146,630	11,523,968
Net Change in Fund Balances	(122,560,516)	(907,687)	5,618,356
Fund Balances, July 1, 2005	56,538,644	1,442,122	(22,774,611)
Change in Inventory Reserve	(110,620)	-	-
Fund Balances, June 30, 2006	\$ (66,132,492)	\$ 534,435	\$ (17,156,255)

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
\$ -	\$ -	\$ -	\$ 710,126,469
23,067,940	16,924,501	300,093	105,169,054
-	246,814	-	1,256,807,944
-	-	-	335,726,479
<u>23,067,940</u>	<u>17,171,315</u>	<u>300,093</u>	<u>2,407,829,946</u>
-	-	42,728	1,372,403,096
-	-	-	233,336,063
-	-	-	106,691,537
-	-	-	261,983,718
-	-	-	88,501,579
-	-	-	36,822,296
-	-	-	17,994,012
-	-	-	220,929,800
36,686,071	-	-	37,436,639
215,113	-	-	215,113
91,642,656	-	-	91,726,414
29,952,669	-	-	29,952,669
1,449,490	-	-	1,449,490
2,819,670	-	-	2,819,670
-	52,702,129	-	52,702,129
-	3,836,823	-	3,836,823
-	154,603,321	-	154,603,321
-	296,981	-	296,981
-	14,508,937	-	14,508,937
<u>162,765,669</u>	<u>225,948,191</u>	<u>42,728</u>	<u>2,728,210,287</u>
<u>(139,697,729)</u>	<u>(208,776,876)</u>	<u>257,365</u>	<u>(320,380,341)</u>
146,494,276	-	-	347,924,848
-	(629,489)	-	(347,746,807)
201,671	5,400	-	207,071
7,235,000	29,920,000	-	37,155,000
-	2,833,532	-	2,833,532
<u>153,930,947</u>	<u>32,129,443</u>	<u>-</u>	<u>40,373,644</u>
14,233,218	(176,647,433)	257,365	(280,006,697)
50,379,845	602,294,795	5,342,395	693,223,190
-	-	-	(110,620)
<u>\$ 64,613,063</u>	<u>\$ 425,647,362</u>	<u>\$ 5,599,760</u>	<u>\$ 413,105,873</u>

School District of Philadelphia
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

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)	\$	(280,006,697)
--	----	---------------

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.		150,579,382
--	--	-------------

Non capitalized purchases that exceed capital outlays.		(37,613,746)
--	--	--------------

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.		(515,963)
--	--	-----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(53,279,458)
---	--	--------------

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.		37,656,752
--	--	------------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(11,595,410)
---	--	--------------

The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.		(1,576,612)
---	--	-------------

Change in net assets of governmental activities (page 35)	<u>\$</u>	<u>(196,351,752)</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, 2006

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 236,717	\$ -
Equity in Pooled Cash and Investments	4,827,339	-
Due From Other Governments	5,496,385	6,099
Other Receivables	27,686	-
Inventories	1,802,589	48,632
Total Current Assets	<u>12,390,716</u>	<u>54,731</u>
Noncurrent Assets:		
Machinery & Equipment	13,188,589	757,397
Accumulated Depreciation	<u>(10,000,581)</u>	<u>(501,059)</u>
Total Noncurrent Assets	<u>3,188,008</u>	<u>256,338</u>
Total Assets	<u><u>\$ 15,578,724</u></u>	<u><u>\$ 311,069</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 6,474,175	\$ 1,264,871
Accrued Salaries and Benefits Payable	193,266	21,542
Due to Other Funds	-	1,341,935
Total Current Liabilities	<u>6,667,441</u>	<u>2,628,348</u>
Noncurrent Liabilities:		
Termination Compensation Payable	2,133,675	228,825
Severance Payable	<u>1,147,130</u>	<u>-</u>
Total Noncurrent Liabilities	<u>3,280,805</u>	<u>228,825</u>
Total Liabilities	<u>9,948,246</u>	<u>2,857,173</u>
NET ASSETS		
Invested in Capital Assets	3,188,008	256,338
Unrestricted	2,442,470	(2,802,442)
Total Net Assets	<u>5,630,478</u>	<u>(2,546,104)</u>
Total Liabilities and Net Assets	<u><u>\$ 15,578,724</u></u>	<u><u>\$ 311,069</u></u>

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

School District of Philadelphia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 4,834,089	\$ -
Sale of Printing Services	-	1,274,635
Total Operating Revenues	<u>4,834,089</u>	<u>1,274,635</u>
Operating Expenses:		
Salaries	21,837,186	905,235
Employee Benefits	11,886,592	366,502
Other Purchased Service - Food	38,139,399	-
Other Purchased Service - Supplies	-	7,168
Depreciation	525,516	55,408
Other Operating Expenses	7,462,083	1,516,934
Total Operating Expenses	<u>79,850,776</u>	<u>2,851,247</u>
Operating Gain/(Loss)	(75,016,687)	(1,576,612)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	69,526,938	55,921
Loss on Sale of Capital Assets	(5,924)	-
Income Before Transfers	<u>(5,495,673)</u>	<u>(1,520,691)</u>
Transfers Out	(178,041)	-
Change in Net Assets	<u>(5,673,714)</u>	<u>(1,520,691)</u>
Total Net Assets July 1, 2005	11,304,192	(1,025,413)
Total Net Assets June 30, 2006	<u><u>\$ 5,630,478</u></u>	<u><u>\$ (2,546,104)</u></u>

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

School District of Philadelphia
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2006

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 4,834,089	\$ 1,274,635
Cash Payments to Employees for Services	(34,255,918)	(1,326,874)
Cash Payments to Suppliers for Goods and Services	(30,765,184)	(7,168)
Cash Payments for Other Operating Expenses	(7,462,083)	(354,247)
Net Cash Used by Operating Activities	<u>(67,649,096)</u>	<u>(413,654)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from Other Funds	-	384,953
State Sources	6,962,997	21,228
Federal Sources	62,478,514	34,693
Transfers Out	(178,041)	-
Net Cash Provided by Non-Capital Financing Activities	<u>69,263,470</u>	<u>440,874</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(269,967)	(27,220)
Net Cash Used by Capital and Related Financing Activities	<u>(269,967)</u>	<u>(27,220)</u>
Net Decrease in Cash and Cash Equivalents	1,344,407	-
Cash and Cash Equivalents July 1, 2005	3,719,649	-
Cash and Cash Equivalents June 30, 2006	<u>\$ 5,064,056</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income/(Loss)	\$ (75,016,687)	\$ (1,576,612)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	525,516	55,408
Donated Food Commodities	4,543,337	-
Increase in Accounts Receivable	(27,686)	(750)
(Increase)/Decrease in Inventories	417,667	(14,397)
Increase in Accounts Payable	2,440,896	1,177,834
Decrease in Accrued Salaries and Benefits Payable	(589,656)	(37,874)
Increase/(Decrease) in Termination Compensation Payable	36,366	(17,263)
Decrease in Severance Payable	21,151	-
Total Adjustments	<u>7,367,591</u>	<u>1,162,958</u>
Net Cash Used by Operating Activities	<u>\$ (67,649,096)</u>	<u>\$ (413,654)</u>

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

School District of Philadelphia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private - Purpose Trust Funds	Agency Funds
	<hr/>	<hr/>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 4,766,390
Equity in Pooled Cash and Investments	396,612	44,224,709
Investments	200,007	-
Accounts Receivable	1,708	12,180,654
Inventories	-	336,553
Total Assets	<hr/> 598,327 <hr/>	<hr/> 61,508,306 <hr/>
LIABILITIES		
Accounts Payable	48,977	-
Payroll Deductions and Withholdings	-	55,506,565
Due to Student Activities	-	4,760,696
Other Liabilities	-	1,241,045
Total Liabilities	<hr/> 48,977 <hr/>	<hr/> 61,508,306 <hr/>
NET ASSETS		
Held in Trust for Various Purposes	<hr/> \$ 549,350 <hr/>	<hr/> \$ - <hr/>

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, 2006

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 903,072
Interest Received	26,249
Total Additions	<u>929,321</u>
DEDUCTIONS	
Scholarships Awarded	977,098
Total Deductions	<u>977,098</u>
Change in Net Assets	(47,777)
Net Assets July 1, 2005	597,127
Net Assets June 30, 2006	<u><u>\$ 549,350</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

SCHOOL DISTRICT OF PHILADELPHIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the “School District”), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2006, 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 2006, the School District served over 207,000 students, including those in Charter and Alternative Schools, as well as employed close to 24,000 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the “City”). The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly’s duties under the state Constitution to “provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth.”

As such, the School District is a separate and independent home rule school district of the first class formally established by the Philadelphia Home Rule Charter (the “Charter”) in December of 1965. The Philadelphia Home Rule Charter Act, P.L. 643 (the “Act”) expressly limits the powers of the City of Philadelphia 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 of Philadelphia to address the School District’s financial needs, the Commonwealth assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949.

Shortly thereafter, a five-member School Reform Commission (the “SRC”) was established. The SRC exercises all powers and has all duties of the original Board of Education. The Board of Education continues in office, performing only the duties assigned, if any, by the SRC. At the time of this report, the SRC has not delegated any duties to the Board of Education. Furthermore, the

Governor of Pennsylvania appointed the chairman and two other members of the SRC while the Mayor of the City of Philadelphia appointed the remaining two members. The five-member commission performs its fiscal oversight responsibility for the Philadelphia public school system by adhering to priorities renumeralated in their *Declaration of Education and Measures That Matter*.

Prior to the formation of the SRC, the School District implemented a new management structure where a Chief Executive Officer (the “CEO”) was appointed in lieu of a “Superintendent” effective November 1, 2000. Although the CEO performs all duties imposed on the Superintendent of Schools by both the Charter and the Public School Code of 1949 (the “School Code”) and serves as the Secretary and Treasurer of the Governing Body of the School District, the new designation was designed to provide the Governing Body with more freedom and to avoid being constrained to select a traditional “academic scholar” ignoring the business experience that is equally necessary for such a large school district. In addition, the new administrative and management structure of the School District recognized the enormity of the job of CEO of a large, urban public school system and successfully sought to implement a more corporate accountability structure and team management approach to ensure that the School District would accomplish specific objectives and overall goals. The new organizational structure now includes a Chief Operating Officer, a Chief Academic Officer and a Chief Financial Officer, all of whom directly report to the CEO. Likewise, the General Counsel of the School District directly reports to the SRC.

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. Subsequently, Paul G. Vallas was formally named the CEO after the SRC made the appointment on July 17, 2002. Together, the SRC and Mr. Vallas have redefined the priorities of the School District.

Moreover, the School District also serves as the agent for the Intermediate Unit No. 26 (the “IU”); an entity established by the Commonwealth to provide special education, special education transportation, non-public school services and related management services. Similar to the School District, the SRC also constitutes the Board of Directors of the IU; the boundaries of the IU are coterminous with those of the City and School District. The School District performs all IU services, pursuant to contracts between the two.

B. District-Wide and Fund Financial Statements

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

Management's Discussion & Analysis – The reporting model includes a requirement that the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (the "MD&A"). This analysis is similar to the analysis that private sector entities provide in their annual reports and is Required Supplementary Information (the "RSI").

District-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not only current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities. Accrual accounting also reports all of the revenues and costs associated with providing such services each year, not just those received or paid in the current fiscal year or soon thereafter. Fiduciary funds are not included in district-wide financial statements.

Basic financial statements include both district-wide (based on the School District as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on showcasing either the School District as a whole or the activities of major individual funds (within the fund financial statements). District-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the district-wide Statement of Net Assets, both the activities' assets and liabilities: (a) are presented on a consolidated basis; and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

Statement of Net Assets – The Statement of Net Assets is designed to present the financial position of the primary government. The School District reports all capital assets in the district-wide Statement of Net Assets and reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of the School District are presented in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The Statement of Activities presents expenses and revenues in a format that focuses on the cost of each function to the School District. The expense of individual functions is compared to the revenue generated by the function (for instance, through user charges or governmental grants). These directly matched revenues are called program revenues. This format enables the district-wide Statement of Activities to reflect both the gross and net cost per functional category (instruction, student support services, pupil transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects only capital-specific grants. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. Direct expenses are considered those that are clearly identifiable with a specific function or segment. The School District allocates indirect expenses to their applicable functions.

Fund Financial Statements - Separate financial statements are provided for government funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the School District are organized by fund types. Each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities of balances and changes therein. Each fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The fund statements are presented on a current financial resource measurement focus and utilize a modified accrual basis of accounting to reflect the normal budgeting process. A reconciliation is also presented which briefly explains adjustments necessary to reconcile the fund financial statements to the governmental activities column of the district-wide financial statements.

The School District's fiduciary funds are presented in the fund financial statements as well. Since by definition, these assets are held for the benefit of a third party and cannot be used to address activities or other obligations of the School District, these funds are not incorporated into the district-wide financial statements.

There are three major fund types presented in this report. A brief description of each is summarized below:

- (1) Governmental Fund Types - These are the funds through which most costs of district functions are typically paid for or financed. The funds included in this category are:
 - (a) General Fund - accounts for all financial resources except those required to be in another fund and is considered the principal operating fund of the School District.
 - (b) Special Revenue Funds - accounts for the proceeds of certain revenue sources that are legally restricted for specified purposes and/or types of expenditures. Special Revenue funds include:
 - (i) Intermediate Unit Fund - used to account for State appropriations for special education and non-public school services as well as certain administrative costs;
 - (ii) Categorical Funds - used to account for specific purpose Federal, State, City or Private grants;
 - (iii) Trust Funds - used to account for funds where both principal and earnings may be used to support School District programs that benefit either the district itself or its students.
 - (c) Debt Service Fund - accounts for the accumulation of resources for the payment of debt service and bond issuance costs.
 - (d) Capital Projects Fund - accounts for financial resources used for capital asset acquisition, construction and improvement.
 - (e) Permanent Fund - accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support district programs that benefit the School District itself or its students.

- (2) Proprietary Fund Types - These are funds that account for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The funds included in this category are:
 - (a) Enterprise Fund - used to account for the operation of the Food Service Division; and
 - (b) Internal Service Fund – used to account for the operation of the Print Shop and outsourced reproduction of materials for printing and copy services provided to various School District divisions on a cost reimbursement basis.
- (3) Fiduciary Fund Types - These funds account for assets held by the School District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:
 - (a) Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments, most of which are through scholarships and awards; and
 - (b) Agency Funds - used to account for assets held by the School District as trustee or agent for others. At June 30, 2006, the School District administered the Payroll Liabilities, Student Bus Token, Student Activities and Unclaimed Monies Funds.

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting similar to that used for Proprietary and Private Purpose Trust Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Agency Funds, however, are accounted for using the accrual basis of accounting that recognize 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 sales, school income and business use and occupancy, associated with the current fiscal period are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the School District.

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

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

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

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

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

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

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund (or Food Service) and Internal Service Fund (or Print Shop) reflect charges for sales and services. Operating expenses for these funds include the costs of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

(1) Cash and Investments

Cash and cash equivalents include currency on hand, deposits, short-term highly liquid investments and investments with original maturities of three months or less from the date of acquisition. State statutes require the School District to invest in obligations of the United States Treasury and Commonwealth of Pennsylvania and/or collateralized repurchase agreements.

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

(2) Real Estate Taxes

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

The tax on real estate in Philadelphia for public school purposes for Fiscal Year 2006 was 47.90 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 31.15 mills are levied pursuant to legislative authorization and approval by ordinance of the City Council.

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

(3) Due from Other Governments

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

(4) Receivables and Payables

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

(5) Inventories

Inventories in the General Fund are valued at an average cost of \$1.6 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 by a fund balance reserve, which indicates that, although they are a component of net current assets, they do not constitute available resources.

Enterprise Fund (or Food Service) inventories include \$1.1 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

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

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

(6) Artwork

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

(7) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of at least \$500 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair market value as of the date donated. The costs associated with the normal maintenance and repair of capital assets, that do not add to the value of the asset or materially extend its useful life, are not capitalized.

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

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

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

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

(8) Deferred Revenues

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

(9) Insurance

The School District is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. Workers' Compensation is covered by excess insurance over a \$5 million self-insured retention. The School District does purchase certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from fire, flood or boiler and machinery with a deductible of \$500,000 and a limit of \$250.0 million per occurrence. Certain insurance coverages including, employee performance bonds, student accident and employee dishonesty bonds, are also procured regularly. Unemployment and workers' compensation coverage are funded by pro-rata charges to each fund, while the cost of weekly indemnity coverage is shared by the School District and covered employees.

Payments in Fiscal Year 2006 were comprised of \$15.2 million for Weekly Indemnity, \$34.9 million for Workers' Compensation and \$7.8 million for Unemployment Compensation claims.

Liabilities expected to be liquidated with available resources are shown as accrued expenditures in the General Fund. Amounts expected to be paid from future years' resources are shown in the district-wide Statement of Net Assets.

(10) Compensated Absences

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

- (a) Vacation and Personal Leave - School District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary depending on length of service or job classification. In addition, almost all School District employees are entitled to three days of personal leave annually. Vacation and personal leave may be used or accumulated within certain limits until paid upon retirement or termination at the rate of pay at the time of separation.
- (b) Sick Leave - Most School District employees are credited with 10 days of sick leave annually with no limitation on accumulation. Upon retirement or termination, such employees are paid 25% of the value of their accumulated sick leave balance at the rate of pay at the time of separation.

(11) Long-Term Obligations

In the district-wide financial statements and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported separately from the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

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

(12) Reserve for Weekly Indemnity

This reserve, which was originally established by resolution of the Board of Education, represents an accumulation of funds collected in excess of benefits provided for the School District's Weekly Indemnity (salary continuation) plan.

During this fiscal year, the School Reform Commission passed a resolution authorizing the School District to dissolve and reclassify this designation of funds as "unreserved" due to a change in policy. This was done to formalize a current business and management practice of the School District so that it reports all expenditures and costs related to employee benefit plans in the same manner.

(13) Fund Equity

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

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

(14) 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.

(15) Comparative Data

Comparative data from Fiscal Year 2005 is provided as a key element of the MD&A section of this report to better enhance the analysis and comprehension of financial data of the current fiscal period.

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

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

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

Cost of Capital Assets	\$ 2,357,038,458
Accumulated Depreciation	<u>(1,044,325,336)</u>
Net Cost of Capital Assets	\$ 1,312,713,122

Also, “deferred charges”, including issuance costs and refunding charges for general obligation bonds, are expensed in the governmental funds but amortized over the life of the related bonds. This is the balance of unamortized deferred charges:

Total adjustment to fund balance – governmental funds	<u>96,141,146</u>
	<u><u>\$ 1,408,854,268</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.

Taxes Receivable	\$ 92,300,686
Grants & Subsidies	17,156,255
Adjustment of Deferred Revenue	<u>\$ 109,456,941</u>

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

Bonds Payable	\$ (2,386,848,929)
Deduct: Discount on Bonds Payable	9,954,928
Add: Premium on Bonds Payable	(32,026,752)
Bond Interest Payable	(25,521,892)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(82,963,000)
Unemployment Compensation Payable	(9,420,786)
Compensated Absences	(283,542,389)
Severance Payable	(175,465,941)
Claims and Judgments	(6,658,061)
Early/Voluntary Retirement Incentive	(5,565,000)
Capital Lease	(2,374,586)
Asbestos Loan Payable	<u>(44,246)</u>

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

\$ (3,045,755,220)

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 \$150,579,382 difference are as follows:

Capital outlay	\$ 225,948,191
Depreciation expense	<u>(75,368,809)</u>

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

\$ 150,579,382

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital asset disposal and sales is a decrease to net assets.” The Statement of Activities report losses 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 (\$515,963) difference are as follows:

Loss on Disposal of Capital Assets	\$ (662,271)
Gain on Sale of Real Property	<u>146,308</u>

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

\$ (515,963)

Another element of the reconciliation states that “Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.” The details of this \$37,656,752 difference are as follows:

Principal Repayment on Bonds	\$ 36,686,071
Principal Repayment on Loans	215,113
Principal Repayment on Capital Leases	750,568
Principal Repayment on Authority Obligations	<u>5,000</u>

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

\$ 37,656,752

Another element of the reconciliation states that, “Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of the (\$11,595,410) difference are as follows:

Change in Compensated Absences Payable	\$ (1,710,645)
Change in Severance Payable	(21,994,832)
Change in Workers' Compensation Payable	10,644,000
Change in Unemployment Compensation Payable	4,131,535
Change in Claims and Judgments Payable	(1,560,122)
Change in Early/Voluntary Retirement Incentive Payable	830,000
Change in Net Accrued Bond Interest	(2,433,400)
Change in Bond Issuance Costs	<u>498,054</u>

Net adjustment to increase/(decrease) net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities.

\$ (11,595,410)

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

A. **Budgetary Information**

(1) **General Budget Policies**

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

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

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

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

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

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

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

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

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

(2) Encumbrance Accounting

Encumbrance accounting, by which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in governmental funds except for Categorical Funds. Encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. Unreported Categorical Funds encumbrances totaled \$22.1 million at June 30, 2006. Since Categorical Funds do not have a formal adopted budget, this amount is not shown as a reservation of fund balance at June 30, 2006.

B. Deficit Fund Equity/Negative Net Assets

The operating funds experienced an unreserved negative fund balance of \$23.8 million. This amount is comprised of a General Fund unreserved negative fund balance of \$86.4 million, which is offset by \$62.6 million in the Debt Service Fund. The \$62.6 million in the Debt Service Fund includes \$64.6 million in fund balance offset by \$2.0 million in trapped funds for future appropriations. Categorical Funds experienced an unreserved negative fund balance of \$17.2 million while the Internal Service Fund had negative net assets of \$2.5 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.

