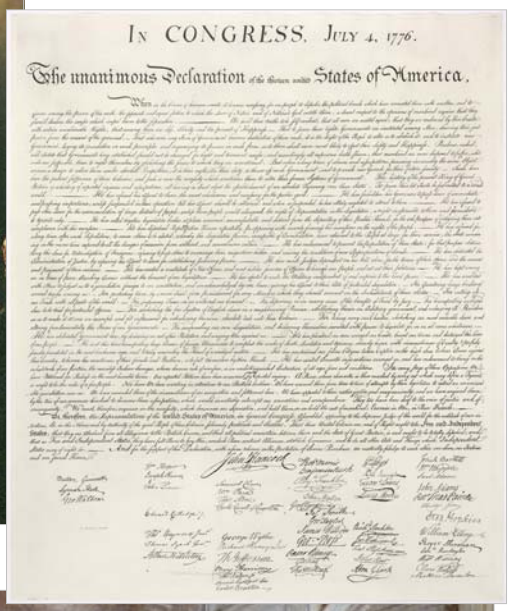
City of Philadelphia

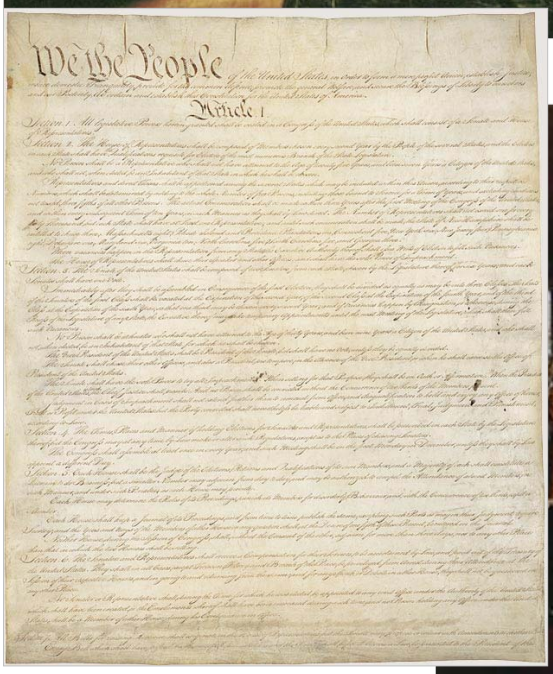
PENNSYLVANIA

When in the Course of human events *it becomes necessary for one people to dissolve the political bands which have connected them with another and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.*



IN CONGRESS, JULY 4, 1776.

The unanimous Declaration of the thirteen united States of America,



We the People

Article 1

We the People *of the United States, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.*

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

City of Philadelphia

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

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director

City of Philadelphia

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

Benjamin Franklin Parkway

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Frankford El	www.phillyhistory.org
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Clothespin Sculpture	Photo by B. Grist (www.gptmc.org)

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

OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Suite 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

January 29, 2008

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, 2007 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 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Financial section includes Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and the Combining and Individual Fund Statements. The Statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

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 1.4 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 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 Housing Authority'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, Penn's Landing Corporation's and the Philadelphia Authority for Industrial Development's statements are discretely presented. 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 that 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. 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 as well as two airports, Philadelphia International Airport and Northeast Philadelphia Airport, which service the entire Delaware River Valley region.

City government is responsible for establishing and maintaining internal control 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 when you consider 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.*

Local Economy

Philadelphia's economic outlook closely resembles the national economic outlook, and in some ways the City is in the midst of another substantial enhancement of its cultural assets, which already include such recent additions as the Kimmel Center for the Performing Arts, the National Constitution Center, the Independence Visitor Center and the new Liberty Bell Pavilion. The pending relocation of the Barnes Foundation to the Ben Franklin Parkway and the proposed development of an entertainment district at Broad & South Streets, coupled with the Convention Center expansion, will enhance Philadelphia's position as a world-class City.

Philadelphia is in a key position to access regional markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, and regional SEPTA service. The capacity of Philadelphia's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent lower than the national metropolitan average. Recent analysis has shown that employees also benefit: Commuters to suburban firms, nearly all of whom drive to work, spend almost $7,000 per year in vehicle expenses. By contrast, 70 percent of downtown office workers use public transit to get to work, and the annual cost of a regional rail pass is just $1,774. In addition, 37 percent of downtown residents walk to work, the highest percentage of any major American city.

The City has successfully retained over 98% of the major commercial office tenants with leases that expired of the past several years. This was the result of a concerted approach to tenant retention involving the combined efforts of the Business Attraction and Retention (BAR) team. In order to build on the BAR team's retention success, the City will focus on helping local businesses remain and grow. The City will also work with regional leaders to market Philadelphia's competitive advantages through an international attraction process.

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

Philadelphia has maintained an above-average concentration of employment in Education and Health Services, Financial Activities, Other Services, Professional Business Services, Leisure and Hospitality Services as well as Information Services. The employment base has undergone a gradual shift over the last decade, most notably marked by growth in leisure/hospitality and education/health services sector employment.

This table shows that over the last five years the City's population has been declining slowly, personal income has been rising and the unemployment rate has been declining:

Calendar Year	Population	Personal Income *(thousands of USD)*	Per Capita Personal Income *(USD)*	Unemployment Rate
2002	1,485,249	40,353,074	27,169	7.0%
2003	1,473,364	41,843,691	28,400	6.8%
2004	1,465,475	43,154,553	29,447	6.4%
2005	1,456,350	45,334,701	31,129	5.9%
2006	1,448,394	47,624,989	32,881	5.7%

Long Term Financial Planning

The City's $46.8 million General Fund deficit at the end of FY04 was the first negative fund balance in twelve years. While this deficit was primarily attributable to a delay in receiving state reimbursement for social service program costs, the negative fund balance was nonetheless a sign of the increasingly limited room for error in City finances. The City has, at the close of FY07, a positive fund balance of $297.9 million. The FY08-FY12 Five Year Financial Plan (the Plan) projects fund balances exceeding $45 million at the end of each fiscal year, in line with thresholds required by the Pennsylvania Intergovernmental Cooperation Authority (PICA). Although tax revenues have been strong since FY04, growth has been centered in the volatile realty transfer and business privilege taxes. At the same time, the wage tax, representing half of all tax collections, is slated for significant state-mandated tax reductions in the out-years of the Plan. Creative cost-cutting initiatives, tight spending controls, and alternative tax revenue will be needed to maintain a balanced budget in the out-years of the Plan.

In FY07, increased costs for pensions, benefits, and fuel, energy, and criminal justice and social services have further reduced opportunities to contain overall costs. As a result, the FY08 budget includes a 2.5 percent position reduction in most General Fund departments, as well as continuation of the hiring freeze and DROP, but at rates reduced by the need to replace critical staffing, particularly in the social services. Maintaining balanced budgets over the Plan period will entail difficult choices. For FY08, cost constraint categories focus on technology based and health benefits management savings.

