

City of Philadelphia

PENNSYLVANIA



Independence Hall

Comprehensive Annual Report Fiscal Year Ended June 30, 2010

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City of Philadelphia

P E N N S Y L V A N I A

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010



Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director



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City of Philadelphia

OFFICE OF THE DIRECTOR OF FINANCE

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Philadelphia, Pennsylvania 19102-1693

ROB DUBOW

Director of Finance

February 22, 2011

To the Honorable Mayor, Members of City Council and the People of the City of Philadelphia:

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2010 is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Philadelphia Home Rule Charter (Charter) requires an annual audit of all City accounts by the City Controller, an independently elected official. The Charter further requires that the City Controller appoint a Certified Public Accountant in charge of auditing. These requirements have been complied with and the audit done in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 129 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Home Rule Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten (10) from districts and seven (7) from the City at large, elected every four years. Minority representation is assured by the requirement that no more than five (5) candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Redevelopment Authority of Philadelphia's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Pennsylvania Convention Center Authority's, the Delaware River Waterfront Corporation's, and the Philadelphia Authority for Industrial Development's statements are presented discretely. A component unit is considered to be part of the City's reporting entity when it is concluded that the City is financially accountable for the entity or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles in excess of 30 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

City government is responsible for establishing and maintaining internal controls designed to protect the assets of the City from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. This internal control is subject to periodic evaluation by management and the City Controller's Office in order to determine its adequacy. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget proposed by the Mayor and approved by City Council for the fiscal year beginning July 1st. Activities of the General Fund, City Related Special Revenue Funds and the City Capital Improvement Funds are budgeted annually. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major class within an individual department and fund for the operating funds and by project within department and fund for the Capital Improvement Funds. The City also maintains an encumbrance accounting system for control purposes. Encumbered amounts that have not been expended at year-end are carried forward into the succeeding year but appropriations that have not been expended or encumbered at year-end are lapsed.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in this report is best understood in the context of the environment in which the City of Philadelphia operates. A more comprehensive analysis of these factors is available in the City's Five-Year Financial Plan which is presented by the Mayor each year pursuant to the Pennsylvania Intergovernmental Cooperation Authority Act and can be obtained online at www.phila.gov/finance/.

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. After 50 years of losing residents to the suburbs, the City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. Still, significant challenges remain. While fewer people live and work here than in previous decades, social needs continue to grow just as the cost of providing services are rising considerably.

The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and poverty in the region has become increasingly concentrated in the City. These factors create an ongoing challenge to fund those public services required by a growing segment of our population with a revenue base that is unduly burdensome on the City and regional economy.

These challenges are only heightened in the current environment of a severe economic recession, which officially began in December 2007, and from which the nation and City are only beginning to emerge. The recession – the longest recession in the post WWII period – has been characterized by high unemployment, tight credit, decreased consumer spending and significant job loss. The erosion of the financial markets has in turn generated significant fiscal strain across the economy.

State and local governments have and continue to face large budget shortfalls primarily as a result of depressed tax collections and pension fund market losses. The City of Philadelphia had, at the close of fiscal year 2010, a negative fund balance of \$114 million. This negative fund balance occurred despite the City having solved for a \$1.7 billion shortfall over FY2010-FY2015 and a \$1.04 billion shortfall over FY2009-FY2014.

In response to projected deficits, the City implemented significant expenditure reductions and efficiency savings, improved delinquent tax collections and temporarily suspended scheduled wage and business tax rate reductions. In addition, the City implemented workforce reductions through layoffs and by leaving positions vacant. Exempt employees earning \$50,000 or above were subject to five furlough days each year for two years and some executive staff took up to 10% paycuts. The City also implemented temporary sales and property tax increases.

As a result of these efforts, by the end of the current fiscal year 2011, the city is projecting a modest surplus of \$29.6 million.

While the recession officially ended in June 2009, unemployment remains high and many economists anticipate a slow and long recovery. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population increases, increases in total compensation and declining unemployment rates up until the impact of the recession in the last two years.

Calendar Year	Population	Personal Income <i>(thousands of USD)</i>	Per Capita Personal Income <i>(USD)</i>	Unemployment Rate
2005	1,517,628	44,933,858	29,608	6.7%
2006	1,520,251	47,550,937	31,278	6.2%
2007	1,530,031	50,052,562	32,713	6.0%
2008	1,540,351	52,549,456	34,115	7.1%
2009	1,547,297	55,170,909	35,656	10.0%

Long Term Financial Planning

Long term financial planning for the City and for businesses and governments around the world has been made much more challenging with the sudden and dramatic rate of deterioration in the economy in the past two and a half years. As discussed above, the City has made significant changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. Between fiscal year 2000 and fiscal year 2010 employee health benefits costs rose 119% and pension costs increased 109%, whereas total City revenues only increased 32%.

In order to address the challenges these long term structural costs present, the City is seeking changes to its health and pension benefits by reducing the cost to the City, implementing efficiency savings and seeking increased employee contributions and risk sharing. Some of these changes are already being made to the City-administered programs and those related to the Fraternal Order of Police (FOP) as a result of the December 18, 2009 Act 111 arbitration award. Additionally, the City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the International Association of Fire Fighters (IAFF). While the economic provisions of the award are being appealed by the City, the award's pension provisions are not under appeal by the City or the IAFF. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009.

Despite the immediate economic challenges facing the City, some planned initiatives must take place if the City is to be positioned for economic recovery in the long run. Some of those initiatives include:

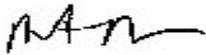
- **Greenworks Philadelphia.** The City is committed to becoming the greenest city in the U.S. by 2015. In order to achieve that goal the City has created a detailed work plan and begun implementation of Greenworks Philadelphia, which outlines those goals and initiatives the City will engage in to limit its environmental footprint and capitalize on its competitive advantages in the emerging green economy.
- **Healthy Philadelphia Initiative.** The City's Department of Public Health in conjunction with other City agencies, non profit organizations and academic institutions will implement a multi year plan for combating obesity by making healthy foods available to Philadelphians, decreasing the availability and consumption of non healthy foods and promoting physical activity in daily life.
- **PhillyGoes2College.** Improving educational outcomes is necessary in order to improve the overall well being of Philadelphia residents. As a way of increasing access to higher education the City has opened a new PhillyGoes2College office to assist residents to and through college as well as help them find scholarships to finance their education.
- **Investments in Technology.** Despite the significant budget cuts departments have endured over the course of the past two and a half years, the City is devoting resources to long-needed technology investments across government. These investments will help streamline operations and reduce costs in the long-term.
- **Jobs and Workforce Development.** Through Way to Work Philadelphia! The City and its partners leveraged federal stimulus dollars to provide wage subsidies for 14,000 part- and full-time jobs in Philadelphia - jobs for people who may otherwise have been unemployed. In addition, the City continues to work in partnership with economic development stakeholders to build work-readiness skills to youth ages 14-21, through paid summer job placements. In 2010 the program provided over 12,000 summer job opportunities.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the thirtieth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Office of the Director of Finance as well as various City departments and component units. Each has my sincere appreciation for their valuable contributions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rob Dubow".

ROB DUBOW
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

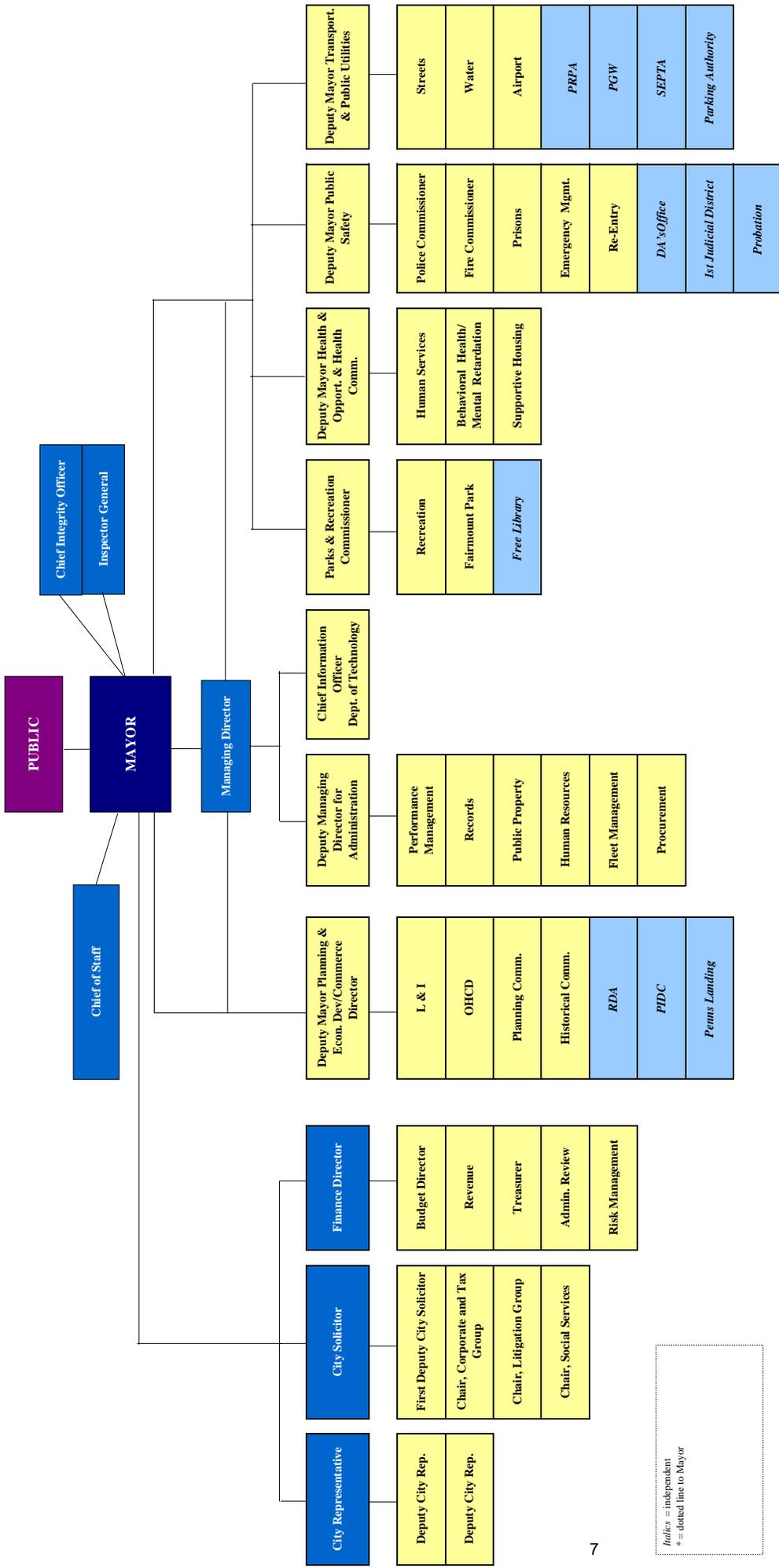


A stylized handwritten signature in black ink.

President

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

Executive Director



Italics = independent
 * = dotted line to Mayor



Elected Officials

Mayor Michael A. Nutter

City Council

President, 2nd District Anna Cibotti Verna

1st District Frank DiCicco

3rd District Jannie L. Blackwell

4th District Curtis Jones, Jr.

5th District Darrell L. Clarke

6th District Joan L. Krajewski

7th District Maria D. Quinones-Sanchez

8th District Donna Reed Miller

9th District Marian B. Tasco

10th District Brian J. O'Neill

At-Large Blondell Reynolds Brown

At-Large W. Wilson Goode, Jr.

At-Large William K. Greenlee

At-Large Jack Kelly

At-Large James F. Kenney

At-Large Bill Green

At-Large Frank Rizzo

District Attorney Seth Williams

City Controller Alan Butkovitz

City Commissioners

Chairwoman Margaret M. Tartaglione

Commissioner Anthony Clark

Commissioner Joseph Duda

Register of Wills Ronald R. Donatucci

Sheriff John Green

First Judicial District of Pennsylvania

President Judge, Court of Common Pleas Pamela P. Dembe

President Judge, Municipal Court Marsha H. Neifield

President Judge, Traffic Court Thomasine Tynes



Appointed Officials

Managing Director	Camille Cates Barnett, Ph.D.
Director of Finance	Rob Dubow
City Solicitor	Shelley A. Smith
City Representative	Melanie Johnson
Chief of Staff	Clarence Armbrister
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Senior Advisor to the Mayor	Pauline Abernathy
Chief Information Officer	Allan Frank
Deputy Mayor for Economic Development	Alan Greenberger
City Treasurer	Rebecca Rhyhart
Revenue Commissioner	Keith Richardson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Joan Schlotterbeck
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Anne Marie Ambrose
Licenses and Inspections Commissioner	Fran Burns
Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D'Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Carl P. Coin
Director of Aviation	Mark Gale
Director of the Office of Labor Relations	Joseph Tolan





CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Honorable Members
of the Council of the City of Philadelphia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2010, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pennsylvania Intergovernmental Cooperation Authority, Delaware River Waterfront Corporation, Pennsylvania Convention Center Authority, Philadelphia Parking Authority, and Community Behavioral Health discussed in Note I-1, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

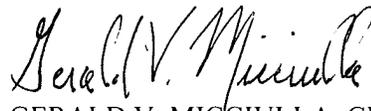
In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2011, on our consideration of the City of Philadelphia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note III.7.A.(6) to the financial statements, in 2010 the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits-schedule of funding progress, and the related notes to required supplementary information, on pages 122 through 126, 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 City of Philadelphia's basic financial statements. The accompanying Introductory Section, Other Supplementary Information, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2010 financial information listed as Other Supplementary Information in the table of contents, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Philadelphia's basic financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements. In our report dated February 18, 2010, we expressed unqualified opinions on the respective 2009 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. In our opinion, the 2009 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations, on pages 151 through 155, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole. The Introductory Section and Statistical Section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

February 22, 2011


GERALD V. MICCIULLA, CPA
Deputy City Controller

City of Philadelphia

P E N N S Y L V A N I A

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2010 has been prepared by the city's management. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the city's financial statements immediately following this discussion and analysis.

Financial Highlights

- At the end of the current fiscal year, the City of Philadelphia's *net liabilities* were \$197.7 million resulting from an excess of its liabilities over its assets. Its *unrestricted net assets* showed a deficit of \$2,164.7 million. This deficiency will have to be funded from resources generated in future years.
- During the current fiscal year the city's total net assets decreased by \$436.6 million. The governmental activities of the city experienced a decrease of \$483.4 million, while the business type activities had an increase of \$46.8 million.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$541.9 million, a decrease of \$117.5 million from last year. Primarily, this was due to Other Governmental funds which experienced a decrease in Fund Balance of \$86.5 million. The *unreserved fund balance* of the governmental funds ended the fiscal year with a deficit of \$44.7 million, an increase of \$30.6 million from last year.
- The overall unreserved fund balance of the city's General fund ended the fiscal year with a deficit of \$251.8 million, an increase from last year of \$22.7 million. This is due to a decrease in expenditures of \$360.4 million, a 5.1% decrease over the previous year.
- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a deficit fund balance of \$114.0 million, as compared to a deficit of \$137.2 million last year. This increase of \$23.2 million was due to cost containment efforts which created an operating surplus of \$0.6 million and the cancellations of prior year obligations further increased the fund balance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction and overview of the City of Philadelphia's basic financial statements. The city's basic financial statements are comprised of:

- Government-wide financial statements which provide both long-term and short-term information about the city's overall financial condition.
- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the city.
- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

Government-wide financial statements. The government-wide financial statements report information about the city as a whole using accounting methods similar to those used by a private-sector business. The two statements presented are:

The statement of net assets which includes all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are an indicator of whether the city's financial position is improving or deteriorating.

The statement of activities presents revenues and expenses and their effect on the change in the city's net assets during the current fiscal year. These changes in net assets are recorded as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

The government-wide financial statements of the city are reflected in three distinct categories:

▪ *Governmental activities* are primarily supported by taxes and state and federal grants. The governmental activities include general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; streets, highways and sanitation; and the financing activities of the city's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority and Philadelphia Municipal Authority.

▪ *Business-type activities* are supported by user fees and charges which are intended to recover all or a significant portion of their costs. The city's water and waste water systems, airport and industrial land bank are all included as business type activities.

These two activities comprise the primary government of Philadelphia.

▪ *Component units* are legally separate entities for which the City of Philadelphia is financially accountable or has oversight responsibility. Financial information for these component units is reported separately from the financial information presented for the primary government. The city's government-wide financial statements contain nine distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, Gas Works, Parking Authority, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

Fund financial statements. The fund financial statements provide detailed information about the city's most significant funds, not the city as a whole. Funds are groupings of activities that enable the city to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City of Philadelphia can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

• **Governmental funds.** The governmental funds are used to account for the financial activity of the city's basic services, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of expendable resources, as well as on the balances of expendable resources available at the end of the fiscal year. The financial information presented for the governmental funds are useful in evaluating the city's short term financing requirements.

To help the readers of the financial statements better understand the relationships and differences between the long term view of the government-wide financial statements from the short term view of the fund financial statements, reconciliations are presented between the fund financial statements and the government-wide statements.

The city maintains twenty-two individual governmental funds. Financial information is presented separately for the general fund, grants revenue fund and health choices behavioral health fund, which are considered to be major funds. Data for the remaining nineteen are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

• **Proprietary funds.** The proprietary funds are used to account for the financial activity of the city's operations for which customers are charged a user fee; they provide both a long and short term view of financial information. The city maintains three enterprise funds which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

• **Fiduciary funds.** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate *statements of fiduciary net assets* and *changes in fiduciary net assets*. They are not reflected in the government-wide financial statements because the assets are not available to support the city's operations.

The following chart summarizes the various components of the city's government-wide and fund financial statements, including the portion of the city government they cover, and the type of information they contain.

Summary of the City of Philadelphia's Government-wide and Fund Financial Statements

	Fund Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire city government (except fiduciary funds) and city's component units	Activities of the city that are not proprietary or fiduciary in nature, such as fire, police, refuse collection	Activities the city operates similar to private businesses. Airports, water/waste water system & the land bank.	Activities for which the city is trustee for someone else's assets, such as the employees' pension plan
Required Financial Statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis/ measurement focus	Accrual accounting Economic resources	Modified accrual accounting Current financial resources	Accrual accounting Economic resources	Accrual accounting Economic resources
Type of asset and liability information	All assets and liabilities, financial and capital, short and long term	Only assets expected to be used up and liabilities that come due during the current year or soon thereafter; no capital assets are included	All assets and liabilities, financial and capital, short and long term	All assets and liabilities, both short and long term; there are currently no capital assets, although there could be in the future
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Only revenues for which cash is received during the year or soon after the end of the year; only expenditures when goods or services are received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents additional information in three separate sections: *required supplementary information, supplementary information and statistical information.*

- **Required supplementary information.** Certain information regarding pension plan funding progress for the city and its component units, as well as budgeted and actual revenues, expenditures and encumbrances for the city's major governmental funds is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.

- **Supplementary information.** Combining statements for non-major governmental and fiduciary funds, as well as additional budgetary schedules for the city's governmental and proprietary funds are presented in this section. This supplementary information can be found immediately following the required supplementary information.

- **Statistical information.** Long term trend tables of financial, economic, demographic and operating data are presented in the statistical section. This information is located immediately after the supplementary information.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets by \$197.7 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net assets, \$772.5 million. Although these capital assets assist the city in providing services to its citizens, they are generally not available to fund the operations of future periods.

A portion of the city's net assets, \$1,194.4 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of \$2,164.6 million. The governmental activities reported negative *unrestricted net assets* of \$2,421.9 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of \$257.3 million.

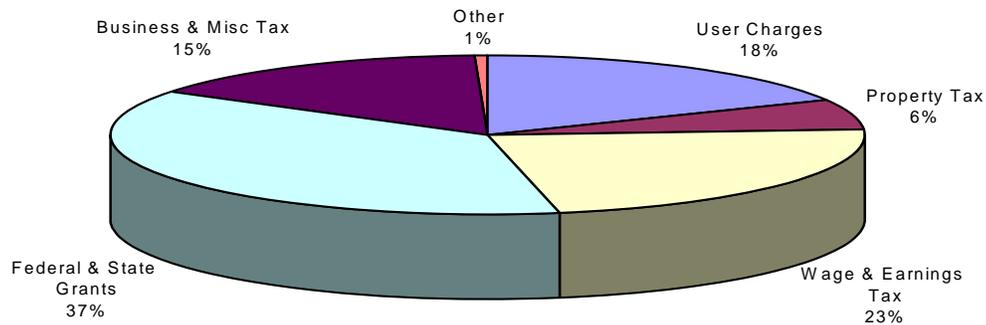
Following is a comparative summary of the city's assets, liabilities and net assets:

City of Philadelphia's Net Assets

(millions of USD)

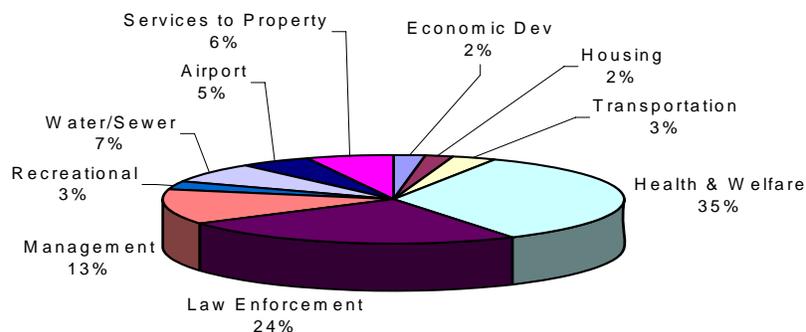
	Governmental			Business-type			Total		
	Activities		%	Activities		%	Primary Government		%
	2010	2009	Change	2010	2009	Change	2010	2009	Change
Current and other assets	1,914.9	2,206.1	-13.20%	1,181.4	1,298.6	-9.03%	3,096.3	3,504.7	-11.65%
Capital assets	2,151.3	2,157.1	-0.27%	3,493.5	3,322.8	5.14%	5,644.8	5,479.9	3.01%
Total assets	4,066.2	4,363.2	-6.81%	4,674.9	4,621.4	1.16%	8,741.1	8,984.6	-2.71%
Long-term liabilities	4,891.1	4,816.4	1.55%	2,832.6	2,940.4	-3.67%	7,723.7	7,756.8	-0.43%
Other liabilities	951.2	839.5	13.31%	263.9	149.5	76.52%	1,215.1	989.0	22.86%
Total liabilities	5,842.3	5,655.9	3.30%	3,096.5	3,089.9	0.21%	8,938.8	8,745.8	2.21%
Net assets:									
Invested in capital assets,									
net of related debt	(59.3)	(5.8)	-922.41%	831.8	750.6	10.82%	772.5	744.8	3.72%
Restricted	705.1	833.8	-15.44%	489.3	511.1	-4.27%	1,194.4	1,344.9	-11.19%
Unrestricted	(2,421.9)	(2,120.6)	-14.21%	257.3	269.8	-4.63%	(2,164.6)	(1,850.8)	-16.95%
Total net assets	(1,776.1)	(1,292.6)	-37.41%	1,578.4	1,531.5	3.06%	(197.7)	238.9	-182.75%

Changes in net assets. The city's total revenues this year, \$6,330.0 million, fell short of total costs of \$6,730.2 million by \$400.2 million. Approximately 29% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 37%, with the remainder of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 65% are related to the health, welfare and safety of the general public.



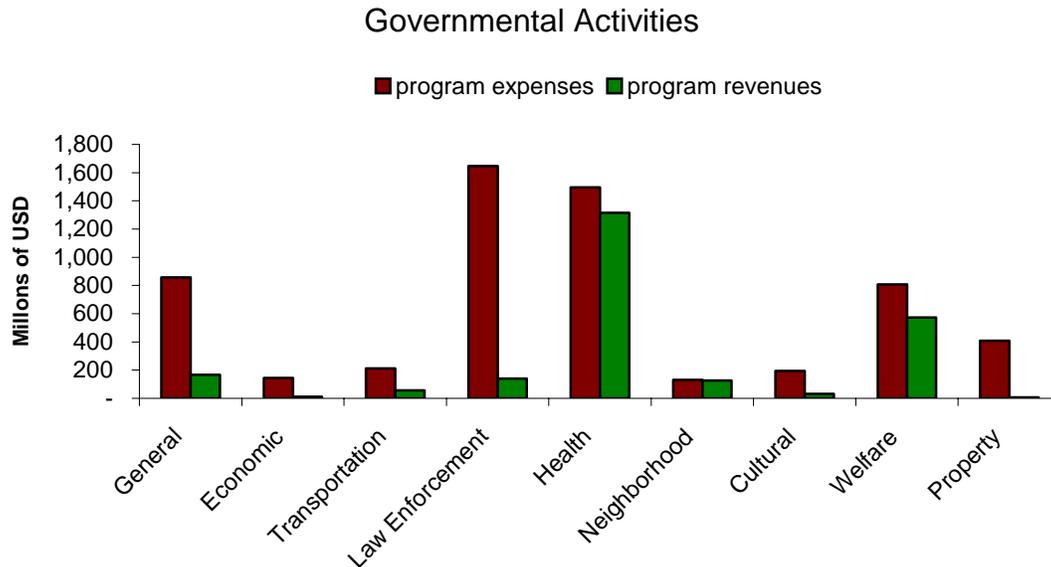
Overall, net assets for the city decreased by \$436.6 million. Total revenues decreased by \$234.5 million, total expenses decreased by \$360.4 million over last year. This resulted in the Change in Net Assets being \$125.9 million higher than in the previous year. Net assets were also decreased by \$36.4 million largely due to implementation of GASB 53 (47.2 million) and increased for implementation of GASB 51 (10.8 million) not previously recognized. Tax receipts increased by \$95.4 million largely attributable to increased real estate transfer tax collections. Grants & Contribution increased by \$63.6 million.

Expense decreases included \$243.9 million for Health Services, \$43.6 million for General Welfare, \$17.8 million for Housing & Neighborhood Development, and \$39.7 for Interest on Long Term Debt.



Governmental Activities

The governmental activities of the City resulted in a \$483.5 million decrease in net assets. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



The following table summarizes the city's most significant governmental programs. Costs, program revenues and net cost are shown in the table. The net cost shows the financial burden that was placed on the city's taxpayers by each of these functions.

(millions of USD)	Program Costs			Program Revenues			Net Cost		
	2010	2009	% Change	2010	2009	% Change	2010	2009	% Change
	General Welfare	807.6	851.2	-5.1%	572.8	617.1	-7.2%	234.8	234.1
Judiciary & Law Enforcement	1,646.3	1,643.4	0.2%	139.6	127.8	9.2%	1,506.7	1,515.6	-0.6%
Public Health	1,494.5	1,738.4	-14.0%	1,314.1	1,530.0	-14.1%	180.4	208.4	-13.4%
General Governmental	858.2	898.7	-4.5%	166.1	269.4	-38.3%	692.1	629.3	10.0%
Services to Property	408.7	416.4	-1.8%	6.5	17.6	-63.1%	402.2	398.8	0.9%
Housing, Economic & Cultural	682.3	682.6	0.0%	224.3	244.5	-8.3%	458.0	438.1	4.5%
	5,897.6	6,230.7	-5.3%	2,423.4	2,806.4	-13.6%	3,474.2	3,424.3	1.5%

The cost of all governmental activities this year was \$5,897.6 million; the amount that taxpayers paid for these programs through tax payments was \$2,812.7 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,097.3 million while those who benefited from the programs paid \$326.1 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$196.9 million. After prior year adjustments of -\$47.2 million, the difference of \$1,339.8 million will have to be funded from future resources.

The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the city:

City of Philadelphia-Net Assets

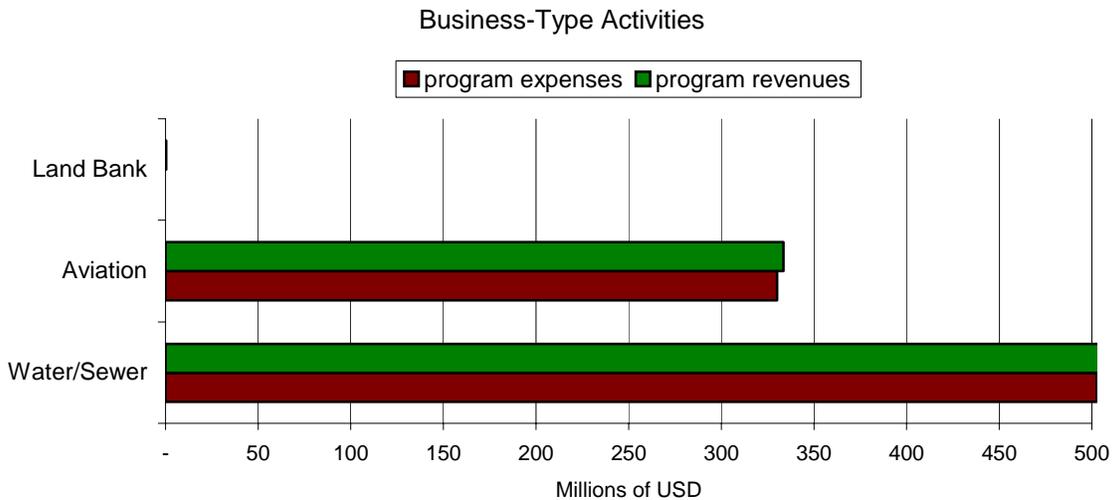
(millions of USD)

	Governmental Activities		Business-type Activities		Total		% Change
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues:							
Charges for services	326.1	333.4	792.6	751.9	1,118.7	1,085.3	3.1%
Operating grants and contributions	2,050.4	2,438.1	6.1	2.6	2,056.5	2,440.7	-15.7%
Capital grants and contributions	46.9	35.0	90.5	109.4	137.4	144.4	-4.8%
General revenues:							
Wage and earnings taxes	1,448.5	1,465.5	-	-	1,448.5	1,465.5	-1.2%
Property taxes	400.8	409.2	-	-	400.8	409.2	-2.1%
Other taxes	963.4	842.6	-	-	963.4	842.6	14.3%
Unrestricted grants and contributions	171.4	107.8	-	-	171.4	107.8	59.0%
Unrestricted Interest	25.5	46.1	7.7	22.9	33.3	69.0	-51.8%
Total revenues	5,433.0	5,677.7	896.9	886.8	6,330.0	6,564.5	-3.6%
Expenses:							
Economic development	145.0	116.0	-	-	145.0	116.0	25.0%
Transportation	212.1	209.6	-	-	212.1	209.6	1.2%
Judiciary & law enforcement	1,646.3	1,643.4	-	-	1,646.3	1,643.4	0.2%
Conservation of health	1,494.5	1,738.4	-	-	1,494.5	1,738.4	-14.0%
Housing & neighborhood development	131.3	149.1	-	-	131.3	149.1	-11.9%
Cultural & recreational	193.9	207.9	-	-	193.9	207.9	-6.7%
Improvement of the general welfare	807.6	851.2	-	-	807.6	851.2	-5.1%
Services to taxpayer property	408.7	416.4	-	-	408.7	416.4	-1.8%
General management	683.4	684.2	-	-	683.4	684.2	-0.1%
Interest on long term debt	174.9	214.6	-	-	174.9	214.6	-18.5%
Water & waste water	-	-	502.4	530.7	502.4	530.7	-5.3%
Airport	-	-	330.1	326.2	330.1	326.2	1.2%
Industrial land bank	-	-	0.1	3.0	0.1	3.0	-96.7%
Total expenses	5,897.7	6,230.8	832.6	859.9	6,730.3	7,090.7	-5.1%
Increase (decrease) in net assets before transfers & special items	(464.7)	(553.1)	64.3	26.9	(400.3)	(526.2)	
Transfers	28.3	4.2	(28.3)	(4.2)	-	-	
Increase (decrease) in Net Assets	(436.3)	(548.9)	36.0	22.7	(400.3)	(526.2)	
Net Assets - Beginning	(1,292.6)	(719.7)	1,531.5	1,502.1	238.9	782.4	-69.5%
Adjustment	(47.2)	(24.1)	10.8	6.8	(36.4)	(17.3)	
Net Assets - End	(1,776.1)	(1,292.7)	1,578.3	1,531.6	(197.8)	238.9	-182.8%

Business-type Activities

Business-type activities caused the city's net assets to increase by \$46.8 million. This increase was comprised of an increase in net assets for water/wastewater of \$39.3 million, an increase to aviation of \$7.3 million and an increase for industrial & commercial development operations of \$0.2 million. Some of the key reasons for these changes are:

- Increased airport rental concession income and an increase in passenger facility charges resulting from an increase in airline passenger traffic.
- Recording an intangible asset in the Aviation Fund
- Decreased employee benefits costs in the Water Fund, due to deferral of pension costs.

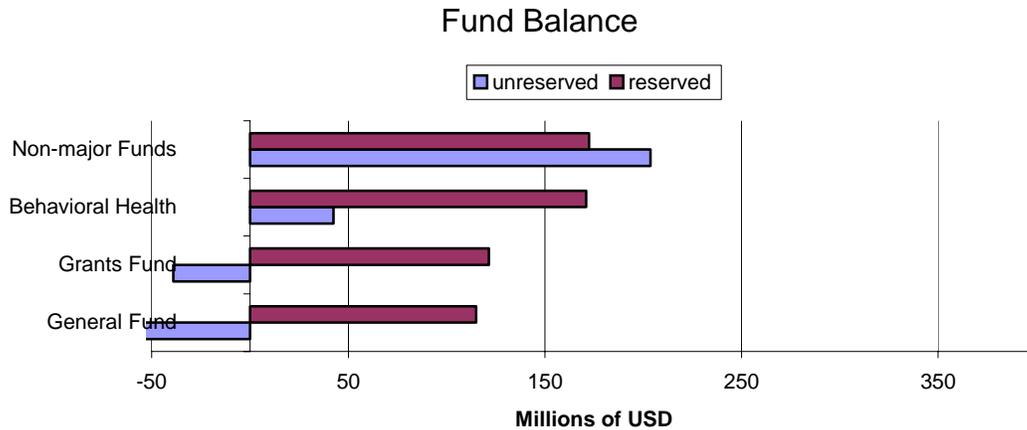


Financial Analysis of the Government's Funds

Governmental funds. The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of resources. This information is useful in assessing the city's ability to meet its near-term financing requirements. *Unreserved fund balance* serves as a useful measure of the city's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of \$541.9 million a decrease of \$117.5 million over last year. Of the total fund balance, \$586.5 million represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: contracts for goods and services (\$141.1 million); revitalize neighborhoods (\$73.1 million); pay debt service (\$78.5 million); support programs funded by independent agencies (\$44.2 million); fund a portion of the city's managed care programs (\$171.0 million); fund a portion of new sports stadiums (\$0.6 million); fund the 9-1-1 emergency phone system (\$40.4 million); fund a portion of the central library renovation project (\$2.3million), cultural and commercial corridor project (\$30.7million); and trusts (\$4.6 million). The difference between the combined fund balance and reserved fund balance is a deficit of \$44.7 million which constitutes *unreserved fund balance*, this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported an *unreserved fund balance deficit* of \$251.8 million at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were -7.0% and -3.81%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund decreased by \$54.6 million during the current fiscal year. This decrease was due to an excess of expenditures over revenues and other financing uses for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- A decrease of \$57 million in Transfers In from PICA to the city during the current year.

Expenditures:

- Expenditures for Economic Development increased by 26.8 million for the year.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$213.4 million of which \$171.0 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by \$30.1 million.

The Grants Revenue fund has a total fund balance in the amount of \$82.4 million which is comprised of a positive reserved fund balance of \$121.4 million (earmarked for neighborhood revitalization and emergency telephone system programs) and a deficit unreserved fund balance of \$39.0 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of \$6.4 million during the current fiscal year due primarily to increases in health & housing and neighborhood development expenditures.

Proprietary funds. The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net assets* of the proprietary funds increased by \$46.8 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had a decrease of \$39.3 million, airport operations which experienced an increase of \$7.3 million, while industrial & commercial development operations experienced an increase of \$0.2 million.

The proprietary funds reported an *unrestricted nets assets* surplus of \$257.3 million, comprised of \$168.5 million for the water and waste water operations, \$70.7 million for the airport and \$18.1 million for the industrial & commercial development activities. These unrestricted net assets represent an overall decrease of \$12.5 million over the previous year, comprised of a decrease of \$5.7 million for the water and waste water operations, a decrease of \$7.0 million for the airport and an increase of \$0.2 million for the Land Bank. The change in the water unrestricted is the result of a decrease in interest earnings.