4. *DETAILED NOTES ON ALL FUNDS AND ACCOUNTS*

A. Cash and Investments

(1) General Information

The School District's cash and investments, including \$49.0 million held in agency funds, at June 30, 2006 are summarized as follows:

Cash and Cash Equivalents	\$ 175,180,029
Cash and Investments with Fiscal Agent	64,613,390
Equity in Pooled Cash and Investments	68,377,945
Cash and Investments Held by Trustee	307,368,937
Investments	<u>200,007</u>
Total Cash and Investments	<u>\$ 615,740,308</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 of Pennsylvania or any political subdivision of the Commonwealth backed by the full faith and credit of the Commonwealth or the political subdivision, money market funds of United States Treasury obligations and collateralized repurchase agreements.

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

(2) Investments

As of June 30, 2006, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 382,931,740	.02
Discounted Notes	27,889,858	.25

(a) *Interest Rate Risk* - Repurchase agreements for sinking funds and consolidated cash, and capital fund investments, as of June 30, 2006 mature in three (3) days and thirty-one (31) days, respectively. 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 Mortgage Corp. Discount Notes (FMCDN)	Aaa	AAA	AAA
	Federal Home Loan Mortgage Corp. (FHLMC)	Aaa	AAA	AAA
	Federal Home Loan Bank (FHLB)	Aaa	AAA	N/R
	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA
Discounted Notes under Forward Purchase Agreement	Federal Mortgage Corp. Discount Notes (FMCDN)	Aaa	AAA	AAA
	Federal Home Loan Bank (FHLB)	Aaa	AAA	N/R
	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA

Please note (1) Fitch does not rate (N/R) the FHLB and (2) FMCDN does not carry its' own rating but is listed as a major subsidiary for Freddie Mac. The ratings for FMCDN represent the ratings given to Freddie Mac.

(c) *Concentration of Credit Risk* - The School District does not restrict the amount of deposits made to any particular bank or any counterparty to a repurchase agreement.

- (d) *Custodial Credit Risk~Deposits* - The School District maintains all deposits in depositories which are insured by the Federal Deposit Insurance Company (the “FDIC”) to the extent permitted by law and to the extent not so insured, shall be secured by collateral pledged in accordance with Pennsylvania law (Act 72 of 1971). In addition, for any depository bearing a Bauer Financial rating of three stars or less in any quarter of the year, School District deposits in those institutions are limited to the amount of available federal insurance, and appropriate collateral pledged specifically to the School District for those deposits.
- (e) *Custodial Credit Risk~Investments* - The School District generally requires that all collateral pertaining to investments in repurchase agreements be held by a third party custodial agent. Collateral is delivered to the School District’s custody banks for all repurchase agreements. Allowable collateral includes: (i) United States Treasury securities; and (ii) United States Government Agencies (full faith and credit with no maturity restrictions; non full faith and credit with maturity restrictions of one (1) year or less). The market value of collateral is maintained at 102% of investments.

B. Receivables

(1) Net Receivables

Receivables for the School District’s individual Major and Non-Major, Internal Service and Fiduciary Funds in the aggregate, including the applicable allowances for uncollectible accounts, as of the fiscal year end are as follows:

(Dollars in Thousands)

	General	Categorical	Debt Service	Enterprise	Fiduciary	Total
Receivables						
Interest	\$ 5.7	\$ -	\$162.3	\$ -	\$ -	\$ 168.0
Taxes	239,566.2	-	-	-	-	239,566.2
Accounts (net)	2,153.6	833.4	255.8	27.7	12,182.4	15,452.9
Gross Receivables	241,725.5	833.4	418.1	27.7	12,182.4	255,187.1
Less: Allowances for Uncollectible						
Taxes	115,992.9	-	-	-	-	115,992.9
Total Allowance	115,992.9	-	-	-	-	115,992.9
Net Total Receivables	<u>\$ 125,732.6</u>	<u>\$ 833.4</u>	<u>\$418.1</u>	<u>\$ 27.7</u>	<u>\$ 12,182.4</u>	<u>\$ 139,194.2</u>

(2) Taxes Receivable

Estimated collectible taxes at June 30, 2006 equaled \$123.6 million as follows:

	(Dollars in Millions)		
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 62.1	\$ 9.5	\$ 52.6
Prior	<u>137.2</u>	<u>84.0</u>	<u>53.2</u>
Total Real Estate Taxes	<u>199.3</u>	<u>93.5</u>	<u>105.8</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	21.7	13.0	8.7
School Income Tax	4.4	1.6	2.8
Liquor Sales Tax	<u>14.1</u>	<u>7.8</u>	<u>6.3</u>
Total Self Assessed Taxes	<u>40.2</u>	<u>22.4</u>	<u>17.8</u>
Total Taxes Receivable	<u>\$ 239.5</u>	<u>\$ 115.9</u>	<u>\$ 123.6</u>

During July and August 2006, \$19.0 million in real estate taxes receivable and \$11.8 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2006 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)	\$ 92,300,684	-
Accounts receivables earned but not available (General Fund)	1,273,431	-
Grant funds earned but not available (Categorical Funds)	17,156,255	-
Grant funds received prior to meeting all eligibility requirements (Categorical Funds)	-	\$8,694,852
Interest on investments received prior to being earned (Debt Service Fund)	-	1,772,828
Grant funds received prior to meeting all eligibility requirements (Capital Projects Fund)	-	80,380
Total Deferred Revenue for Governmental Funds	<u>\$ 110,730,370</u>	<u>\$10,548,060</u>

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2006 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1,2005	Additions	Deletions	Transfers	Balance June 30,2006
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 109.9	\$ -	\$ -	\$ 3.1	\$ 113.0
Construction in Progress	212.7	154.8	-	(114.7)	252.8
Total Capital Assets - Not Depreciated	\$ 322.6	\$ 154.8	\$ -	\$ (111.6)	\$ 365.8
Capital Assets - Depreciated					
Buildings	\$ 885.9	\$ 16.9	\$ (0.2)	\$ 84.0	\$ 986.6
Improvements	759.8	1.7	-	14.6	776.1
Personal Property	205.6	15.3	(5.3)	13.0	228.6
Print Shop	0.7	-	-	-	0.7
Total Capital Assets - Depreciated	\$ 1,852.0	\$ 33.9	\$ (5.5)	\$ 111.6	\$ 1,992.0
Less Accumulated Depreciation					
Buildings	\$ (460.5)	\$ (16.0)	\$ 0.1	\$ -	\$ (476.4)
Improvements	(386.9)	(37.3)	-	-	(424.2)
Personal Property	(126.3)	(22.0)	4.6	-	(143.7)
Print Shop	(0.4)	(0.1)	-	-	(0.5)
Total Accumulated Depreciation	\$ (974.1)	\$ (75.4)	\$ 4.7	\$ -	\$ (1,044.8)
Net Capital Assets Depreciated	\$ 877.9	\$ (41.5)	\$ (0.8)	\$ 111.6	\$ 947.2
Governmental Activities - Net Capital Assets	<u>\$ 1,200.5</u>	<u>\$ 113.3</u>	<u>\$ (0.8)</u>	<u>\$ -</u>	<u>\$ 1,313.0</u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 13.0	\$ 0.3	\$ (0.1)	\$ -	\$ 13.2
Less Accumulated Depreciation	(9.6)	(0.5)	0.1	-	(10.0)
Business-Type Activities - Net Capital Assets	<u>\$ 3.4</u>	<u>\$ (0.2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3.2</u>

The beginning balances of certain capital asset accounts were adjusted by a net total of \$16.1 million which is reflected as a prior period adjustment in the district-wide Statement of Activities. This adjustment included a net understatement of asset value in the amount of \$31.7 million and a net understatement of accumulated depreciation in the amount of \$15.6 million.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 64.2
Student Support Services	3.0
Administrative Support	5.2
Operation & Maintenance of Plant Services	0.6
All Other Support Services	<u>2.4</u>
Total Depreciation Expense	<u>\$ 75.4</u>

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

D. Obligations

(1) Short-Term Obligations

The School District issued \$520.0 million of Tax and Revenue Anticipation Notes on July 12, 2005. The principal amount authorized by the SRC was \$525.0 million. The proceeds of the Notes were used to address the School District's cyclical cash flow needs. All of the Notes were repaid as of June 30, 2006. Changes in short-term obligations payable during Fiscal Year 2006 were as follows:

	(Dollars in Millions)			
	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Tax and Revenue Anticipation Note (Series 2005-2006)	\$ -	\$ 520.0	\$ (520.0)	\$ -
Total	\$ -	\$ 520.0	\$ (520.0)	\$ -

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2006 were as follows:

	(Dollars in Millions)				
	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Governmental Activities:					
Termination Compensation Payable	\$ 282.1	\$ 30.9	\$ (29.2)	\$ 283.8	\$ 28.0
Severance Payable	153.5	31.7	(9.7)	175.5	10.0
General Obligation Bonds	\$ 2,393.6	\$ 29.9	\$ (36.7)	\$ 2,386.8	\$ 62.3
Bond Premium	31.4	2.8	(2.2)	32.0	2.2
Bond Discount	(10.3)	-	0.4	(9.9)	(0.3)
Total Bonds Payable	\$ 2,414.7	\$ 32.7	\$ (38.5)	\$ 2,408.9	\$ 64.2
Loans Payable - Federal Asbestos	\$ 0.2	\$ -	\$ (0.2)	\$ -	\$ -
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	112.2	32.3	(45.5)	99.0	-
Lease Purchase Agreements	3.2	-	(0.8)	2.4	0.8
Deferred Revenue	2.2	-	(0.5)	1.7	0.6
Early/Voluntary Retirement Incentive	6.4	0.9	(1.7)	5.6	1.7
Governmental Activity - Long-Term Liabilities	\$ 3,019.8	\$ 128.5	\$ (126.1)	\$ 3,022.2	\$ 150.6
Business-Type Activities:					
Termination Compensation Payable	\$ 2.1	\$ 0.2	\$ (0.2)	\$ 2.1	\$ -
Severance Payable	1.1	1.1	(1.0)	1.2	-
Business-Type Activities - Long-Term Liabilities	\$ 3.2	\$ 1.3	\$ (1.2)	\$ 3.3	\$ -

(a) General Obligation Bonds & Lease Rental Debt

(i) Authority to Issue

- General obligation debt is issued pursuant to the Local Government Unit Debt Act of July 12, 1972, P.L. 781 as amended and re-enacted by Act 177, approved December 1996 (the “Debt Act”). The Debt Service Fund is used to account for the accumulation of resources and the payment of principal, interest and issuance costs on general obligation bonds and lease rental debt. The School District has issued various general obligation bonds throughout the years to fund budgeted capital projects and to refund higher interest rate bonds with bonds bearing lower costs.
- The School District is authorized, pursuant to amendments to the Debt Act enacted in September 2003, to enter into “qualified interest rate management agreements.” These qualified interest rate management agreements are, defined in the Debt Act, as agreements determined in the judgment of the School District to manage interest rate risk or interest cost on any debt which the School District is authorized to incur. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements.

General obligation bonds and lease obligations at June 30, 2006 by bond issue are summarized as follows:

(Dollars in Thousands)						
Issue	Interest Rates	Maturity Year Ending June 30	Original Principal Issued	Principal	Interest	Total
1993 - B	5.375 – 5.400	2007	\$ 97,620	\$ 4,100	\$ 111	\$ 4,211
1995 - A	6.250	2010	53,725	29,855	3,878	33,733
1997 - A	5.000	2010	52,220	26,045	3,335	29,380
1999 - A	4.000 – 4.750	2027	156,575	112,105	91,032	203,137
1999 - B	5.000 - 5.250	2011	98,405	86,910	13,054	99,964
1999 - D	5.250 - 5.625	2010	73,765	40,205	5,139	45,344
2000 - A	4.650 - 5.750	2011	130,000	22,020	6,327	28,347
2000 - B	QZABS ⁽¹⁾	2014	22,985	22,965	-	22,965
2002 - A	3.500 - 5.250	2012	156,000	10,470	2,731	13,201
2002 - B	5.000 - 5.500	2013	300,000	83,550	17,063	100,613
2003 - A	Variable Rate ⁽²⁾	2028	109,000	108,990	70,199	179,189
2003 - B	3.000 - 5.500 ⁽³⁾	2033	588,140	588,125	711,218	1,299,343
2004 - A	Variable Rate ⁽⁴⁾	2026	100,000	99,990	50,093	150,083
2004 - B	Variable Rate ⁽⁵⁾	2031	652,600	652,550	390,880 ⁽⁷⁾	1,043,430
2004 - C	Variable Rate ^(5&6)	2012	38,475	38,425	3,547 ⁽⁷⁾	41,972
2004 - D	2.250 - 5.250	2034	100,000	99,845	129,315	229,160
2004 - E	QZABS ⁽¹⁾	2019	19,335	17,954	-	17,954
2005 - A	3.000 - 5.000	2023	198,140	198,135	120,391	318,526
2005 - B	3.000 - 5.000	2017	43,415	43,210	17,726	60,936
2005 - C	3.730 - 5.310	2026	71,740	71,740	42,324	114,064
2005 - D	2.900 - 5.500	2021	29,920	29,660	13,798	43,458
Total			<u>\$ 3,092,060</u>	<u>\$ 2,386,849</u>	<u>\$ 1,692,161</u>	<u>\$ 4,079,010</u>

(1) Qualified Zone Academy Bonds are interest free to the issuer.

(2) Maximum interest rate not to exceed 12% in accordance with debt agreement.

School District of Philadelphia

- (3) Lease rental debt issued through the State Public School Building Authority.
- (4) Maximum interest rate not to exceed 15% in accordance with debt agreement.
- (5) Maximum interest rate on the Series B Bonds shall be the lesser of 12% or the maximum permitted by law and in regard to the Series C Bonds, the lesser of 15% or the maximum permitted by law in accordance with bond provisions.
- (6) Taxable.
- (7) Interest scheduled is the fixed swap interest payments required of the School District by the Qualified Interest Rate Management Agreements.

Debt service to maturity on general obligation bonds at June 30, 2006 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
2007	\$ 62,352	\$ 77,678	\$ 140,030
2008	65,621	74,467	140,088
2009	69,271	71,183	140,454
2010	69,761	67,803	137,564
2011	71,691	64,784	136,475
2012-2016	384,490	273,045	657,535
2017-2021	392,893	190,322	583,215
2022-2026	346,100	106,761	452,861
2027-2031	262,070	43,338	305,408
2032-2034	<u>74,475</u>	<u>11,562</u>	<u>86,037</u>
Total	<u>\$ 1,798,724</u>	<u>\$ 980,943</u>	<u>\$ 2,779,667</u>

- (1) Included interest related to Bond Series B and C of 2004 is net of the related swap.

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2006 is summarized as follows:

<u>Governmental Activities</u> (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2007	4.000	\$ 5	\$ 29,948	\$ 29,953
2008	4.000	5	29,947	29,952
2009	4.000	5	29,947	29,952
2010	4.000	5	29,947	29,952
2011	4.000	5	29,947	29,952
2012 – 2016	4.000 – 4.375	25	134,758	134,783
2017 – 2021	4.500 – 4.750	785	149,726	150,511
2022 – 2026	5.000 – 5.250	102,365	145,322	247,687
2027 – 2031	5.000 – 5.500	251,390	106,273	357,663
2032 – 2033	5.000	<u>233,535</u>	<u>25,403</u>	<u>258,938</u>
Total		<u>\$ 588,125</u>	<u>\$ 711,218</u>	<u>\$ 1,299,343</u>

(ii) Sinking Fund Covenants

- Fixed Rate General Obligation Bonds - The School District has covenanted that the City will, from local taxes collected on each business day, irrevocably deposit with the paying agent for the bonds for payment into a sinking fund, approximately equal daily installments which, together with other available resources in the sinking fund, amounts sufficient to accumulate the sum required to pay the next principal or redemption price and the amount required to pay the next interest payment. Such debt service resources are required to be accumulated in full by the fifteenth (15th) day prior to each specified payment date. These covenants were established to enhance the credit rating underlying the School District's general obligation bonds and to assure timely payment of debt service.
- Variable Rate General Obligation Bonds - The School District has covenanted that it will irrevocably deposit monthly, with the paying agent for these bonds and fifteen (15) days prior to the next payment date and from any revenues available that day into the sinking funds, an amount which, together with other available resources in the sinking fund that will be sufficient to pay the next monthly variable rate interest payment and in years when principal payments are due, an amount equal to 1/12 of the next principal payment. These covenants were established to enhance the credit rating underlying the School District's general obligation bonds rather than to achieve a prepayment of debt service.
- Lease Rental Debt - The School District entered into an intercept agreement with the Treasurer of the Commonwealth of Pennsylvania who will irrevocably deposit semi-annually, with the paying agent for these bonds, from any Commonwealth revenues due to the School District into a sinking fund, an amount equal to the Base Rental payments due under the sublease on or prior to each Base Rental payment. These payments are due on or prior to the fifteenth (15th) day of the calendar month immediately preceding each debt service date for the State Public School Building Authority bonds. These covenants were established to enhance the credit rating underlying the School District's Lease Rental Debt rather than to achieve a prepayment of debt service.
- Interest Rate Management Agreements - Pursuant to the Debt Act, periodic scheduled payments due from the School District under a qualified interest rate management agreement are payable on a parity with debt service on the bonds related to the applicable qualified interest rate management agreement. The School District covenanted to budget, appropriate and pay such periodic scheduled payments from its general revenues and has pledged its full faith and credit and taxing power (within the limits prescribed by law) to secure such payments. Termination payments are subject and subordinate to period scheduled payments and are not secured by the foregoing pledge.

(b) Interest Rate Derivatives – Interest Rate Swaps

- (i) On June 29, 2004, the School District elected to execute floating-to-fixed interest rate swaps to synthetically advance refund certain of its outstanding bonds. The School District entered into ten (10) floating-to-fixed swaps with a total initial notional amount of \$ 691.1 million. Each swap is associated with either 7-day reset auction-rate securities or 35-day reset auction-rate securities. The combination of auction-rate securities and a floating-to-fixed swap creates synthetic fixed-rate debt at a rate lower than was available in the cash bond market. 58.5% of LIBOR + 27 basis points swaps were used to hedge the 7-day auction-rate securities and 60.4% of LIBOR + 32 basis points swaps were used to hedge the 35-day securities.
- (ii) *Terms, fair values and credit risk:* The terms, including the fair values and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2006 are as follows:

Name	Associated Bonds	Pays	Receives	Maturity Date	Initial Notional	Bank Counterparty	Moody's	S&P	Fitch	Total Value
PHILASD200406150001	Series 2004 B-1	3.7670%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$60,000,000	Wachovia Bank	Aa2	AA-	AA-	(\$1,305,556.45)
PHILASD200406150002	Series 2004 B-2	3.7670%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$54,200,000	Wachovia Bank	Aa2	AA-	AA-	(\$1,186,174.40)
PHILASD200406150003	Series 2004 B-3	3.7670%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$64,900,000	Wachovia Bank	Aa2	AA-	AA-	(\$1,425,767.70)
PHILASD200406150004	Series 2004 B-4	3.7700%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$95,000,000	Morgan Stanley Capital Services Inc.	Aa3	A+	AA-	(\$2,137,261.07)
PHILASD200406150005	Series 2004 B-5	3.7610%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$78,475,000	Goldman Sachs Capital Markets, L.P.	Aa3	A+	AA-	(\$1,683,125.32)
PHILASD200406150006	Series 2004 B-6	3.6838%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$59,025,000	Goldman Sachs Capital Markets, L.P.	Aa3	A+	AA-	(\$151,591.24)
PHILASD200406150007	Series 2004 B-7	3.6900%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$91,000,000	Morgan Stanley Capital Services Inc.	Aa3	A+	AA-	(\$238,447.50)
PHILASD200406150008	Series 2004 B-8	3.6890%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$80,000,000	Goldman Sachs Capital Markets, L.P.	Aa3	A+	AA-	(\$271,041.06)
PHILASD200406150009	Series 2004 B-9	3.6890%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$70,000,000	Goldman Sachs Capital Markets, L.P.	Aa3	A+	AA-	(\$271,041.06)
PHILASD200406150010	Series 2004 C	3.2400%	58.5% of USD-LIBOR + 0.27%	9/1/2011	\$38,475,000	Merrill Lynch Capital Services	Aa3	A+	AA-	(\$98,391.15)
										Total (\$8,768,396.95)

All of the swaps had a negative fair value of (\$8.8) million as of June 30, 2006. As the Federal Reserve continued to increase short term rates, long-term interest rates also rose considerably over this period resulting in this significant change in value. These fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that were received. 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 on the swaps.

(iii) *Discussion of Risks:*

- Credit Risk - As of June 30, 2006, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

- Basis Risk - Basis risk is the risk that the interest rate paid by the School District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The School District bears basis risk on each of its swaps. The swaps have basis risk since the School District receives a percentage of LIBOR to offset the actual variable bond rate the School District pays on its bonds. The School District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the School District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.
- Termination Risk - The School District or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated 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.