On July 4, 2004, the Governor of Pennsylvania approved HB2330 and SB100, legislation that will provide funding for the implementation of statewide tax reform when casino proceeds begin to flow. The bills enable additional reductions in the City's wage tax rate, helping Philadelphia become more competitive. The majority of state tax revenues from gaming, 34 percent of all gaming revenues, will be earmarked for state-level tax reductions. Tax cuts will be phased in as soon as proceeds from the Commonwealth's tax on Philadelphia's casino gross revenues reaches $500 million.

Some of the initiatives planned for future fiscal years are:

- **Strategic marketing partnerships**. The City is currently soliciting bids for a contract for advertising on street furniture. In exchange for a providing ongoing maintenance, businesses and organizations will receive the exclusive right to advertising on the street furniture. In addition, the City will receive a portion of the advertising revenues on an annual basis. Washington, D.C., Boston, and Chicago have begun similar initiatives, and a preliminary estimate by the City's consulting team supports an estimate of $9 million in new revenue over the FY08-FY12 period, starting with $1 million in FY08.
- **VOIP implementation.** Today, the City's telephone service is provided by a vendor at a significant annual cost. Through the use of the "voice over internet protocol" (VOIP) technology—which can route spoken conversations over the internet and City Net—the City will reduce its dependency on conventional vendor-provided telephone service, and replace much of its "old tech" internal and external voice communication infrastructure. The City has estimated that $5 million could be saved annually through VOIP, starting in FY10, for a total Plan impact of $15 million.
- **Health Benefits Savings.** The City has achieved savings through health benefits management strategies such as aggressive negotiation with medical insurance providers. In FY06, the City saved over $4 million in the City-administered Plan, through bid process negotiations. Other options for savings include bidding out prescription drug coverage, offering consumer-driven health care plans, and disaster management programs. The most significant savings can come from reduced medical plan options for new employees, higher premium contributions, and/or higher co pays. The FY08-FY12 Plan assumes the City will be able to contain health benefits growth to 9% per year.

- **Revenue from surplus city properties**. In FY08, the City will continue the surplus property sales initiative. Properties considered for sale include those for which the City has received expressions of interest, buildings housing City operations that could be moved, and those not currently utilized. As part of this initiative, three Requests for Proposals were recently issued for large parcels of land near the airport, as well as a long-term lease for the LOVE Park Garage. Sales of City surplus are expected to generate $12 million in FY08.

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'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.

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 Airports, the Philadelphia Gas Works and the remaining component units are principally insured through insurance carriers.

Pension and Other Post-employment Benefits

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.

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. The Mayor may determine that an extraordinary circumstance exists which threatens public health, safety and welfare, and where it would be in the City's best overall interest to extend participation. Then public safety employees in their fourth year in the program may remain employees of the City for up to one additional year beyond the four (4) year limit under the same terms and conditions of the DROP.

AWARDS AND ACKNOWLEDGEMENTS

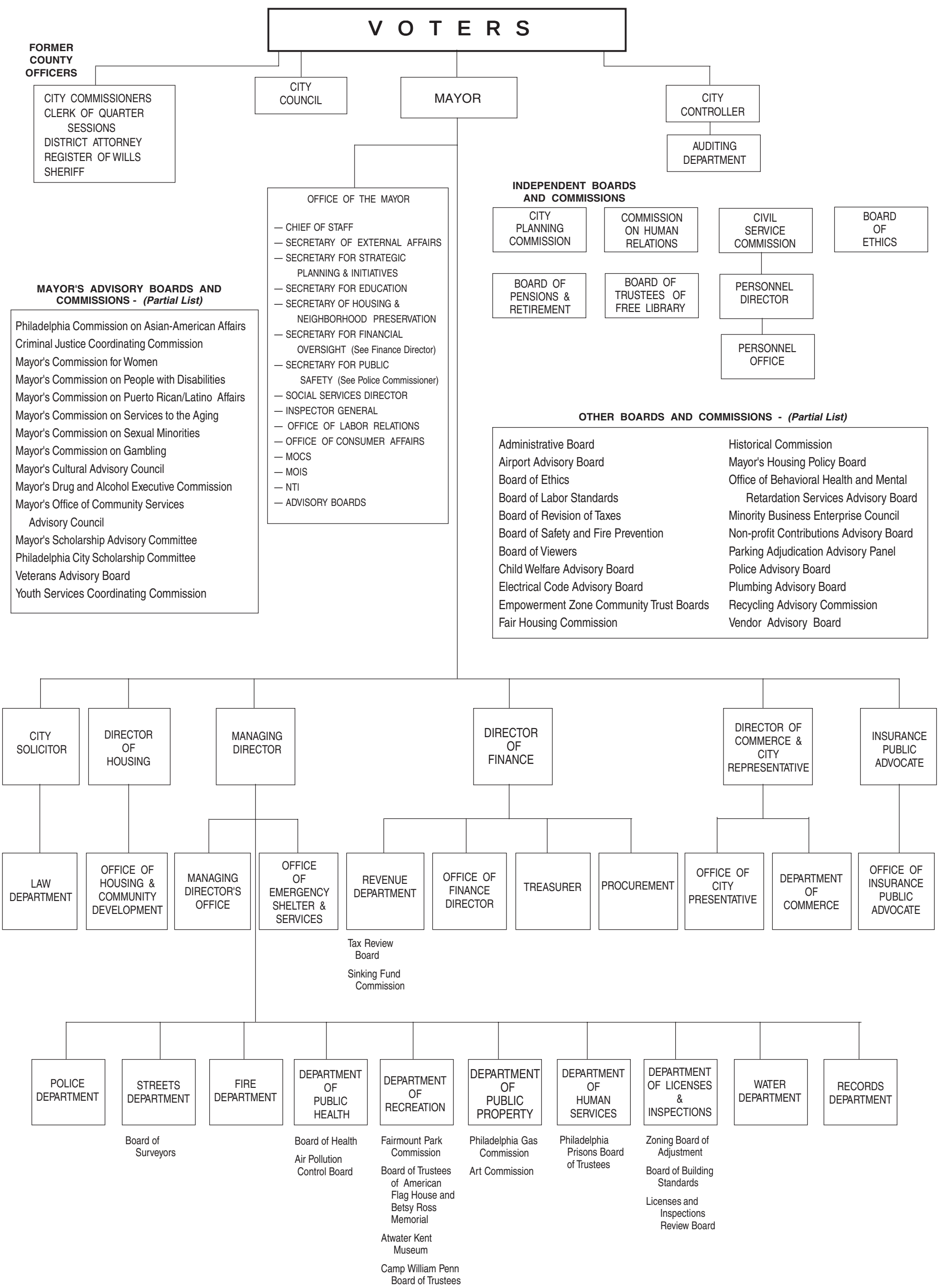
The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the twenty seventh consecutive 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,

ROB DUBOW
Director of Finance

ORGANIZATION OF PHILADELPHIA'S CITY GOVERNMENT



Prepared by
Law Department

Designed and Composed by
Department of Records
July 2006

82-S-88 (Rev. 6/06)

Elected Officials

Mayor ..... John F. Street

City Council
- President, 2nd District ..... Anna Cibotti Verna

- 1st District ..... Frank DiCicco
- 3rd District ..... Jannie L. Blackwell
- 4th District ..... Carol Ann Campbell
- 5th District ..... Darrell L. Clarke
- 6th District ..... Joan L. Krajewski
- 7th District ..... Daniel J. Savage
- 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 ..... Juan F. Ramos
- At-Large ..... Frank Rizzo