General Fund Budgetary Highlights

The following table shows the General Fund's year end fund balance for the five most recent years:

(millions of USD)		
General Fund at June 30....	Fund Balance Available for Appropriation	Increase (Decrease)
2010	(114.0)	(23.2)
2009	(137.2)	(256.7)
2008	119.5	(178.4)
2007	297.9	43.4
2006	254.5	158.3

Differences between the original budget and the final amended budget resulted primarily from decreases in revenue estimates and increases to appropriations. These increases were required to support the following activities:

- \$18.0 million for Division of Technology contracted services
- \$ 6.8 million for Police Department payroll
- \$11.2 million for Streets Department contracted services

The general fund's budgetary unreserved fund balance deficit of \$114.0 million differs from the general fund's fund financial statement deficit of \$251.8 million by \$137.8 million due to business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$5.6 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Infrastructure improvements of \$18.9 million for streets, highways and bridges and \$124.1 million for the water and waste water systems.
- Central Library renovations in the amount of \$10.1 million.
- City Hall exterior renovations in the amount of \$5.4 million.
- Surveillance camera video system \$9.5 million.
- Robin Hood Dell East improvements totaling \$4.2 million.
- Airport terminal and airfield improvements in the amount of \$163.3 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental			Business-type			Total		
	activities		Inc	activities		Inc			Inc
	2010	2009	(Dec)	2010	2009	(Dec)	2010	2009	(Dec)
Land	757.0	754.0	3.0	107.0	94.4	12.6	864.0	848.4	15.6
Buildings	725.0	738.9	(13.9)	1,672.0	1,581.7	90.3	2,397.0	2,320.6	76.4
Improvements other than buildings	97.3	95.3	2.0	124.0	122.2	1.8	221.3	217.5	3.8
Machinery & equipment	97.0	205.3	(108.3)	25.0	28.6	(3.6)	122.0	233.9	(111.9)
Infrastructure	450.0	353.5	96.5	1,242.5	1,196.2	46.3	1,692.5	1,549.7	142.8
Construction in progress	25.0	10.1	14.9	323.0	299.7	23.3	348.0	309.8	38.2
Total	2,151.3	2,157.1	(5.8)	3,493.5	3,322.8	170.7	5,644.8	5,479.9	164.9

The city's governmental activities experienced an overall decrease in capital assets of \$5.8 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year.

More detailed information about the city's capital assets can be found in notes I.6 & III.5 to the financial statements.

Long-term debt. At year end the city had \$7.7 billion in long term debt outstanding. Of this amount, \$4.8 billion represents bonds outstanding (comprised of \$2.0 billion of debt backed by the full faith and credit of the city, and \$2.8 billion of debt secured solely by specific revenue sources) while \$2.9 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

	Governmental		Business-type		Total	
	activities		activities			
	2010	2009	2010	2009	2010	2009
<i>(millions of USD)</i>						
<u>Bonds Outstanding:</u>						
General obligation bonds	2,071.0	2,078.9	2.2	3.4	2,073.2	2,082.3
Revenue bonds	-	-	2,788.8	2,899.1	2,788.8	2,899.1
Total Bonds Outstanding	2,071.0	2,078.9	2,791.0	2,902.5	4,862.0	4,981.4
<u>Other Long Term Obligations:</u>						
Service agreements	2,200.1	2,232.4	-	-	2,200.1	2,232.4
Employee related obligations	540.0	466.3	34.2	31.7	574.2	498.0
Indemnities	47.7	37.6	4.7	4.4	52.4	42.0
Leases	31.1	-	-	-	31.1	-
Other	1.2	1.2	2.7	1.8	3.9	3.0
Total Other Long Term Obligations	2,820.1	2,737.5	41.6	37.9	2,861.7	2,775.4
Total Long Term Debt Outstanding	4,891.1	4,816.4	2,832.6	2,940.4	7,723.7	7,756.8

Significant events related to borrowing during the current fiscal year include the following:

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$275.0 million in Tax and Revenue Anticipation Notes by June 2010 plus interest. In accordance with statute there are no temporary loans outstanding at year end.
- In August 2009, the City issued general obligation refunding bonds Series 2009A and 2009B in the amount of \$237.0 million and 100.0 million, respectively. The Series 2009A are fixed rate refunding bonds with interest rates ranging from 4.25% to 5.5% and mature in 2031. The Series 2009B are multi-modal refunding bonds and will bear interest at a weekly rate subject to conversion to a daily mode, term rate mode or fixed rate mode at the direction of the City. The bonds were issued for the purpose of refunding the 2007B general obligation bonds and for the payment of costs relating to the issuance of the 2009 general obligation bonds including the termination payment of a related swap.

Currently the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

Bond Type	Moody's Investor Service	Standard & Poor's Corporation	Fitch IBCA
General Obligation Bonds	A1	BBB	A-
Water Revenue Bonds	A1	A	A+
Aviation Revenue Bonds	A2	A+	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of *July 1, 2010* the legal debt limit was \$1,523.4 million. There is \$1,407.0 million of outstanding tax supported debt leaving a legal debt margin of \$116.4 million.

More detailed information about the city's debt activity can be found in note III.7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2011 fiscal year:

- Philadelphia entered FY11 with a negative fund balance of \$114.0 million despite having solved for a \$1.7 billion shortfall in the five year plan over FY2010-FY2015.
- The City suspended its planned wage and business tax reductions between FY10 and FY14 due to projected revenue shortfalls over the five-year plan.
- Workforce reductions were implemented throughout FY10 through the use of layoffs and by not replacing vacant positions. Spending on supplies and equipment was curtailed in FY 10.

- Union contracts for three of the City's four major bargaining units are still outstanding, despite having expired in July 2009. Any awarded or negotiated wage or benefit increases will increase costs for the City.
- The country entered its most recent recession in December 2007. It is the longest recession in the post-WWII period.
- Economists expect a slow and long recovery from the current recession. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

The Comprehensive Annual Financial Report is designed to provide a general overview of the City of Philadelphia's finances for all interested parties. The City also publishes the *Supplemental Report of Revenues & Obligations* that provides a detailed look at budgetary activity at the legal level of compliance, the *Annual Report of Bonded Indebtedness* that details outstanding long term debt and the *Schedule of Financial Assistance* that reports on grant activity. All four reports are available on the City's website, www.phila.gov/finance. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Director of Finance
Suite 1340 MSB
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102



City of Philadelphia
PENNSYLVANIA

**Basic
Financial
Statements**

City of Philadelphia
Statement of Net Assets
June 30, 2010

Exhibit I

Amounts in thousands of USD

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash on Deposit and on Hand	114,382	30	114,412	283,289
Equity in Pooled Cash and Investments	-	-	-	96,448
Equity in Treasurer's Account	576,794	192,851	769,645	-
Investments	114,623	-	114,623	131,117
Due from Component Units	8,479	-	8,479	-
Due from Primary Government	-	-	-	84,050
Amounts Held by Fiscal Agent	89,619	-	89,619	75,850
Notes Receivable - Net	-	-	-	37,516
Accounts Receivable - Net	317,503	149,960	467,463	284,353
Interest and Dividends Receivable	1,581	-	1,581	19,145
Due from Other Governments - Net	469,770	1,256	471,026	252,618
Inventories	16,431	27,396	43,827	150,858
Other Assets	3,283	-	3,283	306,704
Deferred Outflow - Derivative Instruments	46,700	60,821	107,521	71,622
Restricted Assets:				
Cash and Cash Equivalents	-	205,568	205,568	315,104
Other Assets	-	526,098	526,098	280,509
Net Pension Asset	155,804	17,371	173,175	-
Capital Assets:				
Land and Other Non-Depreciated Assets	782,163	428,599	1,210,762	1,033,079
Other Capital Assets (Net of Depreciation)	1,369,112	3,064,921	4,434,033	3,097,457
Total Capital Assets, Net	<u>2,151,275</u>	<u>3,493,520</u>	<u>5,644,795</u>	<u>4,130,536</u>
Total Assets	<u>4,066,244</u>	<u>4,674,871</u>	<u>8,741,115</u>	<u>6,519,719</u>
Liabilities				
Notes Payable	-	-	-	149,627
Vouchers Payable	131,017	29,948	160,965	59,770
Accounts Payable	193,198	94,385	287,583	183,091
Salaries and Wages Payable	87,046	6,707	93,753	66,876
Accrued Expenses	66,893	35,245	102,138	253,144
Due to Agency Funds	767	-	767	-
Due to Primary Government	-	-	-	38,648
Due to Component Units	56,411	-	56,411	-
Funds Held in Escrow	15,572	-	15,572	15,104
Due to Other Governments	1	-	1	26,975
Deferred Revenue	232,420	36,781	269,201	160,138
Overpayment of Taxes	108,247	-	108,247	9,358
Other Current Liabilities	-	-	-	70,767
Derivative Instrument Liability	59,558	60,821	120,379	111,227
Non-Current Liabilities:				
Due within one year	281,064	148,717	429,781	272,946
Due in more than one year	4,610,113	2,683,901	7,294,014	5,085,234
Total Liabilities	<u>5,842,307</u>	<u>3,096,505</u>	<u>8,938,812</u>	<u>6,502,905</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	(59,331)	831,787	772,456	130,013
Restricted For:				
Capital Projects	190,167	127,296	317,463	8,488
Debt Service	78,754	216,323	295,077	199,326
Behavioral Health	213,469	-	213,469	-
Intergovernmental Finance	7,932	-	7,932	-
Neighborhood Revitalization	73,065	-	73,065	-
Stadium Financing	623	-	623	-
Central Library Project	2,329	-	2,329	-
Cultural & Commercial Corridor Project	30,753	-	30,753	-
Grant Programs	63,817	-	63,817	39,266
Rate Stabilization	-	145,693	145,693	-
Libraries & Parks:				
Expendable	2,768	-	2,768	-
Non-Expendable	1,931	-	1,931	-
Educational Programs	-	-	-	10,989
Other	39,582	-	39,582	691,149
Unrestricted(Deficit)	<u>(2,421,922)</u>	<u>257,267</u>	<u>(2,164,655)</u>	<u>(1,062,417)</u>
Total Net Assets	<u>(1,776,063)</u>	<u>1,578,366</u>	<u>(197,697)</u>	<u>16,814</u>

City of Philadelphia
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Exhibit II

Amounts in thousands of USD

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
Economic Development	145,007	66	6,617	4,493	(133,831)		(133,831)	
Transportation:								
Streets & Highways	129,360	4,396	15,757	36,129	(73,078)		(73,078)	
Mass Transit	82,708	475	197	-	(82,036)		(82,036)	
Judiciary and Law Enforcement:								
Police	990,505	3,334	21,040	-	(966,131)		(966,131)	
Prisons	343,813	523	457	-	(342,833)		(342,833)	
Courts	312,008	53,398	60,834	-	(197,776)		(197,776)	
Conservation of Health:								
Emergency Medical Services	47,800	36,779	(845)	-	(11,866)		(11,866)	
Health Services	1,446,746	16,169	1,261,987	-	(168,590)		(168,590)	
Housing and Neighborhood Development	131,254	20,786	104,842	-	(5,626)		(5,626)	
Cultural and Recreational:								
Recreation	77,045	(81)	12,019	5,386	(59,721)		(59,721)	
Parks	37,859	915	9	340	(36,595)		(36,595)	
Libraries and Museums	79,017	867	10,575	550	(67,025)		(67,025)	
Improvements to General Welfare:								
Social Services	718,795	14,380	514,185	-	(190,230)		(190,230)	
Education	65,379	-	-	-	(65,379)		(65,379)	
Inspections and Demolitions	23,412	43,911	359	-	20,858		20,858	
Service to Property:								
Sanitation	142,738	1,969	3,463	-	(137,306)		(137,306)	
Fire	265,980	301	722	-	(264,957)		(264,957)	
General Management and Support	683,265	127,895	38,220	-	(517,150)		(517,150)	
Interest on Long Term Debt	174,901	9	-	-	(174,892)		(174,892)	
Total Governmental Activities	<u>5,897,591</u>	<u>326,092</u>	<u>2,050,438</u>	<u>46,898</u>	<u>(3,474,163)</u>		<u>(3,474,163)</u>	
Business Type Activities:								
Water and Sewer	502,504	552,350	3,048	-	-	52,894	52,894	
Aviation	330,073	239,963	3,091	90,494	-	3,475	3,475	
Industrial and Commercial Development	59	287	-	-	-	228	228	
Total Business Type Activities	<u>832,636</u>	<u>792,600</u>	<u>6,139</u>	<u>90,494</u>	<u>-</u>	<u>56,597</u>	<u>56,597</u>	
Total Primary Government	<u>6,730,227</u>	<u>1,118,692</u>	<u>2,056,577</u>	<u>137,392</u>	<u>(3,474,163)</u>	<u>56,597</u>	<u>(3,417,566)</u>	
Component Units:								
Gas Operations	924,470	919,768	21,913	-	-	-	17,211	
Housing	73,183	1,072	81,563	-	-	-	9,452	
Parking	205,874	212,985	-	-	-	-	7,111	
Education	3,128,118	40,216	1,136,518	92	-	-	(1,951,292)	
Health	758,324	-	758,049	-	-	-	(275)	
Economic Development	204,578	45,041	419,353	196,267	-	-	456,083	
Total Component Units	<u>5,294,547</u>	<u>1,219,082</u>	<u>2,417,396</u>	<u>196,359</u>			<u>(1,461,710)</u>	
General Revenues:								
Taxes:								
Property Taxes					400,805	-	400,805	608,377
Wage & Earnings Taxes					1,448,463	-	1,448,463	-
Business Taxes					385,161	-	385,161	-
Other Taxes					578,273	-	578,273	176,178
Grants & Contributions Not Restricted to Specific Programs					171,400	-	171,400	1,145,046
Unrestricted Interest & Investment Earnings					25,540	7,715	33,255	9,824
Miscellaneous					-	-	-	2,452
Special Items					-	-	-	744
Transfers					28,315	(28,315)	-	28,884
Total General Revenues, Special Items and Transfers					<u>3,037,957</u>	<u>(20,600)</u>	<u>3,017,357</u>	<u>1,971,505</u>
Change in Net Assets					(436,206)	35,997	(400,209)	509,795
Net Assets - July 1, 2009					(1,292,646)	1,531,538	238,892	(448,063)
Adjustment					(47,211)	10,831	(36,380)	(44,918)
Net Assets Adjusted - July 1, 2009					<u>(1,339,857)</u>	<u>1,542,369</u>	<u>202,512</u>	<u>(492,981)</u>
Net Assets - June 30, 2010					<u>(1,776,063)</u>	<u>1,578,366</u>	<u>(197,697)</u>	<u>16,814</u>

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

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	9,987	-	75	104,320	114,382
Equity in Treasurer's Account	12,694	201,462	156,176	206,462	576,794
Investments	-	-	-	114,617	114,617
Due from Other Funds	17,077	-	-	-	17,077
Due from Component Units	8,479	-	-	-	8,479
Amounts Held by Fiscal Agent	33,705	-	55,914	-	89,619
Taxes Receivable	575,121	-	-	7,405	582,526
Accounts Receivable	371,904	-	2,228	6,355	380,487
Due from Other Governmental Units	295,292	66,082	76,030	32,366	469,770
Allowance for Doubtful Accounts	(647,012)	-	-	(803)	(647,815)
Interest and Dividends Receivable	161	1,279	1	140	1,581
Other Assets	-	-	-	446	446
Total Assets	677,408	268,823	290,424	471,308	1,707,963
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	97,938	2,122	18,429	12,528	131,017
Accounts Payable	91,425	6,235	58,211	37,326	193,197
Salaries and Wages Payable	83,838	-	2,777	431	87,046
Due to Other Funds	761	-	-	17,083	17,844
Due to Component Units	-	46,997	9,342	72	56,411
Funds Held in Escrow	10,047	-	37	5,488	15,572
Due to Other Governmental Units	1	-	-	-	1
Deferred Revenue	415,401	-	119,215	22,138	556,754
Overpayment of Taxes	108,247	-	-	-	108,247
Total Liabilities	807,658	55,354	208,011	95,066	1,166,089
Fund Balances:					
Reserved for:					
Encumbrances	87,892	-	-	53,202	141,094
Neighborhood Revitalization	-	-	73,065	-	73,065
Behavioral Health	-	170,995	-	-	170,995
Intergovernmental Financing	-	-	-	36,151	36,151
Intergovernmentally Financed Programs	-	-	7,932	-	7,932
Public Safety Emergency Phone System	-	-	40,426	-	40,426
Debt Service	-	-	-	78,542	78,542
Trust Purposes	-	-	-	4,617	4,617
Central Library Project	2,329	-	-	-	2,329
Stadium Financing	623	-	-	-	623
Cultural & Commercial Corridor Project	30,753	-	-	-	30,753
Unreserved, reported in:					
General Fund	(251,847)	-	-	-	(251,847)
Special Revenue Funds	-	42,474	(39,010)	48,126	51,590
Debt Service Funds	-	-	-	600	600
Capital Projects Funds	-	-	-	152,236	152,236
Permanent Funds	-	-	-	2,768	2,768
Total Fund Balances	(130,250)	213,469	82,413	376,242	541,874
Total Liabilities and Fund Balances	677,408	268,823	290,424	471,308	

Amounts reported for governmental activities in the statement of net assets are different because:

a. Capital Assets used in governmental activities are not reported in the funds	2,151,275
b. Unearned Receivables are deferred in the funds	324,334
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,891,177)
d. Net Pension Asset is not reported in the funds	155,804
e. Derivatives are not reported in the funds	(12,858)
f. Other	(45,315)

Net Assets of Governmental Activities (1,776,063)

City of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,316,271	-	-	496,002	2,812,273
Locally Generated Non-Tax Revenue	229,566	1,954	38,956	32,253	302,729
Revenue from Other Governments	785,904	825,185	590,471	121,859	2,323,419
Other Revenues	16,379	-	-	16,768	33,147
Total Revenues	3,348,120	827,139	629,427	666,882	5,471,568
Expenditures					
Current Operating:					
Economic Development	93,445	-	7,092	34,574	135,111
Transportation:					
Streets & Highways	61,961	-	556	28,612	91,129
Mass Transit	64,975	-	197	-	65,172
Judiciary and Law Enforcement:					
Police	869,488	-	13,242	-	882,730
Prisons	313,713	-	484	968	315,165
Courts	236,887	-	51,163	-	288,050
Conservation of Health:					
Emergency Medical Services	44,008	-	1,000	-	45,008
Health Services	151,186	797,002	386,949	101,360	1,436,497
Housing and Neighborhood Development					
	2,854	-	60,756	67,592	131,202
Cultural and Recreational:					
Recreation	50,714	-	7,721	-	58,435
Parks	20,441	-	55	6,451	26,947
Libraries and Museums	58,352	-	10,309	128	68,789
Improvements to General Welfare:					
Social Services	645,206	-	54,492	-	699,698
Education	65,008	-	371	-	65,379
Inspections and Demolitions	27,338	-	-	-	27,338
Service to Property:					
Sanitation	127,098	-	3,463	-	130,561
Fire	237,204	-	417	-	237,621
General Management and Support	511,953	-	14,223	88,791	614,967
Capital Outlay	-	-	-	148,852	148,852
Debt Service:					
Principal	-	-	-	89,709	89,709
Interest	-	-	-	96,740	96,740
Bond Issuance Cost	-	-	-	23,505	23,505
Total Expenditures	3,581,831	797,002	612,490	687,282	5,678,605
Excess (Deficiency) of Revenues Over (Under) Expenditures	(233,711)	30,137	16,937	(20,400)	(207,037)
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	206,960	206,960
Issuance of Refunding Debt	-	-	-	337,025	337,025
Bond Issuance Premium	-	-	-	24,253	24,253
Bond Issuance Discount	-	-	-	(1,003)	(1,003)
Bond Defeasance	-	-	-	(504,044)	(504,044)
Transfers In	316,359	-	-	241,697	558,056
Transfers Out	(137,340)	-	(23,389)	(369,012)	(529,741)
Total Other Financing Sources (Uses)	179,019	-	(23,389)	(64,124)	91,506
Net Change in Fund Balance	(54,692)	30,137	(6,452)	(84,524)	(115,531)
Fund Balance - July 1, 2009	(75,558)	183,332	88,865	462,735	659,374
Adjustment	-	-	-	(1,969)	(1,969)
Fund Balance Adjusted - July 1, 2009	(75,558)	183,332	88,865	460,766	657,405
Fund Balance - June 30, 2010	(130,250)	213,469	82,413	376,242	541,874

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

City of Philadelphia
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	(115,531)
 Amounts reported for governmental activities in the statement of activities are different because:	
a. 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 (137,422) exceeded depreciation (136,565) in the current period.....	857
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	(32,193)
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of 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 (67,132) exceeded repayments (177,478).....	110,346
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.....	(254,207)
e. 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.....	(145,477)
 Change in Net Assets of governmental activities.....	 <u>(436,206)</u>

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

City of Philadelphia
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Total
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	69,795	118,364	4,692	192,851
Due from Other Governments	373	883	-	1,256
Accounts Receivable	225,170	14,870	1,975	242,015
Allowance for Doubtful Accounts	(90,980)	(1,075)	-	(92,055)
Inventories	12,913	3,085	11,398	27,396
Total Current Assets	<u>217,301</u>	<u>136,127</u>	<u>18,065</u>	<u>371,493</u>
Deferred Outflow - Derivative Instruments	29,227	31,594	-	60,821
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	290,282	235,816	-	526,098
Amounts Held by Fiscal Agent	-	30,806	-	30,806
Sinking Funds and Reserves	117,852	35,013	-	152,865
Grants for Capital Purposes	-	14,070	-	14,070
Receivables	898	6,929	-	7,827
Total Restricted Assets	<u>409,032</u>	<u>322,634</u>	<u>-</u>	<u>731,666</u>
Net Pension Asset	<u>17,371</u>	<u>-</u>	<u>-</u>	<u>17,371</u>
Capital Assets:				
Land	5,919	100,819	-	106,738
Infrastructure	1,983,922	586,508	-	2,570,430
Construction in Progress	204,591	117,270	-	321,861
Buildings and Equipment	1,497,507	2,013,978	-	3,511,485
Less: Accumulated Depreciation	<u>(1,880,592)</u>	<u>(1,136,402)</u>	<u>-</u>	<u>(3,016,994)</u>
Total Capital Assets, Net	<u>1,811,347</u>	<u>1,682,173</u>	<u>-</u>	<u>3,493,520</u>
Total Non-Current Assets	<u>2,237,750</u>	<u>2,004,807</u>	<u>-</u>	<u>4,242,557</u>
Total Assets	<u>2,484,278</u>	<u>2,172,528</u>	<u>18,065</u>	<u>4,674,871</u>
Liabilities				
Current Liabilities:				
Vouchers Payable	25,043	4,905	-	29,948
Accounts Payable	8,388	11,541	-	19,929
Salaries and Wages Payable	3,641	3,066	-	6,707
Construction Contracts Payable	33,113	41,343	-	74,456
Accrued Expenses	19,292	15,953	-	35,245
Deferred Revenue	8,016	28,765	-	36,781
Bonds Payable-Current	<u>102,862</u>	<u>45,855</u>	<u>-</u>	<u>148,717</u>
Total Current Liabilities	<u>200,355</u>	<u>151,428</u>	<u>-</u>	<u>351,783</u>
Derivative Instrument Liability	29,227	31,594	-	60,821
Non-Current Liabilities:				
Bonds Payable	1,555,568	1,186,845	-	2,742,413
Unamortized Discount and Loss	(81,322)	(18,768)	-	(100,090)
Other Non-Current Liabilities	25,256	16,322	-	41,578
Total Non-Current Liabilities	<u>1,499,502</u>	<u>1,184,399</u>	<u>-</u>	<u>2,683,901</u>
Total Liabilities	<u>1,729,084</u>	<u>1,367,421</u>	<u>-</u>	<u>3,096,505</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	225,589	606,198	-	831,787
Restricted For:				
Capital Projects	97,580	29,716	-	127,296
Debt Service	117,852	98,471	-	216,323
Rate Stabilization	145,693	-	-	145,693
Unrestricted	<u>168,480</u>	<u>70,722</u>	<u>18,065</u>	<u>257,267</u>
Total Net Assets	<u>755,194</u>	<u>805,107</u>	<u>18,065</u>	<u>1,578,366</u>

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

City of Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

Exhibit VII

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Operating Revenues:				
Charges for Goods and Services	546,361	74,670	-	621,031
Rentals and Concessions	-	161,375	-	161,375
Miscellaneous Operating Revenues	5,989	3,918	287	10,194
Total Operating Revenues	552,350	239,963	287	792,600
Operating Expenses:				
Personal Services	106,120	59,674	-	165,794
Purchase of Services	68,613	74,975	59	143,647
Materials and Supplies	35,429	6,235	-	41,664
Employee Benefits	71,634	34,031	-	105,665
Indemnities and Taxes	5,126	1,449	-	6,575
Depreciation	86,490	89,012	-	175,502
Total Operating Expenses	373,412	265,376	59	638,847
Operating Income (Loss)	178,938	(25,413)	228	153,753
Non-Operating Revenues (Expenses):				
Operating Grants	3,048	3,091	-	6,139
Passenger Facility Charges	-	61,195	-	61,195
Interest Income	6,015	1,694	6	7,715
Net Pension Obligation	(20,506)	(9,698)	-	(30,204)
Debt Service - Interest	(103,619)	(53,211)	-	(156,830)
Other Revenue (Expenses)	(4,967)	(1,788)	-	(6,755)
Total Non-Operating Revenues (Expenses)	(120,029)	1,283	6	(118,740)
Income (Loss) Before Contributions & Transfers	58,909	(24,130)	234	35,013
Transfers In/(Out)	(28,315)	-	-	(28,315)
Capital Contributions	-	29,299	-	29,299
Change in Net Assets	30,594	5,169	234	35,997
Net Assets - July 1, 2009	715,896	797,811	17,831	1,531,538
Adjustment	8,704	2,127	-	10,831
Net Assets Adjusted - July 1, 2009	724,600	799,938	17,831	1,542,369
Net Assets - June 30, 2010	755,194	805,107	18,065	1,578,366

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

City of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	535,572	249,341	-	784,913
Payments to Suppliers	(89,110)	(77,075)	(59)	(166,244)
Payments to Employees	(175,309)	(89,346)	-	(264,655)
Internal Activity-Payments to Other Funds	-	(5,674)	-	(5,674)
Claims Paid	(4,915)	-	-	(4,915)
Other Receipts (Payments)	-	903	287	1,190
Net Cash Provided (Used)	<u>266,238</u>	<u>78,149</u>	<u>228</u>	<u>344,615</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	3,048	3,091	-	6,139
Operating Subsidies and Transfers from Other Funds	(28,315)	-	-	(28,315)
Net Cash Provided (Used)	<u>(25,267)</u>	<u>3,091</u>	<u>-</u>	<u>(22,176)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	13,431	-	-	13,431
Contributions Received	-	28,759	-	28,759
Acquisition and Construction of Capital Assets	(136,316)	(160,865)	-	(297,181)
Interest Paid on Debt Instruments	(96,799)	(68,317)	-	(165,116)
Principal Paid on Debt Instruments	(99,919)	(38,510)	-	(138,429)
Passenger Facility Charges	-	61,698	-	61,698
Net Cash Provided (Used)	<u>(319,603)</u>	<u>(177,235)</u>	<u>-</u>	<u>(496,838)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	11,790	-	11,790
Interest and Dividends on Investments	4,560	2,955	5	7,520
Net Cash Provided (Used)	<u>4,560</u>	<u>14,745</u>	<u>5</u>	<u>19,310</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(74,072)	(81,250)	233	(155,089)
Cash and Cash Equivalents, July 1 (including \$377.7 mil for Water & Sewer and \$364.1 mil for Aviation reported in restricted accounts)	<u>434,179</u>	<u>466,236</u>	<u>4,459</u>	<u>904,874</u>
Cash and Cash Equivalents, June 30 (including \$290.3 mil for Water & Sewer and \$266.6 mil for Aviation reported in restricted accounts)	<u>360,107</u>	<u>384,986</u>	<u>4,692</u>	<u>749,785</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	178,938	(25,413)	228	153,753
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	86,490	89,012	-	175,502
Changes in Assets and Liabilities:				
Receivables, Net	(16,434)	(2,650)	-	(19,084)
Deferred Revenue	538	13,374	-	13,912
Inventories	(113)	(122)	-	(235)
Accounts and Other Payables	16,819	3,948	-	20,767
Net Cash Provided by Operating Activities	<u>266,238</u>	<u>78,149</u>	<u>228</u>	<u>344,615</u>

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

City of Philadelphia
Statement of Net Assets
Fiduciary Funds
June 30, 2010

Exhibit IX

Amounts in thousands of USD

	Pension Trust <u>Funds</u>	Agency <u>Funds</u>
<u>Assets</u>		
Cash on Deposit and on Hand	-	136,315
Equity in Treasurer's Account	3,845,732	48,302
Investments	-	8,780
Securities Lending Collective Investment Pool	440,491	-
Allowance for Unrealized Loss	(3,899)	-
Accounts Receivable	4,334	-
Due from Brokers for Securities Sold	869,400	-
Interest and Dividends Receivable	11,668	-
Due from Other Governmental Units	4,777	-
Due from Other Funds	-	767
	<u>5,172,503</u>	<u>194,164</u>
Total Assets	<u>5,172,503</u>	<u>194,164</u>
<u>Liabilities</u>		
Vouchers Payable	36	1,227
Accounts Payable	3,867	-
Salaries and Wages Payable	158	-
Payroll Taxes Payable	-	3,147
Funds Held in Escrow	365	189,790
Due on Return of Securities Loaned	446,772	-
Due to Brokers for Securities Purchased	847,061	-
Accrued Expenses	1,734	-
Deferred Revenue	2,071	-
Other Liabilities	513	-
	<u>1,302,577</u>	<u>194,164</u>
Total Liabilities	<u>1,302,577</u>	<u>194,164</u>
Net Assets Held in Trust for Pension Benefits	<u><u>3,869,926</u></u>	<u><u>-</u></u>

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

City of Philadelphia
Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	335,655
Employees' Contributions	<u>51,570</u>
Total Contributions	<u>387,225</u>
Investment Income:	
Interest and Dividends	80,391
Net Gain in Fair Value of Investments	438,432
(Less) Investments Expenses	(18,509)
Securities Lending Revenue	2,927
Securities Lending Unrealized Loss	(3,899)
(Less) Securities Lending Expenses	<u>(1,063)</u>
Net Investment Gain	<u>498,279</u>
Miscellaneous Operating Revenues	712
Total Additions	<u>886,216</u>
<u>Deductions</u>	
Personal Services	3,815
Purchase of Services	1,952
Materials and Supplies	76
Employee Benefits	2,111
Pension Benefits	715,471
Refunds of Members' Contributions	4,520
Indemnities	-
Other Operating Expenses	<u>120</u>
Total Deductions	<u>728,065</u>
Change in Net Assets	158,151
Net Assets - July 1, 2009	<u>3,711,775</u>
Net Assets - June 30, 2010	<u><u>3,869,926</u></u>

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

City of Philadelphia **Exhibit XI**
Statement of Net Assets
Component Units
June 30, 2010

Amounts in thousands of US\$

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Pennsylvania Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets										
Cash on Deposit and on Hand	13,744	82,199	67,297	761	11,411	31,363	59,180	7,816	9,518	283,289
Equity in Pooled Cash and Investments	-	-	-	96,448	-	-	-	-	-	96,448
Investments	-	-	90,800	-	40,129	-	-	188	-	131,117
Due from Primary Government	-	22,606	-	-	-	59,569	1,875	-	-	84,050
Amounts Held by Fiscal Agent	6	-	-	75,844	-	-	-	-	-	75,850
Notes Receivable	-	37,483	-	-	33	-	-	-	-	37,516
Taxes Receivable	-	-	-	144,857	-	-	-	-	-	144,857
Accounts Receivable-Net	105,496	1,072	944	3,881	5,809	543	1,107	1,817	18,827	139,496
Interest and Dividends Receivable	-	17,052	292	503	53	-	1,245	-	-	19,145
Due from Other Governments	-	164	-	104,311	2,327	-	122,000	-	-	252,618
Inventories	125,023	22,590	-	3,245	-	-	-	-	-	150,858
Other Assets	139,541	451	4,293	160,098	1,242	461	477	141	-	306,704
Deferred Outflow - Derivative Instruments	-	-	-	71,622	-	-	-	-	-	71,622
Restricted Assets:										
Cash and Cash Equivalents	-	10,462	-	287,678	-	-	-	-	16,964	315,104
Other Assets	175,534	29,281	-	-	49,281	-	-	-	26,413	280,509
Capital Assets:										
Land and Other Non-Depreciated Assets	36,548	-	15,980	451,993	60,152	-	458,715	4,850	4,841	1,033,079
Other Capital Assets (Net of Depreciation)	1,039,919	40	196,745	1,497,036	73,928	744	197,115	5,832	86,098	3,097,457
Total Capital Assets	1,076,467	40	212,725	1,949,029	134,080	744	655,830	10,682	90,939	4,130,536
Total Assets	1,635,811	223,400	376,351	2,898,277	244,365	92,680	841,714	20,644	186,477	6,519,719
Liabilities										
Notes Payable	-	21,670	23,407	-	104,550	-	-	-	-	149,627
Vouchers Payable	46,205	-	-	-	13,565	-	-	-	-	59,770
Accounts Payable	-	10,257	15,497	114,403	-	1,146	27,286	1,865	12,637	183,091
Salaries and Wages Payable	3,719	-	-	52,931	4,872	5,079	275	-	-	66,876
Accrued Expenses	161,458	11,670	832	1,607	1,607	77,055	-	522	-	253,144
Funds Held in Escrow	-	13,789	-	-	101	-	-	-	1,214	15,104
Due to Other Governments	-	-	8,989	3,127	2,699	-	-	-	12,160	26,975
Due to Primary Government	-	1,500	34,111	-	-	-	2,275	-	762	38,648
Deferred Revenue	14,427	53,365	2,733	26,306	2,503	9,400	3,015	6,444	41,945	160,138
Overpayment of Taxes	-	-	-	9,358	-	-	-	-	-	9,358
Other Current Liabilities	-	-	-	70,723	-	-	-	44	-	70,767
Derivative Instrument Liability	-	-	-	111,227	-	-	-	-	-	111,227
Non-Current Liabilities:										
Due within one year	46,045	1,455	7,435	216,397	1,614	-	-	-	-	272,946
Due in more than one year	1,120,338	34,816	189,783	3,544,730	20,936	-	122,000	2,392	50,239	5,085,234
Total Liabilities	1,392,192	148,522	282,787	4,149,202	152,447	92,680	154,851	11,267	118,957	6,502,905
Net Assets										
Invested in Capital Assets,										
Net of Related Debt	1,019	40	51,444	(24,418)	69,278	-	-	-	32,650	130,013
Restricted For:										
Capital Projects	-	-	6,233	-	2,255	-	-	-	-	8,488
Debt Service	112,820	9,695	-	76,811	-	-	-	-	-	199,326
Educational Programs	-	-	-	6,315	4,674	-	-	-	-	10,989
Grant Programs	-	-	-	-	-	-	-	-	39,266	39,266
Other	-	-	-	4,286	-	-	686,863	-	-	691,149
Unrestricted	129,780	65,143	35,887	(1,313,919)	15,711	-	-	9,377	(4,396)	(1,062,417)
Total Net Assets	243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2009. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2009. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2010.

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

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets										
	Expenses	Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health**	Philadelphia Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	924,470	919,768	21,913	-	17,211	-	-	-	-	-	-	-	-	17,211
Housing														
Housing Redevelopment Authority	73,183	1,072	81,563	-	-	9,452	-	-	-	-	-	-	-	9,452
Parking														
Parking Authority	205,874	212,985	-	-	-	-	7,111	-	-	-	-	-	-	7,111
Education														
School District	2,982,470	8,958	1,075,223	92	-	-	-	-	-	-	-	-	-	-
Community College	145,648	31,258	58,295	-	-	-	-	-	-	-	-	-	-	-
Total	3,128,118	40,216	1,136,518	92	-	-	-	(1,895,197)	(56,095)	-	-	-	-	(1,895,197) (56,095)
Health														
Community Behavioral Health	758,324	-	758,049	-	-	-	-	-	-	(275)	-	-	-	(275)
Economic Development														
Convention Center Authority	90,712	8,420	376,423	196,267	-	-	-	-	-	-	490,398	-	-	490,398
Delaware River Waterfront Corp. Authority for Ind. Development	10,152	6,661	3,129	-	-	-	-	-	-	-	-	(362)	-	(362)
Total	103,714	29,960	39,801	-	-	-	-	-	-	-	-	-	-	(33,953)
Total Component Units	5,294,547	1,219,082	2,417,396	196,359	-	-	-	-	-	-	-	-	-	(1,461,710)
General Revenues:														
Property Taxes	-	-	-	-	-	-	-	608,377	-	-	-	-	-	608,377
Other Taxes	-	-	-	-	-	-	-	176,178	-	-	-	-	-	176,178
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-	-	-	1,083,371	61,675	275	238	40	-	1,145,046
Unrestricted Interest & Investment Earnings	-	-	-	-	-	1,481	3,218	2,261	2,209	-	-	-	102	9,824
Miscellaneous	-	-	-	-	-	-	-	-	2,452	-	-	-	-	2,452
Special Item-Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	(6)	-	-	-	-	752	744
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total General Revenue - Special Items and Transfers	-	-	-	-	-	1,481	3,218	1,870,179	66,336	275	238	40	28,884	28,884
Net Assets - July 1, 2009	-	-	-	-	17,211	10,933	10,329	(25,018)	10,241	-	490,636	(322)	(4,215)	1,971,505
Adjustment	-	-	-	-	226,408	66,921	83,235	(1,183,966)	81,678	-	196,227	9,699	71,735	503,795
Net Assets Adjusted - July 1, 2009	-	-	-	-	226,408	63,945	83,235	(41,941)	(1)	-	196,227	9,699	71,735	(44,918)
Net Assets - June 30, 2010	-	-	-	-	243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2010. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2009. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2010.

