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

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December 30, 1999

Honorable Edward G. Rendell
Mayor, City of Philadelphia
Room 215 City Hall
Philadelphia, PA 19102

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 1999 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

A basis for preparing the Comprehensive Annual Financial Report for the City was the identification of the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's Comprehensive Annual Financial Report. A component unit was considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for the entity or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete.

As a result of the evaluation, the entities selected for inclusion in the City's Comprehensive Annual Financial Report are presented either as part of the City's fund types and account groups ("blended" component units) because of the closeness of their relationship with the City, or as discretely presented component units. The discrete presentation illustrates that, while the City is accountable for these entities, their separate legal identities are maintained for reporting purposes.

This report includes all the funds and account groups of the City and the funds of the Philadelphia Municipal Authority and the Pennsylvania Intergovernmental Cooperation Authority and the discretely presented statements of the School District of Philadelphia, the Philadelphia Gas Works, the Redevelopment Authority of Philadelphia, the Philadelphia Housing Development Corporation, Philadelphia Parking Authority, Penn's Landing Corporation, the Pennsylvania Convention Center Authority, the Community College of Philadelphia, the Philadelphia Housing Authority, the Philadelphia Authority for Industrial Development and Community Behavioral Health.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, water and sewer services, sanitation services, streets maintenance, recreational activities and cultural events, traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities.

ECONOMIC CONDITION AND OUTLOOK

The City's continuing commitment to fiscal responsibility has led the City to another record year; a cumulative $205.7 million General Fund surplus at the end of Fiscal 1999 and a seventh consecutive positive year-end performance, or improvement over the prior year.

In turn, building on this strengthening fiscal foundation, Philadelphia has been able to invest in its long-term economic vitality through continuation of its $6.5 billion Economic Stimulus Program and a fifth round of incremental wage and business tax reduction. Throughout Philadelphia, new construction and major announcements – as represented in the following examples - have marked the City's resulting resurgence as a destination city and hub for commerce.

- *Republican National Convention* - Philadelphia has been selected to host the Republican National Convention in the summer of 2000 - projected to generate more than $300 million in direct and indirect spending across the region. With the opening of the world class Pennsylvania Convention Center in 1993 and 21,000 seat First Union Center arena in 1996 - along with the ongoing development of multiple new hotels - Philadelphia can now compete successfully among the nation's top hospitality cities.

- *Family Entertainment Center at Penn's Landing* - The City has completed a lease agreement to develop a nearly $200 million, family-oriented entertainment complex at Penn's Landing. The project, expected to open by 2002, will generate 1,000 permanent jobs and 1,500 construction jobs.

- *Independence National Historic Park* - The National Park Service's master plan for Independence Park took another step forward with selection in September 1998 of the architectural firm to design a $123 million National Constitution Center. Other elements of the master plan, which also includes a new Liberty Bell pavilion and Gateway Visitors center, are projected to break ground over the next several years, with the entire plan completed by 2002.

- *Regional Performing Arts Center* - The groundbreaking for a $255 million Regional Performing Arts Center was held in November 1998. When open in the fall of 2001, the new building will be the home for the Philadelphia Orchestra and other regional arts groups, and will anchor a diverse array of cultural institutions, retail, and restaurants emerging along Broad Street's Avenue of the Arts – both North and South.

- *Philadelphia Naval Business Center* – Since the closure of the Philadelphia Naval Shipyard in 1995, the City has already attracted 29 new businesses to operate at this location. Highlighting this successful defense conversion, construction is well underway for Kvaerner ASA's $644 million state-of-the-art shipbuilding facility, a project anticipated to create 1,200 or more direct jobs over the next decade

- *Neighborhood Development* - A broad array of new initiatives are helping to rebuild neighborhoods across Philadelphia. In three federal Empowerment Zone areas, over 80 new businesses have opened their doors. Under the leadership of the Philadelphia Housing Authority, multiple high-rise apartment towers have come down, and are being replaced with more livable developments balancing home ownership, rental housing, and retail services. And in North Philadelphia, as part of a $100 million neighborhood revitalization project, the first wave of new homeowners have begun to move back to a community that had lost more than two-thirds of its population since 1960.

