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SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA

440 N. BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19130

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

YEAR ENDED JUNE 30, 2007



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 2007 Cover Design Contest entitled, "PHILADELPHIA'S CHANGING SKYLINE". Twenty years ago, Liberty Place One opened at 17th and Market Street ending Philadelphia's long standing "Gentleman's Agreement" not to build any buildings higher than the top of the statue of William Penn (548 feet) which sits atop City Hall. Today, with the soon to be completed Comcast Center (975 feet), there are seven buildings higher than "Billy Penn" with several others on the drawing board. These buildings have dramatically changed Philadelphia's skyline as the city continues to transform from a manufacturing to a service economy. The contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to create their vision of what Philadelphia's skyline will look like in the next twenty years.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Courtney Williamson High School for Creative and Performing Arts Grade 10	Mr. John Fantine
2nd Prize Back Cover	Taylor Quinn High School for Creative and Performing Arts Grade 10	Mr. John Fantine
3rd Prize Divider: 1st	Raushaan Fonville High School for Creative and Performing Arts Grade 10	Mr. John Fantine
	Antionette Avery Pennypack House Grade 11	Mr. Merrill Spector
2 nd	Simone Barefield Strawberry Mansion High School Grade 10	Ms. Hattie Stroman
	Parris Harley Strawberry Mansion High School Grade 12	Ms. Hattie Stroman
3 rd	Lung Ung High School for Creative and Performing Arts Grade 9	Mr. John Fantine
	Shameaira Smith Rhodes High School Grade 9	Mr. Peter Koller
	Ms. Tessie Varthas, Lead Academic Coach – Art Education	

TAB 1

SCHOOL DISTRICT OF PHILADELPHIA

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THE SCHOOL DISTRICT OF PHILADELPHIA

**440 NORTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19130**

**THOMAS M. BRADY
INTERIM CHIEF EXECUTIVE OFFICER**

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

December 28, 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 ("CAFR") of The School District of Philadelphia for the Fiscal Year ended June 30, 2007. Pursuant to provisions of The Philadelphia Home Rule Charter ("Charter"), these financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States of America. As such, management of The School District of Philadelphia ("School District") assumes full responsibility for the completeness and reliability of all information presented in this report and provides reasonable assurance that its financial statements are free of any material misstatements.

The Charter requires that the Office of the City Controller of the City of Philadelphia ("Office of the City Controller") perform an annual audit of the books of account as well as financial records and transactions of the School District. The City Controller, an independently elected local official, is required to appoint a Certified Public Accountant as deputy in charge of auditing. Pursuant to these requirements, the Office of the City Controller conducted an independent audit of the School District's financial statements. The independent audit examined evidence supporting the amounts and disclosures contained in these financial statements on a test basis; assessed the accounting principles used and significant estimates made by senior management; and evaluated the overall presentation of these financial statements. The Office of the City Controller concluded that there was a reasonable basis for rendering an unqualified opinion that the School District's financial statements for the Fiscal Year ended June 30, 2007 are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented for your formal review and consideration.

As further required, senior management of the School District established a comprehensive system of internal controls that is designed to protect the School District's assets from loss, theft and misuse. Internal offices of the School District, namely the offices of Management and Budget, General Accounting, Accounts Payable and Audit Services, regularly review expenditures of School District funds and perform selective and random reviews of operations and controls further ensuring that this report is complete and reliable in all material respects and in conformity with GAAP 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 School District itself has no component units. It is the largest school district in the Commonwealth of Pennsylvania employing approximately 23,000 employees and the eighth largest in the United States based on student enrollment data. Although considered a quasi-state agency, the School District directly serves the citizens of the City of Philadelphia, Pennsylvania, the sixth largest city in the United States with a population of close to 1.5 million and a land area of approximately 130 square miles. Enrollment for the School District is over 202,000 students including over 27,000 attending charter schools and 3,000 in alternative education programs. In addition, there are 269 schools that the School District operates, as well as 15 alternative schools and 56 charter schools managed by other entities, which also serve Philadelphia's children. About twenty-seven percent (27%) of the School District's buildings are forty (40) years old or less, forty-seven percent (47%) are between forty-one (41) and eighty (80) years old, twenty-six percent (26%) are between eighty-one (81) and one hundred and twenty (120) years old.

As required by statute, the School District provides a comprehensive range of educational services. These services include general, special and vocational education at the elementary and secondary levels as well as related support and transportation services. The School District also provides summer in addition to pre- and after-school program services depending on the needs of a community and available funding. To ensure schools have the administrative support that they require, the School District was organized into 12 geographic academic regions and one central administrative office for fiscal year 2007. However, the number of geographic academic regions was reduced to eight during fiscal year 2008.

As an agency of the Commonwealth of Pennsylvania, the School District is governed by both The Public School Code ("School Code") and the Charter. As such, the School District is a separate and independent home rule school district of the first class established by the Charter under the First Class City Public Education Home Rule Act, approved August 9, 1963, P.L. 643 ("Act"). The Act expressly limits the powers of the City 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.

Prior to 2001, the School District was governed by the Board of Education ("Board") consisting of nine members appointed generally by the Mayor of the City 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 management of the School District under the control 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.

The School District's fiscal year is July 1st to June 30th and is identical with those of both the City 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 excess of \$15,000. The School District maintains further budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget by the SRC. Activities in the General Fund, the Intermediate Unit Fund, the Debt Service Fund and the Capital Projects Fund are included in the annual appropriated budget. Purchase commitments are subject to an automated accounting system which tests for verification of available allotments and are encumbered, if not in excess of the available allotment, prior to the release of funds to a vendor and do not lapse. At year-end, encumbrances are reported as reservations of fund balance in governmental funds, except in Categorical Funds, since they do not constitute expenditures or liabilities. However, unencumbered appropriations lapse at year-end.

Major Initiatives

The major financial focus of the School District during fiscal year 2007 was to take actions to reduce the operating budget deficit reported in fiscal year 2006 and return to a positive fund balance, improve the auditing and budgetary control environment, and improve the frequency, timeliness and accuracy of reported financial and child accounting data and information.

These goals were accomplished through the implementation and monitoring of certain deficit reduction measures focused on reducing expenditures with the least impact on educational programs and academic reforms during fiscal year 2007. The SRC adopted a balanced operating budget of over \$2.0 billion and an amended operating budget adjusted for bond refunding of \$2.1 billion. Actual fiscal year 2007 figures for the School District show a slight negative unreserved/undesignated operating fund balance of \$0.8 million, approximately 0.03 percent of the School District's budget compared to the estimated negative fund balance of nearly \$26.7 million projected at the time of the fiscal year 2007 final budget.

The School District will continue to aggressively pursue additional revenue opportunities and alternative savings to ensure that current academic reforms are funded. Aligning budget line items and expenditures with the priorities of the SRC's 2004 Declaration of Education continues to be the guiding focus for the School District which establishes outcome-based goals in the areas of academic achievement, early literacy, school climate and security, community collaboration, equity and operations. Major programs that support the Declaration of Education include 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, establishing community partnerships and reduced class size.

The Capital Improvement Program identifies over \$2.0 billion in facilities needs through fiscal years 2007-2013 to improve major infrastructure systems and buildings. In fiscal year 2007 the School District obligated \$554.0 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 2008, the School District is expected to spend an additional \$535.0 million on facilities improvements to continue the School District's transition to a K-8 and 9-12 grade configuration.

The School District continues to also pursue ongoing reductions of administrative costs to maximize resources for its primary educational mission. The School District spends less than six percent (6%) of its operating budget on administrative costs; one of the lowest rates when compared with other large urban public school systems; and sixty-nine percent (69%) of its total funds on academic and education support services. The remaining twenty-five percent (25%) is spent on capital financing and maintenance.

Factors Affecting Financial Conditions

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

The Local Economy: Philadelphia's economic outlook closely resembles the national economic outlook, and the City is in the midst of another substantial enhancement of its cultural assets. Recent additions to this infrastructure include 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 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.

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.45 million according to the U.S. Census Bureau, 2006 Population Estimates. The City is in the heart of a nine-county metropolitan area with approximately 5.1 million residents. Air, rail, highway, and water routes provide easy access to the City. The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest in terms of total retail sales with approximately one-half of the population of the United States living within an overnight drive.

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 National Association of Realtors Affordability Index ranks the Philadelphia region as the 22nd most affordable housing market out of 180 sampled in the United States. The City, the sixth-largest in the nation with the third largest downtown population, is at the center of the fourth 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. Philadelphia's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major business and personal service center with strengths in insurance, law, finance, health, education, and utilities.

The City is a center for health, education, and science facilities with presently more than thirty hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are headquartered in the Philadelphia area.

During the ten-year period between 1997 and 2006, the population of the City decreased from 1,531,923 to 1,448,394. During the same period, the population of Pennsylvania increased by 3.4%, less than one-third the national rate of increase. The unemployment rate in Philadelphia for 2006 was 6.3% compared to a national average of 4.6%. The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service economy.

Philadelphia is in a key position to access regional and international markets, due to the transportation infrastructure, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, regional Southeastern Pennsylvania Transportation Authority service and the Port of Philadelphia.

Long-Term Debt of the School District: The School District's outstanding general obligation and lease rental indebtedness equaled approximately \$2.6 billion for the fiscal year ending June 30, 2007. All outstanding bonds (except for its Qualified Zone Academy Bonds) are insured and carry among the highest credit ratings in the industry from Standard & Poor's Rating Services, Moody's Investors Service and Fitch IBCA. Pursuant to statutory requirements, the School District must establish serial maturities or sinking fund installments for each bond issue that achieve, as nearly as practicable, level debt service within an issue or overall debt service within a particular classification of debt. The School District has never defaulted in the payment of debt service on any of its bonds, notes or lease rental obligations. The School District will continue to develop and maintain a fiscally responsible and stable operating budget at the same time that it improves accountability and efficiencies, expands educational programming and continues to implement a comprehensive capital improvement program.

Cash Management Policies and Practices: All monies of the School District are held separate and apart from the funds of any other entity, including the City of Philadelphia. The School District accounts for all monies received and disbursed, and develops twelve-month cash flow forecasts (updated monthly) based on historical and projected receipts and expenditure data. These forecasts form the basis for cash management activities during the fiscal year and help to determine the best forms of investment of idle funds consistent with legal limitations. Generally, cash temporarily idle during the fiscal year is invested in United States Treasury and certain government agency obligations, certificates of deposit, repurchase agreements and permissible money market and interest bearing accounts, all in compliance with state statutes. These instruments have maturities ranging from one day to multiple years depending upon the type of fund. Under custody and trust agreements, the underlying collateral for repurchase agreements is delivered to the trust department of third party banks which hold the collateral during the term of the repurchase agreement. The average yield on all maturing investments during fiscal year 2007 was approximately 4.78% and total interest income was \$45.7 million. This was a \$16.1 million increase over fiscal year 2006 primarily due to capital and operating cash balances available for investment and higher interest earnings 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 purchases certain insurance, including excess insurance over a \$5 million self-insured retention for workers' compensation and 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 insurance 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 to be adequate, based on historical data and a periodic actuarial review, to provide for all claims when they become fixed and determinable in amount. Pursuant to 42 Pa. C.S.A. §8541, the School District's liability is capped at \$500,000 for motor vehicle and real property claims.

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 Commonwealth of Pennsylvania. In fiscal year 2007, the employer rate was 6.46% of payroll costs. The School District's total contribution is projected to increase over the next ten years potentially reaching a high of 18.73% in fiscal year 2013. Consequently, the School District may have to provide for and budget a larger expenditure for PSERS contributions in the future.

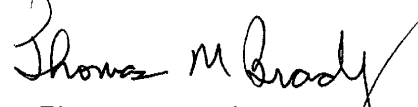
Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2006. 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 2006. 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 2007.

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

Respectfully submitted,



Mr. Thomas M. Brady
Interim Chief Executive Officer



Mr. James P. Doosey
Interim 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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emen

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, 2006

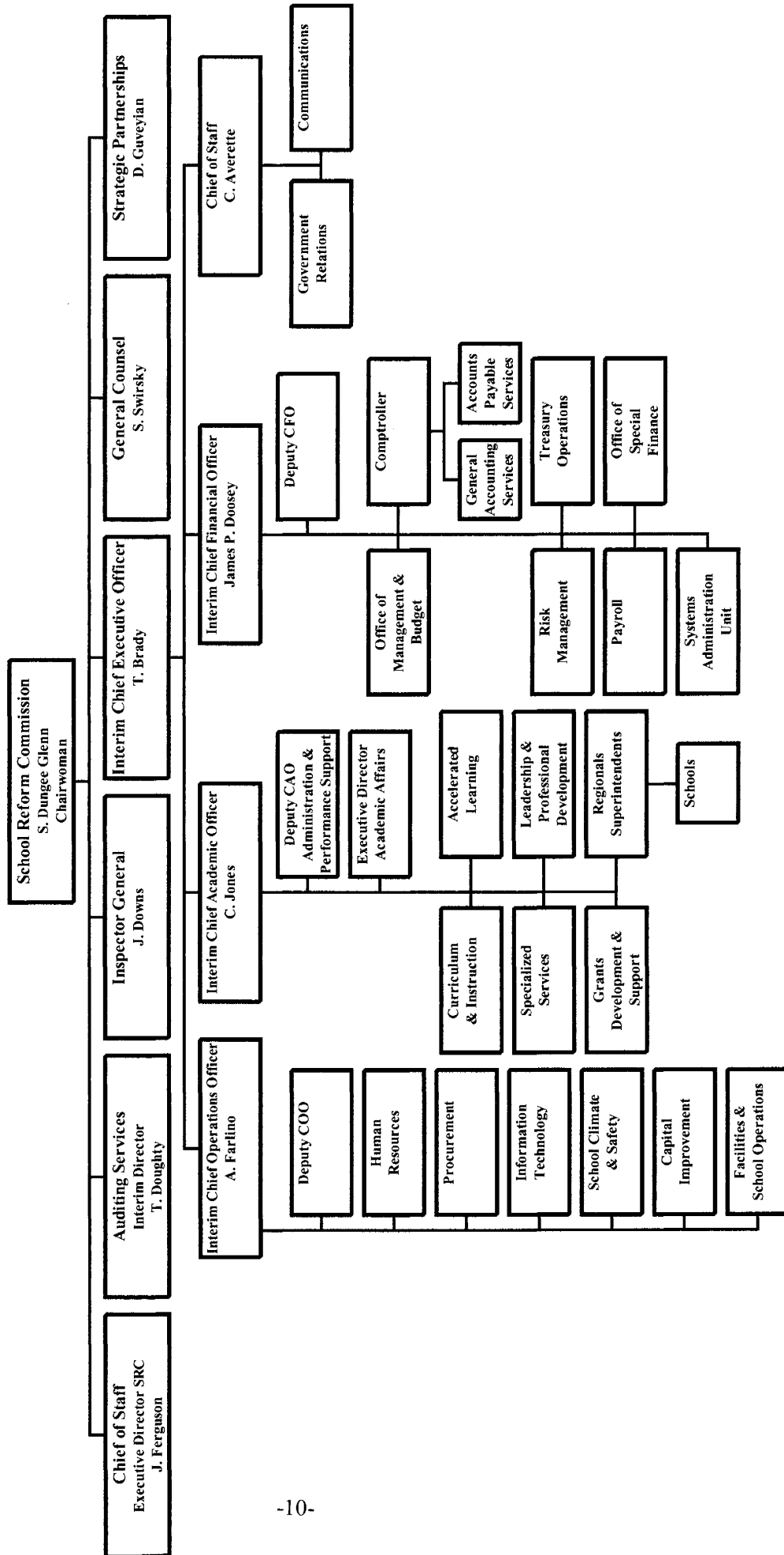
Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

School District of Philadelphia

Organizational Chart



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

List of Principal Officials of the School District

School Reform Commission

Sandra Dungee Glenn, Chairwoman
Denise McGregor Armbrister, Member
Martin G. Bednarek, Member
James P. Gallagher, Ph.D., Member

School District of Philadelphia

Thomas M. Brady
Interim Chief Executive Officer

Cassandra W. Jones, Ed. D.
Interim Chief Academic Officer

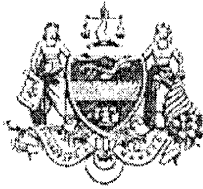
James P. Doosey
Interim Chief Financial Officer

Alfred J. Farlino
Interim Chief Operations Officer

Sherry A. Swirsky, Esquire
General Counsel

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TAB 2



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, 2007, 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, 2007, 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.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

The management's discussion and analysis on pages 15 through 32, and the major funds budgetary comparison schedules and the related notes to required supplementary information, on pages 88 through 92, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

December 28, 2007


ALBERT F. SCAPEROTTO, CPA
Deputy City Controller


ALAN BUTKOVITZ
City Controller

SCHOOL DISTRICT OF PHILADELPHIA MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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, 2007. The intent of this narrative discussion and analysis is to provide readers with brief explanations of the type of presentations that form the School District's basic financial statements, results of operations, long-term debt activity and any significant variations from the original adopted and final amended budgets pertaining to certain major funds.

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

II. FINANCIAL HIGHLIGHTS

For five 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 policies and 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 2004 *Declaration of Education*, federal legislative mandates such as the "No Child Left Behind," and the need to maintain a balanced budget within an appropriate financial control environment, are key factors in determining how resources are allocated. In addition, the School District continues to develop quantifiable goals and strategic measures to ensure long-term educational and financial success.

A number of key financial highlights for Fiscal Year 2007 include, but are not limited to, the following:

- Total revenues were \$2.5 billion. Although a majority of revenues represent subsidies and grants awarded and appropriated to the School District by state governmental entities and agencies, a significant portion is also derived from the collection of local taxes with the smallest amount of revenues derived from federal grants and subsidies.
- Total expenses for all funds were \$2.8 billion, which includes \$324.5 million of capital expenditures from funds 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 (\$1,228.5) million resulting from an excess of liabilities over assets. Bonds payable and other unfunded liabilities, such as workers' compensation, compensated absences and severance payable and other contingent liabilities are the primary long-term liabilities impacting this balance. Non-capitalized bond fund expenditures allowable under the covenants, also contribute to this negative net asset position.
- The operating funds, comprised of the General Fund, Debt Service Fund and the Intermediate Unit Fund, ended the fiscal year with an unreserved/undesignated negative fund balance of \$0.8 million. This ending negative fund balance is comprised of a General Fund unreserved negative fund balance of \$69.4 million, which is offset by \$68.6 million in the Debt Service Fund. The \$68.6 million in the Debt Service Fund includes a positive fund balance of \$70.0 million reduced by \$1.4 million in trapped funds for future appropriations.

Financial results for Fiscal Year 2007, compared to Fiscal Year 2006, are the result of several factors and events; the most significant include, but are not limited to:

- Total revenues increased by \$89.8 million compared with Fiscal Year 2006 as a result of both higher local tax collections and the award of additional federal and state grants and subsidies. Local revenues increased by \$31.9 million while federal, state grants and subsidies increased by \$57.9 million.
- Total expenses increased by \$94.5 million compared with Fiscal Year 2006. Increased expenses resulted from the need to meet scheduled higher debt service payments and capital related expenditures for buildings, equipment and improvements of approximately \$148.9 million. In addition, there were higher charter school payments of \$19.4 million. These expenses were partially offset by reductions in instruction and all other support services expenditures of \$68.1 million.

- Debt service expenditures increased by \$50.3 million when compared to Fiscal Year 2006. This increase reflects anticipated scheduled principal and interest payments of \$32.2 million, an increase in variable rate interest payments of \$4.3 million and an increase in bond issuance costs of \$13.8 million which were due primarily to certain refunding transactions. In addition, net financing sources and uses increased by \$36.0 million as a result of an increase in basis swap proceeds and fund transfers to cover bond payments. Revenues increased by \$5.4 million due to basis swap revenues and interest on investments.
- The operating funds had a change in undesignated/unreserved fund balance from Fiscal Year 2006 to Fiscal Year 2007 of \$23.0 million. This resulted from the change in the ending Fiscal Year 2006 balance of (\$23.8) million to the ending Fiscal Year 2007 balance of (\$0.8) million. This positive change is primarily due to a strategic reduction of expenditures, the implementation of improved operational and financial controls, and other financing sources and uses in these three funds.

III. USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

District-Wide Statements

The Statement of Net Assets and the Statement of Activities are financial statements that provide information concerning the overall activities of the School District while also presenting a long-term view of the School District's finances. These statements utilize the accrual basis of accounting and the economic resources measurement basis which is similar to the accounting methods used in most private sector companies. For example, full accrual accounting recognizes the financial effects of events when they occur without regard to the timing of cash flows related to those events.

The School District's assets, liabilities and net assets are detailed in the Statement of Net Assets. From this statement, the reader can identify what assets the School District owns, what debt is outstanding and the nature of the remaining net assets. This information is used to assess the School District's ability to cover operating costs and finance those services in the future as well as its remaining borrowing capacity. This statement can also be used to determine how much of the School District's net assets can be used as collateral to fund new services, programs or special initiatives as compared to how much is either currently invested in capital assets or restricted for specific purposes.

While the Statement of Net Assets provides the reader with a long-term view of the School District's financial condition, the Statement of Activities contains detailed information pertaining to the School District's direct costs of providing services (i.e., expenses) and the resources used to fund those services (i.e., revenues). This presentation is also used to identify the costs of various services and functions and the extent 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

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

In contrast to district-wide financial statements, the fund financial statements utilize the modified accrual basis of accounting and the current financial resource measurement basis. Under modified accrual accounting, the fund recognizes revenues when they become available and measurable and expenditures when the liability is incurred and measurable, except for long-term debt and obligations which are recognized as they become due. Modified accrual accounting measures cash and all other financial assets that can be readily converted to cash and, as such, provides a more detailed short-term view of the School District's general operations.

Fiduciary Responsibilities

The Statement of Fiduciary Net Assets presents financial information which captures activities where the School District acts solely as an agent for the benefit of employees, students and/or parents. These types of activities are excluded from the district-wide financial statements since the School District cannot use these assets to finance its operational needs. As such, the School District is legally responsible for ensuring that the assets reported in these funds and statements are used for their intended purposes. The School District is and acts as a trustee for the Fiduciary Funds.

IV. REPORTING BY THE SCHOOL DISTRICT AS A WHOLE

As previously mentioned, the Statement of Net Assets and the Statement of Activities provide the financial status and operating results of the School District as a whole. The data presented in these statements provide the reader with insight as to how the School District performed financially in Fiscal Year 2007. These two statements report the School District's net assets and any changes in net assets which are shown on Table 1 and Table 2 below. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the fiscal year 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, 2007:

<p style="text-align: center;">Net Assets As of June 30, 2007 (Dollars in Millions) Table 1</p>						
	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2007	2006	2007	2006	2007	2006
Current & Other Assets	\$ 892.1	\$ 873.0	\$ 7.0	\$ 12.4	\$ 899.1	\$ 885.4
Capital Assets	1,525.0	1,313.0	4.4	3.2	1,529.4	1,316.2
Total Assets	\$ 2,417.1	\$ 2,186.0	\$ 11.4	\$ 15.6	\$ 2,428.5	\$ 2,201.6
Liabilities						
Long-Term Liabilities	\$ 3,358.4	\$ 3,022.2	\$ 4.8	\$ 3.3	\$ 3,363.2	\$ 3,025.5
Other Liabilities	284.7	280.7	9.1	6.7	293.8	287.4
Total Liabilities	\$ 3,643.1	\$ 3,302.9	\$ 13.9	\$ 10.0	\$ 3,657.0	\$ 3,312.9
Net Assets						
Invested in Capital Assets -	\$ 1.2	\$ 10.3	\$ 3.1	\$ 3.2	\$ 4.3	\$ 13.5
Net of Related Debt						
Restricted	76.1	72.6	-	-	76.1	72.6
Unrestricted	\$ (1,303.3)	(1,199.8)	(5.6)	2.4	(1,308.9)	(1,197.4)
Total Net Assets	\$ (1,226.0)	\$ (1,116.9)	\$ (2.5)	\$ 5.6	\$ (1,228.5)	\$ (1,111.3)

For the Fiscal Year ending June 30, 2007, the School District's total net assets were (\$1,228.5) million. This negative net asset amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$1,308.9) million is unrestricted. This balance also reflects a decrease of \$117.2 million from Fiscal Year ending June 30, 2006. This decrease was caused primarily by a shortfall in revenues and other financing sources which was less than actual expenditures and financing uses of \$116.0 million, and further reduced by a prior period adjustment which decreased net assets by \$1.2 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, 2007
(Dollars in Millions)

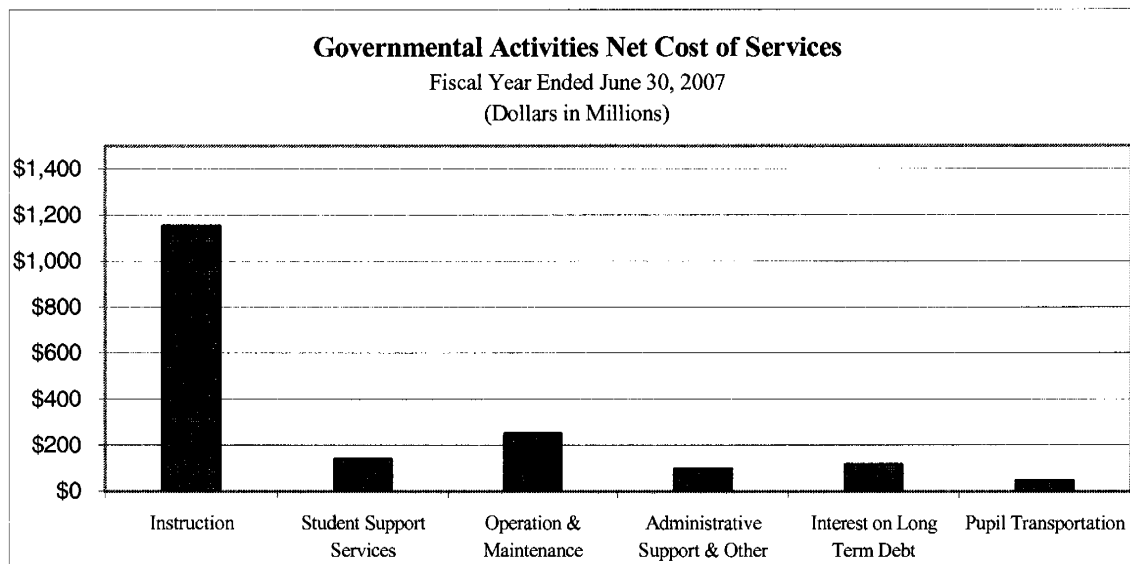
	Governmental Activities		Business-Type Activities	
Revenues	2007	2006	2007	2006
Program Revenues				
Charges for Services	\$ 2.5	\$ 3.0	\$ 5.1	\$ 4.8
Operating Grants & Contributions	805.0	779.0	68.5	69.5
Capital Grants & Contributions	0.1	-	-	-
General Revenues				
Property Taxes	549.5	540.2	-	-
Other Taxes	168.5	157.5	-	-
Grants & Contributions Not Restricted	142.9	112.9	-	-
State & Federal Subsidies Not Restricted	843.7	804.8	-	-
Contributed Capital	-	-	0.3	-
Total Revenues	\$ 2,512.2	\$ 2,397.4	\$ 73.9	\$ 74.3
Expenses				
Instruction	\$ 1,706.3	\$ 1,697.0	\$ -	\$ -
Student Support Services	262.0	247.8	-	-
Administrative Support & Other	272.3	279.1	-	-
Pupil Transportation	89.1	88.9	-	-
Operation & Maintenance	270.2	263.2	-	-
Early Childhood Education	20.4	18.0	-	-
Food Service	-	-	81.8	79.8
Loss on Disposal of Capital Assets	-	-	-	-
Loss on Sale of District Property	-	-	-	-
Total Expenses	\$ 2,620.3	\$ 2,594.0	\$ 81.8	\$ 79.8
Excess (Deficiency) before Transfers	\$ (108.1)	\$ (196.6)	\$ (7.9)	\$ (5.5)
Transfers	\$ 0.2	\$ 0.2	\$ (0.2)	\$ (0.2)
Increase/(Decrease) in Net Assets	\$ (107.9)	\$ (196.4)	\$ (8.1)	\$ (5.7)
Disposal of Capital Assets	-	-	-	-
Net Assets - Beginning	\$ (1,116.9)	\$ (936.6)	\$ 5.6	\$ 11.3
Prior Period Adjustment	(12)	16.1	-	-
Net Assets - Ending	\$ (1,226.0)	\$ (1,116.9)	\$ (2.5)	\$ 5.6

Cost of Services by Major Functional Expense Category

Table 3 and the accompanying graph illustrate and highlight the net costs incurred by each of the major activities presented in the School District's Statement of Activities. For each activity, the statement presents gross expenses and the resulting net cost, offset by program revenues, of each general activity. The major functional expense categories are entitled: Instruction, Student Support Services, Operation and Maintenance, Administrative Support and Other, Interest on Long Term Debt, Pupil Transportation, Food Service and Early Childhood Education.