(c) Interest Rate Derivatives – Basis Swaps

- (i) By Resolution of the School Reform Commission, adopted May 25, 2005, the School District was authorized to enter into one or more Basis Swaps related to certain outstanding general obligation bonds of the School District. Four Basis Swaps were entered into on October 20, 2005 for the purpose of managing interest costs of the School District and were structured to provide for both an upfront cash payment and on-going payments of a spread above a stated fixed rate, payable by each counterparty to the School District on the notional amount of \$342.3 million. The amounts and specific bond issues that the basis swaps relate to are: (1) \$112,110,000 relating to a portion of the General Obligation Bonds, Series A of 1999; (2) \$86,910,000 relating to a portion of the General Obligation Bonds, Series B of 1999; (3) \$99,995,000 relating to a portion of the General Obligation Bonds, Series D of 2004; and (4) \$43,415,000 relating to a portion of the General Obligation Bonds, Series B of 2005.
- (ii) *Terms, fair values and credit risk:* The terms, including the fair values and credit ratings of the bank counterparties on the outstanding basis swaps as of June 30, 2006 are as follows:

Associated Bonds	Pays	Receives	Maturity Date	Initial Notional	Bank Counterparty	Moody's	S&P	Fitch	Total Value
Series 1999 A	BMA	67% of USD-LIBOR + 0.432%	4/1/2027	\$112,110,000	Merrill Lynch Capital Services	Aa3	A+	AA-	(\$2,892.77)
Series 1999 B	BMA	67% of USD-LIBOR + 0.1602%	10/1/2012	\$86,910,000	Bear Stearns Financial Products Inc.	Aaa	AAA	N/A	\$100,534.41
Series 2004 D	BMA	67% of USD-LIBOR + 0.467%	6/1/2034	\$99,995,000	Merrill Lynch Capital Services	Aa3	A+	AA-	(\$736,286.19)
Series 2005 B	BMA	67% of USD-LIBOR + 0.307%	4/1/2017	\$43,415,000	Bear Stearns Financial Products Inc.	Aaa	AAA	N/A	\$160,838.36
Total									(\$477,806.19)

(iii) *Discussion of Risks:*

- Credit Risk. As of June 30, 2006, the School District was not exposed to credit risk on the outstanding \$112.11 million and \$99.99 million swaps with Merrill Lynch Capital Services because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk in the amount of the derivatives' fair value. The School District was exposed to credit risk on the outstanding \$86.91million and \$43.42 million swaps with Bear Stearns Financial Products, Inc. in the amount of \$100,534 and \$160,838 respectively. This is because the swaps had positive fair values. Should interest rates change and the fair values of the swaps become negative, the School District would not be exposed to credit risk. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.
- Basis Risk. Basis risk is the risk that benchmark tax-exempt interest rates paid by the School District which differs from the variable swap rate received from the applicable counterparty. The School District bears basis risk on each of its swaps. The swaps have basis risk since the School District receives a percentage of LIBOR and pays the tax-exempt benchmark BMA Municipal Swap Index. The School District is exposed to basis risk should the floating rate that it receives on a swap plus the spread is less than the BMA Municipal Swap Index variable rate the School District pays on the swaps. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the basis swap may not be realized.
- Termination Risk. The School District or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are 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.

(d) Defeased Debt

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds were removed from the School District's financial statements. At June 30, 2006, a total of \$685.2 million of bonds outstanding are considered to be defeased.

In addition, the QZAB bond series 2004E for \$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

\$1.3 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt, and the possibility that the School District will be required to make future payments on that debt is remote.

(e) 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 deficit financing. As of June 30, 2006, outstanding electoral debt totaled \$1.3 million. The non-electoral and lease rental borrowing capacity (debt limit) for the School District was \$1,711.5 million as of June 30, 2006.

(f) Arbitrage

Federal Arbitrage regulations are applicable to the School District. At the School District, the most common occurrence of arbitrage would involve the investment of proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs. As of June 30, 2006, there was no arbitrage payable.

(3) Leases

(a) 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, 2006 amounted to \$7,083,141. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2007	\$ 7.7
2008	7.1
2009	6.2
2010	5.5
2011	2.1
2012-17	<u>12.0</u>
Total	<u>\$ 40.6</u>

(b) Capital Lease Purchase Agreement

The School District, as lessee, entered into a lease-purchase agreement on June 25, 2004 for computer software for the primary purpose of enhancing reading, and related skills of students.

The term of the non-cancelable lease is five years (5) with no renewal option. Payment of \$2,195,595, which in addition to the cost of software includes charges for service, support and interest, is due each year which began on July 15, 2004. Of this amount, \$834,326 solely represents the cost of the software. The fair value of the software as of June 30, 2006 was \$2,374,587. The software has an economic life of five years (5) with no salvage value. The School District has the option to purchase a perpetual license in the lease and the software on any applicable payment date provided certain conditions are met. The software is included as a personal property item under the capital assets section.

The following is the minimum future lease payments in total for each of the next three (3) years, presenting a deduction for the imputed interest to reduce the net minimum future lease payments to their present value:

<u>Payment Date</u>	<u>Lease Payment</u>	<u>Interest</u>	<u>Amortized Principal</u>
July 15, 2006	\$ 834,326	\$ 63,642	\$ 770,684
July 15, 2007	834,326	42,984	791,342
July 15, 2008	834,326	21,765	812,561
	<u>\$2,502,978</u>	<u>\$ 128,391</u>	<u>\$2,374,587</u>

(4) Termination Compensation Payable

Termination pay consists of accumulated leave not expected to be paid with available resources.

(5) Early/Voluntary Retirement Incentive

In 2004, the School District provided an early retirement incentive for eligible employees who retired before June 30, 2004. A total of 346 personnel took advantage of the program. Consequently, the School District is to pay out \$25,000 per retiree over 5 years for a total cost of \$8.65 million. As of June 30, 2006, the remaining liability totaled \$5.36 million.

In 2006, the School District provided a voluntary retirement incentive for certain eligible employees who retired by July 31, 2006. A total of 16 personnel took advantage of the plan. The School District is to pay out \$12,500 per retiree over 5 years for a total cost of \$200,000.

(6) Severance Payable

Pursuant to collective bargaining agreements with the Philadelphia Federation of Teachers and the Commonwealth Association of School Administrators, ten (10) month salary schedules were extended over twelve (12) months beginning September 1, 1982. This effectively reduced the salary payments to affected employees by approximately 17% for the year ended June 30, 1983 and created a severance liability to each employee that will be paid upon termination or retirement. Estimated severance payable based on current salaries at June 30, 2006 was \$175.6 million. July and August 2006 salaries for ten (10) month employees who had not terminated were budgeted and paid for from Fiscal Year 2007 appropriations.

(7) Loans Payable

Federal Asbestos Loans consist of \$0.1 million for an interest-free loan expected to be repaid over the next three (3) years.

(8) 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 to at least Fiscal Year 2007.

(9) Other Liabilities

Other liabilities consist of \$83.0 million for Workers' Compensation, \$9.4 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. While repayment of the Federal Asbestos Loan is funded by the General Fund, payments are made from the Debt Service Fund.

E. Interfund Receivables, Payables and Transfers

(1) The composition of Interfund balances as of June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Categorical Funds	\$ 17,839,801
General Fund	Capital Projects Fund	384,138
General Fund	Internal Service Fund	1,341,935
	Total	<u>\$ 19,565,874</u>

The balance of \$18,223,939 under the Categorical Funds and Capital Projects Fund represent amounts that were reclassified as Due to Other Funds for reporting purposes and eliminated in the district-wide Statement of Net Assets. The \$1,341,935, under the Internal Service Fund, was eliminated within the governmental activity column.

(2) Interfund transfers at June 30, 2006 were as follows:

<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>				
	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
General	\$ -	\$ 3,379,987	\$ -	\$ -	\$ 3,379,987
Intermediate Unit	183,146,630	-	-	-	183,146,630
Categorical	14,903,955	-	-	-	14,903,955
Debt Service	145,686,746	-	629,489	178,041	146,494,276
Total	<u>\$ 343,737,331</u>	<u>\$ 3,379,987</u>	<u>\$ 629,489</u>	<u>\$ 178,041</u>	<u>\$ 347,924,848</u>

Interfund transfers are used to: (a) move revenues from the fund that statute or budget requires for collection to the fund that statute or budget requires for expenditure; and (b) move receipts to the Debt Service Fund from the Enterprise Fund as a transfer to cover Fiscal Year 2006 allocations of cafeteria renovations.

F. Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2006 are summarized as follows:

New Construction and Land	\$ 63,289,202
Environmental Management	74,122
Alterations and Improvements	105,200,828
Major Renovations	7,139,341
Equipment Acquisition	3,013,474
Total	<u>\$ 178,716,967</u>

G. Affiliated Organizations

The Philadelphia Education Fund, Philadelphia Academies, Inc. (formerly *The Philadelphia High School Academies*), Foundations, Community Education Partners, Aspira, Inc., Cora Services, Elwyn, Inc., Philadelphia Youth Network, EducationWorks, International Education and Community Initiatives and Philadelphia's Children First Fund are nonprofit corporations and are funded by grants, contributions and approximately \$51.3 million in contract revenue from the School District during Fiscal Year 2006. 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 and forty nine (249) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$3.1 million.

Of those, two hundred and forty (240) 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 free appropriate public education to students under federal and state civil rights, special education or Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, one hundred and thirty two (132) unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts, including attorney's fees, of approximately \$0.7 and \$0.2 million, respectively.

There are nine (9) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts including attorney's fees of approximately \$0.6 and \$0.5 million, respectively. There is no cap or limitation on the potential liability of the School District for civil rights violations.

- (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 \$6.6 million. 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 reasonably possible in the aggregate amounts of \$0.4 and \$0.9 million, respectively, in connection with Contracts and Labor & Employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$1.1 and \$1.8 million, respectively, arising from Personal Injury and Property Damage claims.
- (3) ***Education Audits*** - The School District receives basic education subsidies from the Commonwealth based principally on student enrollment data. In July of 1995, the Pennsylvania Department of Education ("PDE") notified the School District that the results of an audit conducted by the Auditor General for the fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in Fiscal Year 1991, the year established by the Commonwealth as the base for calculating all subsidies through Fiscal Year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40.0 million through Fiscal Year 1999 and, subsequently, reduced by half to \$20.0 million based on additional reviews and documentation. On May 13, 1999, the School District appealed the adverse determination to the Secretary of Education. The matter remains pending.

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

- (4) ***Litigation by Outside Counsel*** - There are several suits against the School District that are being handled by outside legal representation. These matters include:

Chambers v. The School District of Philadelphia, Civil Action No. 05-2535, United States District Court for the Eastern District of Pennsylvania. The plaintiffs allege that the School District violated IDEA and section 504 of the Rehabilitation Act of 1973 as a matter of practice and policy by intentionally and continuously failing to provide the student with a free appropriate public education. Plaintiffs claim that as a result of those violations, the student's guardians and personal representatives will be required to expend between the range of \$3.2 million (living with family members) and \$7.8 million (residential treatment facility) for future costs of therapy and daily living expenses until age sixty-five. Discovery is ongoing, and will be completed in January 2007. Based on information known to date, it is reasonably possible that the School District may face an unfavorable outcome. If the School District's motion for summary judgment were denied, and the case proceeds to trial a jury can return a verdict in excess of \$1.0 million.

Robert Johnston et al v. The School District of Philadelphia et al, Civil Action No. 04-4948, United States District Court for the Eastern District of Pennsylvania. This lawsuit was filed by three (3) former and one (1) current employee alleging reverse race discrimination and retaliation under Title VII of the Civil Rights Act and the Pennsylvania Human Relations Act. Collectively, Plaintiffs claim that the School District (District) and its Chief Procurement Officer, terminated their employment on the basis of race and retaliated against them by denying alternative placements or positions. On December 16, 2005, a jury verdict was entered in favor of the Plaintiffs and against the District and the Chief Procurement Officer. That verdict included an award of back-pay, front-pay and reinstatement as well as compensatory damages in the amount of \$2 million. Total value of the award, including future earnings, was in excess of \$4 million. On June 28, 2006, the District entered into a Settlement Agreement and General Release of Claims which provided for payments of over \$3.8 million to the Plaintiffs in Fiscal Years 2007 and Fiscal Year 2008. As part of the resolution, the Plaintiffs waived reinstatement rights to positions with the District as well as releasing the District from all claims.

Philadelphia Federation of Teachers v. The School District of Philadelphia, American Arbitration Association Case No. 14 390 01350 06 involves an arbitration proceeding commenced by the Philadelphia Federation of Teachers ("PFT") against the School District claiming that the School District, in violation of the collective bargaining agreement between the PFT and the School District, unilaterally reduced the salaries of PFT members who work ten (10) months but are paid bi-weekly over a twelve (12) month period. Hearings before an arbitrator were conducted on September 25 and September 26, 2006, and briefs were filed on October 23, 2006. A decision was rendered by the arbitrator on January 14, 2007. The PFT grievance was denied, the arbitrator holding that there was no violation of the Collective Bargaining Agreement. In addition to the arbitration claim with respect to the contract, the PFT filed an action in the Court of Common Pleas Philadelphia County seeking an injunction to prevent the School District from paying the salaries of such employees over an additional pay period. The Court denied the injunction. Further, the PFT filed an unfair labor practice charge with respect to the actions taken by the School District before the Pennsylvania Labor Relations Board. No hearing has yet been scheduled on the PFT's unfair labor practice charge complaint, but the possibility of liability is remote based on the Arbitrator's decision.

- (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 of Philadelphia implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan in

fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the new 403(b) and 457(b) Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who retire during or after the calendar year in which they attain age 55. Based on the advice of counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plans are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. No taxing authorities have challenged the tax treatment accorded these termination payments, and the School District has no reason to believe that any such challenge, if brought, would be successful. If the various tax authorities were to challenge the School District's position and were successful, the estimated tax liability for Fiscal Year 2006 would be in excess of \$900,000 for the employer FICA taxes and \$1.8 million for the employee FICA, Pennsylvania Personal Income Tax, and Philadelphia Wage Tax, plus any applicable interest penalty.

J. Post Employment Benefits

As required by collective bargaining agreements, the School District pays monthly premiums to provide up to \$2,000 of life insurance coverage for 7,445 retired/disabled employees as of June 30, 2006. A retired employee is eligible for this benefit if covered for ten (10) years as an active employee and: (i) retired at age 60 with 30 years of service; or (ii) retired at age 62 with 10 years of service; or (iii) accumulated 35 years of service regardless of age. Disabled employees' eligibility is determined by the insurance company providing the coverage. For Fiscal Year 2006, the cost of life insurance premiums for retirees/disabled employees was \$625,090 and was fully paid by the School District.

K. Pension Plan

(1) Plan Description

The School District contributes to the Public School Employees' Retirement System ("PSERS"), a state governmental cost-sharing multiple-employer defined benefit pension plan. The plan, as administered by PSERS, provides retirement and disability benefits, legislative mandated *ad hoc* cost-of-living adjustments and healthcare insurance premium assistance to qualifying annuitants. Act No. 96, amended on October 2, 1975 (24 Pa. C. S. 8101-8535), assigns the authority to establish and amend benefit provisions to the Public School Employees' Retirement Code. PSERS issues a comprehensive annual financial

report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg PA 17108-0125, Attention: Barbara D. Flurie, Office of Financial Management.

(2) Funding Policy

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

(3) Contribution Rates

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

Contributions required of employers are based upon an actuarial valuation. For Fiscal Year ended June 30, 2006, the rate of employer contribution was 4.69 percent of qualifying compensation. The 4.69 percent rate consists of a pension contribution rate of 4.00 percent for pension benefits and .69 percent for health insurance premium assistance. The School District's contributions to PSERS for the Fiscal Years ending 2004, 2005 and 2006 were \$43,059,934, \$48,901,179 and \$55,760,173 respectively, and were equal to the required contributions for each year.

L. Desegregation

Following several decades of proceedings in the action initiated by the Pennsylvania Human Relations Commission ("PHRC") to end historical de facto racial segregation in the School District of Philadelphia, the PHRC and the District (along with an intervenor in the proceedings) entered into a Memorandum of Understanding ("MOU") in February of 2004. The MOU was approved by Order of the Commonwealth Court in March of 2004, resulting in a stay of judicial proceedings for an initial period of three (3) years while requiring that the School District submit annual reports to the PHRC. The MOU additionally requires the PHRC to provide feedback to the School District and includes a dispute resolution process by which the parties may seek to resolve disagreements, if any, remaining at the end of the initial period of the MOU before returning to Court. (The MOU further preserves positions of the parties in the event the MOU does not result in a final resolution of this case and the stay is lifted). The School District submitted annual status reports to the PHRC in December of 2004 and December of 2005, and intends to submit its third annual status report in late 2006 or early 2007.

The School District believes that the substantive and procedural aspects of the MOU have the potential to lead to a final resolution of this matter but is unable to express an opinion concerning whether disagreements will remain at the end of the initial term of the MOU. Should the parties not resolve this matter within the framework of the MOU and should the stay be lifted, the School District believes that it may be able to raise meritorious defenses and arguments relating to its

compliance with the Pennsylvania Human Relations Act as well as the proper scope of the Court's jurisdiction and remedial authority in the context of future proceedings.

M. Risk Management

The School District is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, and Weekly Indemnity (salary continuation during employee illness). Employee medical benefits are covered by various insurance plans dependent upon applicable collective bargaining agreements.

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

The School District reported the long-term portion of its risk management obligations totaling \$99.0 million in the district-wide Statement of Net Assets. Workers' Compensation and Unemployment Compensation coverages are funded by a pro-rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of 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, 2006, the amount of these liabilities totaled \$99.0 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

	(Dollars in Millions)			
	Beginning <u>Liability</u>	Claims & <u>Adjustments</u>	Claim <u>Payments</u>	Ending <u>Liability</u>
Fiscal Year 2005	\$ 92.4	\$ 52.4	\$ 32.6	\$ 112.2
Fiscal Year 2006	\$ 112.2	\$ 32.3	\$ 45.5	\$ 99.0

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

N. Prior Period Adjustments

District-wide net assets beginning balances were increased by \$16.1 million. These adjustments involved an understatement of asset value of \$31.7 million and an understatement of accumulated depreciation of \$15.6 million (Note 4C).

O. Subsequent Events

- (1) Tax and Revenue Anticipation Notes
In July 2006, the School District issued \$575.0 million in Tax and Revenue Anticipation Notes. The proceeds of the notes are used for cash flow purposes and are to be repaid by June 29, 2007.
- (2) Basis Swaps
On November 21, 2006, the School District took action to unwind the four outstanding 2005 Basis Swaps and entered into two 2006 Basis Swaps totaling \$500.0 million notional amount related to outstanding general obligation bonds of the School District for the purpose of managing interest expense.
- (3) General Obligation Bonds
On December 7, 2006, the School District issued School Lease Revenue Bonds through the State Public School Building Authority in the aggregate amount of \$862.7 million. The Series A of \$317.1 million will fund projects in the Capital Improvement Program and the Series B Bonds of \$545.6 million will refund certain 2003 Bonds.

THIS PAGE INTENTIONALLY LEFT BLANK

**REQUIRED SUPPLEMENTARY
INFORMATION OTHER THAN
MANAGEMENT DISCUSSION
AND ANALYSIS**

School District of Philadelphia
Budgetary Comparison Schedules
General and Intermediate Unit Funds
For The Year Ended June 30, 2006

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local Taxes	\$ 690,050,000	\$ 702,425,000	\$ 710,126,469	\$ 7,701,469
Locally Generated Non Tax	57,154,000	56,511,000	57,819,198	1,308,198
State Grants and Subsidies	1,066,140,000	1,075,198,000	1,071,559,466	(3,638,534)
Federal Grants and Subsidies	205,000	195,000	194,823	(177)
Total Revenues	1,813,549,000	1,834,329,000	1,839,699,956	5,370,956
OBLIGATIONS				
Current Operating				
Instruction	906,493,100	898,781,173	893,136,254	5,644,919
Student Support Services	58,783,300	60,104,636	60,538,324	(433,688)
Administrative Support	120,616,600	108,860,815	99,435,247	9,425,568
Operation & Maintenance of Plant Services	256,247,700	263,184,964	251,962,442	11,222,522
Pupil Transportation	55,377,300	57,581,706	56,737,867	843,839
All Other Support Services	(82,748,600)	(59,241,699)	33,499,238	(92,740,937)
Payments to Charter Schools	206,908,800	216,329,170	220,929,800	(4,600,630)
Allocated Costs	(11,779,300)	(11,776,100)	-	(11,776,100)
Total Obligations	1,509,898,900	1,533,824,665	1,616,239,172	(82,414,507)
Excess of Revenues Over (Under) Obligations	303,650,100	300,504,335	223,460,784	(77,043,551)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,900,000	3,000,000	3,379,987	379,987
Transfers Out	(348,712,500)	(351,379,300)	(343,912,885)	7,466,415
Bond Proceeds		-	-	-
Total Other Financing Sources (Uses)	(345,812,500)	(348,379,300)	(340,532,898)	7,846,402
Net Change in Fund Balances	(42,162,400)	(47,874,965)	(117,072,114)	(69,197,149)
Fund Balances, July 1, 2005	80,150,100	113,909,100	56,538,644	(57,370,456)
Change in Inventory Reserve	-	-	(110,620)	(110,620)
Change in Encumbrance Reserve	-	-	(5,488,402)	(5,488,402)
Fund Balances, June 30, 2006	\$ 37,987,700	\$ 66,034,135	\$ (66,132,492)	\$ (132,166,627)

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
580,000	599,000	654,355	55,355
72,721,000	73,663,000	73,910,255	247,255
-	-	-	-
73,301,000	74,262,000	74,564,610	302,610
186,541,900	193,030,685	184,483,501	8,547,184
61,571,000	61,444,857	62,459,064	(1,014,207)
977,400	1,042,858	972,817	70,041
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,879,300	9,876,100	9,971,412	(95,312)
258,969,600	265,394,500	257,886,794	7,507,706
(185,668,600)	(191,132,500)	(183,322,184)	7,810,316
185,668,600	191,132,500	183,322,184	(7,810,316)
-	-	-	-
-	-	-	-
185,668,600	191,132,500	183,322,184	(7,810,316)
-	-	-	-
-	2,758	1,442,122	1,439,364
-	-	-	-
-	-	(907,687)	(907,687)
\$ -	\$ 2,758	\$ 534,435	\$ 531,677

Refer to notes to the required supplementary information

SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2006

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	<u>\$ 1,839,700</u>	<u>\$ 74,565</u>
Revenue - GAAP Basis	<u>\$ 1,839,700</u>	<u>\$ 74,565</u>
Obligations – Basis of Budgeting	\$ 1,616,239	\$ 257,887
Current Year Encumbrances	(2,510)	(513)
Prior Year Encumbrance Payments	4,851	1,250
Prior Year Encumbrance Cancellations and Other Adjustments	<u>3,323</u>	<u>(5)</u>
Expenditures - GAAP Basis	<u>\$ 1,621,903</u>	<u>\$ 258,619</u>
Other Financing Sources (Uses)- Basis of Budgeting	\$ (340,533)	\$ 183,322
Prior Year Encumbrance Cancellations	<u>176</u>	<u>(176)</u>
Other Financing Sources (Uses) - GAAP Basis	<u>\$ (340,357)</u>	<u>\$ 183,146</u>

3. ***OBLIGATIONS IN EXCESS OF APPROPRIATIONS***

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2006:

A. General Fund

(1). Student Support Services	\$ 433,688
(2). All Other Support Services	92,740,937
(3). Payments to Charter Schools	4,600,630

B. Intermediate Unit

(1). Student Support Services	1,014,207
-------------------------------	-----------

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$433,688 in Student Support Services represents higher than projected salary expenditures for counseling services. Schools are permitted to adjust their budgets during the course of the year and an unanticipated shift into counseling personnel resulted in this overage. A portion of the positive variance in Instruction resulted from this shift in resources within budgets controlled by the schools.