- *Keystone Opportunity Zones* – In late 1998, the Commonwealth of Pennsylvania and Philadelphia City Council each passed legislation creating an important new economic development tool. In 12 new Keystone Opportunity Zones, companies that increase full-time jobs by 20 percent in their first year or make capital investments equivalent to ten percent of gross revenue may be exempted from all state and local business, real estate, and use and occupancy taxes for up to 12 years.

- *Philadelphia International Airport* – Cited as the fastest growing airport in the nation in a 1998 Airports Council International study, Philadelphia International has completed negotiations with US Airways to move forward with a new $440 million international and commuter terminal project. This expansion is anticipated to create more than 3,000 construction and 5,000 permanent jobs.

More than any individual economic development project or set of projects, however, the strongest indicator of Philadelphia's resurgence is the net job gains enjoyed for the past three years. In calendar 1998, Philadelphia gained 6,800 jobs, building on gains of 3,000 jobs in 1997 and the first net gain of 100 jobs in 1996, when the City began to turn around nearly a decade of net job loss. Further, in strong continuation of this positive trend, Philadelphia employment as of the end of FY99, June 1999, was more than 10,000 jobs higher than in June of the prior year.

In the years ahead, however, continued discipline and creativity will be required to stay the course of incremental tax reduction and economic development investment that has helped to bring about this recovery. Despite significant progress, the City's economy still lags behind the national economic fortunes, and remains vulnerable to almost any downward trend. Moreover, for every two steps that Philadelphia has taken forward, there has too often been a backward step as well. In Fiscal Year 1999, for example, the City's overall positive outlook was tempered by the first adverse impacts of state and federal "welfare reform" cutbacks in public assistance, as well as by consolidation, layoffs, and instability in the region's health care and banking sectors.

While the obstacles ahead are thus daunting, there is also every reason to believe that Philadelphia will continue to meet and overcome such challenges. With the City's business environment becoming increasingly competitive, and multiple major economic development initiatives well along in the pipeline, Philadelphia's economy is well positioned for further growth.

MAJOR INITIATIVES

As important as the City's overall fiscal condition, jobs picture, and tax structure are to all Philadelphians, City government is just as much about the quality and delivery of basic municipal services. Whether the focus is on safe streets, clean water, timely trash collection, or after-school programs for children, City services play a critical role in establishing a community's quality of life. Therefore, the Administration has consistently rejected major service cuts as a strategy for budgetary balance, recognizing that such cuts would ultimately be counterproductive by driving out the city's tax base and eroding its sense of community. Instead, Philadelphia has worked to make the most of its available resources to sustain and enhance its basic services.

Such service improvements extend throughout City government and include the following selected Fiscal Year 1999 enhancements:

- In 1998, the City graduated 200 more Crime Bill officers from the Police Academy, bringing the total sworn force to nearly 7,000 – Philadelphia's largest police force in more than a decade. Along with major investments in crime-fighting technology, the Police Department has been able to use its increased resources to strengthen narcotics enforcement and other key quality of life initiatives. As a result, drug arrests increased 60 percent from 1997 to 1998, while the number of homicides declined by 19 percent.

- To provide positive alternatives to crime and drugs for Philadelphia's youth, the City also expanded its Recreation Department Violence Prevention After School Program. First established with 25 sites in Fiscal Year 1997, the program expanded in Fiscal Year 1999 to encompass 150 sites serving over 3,000 children.

- The Free Library of Philadelphia is nearing completion of a multi-year program to upgrade and modernize all City branch and regional libraries. Also in recent years, the City has more than doubled participation in summer reading programs, while extending six-day-a-week service from only four to all 49 branch libraries.

- In the Recreation Department, eight neighborhood recreation centers have been reopened since 1992, some of which had been closed for more than a decade. In addition, for the first time in 15 years, staffing for all 46 class A centers was fully funded, while two recreation centers were upgraded to multiple service, class A status.

- In Philadelphia's Fairmount Park system, an unprecedented natural lands restoration and education program, funded by a five-year, $26.6 million grant from the William Penn Foundation, continues to move forward. Projects under this initiative include stream bank stabilization and trail restoration efforts, as well as the development of new, community-based environmental education centers.