District Attorney ..... Lynne M. Abraham

City Controller ..... Alan Butkovitz

City Commissioners
- Chairwoman ..... Margaret M. Tartaglione
- Commissioner ..... Joseph Duda
- Commissioner ..... Edgar Howard

Register of Wills ..... Ronald R. Donatucci

Clerk of Quarter Sessions ..... Vivian T. Miller

Sheriff ..... John Green

First Judicial District of Pennsylvania
- President Judge, Court of Common Pleas ..... C. Darnell Jones II
- President Judge, Municipal Court ..... Louis J. Presenza
- President Judge, Traffic Court ..... Thomasine Tynes

Appointed Officials

Acting Managing Director	Loree Jones
Acting Secretary of Financial Oversight & Director of Finance	Vincent J. Jannetti
City Solicitor	Romulo L. Diaz, Jr.
City Representative and Director of Commerce	Stephanie W. Naidoff

Chief of Staff	Joyce Wilkerson
Secretary of External Affairs	Micah Mahjoubian
Secretary of Education	Jacqueline Barnett
Acting Chief Information Officer	Terry Phillis
Executive Director of the City Planning Commission	Janice Woodcock
Capital Program Office Director	Richard Tustin
Secretary of Housing & Neighborhood Preservation	Kevin Hanna
City Treasurer	John Nacchio
Revenue Commissioner	Nancy A. Kammerdeiner
Acting Procurement Commissioner	Janet D. Hagan
Secretary of Public Safety	Sylvester Johnson
Prisons Commissioner	Leon A. King
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Health Commissioner	Carmen I. Paris
Recreation Commissioner	Victor Richard III
Public Property Commissioner	Joan Schlotterbeck
Acting Human Services Commissioner	Arthur C. Evans
Licenses and Inspections Commissioner	Robert D. Solvibile, Sr.
Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Acting Personnel Director	Tanya D. Smith
Executive Director of the Board of Pensions & Retirement	Gwendolyn Bell
Executive Director of the Fairmount Park Commission	Mark Focht
Executive Director of the Sinking Fund Commission	Carl P. Coin
Director of Aviation	Charles J. Isdell, Jr.

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, 2006

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

President

Executive Director

CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the 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, 2007, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 above 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans-schedule of funding progress, and the related notes to required supplementary information, on pages 108 through 112, 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 introductory section, combining nonmajor and individual fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor and individual fund financial statements and schedules have 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 29, 2008

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

ALAN BUTKOVITZ
City Controller

City of Philadelphia
PENNSYLVANIA

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, 2007 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 assets* were $1,067.0 million resulting from an excess of its assets over its liabilities, however, its *unrestricted net assets* showed a deficit of $963.2 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 $5.4 million. The governmental activities of the city experienced a decrease of $78.6 million, while the business type activities had an increase of $73.2 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $1,184.2 million, an increase of $408.3 million from last year. The *unreserved fund balance* of the governmental funds ended the fiscal year with a surplus of $291.5 million, an increase of $294.1 million from last year. Primarily, this was due to a increase in the Healthchoices Behavioral Health fund receipts and an increase in the Capital Funds due to the issuance of general obligation bonds.

- The overall unreserved fund balance of the city's general fund ended the fiscal year with a surplus of $152.7 million an increase over last year of $41.5 million due to the excess of revenue and other financing sources over expenditures and other financing uses of $183.3 million or 4.9% of revenue and other financing sources which amounted to $3,778.4 million. This is the second consecutive year that inflow has outpaced outlay by more then 4% (FY2006 4.2%).

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of $297.9 million, as compared to a surplus of $254.5 million last year. Although the operating surplus for the year was only $7.4 million, cancellation of prior year obligations accounted for the rest of the increase.

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 ten distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, Gas Works, Housing Authority, Parking Authority, Penn's Landing 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-one 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 eighteen funds 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 assets exceeded its liabilities by $1,067.0 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, $705.4 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.

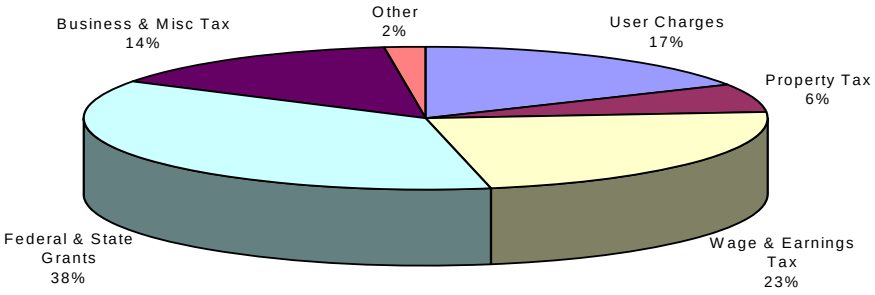
A portion of the city's net assets, $1,324.8 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of $963.2 million. The governmental activities reported negative *unrestricted net assets* of $1,220.5 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)

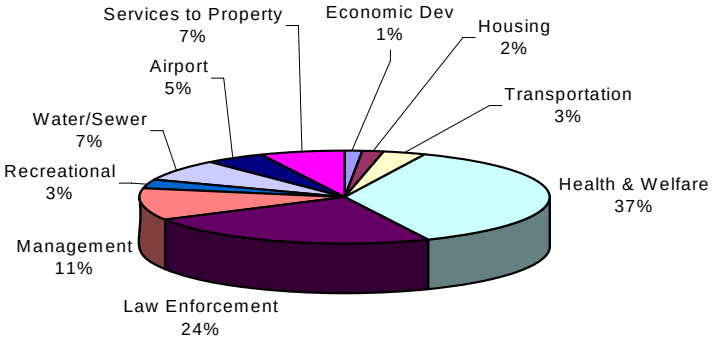
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2007	2006	Change	2007	2006	Change	2007	2006	Change
Current and other assets	2,922.7	2,656.3	10.03%	1,304.3	1,337.3	-2.47%	4,227.0	3,993.6	5.84%
Capital assets	2,193.0	2,280.0	-3.82%	3,097.0	3,095.1	0.06%	5,290.0	5,375.1	-1.58%
Total assets	**5,115.7**	**4,936.3**	3.63%	**4,401.3**	**4,432.4**	-0.70%	**9,517.0**	**9,368.7**	1.58%
Long-term liabilities	4,690.0	4,478.3	4.73%	2,851.7	2,950.2	-3.34%	7,541.7	7,428.5	1.52%
Other liabilities	795.0	728.8	9.08%	113.2	119.1	-4.95%	908.2	847.9	7.11%
Total liabilities	**5,485.0**	**5,207.1**	5.34%	**2,964.9**	**3,069.3**	-3.40%	**8,449.9**	**8,276.4**	2.10%
Net assets:									
Invested in capital assets, net of related debt	161.4	248.6	-35.08%	544.0	537.4	1.23%	705.4	786.0	-10.25%
Restricted	689.7	471.6	46.25%	635.1	551.9	15.08%	1,324.8	1,023.5	29.44%
Unrestricted	(1,220.5)	(1,010.9)	-20.73%	257.3	273.9	-6.06%	(963.2)	(737.0)	-30.69%
Total net assets	**(369.4)**	**(290.7)**	-27.07%	**1,436.4**	**1,363.2**	5.37%	**1,067.0**	**1,072.5**	-0.51%

Changes in net assets. The city's total revenues this year, $6,398.1 million, fell short of total costs of $6,425.0 million by $26.9 million. Approximately 29% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 38%, 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 61% are related to the health, welfare and safety of the general public.