**Cost of Services by
Major Functional Expense Category**
Fiscal Year Ended June 30, 2007
(Dollars in Millions)
Table 3

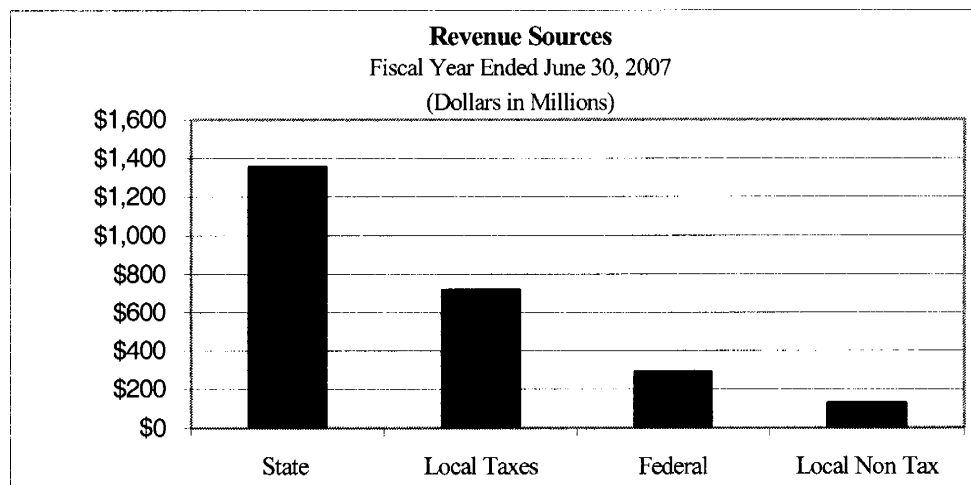
<u>Functional Expense</u>	<u>Gross Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 1,706.3	\$ 1,152.8
Student Support Services	262.0	138.8
Operation & Maintenance	270.2	250.1
Administrative Support & Other	134.0	97.7
Interest on Long Term Debt	138.3	122.7
Pupil Transportation	89.1	45.6
Food Service	81.8	8.2
Early Childhood Education	20.4	5.0
Total Expenses	\$ 2,702.1	\$ 1,820.9



Major Sources of Revenues

The School District's revenues are derived primarily from three sources: (i) state grants and subsidies totaling 54%; (ii) local taxes and non-tax revenues totaling 34%; and (iii) federal grants and subsidies totaling 12%. The largest component of state subsidies is the basic education funding allocation which the School District can use to cover any costs associated with the operation of the public school system while the largest component of local revenue is the levy and collection of taxes such as real estate, business use and occupancy, non-business income, liquor by the drink and public utility realty. A third source of revenue is both federal and state grants dedicated to providing specific programs and services which are competitively awarded.

The following bar graph illustrates the School District's major sources of revenues for Fiscal Year 2007:



As previously illustrated in Table 2 on page 20, 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, 2007
(Dollars in Millions)
Table 4

Revenue Source	General Fund	Intermediate Unit Fund	Categorical Funds
Local Taxes	\$ 718.9	\$ -	\$ -
Local Non-Tax	71.1	1.3	6.2
State Grants and Subsidies	1,143.3	77.8	135.9
Federal Grants and Subsidies	0.2	-	292.8
Total Revenue	\$ 1,933.5	\$ 79.1	\$ 434.9

V. MAJOR FUND HIGHLIGHTS

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

General Fund

The General Fund serves as the School District's main operating fund, recording all financial activity except for those transactions that must be specifically accounted for in another type of fund, for example the Debt Service Fund. For Fiscal Year 2007, the General Fund had an excess of revenues over expenditures of \$359.9 million and net transfers to other funds of \$345.1 million which together resulted in a \$14.8 million positive impact to the fund balance. The General

Fund's ending fund balance at June 30, 2007 was a negative \$51.1 million compared to a negative \$66.1 million fund balance at June 30, 2006. The \$15.0 million improvement in the negative fund balance from Fiscal Year 2006 resulted from positive variances of \$21.5 million in salaries, \$18.2 million in employee benefits and \$20.1 million in lapsed appropriation authority in contracted services, materials, supplies and equipment. The personnel savings were achieved primarily by a reduction in full-time administrative personnel and lower than projected expenses for part-time employee salaries, medical insurance, unemployment insurance and termination pay benefits. These savings were partially offset by expenditures over budget of approximately \$37.8 million in other non-personal categories and revenues under budget of \$7.0 million.

Intermediate Unit Fund

The Intermediate Unit Fund is used to account for state appropriations for special education and non-public school programs as well as certain administrative costs. Programs include Autistic Support, Blind or Visually Impaired Support, Deaf or Hearing Impaired Support, Emotional Support, Learning Support and Multiple Disabilities Support while related administrative costs include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2007, the Intermediate Unit Fund had a \$0.8 million net increase in fund balance which resulted in an ending fund balance of \$1.3 million at June 30, 2007.

Categorical Funds

Categorical Funds are used to account for specific purpose federal, state, city or private grants to cover the costs of dedicated programs and special initiatives. Categorical Funds had a \$1.3 million net decrease in fund balance which reduced the ending fund balance to a negative \$18.5 million at June 30, 2007. At June 30, 2007, this \$18.5 million was still outstanding from grantors and recorded as deferred revenues and not yet recognized as current revenues under GASB Statement No. 33 guidelines.

Debt Service Fund

The Debt Service Fund is used to account for the School District's accumulation of resources for the payment of debt service and bond issuance costs. During Fiscal Year 2007, the Debt Service Fund had a \$5.4 million net increase in fund balance thereby increasing the balance to \$70.1 million as of June 30, 2007. Basis Swap proceeds of \$10.7 million, and other strategic financial restructuring, contributed to achieving this 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 to the School District's major capital facilities and buildings. During Fiscal Year 2007, the addition of new bond funds combined with the delay of capital outlays resulted in a positive net change of \$10.9 million in the Capital Projects Fund. This increased the June 30, 2007 fund balance to \$436.6 million. New building construction totaling \$73.7 million and capital alterations and improvements totaling \$226.8 million, account for much of the activity in the fund throughout the year. The issuance of State Public School Building Authority Lease Revenue Bonds provided an additional \$335.2 million in other financing sources to this fund that included the related bond premium.

Enterprise Fund

The Enterprise Fund is used to account for the operation of the Food Service Division. During Fiscal Year 2007, a vendor service outsourcing agreement was in place which was subsequently canceled in September of 2007. The Enterprise Fund had a positive total net asset balance of \$5.6 million at the end of Fiscal Year 2006 compared to a negative total net asset balance of \$2.5 million as of June 30, 2007, which resulted in a negative net change of \$8.1 million. Revenues originally expected from both operations and federal and state grants decreased by \$1.0 million. In addition, the rising costs of food products, regulations about healthy food requirements, and an increase in operating expenses collectively contributed to this change.

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, 2007

(Dollars in Millions)

Table 5

Fund	Fiscal Year 2007	Fiscal Year 2006
General	\$ 14.8	\$ (122.6)
Intermediate Unit	0.8	(0.9)
Categorical	(1.3)	5.6
Debt Service	5.4	14.2
Capital Projects	10.9	(176.6)
Enterprise	(8.1)	(5.7)
Non-Major Governmental	0.4	0.3
Total Change in Fund Balance	\$ 22.9	\$ (285.7)

Total Fund Balances for Major and Non-Major Governmental Funds

As of June 30, 2007

(Dollars in Millions)

Table 6

Fund	Fiscal Year 2007	Fiscal Year 2006
General	\$ (51.1)	\$ (66.1)
Intermediate Unit	13	0.5
Categorical	(18.5)	(17.2)
Debt Service	70.1	64.6
Capital Projects	436.6	425.6
Enterprise	(2.5)	5.6
Non-Major Governmental	6.0	5.6
Total Fund Balance	\$ 441.9	\$ 418.6

VI. BUDGETING HIGHLIGHTS

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

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

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

General Fund Budget

For Fiscal Year 2007, the final budgeted General Fund revenue was \$21.3 million higher than the original adopted budget. This resulted from a net increase of \$17.1 million in state revenues related to the final passage of the state's budget and an increase of \$7.7 million from interest earned on investments because of changes in short-term interest rates. These increases were partially offset by a \$3.2 million decrease in local tax revenues due to a reduction in estimated current and delinquent real estate tax collections and a \$0.3 million decrease in all other revenues.

The anticipated obligations in the final General Fund budget represented an increase of \$65.6 million over the original adopted budget. This increase was the net result of three main factors. First, because the Fiscal Year 2007 adopted budget was built using estimates and assumptions that were similar to the those in the final Fiscal Year 2006 budget, the unfavorable final Fiscal Year 2006 results revealed that the Fiscal Year 2007 adopted budget included certain expenditure estimates and savings initiatives that were no longer achievable. As a result, the final budget was increased by \$46.1 million in non-personnel costs within All Other Support Services, \$10.9 million in Employee Benefits, \$7.2 million in contracted services for Pupil Transportation, \$6.5 million in Payments to Charter Schools, \$5.4 million in Payments to Other Educational Entities and \$3.2 million in Losses & Judgments. Second, the School Reform Commission authorized a mid-year reduction of \$27.8 million in general fund operating obligations to reduce the size of the negative ending fund balance in the final Fiscal Year 2007 budget. Third, the District increased

instructional programs by a total of \$14.1 million in the period between the passage of the Commonwealth's budget and the realization of the unfavorable Fiscal Year 2006 results.

The anticipated Other Financing (Sources)/Uses in the General Fund budget were reduced by \$28.6 million from the original adopted budget. This resulted primarily from mid-year savings initiatives approved by the School Reform Commission of \$19.0 million and a shift of early childhood expenditures in allowable grant funds for a \$4.7 million reduction in Local Share costs borne by the General Fund.

Actual General Fund revenues of \$1,933.6 million are \$7.0 million less than those estimated in the final General Fund budget of \$1,940.6 million. Actual General Fund obligations totaling \$1,588.7 million were \$21.1 million lower than estimated in the budget of \$1,609.8 million. Other financing uses of \$345.3 million were also \$12.4 million below budget. The net change in the fund balance represented an increase of \$26.5 million over the final budget estimate of a negative \$26.9 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, 2007
(Dollars in Millions)

	Budget		Actual	Variance vs
	Original	Final		Final Budget
Total Revenues	\$ 1,919.2	\$ 1,940.6	\$ 1,933.6	\$ (7.0)
Total Obligations	1,544.2	1,609.8	1,588.7	21.1
Total Other Financing (Sources)/Uses	386.3	357.7	345.3	12.4
Net Change in Fund Balance	(11.3)	(26.9)	(0.4)	26.5
Fund Balance Beginning of Year	38.0	66.0	(66.1)	(132.1)
Change in Reserves	-	-	15.4	15.4
Fund Balance End of Year	\$ 26.7	\$ 39.1	\$ (51.1)	\$ (90.2)

During Fiscal Year 2007, the School District incurred a number of significant and unanticipated variances compared to the final General Fund budget including, but not limited to:

- Revenues had a \$7.0 million unfavorable variance primarily because of a \$6.2 million shortfall in state revenues. A related positive variance in salary expenditures led to state reimbursements for retirement and social security being \$4.6 million below budget; other state funding shortfalls of \$1.2 million in debt service reimbursements (PlanCon) and \$1.0 million in the delayed receipt of alternative education reimbursements were partially offset by a net increase of \$0.6 million in all other state funding categories. Local Taxes were a net \$1.6 million below budget and Locally Generated Non-Tax Revenues were a net \$0.9 million better than budgeted.
- Obligations were \$21.1 million less than budgeted primarily due to lower than projected personnel costs in the categories of salaries, benefits, medical insurance, unemployment insurance and termination pay totaling \$39.7 million below budget. In addition, non-personnel expense savings of \$20.1 million lapsed appropriation authority in contracted

services, materials, supplies and equipment. These savings were offset by a net \$38.7 million increase in other non-personnel categories.

- Other Financing (Sources)/Uses were \$12.4 million favorable from the final budget due to strategic reductions in salaries, employee benefits and contracted services in education less than anticipated resulting in fewer transfers required to the Intermediate Unit Fund to cover expenditures.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

As of the end of Fiscal Year 2007, the School District had \$2,646.8 million invested in capital assets. Over the years, these assets have depreciated by \$1,117.5 million leaving a carrying value of \$1,529.3 million. This represents an increase of \$213.1 million over the Fiscal Year 2006 ending balance. Table 8 represents Net Capital Assets net of prior period adjustments. Refer to Note 4C, page 67 for additional information.

Net Capital Assets
As of June 30, 2007
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	<u>2007</u>	<u>2006</u>
Land	\$ 112.7	\$ 113.0
Buildings & Improvements	917.0	862.1
Personal Property	90.6	88.3
Construction In Progress	<u>409.0</u>	<u>252.8</u>
Total Net Book Value	<u>\$ 1,529.3</u>	<u>\$ 1,316.2</u>

The School District is a component unit of the City of Philadelphia ("City") for financial reporting purposes only and the debt that is incurred is not considered the debt of the City. The School District issues debt in the form of bonds to be used for the acquisition of land and equipment purchases, construction purposes and notes to cover its short-term cash flow needs. The School District recognizes bond premiums as unearned revenue in the Statement of Net Assets and the bond premium is amortized over the life of the bond issue. In December of 2006, the School District issued \$862.7 million in State Public School Building Authority School Lease Revenue Bonds. The issue contained two series, the 2006A Series for \$317.1 million in new capital funds and the 2006B Series of \$545.6 million of refunding bonds to advance refund a certain portion of bonds issued in Fiscal Year 2003. The School District also issued \$146.5 million of general obligation refunding bonds to refund certain maturities of the Series A of 1999 and the Series D of 2004 bonds.

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

Long-Term Obligations Outstanding

As of June 30, 2007

(Dollars in Millions)

Table 9

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Total Bonded Debt	\$ 2,664.2	\$ 2,408.9	\$ -	\$ -
Employee Related Obligations	505.1	464.9	3.5	3.3
Due to Other Governments	45.3	45.3	-	-
Other	143.8	103.1	1.3	-
Total Long-Term Obligations Outstanding	\$ 3,358.4	\$ 3,022.2	\$ 4.8	\$ 3.3

Total long-term obligations outstanding for governmental activities increased by \$336.2 million. This includes an increase in bonded debt of \$255.3 million with a corresponding increase in employee obligations of \$40.2 million. All other long-term obligations increased by \$40.7 million. Refer to Note 4D(2), pages 69-77 for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

Executive management of the School District, along with the School Reform Commission, began to successfully address the financial challenges of Fiscal Year 2006 by reducing the undesignated/unreserved negative fund balance from \$23.8 million at June 30, 2006 to a negative fund balance of \$0.8 million in the operating funds at the end of Fiscal Year 2007. The School District must achieve a corresponding operating surplus in Fiscal Year 2008 in order to reestablish a positive fund balance, as required by the Pennsylvania School Code and the Charter.

Although the School District will continue to focus on balancing its budget, the School District continues to achieve significant academic improvements that have led to five consecutive years of major increases in test scores and schools qualifying as meeting Adequate Yearly Progress under the federal "No Child Left Behind" legislation. The School 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 meeting its financial objectives, the District has implemented a rigorous and extensive process of prioritization and evaluation of its budget and programs.

Corrective Actions

The School District is currently operating under Act 45 of 2007 that amended the Pennsylvania School Code to require enhanced quarterly financial reporting to the Commonwealth Secretary of Education. On October 15th and 19th, 2007, the School District submitted Part I and Part II of the report respectively, to the Commonwealth Secretary of Education that included detailed budget to actual financial data and expenditure reduction implementation plans for over 100 specific items

that either increase revenues or reduce operating expenditures. Despite the combined effect of all these initiatives, the School District currently projects an ending Fiscal Year 2008 negative fund balance of \$15.0 million. The District is required to provide a second quarter report by January 15, 2008, which will update the status of the initiatives and identify further possible expenditure reductions or revenue enhancements that are developed to reduce the estimated shortfall. Both the School Reform Commission and members of executive management are committed to closing the projected operating gap by June 30, 2008.

No Child Left Behind

One major cost driver that affects School District spending is implementing the requirements of "No Child Left Behind" ("NCLB"). As part of "NCLB", students in underperforming schools must be given the option to transfer to another public school that is not underperforming. In addition to the school choice options required under "NCLB", the School District in 2007 supported over fifty six (56) 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. Under the current charter school environment, the School District has been unable to make reductions in cost areas such as the number of principals, counselors, nurses, custodians and bus drivers it employs overall, or even in the number of schools that are in operation district-wide. Additionally, approximately thirty percent (30%) of charter school students 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 prior years but are now part of the charter school expenses.

In Fiscal Year 2007, one hundred and seven (107) schools out of two hundred and sixty-eight (268) made Adequate Yearly Progress (AYP). The number of schools making AYP declined from 131 in 2006, largely due to the testing of students in grades 4, 6, and 7, which in turn created more subgroups in most of the School District's schools. "NCLB" law requires schools to achieve targets in reading and math for subgroups with 40 or more students as well as for the whole school to reach these same targets. The more subgroups a school has, the more difficult it is for that school to make AYP. This trend, increased number of subgroups in schools leading to a decrease in the number of schools making AYP, was also noted in the Pennsylvania Department of Education's (PDE) 2007 release of statewide AYP results.

The AYP status of schools is used to determine student eligibility for "NCLB" School Choice and Supplemental Educational Services (SES). School Choice is required to be offered to students in schools that fail to make AYP for at least two consecutive years. SES is required to be offered to students in schools that fail to make AYP for at least three consecutive years. The 2007 AYP school determinations are used to indicate eligibility for SES for the 2007-2008 school year, while 2007-2008 eligibility for School Choice is obtained from the prior year's AYP determinations (2006-2007).

Based on the 2006 AYP determinations, students from 125 schools were eligible for School Choice transfers for the 2007-2008 school year, with 199 students receiving "NCLB" School Choice transfers. Based on 2007 AYP determinations, students from 107 schools are eligible for SES. Students are in the process of applying for SES and the deadline for submission of

applications is October 30, 2007. The School District will continue to set aside money for "NCLB" School Choice and SES, as mandated by "NCLB."

"NCLB" also mandates that all teachers of core academic subjects must be considered "highly qualified" by 2006. To meet this standard, all teachers must be fully certified and/or licensed by the state; hold at least a bachelor's degree from a four-year institution; and demonstrate competence in each core academic subject area they teach. By the end of Fiscal Year 2006, over 75.6% of teachers in the School District were considered highly qualified, and 92.7% were considered fully certified, as a result of effective professional development initiatives and additional outreach efforts. In Fiscal Year 2007, the percentage increased to 97% for teachers who were considered fully certified. For Fiscal Year 2007, 90.3% of teachers were considered highly qualified based upon the total number of teachers compared with the number of teachers found to be not qualified by the Pennsylvania Department of Education

Lastly, "NCLB" requires that all states establish and implement standards for identifying "Persistently Dangerous Schools." In Pennsylvania, a school is labeled Persistently Dangerous based on and as determined by the number of dangerous incidents (defined as weapon possession or violence) that result in arrest in the school or on school premises. In order to create a safer school environment where all students can learn and all staff can educate, students who attend Persistently Dangerous Schools are given the option to transfer to a safer public school. Students who are victims of violent criminal offenses may also be offered the opportunity to transfer to a safer public school within the district.

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. In Fiscal Year 2007, twenty-five (25) School District students requested transfers as a victim of a crime/serious incident, zero (0) requested transfers as a witness to a crime/serious incident and two hundred and thirty-five (235) requested transfers as an opt out of unsafe schools, and sixty-two (62) requested transfers for other safety related reasons. These numbers significantly decreased from prior fiscal years. 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. The School District has been 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. For the Fiscal Year 2007, only nine (9) schools are identified as "Persistently Dangerous."

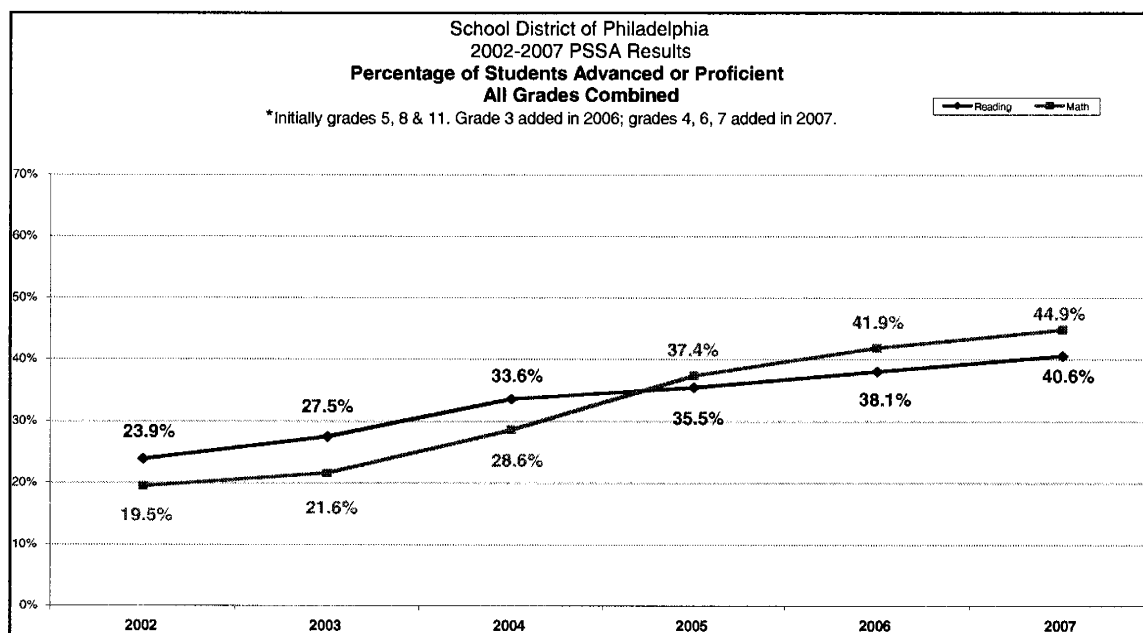
The Declaration of Education

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.

In the area of Academic Achievement, many programs required by the federal "NCLB" legislative mandate will also help the School District reach its own goals. The School District

committed itself to achieving much more aggressive targets than simply meeting AYP. 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 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 rolled 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 and beyond.

A review of the most recent data from the 2006-2007 school year that tracks progress toward the ambitious goals laid out in the Declaration of Education, indicates that the School District continues to make progress towards these goals. For example, as displayed on the graph below, results on the Pennsylvania System of School Assessment (PSSA) have increased each of the past five years, with reading scores increasing by 16.7 percentage points and in math by 25.4 percentage points. In addition, almost all grade and subject combinations (with one exception out of 14 subject combinations) showed increases from 2006 to 2007 in the percentages of students scoring proficient or above.



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 example, will create an environment that is more conducive to learning. Since students cannot learn if they are not in school, the School District has undertaken forceful truancy reduction efforts including the recruitment of parents to

help ensure that students arrive at school on time everyday. The Saturday Morning Alternative Reach and Teach ("SMART") program keeps children in school. As an alternative to expulsion, students with two or more suspensions are provided with mandatory sessions on character development, conflict resolution, decision-making, familial relationships and peer pressure. To ease the transition back to school for students who are returning from juvenile detention or incarceration, the School District offers the Re-Entry Transition Initiative - Welcome Return Assessment Process ("RETI-WRAP"), a 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 ("CIP") in Fiscal Year 2004. The need for new construction, renovations and repairs were assessed and identified to total \$2.1 billion from Fiscal Year 2007 through Fiscal Year 2013. The 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. 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 has funded the construction of seven (7) new neighborhood high schools, eight (8) new smaller high schools and five (5) new neighborhood elementary schools; seven (7) middle school to high school conversions; and fifteen (15) school additions including five (5) 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.

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 James P. Doosey, Interim Chief Financial Officer, or Marcy F. Blender, Comptroller, at 440 North Broad Street, Philadelphia, PA 19130.