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



Notes to the Financial Statements
FYE 06/30/2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Philadelphia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. REPORTING ENTITY

The City of Philadelphia was founded in 1682 and was merged with the county in 1854. Since 1951 the City has been governed largely under the Philadelphia Home Rule Charter. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania.

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. Based on the criteria established by Governmental Accounting Standards Board Statement (GASBS) #14 as amended by GASBS #39, certain other organizations also did meet the criteria for inclusion, however they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. **Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.**

As used both on the face of the financial statements and in the footnotes, the term "Primary Government" includes both City funds and Blended Component Units while the term "Component Units" includes only Discretely Presented Component Units.

A. BLENDED COMPONENT UNITS

Pennsylvania Intergovernmental Cooperation Authority (PICA) – 1500 Walnut St., Philadelphia, PA 19102

PICA was established by act of the Commonwealth of Pennsylvania to provide financial assistance to cities of the first class and is governed by a five member board appointed by the Commonwealth. Currently, the City of Philadelphia is the only city of the first class. The activities of PICA are reflected in two of the governmental fund types (Special Revenue and Debt Service).

Philadelphia Municipal Authority (PMA) – 1515 Arch St., Philadelphia, PA 19102

PMA is governed by a five member board appointed by the City and was established to issue tax exempt bonds for the acquisition and use of certain equipment and facilities for the City. The activities of PMA are reflected in three of the governmental fund types (Special Revenue, Debt Service and Capital Improvement).

B. DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the applicable combined financial statements include the combined financial data for the organizations discussed below. They are reported in a separate column to emphasize that they are legally separate from the City. However, in order to retain their identity, applicable combining statements have been included as part of this report.

Community College of Philadelphia (CCP) – 1700 Spring Garden St., Philadelphia, PA 19130

CCP was established by the City to provide two year post-secondary education programs for its residents. It is governed by a Board appointed by the City, receives substantial subsidies from the City, and its budgets must be submitted to the City for review and approval.

Delaware River Waterfront Corp. (DRWC) – 121 N. Columbus Blvd., Philadelphia, PA 19106

The 16 member board, is headed by the Mayors' Deputy Director for Economic Development and Planning, and is comprised of appointed City officials and private sector experts in design, finance, and real estate development. The group will focus on the development of the seven-mile stretch of water front property between Allegheny and Oregon Avenues.

Pennsylvania Convention Center Authority (PCCA) – 1101 Arch St., Philadelphia, PA 19107

PCCA was established to develop, promote and operate a convention center facility in the Philadelphia metropolitan area. Under a Lease & Service agreement, the City is obligated to pay an annual service fee sufficient to cover the debt service on PCCA's outstanding bonded debt. A voting majority of PCCA's governing board is not appointed by the City; however, PCCA meets the criteria of fiscal dependency and the significance of the City's relationship with PCCA is such that exclusion from the City's financial report would be misleading. Beginning FY2011 PCCA will become a component unit of the Commonwealth of Pennsylvania and all information will be removed from the City's CAFR.

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104

PPA was established by the City to coordinate a system of parking facilities and on-street parking on behalf of the City. Its fiscal year ends on March 31. The City has guaranteed debt payments for PPA. A voting majority of PPA's governing board is not appointed by the City however, the significance of the City's relationship with PPA is such that exclusion from the City's financial report would be misleading.

Redevelopment Authority of the City of Philadelphia (RDA) – 1234 Market St., Philadelphia, PA 19107

RDA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval.

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130

SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. A voting majority of the SDP governing board is not appointed by the City, however, the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107

CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102

PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for funding PAID's debt service.

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122

PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

C. AUDIT RESPONSIBILITY

The financial statements of the above component units, except for the **SDP**, as well as the financial statements of the Municipal Pension Fund, the Gas Works Retirement Reserve Fund and the Fairmount Park Commission Departmental and Permanent Funds have been audited by auditors other than the Office of the Controller of the City of Philadelphia. The table below indicates the percentage of certain financial information that was subject to audit by those other auditors:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	Aggregate Discretely Presented Component <u>Units</u>	Major <u>Funds</u>	Aggregate Remaining Fund <u>Information</u>
Total Assets	8%	0%	56%	0%	92%
Total Revenues	7%	0%	49%	0%	67%

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* which are normally supported by taxes and intergovernmental revenues are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from services or privileges provided by a given program and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate *fund* financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the *government wide* financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the *fund* financial statements.

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The *government wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business privilege, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. However, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues such as real estate taxes are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule, the effect of interfund activity has been eliminated from the *government wide* financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other programs of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenue* include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues. Accordingly general revenues include all taxes.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth of Pennsylvania. These resources are restricted to providing managed behavioral health care to Philadelphia residents.
- The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Additionally, the City reports on Permanent funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the funds that hold that the principal remain intact and only the earnings are allowed to be used for the program.

The City reports on the following fiduciary funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.
- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports the following major proprietary funds:

- The Water Fund accounts for the activities related to the operation of the City's water delivery and sewage systems.
- The Aviation Fund accounts for the activities of the City's airports.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and the proprietary fund financial statements to the extent that they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The City has elected not to follow subsequent private sector guidelines.

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 ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation fund is charges for the use of the airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. COMPONENT UNITS

The **SDP** prepares their financial statements in a manner similar to the City and utilizes the full range of governmental and proprietary fund types.

The financial statements of the Community College of Philadelphia have been prepared in accordance with GASBS #35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities. The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

4. DEPOSITS AND INVESTMENTS

The City utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most City funds. In addition, separate cash accounts are maintained by various funds due to either legal requirements or operational needs. For Proprietary and Permanent Funds, all highly liquid investments (except for Repurchase Agreements) with a maturity of three months or less when purchased are considered to be cash equivalents.

The City reports investments at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price. The fair value of real estate investments is based on independent appraisals. Investments which do not have an established market are reported at estimated fair value.

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. The Pension Trust Fund is also authorized to invest in corporate bonds rated AA or better by Moody's Bond Ratings, common stocks and real estate.

From February to early June, deposits of the City significantly exceeded the amounts reported at year end. This was due to cyclical tax collections (billings for taxes are mailed in January and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Assets but not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

- **Industrial and Commercial Development Fund** inventory represents real estate held for resale and is valued at cost.

B. COMPONENT UNITS

All inventories are valued at moving average cost except for the following:

- **PGW** inventory consists primarily of fuel stock and gases which are stated at average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **RDA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the *government wide* financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result

of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

The City transfers Construction In Process to one or more of the major asset classes: (1) when project expenditures are equal to or have exceeded 90% of the estimated cost on new facilities (except for the Aviation Fund which uses 80% as the determining percentage), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

Cost of construction for proprietary fund capital assets includes all direct contract costs plus overhead costs. Overhead costs include direct and indirect engineering costs and interest incurred during the construction period for projects financed with bond proceeds. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest on invested proceeds over the same period.

Depreciation on the capital assets for all City funds is provided on the straight-line method over their estimated useful lives: buildings - 20 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. Among the City's collections are historical artifacts at the Ryers Museum & Library, Loudoun Mansion, Fort Mifflin, Atwater Kent Museum and the Betsy Ross House. The city also has sculptures, paintings, murals and other works of art on display on public property and buildings throughout the City.

B. COMPONENT UNITS

Depreciation on the capital assets for component units is provided on the straight-line method over their estimated useful lives: buildings - 15 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years.

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In *governmental fund* financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory worker's compensation, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the *governmental-wide* financial statements as "internal balances".

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for un-collectibles. The real estate tax receivable allowance is equal to 39.7% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are \$8.264 on each \$100 assessment; \$4.959 for the SDP and \$3.305 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED REVENUES

A. PRIMARY GOVERNMENT

Deferred revenues as reported in the *fund* financial statements represent receivables which will be collected and included in revenues of future fiscal years or funds received in advance of being earned. In the General Fund, deferred revenues relate to property tax levies and self-assessed taxes receivable which are not available to pay liabilities of the current period and grants receivable for which the eligibility criteria has been met, but the resources are not available. Also included are business-privilege taxes which were received in advance of being earned. The deferred revenue in the Special Revenue and Capital Improvement Funds is primarily related to grants receivable and funds received in advance of being earned. In the Water and Aviation Funds, deferred revenues relate to overpayments from water/sewer customers and airlines, respectively.

B. COMPONENT UNITS

Deferred revenue of the **RDA** generally represents cash received in advance from various sources to fund appropriate program expenditures. These advances are subject to various terms, including the obligation to return any unexpended funds upon completion or termination of the related project. Recognition of grants as revenues is deferred until funds have been expended or awarded as grants or loans.

Community College of Philadelphia student tuition and fees received prior to June 30 which are applicable to the Summer II and Fall terms have been deferred and will be included in revenue in the subsequent year.

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued when earned in the *government-wide* financial statements and in the proprietary and fiduciary-*fund* financial statements. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

12. CLAIMS AND JUDGMENTS

Pending claims and judgments are recorded as expenses in the *government wide* financial statements and in the proprietary and fiduciary fund financial statements when the City solicitor has deemed that a probable loss to the City has occurred. Claims and judgments are recorded as expenditures in the government fund financial statements when paid or when judgments have been rendered against the City.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The operating funds of the City, consisting of the General Fund, nine Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Housing Trust, and Acute Care Hospital Assessment Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have council approval. Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are located in the City's *Supplemental Report of Revenues and Obligations*, a separately published report.

The City Capital Improvement Fund budget is adopted annually by the City Council. The Capital Improvement budget is appropriated by project for each department. All transfers between projects exceeding twenty percent of each project's original appropriation must be approved by City Council. Any funds that are not committed or expended at year end are lapsed. Comparisons of departmental project actual activity to budget are located in the City's *Supplemental Report of Revenues and Obligations*.

The budgetary comparison schedules presented differ from the modified accrual basis of accounting. These schedules differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were \$303.4 million and \$303.4 million respectively. All of the collateralized securities were held in the City's name except for \$119.8 million which was collateralized but held in the pledging institutions name.

Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund and the Philadelphia Gas Works Retirement Reserve. Both of those funds have separate investment policies designed to meet the long-term goals of the fund. To minimize custodial credit risk, the city's policy is to select custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

As of June 30, 2010 the City's Investments consisted of:

(amounts in thousands of USD)	<u>Fair Value</u>	
	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government Securities	331,266	5.6%
U.S. Government Agency Securities	863,722	14.6%
Corporate Bonds	403,927	6.8%
Corporate Equity	2,971,209	50.2%
Commercial Paper	176,660	3.0%
Collateralized Mortgage Obligations	71,161	1.2%
Other Bonds and Investments	210,457	3.6%
Short Term Investment Pools	333,248	5.6%
Real Estate	8,677	0.1%
Financial Agreements	542,432	9.2%
Certificates of Deposit	10,000	0.2%
	<u>5,922,759</u>	

City excluding Pension Trust Funds

Interest Rate Risk: The City's investment portfolio is managed to accomplish preservation of principal, maintenance of liquidity and maximize the return on the investments. To limit its exposure to fair value losses from rising interest rates, the city's investment policy limits investments to maturities of no longer than 2 years, except in Sinking Fund Reserve Portfolios

(amounts in thousands of USD)	Maturity :	<u>Fair Value</u>		
		<u>Less than 1 year</u>	<u>1-3 years</u>	<u>More than 3 years</u>
U.S. Government Securities		217,850	12,747	-
U. S. Government Agency Securities		557,482	133,706	-
Corporate Bonds		8,551	4,367	-
Corporate Equity		65,042	30,989	-
Commercial Paper		175,108	1,552	-
Repurchase Agreements		10,659	-	-
Other Asset Backed		106,071	33,518	-
Short Term Investment Pools		228,792	-	-
Financial Agreements		45,734	-	-
Certificates of Deposit		10,000	-	-
		<u>1,425,289</u>	<u>216,879</u>	<u>-</u>

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (5.6%) or US Government Agency obligations (14.6%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (3%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 88.0% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has as-

sets of not less than \$100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

Derivative Investment Instrument

As of June 30, 2010, PAID's basis swap was considered to be an investment derivative instrument.

(amounts in thousands)

<u>Governmental Activities</u>	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2010</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Investment Derivatives:					
Basis Swap	Investment Revenue	202	Investment	(9,100)	193,520

a. Philadelphia Authority for Industrial Development Basis Swap

Objective: PAID entered into a basis swap that became effective on July 1, 2004, that provides PAID with ten equal payments of \$1.2 million with the first payment due on July 1, 2004. PAID executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July, 2006, a portion of the existing basis swap was restructured such that the variable rate received by PAID was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This provides for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio.

Terms: The original swap was executed with Merrill Lynch Capital Service Inc. ("MLCS") with payments based on an amortization schedule and an initial notional amount of \$298.5 million. The swap commenced on July 1, 2004 and matures on October 1, 2030. Under the swap, PAID pays a variable rate equal to the SIFMA Municipal Swap Index and receives a variable rate computed as 67% of one-month LIBOR + 20 basis points. PAID, also receives ten equal payments of \$1.2 million from MLCS starting on July 1, 2004. Payments under this swap are a lease rental obligation of the City.

The transaction was amended to \$105.0 million of the original notional amount with payments based on an amortization schedule. Under the amended portion of the swap, the variable payments received by PAID are computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amended effective date was October 1, 2006, with variable payments made (as described above) through October 1, 2020. On December 1, 2009, PAID terminated that portion of the swap that was subject to the amendment and received a termination payment of \$3,049,000.

As of June 30, 2010, the notional amount on the portion of the swap that was not amended was \$193.5 million.

Fair Value: As of June 30, 2010, the swap had a negative fair value of (\$9.1 million). This means that PAID would have to pay this amount to terminate the swap.

Risks: As of June 30, 2010, PAID is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, PAID would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by PAID if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes PAID to basis risk. The swap exposes PAID to the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize. This risk would be magnified in a flat or inverted yield curve environment.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 67.4% of all investments and is invested primarily in equity securities (68.2%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension Fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 44% had Standard & Poor ratings of AAA to A; 50% had ratings of BBB+ to B; and, 6% had ratings of CCC+ to CC. Moody's ratings for the same issues were: 54% had ratings of Aaa to A1; 38% had ratings of Baa1 to Ba1; and, 8% had ratings of Caa1 to Ca.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Lehman Aggregated Pooled Index Fund exceeding 5% of the total investment (7.3%). The fair value of the investment in the Lehman Aggregated Pooled Index Fund was \$252.2 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 22.8% of the total investment in equities.

Municipal Pension Fund
Equity Securities subject to Foreign Currency Risk

(thousands of USD)

<u>Currency</u>	<u>Fair Value</u>	
Euro Currency	105,606	19.78%
Japanese Yen	76,186	14.27%
Pound Sterling	76,197	14.27%
Australian Dollar	27,259	5.11%
All others	<u>248,625</u>	46.57%
	<u><u>533,873</u></u>	

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

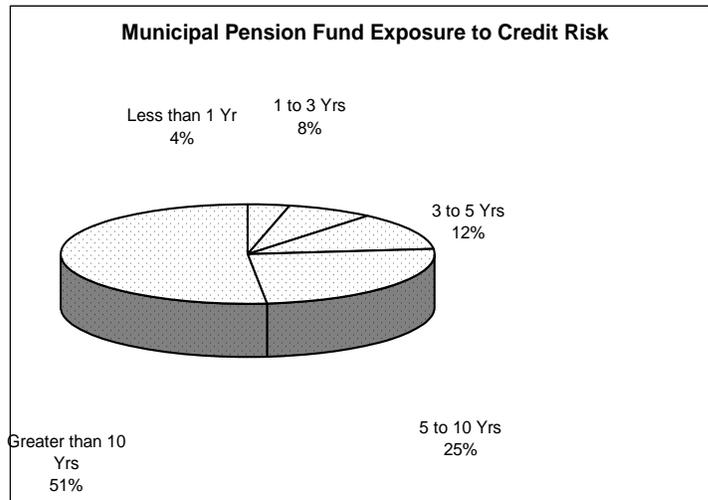
	<u>Currency</u>	<u>Fair Value</u>	<u>Maturities</u>
		(thousands of USD)	
Currency	Euro	10,518	
Currency	Japanese Yen	833	
Currency	All others	9,983	
Government Issues	Canadian Dollar	5,397	
Government Issues	All others	80,960	June 1, 2011
Limited Partnership Units	Euro	28,373	March 7, 2036
Real Estate Investment Trusts	Pounds Sterling	244	
Real Estate Investment Trusts	All others	<u>1,199</u>	
		<u><u>137,507</u></u>	

Statutes permit the Municipal Pension Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Pension Fund has contracted with a third-party securities lending agent to lend the Pension fund's securities portfolio. The agent lends securities of the type on loan at June 30 for collateral in the form of cash or other securities at 102% of the loaned securities market value plus accrued interest. The collateral for the loans is maintained at greater than 100%. Securities on loan as of June 30 are unclassified with regards to custodial credit risk.

At June 30, the Pension Fund has no credit risk exposure to borrowers because the amounts the Pension Fund owes the borrowers exceed the amounts the borrowers owe to the Pension Fund. The agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent), or fail to pay income distributions on them. All open securities loans can be terminated on demand by either the Pension Fund or the borrower. All term securities loans can be terminated with five days notice by either the Pension Fund or the borrower. Cash collateral is invested in accordance with the investment guidelines of the Pension Fund. The Pension Fund cannot pledge or sell collateral securities received unless the bor-

lower defaults.

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities:



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.44% of all investments and is primarily invested in equity securities (55.9%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the **PGWRR** is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio managers' Average Credit Quality ranges from AAA to AA.

The **PGWRR's** fixed income investments are as follows:

(thousands of USD) Investment Type	Maturity length				
	less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short-Term Investment Pools	6,932	-	-	-	-
U.S. Government Agency Securities	289	2,144	-	1,983	428
U.S. Government Securities	-	7,475	15,356	10,934	4,014
MTG Pass Thrus	-	2,872	1,919	2,069	630
Collateralized Mortgage Obligations	-	-	-	-	-
Municipal Securities	-	175	-	198	1,054
Asset Backed Securities	297	1,532	1,460	727	12,728
Corporate bonds	2,806	12,216	7,657	13,395	6,584
	<u>10,324</u>	<u>26,413</u>	<u>26,392</u>	<u>29,307</u>	<u>25,438</u>

Blended Component Units

A. PICA

The Authority may deposit funds in any bank that is insured by federal deposit insurance. To the extent that the deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodian)

obligations of the US Government, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Investments must be made in accordance with a trust indenture that restricts investments to obligations of the City of Philadelphia, government obligations, repurchase agreements collateralized by direct obligations of or obligations the payments of principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, money market mutual fund shares issued by a fund having assets not less than \$100,000,000 or guaranteed investment contracts (GIC) with a bank insurance company or other financial institution that is rated in one of the three highest rating categories by the rating agencies and which GICs are either insured by municipal bond insurance or fully collateralized at all times.

At June 30, the carrying amount of **PICA**'s deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short term investments was \$ 99.0 million. Statement balances were insured or collateralized as follows:

(thousands of USD)	
Insured	4,143
Uninsured and uncollateralized	<u>94,923</u>
	<u><u>99,066</u></u>

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds. **PICA** has \$30,458,127 of other investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in **PICA**'s name.

B. PHILADELPHIA MUNICIPAL AUTHORITY

The authority does not have a formally adopted investment policy; however, the terms of their bond indentures limit the investments in which the trustee can deposit funds. These limited investments include US government obligations, repurchase agreements for government obligations, certificates of deposits and other time deposit arrangements with financial institutions. Investments at June 30 are summarized as follows:

(thousands of USD)	<u>Fair Value</u>	<u>Cost</u>
Money Market Funds	78,162	78,162
U S Government Securities	415	415
Certificates of Deposit	<u>100</u>	<u>100</u>
	<u><u>78,677</u></u>	<u><u>78,677</u></u>

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the Authority's name at June 30.

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, the Authority's investment in U.S. government securities were rated AAA by S&P and the Authority's investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of \$415,719 on deposit with two local banks. Amounts are insured by the FDIC up to \$250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

2. SECURITIES LENDING

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers.

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced \$3.8 million in unrealized losses from securities transactions during the year and had no credit risk exposure at June 30.
- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **RDA**) have issued debt that, in accordance with GASB Interpretation #2, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID's** Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID's** Central Library Project Financing Lease Revenue Bonds Series 2005 and **PAID's** Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **RDA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

Aviation Fund - cash and investment balances related to the net proceeds of **PAID's** Airport Revenue Bonds, Series 1998A and 2001A. The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for airport related capital improvements.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

Interfund receivable and payable balances among Primary Government funds at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All balances are expected to be settled during the subsequent year. Interfund receivable and payable balances within the Primary Government at year-end are as follows:

(Amounts in Thousands of USD)

	Interfund Receivables Due to:				
	Non major				Total
	Governmental				
Interfund Payables Due From:	General	Special Revenue	Debt Service	Other Funds	
General	-	-	-	761	761
Non major Special Revenue Funds	17,077	-	-	6	17,083
Non major Debt Service Funds	-	-	-	-	-
Total	<u>17,077</u>	<u>-</u>	<u>-</u>	<u>767</u>	<u>17,844</u>

B. COMPONENT UNITS

Interfund receivables and payables between the Primary Government and its Component Units at year-end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All interfund balances are expected to be settled during the subsequent year. Interfund receivable and payable balances among the Primary Government and Component Units at year-end are as follows:

(Amounts in Thousands of USD)

	Receivables Due to:							Total
	General	Airport	PCCA	CBH	RDA	FPC	Timing Difference	
Payables Due From:								
Behavioral Health	-	-	-	46,997	-	-	-	46,997
Grants Revenue	-	-	-	-	9,343	-	-	9,343
Non-major Funds	-	-	-	-	2,070	72	-	2,142
PGW	-	-	-	-	-	-	-	-
PPA	8,479	20,396	-	-	-	-	5,236	34,111
PCCA	2,275	-	-	-	-	-	-	2,275
PAID	762	-	-	-	-	-	-	762
Timing Difference	(3,037)	(20,396)	1,875	12,572	11,393	-	-	2,407
Total	<u>8,479</u>	<u>-</u>	<u>1,875</u>	<u>59,569</u>	<u>22,806</u>	<u>72</u>	<u>5,236</u>	<u>98,037</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity for the year ended June 30 was as follows:

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	753	3	-	756
Fine Arts	1	-	-	1
Construction In Process	10	17	(2)	25
Total capital assets not being depreciated	<u>764</u>	<u>20</u>	<u>(2)</u>	<u>782</u>
<u>Capital assets being depreciated:</u>				
Buildings	1,767	44	-	1,811
Other Improvements	287	10	(1)	296
Equipment	472	22	(30)	464
Infrastructure	1,252	51	-	1,303
Transit	292	-	-	292
Total capital assets being depreciated	<u>4,070</u>	<u>127</u>	<u>(31)</u>	<u>4,166</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(1,028)	(58)	-	(1,086)
Other Improvements	(191)	(8)	-	(199)
Equipment	(363)	(14)	10	(367)
Infrastructure	(899)	(43)	-	(942)
Transit	(196)	(7)	-	(203)
Total accumulated depreciation	<u>(2,677)</u>	<u>(130)</u>	<u>10</u>	<u>(2,797)</u>
Total capital assets being depreciated, net	<u>1,393</u>	<u>(3)</u>	<u>(21)</u>	<u>1,369</u>
Governmental activities capital assets, net	<u>2,157</u>	<u>17</u>	<u>(23)</u>	<u>2,151</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
<u>Capital assets not being depreciated:</u>				
Land	94	10	-	105
Intangible Assets	2	-	-	2
Construction In Process	300	317	(295)	322
Total capital assets not being depreciated	<u>397</u>	<u>327</u>	<u>(295)</u>	<u>429</u>
<u>Capital assets being depreciated:</u>				
Buildings	2,965	182	(12)	3,135
Other Improvements	248	13	-	261
Equipment	113	21	(19)	115
Intangible Assets	9	1	-	10
Infrastructure	2,460	108	(7)	2,561
Total capital assets being depreciated	<u>5,795</u>	<u>325</u>	<u>(38)</u>	<u>6,082</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(1,379)	(92)	8	(1,463)
Other Improvements	(127)	(10)	-	(137)
Equipment	(85)	(7)	2	(90)
Intangible Assets	(2)	(1)	-	(3)
Infrastructure	(1,265)	(66)	7	(1,324)
Total accumulated depreciation	<u>(2,858)</u>	<u>(175)</u>	<u>16</u>	<u>(3,017)</u>
Total capital assets being depreciated, net	<u>2,937</u>	<u>150</u>	<u>(22)</u>	<u>3,065</u>
Business-type activities capital assets, net	<u>3,334</u>	<u>477</u>	<u>(317)</u>	<u>3,494</u>

Depreciation expense was charged to the programs of the primary government as follows:

(Amounts in Thousands of USD)	
Governmental Activities:	
Economic Development	3,262
Transportation:	
Streets & Highways	35,182
Mass Transit	17,383
Judiciary and Law Enforcement:	
Police	8,190
Prisons	6,325
Courts	510
Conservation of Health:	
Health Services	2,424
Housing and Neighborhood Development	7
Cultural and Recreational:	
Recreation	10,836
Parks	9,554
Libraries and Museums	3,028
Improvements to General Welfare:	
Social Services	1,664
Inspections and Demolitions	108
Service to Property:	
Fire	6,156
General Management & Support	<u>31,922</u>
Total Governmental Activities	<u><u>136,551</u></u>
Business Type Activities:	
Water and Sewer	86,490
Aviation	<u>89,339</u>
Total Business Type Activities	<u><u>175,829</u></u>

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30:

(Amounts In Millions of USD)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	119	-	-	119
Art	8	-	-	8
Construction In Process	388	105	(167)	326
Total capital assets not being depreciated	515	105	(167)	453
<u>Capital assets being depreciated:</u>				
Buildings	1,392	15	102	1,509
Other Improvements	975	5	65	1,045
Equipment	267	32	(16)	283
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,635	52	151	2,838
<u>Less accumulated depreciation for:</u>				
Buildings	(531)	(26)	-	(557)
Other Improvements	(551)	(49)	-	(600)
Equipment	(174)	(25)	15	(184)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,257)	(100)	15	(1,342)
Total capital assets being depreciated, net	1,378	(48)	166	1,496
Capital assets, net	1,893	57	(1)	1,949
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	34	(1)	-	34
Fine Arts	5	-	-	5
Construction In Process	234	369	(71)	532
Total capital assets not being depreciated	273	369	(71)	571
<u>Capital assets being depreciated:</u>				
Buildings	901	21	(17)	905
Other Improvements	36	3	-	39
Equipment	372	31	(4)	399
Infrastructure	1,337	72	(1)	1,408
Total capital assets being depreciated	2,646	127	(22)	2,751
<u>Less accumulated depreciation for:</u>				
Buildings	(352)	(22)	2	(372)
Other Improvements	(31)	(2)	(2)	(35)
Equipment	(105)	(17)	3	(119)
Infrastructure	(585)	(32)	3	(614)
Total accumulated depreciation	(1,073)	(73)	6	(1,140)
Total capital assets being depreciated, net	1,573	54	(16)	1,611
Capital assets, net	1,846	423	(87)	2,182

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and Resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed \$200 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW's** revenues. There were no notes outstanding at year-end (August 31, 2009).

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year-end of \$21.7 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 8%. Aggregate minimum principal payments on these notes are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 3,200,304
2012	2,000,000
2013	-
2014	-
2015	-
2016-2020	4,922,956
2021-2025	8,597,000
2026-2030	1,000,000
2031-2035	-
2036-2040	<u>1,950,000</u>
Total	\$ <u>21,670,260</u>

In February 2010, **CCP** borrowed \$1.4 million under a loan agreement with the State Public School Building Authority. The loan has a fixed annual interest rate of 2.50% and will be repaid over a five-year period through 2015. The loan proceeds are being used to fund the completion of three capital projects at the college.

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately \$104.6 million. The loans have interest rates ranging from 3.00% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

The combined principal balance outstanding at year-end is as follows:

<u>Period</u>	<u>Amount</u>
2010 to 2011	\$ 7,451,221
2011 to 2012	7,744,495
2012 to 2013	8,066,215
2013 to 2014	7,633,038
2014 to 2015	5,355,031
2016 to 2020	26,475,000
2021 to 2025	26,365,000
2026 to 2030	<u>15,460,000</u>
Total	\$ <u>104,550,000</u>

During fiscal year 2010, **PPA** borrowed \$11.0 million. The loan will be repaid over a five year period and has a fixed interest rate of 4.377%. The monies will be used for the installation and costs of multi-space parking meters that are being placed in the Center City and University City Districts of the City of Philadelphia.

PPA, in prior years, borrowed a total of \$17.9 million in the form of bank notes ranging in maturity from 12-16 years and in interest rates from 4.06 to 6.5%. The proceed of these notes were used to finance various capital projects, the acquisition of capital assets, building improvements and the development of a records department.

The total outstanding principle balance of the notes payable at March 31, 2010 was \$23.4 million subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 6,130,496
2012	5,729,430
2013	5,093,237
2014	4,279,044
2015	878,403
2016-2020	<u>1,296,360</u>
Total	<u>\$ 23,406,970</u>

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2010 the statutory limit for the City is \$1.5 billion, the General Obligation Debt net of deductions authorized by law is \$1.4 billion, leaving a legal debt borrowing capacity of \$116.4 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund.

The following schedule reflects the changes in long-term liabilities for the fiscal year:

(Amounts in Millions of USD)

<u>Governmental Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
Term Bonds	809.9	207.0	(230.8)	786.1	39.2
Refunding Bonds	811.8	337.0	(329.5)	819.3	16.4
Serial Bonds	486.6	-	(33.5)	453.1	35.7
Less Deferred Amounts					
Unamortized Bond Premium	60.6	48.8	(4.8)	104.6	-
Unamortized Issuance Expenses	(36.3)	(7.1)	2.2	(41.2)	-
Unamortized Discount and Loss	(53.8)	(1.0)	3.9	(50.9)	-
Total Bonds Payable	<u>2,078.8</u>	<u>584.7</u>	<u>(592.5)</u>	<u>2,071.0</u>	<u>91.3</u>
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,443.8	55.5	(71.0)	1,428.3	80.2
Neighborhood Transformation	259.3	-	(6.5)	252.8	6.9
One Parkway	48.2	-	(1.5)	46.7	1.6
Sports Stadia	342.0	-	(4.9)	337.1	5.6
Library	9.6	-	(0.5)	9.1	0.5
Cultural Corridor Bonds	129.5	-	(3.4)	126.1	3.3
Arbitrage	1.2	-	-	1.2	-
Indemnity Claims	37.6	43.6	(33.5)	47.7	15.6
Worker's Compensation Claims	251.8	99.9	(51.9)	299.8	37.6
Termination Compensation Payable	193.4	20.1	(16.6)	196.9	16.6
OPEB Obligation	21.2	22.1	-	43.3	14.4
Leases	-	31.1	-	31.1	7.4
Governmental Activity Long-term Liabilities	<u>4,816.4</u>	<u>857.0</u>	<u>(782.3)</u>	<u>4,891.1</u>	<u>281.0</u>

In addition, both blended component units have debt that is classified on their respective balance sheets as General Obligation debt payable. The following schedule summarizes the General Obligation Bonds outstanding for the City, the **PMA** and **PICA**:

(Amounts In Millions of USD)

	Interest		Principal	Due Dates
	Rates			
Governmental Funds:				
City	4.00 %	to 7.125 %	1,270.0	Fiscal 2011 to 2039
PMA	2.00 %	to 7.50 %	254.6	Fiscal 2011 to 2039
PICA	2.50 %	to 5.00 %	533.9	Fiscal 2011 to 2023
			<u>2,058.5</u>	

- In May 2010, **PICA** issued Series 2010 Special Tax Revenue Refunding Bonds in the amount of \$207.0 million. The serial bonds have interest rates ranging from 4.0% to 5.0% and mature in 2022. The proceeds from the sale of the bonds were used to (1) provide for the current refunding of **PICA's** Series 2008 A & B Special Tax Revenue Bonds, (2) pay the costs of terminating an interest rate swap transaction relating to the Series 2008 A & B bonds and (3) pay the costs of issuing the Series 2010 bonds. The cash flows required by the new bonds is \$61,000. less than the cash flow required by the refunded bonds. The economic gain on the refunding (the adjusted present value of the decrease in cash out flows) is \$1.6 million.
- In August 2009, the City issued General Obligation Refunding Bonds Series 2009A and 2009B in the amounts of \$237.0 million and \$100.0 million respectively. The Series 2009A bonds are fixed-rate refunding bonds with interest rates ranging from 4.25% to 5.5% and mature in 2031. The Series 2009B bonds are multi-modal refunding bonds and will bear interest at a weekly rate subject to conversion to a daily mode, term rate mode, or fixed rate mode at the direction of the City and upon satisfaction of certain conditions described in the Board Committee Resolution. The bonds were issued simultaneously for the purpose of refunding the City's outstanding series 2007B general obligation multi-modal refunding bonds and for the payment of the costs relating to the issuance of the 2009 bonds, including the termination payment of \$15.5 million due with respect to a portion of a related swap. There was no gain or loss because the reacquisition price equaled the carrying amount of the old debt.

The City has General Obligation Bonds authorized and un-issued at year-end of \$188.2 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

Fiscal	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	36.5	65.2	15.6	19.3	39.2	27.3
2012	39.4	63.3	17.1	18.7	41.8	24.6
2013	46.6	61.2	18.0	18.4	43.7	22.6
2014	49.0	58.8	19.2	17.2	45.6	20.4
2015	51.7	56.1	20.1	16.3	47.7	18.1
2016-2020	276.9	240.0	82.6	35.2	226.7	54.5
2021-2025	288.7	167.3	13.3	24.8	89.2	8.3
2026-2030	279.1	90.9	18.0	20.1	-	-
2031-2035	156.7	30.6	24.6	13.4	-	-
2036-2040	45.4	6.8	26.1	4.4	-	-
Totals	<u>1,270.0</u>	<u>840.2</u>	<u>254.6</u>	<u>187.8</u>	<u>533.9</u>	<u>175.8</u>

The debt service through maturity for Lease and Service Agreements is as follows:

(Amounts In Millions of USD)

Lease & Service Agreements												
Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	80.2	34.5	6.9	13.0	1.6	2.2	5.6	13.7	0.5	0.4	3.3	5.9
2012	80.4	39.3	7.2	12.7	1.6	2.1	5.9	13.4	0.5	0.3	3.4	5.8
2013	79.6	45.1	7.6	12.3	2.1	2.0	11.5	13.0	0.5	0.3	3.6	5.6
2014	75.6	50.5	8.0	11.9	2.1	1.9	12.0	12.4	0.5	0.3	3.8	5.4
2015	74.4	56.6	8.4	11.5	2.2	1.9	12.4	11.8	0.5	0.3	3.9	5.3
2016-2020	317.1	356.5	49.4	50.3	13.0	7.5	70.8	50.7	3.0	1.2	23.0	23.1
2021-2025	227.6	445.9	64.0	35.7	16.4	4.1	87.2	35.1	3.6	0.5	29.6	16.6
2026-2030	493.4	145.5	82.2	17.5	7.7	0.6	107.4	15.8	-	-	37.8	8.4
2031-2035	-	-	19.0	1.0	-	-	24.3	0.5	-	-	17.7	0.8
Totals	1,428.3	1,173.9	252.7	165.9	46.7	22.3	337.1	166.4	9.1	3.3	126.1	76.9

(2) Business Type Debt Payable

The following schedule reflects changes in long-term liabilities for Business-Type Activities for the fiscal year:

Business-Type Activity	Beginning	Additions	Reductions	Ending	Due Within
	Balance			Balance	One Year
Bonds Payable					
General Obligation Bonds	3.4	-	(1.2)	2.2	1.2
Revenue Bonds	2,986.3	409.9	(507.3)	2,888.9	147.5
Less Deferred Amounts					
Unamortized Discounts and Loss	(87.2)	(12.9)	-	(100.1)	-
Total Bonds Payable	2,902.5	397.0	(508.5)	2,791.0	148.7
Indemnity Claims	4.4	5.9	(5.6)	4.7	-
Worker's Compensation Claims	15.5	7.1	(3.5)	19.1	-
Termination Compensation Payable	16.2	1.8	(2.9)	15.1	-
Net Pension Obligation	-	1.6	-	1.6	-
Arbitrage	1.8	-	(0.7)	1.1	-
Business-type Activity Long-term Liabilities	2,940.4	413.4	(521.2)	2,832.6	148.7

In addition, the Enterprise Funds have debt that is classified on their respective balance sheets as General Obligation debt payable which is summarized in the following schedule:

(Amounts In Millions of USD)

Enterprise Funds	Interest	Principal	Due Dates
	Rates		
Water Fund	1.00 %	2.2	Fiscal 2011 to 2012
		<u>2.2</u>	

Also, the City has General Obligation Bonds authorized and un-issued at year end of \$303.6 million for the Enterprise Funds.