Under All Other Support Services, the \$92.7 million negative variance was a combination of several factors. Termination payout was higher than anticipated by over \$10.6 million, as well as \$1.7 million due to early retirement incentive payments. Payments totaling \$12.3 million were made to remove long-term workers' compensation claimants from the rolls; these payments were funded by a dedicated bond issue and recorded under Risk Management, but were budgeted in employee benefits across all Agencies. Prior year severance payments of \$8.6 million were not properly accrued back to fiscal year 2005. Cancellation of encumbrances is credited for \$1.1 million of lower than anticipated budget. There was also \$6.5 of unrealized savings from a mid-year hiring freeze and vacancy elimination targeted at non-school based positions. Losses and Judgments accounted for \$0.7 million as a result of higher than expected claims. The delayed implementation of position hiring controls for school based positions resulted in \$ 8.8 million of unachieved savings. It was determined that \$4.0 million of expenditures were deemed non-capital eligible. A district-wide overtime savings of \$2.0 million was unrealized. Research & Evaluation charges that were not chargeable to grants resulted in \$1.0 million, as well as \$26.4 million of unrealized grant revenue due to significant historical trend decreases. All other variances amounted to \$9.0 million.

The negative variance of \$4,600,630 in Charter Schools represents a slightly higher than projected percentage of the maximum enrollment slots being filled and a slightly higher than projected percentage of all Charter students being identified as requiring special education services; the per pupil payment for students with Individualized Education Programs (IEPs) is more than twice as high as the per pupil payment for regular education students.

Intermediate Unit

The negative variance of \$1,014,207 in Student Support Services primarily represents higher than projected salary expenditures for psychologists.

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 \$ 11,779,300 and \$ 11,776,100, respectively.

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

5. *OTHER*

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

OTHER SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds

Special Revenue Funds

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

For external reporting purposes the School District reports one Non-Major Special Revenue Trust Fund. However, at June 30, 2006 there were forty-six 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, 2006 there were eighty-five Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 3,737,096	\$ 1,869,724	\$ 5,606,820
Accounts Receivable	-	-	-
Total Assets	<u>\$ 3,737,096</u>	<u>\$ 1,869,724</u>	<u>\$ 5,606,820</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	<u>\$ 3,276</u>	<u>\$ 3,784</u>	<u>\$ 7,060</u>
Fund Balance:			
Reserved for:			
Encumbrances	5,180	3,641	8,821
Trust Fund Principal	1,301,225	1,222,398	2,523,623
Unreserved			
Designated For Trust Purposes	2,427,415	639,901	3,067,316
Total Fund Balances	<u>3,733,820</u>	<u>1,865,940</u>	<u>5,599,760</u>
Total Liabilities and Fund Balances	<u>\$ 3,737,096</u>	<u>\$ 1,869,724</u>	<u>\$ 5,606,820</u>

School District of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 202,936	\$ 97,157	\$ 300,093
EXPENDITURES			
Instruction	31,109	11,619	42,728
Excess (Deficiency) of Revenues Over Expenditures	171,827	85,538	257,365
Fund Balances, July 1, 2005	3,561,993	1,780,402	5,342,395
Fund Balances, June 30, 2006	\$ 3,733,820	\$ 1,865,940	\$ 5,599,760

Governmental Funds

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

The funds included in this category are:

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

School District of Philadelphia
Schedule of Detailed Budgetary and Actual Revenues
General Fund
For The Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 474,100,000	\$ 491,979,000	\$ 493,146,749	\$ 1,167,749
Prior Years	66,500,000	52,500,000	53,862,636	1,362,636
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	99,200,000	102,000,000	103,761,796	1,761,796
School (Non-Business) Income	14,600,000	18,350,000	20,013,029	1,663,029
Liquor Sales	34,750,000	36,500,000	38,241,426	1,741,426
Public Utility Realty	900,000	1,096,000	1,096,214	214
Total Local Taxes	690,050,000	702,425,000	710,126,469	7,701,469
Locally Generated Non Tax				
Interest on Investments	8,022,000	8,364,000	9,446,425	1,082,425
City Contributions	35,000,000	35,000,000	35,000,000	-
Legal Settlements	2,650,000	2,502,000	2,819,131	317,131
Stadium Agreements	1,159,000	1,159,000	1,159,200	200
Voluntary Contributions	165,000	252,000	284,331	32,331
Reimbursement from Other Funds	7,658,000	6,934,000	6,501,987	(432,013)
Miscellaneous	2,500,000	2,300,000	2,608,124	308,124
Total Locally Generated Non Tax	57,154,000	56,511,000	57,819,198	1,308,198
Other Governments				
State Grants and Subsidies				
Gross Instruction	787,376,000	787,538,000	787,557,224	19,224
Less: Reimbursement of Prior Years IU Advances	33,733,000	33,937,000	33,690,041	(246,959)
Net Instruction	753,643,000	753,601,000	753,867,183	266,183
Debt Service	14,360,000	15,850,000	10,600,600	(5,249,400)
School Health Program				
Nurse Services	1,591,000	1,648,000	1,659,371	11,371
Medical and Dental	2,659,000	2,754,000	2,797,225	43,225
Tuition	449,000	437,000	617,935	180,935
Area Vocational Technical Education	6,482,000	7,990,000	8,272,383	282,383
Transportation	26,439,000	26,880,000	27,026,936	146,936
District Special Education	117,061,000	117,091,000	117,082,645	(8,355)
School District Additional Funding	25,000,000	25,000,000	25,000,000	-
Alternative Education	17,708,000	17,561,000	17,560,557	(443)
Charter Schools	39,217,000	46,203,000	46,498,454	295,454
Miscellaneous State Subsidies	18,000	18,000	25,408	7,408
Retirement	21,942,000	20,991,000	22,112,209	1,121,209
Social Security	39,571,000	39,174,000	38,438,560	(735,440)
Total State Grants and Subsidies	1,066,140,000	1,075,198,000	1,071,559,466	(3,638,534)
Federal Grants and Subsidies				
Impacted Area Aid	205,000	195,000	194,823	(177)
Total Federal Grants and Subsidies	205,000	195,000	194,823	(177)
Total Other Governments	1,066,345,000	1,075,393,000	1,071,754,289	(3,638,711)
Total Revenues	\$ 1,813,549,000	\$ 1,834,329,000	\$ 1,839,699,956	\$ 5,370,956

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 947,500	\$ 64,900	\$ 533,536	\$ (468,636)
Employee Benefits	328,700	12,198	263,728	(251,530)
Prof.,Tech. Services	280,800	280,000	100,526	179,474
Property,Transportation,Comm.	8,100	-	26,923	(26,923)
Materials, Supplies, Books and Equipment	52,700	20,000	97,464	(77,464)
Other	600	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,618,400	377,098	1,022,177	(645,079)
	<hr/>	<hr/>	<hr/>	<hr/>
Elementary Education				
Personal Services	246,088,800	257,387,130	261,888,071	(4,500,941)
Employee Benefits	96,383,900	108,297,650	106,662,859	1,634,791
Prof.,Tech. Services	521,800	2,385,500	1,607,891	777,609
Property,Transportation,Comm.	2,112,300	2,107,100	1,415,584	691,516
Materials, Supplies, Books and Equipment	9,343,400	5,971,700	4,955,773	1,015,927
Other	(178,800)	(4,248,700)	397	(4,249,097)
	<hr/>	<hr/>	<hr/>	<hr/>
	354,271,400	371,900,380	376,530,574	(4,630,194)
	<hr/>	<hr/>	<hr/>	<hr/>
Middle School Education				
Personal Services	84,569,800	74,651,709	77,240,611	(2,588,902)
Employee Benefits	33,717,500	31,218,674	30,674,531	544,143
Prof.,Tech. Services	3,082,800	601,900	456,715	145,185
Property,Transportation,Comm.	357,300	361,200	473,157	(111,957)
Materials, Supplies, Books and Equipment	3,067,300	3,218,900	1,432,659	1,786,241
Other	1,158,800	(589,500)	78	(589,578)
	<hr/>	<hr/>	<hr/>	<hr/>
	125,953,500	109,462,883	110,277,751	(814,868)
	<hr/>	<hr/>	<hr/>	<hr/>
Senior High School Education				
Personal Services	143,588,200	139,999,931	141,285,362	(1,285,431)
Employee Benefits	54,893,800	56,299,599	53,934,271	2,365,328
Prof.,Tech. Services	2,986,500	3,621,800	2,618,820	1,002,980
Property,Transportation,Comm.	1,309,100	1,504,600	1,127,909	376,691
Materials, Supplies, Books and Equipment	7,595,100	8,239,869	4,015,095	4,224,774
Other	1,503,500	(3,581,000)	795	(3,581,795)
	<hr/>	<hr/>	<hr/>	<hr/>
	211,876,200	206,084,799	202,982,252	3,102,547
	<hr/>	<hr/>	<hr/>	<hr/>
Special Education				
Personal Services	7,042,100	7,035,233	6,830,073	205,160
Employee Benefits	2,642,300	2,873,069	2,769,156	103,913
Prof.,Tech. Services	44,000	46,000	17,021	28,979
Property,Transportation,Comm.	18,100	16,100	14,065	2,035
Materials, Supplies, Books and Equipment	935,100	820,800	489,199	331,601
Other	100	(477,700)	-	(477,700)
	<hr/>	<hr/>	<hr/>	<hr/>
	10,681,700	10,313,502	10,119,513	193,989
	<hr/>	<hr/>	<hr/>	<hr/>

(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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Area Vocational Technical Education				
Personal Services	\$ 28,955,800	\$ 31,192,912	\$ 31,964,754	\$ (771,842)
Employee Benefits	11,018,200	12,474,554	12,438,034	36,520
Prof.,Tech. Services	919,100	922,100	356,398	565,702
Property,Transportation,Comm.	291,300	291,300	197,873	93,427
Materials, Supplies, Books and Equipment	1,878,300	1,823,300	1,226,307	596,993
Other	1,500	(396,800)	977	(397,777)
	<hr/>	<hr/>	<hr/>	<hr/>
	43,064,200	46,307,366	46,184,342	123,024
	<hr/>	<hr/>	<hr/>	<hr/>
Desegregation				
Personal Services	6,925,100	7,244,101	6,641,398	602,703
Employee Benefits	2,698,700	3,024,749	2,709,967	314,782
Prof.,Tech. Services	108,300	115,700	90,746	24,954
Property,Transportation,Comm.	54,100	43,400	68,993	(25,593)
Materials, Supplies, Books and Equipment	1,661,500	1,485,300	1,064,049	421,251
Other	142,700	(1,198,700)	-	(1,198,700)
	<hr/>	<hr/>	<hr/>	<hr/>
	11,590,400	10,714,550	10,575,153	139,397
	<hr/>	<hr/>	<hr/>	<hr/>
School Support Services				
Personal Services	5,863,400	5,883,343	3,323,733	2,559,610
Employee Benefits	1,154,000	1,156,656	998,465	158,191
Prof.,Tech. Services	1,488,300	1,505,300	1,378,424	126,876
Property,Transportation,Comm.	24,200	24,200	73,677	(49,477)
Materials, Supplies, Books and Equipment	5,078,200	3,718,400	2,179,538	1,538,862
Other	-	(65,200)	-	(65,200)
Payments to Other Educational Entities	102,927,000	104,916,800	106,694,114	(1,777,314)
	<hr/>	<hr/>	<hr/>	<hr/>
	116,535,100	117,139,499	114,647,951	2,491,548
	<hr/>	<hr/>	<hr/>	<hr/>
Adult Education				
Personal Services	99,100	74,783	79,366	(4,583)
Employee Benefits	18,700	14,045	11,480	2,565
Property,Transportation,Comm.	600	420	638	(218)
Materials, Supplies, Books and Equipment	1,000	743	144	599
	<hr/>	<hr/>	<hr/>	<hr/>
	119,400	89,991	91,628	(1,637)
	<hr/>	<hr/>	<hr/>	<hr/>
Partnership Schools				
Personal Services	3,298,000	3,549,377	1,832,469	1,716,908
Employee Benefits	1,229,400	1,252,128	638,568	613,560
Prof.,Tech. Services	19,662,700	19,176,000	15,790,705	3,385,295
Property,Transportation,Comm.	1,000	1,000	16,378	(15,378)
Materials, Supplies, Books and Equipment	2,804,300	2,804,300	2,426,792	377,508
Other	3,787,400	(391,700)	-	(391,700)
	<hr/>	<hr/>	<hr/>	<hr/>
	30,782,800	26,391,105	20,704,912	5,686,193
	<hr/>	<hr/>	<hr/>	<hr/>
Total Instruction	906,493,100	898,781,173	893,136,254	5,644,919
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Student Support Services				
Counseling				
Personal Services	\$ 23,507,200	\$ 23,777,377	\$ 24,651,716	\$ (874,339)
Employee Benefits	8,756,500	9,457,879	9,498,728	(40,849)
Property,Transportation,Comm.	2,400	2,400	8	2,392
Materials, Supplies, Books and Equipment	18,900	19,000	33,581	(14,581)
Other	-	(600)	-	(600)
	<hr/>	<hr/>	<hr/>	<hr/>
	32,285,000	33,256,056	34,184,033	(927,977)
	<hr/>	<hr/>	<hr/>	<hr/>
Family & Student Support Services				
Personal Services	18,216,800	18,254,689	17,993,568	261,121
Employee Benefits	6,819,900	7,245,478	7,221,252	24,226
Prof.,Tech. Services	500,000	488,000	266,310	221,690
Property,Transportation,Comm.	102,700	58,083	38,139	19,944
Materials, Supplies, Books and Equipment	207,900	177,514	161,922	15,592
	<hr/>	<hr/>	<hr/>	<hr/>
	25,847,300	26,223,764	25,681,191	542,573
	<hr/>	<hr/>	<hr/>	<hr/>
Office of Specialized Services				
Personal Services	299,500	225,230	251,381	(26,151)
Employee Benefits	100,400	72,322	71,891	431
Prof.,Tech. Services	162,000	258,341	323,884	(65,543)
Property,Transportation,Comm.	68,000	53,169	21,495	31,674
Materials, Supplies, Books and Equipment	21,100	15,754	4,449	11,305
	<hr/>	<hr/>	<hr/>	<hr/>
	651,000	624,816	673,100	(48,284)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Student Support Services	58,783,300	60,104,636	60,538,324	(433,688)
	<hr/>	<hr/>	<hr/>	<hr/>
Administrative Support				
Regional Offices				
Personal Services	5,205,100	5,643,117	5,270,552	372,565
Employee Benefits	1,650,100	1,885,386	1,788,941	96,445
Prof.,Tech. Services	67,300	55,301	32,983	22,318
Property,Transportation,Comm.	165,200	132,775	103,741	29,034
Materials, Supplies, Books and Equipment	324,500	348,432	284,022	64,410
	<hr/>	<hr/>	<hr/>	<hr/>
	7,412,200	8,065,011	7,480,239	584,772
	<hr/>	<hr/>	<hr/>	<hr/>
Business & Financial Services				
Personal Services	14,894,300	14,127,119	13,637,015	490,104
Employee Benefits	5,332,000	5,357,563	4,950,408	407,155
Prof.,Tech. Services	4,138,800	4,202,801	3,192,157	1,010,644
Property,Transportation,Comm.	555,600	493,559	436,837	56,722
Materials, Supplies, Books and Equipment	434,600	394,264	203,486	190,778
Other	4,600	20,196	489	19,707
	<hr/>	<hr/>	<hr/>	<hr/>
	25,359,900	24,595,502	22,420,391	2,175,111
	<hr/>	<hr/>	<hr/>	<hr/>

(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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 5,622,000	\$ 5,073,045	\$ 5,330,192	\$ (257,147)
Employee Benefits	2,075,400	1,961,330	1,883,346	77,984
Prof., Tech. Services	1,699,600	734,826	562,214	172,612
Property, Transportation, Comm.	345,600	248,669	200,165	48,504
Materials, Supplies, Books and Equipment	167,700	138,967	107,247	31,720
Other	(256,500)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9,653,800	8,156,837	8,083,164	73,673
	<hr/>	<hr/>	<hr/>	<hr/>
Information Technology				
Personal Services	6,662,500	6,672,725	6,152,020	520,705
Employee Benefits	2,257,500	2,357,522	2,174,541	182,981
Prof., Tech. Services	6,221,400	6,012,413	5,879,687	132,726
Property, Transportation, Comm.	1,088,800	1,052,885	1,056,084	(3,199)
Materials, Supplies, Books and Equipment	2,016,800	2,030,990	1,670,065	360,925
Other	(4,162,300)	(3,800,000)	(3,782,552)	(17,448)
	<hr/>	<hr/>	<hr/>	<hr/>
	14,084,700	14,326,535	13,149,844	1,176,691
	<hr/>	<hr/>	<hr/>	<hr/>
Municipal Services				
Personal Services	3,142,800	3,002,478	2,979,800	22,678
Employee Benefits	1,631,400	1,708,556	1,511,281	197,275
Prof., Tech. Services	566,800	566,800	408,935	157,865
Property, Transportation, Comm.	5,700	4,400	2,810	1,590
Other	(64,000)	(64,000)	(67,784)	3,784
	<hr/>	<hr/>	<hr/>	<hr/>
	5,282,700	5,218,234	4,835,041	383,193
	<hr/>	<hr/>	<hr/>	<hr/>
Accountability, Assessment & Intervention				
Personal Services	1,655,100	1,521,218	1,518,248	2,970
Employee Benefits	491,700	471,423	482,868	(11,445)
Prof., Tech. Services	887,500	808,929	453,942	354,987
Property, Transportation, Comm.	159,600	130,090	86,533	43,557
Materials, Supplies, Books and Equipment	198,900	175,630	89,131	86,499
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,392,800	3,107,290	2,630,721	476,569
	<hr/>	<hr/>	<hr/>	<hr/>
Office of School Management				
Personal Services	6,016,700	5,403,911	5,191,713	212,198
Employee Benefits	1,967,100	2,031,517	1,662,843	368,674
Prof., Tech. Services	110,800	63,758	80,442	(16,684)
Property, Transportation, Comm.	252,300	185,462	116,096	69,366
Materials, Supplies, Books and Equipment	162,700	142,981	62,306	80,675
Other	200	140	-	140
	<hr/>	<hr/>	<hr/>	<hr/>
	8,509,800	7,827,769	7,113,400	714,369
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Office of Secondary Education				
Personal Services	\$ 4,105,900	\$ 1,734,941	\$ 2,400,998	\$ (666,057)
Employee Benefits	1,092,900	692,882	639,258	53,624
Prof.,Tech. Services	9,096,200	798,847	1,668,680	(869,833)
Property,Transportation,Comm.	273,900	176,515	271,262	(94,747)
Materials, Supplies, Books and Equipment	378,200	367,687	401,859	(34,172)
Other	1,400	1,302	1,027	275
	<hr/>	<hr/>	<hr/>	<hr/>
	14,948,500	3,772,174	5,383,084	(1,610,910)
	<hr/>	<hr/>	<hr/>	<hr/>
Curriculum, Instruction & Professional Development				
Personal Services	3,379,900	6,868,411	5,493,839	1,374,572
Employee Benefits	1,562,600	2,967,256	2,595,164	372,092
Prof.,Tech. Services	3,321,300	1,406,806	1,020,826	385,980
Property,Transportation,Comm.	302,800	417,796	387,727	30,069
Materials, Supplies, Books and Equipment	656,500	1,701,542	762,840	938,702
Other	235,400	24,921	230	24,691
	<hr/>	<hr/>	<hr/>	<hr/>
	9,458,500	13,386,732	10,260,625	3,126,107
	<hr/>	<hr/>	<hr/>	<hr/>
Office of the Chief Operations Officer				
Personal Services	2,549,900	2,444,357	2,353,147	91,210
Employee Benefits	934,900	946,769	934,119	12,650
Prof.,Tech. Services	159,900	169,190	158,721	10,469
Property,Transportation,Comm.	24,600	18,998	13,005	5,993
Materials, Supplies, Books and Equipment	44,400	44,842	18,273	26,569
Other	300	176,781	-	176,781
	<hr/>	<hr/>	<hr/>	<hr/>
	3,714,000	3,800,937	3,477,265	323,672
	<hr/>	<hr/>	<hr/>	<hr/>
Executive / Board Management				
Personal Services	7,016,200	6,561,005	6,397,306	163,699
Employee Benefits	2,442,800	2,387,735	2,088,296	299,439
Prof.,Tech. Services	6,628,300	4,731,089	3,409,690	1,321,399
Property,Transportation,Comm.	573,200	464,532	522,459	(57,927)
Materials, Supplies, Books and Equipment	250,700	268,951	222,126	46,825
Other	4,500	(69,994)	-	(69,994)
	<hr/>	<hr/>	<hr/>	<hr/>
	16,915,700	14,343,318	12,639,877	1,703,441
	<hr/>	<hr/>	<hr/>	<hr/>
Office of the Chief Academic Officer				
Personal Services	1,147,300	987,871	915,640	72,231
Employee Benefits	350,300	330,683	322,682	8,001
Prof.,Tech. Services	103,700	377,038	347,541	29,497
Property,Transportation,Comm.	68,300	50,510	51,456	(946)
Materials, Supplies, Books and Equipment	30,800	301,501	280,253	21,248
Other	183,600	212,873	44,024	168,849
	<hr/>	<hr/>	<hr/>	<hr/>
	1,884,000	2,260,476	1,961,595	298,881
	<hr/>	<hr/>	<hr/>	<hr/>
Total Administrative Support	120,616,600	108,860,815	99,435,247	9,425,568
	<hr/>	<hr/>	<hr/>	<hr/>