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 1,254,386	\$ 107,147	\$ 1,361,533
Cash and Investments with Fiscal Agent	69,880,216	-	69,880,216
Equity In Pooled Cash and Investments	28,272,218	-	28,272,218
Taxes Receivable (Net)	129,536,011	-	129,536,011
Due from Other Governments	86,011,131	4,914,335	90,925,466
Accounts Receivable (Net of Allowance)	3,652,710	-	3,652,710
Accrued Interest Receivable	217,756	-	217,756
Third-Party Receivable	1,921,379	-	1,921,379
Inventory	1,561,816	1,935,378	3,497,194
Prepaid Expenses	77,291	-	77,291
Deferred Debt Issuance Cost	28,167,260	-	28,167,260
Deferred Charge Refunding	50,285,752	-	50,285,752
Restricted Assets:			
Cash and Cash Equivalents	119,824,050	-	119,824,050
Cash and Investments Held by Trustee	371,467,895	-	371,467,895
Capital Assets:			
Land	112,700,526	-	112,700,526
Buildings and Improvements	1,875,197,542	-	1,875,197,542
Personal Property	234,920,806	14,994,285	249,915,091
Construction in Progress	409,029,738	-	409,029,738
Accumulated Depreciation	(1,106,887,877)	(10,602,690)	(1,117,490,567)
Total Assets	2,417,090,606	11,348,455	2,428,439,061
LIABILITIES			
Accounts Payable	144,195,167	8,850,274	153,045,441
Overpayment of Taxes	12,082,158	-	12,082,158
Accrued Salaries and Benefits Payable	32,814,863	203,314	33,018,177
Termination Compensation Payable	26,329,634	-	26,329,634
Severance Payable	6,640,934	-	6,640,934
Unearned Revenue	35,806,733	-	35,806,733
Due to Other Governments	889,608	-	889,608
Bond Interest Payable	25,904,152	-	25,904,152
Non-Current Liabilities			
Due within one year	191,781,259	600,000	192,381,259
Due in more than one year	3,166,675,137	4,175,268	3,170,850,405
Total Liabilities	3,643,119,645	13,828,856	3,656,948,501
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,182,686	3,132,962	4,315,648
Restricted for:			
Debt Service	70,055,872	-	70,055,872
Special Revenue Funds & Permanent Funds			
Expendable	2,667,382	-	2,667,382
Non-Expendable	3,328,886	-	3,328,886
Unrestricted (Deficit)	(1,303,263,865)	(5,613,363)	(1,308,877,228)
Total Net Assets	\$ (1,226,029,039)	\$ (2,480,401)	\$ (1,228,509,440)

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, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 1,706,310,436	\$ 772,902	\$ 552,689,249	\$ -	\$ (1,152,848,285)	\$ -	\$ (1,152,848,285)
Student Support Services	262,043,621	102,721	123,175,174	-	(138,765,726)	-	(138,765,726)
Administrative Support	114,397,376	312,798	35,151,842	-	(78,932,736)	-	(78,932,736)
Operation & Maintenance of Plant Services	270,162,811	991,432	18,905,236	123,344	(250,142,799)	-	(250,142,799)
Pupil Transportation	89,078,957	-	43,465,452	-	(45,613,505)	-	(45,613,505)
All Other Support Services	19,654,059	-	901,343	-	(18,752,716)	-	(18,752,716)
Early Childhood Education	20,447,953	348,980	15,098,845	-	(5,000,128)	-	(5,000,128)
Interest on Long-Term Debt	138,285,642	-	15,592,459	-	(122,693,183)	-	(122,693,183)
Total Governmental Activities	2,620,380,855	2,528,833	804,979,600	123,344	(1,812,749,078)	-	(1,812,749,078)
Business-Type Activities:							
Food Service	81,798,296	5,085,722	68,529,720	-	-	(8,182,854)	(8,182,854)
Total Business-Type Activities	81,798,296	5,085,722	68,529,720	-	-	(8,182,854)	(8,182,854)
Total	\$ 2,702,179,151	\$ 7,614,555	\$ 873,509,320	\$ 123,344	\$ (1,812,749,078)	\$ (8,182,854)	\$ (1,820,931,932)
General Revenues/Contributed Capital/Transfers:							
Property Taxes					\$ 549,518,684	\$ -	\$ 549,518,684
Other Taxes					168,484,498	-	168,484,498
Grants and Contributions Not Restricted to Specific Programs					142,926,626	-	142,926,626
State & Federal Subsidies Not Restricted to Specific Programs					843,647,320	-	843,647,320
Contributed Capital					-	249,997	249,997
Transfers					178,022	(178,022)	-
Total General Revenues and Transfers					\$ 1,704,755,150	\$ 71,975	\$ 1,704,827,125
Change in Net Assets					(107,993,928)	(8,110,879)	(116,104,807)
Net Assets - As of July 1, 2006					(1,116,884,242)	5,630,478	(1,111,253,764)
Prior Period Adjustments					(1,150,869)	-	(1,150,869)
Net Assets - As of June 30, 2007					\$ (1,226,029,039)	\$ (2,480,401)	\$ (1,228,509,440)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ 1,218,352	\$ -	\$ 36,034
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	10,879,709	9,705,904	744,520
Cash and Investments Held by Trustee	-	-	-
Taxes Receivable (Net)	129,536,011	-	-
Due from Other Funds	5,828,039	-	-
Due from Other Governments	17,343,861	1,747,095	66,848,593
Accounts Receivable (Net)	3,714,109	-	936,076
Accrued Interest Receivable	14,691	-	-
Inventory	1,526,714	-	-
Prepaid Items	37,012	-	-
Total Assets	\$ 170,098,498	\$ 11,452,999	\$ 68,565,223
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 55,802,072	\$ 6,831,060	\$ 27,670,193
Overpayment of Taxes	12,082,158	-	-
Accrued Salaries and Benefits Payable	23,809,619	3,318,006	5,508,334
Termination Compensation Payable	26,329,634	-	-
Severance Payable	6,640,934	-	-
Deferred Revenue	96,580,100	-	52,950,854
Due to Other Funds	-	-	-
Due to Other Governments	-	169	889,439
Total Liabilities	221,244,517	10,149,235	87,018,820
Fund Balances:			
Reserved for:			
Inventories	1,284,433	-	-
Encumbrances	16,985,420	1,303,764	-
Retirement of Long Term Debt	-	-	-
Debt Service Interest	-	-	-
Trust Principal	-	-	-
Unreserved:			
Designated:			
Special Revenue Funds	-	-	-
Permanent Funds	-	-	-
Undesignated:			
General Fund	(69,415,872)	-	-
Categorical Funds	-	-	(18,453,597)
Capital Projects Fund	-	-	-
Total Fund Balances	(51,146,019)	1,303,764	(18,453,597)
Total Liabilities and Fund Balances	\$ 170,098,498	\$ 11,452,999	\$ 68,565,223

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
\$ -	\$ 119,824,050	\$ -	\$ 121,078,436
69,880,216	-	-	69,880,216
940,870	-	6,001,215	28,272,218
-	371,467,895	-	371,467,895
-	-	-	129,536,011
-	-	-	5,828,039
-	63,101	-	86,002,650
315,122	-	-	4,965,307
138,524	64,541	-	217,756
-	-	-	1,526,714
40,279	-	-	77,291
<u>\$ 71,315,011</u>	<u>\$ 491,419,587</u>	<u>\$ 6,001,215</u>	<u>\$ 818,852,533</u>
\$ 51,797	\$ 52,592,500	\$ 4,947	\$ 142,952,569
-	-	-	12,082,158
-	156,396	-	32,792,355
-	-	-	26,329,634
-	-	-	6,640,934
1,207,342	102,136	-	150,840,432
-	1,987,824	-	1,987,824
-	-	-	889,608
<u>1,259,139</u>	<u>54,838,856</u>	<u>4,947</u>	<u>374,515,514</u>
-	-	-	1,284,433
-	408,194,526	-	426,483,710
46,894,941	-	-	46,894,941
23,160,931	-	-	23,160,931
-	-	2,592,164	2,592,164
-	-	2,667,263	2,667,263
-	-	736,841	736,841
-	-	-	(69,415,872)
-	-	-	(18,453,597)
-	28,386,205	-	28,386,205
<u>70,055,872</u>	<u>436,580,731</u>	<u>5,996,268</u>	<u>444,337,019</u>
<u>\$ 71,315,011</u>	<u>\$ 491,419,587</u>	<u>\$ 6,001,215</u>	<u>\$ 818,852,533</u>

School District of Philadelphia
Reconciliation of the Balance Sheet for Governmental Funds
To the Statement of Net Assets
June 30, 2007

Fund Balance - Total Governmental Funds (page 37)	\$ 444,337,019
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,603,140,420
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Other long-term assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	113,721,102
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Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.	(3,384,105,232)
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Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the Statement of Net Assets.	(3,122,348)
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Net assets of governmental activities (page 34)	<u>\$ (1,226,029,039)</u>
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The notes to the basic financial statements are an integral part of this statement.

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School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2007

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 718,889,184	\$ -	\$ -
Locally Generated Non Tax	71,112,539	1,296,705	6,201,261
State Grants and Subsidies	1,143,345,910	77,835,624	135,940,357
Federal Grants and Subsidies	248,955	-	292,762,765
Total Revenues	<u>1,933,596,588</u>	<u>79,132,329</u>	<u>434,904,383</u>
EXPENDITURES			
Current:			
Instruction	861,808,638	191,070,330	269,297,883
Student Support Services	53,000,483	65,963,553	111,990,805
Administrative Support	58,724,477	10,792,092	32,680,159
Operation & Maintenance of Plant Services	254,581,461	-	7,599,334
Pupil Transportation	86,280,264	-	790,261
All Other Support Services	18,877,003	-	-
Early Childhood Education	-	-	20,447,953
Payments to Charter Schools	240,376,604	-	-
Debt Service:			
Principal	-	-	770,684
Loans	-	-	-
Interest	-	-	63,642
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenses	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>1,573,648,930</u>	<u>267,825,975</u>	<u>443,640,721</u>
Excess (Deficiency) of Revenues over Expenditures	<u>359,947,658</u>	<u>(188,693,646)</u>	<u>(8,736,338)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	3,006,167	189,462,975	10,445,163
Transfers Out	(348,135,796)	-	(3,006,167)
Capital Asset Proceeds	-	-	-
Basis Swap Proceeds	-	-	-
Debt Issuance	-	-	-
Bond Premium	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources and (Uses)	<u>(345,129,629)</u>	<u>189,462,975</u>	<u>7,438,996</u>
Net Change in Fund Balances	14,818,029	769,329	(1,297,342)
Fund Balances, July 1, 2006	(66,132,492)	534,435	(17,156,255)
Change in Inventory Reserve	168,444	-	-
Fund Balances, June 30, 2007	<u>\$ (51,146,019)</u>	<u>\$ 1,303,764</u>	<u>\$ (18,453,597)</u>

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

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 718,889,184
28,517,684	20,762,799	438,833	128,329,821
-	339,731	-	1,357,461,622
-	-	-	293,011,720
<u>28,517,684</u>	<u>21,102,530</u>	<u>438,833</u>	<u>2,497,692,347</u>
-	-	42,325	1,322,219,176
-	-	-	230,954,841
-	-	-	102,196,728
-	-	-	262,180,795
-	-	-	87,070,525
-	-	-	18,877,003
-	-	-	20,447,953
-	-	-	240,376,604
62,351,071	-	-	63,121,755
34,155	-	-	34,155
99,178,435	-	-	99,242,077
33,805,193	-	-	33,805,193
15,234,778	-	-	15,234,778
2,436,170	-	-	2,436,170
-	73,734,079	-	73,734,079
-	3,823,751	-	3,823,751
-	226,794,285	-	226,794,285
-	20,184,345	-	20,184,345
<u>213,039,802</u>	<u>324,536,460</u>	<u>42,325</u>	<u>2,822,734,213</u>
<u>(184,522,118)</u>	<u>(303,433,930)</u>	<u>396,508</u>	<u>(325,041,866)</u>
169,303,221	854,266	-	373,071,792
-	(21,751,807)	-	(372,893,770)
2,349,850	111,195	-	2,461,045
10,740,000	-	-	10,740,000
691,235,799	317,112,750	-	1,008,348,549
44,315,658	18,040,895	-	62,356,553
(727,979,601)	-	-	(727,979,601)
<u>189,964,927</u>	<u>314,367,299</u>	<u>-</u>	<u>356,104,568</u>
5,442,809	10,933,369	396,508	31,062,702
64,613,063	425,647,362	5,599,760	413,105,873
-	-	-	168,444
<u>\$ 70,055,872</u>	<u>\$ 436,580,731</u>	<u>\$ 5,996,268</u>	<u>\$ 444,337,019</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, 2007

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)	\$ 31,062,702
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.	244,720,348
Non capitalized purchases that exceed capital outlays.	(31,571,564)
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.	473,322
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(344,214,268)
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.	63,155,910
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.	(70,986,207)
The net revenue (loss) of certain activities of the Internal Service Fund is reported with governmental activities.	(634,171)
Change in net assets of governmental activities (page 35)	<u>\$ (107,993,928)</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, 2007

	Enterprise Fund Food Service	Internal Service Fund Print Shop
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 107,147	\$ -
Due From Other Governments	4,914,335	8,481
Inventories	1,935,378	35,102
Total Current Assets	<u>6,956,860</u>	<u>43,583</u>
Noncurrent Assets:		
Machinery & Equipment	14,994,285	825,578
Accumulated Depreciation	(10,602,690)	(552,251)
Total Noncurrent Assets	<u>4,391,595</u>	<u>273,327</u>
 Total Assets	 <u>\$ 11,348,455</u>	 <u>\$ 316,910</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 6,928,895	\$ 1,242,598
Accrued Salaries and Benefits Payable	203,314	22,508
Due to Other Funds	1,921,379	1,918,836
Total Current Liabilities	<u>9,053,588</u>	<u>3,183,942</u>
Noncurrent Liabilities:		
Termination Compensation Payable	2,096,399	255,316
Severance Payable	1,420,236	-
Long-Term Liability - POS Equipment	508,630	-
Other Liability - POS Equipment	750,003	-
Total Noncurrent Liabilities	<u>4,775,268</u>	<u>255,316</u>
 Total Liabilities	 <u>13,828,856</u>	 <u>3,439,258</u>
NET ASSETS		
Invested in Capital Assets	3,132,962	273,327
Unrestricted	(5,613,363)	(3,395,675)
Total Net Assets	<u>(2,480,401)</u>	<u>(3,122,348)</u>
Total Liabilities and Net Assets	<u>\$ 11,348,455</u>	<u>\$ 316,910</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, 2007

	Enterprise Fund Food Service	Internal Service Fund Print Shop
Operating Revenues:		
Food Service Revenue	\$ 5,085,722	\$ -
Sale of Printing Services	-	1,088,017
Total Operating Revenues	<u>5,085,722</u>	<u>1,088,017</u>
Operating Expenses:		
Salaries	21,101,422	920,643
Employee Benefits	13,037,235	440,983
Other Purchased Service - Food	34,586,028	-
Other Purchased Service - Supplies	-	13,530
Depreciation	675,728	62,950
Other Operating Expenses	12,393,469	284,082
Total Operating Expenses	<u>81,793,882</u>	<u>1,722,188</u>
Operating Gain/(Loss)	(76,708,160)	(634,171)
Non-Operating Revenues/(Expenses):		
Federal and State Grants	68,529,720	64,855
Loss on Sale of Capital Assets	(4,414)	(6,928)
Income (loss) Before Contributions and Transfers	<u>(8,182,854)</u>	<u>(576,244)</u>
Contributed Capital - POS	249,997	-
Transfers Out	(178,022)	-
Change in Net Assets	<u>(8,110,879)</u>	<u>(576,244)</u>
Total Net Assets July 1, 2006	5,630,478	(2,546,104)
Total Net Assets June 30, 2007	<u>\$ (2,480,401)</u>	<u>\$ (3,122,348)</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, 2007

	Enterprise Fund Food Service	Internal Service Fund Print Shop
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 5,085,722	\$ 1,088,017
Cash Payments to Employees for Services	(33,892,779)	(1,334,170)
Cash Payments to Suppliers for Goods and Services	(30,205,583)	(13,530)
Cash Payments for Other Operating Expenses	(12,393,469)	(295,208)
Net Cash Used by Operating Activities	<u>(71,406,109)</u>	<u>(554,891)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from Other Funds	1,921,379	576,902
State Sources	5,807,159	29,737
Federal Sources	59,273,782	35,118
Transfers Out	(178,022)	-
Net Cash Provided by Non-Capital Financing Activities	<u>66,824,298</u>	<u>641,757</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Facilities Acquisition, Construction, Improvements	(375,098)	(86,866)
Net Cash Used by Capital and Related Financing Activities	<u>(375,098)</u>	<u>(86,866)</u>
Net Decrease in Cash and Cash Equivalents	(4,956,909)	-
Cash and Cash Equivalents July 1, 2006	5,064,056	-
Cash and Cash Equivalents June 30, 2007	<u>\$ 107,147</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income/(Loss)	\$ (76,708,160)	\$ (634,171)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	675,728	62,950
Donated Food Commodities	4,030,828	-
(Increase)/Decrease in Accounts Receivable	27,686	(2,382)
(Increase)/Decrease in Inventories	(132,789)	13,530
Increase/(Decrease) in Accounts Payable	454,720	(22,274)
Increase in Accrued Salaries and Benefits Payable	10,048	965
Increase/(Decrease) in Termination Compensation Payable	(37,276)	26,491
Increase in Severance Payable	273,106	-
Total Adjustments	<u>5,302,051</u>	<u>79,280</u>
Net Cash Used by Operating Activities	<u>\$ (71,406,109)</u>	<u>\$ (554,891)</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, 2007

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 4,630,486
Equity in Pooled Cash and Investments	608,425	48,838,356
Investments	200,007	-
Accounts Receivable	1,908	7,726,956
Inventories	-	442,591
Total Assets	<u>810,340</u>	<u>61,638,389</u>
LIABILITIES		
Accounts Payable	229,845	-
Payroll Deductions and Withholdings	-	56,037,572
Due to Student Activities	-	4,624,387
Other Liabilities	-	976,430
Total Liabilities	<u>229,845</u>	<u>61,638,389</u>
NET ASSETS		
Held in Trust for Various Purposes	<u>\$ 580,495</u>	<u>\$ -</u>

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

School District of Philadelphia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	Private Purpose Trust Funds
ADDITIONS	
Gifts and Contributions	\$ 923,887
Interest Received	34,299
Total Additions	<u>958,186</u>
DEDUCTIONS	
Scholarships Awarded	927,041
Total Deductions	<u>927,041</u>
Change in Net Assets	31,145
Net Assets July 1, 2006	549,350
Net Assets June 30, 2007	<u>\$ 580,495</u>

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

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SCHOOL DISTRICT OF PHILADELPHIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

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, 2007, 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 2007, the School District served over 202,000 students, including those in Charter and Alternative Schools, as well as employed close to 23,000 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 enumerated in their *Declaration of Education and Measures That Matter*.

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

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, 2007, 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 by the drink, school income and business use and occupancy, associated with the current fiscal period are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the School District.

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

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

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

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

(1) Cash and Investments

Cash and cash equivalents include currency on hand, deposits, short-term highly liquid investments and investments with original maturities of three months or less from the date of

acquisition. State statutes require the School District to invest in obligations of the United States Treasury and Commonwealth 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 2007 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 \$1.5 million. Included are expendable supplies of \$1.3 million held for consumption by the Maintenance and Transportation Departments. The cost is recorded as an expenditure at the time inventory is purchased. The expendable supplies inventory is equally offset by a fund balance reserve,

which indicates that, although they are a component of net current assets, they do not constitute available resources.

Enterprise Fund (or Food Service) inventories include \$1.3 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

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

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

(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 \$5.0 million self-insured retention. The School District does purchase certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from fire, flood or boiler and machinery with a deductible of \$500,000 and a limit of \$250.0 million per occurrence. Certain insurance coverages including, employee performance bonds, student accident and employee dishonesty bonds, are also procured regularly. Unemployment and workers' compensation coverage are funded by pro-rata charges to each fund, while the cost of weekly indemnity coverage is shared by the School District and covered employees.

Payments in Fiscal Year 2007 were comprised of \$15.5 million for Weekly Indemnity, \$30.7 million for Workers' Compensation and \$3.7 million for Unemployment Compensation claims.

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

(10) Compensated Absences

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

- (a) Vacation and Personal Leave - School District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary depending on length of service or job classification. In addition, almost all School District employees are entitled to three days of personal leave annually. Vacation and

personal leave may be used or accumulated within certain limits until paid upon retirement or termination at the rate of pay at the time of separation.

- (b) Sick Leave - Most School District employees are credited with 10 days of sick leave annually with no limitation on accumulation. Upon retirement or termination, such employees are paid 25% of the value of their accumulated sick leave balance at the rate of pay at the time of separation.

(11) Long-Term Obligations

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

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

(12) Fund Equity

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

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

(13) Restricted Assets

Certain proceeds of the Debt Service Fund, i.e. bonds, resources set-aside for their repayment, and funds held in escrow for refunding and defeasement, are classified as restricted assets and are not included on the balance sheet. They are maintained under separate accounts and their use is limited by applicable bond covenants.

(14) Comparative Data

Comparative data from Fiscal Year 2006 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	\$ 2,631,023,034
Accumulated Depreciation	<u>(1,106,335,626)</u>
Net Cost of Capital Assets	\$ 1,524,687,408

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:

	<u>78,453,012</u>
Total adjustment to fund balance – governmental funds	<u><u>\$ 1,603,140,420</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	\$ 95,267,505
Grants & Subsidies	<u>18,453,597</u>
Adjustment of Deferred Revenue	<u><u>\$ 113,721,102</u></u>

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

Bonds Payable	\$ (2,638,457,858)
Deduct: Discount on Bonds Payable	1,653,504
Add: Premium on Bonds Payable	(27,470,212)
Bond Interest Payable	(25,904,152)
Funds Due to Other Governments	(45,278,566)
Workers' Compensation Payable	(125,377,284)
Unemployment Compensation Payable	(10,465,260)
Compensated Absences	(287,726,319)
Severance Payable	(213,238,186)
Claims and Judgments	(6,381,910)
Early/Voluntary Retirement Incentive	(3,845,000)
Capital Lease	(1,603,902)
Asbestos Loan Payable	<u>(10,087)</u>

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

\$ (3,384,105,232)

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 \$244,720,348 difference are as follows:

Capital outlay	\$ 324,536,460
Depreciation expense	<u>(79,816,112)</u>

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

\$ 244,720,348

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital asset disposal and sales is a decrease to net assets.” The Statement of Activities reports losses and gains arising from the disposal and sale of capital assets. Conversely, governmental funds do not report any loss on the disposal or sale of capital assets. The details of this \$473,322 difference are as follows:

Loss on Disposal of Capital Assets	\$ (1,687,723)
Gain on Sale of Capital Assets	<u>2,161,045</u>

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

\$ 473,322

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 \$63,155,910 difference are as follows:

Principal Repayment on Bonds	\$ 62,351,071
Principal Repayment on Loans	34,155
Principal Repayment on Capital Leases	<u>770,684</u>

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

\$ 63,155,910

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 (\$70,986,207) difference are as follows:

Change in Compensated Absences Payable	\$ (4,183,930)
Change in Severance Payable	(37,772,245)
Change in Workers' Compensation Payable	(42,414,284)
Change in Unemployment Compensation Payable	(1,044,474)
Change in Claims and Judgments Payable	276,151
Change in Early/Voluntary Retirement Incentive Payable	1,720,000
Change in Net Accrued Bond Interest	(141,812)
Change in Bond Issuance Costs	<u>12,574,387</u>

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

\$ (70,986,207)

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 \$37.3 million at June 30, 2007. Since Categorical Funds do not have a formal adopted budget, this amount is not shown as a reservation of fund balance at June 30, 2007.

B. Deficit Fund Equity/Negative Net Assets

The operating funds, which consist of the General Fund, Intermediate Unit Fund and Debt Service Fund, experienced an undesignated/unreserved negative fund balance of \$0.8 million. This amount is comprised of a General Fund unreserved negative fund balance of \$69.4 million, which is offset by \$68.6 million in the Debt Service Fund. The \$68.6 million in the Debt Service Fund includes \$70.0 million in fund balance offset by \$1.4 million in trapped funds for future appropriations.

Categorical Funds experienced an unreserved negative fund balance of \$18.5 million. The deficit in the Categorical Funds is due to GASB Statement No. 33 provisions which require that grant revenue can only be recognized when collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of the current fiscal period.

The Enterprise Fund and the Internal Service Fund had negative net assets of \$2.5 million and \$3.1 million, respectively.