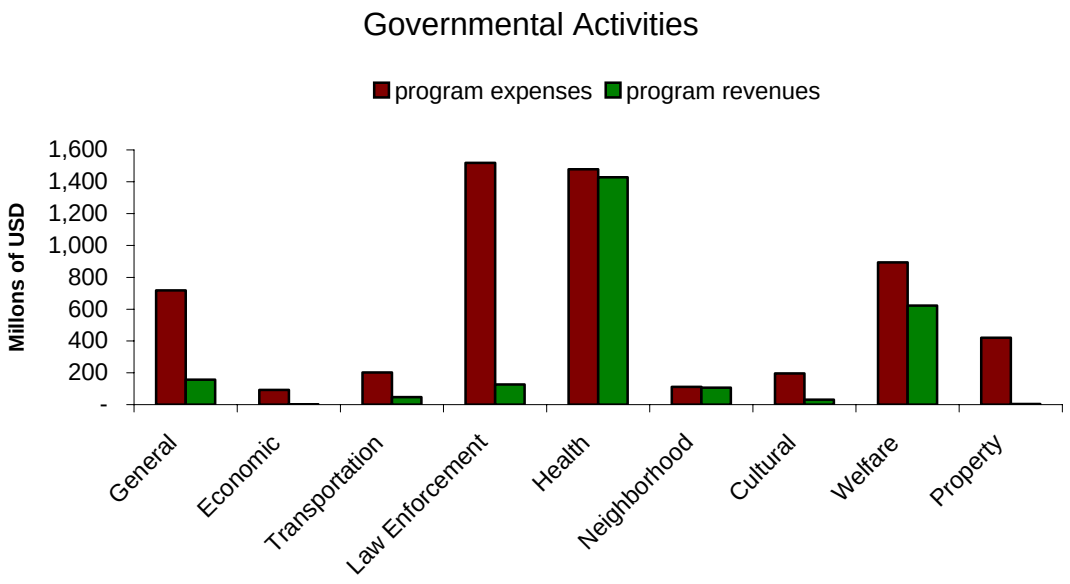
Overall, net assets for the city decreased by $5.4 million. Total revenues increased by $240.7 million, total expenses increased by $320.8 million over last year. This resulted in the Change in Net Assets being $80.1 million lower than in the previous year. There is also an $8.6 million increase to last year's net assets due to a change in the accounting for a certain grant as well as a $15.7 million increase to last year's net assets due to a change in the accounting for library book depreciation resulting in an overall $5.4 decrease in net assets over last year. Tax receipts increased by $112.7 million largely attributable to increased wage & earnings tax collections. Grants & Contributions increased by $76.9 million.

Expense increases included $85.4 million for Police, $49.1 million for Fire, $30.7 million for Health Services and $63.5 million for Social Services.



Governmental Activities

The governmental activities of the City resulted in a $78.6 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		%
	2007	**2006**	**Change**	**2007**	**2006**	**Change**	**2007**	**2006**	**Change**
General Welfare	893.9	817.2	9.4%	622.5	568.6	9.5%	271.4	248.6	9.2%
Judiciary & Law Enforcement	1,518.7	1,391.8	9.1%	126.8	130.5	-2.8%	1,391.9	1,261.3	10.4%
Public Health	1,478.6	1,447.5	2.1%	1,428.6	1,324.4	7.9%	50.0	123.1	-59.4%
General Governmental	718.2	711.8	0.9%	156.6	228.2	-31.4%	561.6	483.6	16.1%
Services to Property	419.7	364.9	15.0%	4.5	5.0	-10.0%	415.2	359.9	15.4%
Housing, Economic & Cultural	601.7	610.5	-1.4%	186.2	221.1	-15.8%	415.5	389.4	6.7%
	5,630.8	**5,343.7**	5.4%	**2,525.2**	**2,477.8**	1.9%	**3,105.6**	**2,865.9**	8.4%

- The cost of all governmental activities this year was $5,630.8 million; the amount that taxpayers paid for these programs through tax payments was $2,811.7 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,220.7 million while those who benefited from the programs paid $304.6 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 $190.9 million. After prior year adjustments of $24.3 million, the difference of $78.6 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)

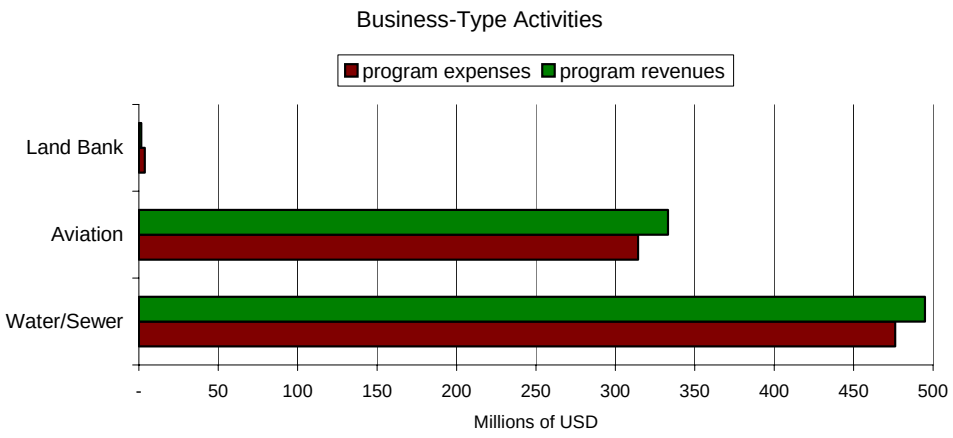
	Governmental Activities		Business-type Activities		Total		%
	2007	2006	2007	2006	2007	2006	Change
Revenues:							
Program revenues:							
Charges for services	304.6	314.3	804.3	767.1	1,108.9	1,081.4	2.5%
Operating grants and contributions	2,204.9	2,142.1	2.8	2.5	2,207.7	2,144.6	2.9%
Capital grants and contributions	15.8	21.4	22.4	25.3	38.2	46.7	-18.2%
General revenues:							
Wage and earnings taxes	1,498.5	1,424.9	-	-	1,498.5	1,424.9	5.2%
Property taxes	399.2	386.3	-	-	399.2	386.3	3.3%
Other taxes	914.0	887.9	-	-	914.0	887.9	2.9%
Unrestricted grants and contributions	104.1	81.7	-	-	104.1	81.7	27.4%
Unrestricted Interest	81.8	60.2	45.7	43.8	127.5	104.0	22.6%
Total revenues	**5,522.9**	**5,318.8**	**875.2**	**838.7**	**6,398.1**	**6,157.5**	3.9%
Expenses:							
Economic development	92.6	89.8	-	-	92.6	89.8	3.1%
Transportation	201.7	200.5	-	-	201.7	200.5	0.6%
Judiciary & law enforcement	1,518.7	1,391.8	-	-	1,518.7	1,391.8	9.1%
Conservation of health	1,478.6	1,447.5	-	-	1,478.6	1,447.5	2.1%
Housing & neighborhood development	111.2	149.5	-	-	111.2	149.5	-25.6%
Cultural & recreational	196.2	170.7	-	-	196.2	170.7	14.9%
Improvement of the general welfare	893.9	817.2	-	-	893.9	817.2	9.4%
Services to taxpayer property	419.7	365.0	-	-	419.7	365.0	15.0%
General management	568.8	574.8	-	-	568.8	574.8	-1.0%
Interest on long term debt	149.5	136.9	-	-	149.5	136.9	9.2%
Water & waste water	-	-	476.2	455.4	476.2	455.4	4.6%
Airport	-	-	314.3	303.1	314.3	303.1	3.7%
Industrial land bank	-	-	3.7	2.1	3.7	2.1	76.2%
Total expenses	**5,630.9**	**5,343.7**	**794.2**	**760.6**	**6,425.1**	**6,104.3**	5.3%
Increase (decrease) in net assets before transfers & special items	(108.0)	(24.9)	81.0	78.1	(27.0)	53.2	
Transfers	5.0	5.0	(5.0)	(5.0)	-	-	
Increase (decrease) in net assets	**(103.0)**	**(19.9)**	**76.0**	**73.1**	**(27.0)**	**53.2**	
Net Assets - Beginning	(290.7)	(270.8)	1,363.2	1,290.1	1,072.5	1,019.3	5.2%
Adjustment	24.3	-	(2.8)	-	21.5	-	
Net Assets - End	**(369.4)**	**(290.7)**	**1,436.4**	**1,363.2**	**1,067.0**	**1,072.5**	-0.5%