- In the Streets Department, programs to modernize 18,000 alley lights citywide and to install curb ramps for the disabled at all city intersections are near completion. In addition, major streetscape improvements have been completed on South Broad Street's Avenue of the Arts, Logan Circle, and Market Street East, with another major upgrade underway on the Chestnut Street commercial corridor.

- The Philadelphia Water Department has successfully completed the largest automatic meter reading (AMR) installation in the U.S. water industry, ahead of schedule and under budget. This major customer service initiative is anticipated to reduce billing errors and complaints, while achieving long-term cost savings. Already, Philadelphia's water and sewer rates are the lowest in the region.

- The City's newly created nonprofit corporation, Community Behavioral Health (CBH), successfully completed its first full year of operation in 1998 as the managed care administrator for behavioral health services for approximately 400,000 Philadelphia Medical Assistance recipients. By integrating medical assistance funded treatment with traditional mental health and substance abuse programs, CBH has been able to provide better coordinated care, more cost effectively. In recognition, CBH was named an Innovations in American Government winner for 1999 in the prestigious, national awards program sponsored by the Ford Foundation and Harvard University's Kennedy School of Government.

Philadelphia is now headed in the right direction; however absent continued fiscal vigilance and responsibility, the City could all too quickly slide backward. Since 1992, Philadelphia has achieved its progress by remaining true to the following key strategies:

- The City's first principle must be to live within its means, maintaining the balanced budgets that are a prerequisite to the stability and credibility of municipal government.

- The City must reduce the tax burden for citizens and businesses alike, sending a message every year that Philadelphia is becoming more competitive as a place to live and do business.

- The City must invest in its economy to help generate the sustained growth essential to reversing long-term decline.

- The City must enhance Philadelphia's quality of life by further strengthening the municipal services that help to determine where employers and families will choose to locate.

With improving municipal services and a more affordable cost of living, the City's neighborhoods are enjoying a healthier and safer quality of life. With construction complete or underway on literally scores of major economic development projects, the City is now emerging as a regional commercial center and a premier international destination. With continued responsible leadership, Philadelphia stands poised to provide the very best of urban life in the new century just ahead.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected 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 generally accepted accounting principles. 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.

SINGLE AUDIT. As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the audit staff of the City Controller's Office.

As part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 1998 found instances of material weaknesses in the internal control structure that could result in non-compliance with prevailing laws, and in two cases the audit did disclose material instances of non-compliance.

BUDGETING CONTROLS. In addition to internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund and City Related Special Revenue Funds and the City Capital Improvement Fund 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 for the Capital Improvement Fund. The City also maintains an encumbrance accounting system as one technique of

accomplishing budgetary control. Encumbered amounts not expended at year-end are carried forward into the succeeding year. Appropriations that are not expended or encumbered at year-end are lapsed.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

GENERAL GOVERNMENT FUNCTIONS

GENERAL FUND

An undesignated fund balance surplus of $205.7 million was reported at June 30, 1999 on both the generally accepted accounting principles (GAAP) basis (see Exhibit I-A-2) and the legal basis (see Exhibit I-A-5). The following schedules present a summary of General Fund revenues and expenditures on the GAAP basis and the amount and percentages of increases and decreases in relation to the prior year:

(Amounts in Millions)

Revenues	Amount	Percent of Total	Increase (Decrease) Over Fiscal 1998	Percent of Increase (Decrease)
Tax Revenue	$ 1,766.7	73.6	$ 51.3	3.0
Locally Generated Non-Tax Revenue	175.3	7.3	10.4	6.3
Revenue from Other Governments	446.6	18.6	24.4	5.8
Other Revenue	12.2	0.5	0.9	8.0
Total	$ 2,400.8	100.0	$ 87.0	

(Amounts in Millions)

Expenditures	Amount	Percent of Total	Increase (Decrease) Over Fiscal 1998	Percent of Increase (Decrease)
Economic Development	$ 50.1	2.1	$ 26.6	113.2
Transportation	100.7	4.2	(3.0)	(2.9)
Judiciary and Law Enforcement	910.2	37.7	40.8	4.7
Conservation of Health	143.3	5.9	3.0	2.1
Housing and Neighborhood Development	4.4	0.2	0.9	25.7
Cultural and Recreational	116.4	4.8	5.1	4.6
Improvement of General Welfare	475.1	19.7	61.8	15.0
Services to Property	263.8	10.9	(3.9)	(1.5)
General Management and Support	352.1	14.5	0.5	0.1
Total	$ 2,416.1	100.0	$ 131.8	