4. ***DETAILED NOTES ON ALL FUNDS AND ACCOUNTS***

A. **Cash and Investments**

(1) **General Information**

The School District's cash and investments, including \$53.5 million held in agency funds, at June 30, 2007 are summarized as follows:

Cash and Cash Equivalents	\$ 125,816,069
Cash and Investments with Fiscal Agent	69,880,216
Equity in Pooled Cash and Investments	77,718,999
Cash and Investments Held by Trustee	371,467,895
Investments	<u>200,007</u>
Total Cash and Investments	<u>\$ 645,083,186</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, 2007, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Repurchase Agreements	\$ 157,953,716	.02
Discounted Notes	28,261,717	.28

- (a) *Interest Rate Risk* - Repurchase agreements for sinking funds and consolidated cash, and capital fund investments, as of June 30, 2007 mature in three (3) days and thirty-two (32) 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
Discounted Notes under Forward Purchase Agreement	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA
	Federal Mortgage Corp.			
	Discount Notes (FMCDN)	Aaa	AAA	AAA
	Federal National Mortgage Association (FNMA)	Aaa	AAA	AAA

Please note 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)

	<u>General</u>	<u>Categorical</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary</u>	<u>Total</u>
Receivables						
Interest	\$ 14.7	\$ -	\$138.5	\$ 64.5	\$ -	\$ 217.7
Taxes	243,147.5	-	-	-	-	243,147.5
Accounts (net)	3,714.1	936.1	315.1	-	7,728.9	12,694.2
Gross Receivables	246,876.3	936.1	453.6	64.5	7,728.9	256,059.4
Less: Allowances for Uncollectible						
Taxes	113,611.4	-	-	-	-	113,611.4
Total Allowance	113,611.4	-	-	-	-	113,611.4
Net Total Receivables	<u>\$133,264.9</u>	<u>\$ 936.1</u>	<u>\$453.6</u>	<u>\$ 64.5</u>	<u>\$ 7,728.9</u>	<u>\$ 142,448.0</u>

(2) Taxes Receivable

Estimated collectible taxes at June 30, 2007 equaled \$129.5 million as follows:

	(Dollars in Millions)		
	<u>Taxes Receivable</u>	<u>Estimated Uncollectible</u>	<u>Estimated Collectible</u>
<u>Real Estate Taxes</u>			
Current	\$ 67.4	\$ 10.2	\$ 57.2
Prior	134.0	81.0	53.0
Total Real Estate Taxes	<u>201.4</u>	<u>91.2</u>	<u>110.2</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	21.3	12.5	8.8
School Income Tax	6.7	2.1	4.6
Liquor Sales Tax	13.7	7.8	5.9
Total Self Assessed Taxes	<u>41.7</u>	<u>22.4</u>	<u>19.3</u>
Total Taxes Receivable	<u>\$ 243.1</u>	<u>\$ 113.6</u>	<u>\$ 129.5</u>

During July and August 2007, \$21.2 million in real estate taxes receivable and \$13.1 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2007 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)	\$ 95,267,503	-
Accounts receivables earned but not available (General Fund)	1,312,597	-
Grant funds earned but not available (Categorical Funds)	18,453,597	-
Grant funds received prior to meeting all eligibility requirements (Categorical Funds)	-	\$34,497,257
Interest on investments received prior to being earned (Debt Service Fund)	-	1,207,340
Grant funds received prior to meeting all eligibility requirements (Capital Projects Fund)	-	102,136
Total Deferred Revenue for Governmental Funds	<u>\$ 115,033,697</u>	<u>\$35,806,733</u>

C. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2007 are summarized as follows:

	(Dollars in Millions)				
	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2007</u>
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 113.0	\$ -	\$ (0.3)	\$ -	\$ 112.7
Construction in Progress	252.8	230.0	-	(73.8)	409.0
Total Capital Assets - Not Depreciated	<u>\$ 365.8</u>	<u>\$ 230.0</u>	<u>\$ (0.3)</u>	<u>\$ (73.8)</u>	<u>\$ 521.7</u>
Capital Assets - Depreciated					
Buildings	\$ 987.0	\$ 16.7	\$ -	\$ 45.0	\$ 1,048.7
Improvements	776.1	21.6	-	28.8	826.5
Personal Property	227.0	26.6	(19.5)	-	234.1
Print Shop	0.7	0.1	-	-	0.8
Total Capital Assets - Depreciated	<u>\$ 1,990.8</u>	<u>\$ 65.0</u>	<u>\$ (19.5)</u>	<u>\$ 73.8</u>	<u>\$ 2,110.1</u>
Less Accumulated Depreciation					
Buildings	\$ (476.4)	\$ (17.7)	\$ -	\$ -	\$ (494.1)
Improvements	(424.2)	(39.9)	-	-	(464.1)
Personal Property	(143.7)	(22.2)	17.8	-	(148.1)
Print Shop	(0.5)	(0.1)	-	-	(0.6)
Total Accumulated Depreciation	<u>\$ (1,044.8)</u>	<u>\$ (79.9)</u>	<u>\$ 17.8</u>	<u>\$ -</u>	<u>\$ (1,106.9)</u>
Net Capital Assets Depreciated	<u>\$ 946.0</u>	<u>\$ (14.9)</u>	<u>\$ (1.7)</u>	<u>\$ 73.8</u>	<u>\$ 1,003.2</u>
Governmental Activities - Net Capital Assets	<u><u>\$ 1,311.8</u></u>	<u><u>\$ 215.1</u></u>	<u><u>\$ (2.0)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,524.9</u></u>
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 13.2	\$ 1.9	\$ (0.1)	\$ -	\$ 15.0
Less Accumulated Depreciation	(10.0)	(0.7)	0.1	-	(10.6)
Business-Type Activities - Net Capital Assets	<u><u>\$ 3.2</u></u>	<u><u>\$ 1.2</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4.4</u></u>

The beginning balances of certain capital asset accounts were adjusted by a net total of \$1.2 million which is reflected as a prior period adjustment in the district-wide Statement of Activities.

Depreciation expense was charged to the following activities as follows:

Governmental Activities:	(Dollars in Millions)
Instruction	\$ 67.0
Student Support Services	2.8
Administrative Support	7.2
Operation & Maintenance of Plant Services	0.6
All Other Support Services	<u>2.3</u>
Total Depreciation Expense	<u>\$ 79.9</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 \$575.0 million of Tax and Revenue Anticipation Notes on July 5, 2006. The principal amount authorized by the SRC was \$575.0 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, 2007. Changes in short-term obligations payable during Fiscal Year 2007 were as follows:

	(Dollars in Millions)			
	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
<u>Governmental Activities:</u>				
Tax and Revenue Anticipation Note (Series 2006-2007)	<u>\$ -</u>	<u>\$ 575.0</u>	<u>\$ (575.0)</u>	<u>\$ -</u>
Total	<u>\$ -</u>	<u>\$ 575.0</u>	<u>\$ (575.0)</u>	<u>\$ -</u>

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2007 were as follows:

	(Dollars in Millions)				
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,386.8	\$ 1,009.2	\$ (757.6)	\$ 2,638.4	\$ 70.8
Bond Premium	32.0	18.0	(22.6)	27.4	1.3
Bond Discount	(9.9)	(0.9)	9.2	(1.6)	(0.1)
Total Bonded Debt	<u>\$ 2,408.9</u>	<u>\$ 1,026.3</u>	<u>\$ (771.0)</u>	<u>\$ 2,664.2</u>	<u>\$ 72.0</u>
Termination Compensation Payable	\$ 283.8	\$ 30.0	\$ (25.8)	\$ 288.0	\$ 28.0
Severance Payable	175.5	47.4	(9.7)	213.2	10.0
Due to Other Governments					
- Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities	99.0	83.2	(40.0)	142.2	33.9
Lease Purchase Agreements	2.4	-	(0.8)	1.6	0.8
Deferred Revenue	1.7	-	(1.7)	-	-
Early/Voluntary Retirement Incentive	5.6	0.1	(1.8)	3.9	1.8
Governmental Activity - Long-Term Liabilities	<u>\$ 3,022.2</u>	<u>\$ 1,187.0</u>	<u>\$ (850.8)</u>	<u>\$ 3,358.4</u>	<u>\$ 191.8</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.1	\$ 2.1	\$ (2.1)	\$ 2.1	\$ 0.2
Severance Payable	1.2	1.3	(1.1)	1.4	0.1
Other Liabilities	-	1.3	-	1.3	0.3
Business-Type Activities - Long-Term Liabilities	<u>\$ 3.3</u>	<u>\$ 4.7</u>	<u>\$ (3.2)</u>	<u>\$ 4.8</u>	<u>\$ 0.6</u>

(a) General Obligation Bonds & Lease Rental Debt

(i) Authority to Issue

- General obligation debt is issued pursuant to the Local Government Unit Debt Act of July 12, 1972, P.L. 781 as amended and re-enacted by Act 177, approved December 1996 (the "Debt Act"). The Debt Service Fund is used to account for the accumulation of resources and the payment of principal, interest and issuance costs on general obligation bonds and lease rental debt. The School District has issued various general obligation bonds 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, 2007 by bond issue are summarized as follows:

(Dollars in Thousands)						
Issue ⁽¹⁾	Interest Rates	Maturity Year Ending June 30	Original Principal Issued	Principal	Interest	Total
1995 - A	6.250	2010	53,725	23,075	2,224	25,299
1997 - A	5.000	2010	52,220	20,000	2,033	22,033
1999 - A	4.125 - 4.500	2023	156,575	52,420	32,149	84,569
1999 - B	5.000 - 5.250	2013	98,405	74,220	8,935	83,155
1999 - D	5.500 - 5.625	2010	73,765	27,440	2,906	30,346
2000 - A	4.750 - 5.750	2011	130,000	22,015	5,061	27,076
2000 - B	QZABS ⁽²⁾	2014	22,985	22,960	-	22,960
2002 - A	4.100 - 5.250	2012	156,000	10,465	2,190	12,655
2002 - B	5.500	2013	300,000	73,470	12,770	86,240
2003 - A	Variable Rate ⁽³⁾	2028	109,000	108,985	65,295	174,280
2003 - B	3.000 - 5.500 ⁽⁴⁾	2028	588,140	43,505	50,248	93,753
2004 - A	Variable Rate ⁽⁵⁾	2026	100,000	99,985	45,594	145,579
2004 - B	Variable Rate ⁽⁶⁾	2031	652,600	652,525	366,537 ⁽⁸⁾	1,019,062
2004 - C	Variable Rate ^(6&7)	2012	38,475	33,700	2,378 ⁽⁸⁾	36,078
2004 - D	3.000 - 5.000	2015	100,000	8,780	3,487	12,267
2004 - E	QZABS ⁽²⁾	2019	19,335	16,573	-	16,573
2005 - A	3.000 - 5.000	2023	198,140	198,115	110,537	308,652
2005 - B	3.000 - 5.000	2017	43,415	43,205	15,566	58,771
2005 - C	3.970 - 5.310	2026	71,740	69,590	38,860	108,450
2005 - D	3.050 - 5.500	2021	29,920	28,205	12,350	40,555
2006 - A	4.000 - 5.000 ⁽⁴⁾	2036	317,125	317,125	276,680	593,805
2006 - B	3.500 - 5.000 ⁽⁴⁾	2033	545,570	545,570	599,115	1,144,685
2007 - A	3.700 - 5.000	2034	146,530	146,530	164,765	311,295
Total			<u>\$ 4,003,665</u>	<u>\$ 2,638,458</u>	<u>\$ 1,819,680</u>	<u>\$ 4,458,138</u>

(1) All debt has been issued for Capital purposes, except for issues for 2002-B, 20 percent of 2004-A, 2005-A and 2005-C.

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

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

(4) Lease rental debt issued through the State Public School Building Authority.

(5) Maximum interest rate not to exceed 15% in accordance with debt agreement.

(6) 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.

(7) Taxable.

(8) 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, 2007 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
2008	\$ 65,627	\$ 74,261	\$ 139,888
2009	69,281	70,800	140,081
2010	69,771	67,420	137,191
2011	71,701	64,400	136,101
2012	74,741	60,372	135,113
2013-2017	385,285	255,205	640,490
2018-2022	398,567	171,044	569,611
2023-2027	319,415	91,062	410,477
2028-2032	203,390	32,000	235,390
2033-2036	<u>74,480</u>	<u>7,073</u>	<u>81,553</u>
Total	<u>\$ 1,732,258</u>	<u>\$ 893,637</u>	<u>\$ 2,625,895</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, 2007 is summarized as follows:

<u>Governmental Activities</u> (Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2008	4.000	\$ 5,175	\$ 43,887	\$ 49,062
2009	4.000	5,410	43,648	49,058
2010	4.000	5,660	43,398	49,058
2011	4.000	5,945	43,115	49,060
2012	4.000	6,230	42,828	49,058
2013 – 2017	4.000 – 4.375	36,075	209,218	245,293
2018 – 2022	4.500 – 4.750	48,065	199,378	247,443
2023 – 2027	5.000 – 5.500	197,660	175,548	373,208
2028 – 2032	5.000 – 5.500	403,745	110,664	514,409
2033 – 2036	5.000	<u>192,235</u>	<u>14,359</u>	<u>206,594</u>
Total		<u>\$ 906,200</u>	<u>\$ 926,043</u>	<u>\$ 1,832,243</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

- (i) Simultaneously with the issuance of its General Obligation Refunding Bonds, Series B of 2004 (the "2004B Bonds") and General Obligation Refunding Bonds, Series C of 2004 (the "2004C Bonds"), the School District executed certain qualified interest rate management agreements (the

“TE Advance Refunding Agreements”) with three counterparties (each having at least one rating of “AA” or higher from Standard & Poor’s Rating Services, a Division of The McGraw-Hill Companies (“Standard & Poor’s”) or “Aa” or higher from Moody’s Investors Service (“Moody’s)) in connection with the issuance of the 2004B Bonds to achieve debt service savings through the advance refunding of certain existing general obligation bonds of the School District.

In addition to the TE Advance Refunding Agreements, the School District, on the date of the issuance of the 2004B Bonds and the 2004C Bonds, entered into another qualified interest rate management agreement (the “Taxable Advance Refunding Agreement”) with a counterparty (having at least one rating of “AA” or higher from Standard & Poor’s or “Aa” or higher from Moody’s) specifically in connection with the issuance of the 2004C Bonds which were issued in order to accelerate the receipt of the savings derived from the TE Advance Refunding Agreements.

To all intents and purposes above, the School District entered into ten (10) floating-to-fixed swaps. Each swap is related to variable rate auction bonds with a 7-day reset auction-rate or a 35-day reset auction-rate. The effect of the swaps was to create synthetic fixed-rate debt for each series of variable rate auction bonds. 58.5% of one-month USD-LIBOR-BBA (“LIBOR”) + 27 basis points swaps were used to hedge the 7-day auction-rate and 60.4% of LIBOR + 32 basis points swaps were used to hedge the 35-day auction rate.

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

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

- (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, 2007 are as follows:

RELATED BONDS	PAYS	RECEIVES	MATURITY DATE	INITIAL NOTIONAL	BANK COUNTERPARTY	MOODY'S	S&P	FITCH	TOTAL VALUES
Series 2003	SIFMA Swap Index	67% of USD-LIBOR + 0.2786%	5/15/2003	\$ 150,000,000.00	Wachovia Bank	Aa1	AA	AA-	\$ (1,939,714.54)
Series 2003	SIFMA Swap Index	67% of USD-LIBOR + 0.2786%	5/15/2003	\$ 350,000,000.00	Bear Stearns Financial Products Inc.	Aaa	AAA	N/A	\$ (4,526,000.59)
Series 2004 B - 1	3.767%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$ 60,000,000.00	Wachovia Bank	Aa1	AA	AA-	\$ (1,324,559.44)
Series 2004 B - 2	3.767%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$ 54,200,000.00	Wachovia Bank	Aa1	AA	AA-	\$ (1,199,246.88)
Series 2004 B - 3	3.767%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$ 64,900,000.00	Wachovia Bank	Aa1	AA	AA-	\$ (1,442,432.03)
Series 2004 B - 4	3.770%	58.5% of USD-LIBOR + 0.27%	9/1/2030	\$ 95,000,000.00	Morgan Stanley Capital Services Inc.	Aa3	A+	AA-	\$ (2,161,174.03)
Series 2004 B - 5	3.761%	58.5% of USD-LIBOR + 0.27%	9/1/2021	\$ 78,475,000.00	Goldman Sachs Capital Markets, LLP	Aa3	AA-	AA-	\$ (1,706,090.13)
Series 2004 B - 6	3.683%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$ 59,025,000.00	Goldman Sachs Capital Markets, LLP	Aa3	AA-	AA-	\$ (395,902.62)
Series 2004 B - 7	3.690%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$ 91,000,000.00	Morgan Stanley Capital Services Inc.	Aa3	A+	AA-	\$ (610,783.31)
Series 2004 B - 8	3.689%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$ 80,000,000.00	Goldman Sachs Capital Markets, LLP	Aa3	AA-	AA-	\$ (601,283.96)
Series 2004 B - 9	3.689%	60.4% of USD-LIBOR + 0.32%	9/1/2021	\$ 70,000,000.00	Goldman Sachs Capital Markets, LLP	Aa3	AA-	AA-	\$ (601,283.96)
Series 2004 C	3.240%	58.5% of USD-LIBOR + 0.27%	9/1/2011	\$ 38,475,000.00	Merrell Lynch Capital Services	Aa3	AA-	AA-	\$ (223,850.42)
									\$ (16,732,321.91)

The swaps had a total negative fair value of (\$16.7 million) as of June 30, 2007. As of prior reporting period June 30, 2006 the swaps had a negative fair value of (\$9.2 million). The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

(iii) *Discussion of Risks:*

- **Credit Risk** - In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. §8281) (the "Debt Act"), amended in September of 2003, the School District adopted a written interest rate management plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The School District entered into the fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution. As of June 30, 2007, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the School District would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.
- **Basis Risk** - The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by the School District on a series of related variable rate bonds to bondholders differs from the variable swap rate

received from the applicable counterparty on the related swap. The School District bears basis risk on each of its fixed-to-floating swaps since the School District receives a percentage of LIBOR to offset the actual variable bond rate the School District pays on its bonds. The School District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the School District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

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

- Termination Risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate; if a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value. The School District purchased swap insurance insuring periodic scheduled payments, but not termination payments, for the TE Advance Refunding Agreements, the Taxable Advance Refunding Agreement, and the 2006 Basis Swaps.

(c) General Obligation Bonds, Refundings and Basis Swaps

- (i) *General Obligation Bonds:* On December 7, 2006, the School District issued fixed rate School Lease Revenue Bonds through the State Public School Building Authority in the aggregate amount of \$862.7 million. The Series 2006 bonds were issued in two series. The Series A Bonds of \$317.1 million were issued to fund projects in the Capital Improvement Program. Bond Proceeds for the Series A Bonds of \$3.6 million were utilized for insurance, underwriting fees, and other issuance costs. The Series B Bonds of \$545.6 million were issued to advance refund certain of the 2003 School Lease Revenue Bonds.
- (ii) *Refundings:* The School District of Philadelphia elected to take advantage of favorable changes in interest rates. During Fiscal Year 2007 the School District issued two refunding issues.

- As mentioned above, the School District refunded \$545.6 million of School Lease Revenue Bonds in December, 2006. Bond proceeds for the Series B Bonds of \$6.6 million were utilized for insurance, underwriting fees, and other issuance costs.
- On April 25, 2007, the School District issued \$146.5 million General Obligation Refunding Bonds to refund certain maturities of the outstanding Series A of 1999 and the Series D of 2004. Bond proceeds for the Series A Bonds of \$2.3 million were utilized for insurance, underwriting fees, and other issuance costs.

Securities for both issues were deposited in separate irrevocable trusts with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds of both issues were used by the escrow agent to purchase U. S. government securities of \$726.5 million. As of June 30, 2007, \$1,286.0 million of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.

The cash flow required to service the new debt is \$49.7 million less than the cash flow required to service the old debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$26.9 million to the School District.

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. As of June 30, 2007, \$2.6 million is considered partially defeased in substance for accounting and financial reporting purposes.

- (iii) *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 which are related to outstanding general obligation bonds of the School District for the purpose of managing interest expense.

(d) Debt Limits

The Pennsylvania Local Government Unit Debt Act of 1996 (Act No. 177) establishes borrowing base and debt limits for municipalities and school districts within the Commonwealth. The Act provides no limitation on debt approved by the voters (electoral) and excludes Tax and Revenue Anticipation Notes from the computation of the non-electoral debt limit along with certain other exclusions like deficit financing bonds. As of June 30, 2007, the non-electoral and lease rental borrowing capacity (debt limit) for the School District was \$1,617.0 million.

(e) 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, 2007, 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, 2007 amounted to \$8,567,113. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Lease Payments</u> <u>(Dollars in Millions)</u>
2008	\$ 9.1
2009	6.8
2010	5.6
2011	2.4
2012	2.2
2013-17	9.8
Total	<u>\$ 35.9</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 annual cost of the software. The remaining fair value of the software as of June 30, 2007 was \$1,603,903. 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 two (2) 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, 2007	\$ 834,326	\$ 42,984	\$ 791,342
July 15, 2008	<u>834,326</u>	<u>21,765</u>	<u>812,561</u>
	<u>\$1,668,652</u>	<u>\$ 64,749</u>	<u>\$1,603,903</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 348 personnel took advantage of the program. Consequently, the School District is to pay out \$25,000 per retiree over 5 years for a total cost of \$8.7 million. As of June 30, 2007, the remaining liability totaled \$3.7 million.

In 2006, the School District provided a voluntary retirement incentive for certain eligible employees who retired by July 31, 2006. A total of 17 personnel took advantage of the plan. The School District is to pay out \$12,500 per retiree over 5 years for a total cost of \$212,500. As of June 30, 2007, the remaining liability totaled \$170,000.

(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, 2007 was \$213.2 million. July and August 2007 salaries for ten (10) month employees who had not terminated were budgeted and will be paid for from Fiscal Year 2008 appropriations.

(7) Loans Payable

Federal Asbestos Loans consist of \$10,087 for an interest-free loan expected to be repaid over the next two (2) 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 2008.

(9) Other Liabilities

Other liabilities consist of \$125.4 million for Workers' Compensation, \$10.5 million for Unemployment Compensation Claims and \$6.4 million for Claims & Judgments.

The School District's various funds are charged for their portion of salary related liabilities, claims and judgments. These liabilities are then liquidated by the General Fund. 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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,987,824
General Fund	Enterprise Fund	1,921,379
General Fund	Internal Service Fund	1,918,836
	Total	<u>\$ 5,828,039</u>

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

The balance of \$1,987,824 under the Capital Projects Fund represents amounts that were reclassified as Due to Other Funds for reporting purposes and eliminated in the district-wide Statement of Net Assets. The \$1,921,379, under the Enterprise Fund was reclassified as a liability. The \$1,918,836, under the Internal Service Fund, was eliminated within the governmental activity column.

(2) Interfund transfers at June 30, 2007 were as follows:

<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	
General	\$ -	\$ 3,006,167	\$ -	\$ -	\$ 3,006,167
Intermediate Unit	189,462,975	-	-	-	189,462,975
Categorical	10,445,163	-	-	-	10,445,163
Debt Service	147,373,392	-	21,751,807	178,022	169,303,221
Capital	854,266	-	-	-	854,266
Total	<u>\$ 348,135,796</u>	<u>\$ 3,006,167</u>	<u>\$ 21,751,807</u>	<u>\$ 178,022</u>	<u>\$ 373,071,792</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 2007 allocations of cafeteria renovations.

F. Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2007 are summarized as follows:

New Construction and Land	\$ 200,062,495
Environmental Management	27,233
Alterations and Improvements	207,265,044
Equipment Acquisition	<u>839,754</u>
Total	<u>\$ 408,194,526</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 \$62.3 million in contract revenue from the School District during Fiscal Year 2007. 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 seventy-nine (279) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$8.8 million.

Of those, two hundred fifty-six (256) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on

alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, one hundred eighty-five (185) unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts, including attorney's fees, of approximately \$1.3 million and \$0.5 million, respectively.

There are twenty (20) 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 \$0.1 million and \$1.4 million respectively.

- (2) ***Other Matters*** - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$9.2 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$1.9 million and \$1.8 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$1.1 million and \$2.0 million, respectively, arising from personal injury and property damage claims and lawsuits.
- (3) ***Education Audits*** - The School District receives basic education subsidies from the Commonwealth based primarily on student enrollment. In July of 1995, the Pennsylvania Department of Education ("PDE") notified the School District that the results of an audit conducted by the Auditor General for the fiscal years ending in 1991, 1992 and 1993 indicated School District over-reporting of student enrollment in Fiscal Year 1991, the year established by the Commonwealth as the base for all subsidies through Fiscal Year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40.0 million through Fiscal Year 1999 and, subsequently, reduced by half to \$20.0 million based on additional reviews and documentation. On May 13, 1999, the School District of Philadelphia appealed the entire finding to the Secretary of Education. The matter remains pending.

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

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

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, Fiscal Year 2008 and Fiscal Year 2009. As part of the resolution, the Plaintiffs waived reinstatement rights to positions with the District as well as releasing the District from all claims. As of June 30, 2007, over \$2.0 million was still outstanding on this settlement. During July 2007, the District paid \$1.6 million of the \$2.0 million that was outstanding.

Philadelphia Federation of Teachers v. The School District of Philadelphia, American Arbitration Association Case No. 14 390 01350 06 involved 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. After hearings before an arbitrator, by decision dated January 14, 2007, the arbitrator denied the PFT grievance and concluded 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, which has been withdrawn.

- (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. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. Furthermore, the School District will request a Private Letter Ruling ("PLR") from the Internal Revenue Service to further confirm the School District's determination. The School District will be seeking this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. Management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2007, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2007.

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 7,615 retired/disabled employees as of June 30, 2007. 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 2007, the cost of life insurance premiums for retirees/disabled employees was \$598,322 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, 2007, the rate of employer contribution was 6.46 percent of qualifying compensation. The 6.46 percent rate consists of a pension contribution rate of 5.72 percent for pension benefits and .74 percent for health insurance premium assistance. The School District's contributions to PSERS for the Fiscal Years ending 2005, 2006 and 2007 were \$48,901,179, \$55,760,173 and \$69,277,635 respectively, and were equal to the required contributions for each year.

L. Desegregation

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

The School District submitted annual status reports to the PHRC in December 2004, 2005 and 2006. The PHRC provided its annual response to the School District's December 2006 status report during the summer of 2007. The PHRC is in the process of preparing its overall evaluation, which will state whether PHRC believes the School District is in substantial compliance with the law and whether the case should be concluded. Depending on the PHRC's conclusion, the parties may proceed to the negotiation and dispute resolution processes set forth in the MOU.

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 as to whether and what disagreements may remain after the PHRC's evaluation and any negotiation and dispute resolution processes the parties elect to pursue. If the parties do not resolve this matter within the framework of the MOU and if the court lifts the stay, 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 \$142.2 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 to the amount the loss can be reasonably estimated. Losses include an estimate of claims that were incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

At June 30, 2007, the amount of these liabilities totaled \$142.2 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 2006	\$ 112.2	\$ 32.3	\$ 45.5	\$ 99.0
Fiscal Year 2007	\$ 99.0	\$ 83.2	\$ 40.0	\$ 142.2

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

N. Prior Period Adjustments

District-wide net assets beginning balances were decreased by \$1.2 million. These adjustments involved an overstatement of asset value of \$1.1 million and an understatement of accumulated depreciation of \$0.1 million (Note 4C).

O. Subsequent Events

(1) Tax and Revenue Anticipation Notes

In July 2007, the School District issued \$550.0 million in Tax and Revenue Anticipation Notes, Series A of 2007-2008. The proceeds of the notes are used for cash flow purposes and are to be repaid by June 27, 2008.

(2) ARAMARK

During Fiscal Year 2007, a vendor service outsourcing agreement was in place with ARAMARK for operation of the majority of school cafeterias. A subsequent interim agreement was terminated September 30, 2007. The School District paid \$1.9 million for food management services for the interim period. Additional invoices totaling \$1.2 million for food services and information technology have been presented for Fiscal Years 2007 and 2008 for which the School District has requested additional documentation.

Pursuant to the Fiscal Year 2007 agreement, the School District is obligated to pay the balance of the unamortized cost for point-of-sale technology and cafeteria upgrades installed by ARAMARK. The School District's preliminary estimate of the cost of these assets is \$1.3 million.

(3) Qualified Zone Academy Bonds

Qualified Zone Academy Bonds ("QZABs") are general obligation bonds. The Commonwealth receives an allocation each year from the Federal Government for the amount of QZABs permitted to be issued within Pennsylvania. The allocations are distributed to school districts through an application process. QZABs may be purchased only by qualified financial institutions and provide the qualified purchaser with a federal tax credit under the Internal Revenue Code of 1986, as amended. The tax credit is intended to eliminate or lower the interest cost to school districts.