Business-type Activities

Business-type activities caused the city's net assets to increase by $73.2 million. This increase was comprised of an increase in net assets for water/wastewater of $42.7 million, for aviation of $32.5 million and a decrease for industrial & commercial development operations of $2.0 million. Some of the key reasons for these changes are:

- Increased water/sewer rate effective July 1, 2006. These new rates are the third of a four-phase change in rates to be spread over a three and a half-year period.

- Increased airport rental concession income and an increase in passenger facility charges resulting from an increase in airline passenger traffic.

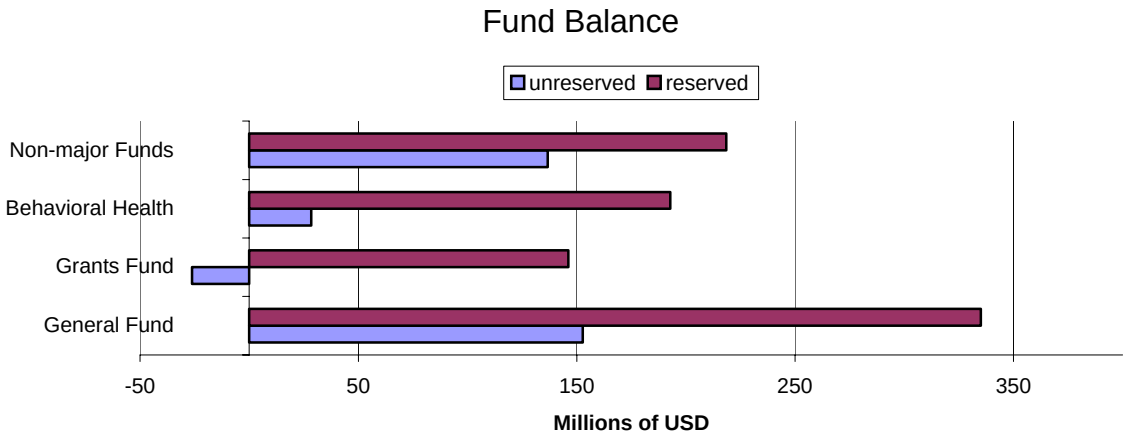


Financial Analysis of the Government's Funds

***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 $1,184.2 million an increase of $408.3 million over last year. Of the total fund balance, $892.6 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 ($205.3 million); revitalize neighborhoods ($99.9 million); pay debt service ($90.7 million); support programs funded by independent agencies ($77.8 million); fund a portion of the city's managed care programs ($192.9 million); fund a portion of new sports stadiums ($6.4 million); loan to PGW ($45.0 million); fund the 911 emergency phone system ($21.7 million); fund a portion of the central library renovation project ($4.8 million), cultural and commercial corridor project ($143.3 million); and trusts ($4.8 million). The difference between the combined fund balance and reserved fund balance is $291.6 million which constitutes *unreserved fund balance,* this surplus is available to fund future budgets.

The general fund, the primary operating fund of the city, reported a *unreserved fund balance surplus* of $152.7 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 4.25% and 13.6%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund increased by $183.3 million during the current fiscal year. This increase was due to an excess of revenues and other financing sources over expenditures for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An increase of $75.8 million in tax revenue due to increased collections for Wage & Earnings Tax, Business Privilege Tax and Real Property Transfer Tax.
- An increase of $90.0 million in revenue from other governments due to grants from the Commonwealth of Pennsylvania increasing $103.5 million over FY2006.
- The issuance of $142.4 million of debt, including premium.

Expenditures:

- Expenditures for the year increased $288.7 million, an increase of 8.7%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $221.2 million of which $192.9 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $50.0 million.

The Grants Revenue fund has a total fund balance in the amount of $119.9 million which is comprised of a positive reserved fund balance of $146.1 million (earmarked for neighborhood revitalization, the productivity bank and emergency telephone system programs) and a deficit unreserved fund balance of $26.2 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 $2.6 million during the current fiscal year due primarily to increases in health & social services 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 $73.3 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of $42.7 million, airport operations which experienced an increase of $32.5 million, while industrial & commercial development operations experienced a decrease of $1.9 million.

The proprietary funds reported an *unrestricted nets assets* surplus of $257.3 million, comprised of $162.1 million for the water and waste water operations, $74.6 million for the airport and $20.6 million for the industrial & commercial development activities. These unrestricted net assets represent an overall decrease of $16.5 million over the previous year, comprised of an decrease of $13.3 million for the water and waste water operations, a decrease of $1.3 million for the airport and a decrease of $1.9 million for the Land Bank. The change in the water unrestricted is the result of a large increase to the Reserve for Capital Projects.