The debt service through maturity for Business-type General Obligation Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	Water Fund	
	Principal	Interest
2011	1.2	-
2012	1.0	-
Totals	<u>2.2</u>	<u>-</u>

Several of the City's Enterprise Funds have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Water Fund	0.23 % to 7.00 %	1,656.2	Fiscal 2011 to 2036
Aviation Fund	3.00 % to 5.75 %	<u>1,232.7</u>	Fiscal 2011 to 2037
Total Revenue Debt Payable		<u>2,888.9</u>	

- In April 2009, the City of Philadelphia Water Department received notice that the Pennsylvania State Infrastructure Investment Authority ("Pennvest") had approved funding for three water and sewer applications totaling \$184.9 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximun Loan Amount	Estimated Project Costs	Amt Requested thru 6/30/2010	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	33,195,803	3,039,859	No	water plant improvements
Oct. 2009	2009C	57,268,193	50,423,484	13,430,973	Yes	water main replacements
Mar. 2010	2009D	84,759,263	82,462,284	8,474,575	No	sewer projects
Totals:		<u>184,913,486</u>	<u>166,081,571</u>	<u>24,945,407</u>		

- In April 2010, the City issued Water & Wastewater Refunding Bonds Series 2010A in the amount of \$396.5 million. The bonds are serial bonds with interest rates ranging from 2% through 5% and mature in 2019. The proceeds of the bonds were used to (1) refund the Series 2003 Water & Wastewater Revenue Bonds issued in the amount of \$370.0 million, (2) fund a payment to terminate a 2003 swap, (3) fund the required deposit into the Debt Reserve Account of the sinking fund and (4) pay bond issuance costs. The cash flows required by the new bonds is \$16.2 million more than the cash flow required by the refunded bonds. The economic loss on the refunding (the adjusted present value of these reduced cash flows) was \$19.1 million. The early extinguishment of

debt resulted in an accounting loss of approx. \$2.1 million, representing the difference between the reacquisition price of \$396.5 million and the amount of debt extinguished of \$370.0 million (less \$2.1 million unamortized discount). The resulting loss will be amortized over the life of the refunded bonds at a rate of \$226,142 annually through June 2019.

- In July 2009, the outstanding balance of \$83.7 million of Water & Wastewater Revenue Refunding Bonds, Variable Rate Series 2005B was remarketed under an irrevocable direct pay letter of credit (LOC) from Bank of America. The LOC replaced a bond insurance policy from Financial Security Assurance, Inc. (FSA) and a liquidity facility for the 2005B Bonds provided by DEPFA Bank. The LOC will constitute both a credit facility and liquidity facility and Bank of America, N.A. a creditor provider and liquidity provider for the 2005B Bonds. The bonds continue to have a weekly interest rate, maturing in 2018.

The debt service through maturity for the Revenue Debt Payable is as follows:

(Amounts In Millions of USD)

<u>Fiscal</u> <u>Year</u>	<u>Water Fund</u>		<u>Aviation Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	101.6	78.1	45.8	63.3
2012	108.9	70.6	48.6	60.5
2013	117.3	65.4	51.5	57.5
2014	123.8	59.5	54.5	54.6
2015	130.2	53.4	57.7	51.4
2016-2020	404.6	194.4	283.7	208.3
2021-2025	204.0	131.9	326.8	133.2
2026-2030	244.8	84.1	257.1	57.2
2031-2035	194.5	26.8	85.1	18.1
2036-2040	26.5	1.0	21.9	1.6
Totals	<u>1,656.2</u>	<u>765.2</u>	<u>1,232.7</u>	<u>705.7</u>

(3) Defeased Debt

As of the current fiscal year-end, the City had defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At year end, bonds outstanding pertaining to the following funds are considered defeased.

(Amounts In Millions of USD)

Governmental Funds:	
General Obligation Bonds	195.7
Enterprise Funds:	
Water Fund Revenue Bonds	<u>170.9</u>
	<u>366.6</u>

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$275.0 million in Tax Revenue Anticipation Notes by June 2010 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

(Amounts In Millions of USD)

Tax Revenue Anticipation Notes:

Balance July 1, 2009	-
Additions	275.0
Deletions	<u>(275.0)</u>
Balance June 30, 2010	<u><u>-</u></u>

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2010, the General Fund, Aviation Fund and the Water Fund had recorded liabilities of \$1.2 million, \$1.0 million and \$.07 million respectively.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2010</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<u>Governmental Activities</u>					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	5,993	Debt	(10,600)	100,000
	Deferred Outflow	(12,465)	Debt	(27,100)	217,275
	Deferred Outflow	(4,154)	Debt	(9,000)	72,400
Investment Derivatives:					
Basis Caps	Investment Revenue	3,125	Investment	(2,191)	301,495
	Investment Revenue	1,208	Investment	(1,566)	119,750
<u>Business Type Activities:</u>					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(3,014)	Debt	(31,594)	168,600
	Deferred Outflow	(1,662)	Debt	(14,133)	83,275
	Deferred Outflow	(8,185)	Debt	(15,094)	90,000

As of June 30, 2010, the City determined that the Basis Caps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. They are therefore reported within the investment revenue classification.

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty.

(amounts in thousands)

<u>Agency</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aaa/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	217,275	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa1/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	72,400	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	A2/A
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	168,600	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa1/AA-
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	83,275	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	A3/A
Water (e)	Pay Fixed Interest Rate Swap	Forward starting Swaps	90,000	8/1/2010	1/1/2037	City pays 4.52275%; receives SIFMA Municipal Swap Index	Aa2/AA

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective: In December, 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 23, 2009, the City terminated approximately \$213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of \$15.5 million to RBC.

Terms: The swap, was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). The swap confirmation was amended and restated as of August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2010, the swap had a notional amount of \$100 million and the associated variable rate bonds had a \$100 million principal amount. The bonds mature in August, 2031.

Fair Value: As of June 30, 2010, the swap had a negative fair value of (\$ 10.6 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2010, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship

between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the rating of RBC falls below Baa3 or BBB- or by RBC if the rating of the City falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corp. (formerly FSA), no termination event based on the City's ratings can occur as long as Assured is rated at least A3 and A-.

As of June 30, 2010, the rates were:

<u>Terms</u>	<u>Rates</u>		
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable payment from RBC under swap	SIFMA	(0.25000)	%
Net interest rate swap payments		3.57900	%
Variable Rate bond coupon payments	Weekly resets	0.28000	%
Synthetic interest rate on bonds		3.859	%

Swap payments and associated debt: As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
June 30				
2011	\$ -	\$ 280,000	\$ 3,579,000	\$ 3,859,000
2012	-	280,000	3,579,000	3,859,000
2013	-	280,000	3,579,000	3,859,000
2014	-	280,000	3,579,000	3,859,000
2015	-	280,000	3,579,000	3,859,000
2016 - 2020	-	1,400,000	17,895,000	19,295,000
2021 - 2025	-	1,400,000	17,895,000	19,295,000
2026 - 2030	63,885,000	1,183,252	15,124,496	16,307,748
2031 - 2032	36,115,000	152,684	1,951,629	2,104,313
Total:	<u>100,000,000</u>	<u>5,535,936</u>	<u>70,761,125</u>	<u>76,297,061</u>

b. Philadelphia Authority for Industrial Development (PAID) 2007B Swaps

Objective: In December, 2007, **PAID** entered into two swaps to synthetically refund **PAID's** outstanding Series 2001B bonds. The swap structure was used as a means to increase **PAID's** savings when compared with fixed-rate bonds at the time of issuance. The intention of the swaps was to create a synthetic fixed-rate structure.

Terms: The total original notional amount of the two swaps was \$289.7 million which matched the principal amount of the 2007B bonds issued (\$289.7 million). One swap, with a notional amount of \$217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of \$72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule. As of June 30, 2010, the swaps together

had a notional amount of \$289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2010, the swap with JP Morgan Chase Bank had a negative fair value of (\$27.1 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of (\$9.0 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2010, **PAID** was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swaps include an additional termination event based on credit ratings. The swaps may be terminated by **PAID** if the rating of the respective counterparty on the swaps falls below Baa3 or BBB- or by the respective counterparties if the underlying rating on the associated bonds falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. The City's swap payments are insured by FGIC.

As of June 30, 2010, the rates were:

<u>Terms</u>	<u>Rates</u>	
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable payment from Merrill Lynch under Swap	SIFMA	(0.25000) %
Net interest rate swap payments		3.72130 %
Variable Rate bond coupon payments	Weekly resets	0.27000 %
Synthetic interest rate on bonds		3.9913 %

Swap payments and associated debt: As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	<u>Variable Rate Bonds</u>		Interest Rate	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
2011	\$ -	\$ 782,123	\$ 10,779,676	\$ 11,561,799
2012	-	782,123	10,779,676	11,561,799
2013	-	782,123	10,779,676	11,561,799
2014	-	782,123	10,779,676	11,561,799
2015	-	782,123	10,779,676	11,561,799
2016 - 2020	70,750,000	3,544,520	48,852,668	52,397,188
2021 - 2025	87,190,000	2,504,304	34,515,802	37,020,106
2026 - 2030	107,425,000	1,222,533	16,849,674	18,072,207
2031	24,310,000	65,637	904,648	970,285
Total:	<u>289,675,000</u>	<u>11,247,609</u>	<u>155,021,172</u>	<u>166,268,781</u>

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department (the Philadelphia Airport) with an up-front payment of \$6.5 million. As a synthetic refunding of its 1995 Bonds, this

payment approximated the present-value savings as of April, 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of \$189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2010, the swap had a notional amount of \$168.6 million and the associated variable-rate bonds had a \$168.6 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2010, the swap had a negative fair value of (\$31.6 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2010, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2010, the rates were:

<u>Terms</u>	<u>Rates</u>		
Interest Rate Swap			
Fixed payment to JPMorgan under swap	Fixed	5.64975	%
Variable payment from JPMorgan under swap	SIFMA	(0.25000)	%
Net interest rate swap payments		5.39975	%
Variable Rate bond coupon payments	Weekly resets	0.22	%
Synthetic interest rate on bonds		5.61975	%

Swap payments and associated debt: As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows.

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate Swaps Net	Total Interest
	Principal	Interest		
2011	\$ 6,000,000	\$ 370,920	\$ 9,103,976	\$ 9,474,896
2012	6,700,000	357,720	8,779,991	9,137,711
2013	7,500,000	342,980	8,418,208	8,761,188
2014	8,200,000	326,480	8,013,227	8,339,707
2015	9,000,000	308,440	7,570,447	7,878,887
2016 - 2020	57,100,000	1,209,340	29,682,418	30,891,758
2021 - 2025	74,100,000	500,720	12,289,828	12,790,548
Total:	<u>168,600,000</u>	<u>3,416,600</u>	<u>83,858,095</u>	<u>87,274,695</u>

d. City of Philadelphia, 2005 Water & Sewer Swap

Objective: In December, 2002, the City entered into a swaption that provided the City with an up-front payment of \$4.0 million. As a synthetic refunding of all or a portion of its 1995 Bonds, this payment approximated the present value savings, as of December 2002, of a refunding on May 4, 2005. The swaption gave Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one month LIBOR, in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup exercised its option during this fiscal year to pay 68.5% of one month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of \$86.1 million), and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into.

As of June 30, 2010, the swap had a notional amount of \$83.3 million and the associated variable-rate bond had an \$83.3 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2010, the swap had a negative fair value of (\$ 14.1 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2010 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, the City is exposed to (i) basis risk, as reflected by the relationship between the variable-rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 30, 2010, rates were as follows:

<u>Terms</u>	<u>Rates</u>	
Fixed payment to Citigroup under swap	Fixed	4.53000 %
Variable payment from Citigroup under swap	68.5% of one month LIBOR	(0.23868) %
Net interest rate swap payments		4.29132 %
Variable Rate bond coupon payments	Weekly resets	0.21 %
Synthetic interest rate on bonds		4.50132 %

Swap payments and associated debt: As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	<u>Total Interest</u>
2011	405,000	174,878	3,573,597	3,748,475
2012	425,000	174,027	3,556,217	3,730,244
2013	450,000	173,135	3,537,979	3,711,114
2014	14,820,000	172,190	3,518,668	3,690,858
2015	15,535,000	141,068	2,882,694	3,023,762
2016 - 2020	<u>51,640,000</u>	<u>221,151</u>	<u>4,519,189</u>	<u>4,740,340</u>
Total:	<u><u>83,275,000</u></u>	<u><u>1,056,449</u></u>	<u><u>21,588,344</u></u>	<u><u>22,644,793</u></u>

e. City of Philadelphia Forward-Starting Water & Wastewater Swap

Objective: In February, 2007, the City entered into two forward starting swaps to take advantage of the current low interest rate environment in advance of the issuance of water and wastewater revenue bonds expected to be issued by the City in 2008. The notional amount was evenly split between two counterparties, Merrill Lynch Capital Services, Inc. and Wachovia Bank, N.A. On June 30, 2010, the swap with Merrill Lynch was terminated. The City paid a termination payment of \$15.2 million to Merrill Lynch. The swap with Wachovia was subsequently terminated on July 27, 2010.

Terms: The swap confirmation was amended in December 2007, to move the swap start date from February 2008 to February 2009, as the bond issuance had been delayed. In February 2009, the swap confirmation was amended again to move the swap start date from February 2009 to August 2010, as the bond issuance had been delayed. The termination date is January 2037. The swap was priced based on an amortizing notional schedule with a \$90 million initial notional amount. Under the swap, the City would pay a fixed rate of 4.52275% and will receive a variable rate equal to the SIFMA Municipal Swap Index.

Fair value: As of June 30, 2010, the swap had a negative fair value of (\$15.1 million). This means that the Water and Sewer Department would have to pay this amount to terminate the swap.

Risk: As of June 30, 2010, the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change, if SIFMA resets at a rate below the variable-rate bond coupon payments, the synthetic interest rate on the bonds will increase. The swap included additional termination events based on credit ratings. The swap may be terminated by the City if Wachovia fails to have a rating of at least Baa2 or higher or BBB or higher, or by Wachovia if the City fails to have a rating of at least Baa2 or higher or BBB or higher.

f. PICA Series 1993A, 1996 & 1999 Swaption

Objective of the swaptions: During the fiscal year ended June 30, 2002, **PICA** (the Authority) entered into three swaption agreements with JP Morgan Chase Bank (JP Morgan). JP Morgan paid the Authority upfront premium payments totaling \$26.2 million (\$10.7 million for the 1993A issuance, \$5.8 million for the 1996 issuance and \$9.7 million for the 1999 issuance). These swaption agreements were entered into in order to affect a synthetic refunding of the Authority's 1993A, 1996, and 1999 bond issuances at some point in the future (generally, the first call date for each bond issuance). The premium payments, which were recorded as deferred revenue in fiscal year 2002, represented the risk-adjusted, present value savings of a refunding at the specified call date without issuing refunding bonds at the time the swaption agreements were executed. The swaptions give the counterparty the option to require the Authority enter into pay-fixed, receive-variable interest rate swaps. If the options were exercised, the Authority would then expect to issue variable-rate refunding bonds.

Terms: The premium payments were based on a notional amount representing the outstanding bonds for each issuance, and at the time any of the related swap agreements are to take effect the notional amounts will represent the outstanding bonds at that time. The counterparty has the option to exercise the agreements at the first call date of each related bond issuance and the related swap will commence on that same date. The fixed swap rates (ranging from approximately 5.0 – 5.5%) were set at rates that, when added to an assumption for remarketing and liquidity costs, would approximate the coupons of the "refunded" bonds. The swap's variable payment would be a predetermined percentage (ranging from 62% - 67%) of the London Interbank Offered Rate ("LIBOR"). Both the Authority and the counterparty had the ability to terminate the swaptions, with monetary consequences, before the interest rate swaps were set to begin.

In May 2010, concurrent with the Authority's Series 2010 Refunding Bond issuance, the \$10,720,000 (1993A) and \$5,815,000 (1996) swap agreements were terminated. As such, the revenue from this premium, previously deferred, was recognized as income in the statement of activities. In connection with the termination of this agreement, PICA paid a termination fee to a counterparty of \$39,678,000, which is included in investment expenses.

g. PICA Series of 2003 and 1999 Basis Cap Agreements

In June 2003 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

2003 Basis Cap

Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70% multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above.

1999 Basis Cap

Beginning July 15, 2009, the counterparty pays the Authority a fixed rate each month of .46% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of BMA for the month divided by the one-month LIBOR, less 70%, multiplied the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above.

Fair Value

Derivative instruments are summarized as follows:

(amounts in thousands)

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2010</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<u>Governmental Activities</u>					
Investment Derivatives:					
Basis Caps	Investment Revenue	(4,334)	Investment	(3,758)	490,050

h. City of Philadelphia 2003 Water & Sewer Swap

Objective: In December 2002, the City entered into a swaption that provided the City's Water and Sewer Department with an up-front payment of \$25.0 million. The original notional amount was \$381.3 million. As a synthetic refunding of all or a portion of its 1993 Bonds, this payment approximated the present value savings, as of December 2002 of a refunding on March 18 2003, based upon interest rates in effect at the time. The swaption gave Citigroup (formerly Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts. On April 8, 2010, the City terminated the swap and refunded the underlying bonds to fixed rate. The City paid a swap termination payment of \$48.8 million to Citigroup.

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of \$1.4 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of \$1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments.

(8) Neighborhood Transformation Initiative Service Agreement

In Fiscal 2002, **RDA** issued \$142.6 million in City of Philadelphia Neighborhood Transformation Initiative (NTI) Bonds. These bonds were issued to finance a portion of the initiative undertaken by the Authority and the City to revitalize, renew and redevelop blighted areas of the City. The bonds are obligations of **RDA**. The City entered into a service agreement with **RDA**, agreeing to make yearly payments equal to the debt service on the bonds. **RDA** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2; **RDA** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In Fiscal 2004, **RDA** issued a \$30.0 million City of Philadelphia NTI Taxable Revenue Bond. The **RDA** and the City plan to borrow a taxable bank line of credit (the 2003 Bond) to fund certain costs of the NTI related to the acquisition of property. The line of credit is being issued in anticipation of future long term financing. This will allow the City and **RDA** to better manage the carrying costs of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals.

In March, 2005, **RDA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of \$25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of \$ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for \$81.3 million and mature through 2031. The fiscal year 2010 NTI Service Agreement liability of \$252.7 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued \$346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In October, 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2010, the

Sports Stadium Financing Agreement liability of \$337.1 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued \$135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal 2010 the liability of \$126.2 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

On June 6, 2000, **PICA** entered into two debt service reserve forward delivery agreements, one of which began on August 1, 2003 and expired on June 15, 2010 whereby **PICA** received a premium of \$4,450,000 on December 1, 2002 and one of which began on June 15, 2010 and expires on June 15, 2023, whereby **PICA** received a premium of \$1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of the respective agreements.

(12) Other Long Term Debt

In July 2009, the City entered into a four-year Lease Purchase Agreement with PNC Equipment Finance, LLC, for \$31.1 million, in connection with the purchase and installation of certain equipment and related software to upgrade the City's 800 MHz trunked radio communications system to an ASTRO 25 Internet Protocol based system. The total outstanding balance at June 2010 is \$31.1 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total \$2,994.4 million in principal, with interest rates from 1.5% to 6.765 % and have due dates from 2011 to 2040. The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable	2,825.2	598.7	(429.5)	2,994.4	84.0
Add: Bond Premium	79.0	35.4	(5.3)	109.1	7.9
Less: Bond Discounts	(11.4)	(0.1)	0.5	(11.0)	(0.6)
Total Bonds Payable	<u>2,892.8</u>	<u>634.0</u>	<u>(434.3)</u>	<u>3,092.5</u>	<u>91.3</u>
Termination Compensation Payable	295.6	24.0	(28.1)	291.5	27.3
Severance Payable	168.9	27.5	(11.7)	184.7	8.9
Other Liabilities	144.1	29.2	(35.9)	137.4	37.9
Lease Purchase Agreements	-	-	-	-	-
Deferred Reimbursement	56.0	-	(5.3)	50.7	50.7
Arbitrage Liability	4.3	-	(0.2)	4.1	0.1
Early Retirement Incentive	0.4	-	(0.2)	0.2	0.2
Total	<u>3,562.1</u>	<u>714.7</u>	<u>(515.7)</u>	<u>3,761.1</u>	<u>216.4</u>

Debt service to maturity on the **SDP's** general obligation bonds and lease rental debt at year end is summarized as follows:

(Amounts In Millions of USD)

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	75.9	130.6
2012	89.0	125.5
2013	93.6	121.2
2014	95.8	117.2
2015	85.3	113.7
2016-2020	501.7	499.9
2021-2025	487.2	378.7
2026-2030	451.6	263.4
2031-2035	592.0	127.5
2036-2040	156.6	23.5
Totals	<u>2,628.8</u>	<u>1,901.3</u>

- On April 6, 2010, the School District issued Series A of 2010 and Series B of 2010 fixed rate general obligation bonds in the aggregate amount of \$249.3 million for the Capital Improvement Program. Bond proceeds of \$1.9 million were utilized for underwriting fees, and other bond issuance costs. The Series B bonds were designated as federally taxable Build America Bonds, in accord with The American Recovery and Reinvestment Act of 2009. The School District is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series B Bonds on each interest payment date. The eligibility of this federal subsidy begins during fiscal year 2011.
- On April 6, 2010, the School District issued Series C of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of \$300.0 million to refund certain maturities of the outstanding Series A, B, C, and D of 2008, terminate the related Swap Agreements, and pay the associated swap termination payments. Bond proceeds of \$1.9 million were utilized for underwriting fees, and other issuance costs.

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

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

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

For accounting purposes, these advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$52.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2023.

An analysis was completed to determine the cash flow difference between the old debt and new debt. This analysis indicates a cash flow of \$10.1 million less over the life of the issue than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$9.7 million to the School District.

(2) Business Type Debt Payable

Several of the City's Proprietary Type Component Units have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
PCCA	2.567 % to 6.532 %	281.1	Fiscal 2011 to 2039
PPA	3.000 % to 5.250 %	193.0	Fiscal 2011 to 2029
PGW	3.850 % to 6.800 %	1,138.1	Fiscal 2012 to 2038
RDA	4.550 % to 4.750 %	18.4	Fiscal 2017 to 2028
Total Revenue Debt Payable		1,630.6	

- On June 3, 2009, the Mayor signed a bill into law authorizing the City to issue revenue bonds. The bill signed by the Mayor constituted the Ninth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998 (the 1998 General Ordinance). This ordinance authorizes the City to issue revenue bonds for the following purposes: (a) to pay the cost of refunding or redeeming all or a portion of the outstanding Gas Works Revenue Bonds, Sixth Series (1998 Ordinance) and other Project Costs; (b) authorizing the City to obtain credit enhancement and liquidity for all or a portion of the Eighth Series Bonds, enter into or amend one or more Qualified Swap Agreements or to relate all or a portion of an existing Qualified Swap Agreement to all or a portion of a different series of outstanding Gas Works Revenue Bonds, and authorizing covenants and actions in order that the Eighth Series Bonds shall not be arbitrage bonds; and (c) making certain determinations and covenants relating to Gas Works Revenues and payment of interest and principal.
- On August 20, 2009, the Company issued \$313,285,000 of Eighth Series Bonds for the purpose of refunding the outstanding Sixth Series Bonds previously issued under the 1998 Ordinance, paying the costs of terminating a portion of the Swap Agreement, and issuing the bonds and any required deposits to the Sinking Fund Reserve established under the 1998 General Ordinance. The Eighth Series Bonds consist of \$58,285,000 of serial bonds with an interest rate that ranges from 4.0% to 5.25% and have maturity dates through 2017. The Eighth Series Bonds also consist of four serial bonds totaling \$255,000,000 that have variable rates set through a weekly reset mode, are paid monthly, and are secured with a letter of credit which expires August 19, 2011. These bonds mature at various dates from 2017 to 2031. The loss on refunding the Sixth Series Bonds and issuing the Eighth Series Bonds of \$55,344,000, including \$26,311,000 related to the elimination of the deferred outflow of resources upon termination of the Sixth Series hedging relationship was deferred and will be amortized over the life of the Eighth Series Bonds.

Interest rates and maturities of the outstanding Revenue Bonds are detailed as follows (thousands of dollars):

Description	Interest rates	Maturity date (fiscal year)	Balance outstanding	
			August 31, 2009	August 31, 2008
Series 11C	6.80%	2012	\$ 21,882	20,379
1st Series A	4.50% – 5.50%	2026	84,995	95,815
1st Series C	3.85% – 5.00%	2014	8,615	10,115
16th Series	4.00% – 5.50%	2015	16,915	25,905
2nd Series	4.63% – 5.38%	2012	8,370	10,905
3rd Series	4.25% – 5.50%	2012	8,515	11,105
4th Series	4.00% – 5.25%	2032	92,585	95,125
17th Series	4.00% – 5.38%	2026	140,225	148,875
5th Series	4.00% – 5.25%	2034	120,000	120,000
5th Series A-2	Variable	2035	30,000	30,000

Description	Interest rates	Maturity date (fiscal year)	Balance outstanding	
			August 31, 2009	August 31, 2008
18th Series	5.00% – 5.25%	2021	50,470	52,580
6th Series	Variable	2031	—	311,615
19th Series	5.00%	2024	14,450	14,450
7th Series	4.00% – 5.00%	2038	196,955	200,000
7th Series Refunding	5.00%	2029	30,900	30,900
8th Series A	4.00% – 5.25%	2017	58,285	—
8th Series B	Variable	2031	105,000	—
8th Series C	Variable	2031	50,000	—
8th Series D	Variable	2031	50,000	—
8th Series E	Variable	2031	50,000	—
			<u>\$ 1,138,162</u>	<u>1,177,769</u>

- In April 2010, **PCCA** issued \$281.1 million in revenue bonds through Pennsylvania Economic Development Finance Authority (“PEDFA”) for the Convention Center Project. The Series 2010A bonds were issued in the amount of \$32.3 million and are tax-exempt serial bonds with interest rates ranging from 4.0% to 5.0%, maturing in 2015. The Series 2010B bonds are federally taxable Build America Bonds. Serial bonds were issued in the amount of \$53.3 million and have interest rates ranging from 2.567% to 5.5019% and mature in 2023. Term bonds were issued in the amount of (1) \$27.6 million with an interest rate of 6.412% and mature in 2030; (2) \$167.9 million with an interest rate of 6.532% and mature in 2039. The proceeds of the bonds, together with other available funds will be used to finance the acquisition of the existing Pennsylvania Convention Center (PCC) in Pennsylvania, finance a portion of the costs of construction, installing and equipping the expansion of PCC, funding of the debt service reserve fund and payment of bonds issuance costs.
- In December 2009, **PPA** issued \$131.1 million Series of 2009 Airport Parking Revenue Bonds with interest rates ranging from 3.00% to 5.25% for the purpose of refunding \$135.1 million of outstanding Series 1999 Airport Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4.8 million. This difference is being charged to operations through 2030. **PPA** completed the refunding to reduce its total debt service payments over the next 20 years by \$15.3 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of \$5.1 million.

The debt service through maturity for the Revenue Debt Payable of Component Units is as follows:

(Amounts in Millions of USD)

Fiscal Year	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2011	4.6	19.3	7.4	9.4	46.0	43.1	-
2012	9.7	16.5	8.0	9.1	46.6	40.9	-	0.9
2013	9.4	16.1	10.5	8.6	42.9	39.2	-	0.9
2014	9.2	15.9	11.0	8.1	45.1	37.5	-	0.9
2015	8.7	15.4	11.4	7.5	47.2	35.3	-	0.9
2016-2020	25.9	72.5	65.2	28.6	234.1	140.0	2.2	4.0
2021-2025	18.0	65.7	63.3	11.9	247.4	93.6	4.3	3.7
2026-2030	27.6	62.2	16.2	2.1	229.8	57.1	11.9	1.8
2031-2035	78.9	45.5	-	-	122.4	27.6	-	-
2036-2040	89.0	14.8	-	-	76.6	5.1	-	-
2041-2045	-	-	-	-	-	-	-	-
Totals	<u>281.0</u>	<u>343.9</u>	<u>193.0</u>	<u>85.3</u>	<u>1,138.1</u>	<u>519.4</u>	<u>18.4</u>	<u>14.0</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2009

‡ - Parking Authority amounts are presented as of its fiscal year ended March 31, 2010

(3) Defeased Debt

At year end, defeased bonds are outstanding from the following Component Units of the City as shown below:

(Amounts In Millions of USD)

Pennsylvania Convention Center Authority	356.9
Philadelphia Gas Works †	175.4
Community College of Philadelphia	29.5
School District of Philadelphia	<u>1,108.7</u>
Total	<u><u>1,670.5</u></u>

† - Gas Works amounts are presented as of August 31, 2009

- In April 2010, the Lease and Service Agreement (“LSA”) between the City of Philadelphia (the City) and the Pennsylvania Convention Center Authority (**PCCA**) was terminated concurrent with the defeasance of the Series 2005 bonds. With the termination of LSA, the City, Commonwealth of Pennsylvania (Commonwealth) and **PCCA** entered into an Operating Agreement which requires the Commonwealth to fund **PCCA’s** net operating deficits, reserve fund requirements and debt service related to the expansion project and defeasance of the **PCCA** bonds. The City is required to pay an annual \$15.0 million service fee and to remit **PCCA’s** portion of hotel tax receipts to the Commonwealth. In FY2010, the initial year of the Operating Agreement, the City was obligated to pay the lease and service fee through the end of the month in which the bonds were defeased (April 2010) and a pro-rated portion of the \$15.0 million service fee. The Commonwealth was obligated to pay **PCCA’s** net operating deficit and reserve requirements less hotel tax revenues for the remaining months of the fiscal year (May & June 2010), in addition to a one-time payment of the pro-rated portion of the debt service already paid by the City in that fiscal year.
- During FY 2009 **PGW** issued \$313,285,000 of Eighth Series Bonds during FY 2009. The Eighth Series A fixed rate bonds were issued in the amount of \$58,285,000 and the Eighth Series B, Eighth Series C, Eighth Series D and the Eighth Series E variable rates bonds were issued in the amounts of \$105,000,000,

\$50,000,000, \$50,000,000 and \$50,000,000, respectively. The proceeds of the sale were utilized to currently refund Sixth Series variable rate bonds in the amount of \$311,615,000. The refunding of this existing debt resulted in an accounting loss of \$29,033,000. This loss is being deferred and amortized as interest expense over the life of the new bond.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. Rebate-able arbitrage earnings occur when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceeds the bond yield paid to investors. As of June 30, 2010, the arbitrage rebate calculation for **SDP** indicated a liability for 98% of the total in 2011 (based on current market conditions which could change when actually due and payable) totaling \$4.3 million.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective and Terms – In January 2006, the City entered into a swap to create a synthetic fixed rate for the Sixth Series Bonds. The swap structure was used as a means to increase the City's savings, when compared with fixed-rate bonds at the time of issuance.

The swap was originally executed with the counterparty on January 26, 2006 and will mature on August 1, 2031. Under the swap, the City pays a fixed rate of 3.6745% and receives a variable rate computed as the lesser of (i) the actual bond rate and (ii) the SIFMA Municipal Swap Index until September 1, 2011 on which date the variable interest rate received will switch to 70.0% of one month LIBOR until maturity.

In August 2009, the City terminated approximately \$54,800,000 of the notional amount of the swap, issued fixed rate refunding bonds related to that portion and kept the remaining portion of the swap to hedge variable rate refunding bonds backed with letters of credit. The Company paid a swap termination payment of \$3,791,000 to the counterparty to partially terminate the swap.

The swap confirmation was amended and restated on August 12, 2009 to reflect the principal amount of the Eighth Series B Bonds, with all other terms remaining the same. Separate trade confirmations with the same terms as the original swap were executed with the counterparty for the Eighth Series C through E.

As of August 31, 2009, the swap had a notional amount of \$255,000,000 and the associated variable rate debt had a \$255,000,000 principal amount, broken down by series as follows:

- The Series B swap had a notional amount of \$105,000,000 and the associated variable rate bonds had a \$105,000,000 principal amount.
- The Series C swap had a notional amount of \$50,000,000 and the associated variable rate bonds had a \$50,000,000 principal amount.
- The Series D swap had a notional amount of \$50,000,000 and the associated variable rate bonds had a \$50,000,000 principal amount.
- The Series E swap had a notional amount of \$50,000,000 and the associated variable rate bonds had a \$50,000,000 principal amount.

The final maturity date is on August 1, 2031.

Fair value – As of August 31, 2009, the swaps had a combined negative fair value for all series of \$27,555,000. The fair values of the interest rate swaps were estimated using the zero coupon method. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

Risks - As of August 31, 2009, the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include an additional termination event based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the Company's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by FSA, as long as FSA is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed.

The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase. In addition, after September 1, 2011, the City would be exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

The impact of the interest rate swap on the financial statements for the year ended August 31, 2009 is as follows (thousands of dollars):

	<u>Interest rate swap liability</u>	<u>Deferred outflow of resources</u>
Balance August 31, 2008	\$ 13,790	13,790
Change in fair value through August 20, 2009 (refunding of Sixth Series Bonds)	16,771	16,771
Termination of a portion of swap	(4,250)	(4,250)
Termination of hedge upon refunding Sixth Series Bonds	—	(26,311)
Change in fair value from initiation of hedge related to Eighth Series Bonds to year end	<u>1,244</u>	<u>1,244</u>
Balance August 31, 2009	<u>\$ 27,555</u>	<u>1,244</u>

The interest rate swap liability is included in other liabilities and deferred credits, and the deferred outflow of resources is included in other assets and deferred debits on the balance sheet.

b. School District of Philadelphia Swap Agreements

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

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

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

Objective and Terms:

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

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

Discussion of Risks:

Credit Risk - In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. §8281) (the "Debt Act"), amended in September of 2003, the School District adopted a written interest rate management plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The School District entered into the fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution.

As of June 30, 2010, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values of \$71.6 million. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

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

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

Termination risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

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

Terminated Hedges

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

Swap payments and associated debt

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

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

- (1) Based on assumed interest rate of 4.5% at year end June 30th.
- (2) Variable rate receipts based on LIBOR rate plus basis point at year end June 30th.

c. School District of Philadelphia General Obligation and Refunding Bonds

General Obligation Bonds:

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

Refunding Bonds:

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

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

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

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

(3) For accounting purposes, these advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$52.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2023.

(4) An analysis was completed to determine the cash flow difference between the old debt and new debt. This analysis indicates a cash flow of \$10.1 million less over the life of the issue than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$9.7 million to the School District.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

The City's operating leases consist of leases of airport facilities, recreation facilities, certain transit facilities and various other real estate and building sites. Rental income for all operating leases for the year was:

(Amounts In Thousands of USD)	<u>Primary Government</u>		<u>Component Units</u>
	Governmental Funds	Proprietary Funds	
Minimum Rentals	5,990	25,821	3,650
Additional Rentals	-	144,485	170
Sublease	<u>10,998</u>	<u>-</u>	<u>411</u>
Total Rental Income	<u>16,988</u>	<u>170,306</u>	<u>4,231</u>

Future minimum rentals receivable under non-cancelable operating leases are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	Governmental Funds	Proprietary Funds	
2011	4,082	15,680	5,134
2012	4,173	13,561	4,083
2013	4,266	13,365	2,946
2014	4,363	7,044	2,324
2015	4,462	7,016	1,888
2016-2020	23,897	29,769	5,557
2021-2025	26,844	16,151	2,599
2026-2030	30,245	11,922	1,634
2031-2035	34,172	6,640	871
2036-2040	-	-	944
2041-2045	-	-	944
2046-2050	-	-	808
2051-2055	-	-	808
2056-2060	-	-	808
2061-2065	-	-	808
2066-2070	-	-	808
2071-2075	-	-	808
2076-2080	-	-	808
2081-2085	-	-	772
2086-2090	-	-	571
Total	<u>136,504</u>	<u>121,148</u>	<u>35,923</u>

B. CITY AS LESSEE

1) OPERATING LEASES

The City's operating leases consist principally of leases for office space, data processing equipment, duplicating equipment and various other items of property and equipment to fulfill temporary needs. Rental expense for all operating leases for the year was as follows:

(Amounts In Thousands of USD)

	<u>Primary Government</u>		<u>Component Units</u>
	Governmental	Proprietary	
	<u>Funds</u>	<u>Funds</u>	
Minimum Rentals	134,411	21,718	13,861
Additional	-	-	73
Sublease	<u>463</u>	<u>-</u>	<u>-</u>
Total Rental Expense	<u><u>134,874</u></u>	<u><u>21,718</u></u>	<u><u>13,934</u></u>

As of year end, future minimum rental commitments for operating leases having an initial or remaining non-cancelable lease term in excess of one year are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	<u>Primary Government</u>		<u>Component Units</u>
	Governmental	Proprietary	
	<u>Funds</u>	<u>Funds</u>	
2011	31,170	775	13,354
2012	30,958	758	11,197
2013	29,143	481	8,954
2014	24,882	93	9,011
2015	24,101	47	5,376
2016-2020	93,456	-	7,973
2021-2025	32,131	-	-
2026-2030	17,895	-	-
2031-2035	17,449	-	-
2036-2040	-	-	-
2041-2045	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>301,185</u></u>	<u><u>2,154</u></u>	<u><u>55,865</u></u>

2) CAPITAL LEASES

Capital leases consist of leased real estate and equipment from various component units. Future minimum rental commitments are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending	Component Units
<u>June 30</u>	
2011	1,615
2012	1,301
2013	991
2014	900
2015	670
2016 -2020	2,813
2021 -2025	1,247
Future Minimum Rental Payments	9,537
Interest Portion of Payments	(1,932)
Obligation Under Capital Leases	<u>7,606</u>

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2010, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASBS #32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of a trust in which all assets and income of the Plan are to be held for the exclusive benefit of participants and their beneficiaries. As a result, the company no longer owns the assets of the Plan nor has a contractual liability to Plan participants.