After taking into consideration the adjustments detailed in footnote 2 to the financial statements, which reflect the differences between the presentation in accordance with generally accepted accounting principles and the budgetary figures, General Fund revenues presented on the budgetary basis totaled $2,628.0 million in Fiscal 1999, an increase of 5.2% over Fiscal 1998. The amount of revenues from various sources and the resulting difference from Fiscal 1998 are summarized in the following tabulation:

(Amounts in Millions)

Revenues	Amount	Percent of Total	Increase (Decrease) Over Fiscal 1998	Percent of Increase (Decrease)
Tax Revenue	$ 1,766.6	67.2	$ 51.8	3.0
Locally Generated Non-Tax Revenue	193.1	7.3	12.2	6.7
Revenue from Other Governments	606.4	23.1	27.4	4.7
Other Revenue	61.9	2.4	39.3	173.9
Total	$ 2,628.0	100.0	$ 130.7	

Expenditures and Encumbrances on the budgetary basis for the General Fund totaled $2,616.5 million, an increase of 5.5% over Fiscal 1998. Increases and decreases in the level of obligations by the City's major classifications are shown in the following tabulation:

(Amounts in Millions)

Expenditures	Amount	Percent of Total	Increase (Decrease) Over Fiscal 1998	Percent of Increase (Decrease)
Personal Services	$ 1,018.4	38.9	$ 44.2	4.5
Employee Benefits	488.1	18.7	17.1	3.6
Purchase of Services	794.0	30.3	58.0	7.9
Materials and Supplies	51.7	2.0	0.6	1.2
Equipment	33.5	1.3	8.4	33.5
Contributions, Indemnities and Taxes	90.2	3.4	10.3	12.9
Debt Service	84.2	3.2	0.1	0.1
Payments to Other Funds	27.1	1.0	(1.6)	(5.6)
Advances, Subsidies and Miscellaneous	29.3	1.2	(0.2)	(0.7)
Total	$ 2,616.5	100.0	$ 136.9	

SPECIAL REVENUE FUNDS

Special Revenue Funds consist of County Liquid Fuels Tax Fund, Special Gasoline Tax Fund, HealthChoices Behavioral Health Fund, Hotel Room Rental Tax Fund, Grants Revenue Fund, Community Development Fund, Municipal Authority Administrative Fund and PICA Administrative Fund. In Fiscal 1999, the Special Revenue Funds had combined revenue of $1,327.2 million, expenditures of $636.3 million, other financing uses of $683.4 million and net decreases of $12.2 million representing fund balance reserve adjustments, resulting in an overall decrease in Unreserved Fund Balance of $4.7 million for the year.

The following schedule presents a summary of the Special Revenue Funds revenues and expenditures for the fiscal year:

(Amounts in Millions)

Revenues	Amount	Percent of Total	Increase (Decrease) Over Fiscal 1998	Percent of Increase (Decrease)
Tax Revenue	$ 264.1	19.9	$ 16.7	6.8
Locally Generated Non-Tax Revenue	86.2	6.5	16.9	24.4
Revenue from Other Governments	976.9	73.6	83.1	9.3
Total	$ 1,327.2	100.0	$ 116.7	

(Amounts in Millions)

Expenditures	Amount	Percent of Total	Increase (Decrease) Over Fiscal 1998	Percent of Increase (Decrease)
Economic Development	$ 5.9	0.9	$ (0.6)	(9.2)
Transportation	26.9	4.2	4.1	18.0
Judiciary and Law Enforcement	53.3	8.4	4.3	8.8
Conservation of Health	390.2	61.3	39.5	11.3
Housing and Neighborhood Development	55.1	8.7	10.2	22.7
Cultural and Recreational	13.5	2.1	2.3	20.5
Improvement of General Welfare	31.7	5.0	3.0	10.5
Services to Property	0.8	0.1	(1.3)	(61.9)
General Management and Support	58.9	9.3	7.0	13.5
Total	$ 636.3	100.0	$ 68.5	

DEBT SERVICE FUNDS

Debt Service Funds are maintained for the City, the Municipal Authority and PICA. These Funds had combined revenue, net operating transfers and other financing sources of $405.1 million, an increase of $167.6 million (70.6%) over Fiscal 1998 and expenditures and other financing uses of $407.8 million, an increase of $164.1 million (67.3%) for Fiscal 1999. As a result, the Reserve for Debt Service decreased by $2.7 million, increasing the Unreserved Fund Balance by $0.2 million.