The School Reform Commission authorized the sale of \$41.7 million Qualified Zone Academy Bonds on December 5, 2007 at an effective interest rate of 1.25%. The bond issue is expected to close on or before December 31, 2007. The proceeds of the issue will fund technology upgrades in the middle grades in approximately 1,375 classrooms along with major renovations to 15 schools.

**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, 2007

	General Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Local Taxes	\$ 723,689,000	\$ 720,523,000	\$ 718,889,184	\$ (1,633,816)
Locally Generated Non Tax	62,858,000	70,212,000	71,112,539	900,539
State Grants and Subsidies	1,132,483,000	1,149,571,000	1,143,345,910	(6,225,090)
Federal Grants and Subsidies	188,000	249,000	248,955	(45)
Total Revenues	1,919,218,000	1,940,555,000	1,933,596,588	(6,958,412)
OBLIGATIONS				
Current Operating				
Instruction	888,984,134	911,314,692	868,151,884	43,162,808
Student Support Services	55,695,760	53,233,403	52,141,658	1,091,745
Administrative Support	112,509,011	112,592,765	99,103,982	13,488,783
Operation & Maintenance of Plant Services	274,449,382	265,027,668	256,021,612	9,006,056
Pupil Transportation	49,128,990	55,913,097	55,170,023	743,074
All Other Support Services	(53,093,064)	(6,965,345)	17,741,809	(24,707,154)
Payments to Charter Schools	232,664,412	239,114,526	240,377,037	(1,262,511)
Allocated Costs	(16,093,508)	(20,416,113)	-	(20,416,113)
Total Obligations	1,544,245,117	1,609,814,693	1,588,708,005	21,106,688
Excess of Revenues Over (Under) Obligations	374,972,883	330,740,307	344,888,583	14,148,276
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	3,006,167	3,006,167
Transfers Out	(386,297,100)	(357,738,700)	(348,262,370)	9,476,330
Total Other Financing Sources (Uses)	(386,297,100)	(357,738,700)	(345,256,203)	12,482,497
Net Change in Fund Balances	(11,324,217)	(26,998,393)	(367,620)	26,630,773
Fund Balances, July 1, 2006	37,987,700	66,034,135	(66,132,492)	(132,166,627)
Change in Inventory Reserve	-	-	168,444	168,444
Change in Encumbrance Reserve	-	-	15,185,649	15,185,649
Fund Balances, June 30, 2007	\$ 26,663,483	\$ 39,035,742	\$ (51,146,019)	\$ (90,181,761)

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
700,000	1,033,000	1,296,705	263,705
77,677,000	78,971,000	77,835,624	(1,135,376)
-	-	-	-
78,377,000	80,004,000	79,132,329	(871,671)
200,409,645	200,992,357	191,416,449	9,575,908
64,257,816	67,147,436	66,179,560	967,876
1,073,914	1,087,768	918,942	168,826
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,899,408	10,047,846	10,206,927	(159,081)
275,640,783	279,275,407	268,721,878	10,553,529
(197,263,783)	(199,271,407)	(189,589,549)	9,681,858
197,263,800	199,262,400	189,589,549	(9,672,851)
-	-	-	-
197,263,800	199,262,400	189,589,549	(9,672,851)
17	(9,007)	-	9,007
-	2,758	534,435	531,677
-	-	-	-
-	-	769,329	769,329
\$ 17	\$ (6,249)	\$ 1,303,764	\$ 1,310,013

Refer to notes to the required supplementary information

SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007

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>\$ 1,933,597</u>	<u>\$ 79,132</u>
Revenue - GAAP Basis	<u>\$ 1,933,597</u>	<u>\$ 79,132</u>
Obligations – Basis of Budgeting	\$ 1,588,708	\$ 268,722
Current Year Encumbrances	(16,916)	(1,292)
Prior Year Encumbrance Payments	643	397
Prior Year Encumbrance		
Cancellations and Other Adjustments	<u>1,214</u>	<u>(1)</u>
Expenditures - GAAP Basis	<u>\$ 1,573,649</u>	<u>\$ 267,826</u>
Other Financing Sources (Uses) - Basis of Budgeting	\$ (345,256)	\$ 189,590
Prior Year Encumbrance Cancellations	<u>126</u>	<u>(127)</u>
Other Financing Sources (Uses) - GAAP Basis	<u>\$ (345,130)</u>	<u>\$ 189,463</u>

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

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2007:

A. General Fund

(1). All Other Support Services	\$ 24,707,154
(2). Payment to Charter Schools	1,262,511
(3). Allocated Costs	20,416,113

B. Intermediate Unit

(1). Allocated Costs	159,081
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Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$24.7 million in “All Other Support Services” resulted from a combination of the following several factors: 1) The School District budgets as part of “Undistributed” the general operating fund reductions which are historically realized throughout the year in the appropriate agencies. For fiscal year 2007, the School District’s management authorized \$14.1 million of mid-year operating budget reductions which were budgeted as an “offset” in “Undistributed” while implementation plans were developed. The savings were actually realized, which resulted in the ability to shift \$12.6 million to the Categorical Funds to allowable expenditures within the grants funds and an additional \$1.5 million of eligible capital expenditures shifted to the Capital Projects Fund; 2) An additional \$6.3 million variance resulted from a negative expenditure budget for Lapsed Appropriations in “Undistributed”. This represents the significant amount of budget authority for contracted services, materials, supplies, books and equipment that goes unspent every year; although it cannot be known and budgeted in advance in any given agency; 3) District-wide overtime savings of \$2.0 million were unrealized; 4) Cancellation of prior year encumbrances were credited for \$1.8 million lower than the anticipated budget, and; 5) Losses and Judgments accounted for \$0.2 million as a result of higher than expected claims.

The negative variance of \$1.3 million in “Payment to Charter Schools” represents a slightly higher than projected percentage of the maximum enrollment slots being filled and an increase in students enrolled in cyber charter schools whose charters are granted by the commonwealth.

The negative variance of \$20.4 million in “Allocated Costs” resulted from a distribution of these costs across the administrative and operational departments that serve the Intermediate Unit and the Categorical programs. The Intermediate Unit Allocated Costs are simply a transfer between two Operating Funds and therefore have no net impact; federal Categorical grants are charged an allowable indirect cost rate.

Intermediate Unit

The negative variance of \$159,080 in “Allocated Costs” results from slightly higher than budgeted transportation costs for special education students.

4. *ALLOCATED COSTS*

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

In the General Fund allocated costs under All Other Support Services cost center are budgeted with a credit balance due to Intermediate Unit operations and allocated costs attributable to other funds and other adjustments. The original and final budget, for the credit balance, was \$ 16,093,508 and \$ 20,416,113, 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, 2007 there were forty-four individual Special Revenue Trust Funds administered by the School District.

Permanent Funds

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

For external reporting purposes the School District reports one Permanent Fund. However, at June 30, 2007 there were eighty-seven Permanent Funds administered by the School District.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 3,970,693	\$ 2,030,522	\$ 6,001,215
Total Assets	<u>\$ 3,970,693</u>	<u>\$ 2,030,522</u>	<u>\$ 6,001,215</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	<u>\$ 2,205</u>	<u>\$ 2,742</u>	<u>\$ 4,947</u>
Fund Balance:			
Reserved for:			
Trust Fund Principal	1,301,225	1,290,939	2,592,164
Unreserved			
Designated For Trust Purposes	2,667,263	736,841	3,404,104
Total Fund Balances	<u>3,968,488</u>	<u>2,027,780</u>	<u>5,996,268</u>
Total Liabilities and Fund Balances	<u>\$ 3,970,693</u>	<u>\$ 2,030,522</u>	<u>\$ 6,001,215</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, 2007

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 263,129	\$ 175,704	\$ 438,833
EXPENDITURES			
Instruction	28,461	13,864	42,325
Excess (Deficiency) of Revenues Over Expenditures	234,668	161,840	396,508
Fund Balances, July 1, 2006	3,733,820	1,865,940	5,599,760
Fund Balances, June 30, 2007	\$ 3,968,488	\$ 2,027,780	\$ 5,996,268

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 508,288,000	\$ 502,900,000	\$ 501,282,361	\$ (1,617,639)
Prior Years	52,500,000	50,600,000	49,357,210	(1,242,790)
Payment in Lieu of Taxes	-	-	4,619	4,619
Use and Occupancy	105,300,000	105,800,000	103,756,879	(2,043,121)
School (Non-Business) Income	18,800,000	20,600,000	24,034,663	3,434,663
Liquor Sales	37,800,000	39,500,000	39,330,766	(169,234)
Public Utility Realty	1,001,000	1,123,000	1,122,686	(314)
Total Local Taxes	723,689,000	720,523,000	718,889,184	(1,633,816)
Locally Generated Non Tax				
Interest on Investments	12,366,000	20,044,000	20,756,242	712,242
City Contributions	35,000,000	35,000,000	35,000,000	-
Legal Settlements	2,502,000	2,554,000	2,590,472	36,472
Stadium Agreements	2,898,000	2,898,000	2,898,000	-
Voluntary Contributions	252,000	252,000	308,388	56,388
Reimbursement from Other Funds	7,540,000	7,014,000	7,462,024	448,024
Miscellaneous	2,300,000	2,450,000	2,097,413	(352,587)
Total Locally Generated Non Tax	62,858,000	70,212,000	71,112,539	900,539
Other Governments				
State Grants and Subsidies				
Gross Instruction	826,646,000	851,646,000	851,646,099	99
Less: Reimbursement of Prior Years IU Advances	35,660,000	35,698,000	35,699,401	1,401
Net Instruction	790,986,000	815,948,000	815,946,698	(1,302)
Debt Service	11,830,000	15,925,000	14,758,133	(1,166,867)
School Health Program				
Nurse Services	1,615,000	1,570,000	1,570,324	324
Medical and Dental	2,699,000	2,692,000	2,691,984	(16)
Tuition	445,000	303,000	363,921	60,921
Area Vocational Technical Education	7,730,000	9,520,000	9,724,221	204,221
Transportation	27,947,000	28,016,000	28,016,846	(154)
District Special Education	120,371,000	120,309,000	120,328,609	19,609
School District Additional Funding	25,000,000	-	-	-
Alternative Education	17,561,000	24,657,000	23,641,817	(1,015,183)
Charter Schools	57,084,000	60,393,000	60,626,884	233,884
Miscellaneous State Subsidies	77,000	77,000	80,094	3,094
Retirement	30,200,000	30,850,000	29,543,154	(1,306,846)
Social Security	38,938,000	39,311,000	36,054,225	(3,256,775)
Total State Grants and Subsidies	1,132,483,000	1,149,571,000	1,143,345,910	(6,225,090)
Federal Grants and Subsidies				
Impacted Area Aid	188,000	249,000	248,955	(45)
Total Federal Grants and Subsidies	188,000	249,000	248,955	(45)
Total Other Governments	1,132,671,000	1,149,820,000	1,143,594,865	(6,225,135)
Total Revenues	\$ 1,919,218,000	\$ 1,940,555,000	\$ 1,933,596,588	\$ (6,958,412)

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 65,700	\$ 46,200	\$ 67,164	\$ (20,964)
Employee Benefits	12,061	10,593	33,156	(22,563)
Prof.,Tech. Services	280,000	98,900	98,877	23
Property,Transportation,Comm.	-	23,020	19,061	3,959
Materials, Supplies, Books and Equipment	20,000	75,150	40,167	34,983
Other	-	-	-	-
	377,761	253,863	258,425	(4,562)
Elementary Education				
Personal Services	261,015,432	258,387,418	255,196,513	3,190,905
Employee Benefits	115,014,218	119,991,891	118,102,529	1,889,362
Prof.,Tech. Services	2,385,500	1,872,280	2,351,500	(479,220)
Property,Transportation,Comm.	2,107,100	270,130	422,273	(152,143)
Materials, Supplies, Books and Equipment	5,539,855	6,254,141	3,530,119	2,724,022
Other	(2,875,200)	47,900	301	47,599
	383,186,905	386,823,760	379,603,235	7,220,525
Middle School Education				
Personal Services	75,969,646	62,297,312	62,446,405	(149,093)
Employee Benefits	33,567,404	28,895,917	28,453,247	442,670
Prof.,Tech. Services	601,900	569,395	471,110	98,285
Property,Transportation,Comm.	361,200	286,608	210,132	76,476
Materials, Supplies, Books and Equipment	3,218,900	2,594,979	1,147,348	1,447,631
Other	500	-	(608)	608
	113,719,550	94,644,211	92,727,634	1,916,577
Senior High School Education				
Personal Services	139,821,526	139,126,568	134,365,320	4,761,248
Employee Benefits	59,083,885	62,779,845	59,002,199	3,777,646
Prof.,Tech. Services	3,621,800	3,693,894	3,789,916	(96,022)
Property,Transportation,Comm.	1,504,600	801,416	1,056,174	(254,758)
Materials, Supplies, Books and Equipment	8,241,700	7,493,458	5,017,679	2,475,779
Other	4,004,900	2,075,708	10,862	2,064,846
	216,278,411	215,970,889	203,242,150	12,728,739
Special Education				
Personal Services	6,867,566	3,174,223	3,423,891	(249,668)
Employee Benefits	3,041,602	1,492,180	1,600,492	(108,312)
Prof.,Tech. Services	46,000	46,227	42,680	3,547
Property,Transportation,Comm.	16,100	15,900	5,637	10,263
Materials, Supplies, Books and Equipment	820,800	811,146	305,874	505,272
Other	(320,500)	2,000	-	2,000
	10,471,568	5,541,676	5,378,574	163,102

(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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Area Vocational Technical Education				
Personal Services	\$ 32,098,855	\$ 29,679,426	\$ 28,781,576	\$ 897,850
Employee Benefits	13,502,294	13,232,109	12,920,032	312,077
Prof.,Tech. Services	922,100	884,200	641,311	242,889
Property,Transportation,Comm.	291,300	140,886	153,397	(12,511)
Materials, Supplies, Books and Equipment	1,823,300	1,636,270	1,041,779	594,491
Other	1,500	1,500	5,050	(3,550)
	<u>48,639,349</u>	<u>45,574,391</u>	<u>43,543,145</u>	<u>2,031,246</u>
Desegregation				
Personal Services	7,309,977	6,589,783	6,205,483	384,300
Employee Benefits	3,258,020	2,997,382	2,902,129	95,253
Prof.,Tech. Services	115,700	63,860	49,478	14,382
Property,Transportation,Comm.	43,400	22,677	42,795	(20,118)
Materials, Supplies, Books and Equipment	1,454,300	1,442,588	1,167,151	275,437
Other	(1,850,000)	-	400	(400)
	<u>10,331,397</u>	<u>11,116,290</u>	<u>10,367,436</u>	<u>748,854</u>
School Support Services				
Personal Services	(8,320,293)	5,992,737	2,766,489	3,226,248
Employee Benefits	(3,513,696)	3,195,651	916,343	2,279,308
Prof.,Tech. Services	1,505,300	1,505,300	1,130,016	375,284
Property,Transportation,Comm.	24,200	23,200	4,979	18,221
Materials, Supplies, Books and Equipment	11,154,700	6,847,636	234,746	6,612,890
Other	(23,313,800)	-	-	-
Payments to Other Educational Entities	108,778,600	114,166,100	109,311,445	4,854,655
	<u>86,315,011</u>	<u>131,730,624</u>	<u>114,364,018</u>	<u>17,366,606</u>
Adult Education				
Personal Services	87,943	56,277	47,101	9,176
Employee Benefits	20,505	12,904	7,431	5,473
Property,Transportation,Comm.	500	7,530	7,406	124
Materials, Supplies, Books and Equipment	900	7,300	5,833	1,467
	<u>109,848</u>	<u>84,011</u>	<u>67,771</u>	<u>16,240</u>
Partnership Schools				
Personal Services	3,592,266	571,514	1,286,182	(714,668)
Employee Benefits	1,352,668	278,564	466,096	(187,532)
Prof.,Tech. Services	11,660,600	17,507,921	15,615,478	1,892,443
Property,Transportation,Comm.	1,000	-	2,910	(2,910)
Materials, Supplies, Books and Equipment	2,804,300	1,216,978	1,228,830	(11,852)
Other	143,500	-	-	-
	<u>19,554,334</u>	<u>19,574,977</u>	<u>18,599,496</u>	<u>975,481</u>
Total Instruction	<u>888,984,134</u>	<u>911,314,692</u>	<u>868,151,884</u>	<u>43,162,808</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<hr/>				
Student Support Services				
Counseling				
Personal Services	\$ 20,291,183	\$ 17,839,703	\$ 17,702,404	\$ 137,299
Employee Benefits	8,413,165	8,059,856	7,774,897	284,959
Property,Transportation,Comm.	2,400	100	8	92
Materials, Supplies, Books and Equipment	19,000	13,820	27,785	(13,965)
Other	-	-	-	-
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	28,725,748	25,913,479	25,505,094	408,385
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Family & Student Support Services				
Personal Services	18,717,867	18,002,465	17,561,764	440,701
Employee Benefits	7,846,414	8,038,318	7,952,237	86,081
Prof.,Tech. Services	425,000	327,200	415,718	(88,518)
Property,Transportation,Comm.	87,300	81,200	31,464	49,736
Materials, Supplies, Books and Equipment	192,300	192,100	144,813	47,287
Other	(1,000,000)	-	-	-
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	26,268,881	26,641,283	26,105,996	535,287
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Office of Specialized Services				
Personal Services	266,128	254,163	224,935	29,228
Employee Benefits	93,103	96,378	89,092	7,286
Prof.,Tech. Services	265,200	265,200	206,298	58,902
Property,Transportation,Comm.	57,800	45,700	9,434	36,266
Materials, Supplies, Books and Equipment	18,900	17,200	809	16,391
	<hr/>	<hr/>	<hr/>	<hr/>
	701,131	678,641	530,568	148,073
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Total Student Support Services	55,695,760	53,233,403	52,141,658	1,091,745
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Administrative Support				
Regional Offices				
Personal Services	5,965,226	5,861,736	5,313,338	548,398
Employee Benefits	2,077,442	2,187,273	1,977,500	209,773
Prof.,Tech. Services	105,300	45,200	18,449	26,751
Property,Transportation,Comm.	172,300	144,212	74,108	70,104
Materials, Supplies, Books and Equipment	377,600	345,722	270,139	75,583
Other	-	1,300	833	467
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	8,697,868	8,585,443	7,654,367	931,076
	<hr/>	<hr/>	<hr/>	<hr/>
Business & Financial Services				
Personal Services	17,181,125	15,220,741	14,863,830	356,911
Employee Benefits	6,858,784	6,520,053	5,968,607	551,446
Prof.,Tech. Services	2,715,600	2,919,469	3,520,462	(600,993)
Property,Transportation,Comm.	455,501	2,776,035	2,673,292	102,743
Materials, Supplies, Books and Equipment	402,000	337,510	259,881	77,629
Other	(36,355)	3,900	481	3,419
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	27,576,655	27,777,708	27,286,553	491,155

(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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Human Resources				
Personal Services	\$ 5,591,242	\$ 5,103,832	\$ 4,919,852	\$ 183,980
Employee Benefits	2,286,199	2,252,129	2,075,661	176,468
Prof., Tech. Services	751,446	312,848	245,191	67,657
Property, Transportation, Comm.	242,900	177,504	76,073	101,431
Materials, Supplies, Books and Equipment	142,900	129,500	75,912	53,588
Other	100,000	-	-	-
	<u>9,114,687</u>	<u>7,975,813</u>	<u>7,392,689</u>	<u>583,124</u>
Information Technology				
Personal Services	6,880,118	6,380,986	5,918,763	462,223
Employee Benefits	2,553,680	2,569,447	2,306,463	262,984
Prof., Tech. Services	5,293,700	6,659,852	6,480,231	179,621
Property, Transportation, Comm.	906,000	1,010,790	979,847	30,943
Materials, Supplies, Books and Equipment	1,411,900	1,298,500	1,265,739	32,761
Other	(3,000,000)	(3,815,152)	(3,815,152)	-
	<u>14,045,398</u>	<u>14,104,423</u>	<u>13,135,891</u>	<u>968,532</u>
Municipal Services				
Personal Services	3,000,978	3,215,722	2,796,945	418,777
Employee Benefits	1,788,064	1,861,485	1,541,892	319,593
Prof., Tech. Services	566,600	900	(1,923)	2,823
Property, Transportation, Comm.	3,800	900	2,183	(1,283)
Other	(64,000)	-	-	-
	<u>5,295,442</u>	<u>5,079,007</u>	<u>4,339,097</u>	<u>739,910</u>
Accountability, Assessment & Intervention				
Personal Services	2,496,373	1,942,576	1,478,850	463,726
Employee Benefits	862,486	747,091	512,701	234,390
Prof., Tech. Services	1,037,000	850,269	628,727	221,542
Property, Transportation, Comm.	119,200	100,570	49,022	51,548
Materials, Supplies, Books and Equipment	201,700	158,467	49,020	109,447
Other	(1,459,869)	(80,000)	-	(80,000)
	<u>3,256,890</u>	<u>3,718,973</u>	<u>2,718,320</u>	<u>1,000,653</u>
Office of School Management				
Personal Services	5,815,805	6,308,139	5,606,787	701,352
Employee Benefits	2,251,770	2,495,325	2,083,884	411,441
Prof., Tech. Services	69,600	247,100	(3,557)	250,657
Property, Transportation, Comm.	198,500	158,830	121,461	37,369
Materials, Supplies, Books and Equipment	165,400	74,400	28,186	46,214
Other	200	200	-	200
	<u>8,501,275</u>	<u>9,283,994</u>	<u>7,836,761</u>	<u>1,447,233</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Secondary Education				
Personal Services	\$ 1,454,778	\$ 1,261,714	\$ 1,112,549	\$ 149,165
Employee Benefits	462,057	431,792	355,687	76,105
Prof.,Tech. Services	139,800	1,588,855	1,421,034	167,821
Property,Transportation,Comm.	136,302	109,889	92,980	16,909
Materials, Supplies, Books and Equipment	402,356	305,021	126,686	178,335
Other	2,400	3,300	-	3,300
	2,597,693	3,700,571	3,108,936	591,635
Curriculum, Instruction & Professional Development				
Personal Services	6,940,036	5,860,982	4,819,769	1,041,213
Employee Benefits	3,246,001	3,021,579	2,596,909	424,670
Prof.,Tech. Services	803,401	743,701	586,190	157,511
Property,Transportation,Comm.	238,900	543,965	357,400	186,565
Materials, Supplies, Books and Equipment	813,300	676,430	298,537	377,893
Other	(105,711)	949,600	18,825	930,775
	11,935,927	11,796,257	8,677,630	3,118,627
Office of the Chief Operations Officer				
Personal Services	2,491,975	2,080,293	1,887,835	192,458
Employee Benefits	1,029,170	907,092	783,242	123,850
Prof.,Tech. Services	135,601	118,349	83,717	34,632
Property,Transportation,Comm.	18,900	17,082	4,785	12,297
Materials, Supplies, Books and Equipment	40,000	35,185	6,060	29,125
Other	108,597	-	-	-
	3,824,243	3,158,001	2,765,639	392,362
Executive / Board Management				
Personal Services	7,099,564	7,250,774	6,353,108	897,666
Employee Benefits	2,694,400	2,810,529	2,239,297	571,232
Prof.,Tech. Services	5,424,000	4,898,755	3,717,206	1,181,549
Property,Transportation,Comm.	449,700	393,640	264,787	128,853
Materials, Supplies, Books and Equipment	234,400	363,900	180,390	183,510
Other	(277,828)	8,000	2,644	5,356
	15,624,236	15,725,598	12,757,432	2,968,166
Office of the Chief Academic Officer				
Personal Services	1,021,298	820,722	728,937	91,785
Employee Benefits	359,798	298,033	272,815	25,218
Prof.,Tech. Services	340,600	340,691	273,756	66,935
Property,Transportation,Comm.	48,900	1,228	6,058	(4,830)
Materials, Supplies, Books and Equipment	166,000	145,303	149,101	(3,798)
Other	102,101	81,000	-	81,000
	2,038,697	1,686,977	1,430,667	256,310
Total Administrative Support	112,509,011	112,592,765	99,103,982	13,488,783