10. FUND BALANCE RESERVATIONS

The City has reserved portions of several funds' Fund Balances. Following is a description of all such reservations followed by a summary of the major funds at year end for the Primary Government:

Reserved for Encumbrances - An account used to segregate a portion of Fund Balance for expenditure upon vendor performance

Reserved for Intergovernmental Financed Programs - An account used to segregate a portion of Fund Balance legally restricted to programs to improve the City's financial status.

Reserved for Behavioral Health - An account used to segregate a portion of Fund Balance that is required to be held in reserve to ensure adequate funding for costs of managed behavioral health care.

Reserved for Stadium Financing- An account used to segregate a portion of Fund Balance that represents amounts that were restricted for debt service for Stadium Financing.

Reserved for Neighborhood Revitalization - An account used to segregate a portion of Fund Balance for the purpose of revitalizing various neighborhoods in the City of Philadelphia.

Reserved for Public Safety Emergency Phone System - An account used to segregate a portion of Fund Balance legally restricted for the improvement of the emergency phone system.

Reserved for Central Library Project - An account used to segregate a portion of Fund Balance for the amount held by the fiscal agent for the purpose of renovating the central library.

Reserved for Cultural and Commercial Corridor Financing: An account used to segregate a portion of fund balance for the amount held by the fiscal agent for the purpose of funding cultural and commercial corridor improvements.

(Amounts In Millions of USD)	Health Choices			Total
	General Fund	Behavioral Health Fund	Grants Revenue Fund	
Reserved Fund Balance:				
Reserved for Encumbrances	87.9	-	-	87.9
Reserved for Neighborhood Revitalization	-	-	73.1	73.1
Reserved for Behavioral Health	-	171.0	-	171.0
Reserved for Intergov Financed Programs	-	-	7.9	7.9
Reserved for Emergency Phone System	-	-	40.4	40.4
Reserved for Central Library Project	2.3	-	-	2.3
Reserved for Stadium Financing	0.6	-	-	0.6
Reserved for CCC Project	30.8	-	-	30.8
Total Reserved Fund Balance	121.6	171.0	121.4	414.0

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are: the PICA administrative fund collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

(Amounts in Thousands of USD)	Governmental	Transfers To:			Total
		Non major Governmental			
Transfers From:	General	Special Revenue	Debt Service	Capital Improvement	
General	-	298	134,734	1,039	136,071
Grants	13,262	-	954	9,173	23,389
Non major Special Revenue Funds	300,793	-	59,913	9,575	370,281
Water Fund	2,304	-	26,011	-	28,315
Total	316,359	298	221,612	19,787	558,056

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government fund balance sheet (Exhibit III) includes reconciliation to the Net Assets of Governmental Activities. One element of that reconciliation states that "Long Term Liabilities, including bonds payable, are not reported in the funds". The details of this difference are as follows:

(Amounts in Millions of USD)

Bonds Payable	2,071.0
Service Agreements	2,200.1
Employee Related Obligations	540.1
Indemnities	47.7
Arbitrage	1.2
Leases	31.1
Total Adjustment	<u><u>4,891.2</u></u>

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- The Water Fund’s Net Assets beginning balance was increased by \$8.7 million representing the net effect of corrections made to Capital Assets accounts in the amount of \$1.8 million and an increase of \$6.9 million for the capitalization of the Water billing system to record Intangible Assets.
- The Aviation Fund’s Net Assets beginning balance was increased by \$2.1 million representing the net effect of corrections made to Capital Assets accounts to record Intangible Assets.
- **PICA’s** July 1, 2009 net assets beginning balance was decreased by (\$2.0) million. The re-statement was the result of fees recognized as income in a prior year rather than being deferred. Fees received from debt service forward delivery agreements should be amortized over the term of the agreement and reported as investment income as they become recognized. In addition, the cumulative effect of adopting GASB 53 was an increase of \$45.2 million to the July 1, 2009 deficit in net assets.

B. COMPONENT UNITS

- District-wide net assets beginning balances were decreased by \$41,940,887. This adjustment involved Capital Assets and Derivative Instruments. For Capital Assets, this adjustment involved correction for an understatement of accumulated depreciation of Buildings and Improvements in the amount of \$22,126 and \$53,380, respectively. Also a reclassification was made between Buildings and Improvements in the amount of \$2,212,600. In addition, the School District implemented Governmental Accounting Standard Board Statement No. 53 which required an adjustment of the beginning net asset balance of \$41,865,381 to reflect deferred outflows under the investment derivative for variable interest rate swaps that did not meet hedging instrument effectiveness criteria at June 30, 2009.
- The RDA decreased its net assets beginning balance at June 30, 2008 by \$2,976,772 as a result of closing inactive projects

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports \$1,194.5 million of restricted net assets, of which \$54.7 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	<u>Restricted Net Assets</u>	<u>Restricted by Enabling Legislation</u>
Capital Projects	317,463	-
Debt Service	295,077	-
Behavioral Health	213,469	-
Intergovernmental Finance	7,932	-
Neighborhood Revitalization	73,065	-
Stadium Financing	623	-
Central Library Project	2,329	-
CCC Project	30,753	-
Grant Programs	63,817	15,242
Rate Stabilization	145,693	-
Libraries & Parks:		
Expendable	2,768	-
Non-Expendable	1,931	-
Education Programs	-	
Other	<u>39,582</u>	<u>39,418</u>
Total	<u><u>1,194,502</u></u>	<u><u>54,660</u></u>

15. FUND DEFICITS

- The General Fund has a Fund Balance Deficit at year end of \$130.3 million
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of \$4.0 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-current). The Fund includes these charges in current revenues at the time they are received. Fund regulations also provide for a refund of any advance service charges upon payment of a \$100 fee and permanent disconnection from the system.

During the current fiscal year 334 disconnection permits were issued resulting in a refund or final credit of approximately \$329,500 and 960 new connection permits were issued resulting in additional advance service charges of approximately \$338,200.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. One blended component unit, **PICA**, and three discretely presented component units - the **SDP**, **PCCA**, and **CCP** - participate in state administered cost-sharing multiple employer plans. In addition, one discretely presented component unit - **RDA** - maintains its own single employer defined benefit plans.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). The plan maintained by the City's component unit is the Redevelopment Authority of the City of Philadelphia Retirement Plan (RDA Plan).

Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Required Supplementary Information calculated in accordance with GASB Statement No. 25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

(1) City Plan

a. Plan Description

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions.

Retirement Benefits

An employee who meets the age and service requirements of the particular division in which he participates is entitled to an annual benefit, payable monthly for life, equal to the employee's average final compensation multiplied by a percentage that is determined by the employee's years of credited service. The formula for determining the percentage is different for each division. If fund earnings exceed the actuarial assumed rate by a sufficient amount, an enhanced benefit distribution to retirees, their beneficiaries, and their survivors shall be considered. A deferred vested benefit is available to an employee who has 10 years of credited service, has not withdrawn contributions to the system and has attained the appropriate service retirement age. Members of both plans may opt for early retirement with a reduced benefit. The **Deferred Retirement Option Plan (DROP)** was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the performance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum or an annual pension.

Disability Benefits

Employees disabled during the performance of duties are eligible for an immediate benefit equal to contributions plus a yearly benefit. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned. Certain employees who are disabled other than during the performance of duties are eligible for an ordinary disability payment if they apply for the benefit within one year of termination. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned.

Membership

Membership in the plan as of July 1, 2009 was as follows:

Retirees and beneficiaries currently receiving benefits	35,694
Terminated members entitled to benefits but not yet receiving them	1,336
Active members	<u>28,632</u>
Total Members	<u><u>65,662</u></u>

The Municipal Pension Fund issues a separate annual financial report. To obtain a copy, contact the Director of Finance of the City of Philadelphia.

b. Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. Plan 87 contribution rates are defined for the membership as a whole by Council ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

The City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. Court decisions require that the City's annual employer contributions are sufficient to fund:

- The accrued actuarially determined normal costs
- Amortization of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries (the Dombrowski suit) is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
 - non active member's benefit modifications (10 years)
 - experience gains and losses (15 years)
 - changes in actuarial assumptions (20 years)
 - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to \$566.0 million or 40.0% of the covered payroll of \$1,423.0 million. The City's actual contribution was \$297.4 million. The City's contribution did not meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2010 the City made several changes to the pension plan based on Act 44, which provided a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline. The City adopted fresh start amortization, alternating to 30 years and lowered the assumed rate of interest from 8.75% to 8.25% assuming a partial deferral of the pension payments in fiscal years 2010 and 2011 of \$150 million and \$90 million respectively, which must be repaid by fiscal year 2014. The change in amortization period and the partial deferral were approved by the Commonwealth of Pennsylvania General Assembly.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years are as follows:

(Millions of USD)

Fiscal Year Ended <u>June 30</u>	Annual Pension <u>Cost</u>	Percentage <u>Contributed</u>	Net Pension <u>Obligation</u>
2008	561.0	76.10%	(559.5)
2009	559.0	81.47%	(456.0)
2010	597.0	52.36%	(171.6)

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2009. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 8.25%
- projected annual salary increases of 5% (including inflation)
- annual inflation of 2.75%
- no post-retirement benefit increases

Administrative costs of the Plan are paid out of the Plan's assets.

c. Funding Status

The following schedule shows the funding status based on the latest actuary report. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section immediately following the Notes to the Financial Statements.

(Millions of USD)

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued <u>Liability (AAL)</u> (b)	Unfunded AAL <u>(UAAL)</u> (b - a)	Funded <u>Ratio</u> (a / b)	Covered <u>Payroll</u> (c)	UAAL as a Percent of Covered <u>Payroll</u> (b - a) / c
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%

d. Net Pension Obligation

The City and other employers' annual pension cost and net pension obligation (NPO) for the Municipal Pension Plan for the current year were as follows:

(Thousands of USD)

Annual Required Contribution (ARC)	581,123
Interest on Net Pension Obligation (NPO)	(39,899)
Adjustment to ARC	<u>55,744</u>
Annual Pension Cost	596,968
Contributions Made	<u>(312,556)</u>
Increase in NPO	284,412
NPO at beginning of year	<u>(455,988)</u>
NPO at end of year	<u>(171,576)</u>
Interest Rate	8.75%
15 Year amortization Factor (EOY)	8.18%

e. Derivative Instruments

In 2010 the City of Philadelphia adopted GASB Statement No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments such as swaps, options, futures and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund (Pension Fund) enters into a variety of financial contracts which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Pension Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Pension Fund's involvement in the various types and used of derivative financial instruments and do not measure the Pension Fund's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives. The following table summarizes the aggregate notional or contractual amounts for the Pension Fund's derivative financial instruments at June 30, 2010.

Derivative Instruments

List of Derivatives Aggregated by Investment Type

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2010</u>		
	Classification	Amount	Classification	Amount	Notional
Credit Default Swaps Bought	Investment Revenue	\$ 7,637.27	Swaps	\$ 45,630.00	\$ 507,000.00
Credit Default Swaps Written	Investment Revenue	1,461,516.94	Swaps	(280,318.98)	4,344,485.53
FX Forwards	Investment Revenue	2,911,239.94	Long Term Instruments	6,454,533.77	0.00
Index Futures Long	Investment Revenue	23,238,058.28	Futures	(3,080,040.90)	152,030.00
Pay Fixed Interest Rate Swaps	Investment Revenue	(423,746.11)	Swaps	(423,746.11)	5,407,000.00
Receive Fixed Interest Rate Swaps	Investment Revenue	14,315.48	Swaps	0.00	0.00
Rights	Investment Revenue	71,224.69	Common Stock	167,463.12	816,539.00
TBA Transactions Long	Investment Revenue	567,276.44	Long Term Instruments	50,564.32	8,700,000.00
Total Return Swaps Bond	Investment Revenue	69,728.42	Swaps	0.00	0.00
Warrents	Investment Revenue	17,296.33	Common Stock	12,614,381.98	12,287,869.00
Grand Totals		\$ 27,934,547.68		\$ 15,548,467.20	

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch and S&P. The following tables show the details of counter parties and their rating information as follows:

The details of other risks and financial instruments in which the municipal pension fund of Philadelphia is involved are described below:

<u>Counterparty Name</u>	<u>Percentage of Net Exposure</u>	<u>S&P Rating</u>	<u>Fitch Rating</u>	<u>Moody's Rating</u>
Royal Bank of Scotland PLC	33%	A+	AA-	Aa3
UBS AG	32%	A+	A+	Aa3
Citibank N.A.	20%	A+	A+	A1
Barclays Bank PLC Wholesale	6%	AA-	AA-	Aa3
HSBC Bank USA	2%	AA	AA	Aa3
UBS AG London	2%	A+	A+	Aa3
HSBC Bank PLC	1%	AA	AA	Aa3
JPMorgan Chase Bank N.A.	1%	AA-	AA-	Aa1
Morgan Stanley & Co. International PLC	1%	A	A	A2
BNP Paribas SA	0%	AA	AA-	Aa2
Credit Suisse London Branch (GFX)	0%	A+	A-	Aa1
Brown Brothers Harriman + Co	0%	NR	A+	NR
Deutsche Bank AG London	0%	A+	A-	Aa3
State Street Bank London	0%	A+	A+	A1
Bank of America Securities LLC	0%	A	A+	A2
Royal Bank of Canada (UK)	0%	A-	AA	Aaa
Societe Generrale	0%	A+	A+	Aa2
Goldman Sachs + Co.	0%	A	A+	A1
Goldman Sachs International	0%	A	A+	A1
JPMorgan Securities Inc.	0%	A+	AA-	Aa3
Westpac Banking Corporation	0%	AA	AA	Aa1
Morgan Stanley Capital Services Inc.	0%	A	A	A2

Credit Risk: The Pension Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Pension Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

It is the Pension Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2010, was \$27.9 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by \$2.6 million of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$25.4 million.

Interest Rate Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2010 the Pension Fund entered into interest rate swaps. Under the receive fixed interest rate type swap agreements, the Pension Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. The total received fixed interest rate Swaps were \$14,315.48. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Pension Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Pension Fund's net payment on the swap increases. The pay fixed interest rate Swaps were (\$423,746.11).

The following table show the interest rate swaps including reference rates and interest rate risk disclosure for June 30, 2010.

<u>Asset ID</u>	<u>Asset Description</u>	<u>Fair Value</u>	<u>Notional</u>
Pay Fixed Interest Rate Swaps			
OWP158397	OWP158397 IRS USD R V 03MLIBOR/ OWP158397 IRS USD P F .00000	\$ (35,445.39)	\$ 460,000.00
OWP158470	OWP158470 IRS USD R V 03MLIBOR/ OWP158470 IRS USD P F .00000	(48,464.78)	590,000.00
OWP158538	OWP158538 IRS USD R V 03MLIBOR/ OWP158538 IRS USD P F .00000	(90,705.24)	1,140,000.00
OWP158611	OWP158611 IRS USD R V 03MLIBOR/ OWP158611 IRS USD P F .00000	(92,038.52)	1,197,000.00
OWP159155	OWP159155 IRS USD R V 03MLIBOR/ OWP159155 IRS USD P F .00000	(37,576.84)	460,000.00
OWP159478	OWP159478 IRS USD R V 04MLIBOR/ OWP159478 IRS USD P F .00000	(119,515.34)	1,560,000.00
Total Pay Fixed Interest Rate Swaps:		\$ <u>(423,746.11)</u>	<u>5,407,000.00</u>

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make a delivery of a specific financial instrument at a predetermined date and price. Gains and losses on future contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Pension Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Pension Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2010 of \$23.2 million represent a restriction on the amount of assets available as of year-end for other purposes.

Forward contracts: The Pension Fund is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle. At June 30, 2010, the FX Forwards had a fair value of \$2.9 million.

Termination risk: The Pension Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Pension Fund is exposed to termination risk on its receive-fixed interest rate swap. The Pension Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability subject to netting arrangements. The total credit default swaps bought at fair market value were \$7,637.27 and the total credit default swaps written were \$1.5 million.

Rollover Risk: The Pension Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, it the counterparty ex-

ercises its option, the Pension Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

In addition, the Pension Fund also was involved in other financial instruments such as rights that were worth \$71,224.69 and warrants that were \$17,296.33.

f. Summary of Significant Accounting Policies

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan. Investments are valued as described in Footnote I.4.

(2) Gas Works Plan

a. Plan Description

PGW sponsors a public employee retirement system (PERS), a single-employer defined benefit plan to provide benefits for all its employees. The **PGW** Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first \$6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over \$6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants

OR

- 2% of total earnings received during the period of credited service plus 22.5% of the first \$1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with 30 years of service may retire without penalty for reduced age.

At September 1, 2009 the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,232
Current Employees	1,653
Total Members	3,885

b. Funding Policy

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the **PGW** Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of \$15.2 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

(3) Component Unit - Redevelopment Authority Plan

a. Plan Description

The **RDA** contributes to the Redevelopment Authority of the City of Philadelphia Retirement Plan (the Plan) which is a single-employer defined benefit pension plan. **RDA** does not issue separate financial statements for its pension plan.

Substantially all full time **RDA** employees are eligible to participate in the Plan after six months of service. Benefits vest after five years of service. **RDA** employees who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final monthly salary multiplied by the number of months of credited service up to 20 years plus 2% of final monthly compensation multiplied by months of credited service in excess of 20 years up to a maximum of 35 years. The Plan also provides death and disability benefits which are determined in a manner similar to the retirement benefits.

b. Funding Policy

The plan's funding policy provides for actuarially determined periodic employer contributions which account for benefits that increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the **RDA's** employee group as a whole has tended to remain level as a percentage of annual covered payroll. **RDA** employees are required to contribute 6% of their salary to the Plan. The **RDA** is required to contribute the remaining amounts necessary to fund the Plan as defined under Act 205 of the Commonwealth of Pennsylvania Code.

c. Annual Pension Cost

The contribution for the Plan for Fiscal 2010 of \$1.8 million (approximately 46% of covered payroll, representing normal cost) was determined in accordance with actuarially determined requirements computed through the actuarial valuation performed as of January 1, of each respective year using the aggregate cost method. The **RDA** contributed \$1,564,208 and the employees contributed \$251,917 (approximately 7% of current covered payroll).

Significant actuarial assumptions include a 7.75% rate of return on investment assets, projected salary increases of 6% per year (4% for merit and promotion, 2% for inflation) and no post-retirement benefit increases.

The actuarial value of assets was determined based on contractual value, which approximated fair value. As of the latest actuarial valuations, performed as of January 1, 2010 the actuarial accrued liability was \$50.3 million and the actuarial value of assets was \$43.1 million. The Unfunded Actuarial Accrued Liability (UAAL) over the actuarial value of asset is \$7.2 million. The UAAL is being amortized over the average lifetime of active plan participants. The portion of the UAAL arising from actuarial gains and losses is amortized over a 15-year period.

The Net Pension (Benefit) Obligation as of June 30, 2010 is as follows:

	Amounts in Thousands
Annual Required Contribution	1,508.2
Interest On Net Pension Obligation	49.0
Adjustment to Annual Required Contribution	718.2
Annual Pension Cost	<u>2,275.5</u>
Contributions Made	<u>(1,564.2)</u>
Increase In Net Pension Obligation	711.3
Net Pension Obligation - Beginning of Year	<u>183.9</u>
Net Pension Obligation - End of Year	<u><u>895.2</u></u>

The **RDA's** actuarially required contributions and percentage contributed for the last three years are summarized below:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2008	896.1	101%	(606.2)
2009	2,467.3	100%	183.9
2010	1,478.3	100%	895.2

d. Funding Status and Funding Progress

The funding status of the pension plan as of January 1, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age Normal Cost Method	Unfunded Actuarial Liability (UAL) (AAL - UAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
<u>Date</u>	<u>(a)</u>	<u>(b)</u>	<u>(b - a)</u>	<u>(a / b)</u>	<u>(c)</u>	<u>(b - a) / c</u>
01/01/2010	\$43,112	\$50,278	\$7,166	85.75%	\$3,532	202.89%
01/01/2009	\$34,850	\$50,256	\$15,406	69.34%	\$3,384	455.26%
01/01/2008	\$48,014	\$49,915	\$1,901	96.19%	\$3,364	56.51%

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liability. The information about the Plan's funded status and funded progress disclosed above has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funded progress of the Plan.

B. MULTIPLE EMPLOYERS PLANS

One of the City's blended component units and three of its discretely presented component units participate in two defined benefit plans (PSERS and SERS) and one, **CCP**, participates in two defined contribution plans (TIAA-CREF and Fidelity Investments) as described below.

The payroll for **CCP** employees covered by any of the four multiple employer plans was \$60.4 million and the total payroll was \$73.5 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately \$5.1 million representing 8.53% of covered payroll. **CCP** employees contributed approximately \$4.4 million.

1) Public School Employee Retirement System (PSERS)

a) Plan Description

School Districts and Community Colleges in the Commonwealth of Pennsylvania participate in the State administered Public School Employees Retirement System (PSERS) which is a cost-sharing multiple-employer defined benefit plan. PSERS provides retirement and disability benefits, legislatively man-

dated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. Authority to establish and amend benefit provisions rests in the Public School Employees' Retirement Code (the Code).

PSERS issues a comprehensive annual financial report which includes financial statements and required supplementary information for the plan. A copy of the report can be obtained by writing to:

Public School Employees' Retirement System
PO Box 125
Harrisburg, PA 17108-0125

b) Funding Policy

Contribution policy is established by the Code and requires contributions from active members, employers and the Commonwealth. Most active members contribute at 5.25% of qualifying compensation. Members joining the PSERS on or after July 22, 1983 contribute at 6.25% (class TC) or 7.50% (class TD). The employer rate is actuarially determined. The rate for fiscal year 2010 was 4.78%, and is composed of a pension contribution rate of 4.00% for pension benefits and .78% for health insurance premium assistance. The **SDP's** contributions for the last three years are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2008	78.2	100%
2009	58.4	100%
2010	58.4	100%

2) State Employees Retirement System (SERS)

a) Plan Description

PICA and **PCCA** employees and certain **CCP** employees are eligible to participate in the Pennsylvania State Employees Retirement System (SERS) which is a cost sharing multiple employer plan. The SERS provides pension, death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees, who retire at age 60 after 3 years of service or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. The general annual benefit is 2% to 2.5% of the member's highest three year average salary times years of service. The General Assembly has the authority to establish and amend benefits of the SERS. Ad hoc cost-of-living adjustments are provided at the discretion of the General Assembly.

b) Funding Policy

The SERS funding policy is set by the SERS Board. Active members are required to contribute periodically at statutory rates, generally 5 to 6.25% of gross pay. The amount is recorded in an individually identified account that accumulates interest at 4% per year as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Employer contributions are an actuarially determined percentage of payroll such that they, along with employee contributions and an actuarially determined investment rate of return, are adequate to accumulate assets to pay benefits when due.

In May 2001, the **PCCA** initiated Act 2001-9 which created a new Class AA membership, changed the vesting requirements of all members from 10 to 5 years, increased the member contribution rate from 5% to 6.25% and increased the benefit formula to 2.5% of final average salary. New members are

automatically enrolled as Class AA. However, election for current members at the time of enactment was voluntary. Contributions of the **PCCA** for the last three years were as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	172.7	100%
2009	191.9	100%
2010	163.5	100%

PICA has not been required to contribute over the past three years.

According to the retirement code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate. During the year and as of year end, the SERS did not hold securities issued by the City or other related parties.

The SERS issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to:

State Employees' Retirement Board
 Commonwealth of Pennsylvania
 30 North Third Street
 Harrisburg, PA 17108-1147

3) Teacher's Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments

a) Plan Description

Community College employees are also eligible to participate in the Teacher's Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is a defined contribution plan and, as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one year waiting period. Part-time faculty may participate after earning four (4) seniority units, as defined in the Collective Bargaining Agreement. College policy and collective bargaining agreements require that both the employee and the college contribute amounts, as set forth below, based on the employees earnings.

The **CCP** contributions for each employee (and interest allocated to the employee's account), are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of participants who die prior to retirement. There are a variety of payments available. The **CCP** has 1,170 employees participating in this plan.

b) Funding Policy

The employer's contribution requirement for full-time faculty and administrators and other staff is 10% of the base contract amount. For visiting lecturers, the rate is 5% of the base contract. For part-time faculty, the rate is 5% of all earnings. For all employees, the employee's contribution requirement is 5% of base salary.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined bal-

ances. **SDP** employees have an unlimited maximum accumulation and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description: The City of Philadelphia self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to \$7,500 coverage and all other employees receive \$6,000 in coverage. The plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self insured for non-union employees. For fiscal year 2010, the City paid \$71.7 million for retiree healthcare.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation (dollar amount in thousands)

City of Philadelphia OPEB

	(Amounts in Thousands)
Annual required contribution	93,602
Interest on net OPEB obligation	1,057
Adjustment to ARC	(815)
Annual OPEB cost	<u>93,844</u>
Payments made	<u>(71,693)</u>
Increase/(Decrease) in net OPEB Obligation	22,151
Net OPEB obligation - beginning of year	<u>21,150</u>
Net OPEB obligation - end of year	<u><u>43,301</u></u>

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 was as follows:

amounts in thousands USD			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2010	\$ 93,844	76%	\$ 43,301
6/30/2009	\$ 98,733	82%	\$ 21,150
6/30/2008	\$ 83,373	96%	\$ 3,668

Funded Status and Funding Progress: As of July 1, 2009, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability for benefits was \$1.1 billion. The covered annual payroll was \$ 1.463 billion and the ratio of the UAAL to the covered payroll was 79.0 percent.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4% per year. The actuarial assumption included a 5.0% compound annual interest rate on the City's general investments. The current plan incorporates the following assumptions: no post-retirement benefit increases since last year; a 5% Investment Rate of Return, a 4% Rate of Salary increases; and, a 5% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of post-employment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. In adopting the requirements of GASB Statement No. 45, during the year ended June, 2008, SDP recognizes the costs of post-employment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands of the SDP's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2008.

Plan description: SDP provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Disabled employees' eligibility is determined by the insurance company providing the coverage. An un-audited copy of the life insurance benefit plan can be obtained by writing to the School District of Philadelphia, 440 North Broad Street, Philadelphia, PA. 19130; Attention: Benefits Management.

Funding Policy: SDP is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2008, the effective date of the bi-annual OPEB valuation is below. There have been no significant changes in the number covered or the type of coverage since that date.

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

Annual OPEB Cost and Net OPEB Obligation: The SDP's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Cost Method. Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the Actuarial Accrued Liability, which under GASB Statement No. 45 may be amortized over no more than 30 years. The following table shows the elements of SDP's annual OPEB cost for the year, the amount paid in behalf of the plan, and changes in SDP's net OPEB obligation to the plan for the year ended June 30, 2009.

	(USD)
Annual required contribution	659,317
Interest on net OPEB obligation	-
Annual OPEB cost/(expense)	<u>659,317</u>
Payments made	<u>(659,317)</u>
Increase/(Decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>-</u>

The schedule of funding progress presents the results of Other Post-employment Benefits (OPEB) valuation as of July 1, 2008 for the fiscal year ending June 30, 2008. Looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Actuarial Unfunded/ AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
06/30/2010	\$0	\$14,533,000	\$14,533,000	0.0%	N/A	N/A
06/30/2008	\$0	\$13,862,000	\$13,862,000	0.0%	N/A	N/A

Note: As of June 30, 2010, the plan is not funded and therefore there are no assets. Payroll is assumed to increase at an average rate of 4.00% per year. (N/A = not applicable – life insurance benefit is not based upon payroll)

SDP's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
6/30/2010	\$ 659,317	100%	\$ -
6/30/2009	\$ 640,650	100%	\$ -
6/30/2008	\$ 591,379	100%	\$ -

Basis of Accounting: As defined by GASB #45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. **SDP's** policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement #45.

Funded Status and Funding Progress: As of June 30, 2010, the most recent (initial) actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability of \$14.5 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$14.5 million.

Active	\$ 3,411,000
Inactive	<u>11,122,000.0</u>
Total	<u><u>\$ 14,533,000</u></u>

Actuarial Methods and Assumptions: The actuarial assumptions used in the June 30, 2008 OPEB actuarial valuations are those specific to the OPEB valuations:

- Investment return (discount rate) not fully funded: 4.00%
- Mortality for healthy and disabled participants: The Uninsured Pensioner 1994 Mortality Table (UP94) projected for 10 years, with an age set back one year for males and females.
- Payroll increases: Payroll is assumed to increase at an average rate of 4.00% per year.
- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first 5 years of service withdrawal rates were assumed ranging from 24.49% to 10.88%.
- After 5 years of service retirement rates ranged from 11.31% at age 55 through 100% at ages 70 and above.
- Disability incidents were as follows:

Attained Age	Withdrawal	Percentage Disability Incidence	
		Male	Female
25	24.75%	0.016%	0.027%
30	18.01%	0.016%	0.027%
35	10.98%	0.067%	0.053%
40	7.91%	0.120%	0.087%
45	6.71%	0.120%	0.120%
50	4.03%	0.187%	0.167%
55	3.81%	0.287%	0.320%
60	6.40%	0.387%	0.320%
65	13.63%	0.067%	0.107%

- Accelerated death benefit: This benefit was assumed as an immaterial value.

Philadelphia Gas Works (PGW) OPEB

Plan description: PGW provides certain health care and life insurance benefits for approximately 1,936 retired employees and their dependents. PGW recognizes the cost of providing these benefits by charging the annual insurance premiums to expense.

Funding Policy: PGW pays 100% of premiums for basic medical, hospitalization, and prescription drugs incurred by retirees and their dependents. The company also pays a portion of the premium for life insurance for each eligible retiree. PGW currently provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis. Total expenses incurred for health care amounted to \$37.1 million, of which approximately 50.7% relates to retirees and their dependents. Total premiums for group life insurance amounted to \$1.8 million of which approximately 76.0% relates to retirees.

Actuarial Valuation and Assumptions: PGW engaged an actuarial consulting firm to provide an actuarial valuation of its OPEB obligations as of August 31, 2009. The actuarial valuations involve estimates of the value reported amounts and the assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations, and new estimates are made about the future. The calculations were based on the types of benefits provided under the terms of the substantive plan at the time of the valuation.

PGW's annual other post employment benefit (OPEB) expense is calculated based on the projected unit cost method. Under this method of calculation the present value of benefits is allocated uniformly over the employee's expected working lifetime. The actuarial accrued liability is that portion of the present value of projected benefits, which has been accrued during the employees' working lifetime from hire to valuation date. The normal cost represents the amount charged for services earned during the current reporting period. The normal cost is calculated by dividing the present value of projected benefits for an employee by the total service.

The valuation was prepared utilizing certain assumptions, including the following:

- Economic Assumptions – the discount rate and healthcare cost trends rates

Healthcare costs trend rates

<u>Year</u>	<u>Medical</u>	<u>Prescription</u>	<u>Dental</u>
1	9.0%	9.0%	4.5%
2	8.0%	8.0%	4.5%
3	7.0%	7.0%	4.5%
4	6.0%	6.0%	4.5%
5	5.0%	5.0%	4.5%
6	4.5%	4.5%	4.5%
7	4.5%	4.5%	4.5%
8	4.5%	4.5%	4.5%
9	4.5%	4.5%	4.5%
10 & beyond	4.5%	4.5%	4.5%

- Benefit Assumption – the initial per capita cost rates for medical coverage, and the face amount of PGW paid life insurance.
- Demographic Assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, election (participation rates), and coverage levels.

Annual OPEB Cost and Net OPEB Obligation: In FY2009 PGW paid retiree benefits in the amount of \$20.1 million, which consisted of \$18.8 million in healthcare expenses and \$1.3 million in life insurance expenses. The difference between the ARC and the expenses paid resulted in an increase in the OPEB liability of \$26.0 million. As of August 2009, the actuarial accrued liability for benefits was \$635.8 million, all of which was unfunded and the ratio of the unfunded actuarial accrued liability to the covered payroll was 589.1%

The following table shows the calculation of **PGW's** OPEB liability for FY2009. This amount has been recorded in other liabilities and deferred credits and has been expensed in FY2009.

	(Amounts in Thousands)
Annual required contribution	46,795
Interest on net OPEB obligation	2,613
Adj to annual required contribution	<u>(3,399)</u>
Annual OPEB cost	46,009
Payments made	<u>(20,057)</u>
Increase/(Decrease) in net OPEB obligation	25,952
Net OPEB obligation - beginning of year	<u>52,255</u>
Net OPEB obligation - end of year	<u><u>78,207</u></u>

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2009 and the preceding years is as follows:

(Amounts in Thousands)			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2009	\$ 46,009	43.59%	\$ 78,207
6/30/2008	44,114	41.44%	52,255
6/30/2007	45,237	41.60%	26,421

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Redevelopment Authority (RDA) OPEB

Plan description: RDA self-administers its single-employer, retiree medical and life insurance defined benefits plan. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of RDA. Eligibility begins upon the earlier of age 50 and five years of credited service or the attainment of age 55. Retirees and spouses receive medical benefits for a minimum of five years. If the employee had over 20 years of service at the time of retirement, the benefit will continue for an additional five years but not beyond age 65. Retirees only are eligible for basic life insurance coverage for five years after their retirement.

Funding Policy: Starting in FY2008 RDA's financial statements reflect the accrual of expenses in accordance with GASB Statement #45. Formerly, RDA accounted for, and financed expenses on a pay-as-you-go basis. For the year ended June 30, 2010, \$533,791 was actually paid on behalf of a total of 47 retirees.

Certain retirees are required to contribute nominal amounts towards health insurance. The remainder of the post-employment benefits cost is funded by RDA on a pay-as-you-go basis. A group of retirees who retired during the fiscal years 1969 through 1975 receive benefits of life and health insurance for which the retirees contribute approximately 96% of the total benefit cost. The remainder is funded on a pay-as-you-go basis, and the benefits are provided until the death of the retiree.

Annual OPEB Cost and Net OPEB Obligation: RDAs' OPEB expenses are calculated based on the annual required contribution of the employer (ARC). The ARC and related information was actuarially determined using the entry age normal cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is

projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of June 30, 2010, is included in the OPEB liability in **RDA's** Statement of Net Assets.

The following table shows the components of the **RDA's** annual OPEB cost for the year, the amount actually contributed to the plan, and changes in **RDA's** net OPEB obligation to the Retiree Health Plan:

<u>RDA OPEB</u>	(USD)
Normal Cost	413,287
UAAL Amortization	528,294
Adjustment to ARC	<u>(9,609)</u>
Total Annual OPEB Cost	931,972
Contributions Made (pay-as-you-go expds)	<u>(533,791)</u>
Increase in net OPEB obligation	398,181
Net OPEB obligation - beginning of year	<u>638,415</u>
Net OPEB obligation - end of year	1,036,596

RDA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the changes in **RDA's** net OPEB obligation to the Retiree Health Plan for fiscal year 2010 were as follows:

amounts in thousands USD

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2010	\$ 931,972	57%	\$ 1,036,596
6/30/2009	\$ 898,531	69%	\$ 629,265
6/30/2008	\$ 820,597	56%	\$ 363,179

Funded Status and Funding Progress: As of June 30, 2010, the actuarial accrued liability for benefits was \$7.9 million, all of which was unfunded. Actuarial value of assets was \$0, resulting in a UAAL of \$7.9 million.

The projections of future benefit payments for an ongoing plan's ongoing obligation involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Assumptions include a retirement rate of 100% at the age of 56, mortality rates RP-2000 Combined Mortality Table, and a payroll growth rate with projected salary increases of 6.00% per year. The healthcare claims costs were determined based on premium information supplied by the RDA, with pre 65 premiums being adjusted to reflect retiree-specific experience and a standard turnover assumption was based on GASB 45 paragraph 35b. Healthcare costs are expected to increase at the following rates:

Year	Trend
2010	9.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014+	5.0%

Based on the historical and expected returns of **RDA's** short-term investment portfolio, a discount rate of 5% was used. The amortization cost for the initial UAAL is a level dollar amount for a period of 30 years. The remaining amortization period at June 30, 2010, was 27 years.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2010 this transfer amounted to \$274.5 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of \$64.2 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled \$119.6 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated
- Philadelphia Housing Authority

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Worker's Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was \$371.3 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2009 resulted from the following:

(Amounts in Millions of USD)

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal 2009	261.1	144.4	(96.2)	309.3
Fiscal 2010	309.3	156.5	(94.5)	371.3

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were \$6.0 million for Unemployment Compensation claims and \$55.4 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$318.9 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$443.4 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$292.1 million (discounted) and \$329.6 million (undiscounted).