ENTERPRISE OPERATIONS

The City's Enterprise Operations are comprised of three separate and distinct activities and are accounted for in the following funds: Water Fund, Aviation Fund and Industrial and Commercial Development Fund. The Water Fund provides water, sewer and storm water services on a user charge basis. The Aviation Fund is operating under a long-term airport use and lease agreement which has been executed with the individual user airlines, effective as of July 1, 1974 and expiring June 30, 2006. The Industrial and Commercial Development Fund accounts for acquisition and disposition of land for industrial and commercial purposes.

The Enterprise Funds had operating revenues of $475.5 million and expenses of $434.8 million, resulting in net profit from operations of $40.7 million for the year. Non-operating expenses of $45.2 million, net transfers in of $13.5 million and other credits of $12.1 million resulted in a net increase in retained earnings of $21.1 million. The following summary reflects actual revenues, expenses and results of operations for the individual Enterprise Funds:

	Amounts in Millions			
	Water Fund	Aviation Fund	Industrial & Commercial Development Fund	Totals
Operating Revenues	$ 352.1	$ 122.3	$ 1.1	$ 475.5
Operating Expenses	295.5	137.5	1.8	434.8
Operating Income (Loss)	56.6	(15.2)	(0.7)	40.7
Non-Operating Revenues (Expenses) - Net	(69.6)	25.2	(0.8)	(45.2)
Transfers (To) From Other Funds	(4.1)	-	-	(4.1)
Transfers (To) From Component Units	(2.9)	20.5	-	17.6
Other Credits (Charges) - Net	22.6	(10.5)	-	12.1
Net Change in Retained Earnings	2.6	20.0	(1.5)	21.1
Retained Earnings, July 1, 1998	(39.4)	129.7	8.9	99.2
Retained Earnings, June 30, 1999	$ (36.8)	$ 149.7	$ 7.4	$ 120.3

MUNICIPAL PENSION FUND OPERATIONS

The City is required by the Philadelphia Home Rule Charter and state statute to maintain an actuarially sound pension and retirement system covering all officers and employees of the City. Court decisions, as interpreted by the Law Department, require that the City's contribution consist of normal costs, amortization of a past under funding (referred to as the Dombrowski Payments) over periods of 20 and 40 years in level annual installments, and handling of the remaining unfunded actuarial liability on an actuarially sound basis. Beginning in Fiscal 1982 the City elected to amortize this unfunded liability over a period of 38 years based on a schedule which will result in a charge approximately equal to a level percent of payroll. This method is deemed actuarially sound and is in common use by public jurisdictions in the United States.

The City's contribution to the Municipal Pension Fund for Fiscal 1999 was based upon the Actuarial Valuation Report dated July 1, 1997 and after credits for advance payments amounted to $256.7 million.

The Actuarial Valuation Report dated July 1, 1998 shows the Municipal Pension Fund's actuarial accrued liability to be $5.6 billion. This amount is the sum of the actuarially computed present values of all retirement and survivor payments with respect to all active and retired employees, all inactive vested employees and all non vested employees. The carrying value of the Municipal Pension Fund's assets at July 1, 1998, for actuarial purposes, amounted to $2.9 billion resulting in a net unfunded actuarial accrued liability of $2.7 billion as of that date.

During Fiscal 1999, the Philadelphia Authority for Industrial Development (PAID) issued $1.29 billion in Pension Funding Bonds. The net proceeds of $1.25 billion were deposited in the Municipal Pension Fund. This amount reduces the July 1, 1998 actuarial accrued liability to $1.4 billion.

RISK MANAGEMENT

The City and several of its component units are self-insured for fire damage, casualty losses, public liability, Worker's Compensation, and Unemployment Compensation. Liabilities arising in these areas are liquidated with available resources of the respective operating funds. The Airport, Gas Works and the remaining component units are principally insured through insurance carriers.