(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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 77,936,300	\$ 73,309,463	\$ 71,480,161	\$ 1,829,302
Employee Benefits	36,705,000	35,238,576	35,244,048	(5,472)
Prof.,Tech. Services	2,311,600	8,330,745	9,648,845	(1,318,100)
Property,Transportation,Comm.	9,540,200	9,648,843	6,788,970	2,859,873
Materials, Supplies, Books and Equipment	8,253,200	10,100,397	8,654,984	1,445,413
Other	2,000,000	239,307	-	239,307
	<hr/>	<hr/>	<hr/>	<hr/>
	136,746,300	136,867,331	131,817,008	5,050,323
	<hr/>	<hr/>	<hr/>	<hr/>
Utilities				
Prof.,Tech. Services	260,000	403,000	394,228	8,772
Property,Transportation,Comm.	12,318,500	12,918,500	12,542,095	376,405
Materials, Supplies, Books and Equipment	47,133,500	52,190,500	47,423,402	4,767,098
	<hr/>	<hr/>	<hr/>	<hr/>
	59,712,000	65,512,000	60,359,724	5,152,276
	<hr/>	<hr/>	<hr/>	<hr/>
Security Operations				
Personal Services	41,822,100	42,127,444	40,582,891	1,544,553
Employee Benefits	17,592,600	18,387,847	17,402,377	985,470
Prof.,Tech. Services	575,600	501,945	421,561	80,384
Property,Transportation,Comm.	646,600	432,182	499,658	(67,476)
Materials, Supplies, Books and Equipment	1,070,800	794,915	879,224	(84,309)
Other	(1,918,300)	(1,438,700)	-	(1,438,700)
	<hr/>	<hr/>	<hr/>	<hr/>
	59,789,400	60,805,633	59,785,710	1,019,923
	<hr/>	<hr/>	<hr/>	<hr/>
Total Oper. & Maint. of Plant Services	<hr/> 256,247,700	<hr/> 263,184,964	<hr/> 251,962,442	<hr/> 11,222,522
	<hr/>	<hr/>	<hr/>	<hr/>
Pupil Transportation				
Personal Services	21,545,500	21,343,981	22,742,201	(1,398,220)
Employee Benefits	11,101,900	11,491,443	10,810,697	680,746
Prof.,Tech. Services	81,200	44,600	52,551	(7,951)
Property,Transportation,Comm.	51,106,600	53,761,725	52,806,505	955,220
Materials, Supplies, Books and Equipment	2,775,100	3,576,957	3,610,237	(33,280)
Other	(31,233,000)	(32,637,000)	(33,284,324)	647,324
	<hr/>	<hr/>	<hr/>	<hr/>
Total Pupil Transportation	<hr/> 55,377,300	<hr/> 57,581,706	<hr/> 56,737,867	<hr/> 843,839
	<hr/>	<hr/>	<hr/>	<hr/>
All Other Support Services				
Risk Management				
Personal Services	217,700	217,146	8,539,788	(8,322,642)
Employee Benefits	73,900	77,497	87,082	(9,585)
Prof.,Tech. Services	25,000	-	3,719,605	(3,719,605)
Property,Transportation,Comm.	1,801,400	1,841,049	1,793,349	47,700
Materials, Supplies, Books and Equipment	6,600	5,749	5,147	602
Losses and Judgments	2,385,700	2,265,700	2,990,397	(724,697)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,510,300	4,407,141	17,135,368	(12,728,227)
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ 383,100	\$ 225,000	\$ 188,144	\$ 36,856
Property,Transportation,Comm.	11,000	-	-	-
Interest	14,597,200	14,685,300	14,544,260	141,040
	14,991,300	14,910,300	14,732,404	177,896
Undistributed				
Other	(97,956,100)	(74,265,040)	4,863,817	(79,128,857)
Cancellation of Prior Years' Encumbrances	(4,294,100)	(4,294,100)	(3,232,351)	(1,061,749)
	(102,250,200)	(78,559,140)	1,631,466	(80,190,606)
Total All Other Support Services	(82,748,600)	(59,241,699)	33,499,238	(92,740,937)
Payments to Charter Schools	206,908,800	216,329,170	220,929,800	(4,600,630)
Allocated Costs	(11,779,300)	(11,776,100)	-	(11,776,100)
Total Obligations	1,509,898,900	1,533,824,665	1,616,239,172	(82,414,507)
OTHER FINANCING USES				
Local Share of Categorical Programs	12,830,900	16,221,800	14,903,955	1,317,845
Bond Issuance Expense/Asbestos Loan	-	-	685,965	(685,965)
Debt Service Fund	150,213,000	144,025,000	145,000,781	(975,781)
Special Education	185,668,600	191,132,500	183,322,184	7,810,316
Total Other Financing Uses	348,712,500	351,379,300	343,912,885	7,466,415
Total General Fund	\$ 1,858,611,400	\$ 1,885,203,965	\$ 1,960,152,057	\$ (74,948,092)
Fund Totals - Object Classes				
Personal Services	\$ 772,320,600	\$ 766,378,947	\$ 775,501,549	\$ (9,122,602)
Employee Benefits	307,024,100	321,692,986	312,470,877	9,222,109
Prof.,Tech. Services	66,394,400	58,833,729	54,648,188	4,185,541
Property,Transportation,Comm.	83,589,100	86,441,462	81,153,590	5,287,872
Materials, Supplies, Books, and				
Equipment	96,569,800	100,899,885	82,761,573	18,138,312
Other	(126,744,400)	(122,549,114)	(32,222,826)	(90,326,288)
Interest on Temporary Borrowing	14,597,200	14,685,300	14,544,260	141,040
Payments to Other Educational				
Entities	102,927,000	104,916,800	106,694,114	(1,777,314)
Losses and Judgments	2,385,700	2,265,700	2,990,397	(724,697)
Payments to Charter Schools	206,908,800	216,329,170	220,929,800	(4,600,630)
Allocated Costs	(11,779,300)	(11,776,100)	-	(11,776,100)
Other Financing Uses	348,712,500	351,379,300	343,912,885	7,466,415
Cancellation of Prior Years' Encumbrances	(4,294,100)	(4,294,100)	(3,232,351)	(1,061,749)
Total General Fund	\$ 1,858,611,400	\$ 1,885,203,965	\$ 1,960,152,057	\$ (74,948,092)

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 232,000	\$ 239,000	\$ 261,143	\$ 22,143
Non-Public School Programs	246,000	297,000	319,571	22,571
Tuition	102,000	63,000	73,641	10,641
Total Locally Generated Non Tax	580,000	599,000	654,355	55,355
State Grants and Subsidies				
Special Education Program	4,148,000	4,152,000	4,183,280	31,280
Special Education Transportation	42,919,000	43,660,000	44,087,736	427,736
Non-Public School Programs	15,433,000	15,721,000	15,720,782	(218)
Management Services Program	560,000	560,000	560,105	105
Social Security	5,909,000	5,933,000	6,250,524	317,524
Retirement	3,752,000	3,637,000	3,107,828	(529,172)
Total State Grants and Subsidies	72,721,000	73,663,000	73,910,255	247,255
Total Revenues	\$ 73,301,000	\$ 74,262,000	\$ 74,564,610	\$ 302,610
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 113,512,700	\$ 118,504,980	\$ 115,897,962	\$ 2,607,018
Employee Benefits	44,379,300	49,741,335	46,252,329	3,489,006
Prof.,Tech. Services	10,062,300	10,516,300	3,941,828	6,574,472
Property,Transportation,Comm.	788,700	267,500	135,613	131,887
Materials, Supplies, Books and Equipment	3,607,200	3,654,600	2,742,296	912,304
Other	(246,600)	(4,364,000)	811,162	(5,175,162)
Total Special Education	172,103,600	178,320,715	169,781,190	8,539,525
Services to Non-Public School Students				
Personal Services	88,300	73,015	64,086	8,929
Employee Benefits	27,700	26,855	29,149	(2,294)
Prof.,Tech. Services	14,320,600	14,608,400	14,608,382	18
Property,Transportation,Comm.	400	400	-	400
Materials, Supplies, Books and Equipment	1,300	1,300	694	606
Total Services to Non-Public School Students	14,438,300	14,709,970	14,702,311	7,659
Total Instruction	186,541,900	193,030,685	184,483,501	8,547,184
Student Support Services				
Special Education *				
Personal Services	16,156,500	14,972,462	15,881,255	(908,793)
Employee Benefits	9,077,800	8,424,895	8,296,816	128,079
Property,Transportation,Comm.	5,055,300	5,055,300	4,925,081	130,219
Materials, Supplies, Books and Equipment	42,400	86,200	70,664	15,536
Allocated Costs	(11,912,000)	(10,993,000)	(11,063,631)	70,631
Total Special Education	18,420,000	17,545,857	18,110,185	(564,328)

* 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation				
Allocated Costs	\$ 43,151,000	\$ 43,899,000	\$ 44,348,879	\$ (449,879)
Total Student Support Services	61,571,000	61,444,857	62,459,064	(1,014,207)
Services to Non-Public School Students				
Personal Services	671,300	699,321	686,664	12,657
Employee Benefits	258,400	295,837	251,986	43,851
Prof.,Tech. Services	2,000	2,000	2,000	-
Property,Transportation,Comm.	30,000	30,000	24,543	5,457
Materials, Supplies, Books and Equipment	15,700	15,700	7,624	8,076
	977,400	1,042,858	972,817	70,041
Total Administrative Support	977,400	1,042,858	972,817	70,041
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	319,300	316,100	411,307	(95,207)
Management Services	560,000	560,000	560,105	(105)
Total Allocated Costs	9,879,300	9,876,100	9,971,412	(95,312)
Total Obligations	258,969,600	265,394,500	257,886,794	7,507,706
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(185,668,600)	(191,132,500)	(183,322,184)	(7,810,316)
Total Intermediate Unit	\$ 73,301,000	\$ 74,262,000	\$ 74,564,610	\$ (302,610)
Fund Totals - Object Classes				
Personal Services	\$ 130,428,800	\$ 134,249,778	\$ 132,529,967	\$ 1,719,811
Employee Benefits	53,743,200	58,488,922	54,830,280	3,658,642
Prof.,Tech. Services	24,384,900	25,126,700	18,552,210	6,574,490
Property,Transportation,Comm.	5,874,400	5,353,200	5,085,237	267,963
Materials, Supplies, Books and Equipment	3,666,600	3,757,800	2,821,278	936,522
Other	(246,600)	(4,364,000)	811,162	(5,175,162)
Allocated Costs	41,118,300	42,782,100	43,256,660	(474,560)
Total Obligations	258,969,600	265,394,500	257,886,794	7,507,706
Other Financing Sources				
Operating Transfers from Other Funds	(185,668,600)	(191,132,500)	(183,322,184)	(7,810,316)
Total Intermediate Unit	\$ 73,301,000	\$ 74,262,000	\$ 74,564,610	\$ (302,610)

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 2,102,000	\$ 2,375,000	\$ 2,398,355	\$ 23,355
Variable Rate Income	27,642,000	20,788,000	20,001,417	(786,583)
Basis Swap / Other Revenue	-	-	668,168	668,168
Total Revenues	29,744,000	23,163,000	23,067,940	(95,060)
OBLIGATIONS				
Principal				
Bonds	39,502,500	36,686,100	36,686,071	29
Loans	215,100	215,100	215,113	(13)
Interest	46,892,600	45,919,000	45,353,325	565,675
Principal & Interest - Authority	29,952,700	29,952,700	29,952,669	31
Variable Rate Payments	27,641,000	20,788,000	20,684,750	103,250
Fixed Rate Swap Payments	25,589,400	25,589,400	25,604,581	(15,181)
Issuance Costs	-	1,811,000	1,449,490	361,510
Administrative Expenses	2,643,800	4,053,700	2,819,670	1,234,030
Total Obligations	172,437,100	165,015,000	162,765,669	2,249,331
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	156,903,000	144,824,000	146,494,276	1,670,276
Land Sale Proceeds	2,200,000	7,982,000	201,671	(7,780,329)
Basis Swap Proceeds	-	7,235,000	7,235,000	-
Total Other Financing Sources (Uses)	159,103,000	160,041,000	153,930,947	(6,110,053)
Net Change in Fund Balance	16,409,900	18,189,000	14,233,218	(3,955,782)
Fund Balances, July 1, 2005	50,646,688	50,379,845	50,379,845	-
Fund Balances, June 30, 2006	\$ 67,056,588	\$ 68,568,845	\$ 64,613,063	\$ (3,955,782)

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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 7,400,000	\$ 7,400,000	\$ 16,881,219	\$ 9,481,219
Miscellaneous	12,600,000	12,600,000	43,282	(12,556,718)
Total Locally Generated Non Tax	20,000,000	20,000,000	16,924,501	(3,075,499)
State Grants and Subsidies	-	-	246,814	246,814
Total Revenues	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 17,171,315</u>	<u>\$ (2,828,685)</u>
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (5,875,561)	\$ 5,875,561
New Buildings and Additions	197,499,027	108,205,938	88,238,198	19,967,740
Environmental Management				
Asbestos Abatement	3,327,000	3,327,000	-	3,327,000
Environmental Services	16,575,400	16,575,400	3,909,058	12,666,342
Total Environmental Management	19,902,400	19,902,400	3,909,058	15,993,342
Alterations and Improvements				
Various Projects	194,114,893	128,600,462	18,112,071	110,488,391
Administrative Support	28,500,041	28,500,208	14,305,416	14,194,792
Major/Building Renovations	213,037,639	88,582,592	138,368,671	(49,786,079)
Total Alterations and Improvements	435,652,573	245,683,262	170,786,158	74,897,104
Total Obligations	<u>\$ 653,054,000</u>	<u>\$ 373,791,600</u>	<u>\$ 257,057,853</u>	<u>\$ 116,733,747</u>
OTHER FINANCING SOURCES (USES)				
Debt Issuance	\$ 351,930,100	\$ 29,920,000	\$ 29,920,000	\$ -
Bond Premium	-	2,833,532	2,833,532	-
Gain on Sale of Fixed Assets	-	-	5,400	5,400
Bond Issuance Costs	(5,333,000)	(1,300,000)	(629,489)	670,511
Total Other Financing Sources (Uses)	<u>\$ 346,597,100</u>	<u>\$ 31,453,532</u>	<u>\$ 32,129,443</u>	<u>\$ 675,911</u>
Net Change in Fund Balance	<u>\$ (286,456,900)</u>	<u>\$ (322,338,068)</u>	<u>\$ (207,757,095)</u>	<u>\$ 114,580,973</u>

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2006 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, 2006 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 Schedule of Fiduciary Net Assets
Agency Funds
June 30, 2006

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 5,694	\$ 4,760,696	\$ -	\$ 4,766,390
Equity in Pooled Cash and Investments	43,351,092	-	-	873,617	44,224,709
Accounts Receivable	12,155,473	25,181	-	-	12,180,654
Inventories	-	336,553	-	-	336,553
Total Assets	<u>55,506,565</u>	<u>367,428</u>	<u>4,760,696</u>	<u>873,617</u>	<u>61,508,306</u>
LIABILITIES					
Payroll Deductions and Withholdings	55,506,565	-	-	-	55,506,565
Due to Other Funds	-	-	-	-	-
Due to Student Activities	-	-	4,760,696	-	4,760,696
Other Liabilities	-	367,428	-	873,617	1,241,045
Total Liabilities	<u>55,506,565</u>	<u>367,428</u>	<u>4,760,696</u>	<u>873,617</u>	<u>61,508,306</u>
NET ASSETS					
Held in Trust for Various Purposes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Amounts reflect balances as of May 31, 2006.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 19,979,151	\$ 816,267,533	\$ 792,895,592	\$ 43,351,092
Accounts Receivable	9,677	12,145,892	96	12,155,473
Total Assets	<u>\$ 19,988,828</u>	<u>\$ 828,413,425</u>	<u>\$ 792,895,688</u>	<u>\$ 55,506,565</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 19,988,828	\$ 828,413,425	\$ 792,895,688	\$ 55,506,565
Total Liabilities	<u>\$ 19,988,828</u>	<u>\$ 828,413,425</u>	<u>\$ 792,895,688</u>	<u>\$ 55,506,565</u>
Student Bus Token Fund				
Assets				
Cash and Cash Equivalents	\$ 6,922	\$ 2,927,235	\$ 2,928,463	\$ 5,694
Accounts Receivable	40,411	35,263	50,493	25,181
Inventories	500,973	833,979	998,399	336,553
Total Assets	<u>\$ 548,306</u>	<u>\$ 3,796,477</u>	<u>\$ 3,977,355</u>	<u>\$ 367,428</u>
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Other Liabilities	548,306	3,796,477	3,977,355	367,428
Total Liabilities	<u>\$ 548,306</u>	<u>\$ 3,796,477</u>	<u>\$ 3,977,355</u>	<u>\$ 367,428</u>
Student Activities Fund				
Assets				
Cash	\$ 5,650,856	\$ 8,818,170	\$ 9,708,330	\$ 4,760,696
Liabilities				
Due to Student Activities	\$ 5,650,856	\$ 8,818,170	\$ 9,708,330	\$ 4,760,696
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 487,441	\$ 1,461,344	\$ 1,075,168	\$ 873,617
Liabilities				
Other Liabilities	\$ 487,441	\$ 1,461,344	\$ 1,075,168	\$ 873,617
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 5,657,778	\$ 11,745,405	\$ 12,636,793	\$ 4,766,390
Equity in Pooled Cash and Investments	20,466,592	817,728,877	793,970,760	44,224,709
Accounts Receivable	50,088	12,181,155	50,589	12,180,654
Inventories	500,973	833,979	998,399	336,553
Total Assets	<u>\$ 26,675,431</u>	<u>\$ 842,489,416</u>	<u>\$ 807,656,541</u>	<u>\$ 61,508,306</u>
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Payroll Deductions and Withholdings	19,988,828	828,413,425	792,895,688	55,506,565
Due to Student Activities	5,650,856	8,818,170	9,708,330	4,760,696
Other Liabilities	1,035,747	5,257,821	5,052,523	1,241,045
Total Liabilities	<u>\$ 26,675,431</u>	<u>\$ 842,489,416</u>	<u>\$ 807,656,541</u>	<u>\$ 61,508,306</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2006

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2007 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
APRIL 1, 1993 (SERIES B)	97,620,000	2,825,000 <u>2,825,000</u>	JULY 1, 2006	5.4000	76,275 <u>76,275</u>	- -	2,825,000 <u>2,825,000</u>
ELECTORAL DEBT		1,275,000 <u>1,275,000</u> <u>4,100,000</u>	JULY 1, 2006	5.4000	34,425 <u>34,425</u> <u>110,700</u>	- - -	1,275,000 <u>1,275,000</u> <u>4,100,000</u>
OCTOBER 1, 1995 (SERIES A)	53,725,000	6,780,000 7,215,000 7,680,000 8,180,000 <u>29,855,000</u>	SEPT 1, 2006 SEPT 1, 2007 SEPT 1, 2008 SEPT 1, 2009	6.2500 6.2500 6.2500 6.2500	211,875 450,938 480,000 511,250 <u>1,654,063</u>	- - - -	6,780,000 - - - <u>6,780,000</u>
JUNE 1, 1997 (SERIES A)	52,220,000	6,045,000 6,345,000 6,660,000 6,995,000 <u>26,045,000</u>	APRIL 1, 2007 APRIL 1, 2008 APRIL 1, 2009 APRIL 1, 2010	5.0000 5.0000 5.0000 5.0000	302,250 317,250 333,000 349,750 <u>1,302,250</u>	- - - -	6,045,000 - - - <u>6,045,000</u>
DECEMBER 15, 1998 (SERIES A)	156,575,000	5,000 5,000 5,000 7,785,000 44,625,000 59,680,000 <u>112,105,000</u>	APRIL 1, 2007 APRIL 1, 2008 APRIL 1, 2009 APRIL 1, 2018 APRIL 1, 2019-23 APRIL 1, 2024-27	4.1000 4.1250 4.2500 4.5000 4.5000 4.7500	205 206 213 350,325 2,008,125 2,834,800 <u>5,193,874</u>	- - - - - -	5,000 - - - - - <u>5,000</u>
DECEMBER 15, 1998 (SERIES B)	98,405,000	12,690,000 18,465,000 19,415,000 15,300,000 21,040,000 <u>86,910,000</u>	OCT 1, 2006 OCT 1, 2007 OCT 1, 2008 OCT 1, 2009 OCT 1, 2010-12	5.0000 5.0000 5.0000 5.2500 5.2500	317,250 923,250 970,750 803,250 1,104,600 <u>4,119,100</u>	- - - - -	12,690,000 - - - - <u>12,690,000</u>
DECEMBER 1, 1999 (SERIES D)	73,765,000	12,765,000 9,960,000 10,510,000 6,970,000 <u>40,205,000</u>	MAR 1, 2007 MAR 1, 2008 MAR 1, 2009 MAR 1, 2010	5.5000 5.5000 5.6250 5.6250	702,075 547,800 591,188 392,063 <u>2,233,126</u>	- - - -	12,765,000 - - - <u>12,765,000</u>
NOVEMBER 30, 2000 (SERIES A)	130,000,000	5,000 5,000 5,000 5,000 22,000,000 <u>22,020,000</u>	FEB 1, 2007 FEB 1, 2008 FEB 1, 2009 FEB 1, 2010 FEB 1, 2011	4.7000 4.7500 4.8000 4.8500 5.7500	235 238 240 243 1,265,000 <u>1,265,956</u>	- - - - -	5,000 - - - - <u>5,000</u>
NOVEMBER 30, 2000 (SERIES B) - QZAB	22,985,000	5,000 5,000 5,000 5,000 22,945,000 <u>22,965,000</u>	NOV 30, 2006 NOV 30, 2007 NOV 30, 2008 NOV 30, 2009 NOV 30, 2010-13	- - - - -	- - - - -	- - - -	5,000 - - - - <u>5,000</u>
JANUARY 1, 2002 (SERIES A)	156,000,000	5,000 5,000 5,000 3,315,000 7,140,000 <u>10,470,000</u>	FEB 1, 2007 FEB 1, 2008 FEB 1, 2009 FEB 1, 2010 FEB 1, 2011-12	3.9000 4.1000 4.3000 5.0000 5.2500	195 205 215 165,750 374,851 <u>541,216</u>	- - - - -	5,000 - - - - <u>5,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2006