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The **SDP** 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. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities was \$157.0 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2009 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2009	153.8	52.7	(40.9)	165.6
Fiscal 2010	165.6	34.1	(42.7)	157.0

The **SDP** Weekly Indemnity, Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. The cost of Weekly Indemnity coverage is shared equally by **SDP** and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were \$11.9 million for Weekly Indemnity, \$3.7 million for Unemployment Compensation claims and \$30.1 million for Workers' Compensation claims. Amounts collected in excess of claims incurred for **SDP's** Weekly Indemnity Plan are included in **SDP's** General Fund as a Reservation of Fund Balance.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for those components using third party carriers. None of the losses of any of the Component Units have been settled with the purchase of annuity contracts.

7. COMMITMENTS

COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled \$90.5 million.
- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous 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. **SDP** owes the Commonwealth \$56.0 million. Of that amount, the Commonwealth has agreed to continue to defer amounts due from prior years totaling \$45.3 million for reimbursement of advanced funds provided for special education transportation costs through fiscal year 2011. Of the \$16.7 million incurred in 2008, \$5.3 million was still outstanding at June 30th 2010 and has been deferred by the Commonwealth for reimbursement for fiscal year 2011.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a \$500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental

units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately \$371.3 million. Of this amount, \$23.8 million is charged to current operations of the Enterprise Funds. The remaining \$347.5 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately \$91.8 million to the General Fund and \$6.2 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- Lower Darby Creek Area Superfund Site - In 2001, the U. S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill. In 2002, EPA sent the City a letter alleging that the city is a Potentially Responsible Party (PRP) at the Clearview Landfill site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreation Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe that there may be or has been a release or threat of release of hazardous substances, pollutants or contaminants at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA anticipates completing the Remedial Investigation for the Clearview Landfill by the end of 2010 and completing the Feasibility study in 2011. After completing the Feasibility Study, EPA will issue a Record of Decision. The city denies any liability for Clearview, Folcroft and Folcroft Annex. Insufficient information is available to the City at this time to assess whether the potential loss or exposure to the City in the event of an unfavorable outcome would exceed the reporting threshold.
- McKenna et al v. City of Philadelphia – Plaintiffs, three former police officers alleged retaliation in violation of Title VII of the Civil Rights Act of 1964. They secured a jury verdict in May 2008 in the aggregate amount of \$10 million, which was reduced to \$1.5 million by the district court, based primarily on a statutory damages cap. The district court denied both sides' post-judgment motions, and both sides are appealing. Plaintiffs also seek substantial attorneys' fees, as the prevailing parties.
- Waterfront Renaissance Associates (WRA) v. City, et. Al., E.D. Pa. No.07 cv 1045 - WRA, proposed developer of a "Work Trade Center" project at 400-456 Christopher Columbus Boulevard, sued the City, City Council, City Planning Commission, Brian Abernathy (then legislative aid to Councilman DiCicco), and certain civic associations and their officers. In short, WRA alleged that the zoning overlay amendment to the Old City Residential Area Special District Controls, through a 65 foot maximum height restriction, effectively prevented or rendered impossible completion of its project.

WRA further alleged a nearly 20 year history of support, encouragement, assistance, and other favorable representations for the project by the City, its officials and representatives, and others. WRA complained that it had spent nearly \$20 million in reliance upon City's "supportive" actions for site-acquisitions and pre-development, promotional, and other soft and hard costs.

WRA sought declaratory and injunctive relief and damages in excess of \$20 million. WRA claimed that the Ordinance facially violated its constitutional rights to procedural and substantive due process and equal protection of laws by depriving it of property through wholly arbitrary action and/or without reasonable notice and that the Court should enjoin and declare the Ordinance as unenforceable based on promissory estoppel, detrimental reliance, or unjust enrichment.

City Defendants filed motions to dismiss. The Court dismissed all City defendants except the City. The Court also dismissed the procedural due process and as-applied substantive due process claims. The following claims against City survived: promissory estoppel, detrimental reliance; unjust enrichment; facial violation of equal protection; and facial violation of substantive due process.

In addition, Plaintiffs were granted leave (despite the City's opposition) to amend the Complaint. WRA added a count for violation of substantive due process seeking injunctive relief and alleging that the Ordinance delegates land use and planning powers to neighborhood associations allowing for ad hoc changes and concessions regarding high-rise development through a compulsory variance process, contrary to the master planning concept of Pennsylvania zoning law the Philadelphia zoning code. The Court denied the City's Motion to Dismiss Count XV of the Second Amended Complaint.

In the wake of that ruling, Plaintiffs have asked the Court to reopen fact discovery for seventy-five days so that Plaintiffs' can engage in further discovery related to the allegations of that claim. The City opposed that motion. The City also recently moved to dismiss WRA's constitutional claims on mootness grounds on the basis that a recent amendment to the City's zoning laws removed the height restriction from WRA's property. The Court received briefing and supplemental briefing on the mootness issue and will decide that issue. If the Court dismisses WRA's constitutional claims on mootness grounds, then WRA's motion to reopen discovery will likely be moot as well, at least as it applies to those claims.

WRA also has recently moved to supplement its Complaint to add new claims concerning the Central Delaware Riverfront Ordinance. The City opposed the motion contending the new claims are not an appropriate addition to the lawsuit. In the event the Court permits the new claims, WRA has asked for another six months of fact discovery followed by new dates for completion of expert discovery, filing of dispositive motions, and ultimately scheduling of trial if necessary.

The City intends to mount vigorous defenses to defeat the claims. The City's lawyers reasonably believe that the plaintiffs are not likely to succeed on their claims or in the damage amount sought against the City and that City defenses have merit.

- Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area): in November 2003, the City condemned certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Redevelopment Authority of the City of Philadelphia ("RDA") was the record title holder of the property. The City deposited in court in April 2006 estimated just compensation in the amount of \$7,714,000. November Term, 2003, No. 2285 (C.C.P. Phila.). In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation, petitioned the Court for appointment of a Board of Viewers and the Court appointed a Board of View to ascertain and award just compensation. Eastwick alleged they owned or held equitable interest in and certain development rights to the condemned property. After a view of the premises and a hearing in July 2009, the Board filed a report with the Court in October 2009. BV #3421. The Board made an award of just compensation for the property of \$13,500,500 (including attorney fees), subject to credit for the \$7,714,000 already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of \$3,298,200, and accruing thereafter until payment at the rate of 4.25% per year through 2009, and at rates not yet fixed for subsequent years. BV #3421.

The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded. The Court scheduled a case management conference for the cases in February 2010.

The City vigorously contests the award. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of unfavorable outcome in terms of probability and the range or amount of any loss assuming an unfavorable outcome. Any ultimate judgment would be paid from the City's Aviation Fund.

- G&T Conveyor Co., Inc. v. Ernest Bock & Sons, Inc et al v. City et al., CCP Phila. No. 091103117: G&T has commenced and pursued a civil action for declaratory and monetary relief against Bock, and Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland ("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about \$1.3 million in damages for work performed but unpaid by Bock; and for nearly \$7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

Bock had successfully bid to perform general contractor work on the Airport Terminal D&E expansion and modernization project for baggage system (Bid #6851; Contract #084002). G&T subcontracted with Bock to

supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by DDI, and in Compliance with certain milestones and deadlines.

G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed. Bock answered the Complaint, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a "third party" complaint against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock.

City filed preliminary objections to the Third Party Complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer. City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and bonding companies for indemnity. City also has filed a complaint joining the designer of the project, Daroff Design Inc. and asserting claims for contractual and common law indemnification and/or contribution.

The parties have engaged in voluminous document discovery and exchanges and have commenced with depositions. Under Case Management Order, fact discovery is scheduled to close in July 2011 an trial date is set for November 2011. The City intends to mount vigorous defenses to defeat the claims. The City's lawyers reasonably believe that the third party plaintiffs will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- *Brett Mandel et al v. The City of Phila., CCP Phila. Co., No. 1101-03848*: A total of 18 taxpayers have brought suit against the City in the Court of Common Pleas for the First Judicial District, challenging the City's system for the assessment of real estate taxes for itself and the School District of Philadelphia under the Uniformity Clause of the Pennsylvania Constitution, the First Class County Assessment Law, 72 P.S. §§ 5341.1-5341.21, and the Equal Protection Clause of the United States Constitution.

Plaintiffs' requested remedies include: (1) a declaration that the City's tax assessment system violates these provisions, and an order requiring the City to implement new assessment policies and procedures that will ensure uniformity; (2) a declaration that the City's 2011 and 2012 real estate tax increase is unconstitutional, and an order requiring the City to refund any revenues received pursuant to that increase; (3) an order prohibiting the City from enforcing any property tax liens and, relatedly, prohibiting the City from proceeding with any Sheriff's sales premised upon unpaid property taxes; and (4) an award of attorneys' fees.

The City has not yet responded to the complaint, but expects to contest the case vigorously. Plaintiffs' first requested form of relief -- the order requiring the implementation of new assessment policies and procedures -- does not appear to be substantially different from the City's already existing plans for reforming assessment practices, but it is too early to tell whether a settlement will be possible.

Regarding the other requested forms of relief, Plaintiffs' claims could cost the City well over \$100 million if successful, but we have strong defenses to these assertions.

2) Guaranteed Debt

The City has guaranteed certain debt payments of two of its component units. As such, the City's General Fund has a potential financial obligation toward the extinguishment of this debt, either by replacing the various reserve funds, if used, or the actual payment of principal or interest. At June 30, principal balances outstanding were as follows:

(Amounts In Thousands of USD)

Philadelphia Authority for Industrial Development	3,360
Philadelphia Parking Authority	<u>15,885</u>
	<u>19,245</u>

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2010, which amounted to \$523.3 million for all open program years as of December 17, 2010. Of this amount, \$483.4 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2010 due to timing differences in audit requirements, \$28.0 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2009 and prior and \$11.8 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed \$199.6 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was \$114.9 million.

B. COMPONENT UNITS

1) Claims and Litigation

- **Special Education and Civil Rights Claims** – There are three hundred seventy-four (374) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.3 million.

Of those, three-hundred fifty-seven (357) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, two hundred twelve (212) unfavorable outcomes are deemed probable and a hundred (100) are considered reasonably possible in the aggregate amounts of approximately \$1.3 million and \$0.4 million respectively.

There are twelve (12) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes of ten (10) are deemed reasonably possible in the aggregate amounts of approximately \$0.3 million.

There are three (3) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately \$0.12 million and \$0.06 million respectively.

- **Other Matters** - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$14.4 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$1.1 million and \$0.2 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts

of \$2.0 million and \$3.3 million, respectively, arising from personal injury and property damage claims and lawsuits.

- **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.

- **Federal Audit** - The School District was the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from NSF covering the period from July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning \$3,346,652 in federal funds expended under the awards. On April 14, 2009, the NSF OIG issued its decision to allow \$834,406 and disallow the remaining \$2,512,246 which NSF would seek to recover. In the opinion of the General Counsel of the School District unfavorable outcomes are deemed reasonably possible for \$757,296 of the total. NSF has not initiated any proceedings to recover funds from the School District.

The U.S. Department of Education ("DOE") Office of Inspector General ("OIG") conducted an audit from May 2007 to May 2009 of significant federal grants which the School District received for fiscal year 2006. A final audit report was issued by the OIG in January 2010. The report questioned \$138.8 million of costs which included \$121.1 million considered inadequately supported with documentation and \$17.7 million considered unallowable costs. The matter is not resolved at this time as the OIG is not an enforcement or decision making authority within DOE. There are several levels of resolution within DOE – the School District will be able to discuss the findings with the DOE program officials, and then request a hearing before an Administrative Law Judge. The final agency decision will be made by the Secretary of Education and that decision can then be appealed to federal court. Therefore, in the opinion of the General Counsel of the School District, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District.

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

the arrangement and has provided an opinion as to its proper tax treatment. Furthermore, on June 30, 2008, the School District submitted an initial request for a Private Letter Ruling ("PLR") from the Internal Revenue Service to further confirm the School District's determination. The School District is seeking this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. School District management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2010, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2010.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

- 1) In October 2010, the City issued Airport Revenue Bond Series 2010 in the amount of \$624.7 million. The Series 2010 A bonds (Non-AMT) were issued as serial and term bonds. Insured serial bonds were issued in the amount of \$16.5 million with interest rates ranging from 3% to 4.5% and mature in 2035 and uninsured serial bonds were issued in the amount of \$113.0 million, with interest rates ranging from 2% to 5.250% and mature in 2030. Insured term bonds were issued in the amounts of \$25 million, and \$48 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Uninsured term bonds were issued in amounts of \$37.8 million and 32.8 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Series 2010B (Non-AMT) for \$24.4 million and 2010C (AMT) for \$54.7 million were uninsured and issued as serial bonds and will mature in 2015 and 2018 respectively. The series 2010B and 2010C bonds have interest rates ranging from 2% to 5%. The insured 2010D (AMT) serial bonds were issued in the amount of \$1.9 million with interest rates ranging from 4% to 4.5% and mature in 2024. The uninsured 2010D serial bonds were issued in the amount of \$270.7 million with interest rates ranging from 2% to 5.25% and mature in 2028. The proceeds from the bonds together with other available funds will be used to (1) pay or reimburse for the costs of the 2010 Project, (2) provide for capitalized interest on the 2010A bonds during construction of the 2010 Project, (3) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (4) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (5) currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; (6) fund a deposit to the Parity Sinking Fund Reserve Account; and (7) pay the costs of issuance of the 2010 bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the Philadelphia Authority for Industrial Development (PAID) Airport Revenue Bonds, Series 1998A and together with the 1998B bond sometimes hereinafter referred to, collectively as the International Terminal Bonds.
- 2) In July 2010, the City issued \$285.0 million of Tax and Revenue Anticipation Notes (TRAN) to supplement the receipts of the General Fund of the City for the purpose of paying general expenses of the City prior to the receipt of taxes and other revenues to be received in the current fiscal year. The proceeds will be invested until needed and repaid by June 30, 2011.
- 3) In July 2010, the City issued Water & Wastewater Revenue Bonds Series 2010 C in the amount of \$185.0 million. Serial bonds were issued in the amount of \$116.8 million with interest rates ranging from 3.0% to 5.0%, and have a maturity date of 2030. Term bonds were issued in the following amounts (1) \$5.2 million with an interest rate of 4.750% and mature in 2035; (2) \$24.6 million with an interest rate of 5.0% and mature in 2035; (3) \$38.4 million with an interest rate of 5.0% and mature in 2040. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water & wastewater system, fund payments to terminate a portion of the 2007 swap agreement (\$15 million), fund the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.
- 4) In July 2010, the City of Philadelphia Water Department received approval for funding of "green infrastructure" projects from the Pennsylvania State Infrastructure Financing Authority ("Pennvest"). The maximum amount of the loan, as well as, the estimated project costs are \$30.0 million. No project draws have been requested to date.

B. COMPONENT UNITS

- 1) In August 2010 **PGW** issued Gas Works Revenue Bonds (1998 Ordinance) Ninth Series Uninsured Serial bonds in the amount of \$14.2 million with interest rates ranging from 2.0% to 5.0%, bonds mature starting in 2011 with the last on maturing in 2015. Insured serial bonds were issued in the amount of

- \$38.9 million, with interest rates ranging from 3.0% to 5.0% and mature in 2025. Uninsured term bonds were issued in the amounts of \$27.1 million and \$69.8 million, have interest rates of 5.0% and 5.25%, and mature in 2030 and 2040 respectively. The proceeds from the bonds will be used to fund Gas Works capital projects and various bond issuance costs.
- 2) In July 2010, the **SDP** issued \$425.0 million in Tax and Revenue Anticipation Notes, Series A 2010-2011. The proceeds from the notes are for cash flow purposes and will be invested until needed and repaid by June 30, 2011.
 - 3) On December 8, 2010 the School Reform Commission authorized the restructuring of certain portions of the School District's debt through a refunding and terminated \$355.4 million of its remaining interest rate management agreements known as swaps to reduce its exposure to hedged debt and to provide debt service savings. The par amount of Series E of 2010 is \$125,880,000 and advance refunded a portion of the School District's Series D of 2005 and the Series A of 2010 Bonds and currently refunded a portion of the Series 2002A, 2005B, 2008A-1, A-2 and A-4, and 2008B-1, B-2, B-3 and B-5 General Obligation Bonds. The Series E bonds converted \$52.5 million of variable rate debt to a fixed rate mode and issued bonds to cover the costs of terminating the qualified interest rate management agreements of \$63 million and the costs of issuance.

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

Both bond issues closed on January 3, 2011.

City of Philadelphia
PENNSYLVANIA

**Required
Supplementary
Information**

(Other than Management's Discussion and Analysis)

City of Philadelphia
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2010

Exhibit XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Tax Revenue	2,339,328	2,334,647	2,316,641	(18,006)
Locally Generated Non-Tax Revenue	275,972	247,290	229,359	(17,931)
Revenue from Other Governments	1,171,136	1,168,941	1,076,381	(92,560)
Revenue from Other Funds	<u>28,134</u>	<u>33,003</u>	<u>31,945</u>	<u>(1,058)</u>
Total Revenues	3,814,570	3,783,881	3,654,326	(129,555)
<u>Expenditures and Encumbrances</u>				
Personal Services	1,358,423	1,378,758	1,358,456	20,302
Pension Contributions	332,175	346,730	346,730	-
Other Employee Benefits	<u>480,600</u>	<u>488,753</u>	<u>484,670</u>	<u>4,083</u>
Sub-Total Employee Compensation	2,171,198	2,214,241	2,189,856	24,385
Purchase of Services	1,149,555	1,169,864	1,111,393	58,471
Materials and Supplies	65,603	66,174	59,894	6,280
Equipment	12,719	15,438	8,800	6,638
Contributions, Indemnities and Taxes	117,875	128,105	128,042	63
Debt Service	121,867	108,867	105,513	3,354
Payments to Other Funds	30,012	30,012	26,056	3,956
Advances, Subsidies, Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>24,172</u>	<u>828</u>
Total Expenditures and Encumbrances	<u>3,693,829</u>	<u>3,757,701</u>	<u>3,653,726</u>	<u>103,975</u>
Operating Surplus (Deficit) for the Year	<u>120,741</u>	<u>26,180</u>	<u>600</u>	<u>(25,580)</u>
Fund Balance Available for Appropriation, July 1, 2009	(59,979)	(137,187)	(137,188)	(1)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,500	24,500	22,154	(2,346)
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>406</u>	<u>406</u>
Adjusted Fund Balance, July 1, 2009	<u>(35,479)</u>	<u>(112,687)</u>	<u>(114,628)</u>	<u>(1,941)</u>
Fund Balance Available for Appropriation, June 30, 2010	<u>85,262</u>	<u>(86,507)</u>	<u>(114,028)</u>	<u>(27,521)</u>

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2010

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	10,000	4,959	1,954	(3,005)
Revenue from Other Governments	840,638	789,391	825,185	35,794
Total Revenues	850,638	794,350	827,139	32,789
Other Sources				
Increase in Unreimbursed Commitments	-	-	2,698	2,698
Decrease in Financed Reserves	-	-	17,716	17,716
Total Revenues and Other Sources	850,638	794,350	847,553	53,203
Expenditures and Encumbrances				
Purchase of Services	897,959	897,959	805,031	92,928
Equipment	100	100	-	100
Payments to Other Funds	1,580	1,580	919	661
Total Expenditures and Encumbrances	899,639	899,639	805,950	93,689
Operating Surplus (Deficit) for the Year	(49,001)	(105,289)	41,603	146,892
Fund Balance Available for Appropriation, July 1, 2009	-	(5,379)	(5,379)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,250	6,250
Funding for Future Obligations	-	5,379	-	(5,379)
Other Adjustments	49,001	54,000	-	(54,000)
Adjusted Fund Balance, July 1, 2009	49,001	54,000	871	(53,129)
Fund Balance Available for Appropriation, June 30, 2010	-	(51,289)	42,474	93,763

* Refer to the notes to required supplementary information.

City of Philadelphia
 Required Supplementary Information
 Budgetary Comparison Schedule
 Grants Revenue Fund
 For the Fiscal Year Ended June 30, 2010

Exhibit XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual*</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	60,437	75,016	38,956	(36,060)
Revenue from Other Governments	1,327,486	748,867	533,277	(215,590)
Total Revenues	1,387,923	823,883	572,233	(251,650)
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	-	-	37,343	37,343
Decrease in Financed Reserves	-	-	4,154	4,154
Total Revenues and Other Sources	1,387,923	823,883	613,730	(210,153)
<u>Expenditures and Encumbrances</u>				
Personal Services	108,481	113,983	82,731	31,252
Pension Contributions	10,329	12,378	9,625	2,753
Other Employee Benefits	17,014	22,173	15,788	6,385
Sub-Total Employee Compensation	135,824	148,534	108,144	40,390
Purchase of Services	889,774	950,823	494,447	456,376
Materials and Supplies	17,534	22,760	14,717	8,043
Equipment	19,896	14,808	4,275	10,533
Contributions, Indemnities and Taxes	-	210	210	-
Payments to Other Funds	24,895	31,886	22,551	9,335
Advances, Subsidies, Miscellaneous	300,000	149,529	-	149,529
Total Expenditures and Encumbrances	1,387,923	1,318,550	644,344	674,206
Operating Surplus (Deficit) for the Year	-	(494,667)	(30,614)	464,053
Fund Balance Available for Appropriation, July 1, 2009	-	(36,712)	(36,712)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	43,177	43,177
Revenue Adjustments - Net	-	-	(14,861)	(14,861)
Other Adjustments	-	36,712	-	(36,712)
Adjusted Fund Balance, July 1, 2009	-	-	(8,396)	(8,396)
Fund Balance Available for Appropriation, June 30, 2010	-	(494,667)	(39,010)	455,657

* Refer to the notes to required supplementary information.

City of Philadelphia
 Required Supplementary Information
 Pension Plans and Other Post Employment Benefits - Schedule of Funding Progress

Exhibit XVII

Amounts in millions of USD

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b - a)	<u>Funded Ratio</u> (a / b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percent of Covered Payroll</u> (b - a) / c
<u>City of Philadelphia Municipal Pension Plan</u>						
07/01/2004	4,333.1	7,247.7	2,914.6	59.79%	1,266.0	230.22%
07/01/2005	4,159.5	7,851.5	3,692.0	52.98%	1,270.7	290.55%
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
<u>City of Philadelphia Other Post Employment Benefits</u>						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
<u>Philadelphia Gas Works Pension Plan</u>						
09/01/2003	356.0	427.0	71.0	83.37%	101.2	70.16%
09/01/2004	366.8	436.3	69.5	84.07%	102.5	67.80%
09/01/2005	383.5	450.8	67.3	85.07%	102.5	65.66%
09/01/2006	411.9	474.3	62.4	86.84%	106.0	58.87%
09/01/2007	416.2	482.4	66.2	86.28%	103.0	64.27%
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%
09/01/2009	355.5	519.8	164.3	68.39%	108.5	151.43%

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	3,654,326	827,139	572,233
Transfers	(316,359)	-	-
Program Income	-	-	72,055
Adjustments applicable to Prior Years Activity	-	-	115
Change in Amount Held by Fiscal Agent	288	-	-
Change in BPT Adjustment	(452)	-	-
Other	10,317	-	(14,976)
	<u>3,348,120</u>	<u>827,139</u>	<u>629,427</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,348,120</u>	<u>827,139</u>	<u>629,427</u>
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,653,726	805,950	644,344
Transfers	(137,340)	-	(23,389)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	51,808	(9,264)	9,193
Program Income	-	-	72,055
Other	10,316	-	-
Change in Amount Held by Fiscal Agent	62,817	-	-
Current Year Encumbrances	(59,496)	316	(89,713)
	<u>3,581,831</u>	<u>797,002</u>	<u>612,490</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,581,831</u>	<u>797,002</u>	<u>612,490</u>

**Other
Supplementary
Information**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to specific purposes.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Fairmount Park.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used for the purpose of accumulating resources for the payment of principal on general obligation term bonds and to function as a conduit for the debt service payments to fiscal agents.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of the major capital facilities other than those financed by proprietary fund operations.

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Fairmount Park.

City of Philadelphia
 Combining Balance Sheet
 Non-Major Governmental Funds (Continued)
 June 30, 2010

Schedule I

Amounts in thousands of USD

	Debt Service			Capital Improvement			Permanent		Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Assets									
Cash on Deposit and on Hand	-	-	49,202	49,202	-	-	-	102	104,320
Equity in Treasurer's Account	1,502	-	-	1,502	139,220	-	139,220	-	206,462
Investments	-	11	30,394	30,405	-	78,566	78,566	4,688	114,617
Taxes Receivable	-	-	-	-	-	-	-	-	7,405
Accounts Receivable	-	-	-	-	-	4	4	1	6,355
Due from Other Governmental Units	-	-	-	-	19,136	-	19,136	-	32,366
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(803)
Interest and Dividends Receivable	-	-	3	3	111	-	111	-	140
Other Assets	-	-	-	-	-	-	-	-	446
Total Assets	1,502	11	79,599	81,112	158,467	78,570	237,037	4,791	471,308
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	6,695	-	6,695	-	12,528
Accounts Payable	-	-	-	-	18,366	1,498	19,864	-	37,326
Salaries and Wages Payable	-	-	-	-	52	-	52	20	431
Due to Other Funds	-	-	-	-	-	-	-	-	17,083
Due to Component Units	-	-	-	-	-	-	-	72	72
Funds Held in Escrow	-	-	-	-	4,275	-	4,275	-	5,488
Deferred Revenue	-	-	1,970	1,970	15,984	-	15,984	-	22,138
Total Liabilities	-	-	1,970	1,970	45,372	1,488	46,870	92	95,066
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	37,931	-	37,931	-	53,202
Intergovernmental Financing	-	-	-	-	-	-	-	-	36,151
Debt Service Principal & Interest	1,502	11	77,029	78,542	-	-	-	-	78,542
Trust Purposes	-	-	-	-	-	-	-	1,931	4,617
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	2,768	7,054
Undesignated	-	-	600	600	75,164	77,072	152,236	-	196,676
Total Fund Balances	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242
Total Liabilities and Fund Balances	1,502	11	79,599	81,112	158,467	78,570	237,037	4,791	471,308

**City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2010**

Schedule II

Amounts in thousands of USD

	Special Revenue											Total		
	County Liquid Fuel Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Abolition Appeals	Departmental		Municipal Authority Administrative	PICA Administrative
Revenues														
Tax Revenue	-	-	40,513	-	4,674	-	108,154	-	-	-	-	-	342,661	496,002
Locally Generated Non-Tax Revenue	-	32	595	12,434	5	8,030	-	-	1,627	377	4,238	2,726	235	30,299
Revenue from Other Governments	4,724	23,861	-	44,835	-	-	-	-	-	-	-	-	-	73,420
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	4,724	23,893	41,108	57,269	4,679	8,030	108,154	-	1,627	377	4,238	2,726	342,896	599,721
Expenditures														
Current Operating:														
Economic Development	-	-	34,574	-	-	-	-	-	-	-	-	-	-	34,574
Transportation:														
Streets & Highways	4,314	24,298	-	-	-	-	-	-	-	-	-	-	-	28,612
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	968	-	-	-	-	968
Conservation of Health:														
Health Services	-	-	-	-	-	-	101,360	-	-	-	-	-	-	101,360
Housing and Neighborhood														
Development	-	-	-	56,246	-	11,346	-	-	-	-	-	-	-	67,592
Cultural and Recreational:														
Parks	-	-	-	-	-	-	-	-	-	-	4,280	-	-	4,280
Libraries and Museums	-	-	-	-	-	-	-	-	-	128	-	-	-	128
Improvements to General Welfare:														
Service to Property:	-	-	-	-	5,000	-	-	60	618	377	391	39,322	864	46,632
General Management and Support	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,314	24,298	34,574	56,246	5,000	11,346	101,360	60	1,586	377	4,799	39,322	864	284,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	410	(405)	6,534	1,023	(321)	(3,316)	6,794	(60)	41	-	(561)	(36,596)	342,032	315,575
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	298	-	36,614	(368,964)	36,912
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	(368,964)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	298	298	36,614	(368,964)	(332,052)
Net Change in Fund Balances	410	(405)	6,534	1,023	(321)	(3,316)	6,794	(60)	41	-	(263)	18	(26,932)	(16,477)
Fund Balance - July 1, 2009	1,754	15,025	-	(5,043)	5,627	18,558	4,000	98	3,090	-	4,785	212	70,605	118,711
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2009	1,754	15,025	-	(5,043)	5,627	18,558	4,000	98	3,090	-	4,785	212	70,605	118,711
Fund Balance - June 30, 2010	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2010

Schedule II

Amounts in thousands of USD

	Debt Service			Capital Improvement			Permanent		Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	496,002
Locally Generated Non-Tax Revenue	129	-	1,263	1,392	-	66	66	496	32,253
Revenue from Other Governments	-	-	-	-	48,439	-	48,439	-	121,859
Other Revenues	-	-	4,450	4,450	12,318	-	12,318	-	16,768
Total Revenues	129	-	5,713	5,842	60,757	66	60,823	496	666,882
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	34,574
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	28,612
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	968
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	101,360
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	67,592
Cultural and Recreational:									
Parks	-	-	-	-	-	-	-	-	6,451
Libraries and Museums	-	-	-	-	-	-	-	2,171	128
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	42,035	42,035	-	124	124	-	88,791
Capital Outlay	-	-	-	-	137,913	10,939	148,852	-	148,852
Debt Service:									
Principal	34,485	15,008	40,216	89,709	-	-	-	-	89,709
Interest	62,047	13,888	20,805	96,740	-	-	-	-	96,740
Bond Issuance Cost	22,517	-	988	23,505	-	-	-	-	23,505
Total Expenditures	119,049	28,896	104,044	251,989	137,913	11,063	148,976	2,171	687,282
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,920)	(28,896)	(98,331)	(246,147)	(77,156)	(10,997)	(88,153)	(1,675)	(20,400)
Other Financing Sources (Uses)									
Issuance of Debt	-	-	206,960	206,960	-	-	-	-	206,960
Refunding Bonds	337,025	-	-	337,025	-	-	-	-	337,025
Bond Issuance Premium	-	-	24,253	24,253	-	-	-	-	24,253
Bond Issuance Discount	(1,003)	-	-	(1,003)	-	-	-	-	(1,003)
Bond Defeasance	(313,505)	-	(190,539)	(504,044)	-	-	-	-	(504,044)
Transfers In	96,191	28,896	59,912	184,999	19,786	-	19,786	-	241,687
Transfers Out	-	-	-	-	-	-	-	(48)	(369,012)
Total Other Financing Sources (Uses)	118,708	28,896	100,586	248,190	19,786	-	19,786	(48)	(64,124)
Net Change in Fund Balances	(212)	-	2,255	2,043	(57,370)	(10,997)	(68,367)	(1,723)	(84,524)
Fund Balance - July 1, 2009	1,714	11	77,343	79,068	170,465	88,069	258,534	6,422	462,735
Adjustment	-	-	(1,969)	(1,969)	-	-	-	-	(1,969)
Fund Balance Adjusted - July 1, 2009	1,714	11	75,374	77,099	170,465	88,069	258,534	6,422	460,766
Fund Balance - June 30, 2010	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2010

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve <u>Fund</u>	Municipal Pension <u>Fund</u>	<u>Total</u>
<u>Assets</u>			
Equity in Treasurer's Account	373,825	3,471,907	3,845,732
Securities Lending Collective Investment Pool	-	440,491	440,491
Allowance for Unrealized Loss	-	(3,899)	(3,899)
Accounts Receivable	-	4,334	4,334
Due from Brokers for Securities Sold	2,445	866,955	869,400
Interest and Dividends Receivable	1,236	10,432	11,668
Due from Other Governmental Units	-	4,777	4,777
	<u>377,506</u>	<u>4,794,997</u>	<u>5,172,503</u>
Total Assets			
<u>Liabilities</u>			
Vouchers Payable	-	36	36
Accounts Payable	566	3,301	3,867
Salaries and Wages Payable	-	158	158
Funds Held in Escrow	-	365	365
Due on Return of Securities Loaned	6,281	440,491	446,772
Due to Brokers for Securities Purchased	2,335	844,726	847,061
Accrued Expenses	-	1,734	1,734
Deferred Revenue	-	2,071	2,071
Other Liabilities	-	513	513
	<u>9,182</u>	<u>1,293,395</u>	<u>1,302,577</u>
Total Liabilities			
Net Assets Held in Trust for Pension Benefits	<u>368,324</u>	<u>3,501,602</u>	<u>3,869,926</u>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2010

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Additions</u>			
Contributions:			
Employer's Contributions	23,099	312,556	335,655
Employees' Contributions	-	51,570	51,570
	<u>23,099</u>	<u>364,126</u>	<u>387,225</u>
Total Contributions			
Investment Income:			
Interest and Dividends	9,853	70,538	80,391
Net Gain in Fair Value of Investments	37,189	401,243	438,432
(Less) Investments Expenses	(2,520)	(15,989)	(18,509)
Securities Lending Revenue	75	2,852	2,927
Securities Lending Unrealized Loss	-	(3,899)	(3,899)
(Less) Securities Lending Expenses	(30)	(1,033)	(1,063)
	<u>44,567</u>	<u>453,712</u>	<u>498,279</u>
Net Investment Gain			
Miscellaneous Operating Revenues	-	712	712
	<u>67,666</u>	<u>818,550</u>	<u>886,216</u>
Total Additions			
<u>Deductions</u>			
Personal Services	-	3,815	3,815
Purchase of Services	-	1,952	1,952
Materials and Supplies	-	76	76
Employee Benefits	-	2,111	2,111
Pension Benefits	35,349	680,122	715,471
Refunds of Members' Contributions	-	4,520	4,520
Other Operating Expenses	-	120	120
	<u>35,349</u>	<u>692,716</u>	<u>728,065</u>
Total Deductions			
Change in Net Assets	32,317	125,834	158,151
Net Assets - July 1, 2009	<u>336,007</u>	<u>3,375,768</u>	<u>3,711,775</u>
Net Assets - June 30, 2010	<u>368,324</u>	<u>3,501,602</u>	<u>3,869,926</u>

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2010

Schedule V

Amounts in thousands of USD

	<u>Escrow Fund</u>	<u>Employee Health & Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<u>Assets</u>				
Cash on Deposit and on Hand	-	-	136,315	136,315
Equity in Treasurer's Account	34,032	14,270	-	48,302
Investments	-	-	8,780	8,780
Due from Other Funds	-	-	767	767
	<u>34,032</u>	<u>14,270</u>	<u>145,862</u>	<u>194,164</u>
Total Assets	<u>34,032</u>	<u>14,270</u>	<u>145,862</u>	<u>194,164</u>
<u>Liabilities</u>				
Vouchers Payable	37	1,190	-	1,227
Payroll Taxes Payable	-	3,147	-	3,147
Funds Held in Escrow	33,995	9,933	145,862	189,790
	<u>34,032</u>	<u>14,270</u>	<u>145,862</u>	<u>194,164</u>
Total Liabilities	<u>34,032</u>	<u>14,270</u>	<u>145,862</u>	<u>194,164</u>
Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2010

Schedule VI

Amounts in thousands of USD

	<u>Balance</u> 7-1-2009	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6-30-2010
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	7,200	383,448	356,616	34,032
<u>Liabilities</u>				
Funds Held in Escrow	7,056	383,448	356,509	33,995
Vouchers Payable	144	1,336	1,443	37
<u>Total Liabilities</u>	<u>7,200</u>	<u>384,784</u>	<u>357,952</u>	<u>34,032</u>
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	14,712	823,657	824,099	14,270
<u>Liabilities</u>				
Vouchers Payable	393	7,983	7,186	1,190
Payroll Taxes Payable	5,247	737,423	739,523	3,147
Funds Held in Escrow	9,072	86,233	85,372	9,933
<u>Total Liabilities</u>	<u>14,712</u>	<u>831,639</u>	<u>832,081</u>	<u>14,270</u>
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	130,990	156,285	150,960	136,315
Investments	12,254	6,168	9,642	8,780
Due from Other Funds	811	-	44	767
<u>Total Assets</u>	<u>144,055</u>	<u>162,453</u>	<u>160,646</u>	<u>145,862</u>
<u>Liabilities</u>				
Funds Held in Escrow	144,055	162,453	160,646	145,862
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	130,990	156,285	150,960	136,315
Equity in Treasurer's Account	21,912	1,207,105	1,180,715	48,302
Investments	12,254	6,168	9,642	8,780
Due from Other Funds	811	-	44	767
<u>Total Assets</u>	<u>165,967</u>	<u>1,369,558</u>	<u>1,341,361</u>	<u>194,164</u>
<u>Liabilities</u>				
Vouchers Payable	537	9,319	8,629	1,227
Payroll Taxes Payable	5,247	737,423	739,523	3,147
Funds Held in Escrow	160,183	632,134	602,527	189,790
<u>Total Liabilities</u>	<u>165,967</u>	<u>1,378,876</u>	<u>1,350,679</u>	<u>194,164</u>