DEBT ADMINISTRATION

At June 30, 1999 the City (Primary Government) had $4.9 billion debt issues outstanding. These issues included $2.1 billion of general obligation bonds and $2.8 billion of revenue bonds. At fiscal year end, the City's (excluding component units) bond ratings from Standard & Poor's Corporation, Moody's Investors Service and Fitch IBCA on its bond issues are as follows:

	Moody's Investors Service	**Standard & Poor's Corporation**	**Fitch IBCA**
General Obligation Bonds	Baa2	BBB	BBB+
Water and Sewer Revenue Bonds	Baa1	BBB+	BBB+
Aviation Revenue Bonds	A3	A	A

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation. As of July 1, 1999 the City's (excluding component units) net general obligation authorized debt of $939.1 million was $288.2 million below the legal limit of $1,227.4 million.

The following schedule presents a synopsis of activity in the bonded debt of the City and its component units for Fiscal 1999:

(Amounts in Millions)

	Governmental Fund Types				Enterprise Funds			
	City General Fund	Municipal Authority Fund	PICA	Totals	Water Fund	Aviation Fund	Totals	Totals All Funds
Bonded Debt Outstanding, July 1, 1998	$ 474.1	$ 398.6	$ 1,055.0	$ 1,927.7	$ 1,861.7	$ 585.5	$ 2,447.2	$ 4,374.9
Bonds Issued:								
General Obligation	250.0	-	-	250.0	-	-	-	250.0
General Obligation Refunding	178.2	-	610.0	788.2	-	-	-	788.2
Revenue	-	-	-	-	-	443.7	443.7	443.7
Revenue Refunding	-	-	-	-	135.2	-	135.2	135.2
Total Bonds Issued	428.2	-	610.0	1,038.2	135.2	443.7	578.9	1,617.1
Bonds Matured/Refunded:								
General Obligation	41.4	21.0	40.2	102.6	3.1	6.9	10.0	112.6
General Obligation Refunded	171.4	-	610.7	782.1	-	-	-	782.1
Revenue	-	-	-	-	48.4	13.0	61.4	61.4
Revenue Refunded	-	-	-	-	133.8	-	133.8	133.8
Total Bonds Matured/Refunded	212.8	21.0	650.9	884.7	185.3	19.9	205.2	1,089.9
Bonded Debt Outstanding, June 30, 1999								
General Obligation	689.5	377.6	1,014.1	2,081.2	17.9	33.1	51.0	2,132.2
Revenue	-	-	-	-	1,793.7	976.2	2,769.9	2,769.9
Total Bonded Debt Outstanding, June 30, 1999	689.5	377.6	1,014.1	2,081.2	1,811.6	1,009.3	2,820.9	4,902.1
Sinking Fund Assets Available for Payment of Principal	-	6.4	86.8	93.2	148.5	46.9	195.4	288.6
Net Debt	$ 689.5	$ 371.2	$ 927.3	1,988.0	$ 1,663.1	$ 962.4	$ 2,625.5	$ 4,613.5

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the US Treasury, repurchase agreements and commercial paper. The Pension Trust Fund's investment portfolio also includes stocks, corporate bonds, real estate and other items. The City earned interest revenue of $24.3 million on all investments of its pooled cash and investment account (Consolidated Cash) for the fiscal year ended June 30, 1999.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent, the Federal Reserve Bank, or a financial institution's trust department in the City's name. Approximately 2.6% of the City's investments during the year and at June 30, 1999 are classified in the category of highest credit risk as defined by the Governmental

Accounting Standards Board. Remaining investments were held in the City's name either by the counterparty financial institution's trust department or by a Securities and Exchange Commission-registered brokerage firm.

OTHER INFORMATION

INDEPENDENT AUDIT. The Philadelphia Home Rule 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 auditing standards.

In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the federal 1996 Single Audit Act Amendment and related OMB Circular A-133. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of the Comprehensive Annual Financial Report. The auditor's reports related specifically to the single audit are included in a separate report.

AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1998. This was the nineteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS. 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. Each member of the office has my sincere appreciation for their contributions made in the preparation of this report.

Respectfully submitted,

Michael Nadol (Signed)
Director of Finance