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2007 Debt Service Requirements		
					Fixed Swap		Principal
					Interest	Interest	
MAY 15, 2002 (SERIES B)	300,000,000	10,080,000	AUG 1, 2006	5.0000	252,000	-	10,080,000
		10,625,000	AUG 1, 2007	5.5000	584,375	-	-
		11,225,000	AUG 1, 2008	5.5000	617,375	-	-
		11,860,000	AUG 1, 2009	5.5000	652,300	-	-
		39,760,000	AUG 1, 2010-12	5.5000	2,186,800	-	-
		<u>83,550,000</u>			<u>4,292,850</u>	<u>-</u>	<u>10,080,000</u>
AUGUST 12, 2003 (SERIES A)	109,000,000	5,000	AUG 1, 2006	4.5000	38	-	5,000
		5,000	AUG 1, 2007	4.5000	225	-	-
VARIABLE INTEREST RATE		5,000	AUG 1, 2008	4.5000	225	-	-
Dauphin County General Authority		5,000	AUG 1, 2009	4.5000	225	-	-
		25,000	AUG 1, 2010-14	4.5000	1,125	-	-
		52,000,000	AUG 1, 2015-19	4.5000	2,340,000	-	-
		39,500,000	AUG1, 2020-24	4.5000	1,777,500	-	-
		17,445,000	AUG 1, 2025-27	4.5000	785,025	-	-
		<u>108,990,000</u>			<u>4,904,363</u>	<u>-</u>	<u>5,000</u>
SEPTEMBER 10, 2003 (SERIES B)	588,140,000	5,000	JUNE 1, 2007	4.0000	200	-	5,000
		5,000	JUNE 1, 2008	4.0000	200	-	-
State Public School		5,000	JUNE 1, 2009	4.0000	200	-	-
Building Authority		5,000	JUNE 1, 2010	4.0000	200	-	-
Capital Obligation Bonds		25,000	JUNE 1, 2011-15	4.0750	1,019	-	-
		25,000	JUNE 1, 2016-20	4.5500	1,138	-	-
		69,385,000	JUNE 1, 2021-25	5.2140	3,617,826	-	-
		208,795,000	JUNE 1, 2026-30	5.1880	10,832,988	-	-
		309,875,000	JUNE 1, 2031-33	5.0000	15,493,750	-	-
		<u>588,125,000</u>			<u>29,947,521</u>	<u>-</u>	<u>5,000</u>
JUNE 29, 2004 (SERIES A)	100,000,000	5,000	JUNE 1, 2007	4.5000	225	-	5,000
		5,000	JUNE 1, 2008	4.5000	225	-	-
VARIABLE INTEREST RATE		5,000	JUNE 1, 2009	4.5000	225	-	-
Dauphin County General Authority		2,625,000	JUNE 1, 2010	4.5000	118,125	-	-
		37,100,000	JUNE 1, 2011-15	4.5000	1,669,500	-	-
		37,400,000	JUNE 1, 2016-20	4.5000	1,683,000	-	-
		20,500,000	JUNE 1, 2021-25	4.5000	922,500	-	-
		2,350,000	JUNE 1, 2026	4.5000	105,750	-	-
		<u>99,990,000</u>			<u>4,499,550</u>	<u>-</u>	<u>5,000</u>
JUNE 29, 2004 (SERIES B)	652,600,000	25,000	SEPT 1, 2006	4.5000	281	933	25,000
		25,000	SEPT 1, 2007	4.5000	1,125	933	-
GOB-Refunding		25,000	SEPT 1, 2008	4.5000	1,125	933	-
Auction Reset Securities		25,000	SEPT 1, 2009	4.5000	1,125	933	-
		114,375,000	SEPT 1, 2010-14	4.5000	5,146,875	4,266,709	-
		130,225,000	SEPT 1, 2015-19	4.5000	5,860,125	4,857,986	-
		158,550,000	SEPT 1, 2020-24	4.5000	7,134,750	5,914,638	-
		217,150,000	SEPT 1, 2025-29	4.5000	9,771,750	8,100,685	-
		32,150,000	SEPT 1, 2030	4.5000	1,446,750	1,199,342	-
		<u>652,550,000</u>			<u>29,363,906</u>	<u>24,343,092</u>	<u>25,000</u>
JUNE 29, 2004 (SERIES C)	38,475,000	4,725,000	SEPT 1, 2006	4.5000	53,156	143,640	4,725,000
		7,625,000	SEPT 1, 2007	4.5000	343,125	231,800	-
GOB-Refunding		7,850,000	SEPT 1, 2008	4.5000	353,250	238,640	-
Auction Reset Securities		8,125,000	SEPT 1, 2009	4.5000	365,625	247,000	-
		10,100,000	SEPT 1, 2010-11	4.5000	454,500	307,345	-
		<u>38,425,000</u>			<u>1,569,656</u>	<u>1,168,425</u>	<u>4,725,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2006

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2007 Debt Service Requirements		
					Fixed Swap		Principal
					Interest	Interest	
JUNE 29, 2004 (SERIES D) GOB Fixed Rate	100,000,000	100,000 50,000 5,000 5,000 8,720,000 25,000 4,375,000 10,540,000 76,025,000 <u>99,845,000</u>	JUNE 1, 2007 JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011-15 JUNE 1, 2016-20 JUNE 1, 2021-25 JUNE 1, 2026-30 JUNE 1, 2031-34	2.7000 3.0000 3.3000 3.5000 4.9980 5.0000 5.0000 5.0480 5.1740	2,700 1,500 165 175 435,786 1,250 218,750 532,069 3,933,781 <u>5,126,176</u>	- - - - - - - - - -	100,000 - - - - - - - - 100,000
AUGUST 1, 2004 2004 QZAB CSF P	19,335,000	1,381,071 1,381,071 1,381,071 1,381,071 6,905,355 5,524,290 <u>17,953,929</u>	SEPT 1, 2006 SEPT 1, 2007 SEPT 1, 2008 SEPT 1, 2009 SEPT 1, 2010-14 SEPT 1, 2015-18	- - - - - -	- - - - - -	- - - - - -	1,381,071 - - - - - 1,381,071
MAY 25, 2005 (SERIES A) GOB-Refunding	198,140,000	20,000 25,000 475,000 795,000 34,725,000 95,970,000 66,125,000 <u>198,135,000</u>	AUGUST 1, 2006 AUGUST 1, 2007 AUGUST 1, 2008 AUGUST 1, 2009 AUGUST 1, 2010-14 AUGUST 1, 2015-19 AUGUST 1, 2020-22	3.0000 3.0000 3.0000 3.0000 4.9260 5.0000 5.0000	300 750 14,250 23,850 1,710,550 4,798,500 3,306,250 <u>9,854,450</u>	- - - - - - -	20,000 - - - - - - 20,000
MAY 25, 2005 (SERIES B) GOB-Refunding	43,415,000	5,000 5,000 5,000 5,000 29,220,000 13,970,000 <u>43,210,000</u>	APRIL 1, 2007 APRIL 1, 2008 APRIL 1, 2009 APRIL 1, 2010 APRIL 1, 2011-15 APRIL 1, 2016-17	3.0000 3.0000 3.0000 3.2500 5.0000 5.0000	150 150 150 163 1,461,000 698,500 <u>2,160,113</u>	- - - - - -	5,000 - - - - - 5,000
JUNE 16, 2005 (SERIES C) GOB-Non	71,740,000	2,150,000 2,375,000 2,470,000 2,570,000 2,680,000 15,275,000 19,330,000 24,890,000 <u>71,740,000</u>	JULY 1, 2006 JULY 1, 2007 JULY 1, 2008 JULY 1, 2009 JULY 1, 2010 JULY 1, 2011-15 JULY 1, 2016-20 JULY 1, 2021-25	3.7300 3.9700 4.1100 4.2000 4.2900 4.5800 5.0900 5.3100	40,098 94,288 101,517 107,940 114,972 699,661 983,898 1,321,661 <u>3,464,035</u>	- - - - - - - -	2,150,000 - - - - - - - 2,150,000
SEPTEMBER 21, 2005 (SERIES D) GOB-Non	29,920,000	1,455,000 1,495,000 1,540,000 1,595,000 1,660,000 9,545,000 12,370,000 <u>29,660,000</u>	JUNE 1, 2007 JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012-14 JUNE 1, 2017-21	2.9000 3.0500 3.5000 4.0000 4.0000 5.0500 5.5000	42,195 45,598 53,900 63,800 66,400 492,063 680,350 <u>1,444,306</u>	- - - - - - -	1,455,000 - - - - - - 1,455,000
TOTAL SERIAL BONDS		\$ <u>2,386,848,929</u>			\$ <u>113,047,211</u>	\$ <u>25,511,517</u>	\$ <u>62,356,071</u>
NON-ELECTORAL DEBT- SERIAL BONDS		\$ 1,797,448,929					
CAPITAL OBLIGATION BONDS		588,125,000					
ELECTORAL DEBT (A) - SERIAL BONDS		1,275,000					
TOTAL SERIAL BONDS OUTSTANDING		\$ <u>2,386,848,929</u>					

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 fixed 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, 2006
(Dollars in Thousands)

	<u>2006</u>	<u>2005 (1)</u>
Governmental Funds Capital Assets:		
Land	\$ 113,000	\$ 109,614
Buildings	986,565	849,826
Improvements	776,050	763,127
Construction in Progress	252,782	214,034
Personal Property	228,639	205,630
Total Governmental Funds Capital Assets	<u>\$ 2,357,036</u>	<u>\$ 2,142,231</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 93,518	\$ 90,376
Capital Projects Fund	2,214,166	2,006,323
Categorical Funds	49,352	45,532
Total Governmental Funds Capital Assets	<u>\$ 2,357,036</u>	<u>\$ 2,142,231</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) Fiscal Year 2005 balances shown before Fiscal Year 2006 prior period adjustments.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2006
(Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 108,683	\$ 886,318	\$ 736,710	\$ 252,782	\$ 112,356	\$ 2,096,849
Student Support Services	821	5,072	2,736	-	48,854	57,483
Administrative Support	3,496	95,175	36,604	-	45,448	180,723
Operation & Maintenance of Plant Services	-	-	-	-	21,259	21,259
Pupil Transportation	-	-	-	-	(356)	(356)
All Other Support Services	-	-	-	-	1,077	1,077
Early Childhood Education	-	-	-	-	1	1
Total Governmental Funds Capital Assets	<u>\$ 113,000</u>	<u>\$ 986,565</u>	<u>\$ 776,050</u>	<u>\$ 252,782</u>	<u>\$ 228,639</u>	<u>\$ 2,357,036</u>

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

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
June 30, 2006
(Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets (1) July 1, 2005	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2006
Instruction	\$ 1,902,932	\$ 31,650	\$ 164,882	\$ 2,615	\$ 2,096,849
Student Support Services	54,665	-	3,355	537	57,483
Administrative Support	180,359	-	424	60	180,723
Operation & Maintenance of Plant Services	4,568	-	18,550	1,859	21,259
Pupil Transportation	(394)	-	47	9	(356)
All Other Support Services	100	-	1,350	373	1,077
Early Childhood Education	1	-	-	-	1
Total	<u>\$ 2,142,231</u>	<u>\$ 31,650</u>	<u>\$ 188,608</u>	<u>\$ 5,453</u>	<u>\$ 2,357,036</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, 2005 balances were adjusted to accurately reflect amounts by Function/Activity.





Statistical Section

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

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

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

School District of Philadelphia
Table 1
Net Assets by Component
For the Fiscal Years 2002 through 2006
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006
<u>Governmental Activities</u>					
Invested in Capital Assets, Net of Related Debt	\$ 76,633	\$ 68,267	\$ (76,702)	\$ 15,075 (2)	\$ 10,345
Restricted					
Debt Service	53,102	63,072	55,071	50,380	64,613
Special Revenue & Permanent Funds	5,406	5,422	5,256	5,331	-
Expendable	-	-	-	-	1,969
Non-Expendable	-	-	-	-	3,622
Workers' Compensation/Termination/Other	-	-	19,624	23,889	2,354
Other (3)	118,389	68,227	-	-	-
Unrestricted (Deficit)	(737,437)	(772,940)	(696,786)	(1,031,304)	(1,199,787)
Total Governmental Activities Net Assets	<u>(483,907)</u>	<u>(567,952)</u>	<u>(693,537)</u>	<u>(936,629)</u>	<u>(1,116,884)</u>
<u>Business-type Activities</u>					
Invested in Capital Assets, Net of Related Debt	3,638	3,625	3,459	3,449	3,188
Restricted					
Unrestricted (Deficit)	7,405	8,143	7,474	7,855	2,442
Total Business-type Activities Net Assets	<u>11,043</u>	<u>11,768</u>	<u>10,933</u>	<u>11,304</u>	<u>5,630</u>
<u>Total School District</u>					
Invested in Capital Assets, Net of Related Debt	80,271	71,893	(73,243)	18,524	13,533
Restricted	176,897	136,720	79,951	79,600	72,558
Unrestricted (Deficit)	(730,032)	(764,797)	(689,312)	(1,023,449)	(1,197,344)
Total School District Net Assets	<u>\$ (472,864)</u>	<u>\$ (556,184)</u>	<u>\$ (682,604)</u>	<u>\$ (925,325)</u>	<u>\$ (1,111,254)</u>

Notes:

- (1) The School District of Philadelphia began reporting accrual information when it implemented GASB Statement No. 34 in Fiscal Year 2002 .
- (2) The School District refined the computation for Invested in Capital Assets Net of Related Debt for Governmental Activities for Fiscal Year 2005 and thereafter. This change reflects inclusion of deferred charges, bond premiums and discounts, and undercapitalized expenditures.
- (3) During Fiscal Years 2002 and 2003 the School District reported restricted net assets for capital projects, educational projects, inventories, self-insurance, and tax liens proceeds. Starting in Fiscal Year 2004 the School District eliminated restrictions on these net assets.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2006.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2002 through 2006
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006
<u>Expenses:</u>					
Governmental Activities					
Instruction	\$ 1,202,232	\$ 1,283,177	\$ 1,382,087	\$ 1,458,022	\$ 1,696,973
Student Support Services	283,732	326,276	352,299	412,991	247,845
Administrative Support	124,344	120,226	114,931	117,811	112,455
Operation & Maintenance of Plant Services	229,683	238,238	243,485	258,985	263,163
Pupil Transportation	42,237	44,708	76,382	84,170	88,867
All Other Support Services	4,858	279	26,868	15,815	38,422
Early Childhood Education	24,481	25,562	21,628	20,952	18,005
Interest on Long-Term Debt	52,458	76,895	88,732	114,535	128,245
Loss on Disposal of Capital Assets (2)	-	-	6,323 (3)	3,838	-
Loss on Sale of Real Property	-	-	-	57,550	-
Total Governmental Activities Expenses (4)	<u>1,964,025</u>	<u>2,115,361</u>	<u>2,312,735</u>	<u>2,544,669</u>	<u>2,593,975</u>
Business-type Activities:					
Food Service	70,730	72,538	80,638	77,595	79,851
Loss on Disposal of Capital Assets	-	-	-	8	6
Total Business-type Activities Expenses	<u>70,730</u>	<u>72,538</u>	<u>80,638</u>	<u>77,603</u>	<u>79,857</u>
Total School District Expenses	<u>\$ 2,034,755</u>	<u>\$ 2,187,899</u>	<u>\$ 2,393,373</u>	<u>\$ 2,622,272</u>	<u>\$ 2,673,832</u>
<u>Program Revenues</u>					
Governmental Activities					
Charges for Services	\$ 6,499	\$ 6,881	\$ 7,721	\$ 5,036	\$ 2,976
Operating grants and contributions	392,115	541,135	657,783	743,746	778,978
Capital grants and contributions	24	5,176	2,565	200	-
Total Governmental Activities Program Revenues	<u>398,638</u>	<u>553,192</u>	<u>668,069</u>	<u>748,982</u>	<u>781,954</u>
Business-type Activities					
Charges for Services:					
Food Service	8,613	8,186	8,219	6,695	4,834
Operating grants and contributions	62,186	65,152	71,660	71,457	69,527
Capital grants and contributions	-	-	-	-	-
Total Business-type Activities Program Revenues	<u>70,799</u>	<u>73,338</u>	<u>79,879</u>	<u>78,152</u>	<u>74,361</u>
Total School District Program Revenues	<u>\$ 469,437</u>	<u>\$ 626,530</u>	<u>\$ 747,948</u>	<u>\$ 827,134</u>	<u>\$ 856,315</u>
<u>Net (Expense)/Revenue</u>					
Governmental Activities	(1,565,387)	(1,562,169)	(1,644,666)	(1,795,687)	(1,812,021)
Business-type Activities	69	800	(759)	549	(5,496)
Total School District Net (Expense)/Revenue	<u>\$ (1,565,318)</u>	<u>\$ (1,561,369)</u>	<u>\$ (1,645,425)</u>	<u>\$ (1,795,138)</u>	<u>\$ (1,817,517)</u>

Notes:

- (1) The School District of Philadelphia began reporting accrual information when it implemented GASB Statement No. 34 in Fiscal Year 2002 .
- (2) With the initial implementation of GASB Statement No. 34, the School District identified and reported fully depreciated personal property assets that were scrapped. Beginning in Fiscal Year 2004, the School District refined the procedures for identifying depreciable scrapped personal property. The new method identified scrapped assets into two categories: (a) fully depreciated and (b) not fully depreciated. Dollars reported, for Fiscal Years 2004 and thereafter, represent the value of net personal property exclusive of depreciation that had not been fully depreciated.
- (3) During Fiscal Year 2004, the net value of the personal property not fully depreciated was reported as an adjustment after computing the change in net assets. This practice was discontinued after suggestions were made by accounting review authorities and a thorough review of the GAAFR concerning "Losses on the sale of capital assets" used in governmental activities. The School District began to report material losses as an expense in the general government function of the "Statement of Activities". As such, we restated the Fiscal Year 2004 disposal of personal property as an expense in the general government function.
- (4) Expenses for instruction, student support services, pupil transportation, operation & maintenance of plant services, and interest on long-term debt have progressively increased primarily due to implementing the "No Child Left Behind" requirements and the capital improvement initiative.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2006.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Assets
For the Fiscal Years 2002 through 2006
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006
<u>Net (Expense)/Revenue</u>					
Governmental Activities	\$ (1,565,387)	\$ (1,562,169)	\$ (1,644,666)	\$ (1,795,687)	\$ (1,812,021)
Business-type Activities	69	800	(759)	549	(5,496)
Total School District Net (Expense)/Revenue	<u>(1,565,318)</u>	<u>(1,561,369)</u>	<u>(1,645,425)</u>	<u>(1,795,138)</u>	<u>(1,817,517)</u>
<u>General Revenues/Transfers:</u>					
Governmental Activities					
Property Taxes	455,829	503,114	516,385	540,322	540,241
Other Taxes	134,728	142,217	134,264	148,411	157,464
Grants and Contributions Not Restricted to Specific Programs	94,569	68,145	83,595	81,872	112,958
State & Federal Subsidies	796,328	768,988	760,743	783,947	804,829
General Obligation Bond Premium (2)	952	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	222	-
Transfers	76	76	76	178	178
Total Governmental Activities	<u>1,482,482</u>	<u>1,482,540</u>	<u>1,495,063</u>	<u>1,554,952</u>	<u>1,615,670</u>
Business-type Activities					
Transfers	(76)	(76)	(76)	(178)	(178)
Total School District General Revenues/Transfers	<u>1,482,406</u>	<u>1,482,464</u>	<u>1,494,987</u>	<u>1,554,774</u>	<u>1,615,492</u>
<u>Changes in Net Assets:</u>					
Governmental Activities	(82,905)	(79,630)	(149,603)	(240,735)	(196,351)
Business-type Activities	(7)	725	(835)	371	(5,674)
Total School District Change in Net Assets	<u>\$ (82,912)</u>	<u>\$ (78,905)</u>	<u>\$ (150,438)</u>	<u>\$ (240,364)</u>	<u>\$ (202,025)</u>

Notes:

- (1) The School District of Philadelphia began reporting accrual information when it implemented GASB Statement No. 34 in Fiscal Year 2002.
- (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, we reported the GOB premium as such.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2006.