General Fund Budgetary Highlights

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

- $12.8 million for health medical payments
- $7.1 million for payments to the water fund for water usage
- $2.0 million for capital contributions by the Health Department
- $4.3 million for indemnity payments
- $6.2 million for Fire Department payroll

The general fund's budgetary unreserved fund balance surplus of $297.8 million differs from the general fund's fund financial statement surplus of $152.7 million by $145.1 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 $5.3 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 $20.2 million for streets, highways and bridges and $75.5 million for the water and waste water systems.
- City Hall complex exterior renovations in the amount of $10.9 million.
- Fairmount Park and Art Museum complex improvements totaling $19.9 million
- Recreational facility improvements in the amount of $18.7 million.
- Subway, Elevated and Rail improvements totaling $7.5 million
- Airport terminal and airfield improvements in the amount of $70.9 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation
(millions of USD)

	Governmental activities		Inc	Business-type activities		Inc	Total		Inc
	2007	2006	(Dec)	2007	2006	(Dec)	2007	2006	(Dec)
Land	743.2	741.0	2.2	94.3	88.1	6.2	837.5	829.1	8.4
Buildings	773.9	788.6	(14.7)	1,564.8	1,552.4	12.4	2,338.7	2,341.0	(2.3)
Improvements other than buildings	97.7	93.4	4.3	98.4	101.2	(2.8)	196.1	194.6	1.5
Machinery & equipment	209.1	202.6	6.5	28.2	34.7	(6.5)	237.3	237.3	-
Infrastructure	368.6	393.3	(24.7)	1,148.0	1,140.0	8.0	1,516.6	1,533.3	(16.7)
Construction in progress	0.5	3.1	(2.6)	163.3	178.7	(15.4)	163.8	181.8	(18.0)
Total	**2,193.0**	**2,222.0**	**(29.0)**	**3,097.0**	**3,095.1**	**1.9**	**5,290.0**	**5,317.1**	**(27.1)**

The city's governmental activities experienced an overall decrease in capital assets of $27.1 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year but were less then in FY2006 because of a restatement of depreciation expense.

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 $7.5 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 $2.7 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
(millions of USD)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Bonds Outstanding:						
General obligation bonds	1,999.4	1,865.5	5.8	6.9	2,005.2	1,872.4
Revenue bonds	-	-	2,815.3	2,916.2	2,815.3	2,916.2
Total Bonds Outstanding	**1,999.4**	**1,865.5**	**2,821.1**	**2,923.1**	**4,820.5**	**4,788.6**
Other Long Term Obligations:						
Service agreements	2,246.0	2,117.9	-	-	2,246.0	2,117.9
Employee related obligations	409.0	383.5	28.3	25.7	437.3	409.2
Indemnities	35.6	46.2	1.6	1.2	37.2	47.4
Other	-	-	0.7	0.1	0.7	0.1
Total Other Long Term Obligations	**2,690.6**	**2,547.6**	**30.6**	**27.0**	**2,721.2**	**2,574.6**
Total Long Term Debt Outstanding	**4,690.0**	**4,413.1**	**2,851.7**	**2,950.1**	**7,541.7**	**7,363.2**

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 $310.0 million in Tax and Revenue Anticipation Notes by June 2007 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In July, 2006, the City issued $217.5 million in General Obligation Bonds, of which $188.7 million were serial bonds with interest rates ranging from 4.5% to 5.1%, maturing in 2029. The remaining $28.9 million were term bonds with a 5% interest rate and mature in 2031. The proceeds of the sale were used to finance various capital projects.

As of the close of the fiscal year 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	Baa1	BBB	BBB+
Water Revenue Bonds	A3	A-	A-
Aviation Revenue Bonds	A3	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, 2007* the legal debt limit was $1,374.7 million. There is $1,262.5 million of outstanding tax supported debt leaving a legal debt margin of $112.2 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 all been considered in preparing the City of Philadelphia's budget for the 2008 fiscal year:

- Philadelphia entered FY07 with a surplus of $254.5 million up from $96.2 million at the close of FY05.
- Continuation of the wage and business tax reduction program which began in fiscal year 1995.
- Employee wage increases of 4% for civil servants and 4% for police officers effective July 1, 2007.
- Base health insurance costs are projected to grow 8% each year through FY2010. The City successfully negotiated low-growth rate increases in FY2006 (4.7%) and FY2007 (cap of 12%)

- Starting July 1, 2007 water and sewer bills will reflect new rates for water and wastewater services. These new rates are the final increase of a four-phase change in rates to be spread over a three and a half-year period.
- The airport's budget is funded primarily with airline rates and charges, to the extent not otherwise funded by non-airline rentals, concession fees and user charges. The airport is projecting a 7.4% increase in revenues in FY2008.

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

Vietnam Veterans Memorial

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia
Statement of Net Assets
June 30, 2007

Exhibit I

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	112,245	30	112,275	279,387
Equity in Pooled Cash and Investments	-	-	-	28,272
Equity in Treasurer's Account	1,201,516	143,941	1,345,457	-
Investments	73,746	-	73,746	229,897
Due from Component Units	73,834	-	73,834	-
Due from Primary Government	-	-	-	75,089
Amounts Held by Fiscal Agent	221,038	-	221,038	69,966
Notes Receivable - Net	-	-	-	64,473
Accounts Receivable - Net	305,917	114,073	419,990	259,514
Interest and Dividends Receivable	5,850	-	5,850	16,396
Due from Other Governments - Net	301,065	1,013	302,078	118,132
Inventories	14,326	32,171	46,497	176,059
Other Assets	2,861	-	2,861	267,785
Restricted Assets:				
Cash and Cash Equivalents	-	704,243	704,243	676,612
Other Assets	-	238,717	238,717	61,714
Net Pension Asset	610,305	70,213	680,518	-
Capital Assets:				
Land and Other Non-Depreciated Assets	744,569	257,563	1,002,132	767,882
Other Capital Assets (Net of Depreciation)	1,448,381	2,839,373	4,287,754	3,319,721
Total Capital Assets, Net	2,192,950	3,096,936	5,289,886	4,087,603
Total Assets	5,115,653	4,401,337	9,516,990	6,410,899
Liabilities				
Notes Payable	-	-	-	138,091
Vouchers Payable	72,695	9,911	82,606	47,389
Accounts Payable	184,307	51,204	235,511	218,715
Salaries and Wages Payable	63,506	4,621	68,127	45,744
Accrued Expenses	44,822	35,886	80,708	68,537
Due to Agency Funds	800	-	800	-
Due to Primary Government	-	-	-	110,677
Due to Component Units	46,053	-	46,053	-
Funds Held in Escrow	25,151	345	25,496	92,439
Due to Other Governments	17	-	17	20,839
Deferred Revenue	221,430	11,923	233,353	140,731
Overpayment of Taxes	136,238	-	136,238	12,082
Other Current Liabilities	-	-	-	96,542
Non-Current Liabilities:				
Due within one year	213,179	124,246	337,425	306,272
Due in more than one year	4,476,833	2,726,781	7,203,614	4,857,987
Total Liabilities	5,485,031	2,964,917	8,449,948	6,156,045
Net Assets				
Invested in Capital Assets, Net of Related Debt	161,412	544,036	705,448	690,229
Restricted For:				
Capital Projects	34,724	164,500	199,224	930
Debt Service	90,735	284,982	375,717	200,825
Behavioral Health	221,215	-	221,215	-
Intergovernmental Finance	24,483	-	24,483	-
Neighborhood Revitalization	99,922	-	99,922	-
Stadium Financing	6,429	-	6,429	-
Central Library Project	4,768	-	4,768	-
Cultural & Commercial Corridor Project	143,283	-	143,283	-
Grant Programs	42,496	-	42,496	40,862
Rate Stabilization	-	185,612	185,612	-
Libraries & Parks:				
Expendable	4,301	-	4,301	-
Non-Expendable	4,641	-	4,641	-
Educational Programs	-	-	-	11,127
Other	12,724	-	12,724	-
Unrestricted(Deficit)	(1,220,511)	257,290	(963,221)	(689,119)
Total Net Assets	(369,378)	1,436,420	1,067,042	254,854