(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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 70,182,917	\$ 71,302,552	\$ 67,496,488	\$ 3,806,064
Employee Benefits	35,929,251	39,256,437	36,105,216	3,151,221
Prof.,Tech. Services	13,481,235	13,214,025	12,436,440	777,585
Property,Transportation,Comm.	13,018,270	10,104,797	9,208,045	896,752
Materials, Supplies, Books and Equipment	8,284,371	8,625,709	7,439,984	1,185,725
Other	-	10,000	-	10,000
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	140,896,044	142,513,520	132,686,173	9,827,347
	<hr/>	<hr/>	<hr/>	<hr/>
Utilities				
Prof.,Tech. Services	278,000	540,475	519,719	20,756
Property,Transportation,Comm.	13,451,500	13,609,980	13,154,306	455,674
Materials, Supplies, Books and Equipment	58,291,600	50,542,678	52,459,004	(1,916,326)
	<hr/>	<hr/>	<hr/>	<hr/>
	72,021,100	64,693,133	66,133,029	(1,439,896)
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Security Operations				
Personal Services	41,641,538	39,207,051	37,328,119	1,878,932
Employee Benefits	19,422,600	18,442,846	17,888,370	554,476
Prof.,Tech. Services	519,000	940,190	1,411,653	(471,463)
Property,Transportation,Comm.	372,100	302,400	169,556	132,844
Materials, Supplies, Books and Equipment	794,700	642,328	404,104	238,224
Other	(1,217,700)	(1,713,800)	608	(1,714,408)
	<hr/>	<hr/>	<hr/>	<hr/>
	61,532,238	57,821,015	57,202,410	618,605
	<hr/>	<hr/>	<hr/>	<hr/>
Total Oper. & Maint. of Plant Services	<hr/>	<hr/>	<hr/>	<hr/>
	274,449,382	265,027,668	256,021,612	9,006,056
	<hr/>	<hr/>	<hr/>	<hr/>
Pupil Transportation				
Personal Services	21,779,245	21,327,780	21,787,519	(459,739)
Employee Benefits	12,496,244	12,585,290	11,805,033	780,257
Prof.,Tech. Services	43,300	2,100	37,104	(35,004)
Property,Transportation,Comm.	45,490,400	52,711,826	53,182,180	(470,354)
Materials, Supplies, Books and Equipment	3,597,001	3,768,201	3,684,365	83,836
Other	(34,277,200)	(34,482,100)	(35,326,178)	844,078
	<hr/>	<hr/>	<hr/>	<hr/>
Total Pupil Transportation	<hr/>	<hr/>	<hr/>	<hr/>
	49,128,990	55,913,097	55,170,023	743,074
	<hr/>	<hr/>	<hr/>	<hr/>
All Other Support Services				
Risk Management				
Personal Services	223,392	219,842	1,337,654	(1,117,812)
Employee Benefits	83,559	1,536,493	95,870	1,440,623
Prof.,Tech. Services	25,000	-	320,864	(320,864)
Property,Transportation,Comm.	1,801,200	1,997,050	1,995,789	1,261
Materials, Supplies, Books and Equipment	5,900	5,400	3,676	1,724
Losses and Judgments	2,345,700	5,545,250	5,761,386	(216,136)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,484,751	9,304,035	9,515,239	(211,204)
	<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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Temporary Borrowing				
Prof.,Tech. Services	\$ 440,500	\$ 451,000	\$ 1,150,459	\$ (699,459)
Property,Transportation,Comm.	15,000	11,000	-	11,000
Interest	25,486,900	22,626,600	21,846,096	780,504
	25,942,400	23,088,600	22,996,555	92,045
Undistributed				
Other	(83,520,215)	(39,357,980)	(13,556,814)	(25,801,166)
Cancellation of Prior Years' Encumbrances	-	-	(1,213,171)	1,213,171
	(83,520,215)	(39,357,980)	(14,769,985)	(24,587,995)
Total All Other Support Services	(53,093,064)	(6,965,345)	17,741,809	(24,707,154)
Payments to Charter Schools	232,664,412	239,114,526	240,377,037	(1,262,511)
Allocated Costs	(16,093,508)	(20,416,113)	-	(20,416,113)
Total Obligations	1,544,245,117	1,609,814,693	1,588,708,005	21,106,688
OTHER FINANCING USES				
Local Share of Categorical Programs	15,383,300	10,683,200	10,445,163	238,037
Bond Issuance Expense/Asbestos Loan	-	-	82,287	(82,287)
Debt Service Fund	173,650,000	146,887,000	147,291,105	(404,105)
Special Education	197,263,800	199,262,400	189,589,549	9,672,851
Capital Projects	-	906,100	854,266	51,834
Total Other Financing Uses	386,297,100	357,738,700	348,262,370	9,476,330
Total General Fund	\$ 1,930,542,217	\$ 1,967,553,393	\$ 1,936,970,375	\$ 30,583,018
Fund Totals - Object Classes				
Personal Services	\$ 757,549,406	\$ 735,383,231	\$ 713,825,570	\$ 21,557,661
Employee Benefits	336,093,148	347,004,482	328,829,027	18,175,455
Prof.,Tech. Services	53,998,783	60,708,156	57,658,104	3,050,052
Property,Transportation,Comm.	81,636,273	85,890,065	84,377,542	1,512,523
Materials, Supplies, Books, and Equipment	110,640,083	96,057,020	80,593,717	15,463,303
Other	(148,854,680)	(76,264,624)	(52,658,748)	(23,605,876)
Interest on Temporary Borrowing	25,486,900	22,626,600	21,846,096	780,504
Payments to Other Educational Entities	108,778,600	114,166,100	109,311,445	4,854,655
Losses and Judgments	2,345,700	5,545,250	5,761,386	(216,136)
Payments to Charter Schools	232,664,412	239,114,526	240,377,037	(1,262,511)
Allocated Costs	(16,093,508)	(20,416,113)	-	(20,416,113)
Other Financing Uses	386,297,100	357,738,700	348,262,370	9,476,330
Cancellation of Prior Years' Encumbrances	-	-	(1,213,171)	1,213,171
Total General Fund	\$ 1,930,542,217	\$ 1,967,553,393	\$ 1,936,970,375	\$ 30,583,018

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 289,000	\$ 457,000	\$ 483,323	\$ 26,323
Non-Public School Programs	345,000	499,000	510,915	11,915
Tuition	66,000	77,000	302,467	225,467
Total Locally Generated Non Tax	700,000	1,033,000	1,296,705	263,705
State Grants and Subsidies				
Special Education Program	4,362,000	4,305,000	4,242,823	(62,177)
Special Education Transportation	45,650,000	45,973,000	46,239,015	266,015
Non-Public School Programs	15,721,000	16,251,000	16,250,924	(76)
Management Services Program	560,000	560,000	560,105	105
Social Security	6,172,000	6,456,000	6,330,189	(125,811)
Retirement	5,212,000	5,426,000	4,212,568	(1,213,432)
Total State Grants and Subsidies	77,677,000	78,971,000	77,835,624	(1,135,376)
Total Revenues	<u>\$ 78,377,000</u>	<u>\$ 80,004,000</u>	<u>\$ 79,132,329</u>	<u>\$ (871,671)</u>
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 121,436,689	\$ 117,039,969	\$ 112,220,941	\$ 4,819,028
Employee Benefits	53,686,483	55,892,567	52,196,953	3,695,614
Prof.,Tech. Services	12,173,400	11,828,035	8,436,647	3,391,388
Property,Transportation,Comm.	267,500	259,019	143,642	115,377
Materials, Supplies, Books and Equipment	3,654,600	3,071,239	2,596,257	474,982
Other	(5,522,700)	(2,340,858)	577,381	(2,918,239)
Total Special Education	185,695,972	185,749,971	176,171,821	9,578,150
Services to Non-Public School Students				
Personal Services	74,568	72,315	70,434	1,881
Employee Benefits	29,005	30,047	35,191	(5,144)
Prof.,Tech. Services	14,608,400	15,138,324	15,138,323	1
Property,Transportation,Comm.	400	400	580	(180)
Materials, Supplies, Books and Equipment	1,300	1,300	100	1,200
Total Services to Non-Public School Students	14,713,673	15,242,386	15,244,628	(2,242)
Total Instruction	<u>200,409,645</u>	<u>200,992,357</u>	<u>191,416,449</u>	<u>9,575,908</u>
Student Support Services				
Special Education *				
Personal Services	15,566,402	16,001,819	15,992,087	9,732
Employee Benefits	9,139,914	10,401,217	9,237,875	1,163,342
Property,Transportation,Comm.	5,055,300	5,055,300	5,055,465	(165)
Materials, Supplies, Books and Equipment	686,200	686,100	566,955	119,145
Allocated Costs	(12,129,000)	(11,427,000)	(11,395,160)	(31,840)
Total Special Education	18,318,816	20,717,436	19,457,222	1,260,214

* 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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Transportation				
Allocated Costs	\$ 45,939,000	\$ 46,430,000	\$ 46,722,338	\$ (292,338)
 Total Student Support Services	 64,257,816	 67,147,436	 66,179,560	 967,876
Services to Non-Public School Students				
Personal Services	710,287	705,744	618,718	87,026
Employee Benefits	315,927	334,324	259,280	75,044
Prof.,Tech. Services	2,000	2,000	2,000	-
Property,Transportation,Comm.	30,000	30,000	33,897	(3,897)
Materials, Supplies, Books and Equipment	15,700	15,700	5,047	10,653
	1,073,914	1,087,768	918,942	168,826
Total Administrative Support	1,073,914	1,087,768	918,942	168,826
Allocated Costs				
Special Education	9,000,000	9,000,000	9,000,000	-
Services to Non-Public School Students	339,408	487,846	646,822	(158,976)
Management Services	560,000	560,000	560,105	(105)
Total Allocated Costs	9,899,408	10,047,846	10,206,927	(159,081)
Total Obligations	275,640,783	279,275,407	268,721,878	10,553,529
OTHER FINANCING SOURCES				
Operating Transfers from Other Funds	(197,263,800)	(199,262,400)	(189,589,549)	(9,672,851)
Total Intermediate Unit	\$ 78,376,983	\$ 80,013,007	\$ 79,132,329	\$ 880,678
 Fund Totals - Object Classes				
Personal Services	\$ 137,787,946	\$ 133,819,847	\$ 128,902,180	\$ 4,917,667
Employee Benefits	63,171,329	66,658,155	61,729,299	4,928,856
Prof.,Tech. Services	26,783,800	26,968,359	23,576,970	3,391,389
Property,Transportation,Comm.	5,353,200	5,344,719	5,233,584	111,135
Materials, Supplies, Books and Equipment	4,357,800	3,774,339	3,168,359	605,980
Other	(5,522,700)	(2,340,858)	577,381	(2,918,239)
Allocated Costs	43,709,408	45,050,846	45,534,105	(483,259)
Total Obligations	275,640,783	279,275,407	268,721,878	10,553,529
Other Financing Sources				
Operating Transfers from Other Funds	(197,263,800)	(199,262,400)	(189,589,549)	(9,672,851)
Total Intermediate Unit	\$ 78,376,983	\$ 80,013,007	\$ 79,132,329	\$ 880,678

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 3,043,000	\$ 2,902,000	\$ 2,957,986	\$ 55,986
Variable Rate Income	30,989,000	25,812,000	23,765,380	(2,046,620)
Basis Swap / Other Revenue	-	-	1,794,318	1,794,318
Total Revenues	\$ 34,032,000	28,714,000	28,517,684	(196,316)
OBLIGATIONS				
Principal				
Bonds	\$ 69,217,600	\$ 62,351,100	\$ 62,351,071	\$ 29
Loans	34,200	34,200	34,155	45
Interest	52,166,300	48,270,100	48,060,844	209,256
Principal & Interest - Authority	29,952,500	33,805,193	33,805,193	-
Variable Rate Payments	30,989,300	25,812,000	24,966,451	845,549
Fixed Rate Swap Payments	25,511,500	25,511,500	26,151,140	(639,640)
Issuance Costs	-	12,159,200	15,234,778	(3,075,578)
Administrative Expenses	3,130,400	2,928,000	2,436,170	491,830
Total Obligations	\$ 211,001,800	\$ 210,871,293	\$ 213,039,802	\$ (2,168,509)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ 179,748,000	\$ 168,833,000	\$ 169,303,221	\$ 470,221
Land Sale Proceeds	-	2,350,000	2,349,850	(150)
Basis Swap Proceeds	-	10,740,000	10,740,000	-
Debt Proceeds	-	735,551,000	691,235,799	(44,315,201)
Bond Premium	-	-	44,315,658	44,315,658
Bond Defeasement	-	(732,047,107)	(727,979,601)	4,067,506
Total Other Financing Sources (Uses)	\$ 179,748,000	\$ 185,426,893	\$ 189,964,927	\$ 4,538,034
Net Change in Fund Balance	2,778,200	3,269,600	5,442,809	2,173,209
Fund Balances, July 1, 2006	67,056,588	68,568,845	64,613,063	(3,955,782)
Fund Balances, June 30, 2007	\$ 69,834,788	\$ 71,838,445	\$ 70,055,872	\$ (1,782,573)

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 4,700,000	\$ 20,000,000	\$ 20,593,131	\$ 593,131
Miscellaneous	300,000	300,000	169,668	(130,332)
Total Locally Generated Non Tax	5,000,000	20,300,000	20,762,799	462,799
State Grants and Subsidies	-	-	339,731	339,731
Total Revenues	<u>\$ 5,000,000</u>	<u>\$ 20,300,000</u>	<u>\$ 21,102,530</u>	<u>\$ 802,530</u>
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	\$ -	\$ -	\$ (13,685,462)	\$ 13,685,462
New Buildings and Additions	224,008,816	92,419,771	214,587,704	(122,167,933)
Environmental Management				
Asbestos Abatement	3,493,400	4,585,000	-	4,585,000
Environmental Services	17,404,100	16,190,744	3,790,522	12,400,222
Total Environmental Management	20,897,500	20,775,744	3,790,522	16,985,222
Alterations and Improvements				
Various Projects	199,695,996	121,898,624	37,250,544	84,648,080
Administrative Support	29,425,216	28,359,325	28,510,805	(151,480)
Major/Building Renovations	257,342,872	183,050,636	283,545,176	(100,494,540)
Total Alterations and Improvements	486,464,084	333,308,585	349,306,525	(15,997,940)
Total Obligations	<u>\$ 731,370,400</u>	<u>\$ 446,504,100</u>	<u>\$ 553,999,289</u>	<u>\$ (107,495,189)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	\$ -	\$ -	\$ 854,266	\$ 854,266
Debt Issuance	320,000,000	320,000,000	317,112,750	(2,887,250)
Bond Premium	-	-	18,040,895	18,040,895
Gain on Sale of Fixed Assets	-	-	111,195	111,195
Bond Issuance Costs	(5,333,000)	(5,333,000)	(21,766,537)	(16,433,537)
Total Other Financing Sources (Uses)	<u>\$ 314,667,000</u>	<u>\$ 314,667,000</u>	<u>\$ 314,352,569</u>	<u>\$ (314,431)</u>
Net Change in Fund Balance	<u>\$ (411,703,400)</u>	<u>\$ (111,537,100)</u>	<u>\$ (218,544,190)</u>	<u>\$ (107,007,090)</u>

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Fiduciary Funds

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

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

For external reporting purposes, the School District reports one combined Private Purpose Trust Fund. However, at June 30, 2007 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, 2007 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, 2007

	Payroll Liabilities	Student Bus Token Fund	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 6,099	\$ 4,624,387	\$ -	\$ 4,630,486
Equity in Pooled Cash and Investments	48,342,385	-	-	495,971	48,838,356
Accounts Receivable	7,695,187	31,769	-	-	7,726,956
Inventories	-	442,591	-	-	442,591
Total Assets	<u>56,037,572</u>	<u>480,459</u>	<u>4,624,387</u>	<u>495,971</u>	<u>61,638,389</u>
LIABILITIES					
Payroll Deductions and Withholdings	56,037,572	-	-	-	56,037,572
Due to Student Activities	-	-	4,624,387	-	4,624,387
Other Liabilities	-	480,459	-	495,971	976,430
Total Liabilities	<u>56,037,572</u>	<u>480,459</u>	<u>4,624,387</u>	<u>495,971</u>	<u>61,638,389</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, 2007.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 43,351,092	\$ 743,610,688	\$ 738,619,395	\$ 48,342,385
Accounts Receivable	12,155,473	7,685,674	12,145,960	7,695,187
Total Assets	<u>\$ 55,506,565</u>	<u>\$ 751,296,362</u>	<u>\$ 750,765,355</u>	<u>\$ 56,037,572</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 55,506,565	\$ 751,296,362	\$ 750,765,355	\$ 56,037,572
Total Liabilities	<u>\$ 55,506,565</u>	<u>\$ 751,296,362</u>	<u>\$ 750,765,355</u>	<u>\$ 56,037,572</u>
Student Bus Token Fund				
Assets				
Cash and Cash Equivalents	\$ 5,694	\$ 3,653,299	\$ 3,652,894	\$ 6,099
Accounts Receivable	25,181	38,219	31,631	31,769
Inventories	336,553	3,469,665	3,363,627	442,591
Total Assets	<u>\$ 367,428</u>	<u>\$ 7,161,183</u>	<u>\$ 7,048,152</u>	<u>\$ 480,459</u>
Liabilities				
Other Liabilities	\$ 367,428	\$ 7,161,183	\$ 7,048,152	\$ 480,459
Total Liabilities	<u>\$ 367,428</u>	<u>\$ 7,161,183</u>	<u>\$ 7,048,152</u>	<u>\$ 480,459</u>
Student Activities Fund				
Assets				
Cash	\$ 4,760,696	\$ 9,087,931	\$ 9,224,240	\$ 4,624,387
Liabilities				
Due to Student Activities	\$ 4,760,696	\$ 9,087,931	\$ 9,224,240	\$ 4,624,387
Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 873,617	\$ 770,995	\$ 1,148,641	\$ 495,971
Liabilities				
Other Liabilities	\$ 873,617	\$ 770,995	\$ 1,148,641	\$ 495,971
All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 4,766,390	\$ 12,741,230	\$ 12,877,134	\$ 4,630,486
Equity in Pooled Cash and Investments	44,224,709	744,381,683	739,768,036	48,838,356
Accounts Receivable	12,180,654	7,723,893	12,177,591	7,726,956
Inventories	336,553	3,469,665	3,363,627	442,591
Total Assets	<u>\$ 61,508,306</u>	<u>\$ 768,316,471</u>	<u>\$ 768,186,388</u>	<u>\$ 61,638,389</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 55,506,565	\$ 751,296,362	\$ 750,765,355	\$ 56,037,572
Due to Student Activities	4,760,696	9,087,931	9,224,240	4,624,387
Other Liabilities	1,241,045	7,932,178	8,196,793	976,430
Total Liabilities	<u>\$ 61,508,306</u>	<u>\$ 768,316,471</u>	<u>\$ 768,186,388</u>	<u>\$ 61,638,389</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2007

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2008 Debt Service Requirements		
					Interest	Fixed Swap Interest	Principal
OCTOBER 1, 1995 (SERIES A)	53,725,000	7,215,000 7,680,000 8,180,000 <u>23,075,000</u>	SEPT 1, 2007 SEPT 1, 2008 SEPT 1, 2009	6.2500 6.2500 6.2500	225,469 480,000 511,250 <u>1,216,719</u>	- - - -	7,215,000 - - <u>7,215,000</u>
JUNE 1, 1997 (SERIES A)	52,220,000	6,345,000 6,660,000 6,995,000 <u>20,000,000</u>	APRIL 1, 2008 APRIL 1, 2009 APRIL 1, 2010	5.0000 5.0000 5.0000	317,250 333,000 349,750 <u>1,000,000</u>	- - - -	6,345,000 - - <u>6,345,000</u>
DECEMBER 15, 1998 (SERIES A)	156,575,000	5,000 5,000 7,785,000 8,140,000 8,515,000 27,970,000 <u>52,420,000</u>	APRIL 1, 2008 APRIL 1, 2009 APRIL 1, 2018 APRIL 1, 2019 APRIL 1, 2020 APRIL 1, 2021-23	4.1250 4.2500 4.5000 4.5000 4.5000 4.5000	206 213 350,325 366,300 383,175 1,258,650 <u>2,358,869</u>	- - - - - - -	5,000 - - - - - <u>5,000</u>
DECEMBER 15, 1998 (SERIES B)	98,405,000	18,465,000 19,415,000 15,300,000 8,590,000 7,120,000 7,330,000 <u>74,220,000</u>	OCT 1, 2007 OCT 1, 2008 OCT 1, 2009 OCT 1, 2010 OCT 1, 2011 OCT 1, 2012	5.0000 5.0000 5.2500 5.2500 5.2500 5.2500	461,625 970,750 803,250 345,975 373,800 384,825 <u>3,340,225</u>	- - - - - - -	18,465,000 - - - - - <u>18,465,000</u>
DECEMBER 1, 1999 (SERIES D)	73,765,000	9,960,000 10,510,000 6,970,000 <u>27,440,000</u>	MAR 1, 2008 MAR 1, 2009 MAR 1, 2010	5.5000 5.6250 5.6250	547,800 591,188 392,063 <u>1,531,051</u>	- - - -	9,960,000 - - <u>9,960,000</u>
NOVEMBER 30, 2000 (SERIES A)	130,000,000	5,000 5,000 5,000 22,000,000 <u>22,015,000</u>	FEB 1, 2008 FEB 1, 2009 FEB 1, 2010 FEB 1, 2011	4.7500 4.8000 4.8500 5.7500	238 240 243 1,265,000 <u>1,265,721</u>	- - - - -	5,000 - - - <u>5,000</u>
NOVEMBER 30, 2000 (SERIES B) - QZAB	22,985,000	5,000 5,000 5,000 5,000 5,000 22,935,000 <u>22,960,000</u>	NOV 30, 2007 NOV 30, 2008 NOV 30, 2009 NOV 30, 2010 NOV 30, 2011 NOV 30, 2012-13	- - - - - -	- - - - - -	- - - - - -	5,000 - - - - - <u>5,000</u>
JANUARY 1, 2002 (SERIES A)	156,000,000	5,000 5,000 3,315,000 3,475,000 3,665,000 <u>10,465,000</u>	FEB 1, 2008 FEB 1, 2009 FEB 1, 2010 FEB 1, 2011 FEB 1, 2012	4.1000 4.3000 5.0000 5.2500 5.2500	205 215 165,750 182,438 192,413 <u>541,021</u>	- - - - - -	5,000 - - - - <u>5,000</u>
MAY 15, 2002 (SERIES B)	300,000,000	10,625,000 11,225,000 11,860,000 12,530,000 13,240,000 13,990,000 <u>73,470,000</u>	AUG 1, 2007 AUG 1, 2008 AUG 1, 2009 AUG 1, 2010 AUG 1, 2011 AUG 1, 2012	5.5000 5.5000 5.5000 5.5000 5.5000 5.5000	292,188 617,375 652,300 689,150 728,200 769,450 <u>3,748,663</u>	- - - - - - -	10,625,000 - - - - - <u>10,625,000</u>
AUGUST 12, 2003 (SERIES A) VARIABLE INTEREST RATE Dauphin County General Authority	109,000,000	5,000 5,000 5,000 5,000 5,000 22,315,000 47,000,000 39,645,000 <u>108,985,000</u>	AUG 1, 2007 AUG 1, 2008 AUG 1, 2009 AUG 1, 2010 AUG 1, 2011 AUG 1, 2012-16 AUG 1, 2017-21 AUG 1, 2022-27	4.5000 4.5000 4.5000 4.5000 4.5000 4.5000 4.5000 4.5000	38 225 225 225 225 1,004,175 2,115,000 1,784,025 <u>4,904,138</u>	- - - - - - - -	5,000 - - - - - - - <u>5,000</u>
SEPTEMBER 10, 2003 (SERIES B) State Public School Building Authority Capital Obligation Bonds	588,140,000	43,505,000 <u>43,505,000</u>	JUNE 1, 2028	5.5000	2,392,775 <u>2,392,775</u>	- -	- -

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2007

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2008 Debt Service Requirements		
					Interest	Fixed Swap	
						Interest	Principal
JUNE 29, 2004 (SERIES A) VARIABLE INTEREST RATE Dauphin County General Authority	100,000,000	5,000 5,000 2,625,000 5,800,000 5,250,000 45,150,000 28,000,000 13,150,000 <u>99,985,000</u>	JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013-17 JUNE 1, 2018-22 JUNE 1, 2023-26	4.5000 4.5000 4.5000 4.5000 4.5000 4.5000 4.5000 4.5000	225 225 118,125 261,000 236,250 2,031,750 1,260,000 591,750 <u>4,499,325</u>	- - - - - - - - <u>-</u>	5,000 - - - - - - - <u>5,000</u>
JUNE 29, 2004 (SERIES B) GOB-Refunding Auction Reset Securities	652,600,000	25,000 25,000 25,000 1,475,000 31,125,000 130,825,000 140,850,000 155,575,000 192,600,000 <u>652,525,000</u>	SEPT 1, 2007 SEPT 1, 2008 SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012-16 SEPT 1, 2017-21 SEPT 1, 2022-26 SEPT 1, 2027-30	4.5000 4.5000 4.5000 4.5000 4.5000 4.5000 4.5000 4.5000 4.5000	281 1,125 1,125 66,375 1,400,625 5,887,125 6,338,250 7,000,875 8,667,000 <u>29,362,781</u>	933 933 933 55,024 1,161,106 4,880,374 5,254,352 5,803,662 7,184,865 <u>24,342,182</u>	25,000 - - - - - - - - <u>25,000</u>
JUNE 29, 2004 (SERIES C) GOB-Refunding Auction Reset Securities	38,475,000	7,625,000 7,850,000 8,125,000 7,950,000 2,150,000 <u>33,700,000</u>	SEPT 1, 2007 SEPT 1, 2008 SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011	4.5000 4.5000 4.5000 4.5000 4.5000	85,781 353,250 365,625 357,750 96,750 <u>1,259,156</u>	219,101 225,566 233,468 228,440 61,779 <u>968,354</u>	7,625,000 - - - - <u>7,625,000</u>
JUNE 29, 2004 (SERIES D) GOB Fixed Rate	100,000,000	50,000 5,000 5,000 5,000 5,000 8,710,000 <u>8,780,000</u>	JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013-15	3.0000 3.3000 3.5000 3.7000 3.8500 4.9989	1,500 165 175 185 193 435,408 <u>437,626</u>	- - - - - - <u>-</u>	50,000 - - - - - <u>50,000</u>
AUGUST 1, 2004 2004 QZAB CSF P (SERIES E)	19,335,000	1,381,071 1,381,071 1,381,071 1,381,071 1,381,071 6,905,355 2,762,148 <u>16,572,858</u>	SEPT 1, 2007 SEPT 1, 2008 SEPT 1, 2009 SEPT 1, 2010 SEPT 1, 2011 SEPT 1, 2012-16 SEPT 1, 2017-18	- - - - - - -	- - - - - - - <u>-</u>	- - - - - - - <u>-</u>	1,381,071 - - - - - - <u>1,381,071</u>
MAY 25, 2005 (SERIES A) GOB-Refunding	198,140,000	25,000 475,000 795,000 825,000 855,000 68,585,000 126,555,000 <u>198,115,000</u>	AUGUST 1, 2007 AUGUST 1, 2008 AUGUST 1, 2009 AUGUST 1, 2010 AUGUST 1, 2011 AUGUST 1, 2012-16 AUGUST 1, 2017-22	3.0000 3.0000 3.0000 4.0000 4.0000 4.9870 5.0000	375 14,250 23,850 33,000 34,200 3,420,350 6,327,750 <u>9,853,775</u>	- - - - - - - <u>-</u>	25,000 - - - - - - <u>25,000</u>
MAY 25, 2005 (SERIES B) GOB-Refunding	43,415,000	5,000 5,000 5,000 5,310,000 5,410,000 32,470,000 <u>43,205,000</u>	APRIL 1, 2008 APRIL 1, 2009 APRIL 1, 2010 APRIL 1, 2011 APRIL 1, 2012 APRIL 1, 2013-17	3.0000 3.0000 3.2500 5.0000 5.0000 5.0000	150 150 163 265,500 270,500 1,623,500 <u>2,159,963</u>	- - - - - - <u>-</u>	5,000 - - - - - <u>5,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2007

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2008 Debt Service Requirements		
					Fixed Swap		Principal
					Interest	Interest	
JUNE 16, 2005 (SERIES C) GOB-Non	71,740,000	2,375,000 2,470,000 2,570,000 2,680,000 2,795,000 15,970,000 20,315,000 20,415,000 <u>69,590,000</u>	JULY 1, 2007 JULY 1, 2008 JULY 1, 2009 JULY 1, 2010 JULY 1, 2011 JULY 1, 2012-16 JULY 1, 2017-21 JULY 1, 2022-25	3.9700 4.1100 4.2000 4.2900 4.4300 4.7181 5.1846 5.3100	47,144 101,517 107,940 114,972 123,819 753,483 1,043,880 1,084,038 <u>3,376,793</u>	- - - - - - - - <u>-</u>	2,375,000 - - - - - - - <u>2,375,000</u>
OCTOBER 20, 2005 (SERIES D) GOB-Non	29,920,000	1,495,000 1,540,000 1,595,000 1,660,000 1,725,000 10,040,000 10,150,000 <u>28,205,000</u>	JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013-17 JUNE 1, 2018-21	3.0500 3.5000 4.0000 4.0000 5.2500 5.2151 5.5000	45,598 53,900 63,800 66,400 90,563 523,600 558,250 <u>1,402,111</u>	- - - - - - - <u>-</u>	1,495,000 - - - - - - <u>1,495,000</u>
DECEMBER 07, 2006 (SERIES A) GOB-Non State Public School Building Authority Capital Obligation Bonds	317,125,000	5,170,000 5,405,000 5,655,000 5,940,000 6,225,000 36,050,000 45,890,000 58,565,000 74,745,000 73,480,000 <u>317,125,000</u>	JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013-17 JUNE 1, 2018-22 JUNE 1, 2023-27 JUNE 1, 2028-32 JUNE 1, 2033-36	4.5000 4.6300 5.0000 4.8316 5.0000 4.9000 5.0000 5.0000 4.8870 4.4861	238,500 250,250 282,750 287,000 311,250 1,766,450 2,294,500 2,928,250 3,652,763 3,296,389 <u>15,308,102</u>	- - - - - - - - - - <u>-</u>	5,170,000 - - - - - - - - - <u>5,170,000</u>
DECEMBER 07, 2006 (SERIES B) GOB-Refunding State Public School Building Authority Capital Obligation Bonds	545,570,000	5,000 5,000 5,000 5,000 5,000 25,000 2,175,000 139,095,000 404,250,000 <u>545,570,000</u>	JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013-17 JUNE 1, 2018-22 JUNE 1, 2023-27 JUNE 1, 2028-33	3.5000 3.5000 3.5000 3.5000 3.5000 3.6000 4.1230 5.0000 4.7347	175 175 175 175 175 900 89,676 6,954,750 19,139,925 <u>26,186,126</u>	- - - - - - - - - <u>-</u>	5,000 - - - - - - - - <u>5,000</u>
APRIL 25, 2007 (SERIES A) GOB-Refunding	146,530,000	5,000 10,000 10,000 10,000 10,000 60,000 765,000 65,535,000 5,645,000 74,480,000 <u>146,530,000</u>	JUNE 1, 2008 JUNE 1, 2009 JUNE 1, 2010 JUNE 1, 2011 JUNE 1, 2012 JUNE 1, 2013-17 JUNE 1, 2018-22 JUNE 1, 2023-27 JUNE 1, 2028-32 JUNE 1, 2033-34	3.7000 3.7000 3.7000 3.7000 3.7000 4.0000 5.0000 5.0000 5.0000 4.7483	190 379 379 379 379 2,460 39,207 3,358,669 289,308 3,624,914 <u>7,316,264</u>	- - - - - - - - - - <u>-</u>	5,000 - - - - - - - - - <u>5,000</u>
TOTAL SERIAL BONDS		<u>\$ 2,638,457,858</u>			<u>\$ 123,461,204</u>	<u>\$ 25,310,536</u>	<u>\$ 70,801,071</u>
NON-ELECTORAL DEBT- SERIAL BONDS		\$ 1,732,257,858					
CAPITAL OBLIGATION BONDS		906,200,000					
TOTAL SERIAL BONDS OUTSTANDING		<u>\$ 2,638,457,858</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, 2007
(Dollars in Thousands)

	<u>2007</u>	<u>2006 (1)</u>
Governmental Funds Capital Assets:		
Land	\$ 112,700	\$ 113,000
Buildings	1,048,780	986,565
Improvements	826,418	776,050
Construction in Progress	409,030	252,782
Personal Property	234,095	228,639
Total Governmental Funds Capital Assets	<u>\$ 2,631,023</u>	<u>\$ 2,357,036</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund	\$ 85,147	\$ 93,518
Capital Projects Fund	2,492,999	2,214,166
Categorical Funds	52,877	49,352
Total Governmental Funds Capital Assets	<u>\$ 2,631,023</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) Fiscal Year 2006 balances shown before Fiscal Year 2007 prior period adjustments.