School District of Philadelphia
Table 4
Fund Balances of Governmental Funds
For the Fiscal Years 1997 through 2006
(modified accrual basis of accounting)
(dollars in thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved (1)	\$ 42,672	\$ 37,715	\$ 36,253	\$ 44,521	\$ 39,441	\$ 29,479	\$ 19,544	\$ 39,786	\$ 34,262	\$ 5,270
Unreserved	(24,165)	(2,225)	74	(46,892)	(115,382)	149,228	112,638	3,820	22,277	(71,402)
Total General Fund	<u>\$ 18,507</u>	<u>\$ 35,490</u>	<u>\$ 36,327</u>	<u>\$ (2,371)</u>	<u>\$ (75,941)</u>	<u>\$ 178,707</u>	<u>\$ 132,182</u>	<u>\$ 43,606</u>	<u>\$ 56,539</u>	<u>\$ (66,132)</u>
All Other Governmental Funds										
Reserved (2)	\$ 125,237	\$ 155,383	\$ 156,744	\$ 171,273	\$ 170,795	\$ 144,402	\$ 114,145	\$ 158,729	\$ 201,961	\$ 246,397
Unreserved										
Special Revenue Funds (3)	-	-	-	-	-	2,397	2,465	2,224	2,254	2,427
Permanent Funds (3)	-	-	-	-	-	620	568	553	556	640
Trust Purposes (3)	2,357	2,584	2,559	3,562	3,716	-	-	-	-	-
Categorical Funds	-	-	-	-	(6,336)	(7,131)	(6,096)	(30,648)	(22,775)	(17,156)
Capital Projects Fund	98,129	(38,127)	(28,313)	(74,621)	(54,479)	6,940	(3,256)	651,920	454,687	246,930
Debt Service Fund	-	-	-	-	-	-	95	-	-	-
Total All Other Governmental Funds	<u>\$ 225,723</u>	<u>\$ 119,840</u>	<u>\$ 130,990</u>	<u>\$ 100,214</u>	<u>\$ 113,696</u>	<u>\$ 147,228</u>	<u>\$ 107,921</u>	<u>\$ 782,778</u>	<u>\$ 636,683</u>	<u>\$ 479,238</u>

Notes:

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

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 1997 through 2006.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 1997 through 2006
(modified accrual basis of accounting)
(dollars in thousands)

REVENUES	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Federal Sources</u>										
Grants and Subsidies	\$ 144,863	\$ 151,488	\$ 161,718	\$ 189,074	\$ 211,365	\$ 219,272	\$ 260,343	\$ 306,669	\$ 339,280	\$ 335,727
Total Federal Sources	<u>144,863</u>	<u>151,488</u>	<u>161,718</u>	<u>189,074</u>	<u>211,365</u>	<u>219,272</u>	<u>260,343</u>	<u>306,669</u>	<u>339,280</u>	<u>335,727</u>
<u>State Sources</u>										
Grants and Subsidies	850,943	848,744	854,118	896,360	942,665	974,652	1,062,960	1,099,758	1,201,528	1,256,808
Total State Sources	<u>850,943</u>	<u>848,744</u>	<u>854,118</u>	<u>896,360</u>	<u>942,665</u>	<u>974,652</u>	<u>1,062,960</u>	<u>1,099,758</u>	<u>1,201,528</u>	<u>1,256,808</u>
<u>Local Sources</u>										
Local Taxes										
Real Estate										
Current	369,631	365,681	375,953	379,063	390,032	401,978	451,067	458,085	486,815	493,147
Prior Years	51,092	37,474	37,462	35,762	37,535	39,188	37,615	55,438	49,459	53,862
Payment in Lieu of Taxes	5	5	5	8	5	5	5	5	5	5
Use and Occupancy	81,384	80,849	82,861	90,549	94,759	93,385	98,862	96,154	99,050	103,762
General Business	45	114	114	-	-	-	-	-	-	-
School (Non-Business) Income	16,427	17,140	17,786	21,458	19,283	16,878	16,515	14,605	17,617	20,013
Liquor Sales	20,716	21,277	22,533	24,991	29,191	28,306	28,650	33,082	33,930	38,241
Public Utility Realty	6,683	6,850	7,532	5,468	2,102	1,145	960	1,055	857	1,096
Sale of Tax Liens	41,517	-	-	-	-	-	-	-	-	-
Total Local Taxes	<u>587,500</u>	<u>529,390</u>	<u>544,246</u>	<u>557,299</u>	<u>572,907</u>	<u>580,885</u>	<u>633,674</u>	<u>658,424</u>	<u>687,733</u>	<u>710,126</u>
Locally Generated Non Tax										
Interest and other income	35,874	45,923	36,523	48,336	42,435	23,155	21,171	25,641	39,939	39,687
City Contributions	15,000	15,000	30,000	-	15,000	60,000	35,000	35,000	35,000	35,000
Legal Settlements	-	4,500	4,500	4,500	4,500	4,500	4,500	2,650	2,501	2,819
Stadium Agreements	-	-	-	-	-	-	-	1,159	1,159	1,159
Reimbursements from Other Funds	4,598	4,652	5,595	5,738	6,234	7,160	7,386	7,668	7,221	6,503
Variable Rate Income	-	-	-	-	-	-	-	-	11,383	20,001
Private Grants and Foundations	16,037	13,293	12,132	12,725	1,211	-	-	-	-	-
Total Local Generated Non Tax	<u>71,509</u>	<u>83,368</u>	<u>88,750</u>	<u>71,299</u>	<u>69,380</u>	<u>94,815</u>	<u>68,057</u>	<u>72,118</u>	<u>97,203</u>	<u>105,169</u>
Total Local Sources	<u>659,009</u>	<u>612,758</u>	<u>632,997</u>	<u>628,598</u>	<u>642,287</u>	<u>675,700</u>	<u>701,731</u>	<u>730,542</u>	<u>784,936</u>	<u>815,295</u>
Total Revenues	<u>\$ 1,654,815</u>	<u>\$ 1,612,990</u>	<u>\$ 1,648,833</u>	<u>\$ 1,714,032</u>	<u>\$ 1,796,317</u>	<u>\$ 1,869,624</u>	<u>\$ 2,025,034</u>	<u>\$ 2,136,969</u>	<u>\$ 2,325,744</u>	<u>\$ 2,407,830</u>

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 1997 through 2006.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 1997 through 2006
(modified accrual basis of accounting)
(dollars in thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EXPENDITURES										
Current:										
Instruction	\$ 1,145,911	\$ 1,111,406	\$ 1,125,399	\$ 1,051,999	\$ 1,150,990	\$ 1,154,888	\$ 1,216,991	\$ 1,322,323	\$ 1,369,961	\$ 1,372,403
Student Support Services	113,460	112,217	112,456	206,559	182,904	183,260	188,932	201,879	221,853	233,336
Cluster Support/ Professional Development	27,160	45,018	49,698	50,573	42,213	-	-	-	-	-
Administrative Support	85,728	87,271	107,576	83,831	95,319	107,338	113,717	108,318	111,021	106,691
Operation & Maintenance of Plant Services	165,719	171,478	172,911	222,174	233,122	226,556	233,222	241,579	256,029	261,984
Pupil Transportation	-	-	-	-	-	41,667	44,247	76,523	82,228	88,502
All Other Support Services	16,523	12,948	9,468	3,024	3,815	4,858	279	26,380	15,302	36,822
Early Childhood Education	-	-	-	-	-	24,481	25,562	21,628	20,952	17,994
Payments to Charter Schools	-	-	-	44,362	71,376	95,312	126,061	153,410	184,084	220,930
Tax Lien Sale Cost	2,942	-	-	-	-	-	-	-	-	-
Allocated Costs	-	-	-	197	-	-	-	-	-	-
Debt Service:										
Principal	33,675	8,595	34,600	36,405	20,197	33,305	34,585	45,000	21,131	37,437
Loans	369	369	369	369	369	369	369	369	369	215
Interest	36,233	34,890	36,290	40,490	55,004	53,476	70,193	74,044	71,023	91,726
Principal & Interest - Authority	-	-	-	-	-	-	-	-	-	-
Issuance Costs	3,602	-	3,483	2,649	2,289	6,675	-	26,593	4,749	1,449
Administrative Expenses	-	-	-	-	-	-	-	-	2,346	2,820
Capital Outlay: (1)										
New Buildings and Additions	54,259	61,058	29,741	42,394	44,227	60,546	18,175	44,753	100,986	52,702
Environmental Management	7,143	5,888	6,825	6,217	6,175	7,134	8,294	3,355	2,994	3,837
Alterations and Equipment	57,080	51,021	101,917	95,217	98,791	57,745	27,003	79,590	87,304	154,603
Major Renovations	-	-	-	-	-	-	811	1,317	1,216	297
Equipment Acquisitions	-	-	-	-	-	-	2,694	5,619	5,766	14,509
Total Expenditures	\$ 1,749,804	\$ 1,702,159	\$ 1,790,733	\$ 1,886,460	\$ 2,006,791	\$ 2,057,610	\$ 2,111,134	\$ 2,455,588	\$ 2,592,929	\$ 2,728,210
 Debt Service as a percentage of noncapital expenditures (2)	 4.5%	 2.8%	 4.5%	 4.6%	 4.2%	 4.9%	 5.1%	 7.3%	 5.6%	 6.5%

Notes:

- (1) The School District launched its' comprehensive Capital Improvement Program (CIP) in Fiscal Year 2004. The CIP supports initiatives to make schools more equitable; provide space for reduced class size; enhance academic reform efforts by providing state-of-the-art facilities.
- (2) Percentages represent total expenditures less capital outlays divided into debt service expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 1997 through 2006.

School District of Philadelphia
Table 7
Other Financing Sources and (Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 1997 through 2006
(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Excess (Deficiency) of Revenues over Expenditures	\$ (94,990,052)	\$ (89,170,060)	\$ (141,898,963)	\$ (172,428,066)	\$ (210,473,660)	\$ (187,984,448)	\$ (86,099,702)	\$ (318,619,908)	\$ (267,184,027)	\$ (320,380,341)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	154,469,242	-	257,341,766	177,503,257	157,550,371	456,000,000 (1)	-	1,587,760,623 (1)	332,630,000	29,920,000
Land Sale Proceeds	-	-	-	-	-	-	-	-	27,754,440	-
Capital Asset Proceeds	-	-	-	-	-	-	-	-	221,507	207,071
Swaption Net Proceeds	-	-	-	-	-	-	-	16,641,000	-	-
Basis Swap Proceeds	-	-	-	-	-	-	-	-	-	7,235,000
Bond Premium	-	-	-	-	-	21,132,860 (1)	-	4,884,867 (1)	18,512,125	2,833,532
Bond Discounts	-	-	-	-	-	-	-	(10,513,043) (1)	-	-
Bond Defeasement	(51,016,372)	-	(103,736,337)	(74,862,819)	-	-	-	(691,989,393)	(256,746,398)	-
Transfers In	156,573,468	149,560,732	179,506,879	170,516,492	174,889,618	185,163,129	186,486,249	340,421,880	288,138,801	347,924,848
Transfers Out	(156,457,846)	(149,473,968)	(179,425,628)	(170,440,754)	(174,813,882)	(185,087,395)	(186,410,518)	(340,346,151)	(287,960,801)	(347,746,807)
Total Other Financing Sources and (Uses)	<u>103,568,492</u>	<u>86,764</u>	<u>153,686,680</u>	<u>102,716,176</u>	<u>157,626,107</u>	<u>477,208,594</u>	<u>75,731</u>	<u>906,859,783</u>	<u>122,549,674</u>	<u>40,373,644</u>
Net Change in Fund Balance	<u>\$ 8,578,440</u>	<u>\$ (89,083,296)</u>	<u>\$ 11,787,717</u>	<u>\$ (69,711,890)</u>	<u>\$ (52,847,553)</u>	<u>\$ 289,224,146</u>	<u>\$ (86,023,971)</u>	<u>\$ 588,239,875</u>	<u>\$ (144,634,353)</u>	<u>\$ (280,006,697)</u>

Note:

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

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 1997 through 2006.

School District of Philadelphia
Table 8
Governmental Funds Revenue By Own-Sources (3)
For the Fiscal Years 1997 through 2006
(modified accrual accounting)
(dollars in millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Percentage Change 1997 - 2006
Local Taxes											
Real Estate	\$ 420.7	\$ 403.2	\$ 413.4	\$ 414.8	\$ 427.6	\$ 441.2	\$ 488.7	\$ 513.5	\$ 536.3	\$ 547.0	30.0 %
Use and Occupancy	81.4	80.8	82.9	90.6	94.7	93.4	98.8	96.2	99.0	103.8	27.5
Other	85.4	45.4	48.0	51.9	50.6	46.3	46.1	48.7	52.4	59.3	(30.5)
Total Taxes	587.5	529.4	544.3	557.3	572.9	580.9	633.6	658.4	687.7	710.1	20.9
Locally Generated Non Tax											
City Contributions	15.0	15.0	30.0	-	15.0	60.0	35.0	35.0	35.0	35.0	133.3
Other	56.5	68.4	58.7	71.3	54.4	34.8	33.1	37.1	62.2	70.2	24.2
Total Local	71.5	83.4	88.7	71.3	69.4	94.8	68.1	72.1	97.2	105.2	47.1
Total Own-Source Revenues (1)	<u>\$ 659.0</u>	<u>\$ 612.8</u>	<u>\$ 633.0</u>	<u>\$ 628.6</u>	<u>\$ 642.3</u>	<u>\$ 675.7</u>	<u>\$ 701.7</u>	<u>\$ 730.5</u>	<u>\$ 784.9</u>	<u>\$ 815.3</u>	23.7 %
Summary of Own-Source Revenues by Fund:											
General (4)	\$ 636.3	\$ 586.3	\$ 617.1	\$ 598.5	\$ 621.6	\$ 660.4	\$ 692.0	\$ 712.3	\$ 744.6	\$ 767.9	20.7 %
Intermediate	0.7	0.7	0.8	0.9	1.0	0.4	0.3	0.2	0.4	0.7	-
Categorical	6.0	6.1	7.5	8.3	7.9	10.1	6.4	6.3	9.7	6.4	6.7
Debt Service (1) (4) (6)	1.9	2.2	1.8	1.6	1.8	1.6	1.7	1.5	12.6	23.1	1,115.8
Capital Projects	13.7	17.0	5.5	18.1	9.7	2.9	1.2	9.9	17.4	16.9	23.5
Non-Major (5)	0.4	0.5	0.3	1.2	0.3	0.3	0.1	0.2	0.2	0.3	(25.0)
Total Own-Source Revenues	<u>\$ 659.0</u>	<u>\$ 612.8</u>	<u>\$ 633.0</u>	<u>\$ 628.6</u>	<u>\$ 642.3</u>	<u>\$ 675.7</u>	<u>\$ 701.7</u>	<u>\$ 730.4</u>	<u>\$ 784.9</u>	<u>\$ 815.3</u>	23.7 %
Totals Restated on a Constant Dollar Basis: (2)											
1997 as base year	<u>\$ 659.0</u>	<u>\$ 605.8</u>	<u>\$ 610.8</u>	<u>\$ 591.2</u>	<u>\$ 584.5</u>	<u>\$ 602.4</u>	<u>\$ 614.5</u>	<u>\$ 612.7</u>	<u>\$ 636.7</u>	<u>\$ 633.0</u>	(3.9) %
2006 as base year	<u>\$ 848.8</u>	<u>\$ 780.3</u>	<u>\$ 786.8</u>	<u>\$ 761.6</u>	<u>\$ 752.9</u>	<u>\$ 775.9</u>	<u>\$ 791.5</u>	<u>\$ 789.2</u>	<u>\$ 820.1</u>	<u>\$ 815.3</u>	(3.9) %

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 1997 through Fiscal Year 2004 were reclassified as other financing sources under the Debt Service Fund and Tax Revenue under the General Fund.

(5) Restated Fiscal Year 1997 through Fiscal Year 2001 CAFRs for Fiduciary Fund Types for Expendable Trust Funds. Under GASB Statement No. 34, these funds are considered Non-Major, Special Revenue and Permanent Funds.

(6) New financing derivatives, variable rate and basis swap, were issued during Fiscal Year 2004 through Fiscal Year 2006. As a result, these derivatives increased revenue under the Debt Service Fur

School District of Philadelphia
Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 1997 through 2006
(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				
1997	\$ 12,490	\$ 3,271	\$ 9,219	4.519 %	\$ 9,219	0.3019	\$ 30,537
1998	12,494	3,294	9,200	4.519	9,200	0.3035	30,315
1999	12,628	3,387	9,241	4.519	9,241	0.3035	30,448
2000	12,864	3,414	9,450	4.519	9,450	0.3032	31,171
2001	13,254	3,514	9,740	4.519	9,740	0.3033	32,117
2002	13,762	3,603	10,159	4.519	10,159	0.3012	33,728
2003	14,326	3,705	10,621	4.790	10,621	0.3002	35,380
2004	14,813	3,867	10,946	4.790	10,946	0.2970	36,855
2005	15,072	4,040	11,032	4.790	11,032	0.2969	37,157
2006	15,803	4,372	11,431	4.790	11,431	0.2969 (3)	38,501

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 1997 through 2006
(Per \$100 Assessed Value)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
1997	3.745 %	4.519 %	8.264 %
1998	3.745	4.519	8.264
1999	3.745	4.519	8.264
2000	3.745	4.519	8.264
2001	3.745	4.519	8.264
2002	3.745	4.519	8.264
2003	3.474	4.790	8.264
2004	3.474	4.790	8.264
2005	3.474	4.790	8.264
2006	3.474	4.790	8.264

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	2006			1997		
	Rank	Assessment Value (1)	Percentage of Total Assessments	Rank	Assessment Value (1)	Percentage of Total Assessments
Philadelphia Liberty Property, L.P.	1	\$ 57.6	0.50%		\$ -	-
Nine Penn Center Associates	2	54.1	0.47%	6	45.4	0.49%
Two Liberty Place	3	52.3	0.46%		-	-
HUB Properties Trust	4	49.6	0.43%		-	-
Franklin Mills Associates	5	48.4	0.42%	3	48.2	0.52%
Bell Atlantic	6	43.3	0.38%	2	54.9	0.60%
PRU 1901 Market LLC	7	32.9	0.29%		-	-
Maguire/Thomas	8	32.0	0.28%	8	31.6	0.34%
Commerce Square Partners	9	30.5	0.27%		-	-
Philadelphia Shipyard Development Corp.	10	30.3	0.27%		-	-
CSF Partnership		-	-	1	63.4	0.69%
One Liberty Place & Land Joint Venture		-	-	4	48.0	0.52%
LP Associates		-	-	5	46.1	0.50%
Maguire/Thomas Partners & Phila. Plaza Assoc.		-	-	7	35.0	0.38%
1600 Market Street Associates		-	-	9	26.6	0.29%
Prudential Insurance		-	-	10	24.0	0.26%
Total of the Ten Largest Real Estate Assessments		<u>\$ 431.0</u>	<u>3.77%</u>		<u>\$ 423.2</u>	<u>4.59%</u>
Total Taxable Assessments		<u>\$ 11,430.6</u>	<u>100.00%</u>		<u>\$ 9,219.0</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 1997 through 2006

Calendar Years 1997 through 2006							
Calendar Year	Adjusted Total Tax Levy (a)	Collected within the Calendar Year of the Tax Levy		Delinquent Tax Collections		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy (e)
		Current Tax Collections	Percent of Current Taxes Collected				
1997	\$ 405,557,831	\$ 369,734,710	91.17%	\$ 48,828,395	(b)	\$ 418,563,105	103.2%
1998	408,489,256	366,011,354	89.60%	35,944,095		401,955,449	98.4%
1999	414,421,340	378,390,320	91.31%	34,362,564		412,752,884	99.6%
2000	421,290,908	375,140,384	89.05%	47,804,562		422,944,946	100.4%
2001	430,266,215	390,669,337	90.80%	34,729,352		425,398,689	98.9%
2002	444,264,098	391,820,496	88.20%	29,344,302		421,164,798	94.8%
2003	488,070,898	473,253,166	96.96%	64,984,233		538,237,399	110.3%
2004	513,175,891	451,656,255	88.01%	70,065,728		521,721,983	101.7%
2005	518,623,526	489,783,416	94.44%	50,244,245		540,027,661	104.1%
2006	536,311,238 (c)	497,741,969 (d)	92.81%	80,454,284 (d)		578,196,253	107.8%

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) Increased prior years tax collections are attributable primarily to the tax lien sale of June 30, 1997.
- (c) Source: The City Department of Revenue Accounts Receivable Activity for the Period November 30, 2005 through December 31, 2005.
- (d) Source: The School District of Philadelphia - Accounting System as of 12/29/06.
- (e) Percentage change represents ratio of all collections to tax levied rather than the portion collected that relates to the year of the tax levy.