**City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2010**

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2010 Outstanding	Maturities	Interest Rates	FY 2011 Debt Service Requirements	
							Interest	Principal
General Obligation Bonds:								
Term Bonds								
	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5.00	26,599	-
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5.00	506,553	-
	113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,865,987	-
	30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,141,244	-
Total Term Bonds	270,406,553		173,445,000	173,445,000			11,452,731	-
Refunding Issues								
	178,240,000	12/01/1998	178,240,000	108,925,000	05/2011 to 05/2020	4.75 to 5.125	5,398,938	12,340,000
	188,910,000	12/20/2007	188,910,000	179,285,000	08/2010 to 08/2019	4.50 to 5.25	8,988,338	4,000,000
	195,170,000	5/01/2008	195,170,000	194,090,000	12/2010 to 12/2032	4.00 to 5.25	10,067,337	70,000
	237,025,000	8/13/2009	237,025,000	237,025,000	08/2019 to 08/2031	4.25 to 5.50	12,030,260	-
	100,000,000	8/13/2009	100,000,000	100,000,000	08/2027 to 08/2031	3.829	3,829,000	-
Total Refunding Bonds	899,345,000		899,345,000	819,325,000			40,313,873	16,410,000
Serial Bonds								
	20,000,000	NA	20,000,000	2,228,054	07/2010 to 06/2013	1.00	16,744	1,210,238
	50,781,553	01/01/2001	50,781,553	19,393,976	09/2010 to 09/2021	4.2 to 5.50	889,241	2,244,889
	99,400,449	01/01/2001	95,928,447	36,636,024	09/2010 to 09/2021	4.2 to 5.50	1,679,814	4,240,311
	12,165,000	07/27/2006	3,472,002	3,210,607	8/2010 to 8/2029	4.50 to 5.125	156,639	96,240
	84,972,482	12/02/2003	12,165,000	6,829,430	02/2011 to 02/2015	5 to 5.25	351,215	1,515,759
	71,950,563	07/27/2006	37,835,000	21,240,570	02/2011 to 02/2015	5 to 5.25	1,092,334	4,714,241
	66,119,953	07/27/2006	47,137,482	43,588,680	8/2010 to 8/2029	4.50 to 5.125	2,126,602	1,306,599
	16,086,110	01/06/2009	16,086,110	14,679,116	7/2010 to 7/2018	4.00 to 6.00	706,612	1,686,035
	4,378,890	01/06/2009	4,378,890	3,995,884	7/2010 to 7/2018	4.00 to 6.00	192,351	458,965
Total Serial Bonds	425,855,000		425,855,000	279,478,054			13,440,587	21,300,238
Total General Obligation Bonds	1,595,606,553		1,498,645,000	1,272,248,054			65,207,191	37,710,238
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
	1,157,585,000	08/01/1993	1,010,025,000	73,685,000	06/2011	7.00	5,157,950	73,685,000
	221,630,000	04/15/1995	221,630,000	38,240,000	08/2010 to 08/2018	6.25	2,016,250	11,960,000
	100,000,000	11/25/1997	100,000,000	75,800,000	08/2010 to 08/2027	Variable rates	168,499	2,800,000
	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
	6,700,000	N.A.	6,700,000	710,940	07/2010 to 04/2019	2.73	18,503	72,162
	285,920,000	11/15/2001	285,920,000	137,875,000	11/2011 to 11/2028	3.8 to 5.50	7,069,482	-
	250,000,000	05/04/2005	250,000,000	235,000,000	07/2010 to 07/2035	3.30 to 5.25	11,682,438	4,610,000
	86,105,000	05/04/2005	86,105,000	83,275,000	08/2010 to 08/2018	Variable rates	3,763,184	405,000
	191,440,000	11/16/2006	191,440,000	179,845,000	8/2010 to 8/2027	4.00 to 5.00	8,553,000	4,665,000
	153,595,000	11/16/2006	153,595,000	153,110,000	11/2010 to 11/2031	4.00 to 5.00	6,959,375	210,000
	325,000,000	05/21/2009	140,000,000	140,000,000	01/2017 to 01/2033	4.00 to 5.75	7,294,037	-
	214,913,486	06/16/2010	13,430,973	13,430,973	07/2013 to 07/2033	1.193	153,555	-
	396,460,000	4/15/2010	396,460,000	390,045,000	06/2011 to 6/2019	2.00 to 5.00	18,159,385	3,245,000
Total Water Revenue Bonds	3,524,533,486		2,990,490,973	1,656,201,913			78,092,871	101,652,162

**City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2010**

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2010 Outstanding	Maturities	Interest Rates	FY 2011 Debt Service Requirements	
							Interest	Principal
Aviation Revenue Bonds:								
Series 1997 A	222,265,000	07/01/1997	222,265,000	26,130,000	06/2011 to 06/2027	5.125 to 5.75	1,382,575	4,695,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	65,540,000	06/2011 to 06/2018	5.375 to 5.5	3,546,588	6,770,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	366,610,000	07/2010 to 07/2028	5.00 to 5.375	18,488,561	11,805,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	159,555,000	07/2010 to 07/2028	5.125 to 5.50	8,385,982	5,000,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	34,560,000	06/2011 to 06/2031	5.00 to 5.50	1,823,744	935,000
Series 2005 C	189,500,000 ²	06/02/2005	189,500,000	168,600,000	06/2011 to 06/2025	Variable rates	9,525,476	6,000,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	120,185,000	06/2011 to 06/2035	4.20 to 5.50	5,739,705	2,580,000
Series 2007 A	172,470,000	08/16/2007	172,470,000	172,470,000	06/2011 to 06/2037	5	8,623,500	3,155,000
Series 2007 B	82,915,000	08/16/2007	82,915,000	73,345,000	06/2011 to 06/2027	5	3,667,250	3,260,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	45,705,000	06/2011 to 06/2029	3.00 to 5.375	2,094,316	1,655,000
Total Aviation Revenue Bonds	1,632,755,000		1,632,755,000	1,232,700,000			63,277,697	45,855,000
Total Revenue Bonds	5,157,288,486		4,623,245,973	2,888,901,913			141,370,568	147,507,162
Total All Bonds	6,752,895,039		6,121,890,973	4,161,149,967⁴			206,577,759	185,217,400

NOTES:

¹ These General Obligation Authorizations were issued as both Term and Serial Bonds.

² Based on latest available estimated rates.

³ A summary of all Bonds Outstanding is as follows:

General Fund Types:	Revenue Bonds	Total
General Fund	-	1,270,020,000
Proprietary Fund Types:		
Water Fund	1,656,201,913	1,656,429,967
Aviation Fund	1,232,700,000	1,232,700,000
Total Proprietary Funds	2,888,901,913	2,891,129,967
Total All Funds	2,888,901,913	4,161,149,967

City of Philadelphia
 Budgetary Comparison Schedule
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2010

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	528,141	513,029	516,378	3,349
Revenue from Other Governments	4,000	3,000	2,631	(369)
Revenue from Other Funds	<u>81,469</u>	<u>58,696</u>	<u>27,734</u>	<u>(30,962)</u>
Total Revenues	613,610	574,725	546,743	(27,982)
<u>Expenditures and Encumbrances</u>				
Personal Services	111,393	111,417	101,754	9,663
Pension Contributions	39,986	38,686	27,493	11,193
Other Employee Benefits	<u>40,420</u>	<u>41,720</u>	<u>39,974</u>	<u>1,746</u>
Sub-Total Employee Compensation	191,799	191,823	169,221	22,602
Purchase of Services	123,152	123,127	106,002	17,125
Materials and Supplies	53,025	53,038	41,991	11,047
Equipment	6,320	6,308	2,435	3,873
Contributions, Indemnities and Taxes	6,513	6,513	4,897	1,616
Debt Service	200,123	200,123	196,917	3,206
Payments to Other Funds	<u>49,678</u>	<u>49,678</u>	<u>47,987</u>	<u>1,691</u>
Total Expenditures and Encumbrances	<u>630,610</u>	<u>630,610</u>	<u>569,450</u>	<u>61,160</u>
Operating Surplus (Deficit) for the Year	<u>(17,000)</u>	<u>(55,885)</u>	<u>(22,707)</u>	<u>33,178</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>17,000</u>	<u>17,000</u>	<u>22,707</u>	<u>5,707</u>
Adjusted Fund Balance, July 1, 2009	<u>17,000</u>	<u>17,000</u>	<u>22,707</u>	<u>5,707</u>
Fund Balance Available for Appropriation, June 30, 2010	<u>-</u>	<u>(38,885)</u>	<u>-</u>	<u>38,885</u>

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2010

Schedule IX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	1,900	253	(1,647)
Revenue from Other Funds	<u>19,250</u>	<u>19,250</u>	<u>21,224</u>	<u>1,974</u>
Total Revenues	19,250	21,150	21,477	327
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>19,250</u>	<u>19,250</u>	<u>18,772</u>	<u>478</u>
Total Expenditures and Encumbrances	<u>19,250</u>	<u>19,250</u>	<u>18,772</u>	<u>478</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>1,900</u>	<u>2,705</u>	<u>805</u>
Fund Balance Available for Appropriation, July 1, 2009	1,231	18,184	18,184	-
Fund Balance Available for Appropriation, June 30, 2010	<u>1,231</u>	<u>20,084</u>	<u>20,889</u>	<u>805</u>

City of Philadelphia
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2010

Schedule X

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	9	3	-	(3)
Revenue from Other Governments	<u>5,049</u>	<u>4,715</u>	<u>4,724</u>	<u>9</u>
Total Revenues	5,058	4,718	4,724	6
<u>Expenditures and Encumbrances</u>				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	856	205	651
Materials and Supplies	260	265	264	1
Equipment	80	76	-	76
Payments to Other Funds	<u>15</u>	<u>19</u>	<u>19</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>4,950</u>	<u>4,950</u>	<u>4,222</u>	<u>728</u>
Operating Surplus (Deficit) for the Year	<u>108</u>	<u>(232)</u>	<u>502</u>	<u>734</u>
Fund Balance Available for Appropriation, July 1, 2009	825	1,416	1,416	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>50</u>	<u>50</u>	<u>70</u>	<u>20</u>
Adjusted Fund Balance, July 1, 2009	<u>875</u>	<u>1,466</u>	<u>1,486</u>	<u>20</u>
Fund Balance Available for Appropriation, June 30, 2010	<u><u>983</u></u>	<u><u>1,234</u></u>	<u><u>1,988</u></u>	<u><u>754</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Special Gasoline Tax Fund
 For the Fiscal Year Ended June 30, 2010

Schedule XI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	120	15	32	17
Revenue from Other Governments	<u>24,761</u>	<u>23,701</u>	<u>23,861</u>	<u>160</u>
Total Revenues	24,881	23,716	23,893	177
<u>Expenditures and Encumbrances</u>				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,648	16,279	15,263	1,016
Materials and Supplies	3,595	3,554	3,543	11
Equipment	590	-	-	-
Contributions, Indemnities and Taxes	<u>31</u>	<u>31</u>	<u>15</u>	<u>16</u>
Total Expenditures and Encumbrances	<u>23,864</u>	<u>23,864</u>	<u>22,821</u>	<u>1,043</u>
Operating Surplus (Deficit) for the Year	<u>1,017</u>	<u>(148)</u>	<u>1,072</u>	<u>1,220</u>
Fund Balance Available for Appropriation, July 1, 2009	12,034	12,507	12,507	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>120</u>	<u>120</u>	<u>504</u>	<u>384</u>
Adjusted Fund Balance, July 1, 2009	<u>12,154</u>	<u>12,627</u>	<u>13,011</u>	<u>384</u>
Fund Balance Available for Appropriation, June 30, 2010	<u><u>13,171</u></u>	<u><u>12,479</u></u>	<u><u>14,083</u></u>	<u><u>1,604</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2010

Schedule XII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	39,500	40,900	40,512	(388)
Locally Generated Non-Tax Revenue	30	82	596	514
Total Revenues	39,530	40,982	41,108	126
<u>Expenditures and Encumbrances</u>				
Personal Services	80	80	80	-
Contributions, Indemnities and Taxes	39,450	39,450	35,810	3,640
Total Expenditures and Encumbrances	39,530	39,530	35,890	3,640
Operating Surplus (Deficit) for the Year	-	1,452	5,218	3,766
Fund Balance Available for Appropriation, July 1, 2009	-	-	-	-
Fund Balance Available for Appropriation, June 30, 2010	-	1,452	5,218	3,766

City of Philadelphia
 Budgetary Comparison Schedule
 Aviation Operating Fund
 For the Fiscal Year Ended June 30, 2010

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	355,000	293,740	285,016	(8,724)
Revenue from Other Governments	7,800	2,000	3,091	1,091
Revenue from Other Funds	2,000	1,000	2,063	1,063
Total Revenues	364,800	296,740	290,170	(6,570)
<u>Expenditures and Encumbrances</u>				
Personal Services	66,066	66,066	56,628	9,438
Pension Contributions	20,978	20,978	14,946	6,032
Other Employee Benefits	19,305	19,305	17,993	1,312
Sub-Total Employee Compensation	106,349	106,349	89,567	16,782
Purchase of Services	110,515	110,515	79,954	30,561
Materials and Supplies	8,526	8,526	8,135	391
Equipment	12,846	12,846	3,835	9,011
Contributions, Indemnities and Taxes	6,032	6,032	1,449	4,583
Debt Service	107,650	107,650	95,343	12,307
Payments to Other Funds	24,627	24,627	5,674	18,953
Total Expenditures and Encumbrances	376,545	376,545	283,957	92,588
Operating Surplus (Deficit) for the Year	(11,745)	(79,805)	6,213	86,018
Fund Balance Available for Appropriation, July 1, 2009	57,183	55,128	55,128	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	15,000	15,000	12,281	(2,719)
Adjusted Fund Balance, July 1, 2009	72,183	70,128	67,409	(2,719)
Fund Balance Available for Appropriation, June 30, 2010	60,438	(9,677)	73,622	83,299

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2010

Schedule XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	500	500	12,434	11,934
Revenue from Other Governments	127,470	107,470	39,517	(67,953)
Total Revenues	127,970	107,970	51,951	(56,019)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(16,301)	(16,301)
Total Revenues and Other Sources	127,970	107,970	35,650	(72,320)
<u>Expenditures and Encumbrances</u>				
Personal Services	7,416	7,416	5,205	2,211
Pension Contributions	2,880	2,901	1,204	1,697
Other Employee Benefits	2,002	1,981	1,349	632
Sub-Total Employee Compensation	12,298	12,298	7,758	4,540
Purchase of Services	95,032	94,950	50,139	44,811
Materials and Supplies	400	352	263	89
Equipment	210	340	241	99
Payments to Other Funds	30	30	26	4
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	127,970	127,970	58,427	69,543
Operating Surplus (Deficit) for the Year	-	(20,000)	(22,777)	(2,777)
Fund Balance Available for Appropriation, July 1, 2009	-	(5,043)	(5,043)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	23,800	23,800
Prior Period Adjustments	-	5,043	-	(5,043)
Adjusted Fund Balance, July 1, 2009	-	-	18,757	18,757
Fund Balance Available for Appropriation, June 30, 2010	-	(20,000)	(4,020)	15,980

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2010

Schedule XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	4,500	4,700	4,674	(26)
Locally Generated Non-Tax Revenue	100	25	5	(20)
Total Revenues	4,600	4,725	4,679	(46)
<u>Expenditures and Encumbrances</u>				
Purchase of Services	5,000	5,000	5,000	-
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	(400)	(275)	(321)	(46)
Fund Balance Available for Appropriation, July 1, 2009	5,342	5,627	5,627	-
Fund Balance Available for Appropriation, June 30, 2010	4,942	5,352	5,306	(46)

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2010

Schedule XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	10,000	9,100	8,030	(1,070)
Revenue from Other Funds	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	11,500	9,100	8,030	(1,070)
<u>Expenditures and Encumbrances</u>				
Personal Services	600	600	413	187
Purchase of Services	<u>16,800</u>	<u>22,300</u>	<u>18,488</u>	<u>3,812</u>
Total Expenditures and Encumbrances	17,400	22,900	18,901	3,999
Operating Surplus (Deficit) for the Year	<u>(5,900)</u>	<u>(13,800)</u>	<u>(10,871)</u>	<u>2,929</u>
Fund Balance Available for Appropriation, July 1, 2009	900	7,144	7,144	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>5,000</u>	<u>4,000</u>	<u>6,446</u>	<u>2,446</u>
Adjusted Fund Balance, July 1, 2009	<u>5,900</u>	<u>11,144</u>	<u>13,590</u>	<u>2,446</u>
Fund Balance Available for Appropriation, June 30, 2010	<u>-</u>	<u>(2,656)</u>	<u>2,719</u>	<u>5,375</u>

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2010

Schedule XVII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	397,216	397,216	12,443	(384,773)
Revenue from Other Governments	337,014	345,414	58,013	(287,401)
Revenue from Other Funds	-	-	10,087	10,087
Total Revenues	734,230	742,630	80,543	(662,087)
<u>Other Sources (Uses)</u>				
Increase in Unreimbursed Commitments	-	-	3,181	3,181
Total Revenues and Other Sources	734,230	742,630	83,724	(658,906)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	734,230	742,630	125,138	617,492
Operating Surplus (Deficit) for the Year	-	-	(41,414)	(41,414)
Fund Balance Available for Appropriation, July 1, 2009	-	-	107,986	107,986
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	8,435	8,435
Revenue Adjustments - Net	-	-	157	157
Adjusted Fund Balance, July 1, 2009	-	-	116,578	116,578
Fund Balance Available for Appropriation, June 30, 2010	-	-	75,164	75,164

City of Philadelphia
 Budgetary Comparison Schedule
 Acute Care Hospital Assessment Fund
 For the Fiscal Year Ended June 30, 2010

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Tax Revenue	<u>126,500</u>	<u>124,430</u>	<u>108,154</u>	<u>(16,276)</u>
Total Revenues	<u>126,500</u>	<u>124,430</u>	<u>108,154</u>	<u>(16,276)</u>
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Total Revenues and Other Sources	<u>126,500</u>	<u>124,430</u>	<u>108,164</u>	<u>(16,266)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	5,845	5,845	-	5,845
Pension Contributions	1,039	1,039	-	1,039
Other Employee Benefits	<u>1,006</u>	<u>1,006</u>	<u>-</u>	<u>1,006</u>
Sub-Total Employee Compensation	<u>7,890</u>	<u>7,890</u>	<u>-</u>	<u>7,890</u>
Purchase of Services	117,705	117,705	101,370	16,335
Materials and Supplies	900	240	-	240
Equipment	<u>5</u>	<u>665</u>	<u>-</u>	<u>665</u>
Total Expenditures and Encumbrances	<u>126,500</u>	<u>126,500</u>	<u>101,370</u>	<u>25,130</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(2,070)</u>	<u>6,794</u>	<u>8,864</u>
Fund Balance Available for Appropriation, July 1, 2009	-	-	4,000	4,000
Adjusted Fund Balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Fund Balance Available for Appropriation, June 30, 2010	<u>-</u>	<u>(2,070)</u>	<u>10,794</u>	<u>12,864</u>

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 General Fund

Schedule XIX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts		FY 2010 Actual	Final Budget to Actual Positive (Negative)	FY 2009 Actual	Increase (Decrease)
	Original	Final				
Revenue						
Taxes						
Real Property Tax:						
Current	378,242	371,420	364,313	(7,107)	365,637	(1,324)
Prior Years	42,000	42,000	37,874	(4,126)	34,420	3,454
Total Real Property Tax	420,242	413,420	402,187	(11,233)	400,057	2,130
Wage and Earnings Taxes:						
Current	1,133,993	1,092,993	1,102,285	9,292	1,105,871	(3,586)
Prior Years	12,000	24,000	11,918	(12,082)	11,170	748
Total Wage and Earnings Taxes	1,145,993	1,116,993	1,114,203	(2,790)	1,117,041	(2,838)
Business Taxes:						
Business Privilege Taxes:						
Current	323,688	349,638	329,275	(20,363)	367,074	(37,799)
Prior Years	25,000	27,000	35,428	8,428	18,916	16,512
Total Business Privilege Tax	348,688	376,638	364,703	(11,935)	385,990	(21,287)
Net Profits Tax:						
Current	8,381	8,381	12,058	3,677	9,472	2,586
Prior Years	4,000	6,000	2,448	(3,552)	2,727	(279)
Total Net Profits Tax	12,381	14,381	14,506	125	12,199	2,307
Total Business Taxes	361,069	391,019	379,209	(11,810)	398,189	(18,980)
Other Taxes:						
Sales Tax	234,660	199,801	207,113	7,312	128,233	78,880
Amusement Tax	18,894	20,894	21,850	956	21,379	471
Real Property Transfer Tax	84,745	118,745	119,236	491	115,133	4,103
Parking Lot Tax	70,725	70,725	70,453	(272)	70,380	73
Miscellaneous Taxes	3,000	3,050	2,390	(660)	2,406	(16)
Total Other Taxes	412,024	413,215	421,042	7,827	337,531	83,511
Total Taxes	2,339,328	2,334,647	2,316,641	(18,006)	2,252,818	63,823
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,943	5,073	4,696	(377)	7,378	(2,682)
Licenses and Permits	49,564	39,917	43,346	3,429	39,286	4,060
Fines, Forfeits, Penalties, Confiscated Money and Property	22,672	20,997	17,727	(3,270)	17,665	62
Interest Income	13,375	12,776	8,264	(4,512)	15,815	(7,551)
Service Charges and Fees	133,328	126,017	113,972	(12,045)	100,118	13,854
Other	51,090	42,510	41,354	(1,156)	76,027	(34,673)
Total Locally Generated Non-Tax Revenue	275,972	247,290	229,359	(17,931)	256,289	(26,930)
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	202,801	192,170	140,347	(51,823)	128,655	11,692
Commonwealth of Pennsylvania:						
Grants and Other Payments	595,678	635,110	605,896	(29,214)	519,487	86,409
Other Governmental Units	372,657	341,661	330,138	(11,523)	345,294	(15,156)
Total Revenue from Other Governments	1,171,136	1,168,941	1,076,381	(92,560)	993,436	82,945
Revenue from Other Funds						
	28,134	33,003	31,945	(1,058)	135,338	(103,393)
Total Revenues	3,814,570	3,783,881	3,654,326	(129,555)	3,637,881	16,445

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund

Schedule XIX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts		FY 2010 Actual	Final Budget	FY 2009 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Obligations						
General Government						
City Council	16,049	16,139	13,464	2,675	14,696	(1,232)
Mayor's Office:						
Mayor's Office	4,359	5,022	4,263	759	9,435	(5,172)
Scholarships	200	200	193	7	200	(7)
Mural Arts Program	1,000	1,000	973	27	763	210
Labor Relations	485	539	523	16	535	(12)
MDO Office of Technology	21,744	42,733	38,521	4,212	36,397	2,124
Capital Program Office	-	-	-	-	3,020	(3,020)
Mayor's Office of Community Services	-	30	30	-	8	22
Transportation	500	500	482	18	411	71
Law	20,768	20,844	17,965	2,879	19,260	(1,295)
Board of Ethics	810	810	706	104	763	(57)
Youth Commission	100	100	85	15	51	34
Inspector General	1,310	1,310	1,146	164	-	1,146
City Planning Commission	2,728	2,904	2,904	-	3,054	(150)
Commission on Human Relations	2,084	2,084	1,983	101	2,076	(93)
Zoning Code Commission	500	500	468	32	382	86
Arts & Culture	3,935	3,949	3,943	6	-	3,943
Board of Revision of Taxes	7,816	7,816	7,463	353	8,789	(1,326)
Total General Government	84,388	106,480	95,112	11,368	99,840	(4,728)
Operation of Service Departments						
Housing	2,800	2,800	2,800	-	4,000	(1,200)
Managing Director	18,787	18,891	16,576	2,315	20,143	(3,567)
Police	522,478	541,956	541,606	350	544,120	(2,514)
Streets	117,124	139,031	134,903	4,128	140,411	(5,508)
Fire	188,656	190,698	190,051	647	191,222	(1,171)
Public Health	116,937	117,035	111,198	5,837	116,409	(5,211)
Office-Behavioral Health/Mental Retardation	14,272	14,272	14,239	33	14,260	(21)
Recreation	33,619	34,716	33,699	1,017	37,987	(4,288)
Fairmount Park Commission	12,590	13,337	13,251	86	14,876	(1,625)
Atwater Kent Museum	249	298	298	-	276	22
Camp William Penn	100	100	100	-	98	2
Public Property	177,712	167,629	164,793	2,836	169,732	(4,939)
Department of Human Services	590,878	592,522	562,731	29,791	600,655	(37,924)
Philadelphia Prisons	248,835	246,592	240,571	6,021	242,698	(2,127)
Office of Supportive Housing	38,474	38,478	38,387	91	39,437	(1,050)
Office of Fleet Management	52,254	52,839	47,331	5,508	54,601	(7,270)
Licenses and Inspections	24,103	24,975	23,069	1,906	26,783	(3,714)
Board of L & I Review	156	156	127	29	207	(80)
Board of Building Standards	72	72	61	11	91	(30)
Zoning Board of Adjustment	378	378	311	67	359	(48)
Records	5,335	5,361	5,195	166	6,873	(1,678)
Philadelphia Historical Commission	413	437	387	50	377	10
Art Museum	2,300	2,343	2,343	-	3,000	(657)
Philadelphia Free Library	32,968	33,239	32,752	487	37,533	(4,781)
Total Operations of Service Departments	2,201,490	2,238,155	2,176,779	61,376	2,266,148	(89,369)
Financial Management						
Office of Director of Finance	35,953	40,326	11,176	29,150	19,830	(8,654)
Department of Revenue	16,415	19,035	16,420	2,615	17,038	(618)
Sinking Fund Commission	215,531	202,531	185,464	17,067	186,963	(1,499)
Procurement	3,775	4,397	4,397	-	4,866	(469)
City Treasurer	751	751	648	103	632	16
Audit of City Operations	7,425	7,545	7,408	137	7,885	(477)
Total Financial Management	279,850	274,585	225,513	49,072	237,214	(11,701)

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 General Fund

Schedule XIX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts		FY 2010 Actual	Final Budget	FY 2009 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	789,250	811,848	831,698	(19,850)	973,223	(141,525)
PGW Rental Reimbursement	18,000	18,000	18,000	-	18,000	-
Community College of Philadelphia	26,468	26,468	26,468	-	26,468	-
Legal Services	35,941	35,941	35,941	-	37,339	(1,398)
Hero Award	25	43	43	-	35	8
Refunds	250	8	1	7	-	1
Indemnities	24,501	39	1	38	31	(30)
Office of Risk Management	2,312	2,175	2,891	(716)	-	2,891
Witness Fees	172	172	104	68	117	(13)
Contribution to School District	38,540	38,540	38,540	-	38,490	50
Total City-Wide Under Director of Finance	935,459	933,234	953,687	(20,453)	1,093,703	(140,016)
Promotion and Public Relations						
City Representative	1,137	1,137	906	231	4,648	(3,742)
Commerce	28,554	28,554	27,321	1,233	27,761	(440)
	29,691	29,691	28,227	1,464	32,409	(4,182)
Personnel						
Civic Service Commission	170	170	154	16	165	(11)
Personnel Director	4,568	4,573	4,052	521	4,523	(471)
Total Personnel	4,738	4,743	4,206	537	4,688	(482)
Administration of Justice						
Clerk of Quarter Sessions	4,915	4,915	4,510	405	4,968	(458)
Register of Wills	3,399	3,399	3,209	190	3,598	(389)
District Attorney	28,942	30,151	30,153	(2)	30,882	(729)
Sheriff	13,067	15,785	15,785	-	15,706	79
First Judicial District	97,754	105,746	105,746	-	114,971	(9,225)
Total Administration of Justice	148,077	159,996	159,403	593	170,125	(10,722)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,342	1,599	1,599	-	1,444	155
Conduct of Elections						
City Commissioners	8,794	9,218	9,200	18	9,717	(517)
Total Obligations	3,693,829	3,757,701	3,653,726	103,975	3,915,288	(261,562)
Operating Surplus (Deficit) for the Year	120,741	26,180	600	(25,580)	(277,407)	278,007

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	<u>Budgeted Amounts</u>		<u>FY 2010 Actual</u>	<u>Final Budget</u>	<u>FY 2009 Actual</u>	<u>Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		<u>to Actual Positive (Negative)</u>		
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	425,795	421,350	429,760	8,410	414,381	15,379
Sales and Charges - Prior Years	43,008	38,257	31,431	(6,826)	11,273	20,158
Fire Service Connections	1,920	925	1,593	668	1,370	223
Surcharges	4,942	5,013	4,576	(437)	4,484	92
Fines and Penalties	1,038	1,002	1,206	204	824	382
Miscellaneous Charges	1,376	946	1,645	699	976	669
Charges to Other Municipalities	31,551	31,551	37,357	5,806	28,982	8,375
Licenses and Permits	2,000	2,024	2,226	202	2,208	18
Interest Income	9,181	5,720	851	(4,869)	10,050	(9,199)
Fleet Management - Sale of Vehicles & Equipment	195	245	287	42	295	(8)
Contributions from Sinking Fund Reserve	2,782	2,718	2,648	(70)	7,059	(4,411)
Reimbursement of Expenditures	193	218	59	(159)	94	(35)
Repair Loan Program	2,644	2,340	2,116	(224)	2,120	(4)
Other	1,516	720	623	(97)	422	201
Total Locally Generated Non-Tax Revenue	<u>528,141</u>	<u>513,029</u>	<u>516,378</u>	<u>3,349</u>	<u>484,538</u>	<u>31,840</u>
<u>Revenue from Other Governments</u>						
State	2,000	1,000	726	(274)	401	325
Federal	2,000	2,000	1,905	(95)	273	1,632
Total Revenue from Other Governments	<u>4,000</u>	<u>3,000</u>	<u>2,631</u>	<u>(369)</u>	<u>674</u>	<u>1,957</u>
<u>Revenue from Other Funds</u>	<u>81,469</u>	<u>58,696</u>	<u>27,734</u>	<u>(30,962)</u>	<u>58,263</u>	<u>(30,529)</u>
Total Revenues	<u>613,610</u>	<u>574,725</u>	<u>546,743</u>	<u>(27,982)</u>	<u>543,475</u>	<u>3,268</u>
<u>Obligations</u>						
Mayor's Office of Information Services	1,730	2,649	1,907	742	2,372	(465)
Managing Director	-	-	-	-	-	-
Public Property	4,533	3,614	3,614	-	3,613	1
Police Department	-	-	-	-	-	-
Office of Fleet Management	8,543	8,543	7,211	1,332	7,189	22
Water Department	303,228	308,125	271,671	36,454	266,273	5,398
Office of the Director of Finance	-	-	-	-	108	(108)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	39,986	38,686	27,494	11,192	38,364	(10,870)
Other Employee Benefits	40,420	41,720	39,974	1,746	39,346	628
Contributions, Indemnities and Taxes	6,500	1,603	-	1,603	-	-
Department of Revenue	22,157	22,157	17,678	4,479	17,540	138
Sinking Fund Commission	200,123	200,123	196,717	3,406	184,253	12,464
Procurement Department	69	69	69	-	66	3
Law	3,321	3,321	3,115	206	3,071	44
Total Obligations	<u>630,610</u>	<u>630,610</u>	<u>569,450</u>	<u>61,160</u>	<u>562,195</u>	<u>7,255</u>
Operating Surplus (Deficit) for the Year	<u>(17,000)</u>	<u>(55,885)</u>	<u>(22,707)</u>	<u>33,178</u>	<u>(18,720)</u>	<u>(3,987)</u>

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations

Schedule XXI

Aviation Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts		FY 2010 Actual	Final Budget	FY 2009 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	32,000	20,000	27,442	7,442	26,422	1,020
Space Rentals	117,270	102,500	103,250	750	101,474	1,776
Landing Fees	65,700	53,000	50,218	(2,782)	49,708	510
Parking	36,000	26,000	23,733	(2,267)	31,240	(7,507)
Car Rentals	25,000	18,000	16,743	(1,257)	18,629	(1,886)
Interest Earnings	2,000	2,000	326	(1,674)	2,163	(1,837)
Sale of Utilities	5,000	4,000	3,850	(150)	4,505	(655)
Passenger Facility Charge	33,000	33,000	33,133	133	32,925	208
Overseas Terminal Facility Charges	-	-	10	10	11	(1)
International Terminal Charge	24,000	20,000	19,755	(245)	19,733	22
Other	15,030	15,240	6,557	(8,683)	4,472	2,085
Total Locally Generated Non-Tax Revenue	355,000	293,740	285,017	(8,723)	291,282	(6,265)
Revenue from Other Governments						
State	1,300	-	194	194	-	194
Federal	6,500	2,000	2,896	896	1,934	962
Total Revenue from Other Governments	7,800	2,000	3,090	1,090	1,934	1,156
Revenue from Other Funds						
	2,000	1,000	2,063	1,063	887	1,176
Total Revenue	364,800	296,740	290,170	(6,570)	294,103	(3,933)
Obligations						
Mayor's Office of Information Services	-	694	393	301	434	(41)
Police	13,543	13,553	13,029	524	13,069	(40)
Fire	6,203	6,203	5,109	1,094	5,478	(369)
Public Property	27,594	26,900	13,900	13,000	17,000	(3,100)
Office of Fleet Management	8,134	8,134	5,287	2,847	4,504	783
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	20,978	20,978	14,946	6,032	20,852	(5,906)
Other Employee Benefits	19,305	19,305	17,993	1,312	18,656	(663)
Purchase of Services	4,146	4,146	2,732	1,414	2,851	(119)
Contributions, Indemnities and Taxes	2,512	1,630	-	1,630	-	-
Sinking Fund Commission	107,650	107,650	95,343	12,307	99,676	(4,333)
Procurement	-	-	-	-	42	(42)
Commerce	164,576	165,448	113,665	51,783	118,196	(4,531)
Law	1,904	1,904	1,560	344	1,721	(161)
Total Obligations	376,545	376,545	283,957	92,588	302,479	(18,522)
Operating Surplus (Deficit) for the Year	(11,745)	(79,805)	6,213	86,018	(8,376)	14,589



Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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The City of Philadelphia implemented GASB Statement #34 in FY2002. Tables presenting government-wide information include information beginning in that year.