School District of Philadelphia
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
 June 30, 2007
 (Dollars in Thousands)

Function/Activity	Land	Buildings	Improvements	Construction in Progress	Personal Property	Total Governmental Funds Capital Assets
Instruction	\$ 108,683	\$ 948,607	\$ 777,172	\$ 406,545	\$ 165,784	\$ 2,406,791
Student Support Services	821	5,072	3,085	-	23,405	32,383
Administrative Support	3,196	95,101	46,161	2,485	3,535	150,478
Operation & Maintenance of Plant Services	-	-	-	-	7,530	7,530
Pupil Transportation	-	-	-	-	527	527
All Other Support Services	-	-	-	-	33,314	33,314
Total Governmental Funds Capital Assets	\$ 112,700	\$ 1,048,780	\$ 826,418	\$ 409,030	\$ 234,095	\$ 2,631,023

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, 2007
(Dollars in Thousands)

Function/Activity	Governmental Funds Capital Assets (1) July 1, 2006	Prior Period Adjustments	Additions	Deletions	Governmental Funds Capital Assets June 30, 2007
Instruction	\$ 2,129,552	\$ 472	\$ 288,568	\$ 11,801	\$ 2,406,791
Student Support Services	32,378	-	1,827	1,822	32,383
Administrative Support	147,834	-	3,074	430	150,478
Operation & Maintenance of Plant Services	7,511	-	705	686	7,530
Pupil Transportation	792	-	53	318	527
All Other Support Services	38,969	(1,583)	702	4,774	33,314
Total	<u>\$ 2,357,036</u>	<u>\$ (1,111)</u>	<u>\$ 294,929</u>	<u>\$ 19,831</u>	<u>\$ 2,631,023</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, 2006 balances were adjusted to accurately reflect amounts by Function/Activity.

TAB 3

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 I
Net Assets by Component
For the Fiscal Years 2002 through 2007
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007
<u>Governmental Activities</u>						
Invested in Capital Assets, Net of Related Debt Restricted	\$ 76,633	\$ 68,267	\$ (76,702)	\$ 15,075 (2)	\$ 10,345	\$ 1,183
Debt Service	53,102	63,072	55,071	50,380	64,613	70,056
Special Revenue & Permanent Funds	5,406	5,422	5,256	5,331	-	-
Expendable	-	-	-	-	1,969	2,667
Non-Expendable	-	-	-	-	3,622	3,329
Workers' Compensation/Termination/Other	-	-	19,624	23,889	2,354	-
Other (3)	118,389	68,227	-	-	-	-
Unrestricted (Deficit)	(737,437)	(772,940)	(696,786)	(1,031,304)	(1,199,787)	(1,303,264)
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>(1,226,029)</u>
<u>Business-type Activities</u>						
Invested in Capital Assets, Net of Related Debt Restricted	3,638	3,625	3,459	3,449	3,188	3,133
Unrestricted (Deficit)	7,405	8,143	7,474	7,855	2,442	(5,613)
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>(2,480)</u>
<u>Total School District</u>						
Invested in Capital Assets, Net of Related Debt Restricted	80,271	71,893	(73,243)	18,524	13,533	4,316
Unrestricted (Deficit)	176,897	136,720	79,951	79,600	72,558	76,052
Unrestricted (Deficit)	(730,032)	(764,797)	(689,312)	(1,023,449)	(1,197,345)	(1,308,877)
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>	<u>\$ (1,228,509)</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 uncanceled 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 2007.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2002 through 2007
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007
Expenses:						
Governmental Activities						
Instruction	\$ 1,202,232	\$ 1,283,177	\$ 1,382,087	\$ 1,458,022	\$ 1,696,973	\$ 1,706,310
Student Support Services	283,732	326,276	352,299	412,991	247,845	262,044
Administrative Support	124,344	120,226	114,931	117,811	112,455	114,397
Operation & Maintenance of Plant Services	229,683	238,238	243,485	258,985	263,163	270,163
Pupil Transportation	42,237	44,708	76,382	84,170	88,867	89,079
All Other Support Services	4,858	279	26,868	15,815	38,422	19,654
Early Childhood Education	24,481	25,562	21,628	20,952	18,005	20,448
Interest on Long-Term Debt	52,458	76,895	88,732	114,535	128,245	138,286
Loss on Disposal of Capital Assets (2)	-	-	6,323 (3)	3,838	-	-
Loss on Sale of Real Property	-	-	-	57,550	-	-
Total Governmental Activities Expenses (4)	<u>1,964,025</u>	<u>2,115,361</u>	<u>2,312,735</u>	<u>2,544,669</u>	<u>2,593,975</u>	<u>2,620,381</u>
Business-type Activities:						
Food Service	70,730	72,538	80,638	77,595	79,851	81,798
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>	<u>81,798</u>
Total School District Expenses	<u>\$ 2,034,755</u>	<u>\$ 2,187,899</u>	<u>\$ 2,393,373</u>	<u>\$ 2,622,272</u>	<u>\$ 2,673,832</u>	<u>\$ 2,702,179</u>
Program Revenues						
Governmental Activities						
Charges for Services	\$ 6,499	\$ 6,881	\$ 7,721	\$ 5,036	\$ 2,976	\$ 2,529
Operating grants and contributions	392,115	541,135	657,783	743,746	778,978	804,980
Capital grants and contributions	24	5,176	2,565	200	-	123
Total Governmental Activities Program Revenues	<u>398,638</u>	<u>553,192</u>	<u>668,069</u>	<u>748,982</u>	<u>781,954</u>	<u>807,632</u>
Business-type Activities						
Charges for Services:						
Food Service	8,613	8,186	8,219	6,695	4,834	5,086
Operating grants and contributions	62,186	65,152	71,660	71,457	69,527	68,530
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>	<u>73,616</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>\$ 881,248</u>
Net (Expense)/Revenue						
Governmental Activities	(1,565,387)	(1,562,169)	(1,644,666)	(1,795,687)	(1,812,021)	(1,812,749)
Business-type Activities	69	800	(759)	549	(5,496)	(8,183)
Total School District Net (Expense)/Revenue	<u>\$ (1,565,318)</u>	<u>\$ (1,561,369)</u>	<u>\$ (1,645,425)</u>	<u>\$ (1,795,138)</u>	<u>\$ (1,817,517)</u>	<u>\$ (1,820,932)</u>

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 2007.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Assets
For the Fiscal Years 2002 through 2007
(accrual basis of accounting)
(dollars in thousands)

	2002 (1)	2003	2004	2005	2006	2007
<u>Net (Expense)/Revenue</u>						
Governmental Activities	\$ (1,565,387)	\$ (1,562,169)	\$ (1,644,666)	\$ (1,795,687)	\$ (1,812,021)	\$ (1,812,749)
Business-type Activities	69	800	(759)	549	(5,496)	(8,183)
Total School District Net (Expense)/Revenue	<u>(1,565,318)</u>	<u>(1,561,369)</u>	<u>(1,645,425)</u>	<u>(1,795,138)</u>	<u>(1,817,517)</u>	<u>(1,820,932)</u>
<u>General Revenues/Contributed Capital/Transfers:</u>						
Governmental Activities						
Property Taxes	455,829	503,114	516,385	540,322	540,241	549,519
Other Taxes	134,728	142,217	134,264	148,411	157,464	168,484
Grants and Contributions Not Restricted to Specific Programs	94,569	68,145	83,595	81,872	112,958	142,927
State & Federal Subsidies	796,328	768,988	760,743	783,947	804,829	843,647
General Obligation Bond Premium (2)	952	-	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	222	-	-
Transfers	76	76	76	178	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>	<u>1,704,755</u>
Business-type Activities						
Contributed Capital	-	-	-	-	-	250
Transfers	(76)	(76)	(76)	(178)	(178)	(178)
Total Business-type Activities	<u>(76)</u>	<u>(76)</u>	<u>(76)</u>	<u>(178)</u>	<u>(178)</u>	<u>72</u>
Total School District General Revenues/Contributed Capital/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>1,704,827</u>
<u>Changes in Net Assets:</u>						
Governmental Activities	(82,905)	(79,630)	(149,603)	(240,735)	(196,351)	(107,994)
Business-type Activities	(7)	725	(835)	371	(5,674)	(8,111)
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>	<u>\$ (116,105)</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, the School District reported the GOB premium as such.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2002 through 2007.

School District of Philadelphia

Table 4

Fund Balances of Governmental Funds
For the Fiscal Years 1998 through 2007
(modified accrual basis of accounting)
(dollars in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved (1)	\$ 37,715	\$ 36,253	\$ 44,521	\$ 39,441	\$ 29,479	\$ 19,544	\$ 39,786	\$ 34,262	\$ 5,270	\$ 18,270
Unreserved	(2,225)	74	(46,892)	(115,382)	149,228	112,638	3,820	22,277	(71,402)	(69,416)
Total General Fund	\$ 35,490	\$ 36,327	\$ (2,371)	\$ (75,941)	\$ 178,707	\$ 132,182	\$ 43,606	\$ 56,539	\$ (66,132)	\$ (51,146)
All Other Governmental Funds										
Reserved (2)	\$ 155,383	\$ 156,744	\$ 171,273	\$ 170,795	\$ 144,402	\$ 114,145	\$ 158,729	\$ 201,961	\$ 246,397	\$ 482,147
Unreserved										
Special Revenue Funds (3)	-	-	-	-	2,397	2,465	2,224	2,254	2,427	2,667
Permanent Funds (3)	-	-	-	-	620	568	553	556	640	737
Trust Purposes (3)	2,584	2,559	3,562	3,716	-	-	-	-	-	-
Categorical Funds	-	-	-	(6,336)	(7,131)	(6,096)	(30,648)	(22,775)	(17,156)	(18,454)
Capital Projects Fund	(38,127)	(28,313)	(74,621)	(54,479)	6,940	(3,256)	651,920	454,687	246,930	28,386
Debt Service Fund	-	-	-	-	-	95	-	-	-	-
Total All Other Governmental Funds	\$ 119,840	\$ 130,990	\$ 100,214	\$ 113,696	\$ 147,228	\$ 107,921	\$ 782,778	\$ 636,683	\$ 479,238	\$ 495,483

Notes:

- (1) The General Fund reserved balance has fluctuated between Fiscal Year 2002 and Fiscal Year 2006. This change is partially due to fewer contractual commitments at year end, workers' compensation payments and elimination of the Termination/Incentive Compensation reserve. The increase for Fiscal Year 2007 is primarily due to a large increase in encumbrances.
- (2) The All Other Governmental Funds reserved balance for Fiscal Year 2004 through Fiscal Year 2007 have steadily increased due to outstanding contractual commitments for capital projects.
- (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 1998 through 2007.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 1998 through 2007
(modified accrual basis of accounting)
(dollars in thousands)

REVENUES

Federal Sources

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Grants and Subsidies	\$ 151,488	\$ 161,718	\$ 189,074	\$ 211,365	\$ 219,272	\$ 260,343	\$ 306,669	\$ 339,280	\$ 335,727	\$ 293,012
Total Federal Sources	151,488	161,718	189,074	211,365	219,272	260,343	306,669	339,280	335,727	293,012

State Sources

Grants and Subsidies	848,744	854,118	896,360	942,665	974,652	1,062,960	1,099,758	1,201,528	1,256,808	1,357,462
Total State Sources	848,744	854,118	896,360	942,665	974,652	1,062,960	1,099,758	1,201,528	1,256,808	1,357,462

Local Sources

Local Taxes

Real Estate										
Current	365,681	375,953	379,063	390,032	401,978	451,067	458,085	486,815	493,147	501,282
Prior Years	37,474	37,462	35,762	37,535	39,188	37,615	55,438	49,459	53,862	49,357
Payment in Lieu of Taxes	5	5	8	5	5	5	5	5	5	5
Use and Occupancy	80,849	82,861	90,549	94,759	93,385	98,862	96,154	99,050	103,762	103,757
General Business	114	114	-	-	-	-	-	-	-	-
School (Non-Business) Income	17,140	17,786	21,458	19,283	16,878	16,515	14,605	17,617	20,013	24,035
Liquor Sales	21,277	22,533	24,991	29,191	28,306	28,650	33,082	33,930	38,241	39,331
Public Utility Realty	6,850	7,532	5,468	2,102	1,145	960	1,055	857	1,096	1,123
Sale of Tax Liens	-	-	-	-	-	-	-	-	-	-
Total Local Taxes	529,390	544,246	557,299	572,907	580,885	633,674	658,424	687,733	710,126	718,890

Locally Generated Non Tax

Interest and other income	45,923	36,523	48,336	42,435	23,155	21,171	25,641	39,939	39,687	56,614
City Contributions	15,000	30,000	-	15,000	60,000	35,000	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	2,590
Stadium Agreements	-	-	-	-	-	-	1,159	1,159	1,159	2,898
Reimbursements from Other Funds	4,652	5,595	5,738	6,234	7,160	7,386	7,668	7,221	6,503	7,462
Variable Rate Income	-	-	-	-	-	-	-	11,383	20,001	23,765
Private Grants and Foundations	13,293	12,132	12,725	1,211	-	-	-	-	-	-
Total Locally Generated Non Tax	83,368	88,750	71,299	69,380	94,815	68,057	72,118	97,203	105,169	128,329
Total Local Sources	612,758	632,997	628,598	642,287	675,700	701,731	730,542	784,936	815,295	847,219
Total Revenues	\$ 1,612,990	\$ 1,648,833	\$ 1,714,032	\$ 1,796,317	\$ 1,869,624	\$ 2,025,034	\$ 2,136,969	\$ 2,325,744	\$ 2,407,830	\$ 2,497,693

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 1998 through 2007.

School District of Philadelphia
Table 6

Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 1998 through 2007
(modified accrual basis of accounting)
(dollars in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EXPENDITURES										
Current:										
Instruction	\$ 1,111,406	\$ 1,125,399	\$ 1,051,999	\$ 1,150,900	\$ 1,154,888	\$ 1,216,991	\$ 1,322,323	\$ 1,369,961	\$ 1,372,403	\$ 1,322,219
Student Support Services	112,217	112,456	206,559	182,904	183,260	188,932	201,879	221,853	233,336	230,955
Cluster Support/ Professional Development	45,018	49,698	50,573	42,213	-	-	-	-	-	-
Administrative Support	87,271	107,576	83,831	95,319	107,338	113,717	108,318	111,021	106,691	102,197
Operation & Maintenance of Plant Services	171,478	172,911	222,174	233,122	226,556	233,222	241,579	256,029	261,984	262,181
Pupil Transportation	-	-	-	-	41,667	44,247	76,523	82,228	88,502	87,071
All Other Support Services	12,948	9,468	3,024	3,815	4,858	279	26,380	15,302	36,822	18,877
Early Childhood Education	-	-	-	-	24,481	25,562	21,628	20,952	17,994	20,448
Payments to Charter Schools	-	-	44,362	71,376	95,312	126,061	153,410	184,084	220,930	240,377
Tax Lien Sale Cost	-	-	-	-	-	-	-	-	-	-
Allocated Costs	-	-	197	-	-	-	-	-	-	-
Debt Service:										
Principal	8,595	34,600	36,405	20,197	33,305	34,585	45,000	21,131	37,437	63,122
Loans	369	369	369	369	369	369	369	369	215	34
Interest	34,890	36,290	40,490	55,004	53,476	70,193	74,044	71,023	91,726	99,242
Principal & Interest - Authority	-	-	-	-	-	-	22,908	33,615	29,953	33,805
Issuance Costs	-	3,483	2,649	2,289	6,675	-	26,593	4,749	1,449	15,235
Administrative Expenses	-	-	-	-	-	-	-	2,346	2,820	2,436
Capital Outlay: (1)										
New Buildings and Additions	61,058	29,741	42,394	44,227	60,546	18,175	44,753	100,986	52,702	73,734
Environmental Management	5,888	6,217	6,217	6,175	7,134	8,294	3,355	2,994	3,837	3,824
Alterations and Equipment	51,021	101,917	95,217	98,791	57,745	27,003	79,590	87,304	154,603	226,794
Major Renovations	-	-	-	-	-	811	1,317	1,216	297	-
Equipment Acquisitions	-	-	-	-	-	2,694	5,619	5,766	14,509	20,184
Total Expenditures	\$ 1,702,159	\$ 1,790,733	\$ 1,886,460	\$ 2,006,791	\$ 2,057,610	\$ 2,111,135	\$ 2,455,588	\$ 2,592,929	\$ 2,728,210	\$ 2,822,735
Debt Service as a percentage of noncapital expenditures (2)	2.8%	4.3%	4.6%	4.2%	4.9%	5.1%	7.3%	5.6%	6.5%	8.6%

Notes:

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

(2) 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 1998 through 2007.

School District of Philadelphia

Table 7

Other Financing Sources and (Uses) and Net Change in Fund Balance

Governmental Funds

For the Fiscal Years 1998 through 2007

(modified accrual basis of accounting)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Excess (Deficiency) of Revenues over Expenditures	\$ (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)	\$ (325,041,866)
Other Financing Sources (Uses)										
Debt Issuance (Bond Proceeds)	-	257,341,766	177,503,257	157,550,371	456,000,000 (1)	-	1,587,760,623 (1)	332,630,000	29,920,000	1,008,348,549
Land Sale Proceeds	-	-	-	-	-	-	-	27,754,440	-	-
Capital Asset Proceeds	-	-	-	-	-	-	-	221,507	207,071	2,461,045
Swap Net Proceeds	-	-	-	-	-	-	16,641,000	-	-	-
Basis Swap Proceeds	-	-	-	-	-	-	-	-	7,235,000	10,740,000
Bond Premium	-	-	-	-	-	-	-	-	2,833,532	62,356,553
Bond Discounts	-	-	-	-	21,132,860 (1)	-	4,884,867 (1)	18,512,125	-	-
Bond Defeasement	-	(103,736,337)	(74,862,819)	-	-	-	(10,513,043) (1)	-	-	-
Transfers In	149,560,732	179,506,879	170,516,492	174,889,618	185,163,129	186,486,249	691,989,393	(256,746,398)	-	(727,979,601)
Transfers Out	(149,473,968)	(179,425,628)	(170,440,754)	(174,813,882)	(185,087,395)	(186,410,518)	(340,346,151)	288,138,801	347,924,848	373,071,792
								(287,960,801)	(347,746,807)	(372,893,770)
Total Other Financing Sources and (Uses)	86,764	153,686,680	102,716,176	157,626,107	477,208,594	75,731	906,859,783	122,549,674	40,373,644	356,104,568
Net Change in Fund Balance	<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>\$ 588,249,875</u>	<u>\$ (144,634,353)</u>	<u>\$ (280,006,697)</u>	<u>\$ 31,062,702</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 1998 through 2007.

School District of Philadelphia

Table 8

Governmental Funds Revenue By Own-Sources (3)

For the Fiscal Years 1998 through 2007

(modified accrual accounting)
(dollars in millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Percentage Change 1998 - 2007
Local Taxes											
Real Estate	\$ 403.2	\$ 413.4	\$ 414.8	\$ 427.6	\$ 441.2	\$ 488.7	\$ 513.5	\$ 536.3	\$ 547.0	\$ 550.6	36.6 %
Use and Occupancy	80.8	82.9	90.6	94.7	93.4	98.8	96.2	99.0	103.8	103.8	28.5
Other	45.4	48.0	51.9	50.6	46.3	46.1	48.7	52.4	59.3	64.5	42.1
Total Taxes	529.4	544.3	557.3	572.9	580.9	633.6	658.4	687.7	710.1	718.9	35.8
Locally Generated Non Tax											
City Contributions	15.0	30.0	-	15.0	60.0	35.0	35.0	35.0	35.0	35.0	133.3
Other	68.4	58.7	71.3	54.4	34.8	33.1	37.1	62.2	70.2	93.3	36.4
Total Local	83.4	88.7	71.3	69.4	94.8	68.1	72.1	97.2	105.2	128.3	53.8
Total Own-Source Revenues (1)	\$ 612.8	\$ 633.0	\$ 628.6	\$ 642.3	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	38.3 %

Summary of Own-Source Revenues by Fund:

General (4)	\$ 586.3	\$ 617.1	\$ 598.5	\$ 621.6	\$ 660.4	\$ 692.0	\$ 712.3	\$ 744.6	\$ 767.9	\$ 790.0	34.7 %
Intermediate	0.7	0.8	0.9	1.0	0.4	0.3	0.2	0.4	0.7	1.3	85.7
Categorical	6.1	7.5	8.3	7.9	10.1	6.4	6.4	9.7	6.4	6.2	1.6
Debt Service (1) (4) (6)	2.2	1.8	1.6	1.8	1.6	1.7	1.5	12.6	23.1	28.5	1,195.5
Capital Projects	17.0	5.5	18.1	9.7	2.9	1.2	9.9	17.4	16.9	20.8	22.0
Non-Major (5)	0.5	0.3	1.2	0.3	0.3	0.1	0.2	0.2	0.3	0.4	(20.0)
Total Own-Source Revenues	\$ 612.8	\$ 633.0	\$ 628.6	\$ 642.3	\$ 675.7	\$ 701.7	\$ 730.5	\$ 784.9	\$ 815.3	\$ 847.2	38.3 %
Totals Restated on a Constant Dollar Basis: (2)											
1998 as base year	\$ 612.8	\$ 617.9	\$ 598.1	\$ 591.2	\$ 609.3	\$ 621.6	\$ 619.8	\$ 644.0	\$ 640.3	\$ 655.1	6.9 %
2007 as base year	\$ 792.4	\$ 799.0	\$ 773.4	\$ 764.5	\$ 787.9	\$ 803.8	\$ 801.6	\$ 832.8	\$ 828.0	\$ 847.2	6.9 %

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 1998 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 1998 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 2007. As a result, these derivatives increased revenue under the Debt Service Fund.