Fiscal Year	Fiscal Years 1997 through 2006		
	Current Tax Collections	Prior Year Tax Collections	Total Tax Collections
1997	\$ 369,630,680	\$ 51,091,731	\$ 420,722,411
1998	365,680,605	37,474,158	403,154,763
1999	375,953,332	37,462,348	413,415,680
2000	379,062,773	35,761,682	414,824,455
2001	390,032,292	37,534,925	427,567,217
2002	401,977,746	39,188,455	441,166,201
2003	451,066,708	37,615,252	488,681,960
2004	458,085,281	55,437,680	513,522,961
2005	486,814,775	49,459,199	536,273,974
2006	493,146,748	53,862,637	547,009,385

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

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 1997 through 2006
(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 - 1997 as Base Year (2) (3)	
1997	\$ 704,038	\$ -	\$ 3,208	\$ -	\$ 707,246	2.31 %	\$ 473	\$	473
1998	697,170	-	2,840	-	700,010	2.26	482		477
1999	822,067	-	2,471	-	824,538	2.56	575		521
2000	891,389	-	2,103	-	893,492	2.72	630		593
2001	1,017,780	-	1,734	-	1,019,514	2.73	672		611
2002	1,440,475	-	1,365	-	1,441,840	3.76	961		857
2003	1,405,890	-	997	-	1,406,887	3.48	945		827
2004	1,726,595	588,135	628	3,856	2,319,214	5.54	1,568		1,315
2005	1,805,490	588,130	259	3,125	2,397,004	5.40	1,607		1,303
2006	1,798,724	588,125	44	2,375	2,389,268	5.21	1,633		1,268

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 1997 through 2006
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)										Per Capita (5)	
	General Obligation Bonds	QZAB Bonds	Deficit Bonds (2)	Dauphin County General Authority (DCGA)	State Public School Building Authority (SPSBA)	Gross General Bonded Debt Outstanding	Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Personal Income (3)		Actual	In Constant Dollars - 1997 as Base Year (3) (4)
1997	\$ 704,038	\$ -	\$ -	\$ -	\$ -	\$ 704,038	\$ 26,348	\$ 677,690	2.21 %	\$	453	\$ 453
1998	697,170	-	-	-	-	697,170	36,186	660,984	2.13		456	450
1999	822,067	-	-	-	-	822,067	37,773	784,294	2.44		547	496
2000	891,389	-	-	-	-	891,389	20,964	870,425	2.65		614	577
2001	994,795	22,985	-	-	-	1,017,780	22,675	995,105	2.67		656	596
2002	1,117,490	22,985	300,000	-	-	1,440,475	29,588	1,410,887	3.68		941	839
2003	1,082,910	22,980	300,000	-	-	1,405,890	34,138	1,371,752	3.39		921	807
2004	1,203,425	22,975	291,195	209,000	588,135	2,314,730	20,318	2,294,412	5.48		1,551	1,301
2005	1,262,915	42,305	291,280	208,990	588,130	2,393,620	28,048	2,365,572	5.33		1,586	1,286
2006	1,267,141	40,918	281,685	208,980	588,125	2,386,849	41,341	2,345,508	5.11		1,603	1,245

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) For Fiscal Years 2005 and 2006, include Deficit Bond Series 2002B and the Refunding Bond Series 2005A.
- (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 Capital Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006
(dollars in millions)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (2)</u>
School District of Philadelphia	\$ 2,349.3	100.0%	\$ 2,349.3
City of Philadelphia Direct Debt			3,983.4
Total Direct and Overlapping Debt			<u>\$ 6,332.7</u>

Notes:

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

The definition of overlapping governments are those that coincide, at least in part with the geographic boundaries of the city. Real property tax is levied on behalf of both the City of Philadelphia and the School District at a combined rate of 8.264 percent of the assessed value of residential and commercial property. The City's share currently is 3.474 percent while the remainder of 4.790 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 1997 through 2006
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 11,430.6
Debt Limit (1)	
Non-electoral Debt Capacity (2)	442.1
Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 1,711.6

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 1,371.6	\$ 1,413.7	\$ 1,438.2	\$ 1,443.2	\$ 1,480.6	\$ 1,522.3	\$ 1,600.5	\$ 1,688.5	\$ 1,782.7	\$ 1,857.6
General Obligation Bonds	704.0	697.1	822.1	891.3	1,017.8	1,440.5	1,405.9	2,314.7	2,393.6	2,386.8
Less: (Schedule of Bonds O/S)										
Lease Rental -SPSBA	-	-	-	-	-	-	-	(588.1)	(588.1)	(588.1)
Capital Appreciation Bonds - Non-electoral Debt	(7.5)	(9.0)	(10.7)	(12.4)	(13.3)	-	-	-	-	-
Electoral Debt	(29.1)	(29.3)	(25.8)	(23.1)	(20.2)	(12.4)	(6.1)	(3.6)	(2.5)	(1.3)
Non-electoral Debt Outstanding	667.4	658.8	785.6	855.8	984.3	1,428.1	1,399.8	1,723.0	1,803.0	1,797.4
Exclusions:										
Deficit Bonds	-	-	-	-	-	(300.0)	(300.0)	(291.2)	(291.3)	(281.7)
Termination Bonds	-	-	-	-	-	-	-	-	(70.5)	(70.5)
Stadium Bonds										(29.7)
Non-electoral Debt Outstanding applicable to Debt Limit	667.4	658.8	785.6	855.8	984.3	1,128.1	1,099.8	1,431.8	1,441.2	1,415.5
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	1,371.6	1,413.7	1,438.2	1,443.2	1,480.6	1,522.3	1,600.5	1,688.5	1,782.7	1,857.6
Less: Non-electoral Debt Outstanding applicable to Debt Limit	667.4	658.8	785.6	855.8	984.3	1,128.1	1,099.8	1,431.8	1,441.2	1,415.5
Non-electoral Debt Capacity (2)	\$ 704.2	\$ 754.9	\$ 652.6	\$ 587.4	\$ 496.3	\$ 394.2	\$ 500.7	\$ 256.7	\$ 341.5	\$ 442.1
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	48.7 %	46.6 %	54.6 %	59.3 %	66.5 %	74.1 %	68.7 %	84.8 %	80.8 %	76.2 %
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	\$ 2,743.3	\$ 2,827.4	\$ 2,876.4	\$ 2,886.4	\$ 2,961.2	\$ 3,044.6	\$ 3,201.0	\$ 3,376.9	\$ 3,565.5	\$ 3,715.2
General Obligation Bonds	704.0	697.1	822.1	891.3	1,017.8	1,440.5	1,405.9	2,314.7	2,393.6	2,386.8
Less:										
Capital Appreciation Bonds - Non-electoral Debt	(7.5)	(9.0)	(10.7)	(12.4)	(13.3)	-	-	-	-	-
Electoral Debt	(29.1)	(29.3)	(25.8)	(23.1)	(20.2)	(12.4)	(6.1)	(3.6)	(2.5)	(1.3)
Non-electoral Debt and Lease Rental Outstanding	667.4	658.8	785.6	855.8	984.3	1,428.1	1,399.8	2,311.1	2,391.1	2,385.5
Exclusions:										
Deficit Bonds	-	-	-	-	-	(300.0)	(300.0)	(291.2)	(291.3)	(281.7)
Termination Bonds	-	-	-	-	-	-	-	-	(70.5)	(70.5)
Stadium Bonds										(29.7)
Net Non-electoral Debt and Lease Rental Outstanding	667.4	658.8	785.6	855.8	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	2,743.3	2,827.4	2,876.4	2,886.4	2,961.2	3,044.6	3,201.0	3,376.9	3,565.5	3,715.2
Less: Net Non-electoral Debt and Lease Rental Outstanding	667.4	658.8	785.6	855.8	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6
Non-electoral Debt and Lease Rental Borrowing Capacity	\$ 2,075.9	\$ 2,168.6	\$ 2,090.8	\$ 2,030.6	\$ 1,976.9	\$ 1,916.5	\$ 2,101.2	\$ 1,357.0	\$ 1,536.2	\$ 1,711.6
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	24.3 %	23.3 %	27.3 %	29.6 %	33.2 %	37.1 %	34.4 %	59.8 %	56.9 %	53.9 %

Notes:

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

School District of Philadelphia
Table 17
Ratio of Annual Debt Service
For General Bonded Debt and Authority Payments
To Total Governmental Funds Expenditures Excluding Categorical Funds
For the Fiscal Years 1997 through 2006
(dollars in thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Bonded Debt Principal	\$ 33,675	\$ 8,595	\$ 34,600	\$ 36,405	\$ 20,197	\$ 33,305	\$ 34,585	\$ 45,000	\$ 20,410	\$ 36,686
General Bonded Debt Interest	36,233	34,890	36,290	40,490	55,004	53,476	70,193	74,044	74,572	91,643
Loans	369	369	369	369	369	369	369	369	369	215
State Public School Building Authority (1)	-	-	-	-	-	-	-	21,717	29,952	29,953
Total Debt Service Expenditures (2)	<u>\$ 70,277</u>	<u>\$ 43,854</u>	<u>\$ 71,259</u>	<u>\$ 77,264</u>	<u>\$ 75,570</u>	<u>\$ 87,150</u>	<u>\$ 105,147</u>	<u>\$ 141,130</u>	<u>\$ 125,303</u>	<u>\$ 158,497</u>
Total General Expenditures Excluding Categorical Funds	<u>\$ 1,607,334</u>	<u>\$ 1,501,306</u>	<u>\$ 1,698,708</u>	<u>\$ 1,727,193</u>	<u>\$ 1,726,866</u>	<u>\$ 1,761,354</u>	<u>\$ 1,790,968</u>	<u>\$ 2,066,101</u>	<u>\$ 2,146,065</u>	<u>\$ 2,275,556</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical Funds	<u>4.37</u>	<u>2.92</u>	<u>4.19</u>	<u>4.47</u>	<u>4.38</u>	<u>4.95</u>	<u>5.87</u>	<u>6.83</u>	<u>5.84</u>	<u>6.97</u>
Total General Expenditures (2) (3)	<u>\$ 1,800,081</u>	<u>\$ 1,701,879</u>	<u>\$ 1,894,163</u>	<u>\$ 1,961,011</u>	<u>\$ 2,006,534</u>	<u>\$ 2,057,609</u>	<u>\$ 2,111,134</u>	<u>\$ 2,455,588</u>	<u>\$ 2,592,929</u>	<u>\$ 2,734,531</u>
Ratio of Debt Service to Total General Expenditures	<u>3.90</u>	<u>2.58</u>	<u>3.76</u>	<u>3.94</u>	<u>3.77</u>	<u>4.24</u>	<u>4.98</u>	<u>5.75</u>	<u>4.83</u>	<u>5.80</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 1996 through 2005

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)
1996	1,542	\$ 20,792	\$ 32,055,321	7.2	651.1	\$ 39,062	\$ 9,266	\$ 20,587	\$ 3,703
1997	1,532	21,342	32,694,799	6.8	654.0	39,033	9,275	26,351	3,848
1998	1,526	22,444	34,248,049	6.2	646.9	39,045	9,220	25,906	3,326
1999	1,520	23,137	35,169,398	6.1	641.2	39,462	9,273	22,922	4,405
2000	1,514	24,571	37,193,547	5.6	635.1	40,200	9,527	18,531	4,576
2001	1,499	25,552	38,290,004	6.1	636.3	41,420	9,867	21,101	4,640
2002	1,486	27,145	40,353,074	7.4	637.5	43,005	10,300	16,872	9,384
2003	1,477	28,311	41,817,124	7.6	627.5	44,770	10,819	19,719	8,730
2004	1,471	29,755	43,776,836	7.5	623.9	46,292	11,141	19,883	9,636
2005	1,463	31,353	45,878,124	6.8	626.5	47,099	11,283	22,325	13,199

Notes:

- (1) Data for calendar years 1996 through 2004 obtained from U.S. Department of Commerce, Bureau of Economic Analysis and Data for calendar year 2005 was obtained from U.S. Census Bureau.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis, except for calendar year 2005 data which was obtained from the City of Philadelphia Department of Finance.
- (3) Data provided by the City of Philadelphia Revenue Department. Represents original billings plus tax abatements.
- (4) Source: The City of Philadelphia, Board of Revision of Taxes.
- (5) Source: Federal Deposit Insurance Corporation Summary of Deposits by County for years ending June 30th.

School District of Philadelphia
Table 19
Principal Employers
Current Calendar Year and Nine Years Ago
(Listed Alphabetically)

2006 (1) (2)	1997 (3)
Albert Einstein Medical	Allegheny Health, Education & Research FDN
Children's Hospital of Philadelphia	Bell Atlantic Corporation
City of Philadelphia	CIGNA Corporation
Federal Reserve Bank	City of Philadelphia
Internal Revenue Service	CoreStates Financial Corporation
School District of Philadelphia	Federal Reserve Bank
Southeastern Pennsylvania Transportation Authority	Internal Revenue Service
Temple University	School District of Philadelphia
Thomas Jefferson University Hospitals	Southeastern Pennsylvania Transportation Authority
United States Postal Service	Thomas Jefferson University Hospitals
University of Pennsylvania	United States Postal Service
University of Pennsylvania Hospital	University of Pennsylvania
U.S. Mint	U.S. Mint
U.S. District Court	U.S. District Court

Notes:

- (1) Prior to Fiscal Year 2006, statistics for major employers excluded federal, state, and city agencies.
- (2) Information obtained from the City of Philadelphia, Finance Department and website related to "largest employers in the City of Philadelphia, PA".
- (3) Information obtained from The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 1997 and website related to "largest employers in the City of Philadelphia, PA".

School District of Philadelphia
Table 20
School District Employees by Function
For the Fiscal Years 2000 through 2006

	PROFESSIONAL/NON-PROFESSIONAL EMPLOYEES as of June 15th (1)							Percentage Change 2000 - 2006
	2000	2001	2002	2003	2004	2005	2006	
Instruction:								
<i>Classroom Teachers</i>								
Operating	11,346	11,494	11,180	10,861	11,033	10,347	9,509	(16.2) %
Grants	915	953	1,346	1,319	1,146	1,286	1,438	57.2
<i>Total Classroom Teachers</i>	12,261	12,447	12,526	12,180	12,179	11,633	10,947	(10.7)
<i>Non-Teaching</i>								
Assistant (Asst.) Teachers	465	482	463	444	365	384	239	(48.6)
Classroom & Instructor Assistants	1,035	990	940	885	778	715	663	(35.9)
Counselor/Librarians	154	147	123	93	89	83	84	(45.5)
Psychologists/Therapists	54	48	41	41	39	41	37	(31.5)
P/T Classroom & Instructor Assistants	2,117	2,035	1,936	1,745	1,356	1,210	1,471	(30.5)
Other Paraprofessionals	236	277	270	245	237	203	172	(27.1)
<i>Total Non-Teaching</i>	4,061	3,979	3,773	3,453	2,864	2,636	2,666	(34.4)
Total Instruction	16,322	16,426	16,299	15,633	15,043	14,269	13,613	(16.6)
Classroom Support:								
<i>In-school Instruction Leadership & Support</i>								
Principals/Assistant Principals	461	487	501	512	532	522	515	11.7
Department Heads/Program Mgrs. & Coord.	91	86	77	61	63	59	35	(61.5)
Secretarial	655	653	634	602	597	580	540	(17.6)
Other Clerical	66	69	73	83	84	87	80	21.2
<i>Total In-school Instruction Leadership & Support</i>	1,273	1,295	1,285	1,258	1,276	1,248	1,170	(8.1)
<i>Professional Development & Training</i>								
Director	-	1	2	3	2	1	3	200.0
Other Technical Staff	1	-	-	-	-	-	-	(100.0)
Non-Teaching Professionals	371	323	295	292	418	391	431	16.2
Secretarial	4	2	2	3	4	4	5	25.0
<i>Total Professional Development & Training</i>	376	326	299	298	424	396	439	16.8
<i>Student Support Services</i>								
Other Technical Staff	29	35	35	34	30	33	27	(6.9)
Non-professional supervisory	103	116	117	113	116	114	113	9.7
Counselors	383	384	371	366	339	340	347	(9.4)
Psychologists/Therapists	83	94	104	101	99	100	106	27.7
Other Paraprofessionals	289	268	150	159	146	167	198	(31.5)
Bus Drivers/Attendants	1,198	1,171	1,153	1,130	1,129	1,126	1,125	(6.1)
Health Providers	338	352	340	344	340	320	310	(8.3)
Food Service	885	867	873	891	908	902	890	0.6
Other (includes Noon Time Aides)	1,031	1,161	1,402	1,403	1,381	1,458	1,431	38.8
<i>Total Student Support Services</i>	4,339	4,448	4,545	4,541	4,488	4,560	4,547	4.8
<i>Basic Building Services</i>								
Non-Teaching Assistants	607	595	560	503	471	421	311	(48.8)
Maintenance	432	454	440	416	400	416	428	(0.9)
Custodial	2,227	2,315	2,175	2,010	1,868	1,810	1,663	(25.3)
Warehouse/Distribution	31	37	33	33	34	33	34	9.7
Security	556	521	492	481	491	554	489	(12.1)
<i>Total Basic Building Services</i>	3,853	3,922	3,700	3,443	3,264	3,234	2,925	(24.1)
Total Classroom Support	9,841	9,991	9,829	9,540	9,452	9,438	9,081	(7.7)
Administrative Support								
Executive Management	18	20	14	28	26	27	33	83.3
AAOs/Regional Administrators	21	21	21	12	11	11	12	(42.9)
Directors	95	63	54	61	65	65	69	(27.4)
Asst. Directors/Admin Asst.	122	123	93	75	81	71	61	(50.0)
Prog. & Mgmt. Supervisors	153	156	102	107	112	126	178	16.3
Mgmt. Level Technicians	123	124	115	116	128	126	114	(7.3)
Other Technical Staff	327	266	292	309	359	350	398	21.7
Non-Professional Supervisory	99	93	123	113	114	118	116	17.2
Secretarial	223	210	179	165	166	165	151	(32.3)
Other Clerical	204	200	194	185	195	183	182	(10.8)
Other	264	100	12	4	3	2	1	(99.6)
Total Administrative Support	1,649	1,376	1,199	1,175	1,260	1,244	1,315	(20.3)
Total School District	27,812	27,793	27,327	26,348	25,755	24,951	24,009	(13.7)
Add: Municipal Services (2)	96	100	97	95	95	96	92	(4.2)
Total School District	27,908	27,893	27,424	26,443	25,850	25,047	24,101	(13.6) %

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 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.

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 1997 through 2006

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	Pupil-Teacher Ratio
1997	213,465	\$ 1,556,703	\$ 7,293	3.22 %	\$ N/A	\$ N/A	N/A %	48.2 %	14.5 %	14.5 %	N/A	N/A
1998	213,053	1,540,058	7,229	(0.88)	N/A	N/A	N/A	47.7	14.7	14.5	N/A	N/A
1999	208,061	1,577,202	7,580	4.87	N/A	N/A	N/A	48.9	15.3	13.8	N/A	N/A
2000	205,121	1,618,045	7,888	4.06	N/A	N/A	N/A	48.0	15.1	14.6	12,261	16.7
2001	201,328	1,708,107	8,484	7.55	N/A	N/A	N/A	48.8	16.6	14.5	12,447	16.2
2002	197,344	1,742,349	8,829	4.06	1,964,025	9,952	N/A	51.5	17.1	15.5	12,526	15.8
2003	193,076	1,822,252	9,438	6.90	2,115,361	10,956	10.09	53.1	18.9	17.6	12,180	15.9
2004	188,397	1,995,652	10,593	12.24	2,306,412	12,242	11.74	55.9	20.6	17.7	12,179	15.5
2005	181,726	2,078,049	11,435	7.95	2,544,689	14,003	14.38	58.4	21.8	18.2	11,633	15.6
2006	175,802	2,118,524	12,051	5.38	2,593,976	14,755	5.37	56.5	22.6	18.4	10,947	16.1

Notes:

- (1) Budget Documents Fiscal Years 1997 through 2005 and School Services, Office of Management and Budget, The School District of Philadelphia (excludes Charter Schools).
 - (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.
- (N/A) Data not available before implementation of GASB Statement No. 34.

School District of Philadelphia
Table 22
Miscellaneous Statistics
For the Fiscal Years 1997 through 2006

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 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 (3)
Number of Schools (1)										
Elementary	173	175	175	175	175	175	175	175	176	178
Junior/Middle	41	41	41	41	42	42	41	42	38	32
Special	8	8	10	10	11	8	10	11	11	17
Senior	31	31	31	31	32	32	33	35	38	32
Vocational/Technical	4	4	4	4	5	5	5	5	7	9
Total Public Schools	257	259	261	261	265	262	264	268	270	268
Number of Charter Schools (2)	-	-	-	25	35	41	46	48	52	55
Number of Alternative Schools (2)	-	-	-	-	-	-	-	-	N/A	13
Total Schools	257	259	261	286	300	303	310	316	322	336
School Enrollment (2)										
Elementary	108,473	108,237	107,034	105,044	102,118	99,992	96,786	94,247	91,932	98,168
Junior/Middle	34,030	33,663	33,616	33,632	33,618	31,519	30,042	29,380	25,572	22,348
Special (3)	-	-	-	-	-	-	-	-	-	8,915
Senior (3)	-	-	-	-	-	-	-	-	-	37,478
Vocational/Technical (3)	-	-	-	-	-	-	-	-	-	8,893
Special/Senior/Vocational Technical (3)	70,962	71,153	67,411	66,445	65,592	65,833	66,248	64,770	64,222	-
Total Public Schools	213,465	213,053	208,061	205,121	201,328	197,344	193,076	188,397	181,726	175,802
Charter Schools	-	-	-	8,037	11,396	15,250	18,164	21,695	25,055	26,958
Alternative Schools	-	-	-	-	-	-	-	-	2,538	4,339
Total	213,465	213,053	208,061	213,158	212,724	212,594	211,240	210,092	209,319	207,099
Number of Public High School Graduates (1)	9,225	8,835	10,644	9,949	9,388	8,559	9,407	10,331	10,800	10,428
Number of High School Charter Graduates	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total of High School Graduates	9,225	8,835	10,644	9,949	9,388	8,559	9,407	10,331	10,800	10,428

Notes:

- (1) School District of Philadelphia, Office of Accountability and Assessment- for Fiscal Years 1997 through 2005.
- (2) School District of Philadelphia, Budget Document - Fiscal Years 1997 through 2005.
- (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.

(N/A) Not available.



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