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

City of Philadelphia
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Exhibit II

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	92,567	-	1,086	924	(90,557)		(90,557)	
Transportation:								
Streets & Highways	116,602	3,547	32,423	10,367	(70,265)		(70,265)	
Mass Transit	85,051	607	-	-	(84,444)		(84,444)	
Judiciary and Law Enforcement:								
Police	921,380	1,677	22,063	-	(897,640)		(897,640)	
Prisons	293,247	333	1,054	-	(291,860)		(291,860)	
Courts	304,068	51,494	50,177	-	(202,397)		(202,397)	
Conservation of Health:								
Emergency Medical Services	36,034	27,655	547	-	(7,832)		(7,832)	
Health Services	1,442,613	12,601	1,387,806	-	(42,206)		(42,206)	
Housing and Neighborhood Development	111,225	45,176	61,003	-	(5,046)		(5,046)	
Cultural and Recreational:								
Recreation	73,359	170	6,936	2,217	(64,036)		(64,036)	
Parks	32,583	543	6,281	2,188	(23,571)		(23,571)	
Libraries and Museums	90,266	944	11,807	-	(77,515)		(77,515)	
Improvements to General Welfare:								
Social Services	765,502	7,266	570,434	-	(187,802)		(187,802)	
Education	64,041	-	-	-	(64,041)		(64,041)	
Inspections and Demolitions	64,355	44,364	457	-	(19,534)		(19,534)	
Service to Property:								
Sanitation	134,440	-	3,660	-	(130,780)		(130,780)	
Fire	285,263	698	71	41	(284,453)		(284,453)	
General Management and Support	568,701	107,523	49,081	18	(412,079)		(412,079)	
Interest on Long Term Debt	149,539	18	-	-	(149,521)		(149,521)	
Total Governmental Activities	5,630,836	304,616	2,204,886	15,755	(3,105,579)		(3,105,579)	
Business Type Activities:								
Water and Sewer	476,155	493,569	1,278	-	-	18,692	18,692	
Aviation	314,310	309,239	1,484	22,410	-	18,823	18,823	
Industrial and Commercial Development	3,720	1,539	-	20	-	(2,161)	(2,161)	
Total Business Type Activities	794,185	804,347	2,762	22,430	-	35,354	35,354	
Total Primary Government	6,425,021	1,108,963	2,207,648	38,185	(3,105,579)	35,354	(3,070,225)	
Component Units:								
Gas Operations	947,566	940,443	23,882	-				16,759
Housing	481,718	28,214	409,931	20,478				(23,095)
Parking	189,440	192,200	-	-				2,760
Education	2,821,909	35,893	910,877	158				(1,874,981)
Health	655,832	-	653,972	-				(1,860)
Economic Development	173,331	36,121	103,115	8,988				(25,107)
Total Component Units	5,269,796	1,232,871	2,101,777	29,624				(1,905,524)
General Revenues:								
Taxes:								
Property Taxes					399,236	-	399,236	549,519
Wage & Earnings Taxes					1,498,518	-	1,498,518	-
Business Taxes					453,730	-	453,730	-
Other Taxes					460,296	-	460,296	168,484
Grants & Contributions Not Restricted to Specific Programs					104,099	-	104,099	1,044,836
Unrestricted Interest & Investment Earnings					81,796	45,657	127,453	18,853
Miscellaneous					-	-	-	1,205
Special Items					-	-	-	1,880
Transfers					4,994	(4,994)	-	20,473
Total General Revenues, Special Items and Transfers					3,002,669	40,663	3,043,332	1,805,250
Change in Net Assets					(102,910)	76,017	(26,893)	(100,274)
Net Assets - July 1, 2006					(290,727)	1,363,169	1,072,442	354,261
Adjustment					24,259	(2,766)	21,493	867
Net Assets Adjusted - July 1, 2006					(266,468)	1,360,403	1,093,935	355,128
Net Assets - June 30, 2007					(369,378)	1,436,420	1,067,042	254,854

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	7,984	-	77	104,184	112,245
Equity in Treasurer's Account	567,363	269,494	148,466	216,193	1,201,516
Investments	-	-	-	73,746	73,746
Due from Other Funds	18,096	-	-	4,617	22,713
Due from Component Units	73,834	-	-	-	73,834
Amounts Held by Fiscal Agent	154,479	-	66,559	-	221,038
Taxes Receivable	590,300	-	-	15,048	605,348
Accounts Receivable	456,882	-	243	4,229	461,354
Allowance for Doubtful Accounts	(794,860)	-	-	(1,258)	(796,118)
Interest and Dividends Receivable	2,669	2,275	153	753	5,850
Due from Other Governmental Units	222,958	-	73,073	39,174	335,205
Other Assets	-	-	-	81	81
Total Assets	1,299,705	271,769	288,571	456,767	2,316,812
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	46,952	1,863	17,160	6,720	72,695
Accounts Payable	106,620	13,425	45,457	18,805	184,307
Salaries and Wages Payable	61,374	-	1,859	273	63,506
Due to Other Funds	790	-	-	22,723	23,513
Due to Component Units	2,316	35,267	2,376	6,094	46,053
Funds Held in Escrow	11,939	-	8,618	4,594	25,151
Due to Other Governmental Units	17	-	-	-	17
Deferred Revenue	445,624	-	93,182	42,350	581,156
Overpayment of Taxes	136,238	-	-	-	136,238
Total Liabilities	811,870	50,555	168,652	101,559	1,132,636
Fund Balances:					
Reserved for:					
Encumbrances	135,623	-	-	69,678	205,301
Neighborhood Revitilization	-	-	99,922	-	99,922
Behavioral Health	-	192,854	-	-	192,854
Intergovernmental Financing	-	-	-	53,293	53,293
Intergovernmentally Financed Programs	-	-	24,483	-	24,483
Public Safety Emergency Phone System	-	-	21,730	-	21,730
Debt Service	-	-	-	90,735	90,735
Trust Purposes	-	-	-	4,844	4,844
Long Term Loan	45,000	-	-	-	45,000
Central Library Project	4,768	-	-	-	4,768
Stadium Financing	6,428	-	-	-	6,428
Cultural & Commercial Corridor Project	143,283	-	-	-	143,283
Unreserved, reported in:					
General Fund	152,733	-	-	-	152,733
Special Revenue Funds	-	28,360	(26,216)	27,830	29,974
Debt Service Funds	-	-	-	1,559	1,559
Capital Projects Funds	-	-	-	102,968	102,968
Permanent Funds	-	-	-	4,301	4,301
Total Fund Balances	487,835	221,214	119,919	355,208	1,184,176
Total Liabilities and Fund Balances	1,299,705	271,769	288,571	456,767	

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	2,192,950
b. Unearned Receivables are deferred in the funds	359,726
c. Long Term Liabilities, including bonds payable, are not reported in the funds	(4,690,012)
d. Net Pension Asset is not reported in the funds	610,305
e. Other	(26,523)
Net Assets of Governmental Activities	(369,378)