School District of Philadelphia
Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 1998 through 2007
(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				
1998	\$ 12,494	\$ 3,293	\$ 9,201	4.519 %	\$ 9,201	0.3035	\$ 30,316
1999	12,628	3,387	9,241	4.519	9,241	0.3035	30,448
2000	12,864	3,413	9,451	4.519	9,451	0.3032	31,171
2001	13,254	3,513	9,741	4.519	9,741	0.3033	32,117
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	0.2924	39,094
2007	16,243	4,628	11,615	4.790	11,615	0.2924 (3)	39,723

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: STEB ratio not available, used Fiscal Year 2006 ratio.
- (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 1998 through 2007
(Per \$100 Assessed Value)

<u>Calendar Year</u>	<u>City of Philadelphia</u>	<u>School District of Philadelphia</u>	<u>Total</u>
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
2007	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	2007			1998		
	Rank	Assessment Value (1)	Percentage of Total Assessments	Rank	Assessment Value (1)	Percentage of Total Assessments
Two Liberty Place	1	\$ 54.4	0.47%		\$ -	-
Nine Penn Center Associates	2	54.1	0.47%	6	45.4	0.49%
Franklin Mills Associates	3	48.4	0.42%			-
HUB Properties Trust	4	48.0	0.41%	3	47.7	0.52%
Bell Atlantic	5	43.3	0.37%	4	47.0	0.51%
Maguire/Thomas	6	33.9	0.29%	8	31.6	0.34%
Commerce Square Partners	7	33.3	0.29%		-	-
PRU 1901 Market LLC	8	32.9	0.28%		-	-
Philadelphia Shipyard Development Corp.	9	30.3	0.26%		-	-
Philadelphia Market Street	10	28.8	0.25%			-
CSF Partnership		-	-	1	52.8	0.57%
One Liberty Place & Land Joint Venture		-	-	2	48.0	0.52%
LP Associates		-	-	5	45.4	0.49%
The Marriott		-	-	7	38.4	0.42%
Maguire/Thomas Partners & Phila. Plaza Assoc.		-	-	9	31.0	0.34%
1600 Market Street Associates		-	-	10	27.6	0.30%
Total of the Ten Largest Real Estate Assessments		<u>\$ 407.4</u>	<u>3.51%</u>		<u>\$ 414.9</u>	<u>4.51%</u>
Total Taxable Assessments		<u>\$ 11,615.0</u>	<u>100.00%</u>		<u>\$ 9,200.5</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 1998 through 2007

Calendar Year	Calendar Years 1998 through 2007				
	Collected within the				Ratio of Total Tax Collections to Total Tax Levy (d)
	Adjusted Total Tax Levy (a)	Calendar Year of the Tax Levy Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	
1998	\$ 408,489,256	\$ 366,011,354	89.60%	\$ 35,944,095	98.4%
1999	414,421,340	378,390,320	91.31%	34,362,564	99.6%
2000	421,290,908	375,140,384	89.05%	47,804,562	100.4%
2001	430,266,215	390,669,337	90.80%	34,729,352	98.9%
2002	444,264,098	391,820,496	88.20%	29,344,302	94.8%
2003	488,070,898	473,253,166	96.96%	64,984,233	110.3%
2004	513,175,891	451,656,255	88.01%	70,065,728	101.7%
2005	518,623,526	489,783,416	94.44%	50,244,245	104.1%
2006	536,311,238	497,741,969	92.81%	58,584,136	103.7%
2007	556,355,668 (b)	508,236,526 (c)	91.35%	66,847,681 (c)	103.4%
				\$ 401,955,449	
				412,752,884	
				422,944,946	
				425,398,689	
				421,164,798	
				538,237,399	
				521,721,983	
				540,027,661	
				556,326,105	
				575,084,207	

Notes:

- (a) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.
- (b) Source: The City Department of Revenue Accounts Receivable Activity as of November 15, 2006.
- (c) Source: The School District of Philadelphia - Accounting System as of December 26, 2007.
- (d) 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 1998 through 2007		
	Prior Year Tax		Total Tax Collections
	Current Tax Collections	Collections	
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
2007	501,282,361	49,357,210	550,639,571

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 1998 through 2007
(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 - 1998 as Base Year (2) (3)	
1998	\$ 697,170	\$ -	\$ 2,840	\$ -	\$ 700,010	2.14 %	\$ 457	\$	457
1999	822,067	-	2,471	-	824,538	2.41	540		527
2000	891,389	-	2,103	-	893,492	2.54	588		559
2001	1,017,780	-	1,734	-	1,019,514	2.74	674		620
2002	1,440,475	-	1,365	-	1,441,840	3.77	963		868
2003	1,405,890	-	997	-	1,406,887	3.49	947		839
2004	1,726,595	588,135	628	3,856	2,319,214	5.54	1,574		1,335
2005	1,805,490	588,130	259	3,125	2,397,004	5.55	1,636		1,342
2006	1,798,724	588,125	44	2,375	2,389,268	5.27	1,641		1,288
2007	1,732,258	906,200	10	1,604	2,640,072	5.54	1,823		1,409

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 1998 through 2007
(dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)										Per Capita (5)	
	General Obligation Bonds	QZAB Bonds	Deficit Bonds (2)	Dauphin County General Authority (DCGA)	State Public School Building Authority (SPSBA)	Gross General Bonded Debt Outstanding	Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Personal Income (3)	Percentage of Estimated Actual Taxable Value of Property (6)	Actual	In Constant Dollars - 1998 as Base Year (3) (4)
1998	\$ 697,170	\$ -	\$ -	-	\$ -	\$ 697,170	\$ 36,186	\$ 660,984	2.16 %	2.18 %	\$ 431	\$ 431
1999	822,067	-	-	-	-	822,067	37,773	784,294	2.29	2.58	514	502
2000	891,389	-	-	-	-	891,389	20,964	870,425	2.47	2.79	573	545
2001	694,795	22,985	-	-	-	1,017,780	22,675	995,105	2.68	3.10	657	605
2002	1,117,490	22,985	300,000	-	-	1,440,475	29,588	1,410,887	3.68	4.18	942	849
2003	1,082,910	22,980	300,000	-	-	1,405,890	34,138	1,371,752	3.40	3.88	924	818
2004	1,203,425	22,975	291,195	208,000	588,135	2,314,730	20,318	2,294,412	5.48	6.23	1,557	1,321
2005	1,262,915	42,305	291,280	208,990	588,130	2,393,620	28,048	2,365,572	5.48	6.37	1,614	1,324
2006	1,267,141	40,918	281,685	208,980	588,125	2,386,849	39,960	2,346,889	5.18	6.00	1,611	1,265
2007	1,212,170	39,533	271,585	208,970	906,200	2,638,458	46,895	2,591,563	5.44	6.52	1,789	1,384

Notes:

- (1) Includes all long-term general obligation bonded debt payable. Details of the School District's outstanding debt can be found in the notes to the financial statements. Deficit Bonds and Lease Revenue Bonds are deducted to determine borrowing capacity (debt limit).
- (2) Deficit Bond Series 2002B and the Refunding Bond Series 2005A are included for Fiscal Years 2005 and thereafter.
- (3) See Table 13 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.
- (4) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (5) Per Capita Income values based on population multiplied by Per Capita Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.
- (6) See Table 9 - Assessed and Estimated Actual Market Value of Taxable Property for "estimated actual taxable values".

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007
(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	\$ 2,593.2	100.0%	\$ 2,593.2
City of Philadelphia Direct Debt			4,245.4
Total Direct and Overlapping Debt			<u>\$ 6,838.6</u>

Notes:

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

The definition of overlapping governments are those that coincide, at least in part with the geographic boundaries of the city. Real property tax is levied on behalf of both the City of Philadelphia and the School District at a combined rate of 8.264 percent of the assessed value of residential and commercial property. The City's share currently is 3.474 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 1998 through 2007
(dollars in millions)

Legal Debt Margin Calculation for Fiscal Year 2007										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt Capacity (2)	\$ 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	\$ 1,943.0
General Obligation Bonds	697.1	822.1	891.3	1,017.8	1,440.5	1,405.9	2,314.7	2,393.6	2,386.8	2,638.5
Less: (Schedule of Basis OS)	-	-	-	-	-	-	(588.1)	(588.1)	(588.1)	(906.2)
Lease Rental - SPBA	(9.0)	(10.7)	(12.4)	(13.3)	(12.4)	-	-	-	-	-
Capital Appreciation Bonds - Non-electoral Debt	(29.3)	(25.8)	(23.1)	(20.2)	(23.1)	(6.1)	(3.6)	(2.5)	(1.3)	-
Electoral Debt	658.8	785.6	855.8	984.3	1,428.1	1,399.8	1,723.0	1,803.0	1,797.4	1,732.3
Non-electoral Debt Outstanding	-	-	-	-	(300.0)	(300.0)	(291.2)	(291.3)	(281.7)	(271.6)
Exclusions:	-	-	-	-	-	-	-	(70.5)	(70.5)	(69.6)
Deficit Bonds	-	-	-	-	-	-	-	(29.7)	(29.7)	(28.2)
Termination Bonds	-	-	-	-	-	-	-	-	-	-
Stadium Bonds	658.8	785.6	855.8	984.3	1,128.1	1,099.8	1,431.8	1,441.2	1,415.5	1,362.9
Non-electoral Debt Outstanding applicable to Debt Limit	-	-	-	-	-	-	-	-	-	-
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)	\$ 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	\$ 1,943.0
Less: Non-electoral Debt Outstanding applicable to Debt Limit	658.8	785.6	855.8	984.3	1,128.1	1,099.8	1,431.8	1,441.2	1,415.5	1,362.9
Non-electoral Debt Capacity (2)	\$ 754.9	\$ 652.6	\$ 587.4	\$ 496.3	\$ 394.2	\$ 500.7	\$ 256.7	\$ 341.5	\$ 442.1	\$ 580.1
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)	46.6 %	54.6 %	59.3 %	66.5 %	74.1 %	68.7 %	84.8 %	80.8 %	76.2 %	70.1 %
Debt Limit: (1)										
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (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	\$ 3,886.1
General Obligation Bonds	697.1	822.1	891.3	1,017.8	1,440.5	1,405.9	2,314.7	2,393.6	2,386.8	2,638.5
Less:	(9.0)	(10.7)	(12.4)	(13.3)	(12.4)	-	-	-	-	-
Capital Appreciation Bonds - Non-electoral Debt	(29.3)	(25.8)	(23.1)	(20.2)	(23.1)	(6.1)	(3.6)	(2.5)	(1.3)	-
Electoral Debt	658.8	785.6	855.8	984.3	1,428.1	1,399.8	2,311.1	2,391.1	2,385.5	2,638.5
Non-electoral Debt and Lease Rental Outstanding	-	-	-	-	(300.0)	(300.0)	(291.2)	(291.3)	(281.7)	(271.6)
Exclusions:	-	-	-	-	-	-	-	(70.5)	(70.5)	(69.6)
Deficit Bonds	-	-	-	-	-	-	-	(29.7)	(29.7)	(28.2)
Termination Bonds	-	-	-	-	-	-	-	-	-	-
Stadium Bonds	658.8	785.6	855.8	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1
Net Non-electoral Debt and Lease Rental Outstanding	-	-	-	-	-	-	-	-	-	-
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (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	\$ 3,886.1
Less: Net Non-electoral Debt and Lease Rental Outstanding	658.8	785.6	855.8	984.3	1,128.1	1,099.8	2,019.9	2,029.3	2,003.6	2,269.1
Non-electoral Debt and Lease Rental Borrowing Capacity	\$ 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	\$ 1,617.0
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)	23.3 %	27.3 %	29.6 %	33.2 %	37.1 %	34.4 %	59.8 %	56.9 %	53.9 %	58.4 %

Notes:

- (1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit). Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.
- (2) Debt Capacity represents borrowing base less the amount of outstanding Non-electoral debt less certain exclusions. It is the maximum allowable debt that does not exceed the average revenue for the three preceding fiscal years.
- (3) Borrowing Capacity represents 207% 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 1998 through 2007
(dollars in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Bonded Debt Principal	\$ 8,595	\$ 34,600	\$ 36,405	\$ 20,197	\$ 33,305	\$ 34,585	\$ 45,000	\$ 20,410	\$ 36,686	\$ 62,352
General Bonded Debt Interest	34,890	36,290	40,490	55,004	53,476	70,193	74,044	74,572	91,643	99,178
Loans	369	369	369	369	369	369	369	369	215	34
State Public School Building Authority (1)	-	-	-	-	-	-	21,717	29,952	29,953	33,805
Total Debt Service Expenditures (2)	<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>	<u>\$ 195,369</u>
Total General Expenditures Excluding Categorical Funds	<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>	<u>\$ 2,387,788</u>
Ratio of Debt Service to Total General Expenditures Excluding Categorical Funds	<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>	<u>8.18</u>
Total General Expenditures (2) (3)	<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>\$ 2,728,210</u>	<u>\$ 2,822,734</u>
Ratio of Debt Service to Total General Expenditures	<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>5.81</u>	<u>6.92</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 1997 through 2006

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)
1997	1,532	\$ 21,342	\$ 32,694,799	6.8	654.0	\$ 39,033	\$ 9,276	\$ 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	24,572	37,193,547	5.6	635.1	40,200	9,527	18,531	4,576
2001	1,498	25,563	38,290,004	6.1	636.3	41,420	9,867	21,101	4,640
2002	1,485	27,169	40,353,074	7.4	637.5	43,005	10,300	16,872	9,384
2003	1,473	28,400	41,843,691	7.6	627.5	44,770	10,819	19,719	8,730
2004	1,465	29,447	43,154,553	7.5	623.9	46,292	11,141	19,883	9,636
2005	1,456	31,129	45,334,701	6.7	619.9	47,099	11,283	22,325	13,199
2006	1,448	32,881	47,624,989	6.3	623.6	49,384	11,904	23,376	18,504

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)

2007 (1) (2)	1998 (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 1998 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 2007

	PROFESSIONAL/NON-PROFESSIONAL EMPLOYEES as of June 15th (1)								Percentage Change 2000 - 2007
	2000	2001	2002	2003	2004	2005	2006	2007	
Instruction:									
<i>Classroom Teachers</i>									
Operating	11,346	11,494	11,180	10,861	11,033	10,347	9,509	8,884	(21.7) %
Grants	915	953	1,346	1,319	1,146	1,286	1,438	1,612	76.2
<i>Total Classroom Teachers</i>	<u>12,261</u>	<u>12,447</u>	<u>12,526</u>	<u>12,180</u>	<u>12,179</u>	<u>11,633</u>	<u>10,947</u>	<u>10,496</u>	(14.4)
<i>Non-Teaching</i>									
Assistant (Asst.) Teachers	465	482	463	444	365	384	239	241	(48.2)
Classroom & Instructor Assistants	1,035	990	940	885	778	715	663	672	(35.1)
Counselor-Librarians	154	147	123	93	89	83	84	88	(42.9)
Psychologists/Therapists	54	48	41	41	39	41	37	38	(29.6)
P/T Classroom & Instructor Assistants	2,117	2,035	1,936	1,745	1,356	1,210	1,471	1,197	(43.5)
Other Paraprofessionals	236	277	270	245	237	203	172	152	(35.6)
<i>Total Non-Teaching</i>	<u>4,061</u>	<u>3,979</u>	<u>3,773</u>	<u>3,453</u>	<u>2,864</u>	<u>2,636</u>	<u>2,666</u>	<u>2,388</u>	(41.2)
Total Instruction	<u>16,322</u>	<u>16,426</u>	<u>16,299</u>	<u>15,633</u>	<u>15,043</u>	<u>14,269</u>	<u>13,613</u>	<u>12,884</u>	(21.1)
Classroom Support:									
<i>In-school Instruction Leadership & Support</i>									
Principals Assistant Principals	461	487	501	512	532	522	515	510	10.6
Department Heads/Program Mgrs. & Coord.	91	86	77	61	63	59	35	31	(65.9)
Secretarial	655	653	634	602	597	580	540	497	(24.1)
Other Clerical	66	69	73	83	84	87	80	83	25.8
<i>Total In-school Instruction Leadership & Support</i>	<u>1,273</u>	<u>1,295</u>	<u>1,285</u>	<u>1,258</u>	<u>1,276</u>	<u>1,248</u>	<u>1,170</u>	<u>1,121</u>	(11.9)
<i>Professional Development & Training</i>									
Director	-	1	2	3	2	1	3	2	200.0
Other Technical Staff	1	-	-	-	-	-	-	-	(100.0)
Non-Teaching Professionals	371	323	295	292	418	391	431	350	(5.7)
Secretarial	4	2	2	3	4	4	5	4	-
<i>Total Professional Development & Training</i>	<u>376</u>	<u>326</u>	<u>299</u>	<u>298</u>	<u>424</u>	<u>396</u>	<u>439</u>	<u>356</u>	(5.3)
<i>Student Support Services</i>									
Other Technical Staff	29	35	35	34	30	33	27	31	6.9
Non-professional supervisory	103	116	117	113	116	114	113	107	3.9
Counselor/Librarians	383	384	371	366	339	340	347	327	(14.6)
Psychologists/Therapists	83	94	104	101	99	100	106	102	22.9
Other Paraprofessionals	289	268	150	159	146	167	198	194	(32.9)
Bus Drivers/Attendants	1,198	1,171	1,153	1,130	1,129	1,126	1,125	1,127	(5.9)
Health Providers	338	352	340	344	340	320	310	326	(3.6)
Food Service	885	867	873	891	908	902	890	931	5.2
Other (includes Noon Time Aides)	1,031	1,161	1,402	1,403	1,381	1,458	1,431	1,400	35.8
<i>Total Student Support Services</i>	<u>4,339</u>	<u>4,448</u>	<u>4,545</u>	<u>4,541</u>	<u>4,488</u>	<u>4,560</u>	<u>4,547</u>	<u>4,545</u>	4.7
<i>Basic Building Services</i>									
Non-Teaching Assistants	607	595	560	503	471	421	311	248	(59.1)
Maintenance	432	454	440	416	400	416	428	410	(5.1)
Custodial	2,227	2,315	2,175	2,010	1,868	1,810	1,663	1,583	(28.9)
Warehouse/Distribution	31	37	33	33	34	33	34	28	(9.7)
Security	556	521	492	481	491	554	489	540	(2.9)
<i>Total Basic Building Services</i>	<u>3,853</u>	<u>3,922</u>	<u>3,700</u>	<u>3,443</u>	<u>3,264</u>	<u>3,234</u>	<u>2,925</u>	<u>2,809</u>	(27.1)
Total Classroom Support	<u>9,841</u>	<u>9,991</u>	<u>9,829</u>	<u>9,540</u>	<u>9,452</u>	<u>9,438</u>	<u>9,081</u>	<u>8,831</u>	(10.3)
Administrative Support									
Executive Management	18	20	14	28	26	27	33	28	55.6
AAOs/Regional Administrators	21	21	21	12	11	11	12	12	(42.9)
Directors	95	63	54	61	65	65	69	70	(26.3)
Asst. Directors/Admin Asst.	122	123	93	75	81	71	61	55	(54.9)
Prog. & Mgmt. Supervisors	153	156	102	107	112	126	178	147	(3.9)
Mgmt. Level Technicians	123	124	115	116	128	126	114	152	23.6
Other Technical Staff	327	266	292	309	359	350	398	288	(11.9)
Non-Professional Supervisory	99	93	123	113	114	118	116	111	12.1
Secretarial	223	210	179	165	166	165	151	141	(36.8)
Other Clerical	204	200	194	185	195	183	182	158	(22.5)
Other (2)	264	100	12	4	3	2	1	-	(100.0)
Total Administrative Support	<u>1,649</u>	<u>1,376</u>	<u>1,199</u>	<u>1,175</u>	<u>1,260</u>	<u>1,244</u>	<u>1,315</u>	<u>1,162</u>	(29.5)
Total School District	<u>27,812</u>	<u>27,793</u>	<u>27,327</u>	<u>26,348</u>	<u>25,755</u>	<u>24,951</u>	<u>24,009</u>	<u>22,877</u>	(17.7)
Add: Municipal Services (3)	96	100	97	95	95	96	92	93	(3.1)
Total School District-Wide	<u>27,908</u>	<u>27,893</u>	<u>27,424</u>	<u>26,443</u>	<u>25,850</u>	<u>25,047</u>	<u>24,101</u>	<u>22,970</u>	(17.7) %

Notes:

- (1) Data represents the School District's active employees, for each fiscal year, in the School District's payroll system as of June 15th.
- (2) Represents positions that could not be identified to a specific function between Fiscal Year 2000 and Fiscal Year 2006.
- (3) Represents positions paid by the School District on behalf of the City of Philadelphia.

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

Source: Office of Human Resources Department - Fiscal Year 2007.

School District of Philadelphia
Table 21
Operating Statistics
For the Fiscal Years 1998 through 2007

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
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	2,544,669	14,003	14.38	58.4	21.8	18.2	11,633	15.6
2006	175,263	2,118,524	12,088	5.71	2,593,976	14,800	5.70	56.7	22.7	18.4	10,947	16.0
2007	169,697	2,044,739	12,049	(0.32)	2,620,381	15,442	4.33	56.3	22.4	18.0	10,496	16.2

Notes:

- (1) See Table 22 - Miscellaneous Statistics for details.
 - (2) Represents total expenditures under governmental funds less Debt Service, Capital Projects and Non-Major Funds, as well as charter school payments.
 - (3) Data obtained from GASB Statement No. 34 Statement of Activities.
 - (4) Food Services Administration Support, The School District of Philadelphia.
 - (5) Transportation Department - The School District of Philadelphia.
 - (6) See Table 20 - School District Employees by Function for details.
- (N/A) Data not available before implementation of GASB Statement No. 34.

School District of Philadelphia
Table 22
Miscellaneous Statistics
For the Fiscal Years 1998 through 2007

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 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006 (3)	Fiscal 2007
Number of Schools (1)										
Elementary	175	175	175	175	175	175	175	176	177	178
Junior/Middle	41	41	41	42	42	41	42	38	32	30
Special	8	10	10	11	8	10	11	11	17	21
Senior	31	31	31	32	32	33	35	38	30	31
Vocational/Technical	4	4	4	5	5	5	5	7	9	9
Total Public Schools	259	261	261	265	262	264	268	270	265	269
Number of Charter Schools (2)	-	-	25	35	41	46	48	52	54	56
Number of Alternative Schools (2)	-	-	-	-	-	-	-	N/A	13	15
Total Schools	259	261	286	300	303	310	316	322	332	340
School Enrollment (2)										
Elementary	108,237	107,034	105,044	102,118	99,992	96,786	94,247	91,932	99,157	97,429
Junior/Middle	33,663	33,616	33,632	33,618	31,519	30,042	29,380	25,572	22,455	19,380
Special (3)	-	-	-	-	-	-	-	-	8,829	9,208
Senior (3)	-	-	-	-	-	-	-	-	35,861	35,329
Vocational/Technical (3)	-	-	-	-	-	-	-	-	8,961	8,351
Special/Senior/Vocational Technical (3)	71,153	67,411	66,445	65,592	65,833	66,248	64,770	64,222	-	-
Total Public Schools	213,053	208,061	205,121	201,328	197,344	193,076	188,397	181,726	175,263	169,697
Charter Schools	-	-	8,037	11,396	15,250	18,164	21,695	25,055	26,938	28,220
Alternative Schools	-	-	-	-	-	-	-	2,538	5,790	4,399
Total	213,053	208,061	213,158	212,724	212,594	211,240	210,092	209,319	207,991	202,316
Number of Public High School Graduates (1)	8,835	10,644	9,949	9,388	8,559	9,407	10,331	10,800	10,132	9,694
Number of High School Charter Graduates	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total of High School Graduates	8,835	10,644	9,949	9,388	8,559	9,407	10,331	10,800	10,132	9,694

Notes:

(1) School District of Philadelphia, Office of Accountability and Assessment- for Fiscal Years 1998 through 2005.

(2) School District of Philadelphia, Budget Document - Fiscal Years 1998 through 2005.

(3) School District of Philadelphia, Office of Research and Evaluation. 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) Data not available.

School District of Philadelphia
Table 23
Teacher Base Salaries
For the Calendar Years 1998 through 2007

Calendar Year	School District (1) (3)			Percent Change Average Salary		State Average Salary (2) (4)	National Average Salary (5)
	Minimum Salary	Average Salary	Maximum Salary				
1998	\$ 28,979	\$ NA	\$ 60,187	NA	%	\$ 47,557	\$ 39,350
1999	30,138	47,496	62,594	NA		48,457	40,544
2000	31,344	49,372	65,098	3.95		48,322	41,807
2001	32,598	51,606	67,702	4.52		49,529	43,394
2002	33,250	52,336	69,056	1.41		50,600	44,600
2003	34,580	54,055	71,818	3.28		51,425	45,654
2004	35,963	55,977	74,691	3.56		52,640	46,704
2005	37,622	58,187	74,691	3.95		53,281	47,674
2006	37,042	58,689	76,932	0.86		54,043	49,109
2007	38,153	60,361	79,240	2.85		54,977	NA

Notes:

NA – Data Not Available

(1) Amounts exclude additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, etc.

(2) Averages for State are based on school year which corresponded to ending fiscal years; For example, data for Calendar Year 1998 represent averages for school year 1997/98. etc.,

(3) Obtained from the Human Resources Data Team, School District of Philadelphia

(4) Obtained from the Pennsylvania Department of Education

(5) Obtained from the National Education Association

School District of Philadelphia
Table 24
Capital Asset Information
For the School Year 2006-2007

	<u>Buildings (1)</u>	<u>Range of Buildings Ages</u>	<u>Square Footage</u>	<u>Official Capacity (7)</u>	<u>Percentage of Capacity Used</u>	
<u>Schools</u>						
Elementary	174	3 yrs to 118 yrs	12,094,069	115,740	83.0	%
Middle	30	7 yrs to 113 yrs	4,178,028	31,912	58.4	
Senior	30	33 yrs to 95 yrs	7,132,118	52,985	66.1	
Senior/Elementary (2)	1	58 yrs	110,193	1,276	90.0	
Special	15	1 yr to 98 yrs	1,778,037	11,734	66.6	
Special/Middle School (3)	1	74 yrs	105,000	868	140.4	
Vocational	9	22 yrs to 90 yrs	1,750,946	9,668	86.4	
Alternative	7	40 yrs to 106 yrs	483,657	3,504	79.5	
<u>Other</u>						
Charter (4)	3	80 yrs to 86 yrs	248,790	1,880		
Elementary- Annex	10	N/A	231,319	1,960		
Little School Houses (5)	11	6 yrs to 10 yrs	253,996	3,175		
Middle- Annex	2	35 yrs to 57 yrs	72,591	506		
Senior-Annex	1	56 yrs	7,500	N/A		
Vocational-Annex	1	6 yrs	49,027	441		
Senior-Auto Academy	2	39 yrs	49,070	N/A		
Community Centers (6)	6	N/A	169,881	N/A		
<u>Administration</u>						
Administration	4	N/A	1,103,930			
<u>Transportation</u>						
Repair Garages	5	N/A	191,133			
School Garages	1	N/A	10,663			
<u>Athletics</u>						
Fields	16	22 yrs to 86 yrs	221,707			
Pools	10	33 yrs to 80 yrs	N/A			

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

N/A = Data Not Available

NOTES:

- (1) Only School District owned buildings were identified and recorded
- (2) Two Schools-Lamberton H.S. and Lamberton Elementary School use the same building.
- (3) Two Schools-Masterman H.S. and Masterman Middle School use the same building.
- (4) School District buildings being leased to Charter Schools.
- (5) Part of other public schools.
- (6) Used in conjunction with public schools.
- (7) Official Capacity as defined by the State has changed over the 115 years that a school would have been built.
Presently the State uses 25 students per classrooms for official capacity. The capacity enrollment number has varied from 25 to 35 over the years, therefore official capacities of schools have been adjusted accordingly as allowed by the State.



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