City of Philadelphia
 Net Assets by Component
 For the Fiscal Years 2003 Through 2010

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

Governmental Activities

	2003	2004	2005	2006	2007	2008	2009	2010
Invested in Capital Assets, Net of Related Debt	286.4	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)
Restricted	426.8	484.1	516.5	471.5	689.7	641.0	833.8	516.1
Unrestricted	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,239.5)
Total Governmental Activities Net Assets	259.4	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,782.7)

Business-Type Activities

Invested in Capital Assets, Net of Related Debt	478.6	541.0	548.4	537.4	544.0	591.8	750.6	831.8
Restricted	642.1	504.0	472.0	551.9	635.1	644.1	511.2	489.3
Unrestricted	(12.7)	91.3	269.7	273.9	257.3	266.2	269.8	257.3
Total Business-Type Activities Net Assets	1,108.0	1,136.3	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4

Primary Government

Invested in Capital Assets, Net of Related Debt	765.0	716.0	789.7	786.0	705.4	798.2	744.8	772.5
Restricted	1,068.9	988.1	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,005.4
Unrestricted	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(1,982.2)
Total Primary Government Net Assets	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(204.3)

(full accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses								
Governmental Activities:								
Economic Development	127.9	127.4	89.5	89.8	92.6	116.4	116.0	145.0
Transportation:								
Streets & Highways	99.8	109.9	119.0	116.0	116.6	117.7	119.1	129.4
Mass Transit	85.9	81.3	84.9	84.5	85.1	88.3	90.5	82.7
Judiciary and Law Enforcement:								
Police	755.2	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5
Prisons	223.4	237.1	250.2	268.7	293.2	311.4	339.1	343.8
Courts	253.8	277.2	284.9	287.1	304.1	321.6	318.7	312.0
Conservation of Health:								
Emergency Medical Services	29.0	30.6	34.2	35.6	36.0	37.2	36.9	47.8
Health Services	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7
Housing and Neighborhood Development	125.2	119.0	123.0	149.5	111.2	142.1	149.1	131.3
Cultural and Recreational:								
Recreation	109.5	118.4	68.3	73.3	73.4	86.2	77.3	77.0
Parks	26.2	32.6	30.2	28.9	32.6	36.6	37.7	37.9
Libraries and Museums	63.0	67.5	80.7	68.6	90.3	87.0	92.8	79.0
Improvements to General Welfare:								
Social Services	641.5	691.2	697.6	702.0	765.5	794.1	756.3	718.8
Education	57.1	58.6	61.6	59.9	64.0	65.5	67.2	72.0
Inspections and Demolitions	44.3	81.3	79.0	55.3	64.3	47.3	27.8	23.4
Service to Property:								
Sanitation	114.8	121.0	126.0	128.8	134.4	138.0	137.8	142.7
Fire	190.2	215.4	229.6	236.1	285.3	284.8	278.6	266.0
General Management and Support	524.8	576.9	519.9	574.8	568.7	636.9	684.1	683.3
Interest on Long Term Debt	130.2	98.3	138.2	136.9	149.5	95.1	214.6	174.9
Total Governmental Activities Expenses	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,904.2
Business-Type Activities:								
Water and Sewer	412.9	416.9	442.3	455.4	476.2	504.3	530.8	502.5
Aviation	244.5	261.0	269.5	303.1	314.3	323.1	326.2	330.1
Industrial and Commercial Development	2.2	2.5	4.7	2.1	3.7	2.1	3.0	0.1
Total Business-Type Activities Expenses	659.6	680.4	716.5	760.6	794.2	829.5	860.0	832.7
Total Primary government Expenses	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,736.9
Program Revenues								
Governmental Activities:								
Charges for Services:								
Economic Development	0.2	6.9	0.1	-	-	-	0.3	0.1
Transportation:								
Streets & Highways	1.1	1.5	1.9	2.2	3.5	3.9	2.8	4.4
Mass Transit	0.6	0.5	0.5	0.6	0.6	0.5	0.4	0.5
Judiciary and Law Enforcement:								
Police	2.2	2.4	2.2	7.2	1.7	4.3	5.0	3.3
Prisons	0.4	0.5	0.4	0.4	0.3	0.3	0.4	0.5
Courts	50.9	52.5	48.4	51.5	51.5	52.7	51.8	53.4
Conservation of Health:								
Emergency Medical Services	20.1	20.7	23.1	25.0	27.7	27.6	37.5	36.8
Health Services	10.2	11.6	13.5	14.0	12.6	15.3	14.4	16.2
Housing and Neighborhood Development	18.9	12.0	10.0	22.3	45.2	25.2	31.3	20.8
Cultural and Recreational:								
Recreation	14.3	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)
Parks	1.9	1.7	0.9	0.4	0.5	1.5	0.6	0.9
Libraries and Museums	0.3	0.4	0.5	0.9	0.9	0.8	1.3	0.9
Improvements to General Welfare:								
Social Services	8.8	6.9	7.6	7.4	7.3	6.4	7.6	14.4
Education	-	-	-	-	-	-	1.1	-
Inspections and Demolitions	0.5	0.8	0.7	0.7	44.4	44.9	40.3	43.9
Service to Property:								
Sanitation	1.8	2.0	2.1	1.8	-	3.1	2.9	2.0
Fire	0.1	0.1	0.5	0.4	0.7	0.2	0.7	0.3
General Management and Support	150.7	138.2	130.8	179.1	107.5	110.6	131.9	203.0
Operating Grants and Contributions	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4
Capital Grants and Contributions	17.3	19.6	9.1	21.4	15.8	10.0	35.0	46.9
Total Governmental Activities Program Revenues	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,498.6

(full accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Business-Type Activities:								
Charges for Services:								
Water and Sewer	385.4	401.6	450.6	470.8	493.6	503.3	499.7	552.4
Aviation	230.5	251.9	278.4	295.0	309.2	303.2	251.7	240.0
Industrial and Commercial Development	1.2	1.2	1.1	1.2	1.5	1.5	0.5	0.3
Operating Grants and Contributions	8.9	4.8	2.0	2.5	2.8	5.4	2.6	6.1
Capital Grants and Contributions	17.8	21.0	20.7	25.3	22.4	36.6	109.4	90.5
Total Business-Type Activities Program Revenues	<u>643.8</u>	<u>680.5</u>	<u>752.8</u>	<u>794.8</u>	<u>829.5</u>	<u>850.0</u>	<u>863.9</u>	<u>889.3</u>
Total Primary Government Revenues	<u>2,851.3</u>	<u>2,930.5</u>	<u>3,073.1</u>	<u>3,272.6</u>	<u>3,354.8</u>	<u>3,497.5</u>	<u>3,670.5</u>	<u>3,387.9</u>
Net (Expense)/Revenue								
Governmental Activities	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,405.6)
Business-Type Activities	(15.8)	0.1	36.3	34.2	35.3	20.5	3.9	56.6
Total Primary Government Net Expense	<u>(2,606.6)</u>	<u>(2,762.0)</u>	<u>(2,752.3)</u>	<u>(2,831.7)</u>	<u>(3,070.2)</u>	<u>(3,313.7)</u>	<u>(3,420.2)</u>	<u>(3,349.0)</u>
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Property Taxes	362.7	374.4	381.8	386.3	399.2	401.3	409.2	400.8
Wage & Earnings Taxes	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5
Business Taxes	306.9	319.2	367.9	430.2	453.7	414.5	407.6	385.2
Other Taxes	294.7	342.1	406.4	457.7	460.3	457.0	435.0	503.2
Unrestricted Grants & Contributions	61.2	47.1	84.3	81.7	104.1	104.7	107.8	171.4
Interest & Investment Earnings	57.5	26.0	32.9	60.2	81.8	65.3	46.1	25.5
Special Items	(99.3)	-	-	-	-	-	-	-
Transfers	4.1	-	4.4	5.0	4.9	4.9	4.2	28.3
Total Governmental Activities	<u>2,289.7</u>	<u>2,454.7</u>	<u>2,650.7</u>	<u>2,846.0</u>	<u>3,002.5</u>	<u>2,972.2</u>	<u>2,875.4</u>	<u>2,962.9</u>
Business-Type Activities:								
Interest & Investment Earnings	33.5	6.6	15.8	43.8	45.7	48.7	22.9	7.7
Transfers	(4.1)	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)
Total Business-Type Activities	<u>29.4</u>	<u>6.6</u>	<u>11.4</u>	<u>38.9</u>	<u>40.8</u>	<u>43.8</u>	<u>18.7</u>	<u>(20.6)</u>
Total Primary Government	<u>2,319.1</u>	<u>2,461.3</u>	<u>2,662.1</u>	<u>2,884.9</u>	<u>3,043.3</u>	<u>3,016.0</u>	<u>2,894.1</u>	<u>2,942.3</u>
Change in Net Assets								
Governmental Activities	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(442.7)
Business-Type Activities	13.6	6.7	47.7	73.1	76.1	64.3	22.6	36.0
Total Primary Government	<u>(287.5)</u>	<u>(300.7)</u>	<u>(90.2)</u>	<u>53.2</u>	<u>(26.9)</u>	<u>(297.7)</u>	<u>(526.1)</u>	<u>(406.7)</u>

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2010

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund								
Reserved	240.9	152.2	190.7	193.3	335.2	258.8	199.0	115.0
Unreserved	<u>(7.9)</u> ¹	<u>(148.1)</u>	<u>(36.4)</u>	<u>111.2</u>	<u>152.7</u>	<u>(24.3)</u>	<u>(274.6)</u>	<u>(251.8)</u>
Total General Fund	<u>233.0</u>	<u>4.1</u>	<u>154.3</u>	<u>304.5</u>	<u>487.9</u>	<u>234.5</u>	<u>(75.6)</u>	<u>(136.8)</u>
All Other Governmental Funds								
Reserved	455.7	378.0	487.5	585.1	557.5	515.2	535.7	464.9
Unreserved, reported in:								
Special Revenue Funds	64.8	98.9	100.8	(52.0)	30.0	52.5	(0.9)	51.6
Debt Service funds	1.7	1.6	1.7	1.7	1.5	1.6	1.4	0.6
Capital Projects Funds	(98.1)	80.9	(6.3)	(67.1)	103.0	21.0	196.1	152.2
Permanent Funds	<u>3.1</u>	<u>3.2</u>	<u>3.4</u>	<u>3.7</u>	<u>4.3</u>	<u>3.9</u>	<u>2.7</u>	<u>2.8</u>
Total All Other Governmental Funds	<u>427.2</u>	<u>562.6</u>	<u>587.1</u>	<u>471.4</u>	<u>696.3</u>	<u>594.2</u>	<u>735.0</u>	<u>672.1</u>

¹ Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occurred.

**City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2010**

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Tax Revenue	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1	2,781.8	2,705.2	2,812.3
Locally Generated Non-Tax Revenue	339.8	280.0	265.2	354.5	381.7	349.7	349.3	302.7
Revenue from Other Governments	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6	2,468.4	2,564.9	2,323.4
Other Revenues	17.3	18.5	16.7	15.3	17.1	17.9	49.6	33.1
Total Revenues	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5	5,617.8	5,669.0	5,471.5
Expenditures								
Current Operating:								
Economic Development	170.4	157.0	92.7	81.5	85.5	112.3	107.0	135.1
Transportation:								
Streets & Highways	78.1	75.9	77.7	78.8	89.2	89.7	89.9	91.1
Mass Transit	57.5	52.9	56.6	56.7	58.1	61.7	63.7	65.2
Judiciary and Law Enforcement:								
Police	727.3	752.0	770.9	798.0	860.2	951.9	933.9	882.7
Prisons	214.3	224.5	241.3	256.6	278.1	298.2	326.9	315.2
Courts	246.5	267.8	276.9	278.2	292.3	311.1	310.5	288.1
Conservation of Health:								
Emergency Medical Services	28.4	29.7	33.3	34.8	34.9	36.0	36.2	45.0
Health Services	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8	1,567.6	1,695.0	1,436.5
Housing and Neighborhood Development:								
Development	120.7	119.0	122.9	147.9	109.2	141.9	148.4	131.2
Cultural and Recreational:								
Recreation	94.0	65.7	58.3	59.8	62.2	74.3	65.1	58.4
Parks	24.2	23.8	23.7	23.4	26.3	28.9	31.8	26.9
Libraries and Museums	64.4	61.1	68.2	70.2	83.2	84.2	81.0	68.8
Improvements to General Welfare:								
Social Services	636.1	683.4	689.1	695.9	756.7	778.2	743.1	699.7
Education	57.1	58.6	61.5	59.9	64.0	65.5	67.2	65.4
Inspections and Demolitions	46.6	83.6	81.2	59.8	63.0	46.3	33.1	27.3
Service to Property:								
Sanitation	111.5	117.8	122.0	125.6	129.5	132.9	134.6	130.6
Fire	188.0	203.0	217.8	225.8	267.6	276.4	266.9	237.6
General Management and Support	450.9	472.4	477.1	537.5	563.7	618.4	693.8	615.0
Capital Outlay	162.2	126.0	103.1	97.9	92.3	105.8	126.9	148.9
Debt Service:								
Principal	106.8	105.7	95.8	86.2	91.5	94.1	87.6	89.7
Interest	112.3	101.6	101.0	99.9	103.4	100.0	105.7	96.7
Bond Issuance Cost	-	9.2	3.9	-	5.0	24.2	8.5	23.5
Total Expenditures	4,890.0	4,961.0	5,046.1	5,282.1	5,552.7	5,999.6	6,156.8	5,678.6
Excess of Revenues Over (Under) Expenditures	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)	(487.8)	(207.1)
Other Financing Sources (Uses)								
Issuance of Debt	165.5	487.7	157.3	10.0	353.1	1,303.8	262.9	207.0
Issuance of Refunding Debt	-	-	-	-	-	-	354.9	337.0
Bond Issuance Premium	-	4.8	-	-	13.8	31.1	26.7	24.3
Proceeds from Lease & Service Agreements	-	10.9	-	-	-	-	(3.1)	(1.0)
Bond Defeasance	(165.4)	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)
Transfers In	449.4	442.9	581.4	433.1	460.1	465.2	574.5	558.1
Transfers Out	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)	(570.3)	(529.7)
Total Other Financing Sources (Uses)	4.3	270.3	161.7	15.0	371.9	26.2	318.7	91.7
Special Items								
Business Privilege Tax Adjustment	(99.3) ¹	-	-	-	-	-	-	-
Net Change in Fund Balances	(324.6)	(90.9)	174.7	34.4	399.7	(355.6)	(169.1)	(115.4)
Debt Service as a Percentage of Non-capital Expenditures								
	4.7%	4.3%	4.0%	3.6%	3.6%	3.3%	3.2%	3.4%

¹ Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. \$99.3 million of these estimated tax payments were deferred in the general fund in FY2003 because the underlying events had not occurred.

Amounts in millions of USD

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Additions:										
Contributions:										
Employee Contributions	49.3	50.1	52.5	50.5	49.3	48.9	49.2	51.7	54.0	51.6
Employer's:										
City of Philadelphia	163.5	174.2	174.6	196.6	290.6	321.3	419.2	412.4	440.0	297.4
Quasi-Governmental Agencies	4.1	4.0	5.2	6.2	8.6	10.4	13.1	14.5	15.4	15.1
<u>Total Employer's Contributions</u>	167.6	178.2	179.8	202.8	299.2	331.7	432.3	426.9	455.4	312.5
<u>Total Contributions</u>	216.9	228.3	232.3	253.3	348.5	380.6	481.5	478.6	509.4	364.1
Interest & Dividends	133.8	109.3	74.4	68.4	74.6	65.1	80.3	97.1	75.6	70.5
Net Gain (Decline) in Fair Value of Investments	(422.8)	(359.6)	(3.9)	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2
Net Securities Lending Revenue	2.0	2.2	1.0	0.8	0.9	0.7	1.1	7.4	5.7	1.9
Net Investment Income (Loss)	(287.0)	(248.1)	71.5	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6
Miscellaneous Operating Revenue	0.6	0.7	2.4	1.3	0.4	2.1	2.1	1.1	1.0	0.7
<u>Total Additions</u>	<u>(69.5)</u>	<u>(19.1)</u>	<u>306.2</u>	<u>850.4</u>	<u>730.6</u>	<u>834.9</u>	<u>1,249.7</u>	<u>262.2</u>	<u>(353.9)</u>	<u>818.4</u>
Deductions:										
Pension Benefits	456.8	450.2	462.3	657.5	590.6	608.6	655.8	725.7	681.1	680.1
Refunds to Members	4.7	7.1	4.9	4.1	4.6	4.8	4.5	4.2	4.8	4.5
Administrative Costs	5.3	5.2	6.6	6.4	6.8	6.7	6.7	7.6	8.4	8.1
<u>Total Deductions</u>	<u>466.8</u>	<u>462.5</u>	<u>473.8</u>	<u>668.0</u>	<u>602.0</u>	<u>620.1</u>	<u>667.0</u>	<u>737.5</u>	<u>694.3</u>	<u>692.7</u>
Net Increase (Decrease)	<u>(536.3)</u>	<u>(481.6)</u>	<u>(167.6)</u>	<u>182.4</u>	<u>128.6</u>	<u>214.8</u>	<u>582.7</u>	<u>(475.3)</u>	<u>(1,048.2)</u>	<u>125.7</u>
Net Assets: Adjusted Opening	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9
Closing	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1024.22%	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%
Closing Net Assets	10.29%	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%
Coverage of Additions over Deductions	-14.89%	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%
Investment Earnings as % of Pension Benefits	-62.83%	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%

¹ Includes \$1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2000 Through 2009

Table 6

Amounts in millions of USD

Year	City Residents			Non-City Residents			Total Taxable Income	Total Direct Rate
	Taxable Income	% of Total	Direct Rate ^{1,2}	Taxable Income	% of Total	Direct Rate ^{1,2}		
2000	16,759.8	59.07%	4.58850%	11,611.4	40.93%	3.98920%	28,371.2	4.34323%
2001	17,478.3	59.25%	4.55100%	12,020.4	40.75%	3.95670%	29,498.7	4.30883%
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	20,942.9	57.03%	4.26000%	15,782.7	42.97%	3.75570%	36,725.6	4.04328%
2008	21,967.0	57.07%	4.09950%	16,522.2	42.93%	3.63170%	38,489.2	3.89869%
2009	21,777.4	57.33%	3.92980%	16,207.4	42.67%	3.49985%	37,984.9	3.74635%

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

¹ For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

² In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2001 through 2010

Tax Classification	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Wage and Earnings Tax:										
^a City Residents	4.5635%	4.5385%	4.5000%	4.4625%	4.3310% ^b	4.3010% ^b	4.2600% ^b	4.2190% ^b	3.9300% ^b	3.9296%
Non-City Residents	3.9672%	3.9462%	3.9127%	3.8801%	3.8197% ^b	3.7716% ^b	3.7557% ^b	3.7242% ^b	3.5000% ^b	3.4997%

Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

Real Property: (% on Assessed Valuation)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City	3.745%	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%
School District of Philadelphia	4.519%	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
^e Assessment Ratio	30.32%	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.506%	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%

The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest! If you pay your bill on or before the last day of February, you receive a 1% discount.

Real Property Transfer Tax	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.

Business Privilege Taxes	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
(% on Gross Receipts)	0.2525%	0.2400%	0.2400% ^c	0.2300% ^c	0.2100% ^c	0.1900% ^c	0.1665% ^c	0.1540% ^c	0.1415% ^c	0.1415%
^f (% on Net Income)	6.5000%	6.5000%	6.5000% ^c	6.4500% ^c	6.4500%					

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BPT Return.

Net Profits Tax:	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
^a City Residents	4.5635%	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%
Non-City Residents	3.9672%	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%

Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.

Table 7

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2001 through 2010

<u>Tax Classification</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged										
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City										
Hotel Room Rental Tax	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%	8.2%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration										

^a Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

^b Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2010, from July 1 through December 31, 2009 the rates were 3.930 % and 3.500%.

^c Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

^d Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

^e The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

^f 60% of the Net Income portion of the Business Privilege Tax is allowed to be credited against the Net Profits Tax

City of Philadelphia
Principal Wage and Earnings Tax Remitters ¹
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

Remittance Range	2009			2000		
	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater than \$10 million	13	\$330.8	23.24%	11	\$251.6	20.42%
Between \$1 million & \$10 million	150	383.5	26.95%	115	308.4	25.02%
Between \$100,000 & \$1 million	1,470	379.8	26.69%	1,312	347.2	28.18%
Between \$10,000 & \$100,000	8,292	244.5	17.18%	8,204	242.8	19.71%
Less than \$10,000	36,522	84.5	5.94%	36,494	82.2	6.67%
Total	<u>46,447</u>	<u>\$1,423.0</u>	<u>100.00%</u>	<u>46,136</u>	<u>\$1,232.2</u>	<u>100.00%</u>

¹ Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2001 through 2010

Table 9

Amounts in millions of USD

Calendar Year of Levy ¹	Assessed Value ³	Less: Tax-Exempt Property ^{2,3}	Total Taxable Assessed Value	Total Direct Tax Rate ⁴	STEB Ratio ⁵	Estimated Actual Taxable Value (STEB)	Sales Ratio ⁶	Estimated Actual Taxable Value (Sales)
2001	13,254	3,513	9,741	3.745%	30.32%	32,127	25.46%	38,260
2002	13,762	3,603	10,159	3.745%	30.33%	33,495	25.18%	40,346
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	24.64%	49,537
2010	17,615	5,339	12,276	3.305%	28.46%	43,134	NA	NA

¹ Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

² 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 year 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.

³ Source: Board of Revision of Taxes

⁴ per \$1,000.00 of assessed value

⁵ The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13

⁶ This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

Taxpayer	2010			2001		
	Assessment ¹	Rank	Percentage of Total Assessments	Assessment ¹	Rank	Percentage of Total Assessments
Franklin Mills Associates	57.6	1	0.47	48.1	4	0.49
Phila Liberty Pla E Lp	54.4	2	0.44	59.2	2	0.61
Nine Penn Center Associates	54.1	3	0.44	52.0	3	0.53
HUB Properties Trust	43.8	4	0.36	-		-
Bell Atlantic	40.6	5	0.33	42.7	6	0.44
PRU 1901 Market LLC	35.2	6	0.29	31.6	9	0.32
Maguire/Thomas	33.9	7	0.28	31.6	10	0.32
Commerce Square Partners	33.3	8	0.27	31.9	8	0.33
Phila Shipyard Development Corp	30.3	9	0.25	-		-
Philadelphia Market Street	28.8	10	0.23	32.0	7	0.33
C S F Partnership	-		-	59.5	1	0.61
LP Associates	-		-	44.8	5	0.46
	<u>412.0</u>		<u>3.36</u>	<u>433.4</u>		<u>4.45</u>
Total Taxable Assessments	<u>12,276.0</u>		<u>100.00</u>	<u>9,741.0</u>		<u>100.00</u>

¹ Source: Board of Revision of Taxes

City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2001 through 2010

Table 11

Amounts in millions of USD

Calendar Year of Levy ¹	Taxes Levied for the Year	Collected within the Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount ²	Percentage of Levy
2001	356.6	326.7	91.6%	25.8	352.5	98.9%
2002	368.2	340.4	92.4%	26.0	366.4	99.5%
2003	359.4	326.8	90.9%	26.8	353.6	98.4%
2004	372.5	340.9	91.5%	25.3	366.2	98.3%
2005	373.5	350.3	93.8%	20.8	371.1	99.4%
2006	385.6	339.6	88.1%	21.1	360.7	93.5%
2007	391.7	347.5	88.7%	20.3	367.8	93.9%
2008	390.2	346.4	88.8%	18.9	365.3	93.6%
2009	396.5	315.4 ³	79.6%	29.7	345.1	87.0%
2010	405.8	353.7 ³	87.2%	n/a	353.7	87.2%

¹ Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

² Includes collections through June 30, 2010

³ Includes collections through June 30, 2010. It is estimated that approximately 91% of the amount levied for 2010 will be collected within the year of levy.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2001 through 2010

Table 12

Amounts in millions of USD (except per capita)

Fiscal Year	Governmental Activities										Business-Type Activities						Total Primary Government	% of Personal Income ¹	Per Capita
	General Obligation Bonds	Pension Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities							
2001	2,137.6	1,296.8	-	-	-	-	-	3,434.4	24.5	1,679.5	943.0	2,647.0	6,081.4	0.2	4,016.8				
2002	2,009.5	1,386.6	142.6	55.8	346.8	-	-	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	0.2	4,498.2				
2003	1,903.3	1,394.6	139.2	54.7	342.0	-	-	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	0.2	4,384.5				
2004	2,047.1	1,416.4	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,440.3				
2005	1,950.8	1,429.7	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,594.1				
2006	1,863.8	1,439.2	279.8	50.9	339.6	10.1	-	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	0.2	4,549.7				
2007	1,993.7	1,444.9	273.9	49.6	334.0	9.7	139.6	4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	0.1	4,649.0				
2008	1,899.1	1,446.6	267.8	47.7	328.8	9.3	136.6	4,135.9	4.6	1,590.0	1,282.2	2,876.8	7,012.7	0.1	4,583.5				
2009	2,093.8	1,443.8	261.5	46.3	323.6	8.9	133.3	4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	0.1	4,684.2				
2010	2,085.1	1,428.3	254.8	44.9	319.6	8.5	129.9	4,271.1	2.2	1,574.9	1,213.9	2,791.0	7,062.1	0.1	4,565.0				

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See Table 17 for Personal Income and Population Amounts

City of Philadelphia
Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2001 through 2010

Table 13

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property ¹	Assessed Ratio ²	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita ³
2001	2,137.6	9,740.8	30.32%	32,126.6	6.65%	1,411.89
2002	2,009.5	10,158.6	30.33%	33,493.6	6.00%	1,340.56
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,279.96
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,387.86
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,327.98
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,276.58
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,372.13
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,309.72
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,359.61
2010	2,085.1	12,276.3	28.46%	43,135.3	4.83%	1,347.83

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

¹ Source: Board of Revision of Taxes

² The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

³ See Table 17 for Population Amounts

City of Philadelphia
 Direct and Overlapping Governmental Activities Debt
 June 30, 2010

Table 14

Amounts in millions of USD

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Governmental Unit</u>			
School District of Philadelphia	<u>3,092.5</u>	<u>100.00%</u>	<u>3,092.5</u>
¹ City Direct Debt			<u>4,271.1</u>
Total Direct and Overlapping Debt			<u><u>7,363.6</u></u>

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundaries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundaries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

¹ Refer to Table 12

Legal Debt Margin Calculation for FY2010

¹ Assessed Value	11,284.4
² Debt Limit	1,523.4
³ Debt Applicable to Limit: Tax Supported General Obligation Debt: Issued & Outstanding	1,267.9
Authorized but Unissued	139.1
Total	<u>1,407.0</u>
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total Net Debt Applicable to Limit	<u>1,407.0</u>
Legal Debt Margin	<u><u>116.4</u></u>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	1,247.4	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4
Total Net Debt Applicable to Limit	<u>1,152.7</u>	<u>1,163.6</u>	<u>1,202.2</u>	<u>1,159.1</u>	<u>1,205.5</u>	<u>1,185.8</u>	<u>1,293.4</u>	<u>1,329.3</u>	<u>1,352.3</u>	<u>1,407.0</u>
Legal Debt Margin	<u>94.7</u>	<u>89.6</u>	<u>59.1</u>	<u>121.2</u>	<u>99.3</u>	<u>149.8</u>	<u>81.3</u>	<u>88.7</u>	<u>117.1</u>	<u>116.4</u>
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.41%	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%	93.74%	92.03%	92.36%

¹ Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

² Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

³ Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia
Pledged-Revenue Coverage
For the Fiscal Years 2001 through 2010

Table 16

Amounts in millions of USD

No.		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water and Sewer Revenue Bonds											
1	Total Revenue and Beginning Fund Balance	380.6	390.8	454.2	421.6	463.5	504.0	536.2	597.8	527.5	566.7
2	Net Operating Expenses	242.6	242.9	250.2	262.0	277.7	284.2	303.2	334.7	342.6	334.0
3	Transfer To (From) Rate Stabilization Fund	(39.4)	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)
4	Net Revenues	177.4	174.2	187.2	188.4	186.4	198.2	207.0	272.9	219.6	235.4
Debt Service:											
5	Revenue Bonds Outstanding	147.8	145.2	156.1	157.0	155.4	165.2	172.7	173.8	183.0	195.7
6	General Obligation Bonds Outstanding	1.3	0.6	-	-	-	-	-	-	-	-
7	Pennvest Loan	1.3	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	150.4	147.4	157.3	158.2	156.6	166.4	173.9	175.0	184.2	196.9
9	Net Revenue after Debt Service	27.0	26.8	29.9	30.2	29.8	31.8	33.1	97.9	35.4	38.5
10	Transfer to General Fund	4.1	4.1	4.1	-	4.4	5.0	5.0	5.0	4.2	2.3
11	Transfer to Capital Fund	15.9	16.1	16.0	16.4	16.7	16.9	16.9	16.9	17.1	17.3
12	Transfer to Residual Fund	7.0	6.6	9.8	13.8	8.7	9.9	11.2	76.0	14.1	18.9
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.57	1.20	1.20
	Coverage B (Line 4/(Line 8 + Line 11))	1.07	1.07	1.08	1.08	1.08	1.08	1.08	1.42	1.09	1.10
Airport Revenue Bonds											
1	Fund Balance	-	-	-	-	-	-	10.2	42.6	61.4	55.1
2	Project Revenues	148.0	146.5	168.4	183.3	185.1	200.8	211.3	250.5	255.3	246.9
3	Passenger Facility Charges	-	16.8	31.2	32.8	32.9	32.6	32.9	32.9	32.9	33.1
4	Total Fund Balance and Revenue	148.0	163.3	199.6	216.1	218.0	233.4	254.4	326.0	349.6	335.1
5	Net Operating Expenses	59.6	56.3	67.0	71.9	71.3	77.2	87.1	99.8	99.5	102.9
6	Interdepartmental Charges	36.0	39.7	46.1	52.2	57.6	57.9	70.6	89.1	89.0	80.7
7	Total Expenses	95.6	96.0	113.1	124.1	128.9	135.1	157.7	188.9	188.5	183.6
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	88.4	107.0	132.6	144.2	146.7	156.2	167.3	226.2	250.1	232.2
9	All Bonds (Line 4-Line 7)	52.4	67.3	86.5	92.0	89.1	98.3	96.7	137.1	161.1	151.5
Debt Service:											
10	Revenue Bonds	44.8	64.1	83.2	89.7	88.1	88.1	85.5	84.4	95.6	94.3
11	General Obligation Bonds	5.7	2.0	1.4	1.0	1.1	-	-	-	-	-
12	Total Debt Service	50.5	66.1	84.6	90.7	89.2	88.1	85.5	84.4	95.6	94.3
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.97	1.67	1.59	1.61	1.67	1.77	1.96	2.68	2.62	2.46
	Total Debt Service - Test "B" (Line 9/Line 12)	1.04	1.02	1.02	1.01	1.00	1.12	1.13	1.62	1.69	1.61

Note:

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia
Demographic and Economic Statistics
For the Calendar Years 2000 through 2009

Table 17

<u>Calendar Year</u>	<u>Population</u> ¹	<u>Personal Income</u> ² (thousands of USD)	<u>Per Capita Personal Income</u> (USD)	<u>Unemployment Rate</u> ³
2000	1,513,800	37,784,373	24,960	5.6%
2001	1,512,507	38,672,501	25,568	6.1%
2002	1,510,550	40,695,588	26,941	7.3%
2003	1,510,068	42,192,576	27,941	7.5%
2004	1,514,658	43,447,002	28,684	7.3%
2005	1,517,628	44,933,858	29,608	6.7%
2006	1,520,251	47,550,937	31,278	6.2%
2007	1,530,031	50,052,562	32,713	6.0%
2008	1,540,351	52,549,456	34,115	7.1%
2009	1,547,297	55,170,909 ⁴	35,656	10.0%

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

⁴ Estimated using the rate of growth for the previous year

City of Philadelphia
Principal Employers
Current Calendar Year and Nine Years Ago

Table 18

Listed Alphabetically

2010	2001
Albert Einstein Medical Children's Hospital of Philadelphia City of Philadelphia University of Pennsylvania Hospital School District of Philadelphia SEPTA Temple University Thomas Jefferson University Hospitals United States Postal Service University Of Pennsylvania	Albert Einstein Medical City of Philadelphia First Union Services, Inc. School District of Philadelphia SEPTA Temple University Tenet Healthsystem Thomas Jefferson University Hospitals United States Postal Service University Of Pennsylvania

City of Philadelphia
 Full Time Employees by Function
 For the Fiscal Years 2004 through 2010

Table 19

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities:							
Economic Development	9	6	6	6	6	23	25
Transportation:							
Streets & Highways	597	564	579	585	584	568	515
Mass Transit	1	1	1	1	1	8	7
Judiciary and Law Enforcement:							
Police	7,888	7,578	7,522	7,639	7,754	7,685	7,503
Prisons	2,002	2,227	2,228	2,183	2,153	2,309	2,268
Courts	3,471	3,450	3,403	3,361	3,386	3,310	3,215
Conservation of Health:							
Emergency Medical Services	300	289	255	249	237	256	329
Health Services	1,210	1,163	1,133	1,148	1,140	1,163	1,135
Housing and Neighborhood Development	110	105	97	111	108	99	96
Cultural and Recreational:							
Recreation	556	511	495	482	483	462	453
Parks	200	182	158	156	156	152	158
Libraries and Museums	774	726	812	816	808	723	687
Improvements to General Welfare:							
Social Services	2,220	2,196	2,140	2,164	2,232	2,107	2,079
Inspections and Demolitions	417	380	248	243	246	221	223
Service to Property:							
Sanitation	1,340	1,233	1,272	1,229	1,239	1,169	1,157
Fire	2,004	1,925	1,974	2,109	2,052	2,019	1,820
General Management and Support	2,369	2,253	2,347	2,331	2,414	2,393	2,276
Total Governmental Activities	<u>25,468</u>	<u>24,789</u>	<u>24,670</u>	<u>24,813</u>	<u>24,999</u>	<u>24,667</u>	<u>23,946</u>
Business Type Activities:							
Water and Sewer	2,342	2,326	2,239	2,229	2,291	2,256	2,196
Aviation	1,021	967	1,004	1,010	1,057	1,033	1,001
Total Business-Type Activities	<u>3,363</u>	<u>3,293</u>	<u>3,243</u>	<u>3,239</u>	<u>3,348</u>	<u>3,289</u>	<u>3,197</u>
Fiduciary Activities:							
Pension Trust	64	64	65	65	59	69	66
Total Primary Government	<u>28,895</u>	<u>28,146</u>	<u>27,978</u>	<u>28,117</u>	<u>28,406</u>	<u>28,025</u>	<u>27,209</u>

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
Transportation:								
Streets & Highways								
Street Resurfacing (miles)	93	117	105	102	107	74	119	69
Potholes Repaired	24,182	23,179	20,862	18,203	12,721	12,326	11,976	23,049
Judiciary and Law Enforcement:								
Police								
Arrests	66,083	68,486	67,795	69,166	73,606	75,805	68,922	64,465
Calls to 911	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973
Prisons								
Average Inmate Population	7,631	7,738	8,141	8,613	8,796	9,133	9,554	8,806
Inmate Beds (city owned)	7,382	8,283	8,405	8,605	8,443	9,005	9,137	9,137
Conservation of Health:								
Emergency Medical Services								
Medic Unit Runs	NA	NA	NA	209,654	216,606	215,305	217,505	222,882
First Responder Runs	NA	NA	NA	69,740	68,203	60,756	53,610	54,960
Health								
Patient Visits	320,833	317,184	337,770	324,014	323,121	334,139	349,078	350,695
Children Screened for Lead Poisoning	39,293	37,863	38,013	43,038	43,501	41,590	50,525	47,713
Cultural and Recreational:								
Parks								
Athletic Field Permits Issued	NA	NA	NA	2,878	2,227	1,389	1,420	1,388
Libraries								
Items borrowed	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662
Visitors to all libraries	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201
Visitors to library website	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928
Improvements to General Welfare:								
Social Services								
Children Receiving Services	26,388	28,039	28,926	28,086	28,898	25,893	35,685	31,416
Children in Placement	9,190	9,037	8,548	7,999	8,070	7,739	7,993	8,792
Emergency Shelter Beds (average)	2,109	2,412	2,539	2,781	2,677	2,747	2,689	2,617
Transitional Housing Units (new placements)	458	489	597	448	543	435	476	487
Service to Property:								
Sanitation								
Refuse Collected (tons per day)	2,894	3,006	3,008	3,006	2,922	2,798	2,532	2,412
Recyclables Collected (tons per day)	175	169	157	155	179	197	288	381
Fire								
Fires Handled	NA	NA	NA	9,523	8,080	7,444	6,850	4,927
Fire Marshall Investigations	NA	NA	NA	2,734	3,153	3,097	3,031	2,726
Business Type Activities:								
Water and Sewer								
New Connections	110	106	137	207	125	295	281	704
Water Main Breaks	988	794	706	660	825	687	802	646
Avg. Daily Treated Water Delivered (x 1000 gallons)	183,700	175,600	174,100	175,800	169,400	167,000	163,660	242,900
Peak Daily Treated Water Delivered (x 1000 gallons)	208,600	201,700	210,000	207,400	179,100	170,500	167,090	272,200
Avg. Daily Water Sewage Treatment (x 1000 gallons)	478,130	476,110	478,670	430,170	463,080	411,830	417,330	468,200
Aviation								
Passengers Handled (PIA)	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899
Air Cargo Tons (PIA)	565,653	568,898	599,758	591,815	571,452	575,640	475,365	440,495
Aircraft Movements (PIA and NPA)	654,758	584,214	629,885	625,692	614,720	593,757	551,191	543,462

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities:								
Transportation:								
Streets & Highways								
¹ Total Miles of Streets	2,400	2,400	2,400	2,400	2,575	2,575	2,575	2,575
Streetlights	101,224	101,836	102,000	102,219	102,840	102,949	103,982	104,219
Judiciary and Law Enforcement:								
Police								
Stations and Other Facilities	33	33	33	33	34	36	35	35
Prisons								
Major Correctional Facilities	5	6	6	6	6	6	6	6
Conservation of Health:								
Health Services								
Health Care Centers	9	9	9	9	9	9	9	9
Cultural and Recreational:								
Recreation								
Recreation Centers	164	164	165	165	171	171	171	171
² Athletic Venues	1,121	1,121	1,121	1,117	1,117	919	915	914
Neighborhood Parks and Squares	232	232	232	232	232	79	79	79
Parks								
Parks	62	62	62	62	63	63	63	63
Baseball/Softball Fields	106	106	106	106	109	77	79	79
Libraries								
Branch & Regional Libraries	55	54	53	54	54	54	54	54
Service to Property:								
Fire								
Stations and Other Facilities	63	63	63	64	64	64	63	63
Business Type Activities:								
Water and Sewer:								
Water System Piping (miles)	3,169	3,169	3,169	3,169	3,133	3,137	3,145	3,236
Fire Hydrants	27,846	27,987	26,080	26,080	25,195	25,181	25,208	25,234
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400
Sanitary Sewers (miles)	595	596	596	596	768	750	749	751
Stormwater Conduits (miles)	622	623	623	623	784	713	720	721
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
Aviation								
Passenger Gates (PIA)	120	120	120	120	120	120	120	120
Terminal Buildings (square footage) (PIA)	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460	43,500	43,500

¹ Street System-83% city streets, 2% park streets, 15% state highways

² Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

³ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