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

City of Philadelphia **Exhibit IV**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,434,020	-	-	371,038	2,805,058
Locally Generated Non-Tax Revenue	253,801	13,663	42,956	71,286	381,706
Revenue from Other Governments	791,060	711,278	789,058	85,173	2,376,569
Other Revenues	16,770	-	-	372	17,142
Total Revenues	3,495,651	724,941	832,014	527,869	5,580,475
Expenditures					
Current Operating:					
Economic Development	46,191	-	1,120	38,182	85,493
Transportation:					
Streets & Highways	64,107	-	-	25,126	89,233
Mass Transit	58,064	-	-	-	58,064
Judiciary and Law Enforcement:					
Police	851,113	-	9,065	-	860,178
Prisons	276,719	-	-	1,341	278,060
Courts	249,654	-	42,694	-	292,348
Conservation of Health:					
Emergency Medical Services	34,358	-	588	-	34,946
Health Services	142,123	674,955	619,745	-	1,436,823
Housing and Neighborhood Development	5,057	-	33,761	70,431	109,249
Cultural and Recreational:					
Recreation	55,354	-	6,775	29	62,158
Parks	21,647	-	47	4,611	26,305
Libraries and Museums	70,847	-	12,134	223	83,204
Improvements to General Welfare:					
Social Services	703,046	-	53,646	-	756,692
Education	64,041	-	-	-	64,041
Inspections and Demolitions	34,196	-	28,799	-	62,995
Service to Property:					
Sanitation	125,776	-	3,687	-	129,463
Fire	267,555	-	5	-	267,560
General Management and Support	521,056	-	21,279	21,352	563,687
Capital Outlay	-	-	-	92,291	92,291
Debt Service:					
Principal	-	-	-	91,459	91,459
Interest	1,583	-	-	101,844	103,427
Bond Issuance Cost	2,657	-	-	2,297	4,954
Total Expenditures	3,595,144	674,955	833,345	449,186	5,552,630
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,493)	49,986	(1,331)	78,683	27,845
Other Financing Sources (Uses)					
Issuance of Debt	135,515	-	-	217,590	353,105
Bond Issuance Premium	6,842	-	-	6,910	13,752
Transfers In	255,431	-	3,033	201,584	460,048
Transfers Out	(114,999)	-	(12,884)	(327,171)	(455,054)
Total Other Financing Sources (Uses)	282,789	-	(9,851)	98,913	371,851
Net Change in Fund Balance	183,296	49,986	(11,182)	177,596	399,696
Fund Balance - July 1, 2006	304,539	171,228	122,474	177,612	775,853
Adjustment	-	-	8,627	-	8,627
Fund Balance Adjusted - July 1, 2006	304,539	171,228	131,101	177,612	784,480
Fund Balance - June 30, 2007	487,835	221,214	119,919	355,208	1,184,176

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

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, 2007

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	399,696
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 depreciation (142,329) exceeded capital outlays (106,425) in the current period	(35,904)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(56,187)
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 (361,903) exceeded repayments (144,534)	(217,369)
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 expenditures in governmental funds	(122,166)
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	(70,980)
Change in Net Assets of governmental activities	(102,910)

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

City of Philadelphia **Exhibit VI**

Statement of Fund Net Assets
Proprietary Funds
June 30, 2007

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
	Water and		Industrial & Commercial	
Assets	Sewer	Aviation	Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	52,531	86,833	4,577	143,941
Due from Other Governments	329	684	-	1,013
Accounts Receivable	174,663	14,780	2,035	191,478
Allowance for Doubtful Accounts	(75,989)	(1,416)	-	(77,405)
Inventories	15,184	3,029	13,958	32,171
Total Current Assets	166,748	103,910	20,570	291,228
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	350,933	311,094	-	662,027
Amounts Held by Fiscal Agent	-	42,216	-	42,216
Sinking Funds and Reserves	174,475	39,778	-	214,253
Grants for Capital Purposes	500	7,870	-	8,370
Receivables	2,114	13,980	-	16,094
Total Restricted Assets	528,022	414,938	-	942,960
Net Pension Asset	54,069	16,144	-	70,213
Capital Assets:				
Land	5,919	88,353	-	94,272
Infrastructure	1,796,638	499,182	-	2,295,820
Construction in Progress	115,525	47,766	-	163,291
Buildings and Equipment	1,462,116	1,671,452	-	3,133,568
Less: Accumulated Depreciation	(1,687,615)	(902,400)	-	(2,590,015)
Total Capital Assets, Net	1,692,583	1,404,353	-	3,096,936
Total Non-Current Assets	2,274,674	1,835,435	-	4,110,109
Total Assets	2,441,422	1,939,345	20,570	4,401,337
Liabilities				
Current Liabilities:				
Vouchers Payable	5,077	4,834	-	9,911
Accounts Payable	11,725	11,674	-	23,399
Salaries and Wages Payable	2,406	2,215	-	4,621
Construction Contracts Payable	5,943	21,862	-	27,805
Accrued Expenses	14,985	20,901	-	35,886
Funds Held in Escrow	345	-	-	345
Deferred Revenue	7,430	4,493	-	11,923
Bonds Payable-Current	92,501	31,745	-	124,246
Total Current Liabilities	140,412	97,724	-	238,136
Non-Current Liabilities:				
Bonds Payable	1,669,810	1,129,665	-	2,799,475
Unamortized Discount and Loss	(82,232)	(20,416)	-	(102,648)
Other Non-Current Liabilities	20,153	9,801	-	29,954
Total Non-Current Liabilities	1,607,731	1,119,050	-	2,726,781
Total Liabilities	1,748,143	1,216,774	-	2,964,917
Net Assets				
Invested in Capital Assets, Net of Related Debt	86,345	457,691	-	544,036
Restricted For:				
Capital Projects	84,786	79,714	-	164,500
Debt Service	174,475	110,507	-	284,982
Rate Stabilization	185,612	-	-	185,612
Unrestricted	162,061	74,659	20,570	257,290
Total Net Assets	693,279	722,571	20,570	1,436,420

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

City of Philadelphia **Exhibit VII**

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	487,928	76,933	-	564,861
Sales of Land and Improvements	-	-	736	736
Rentals and Concessions	-	162,593	-	162,593
Miscellaneous Operating Revenues	5,641	3,684	803	10,128
Total Operating Revenues	493,569	243,210	1,539	738,318
Operating Expenses:				
Personal Services	106,023	61,815	-	167,838
Purchase of Services	77,779	72,979	1,587	152,345
Materials and Supplies	30,993	6,805	-	37,798
Employee Benefits	66,643	36,393	-	103,036
Indemnities and Taxes	2,889	1,239	-	4,128
Depreciation	82,554	76,680	-	159,234
Cost of Goods Sold	-	-	2,133	2,133
Total Operating Expenses	366,881	255,911	3,720	626,512
Operating Income (Loss)	126,688	(12,701)	(2,181)	111,806
Non-Operating Revenues (Expenses):				
Operating Grants	1,278	1,484	-	2,762
Passenger Facility Charges	-	66,029	-	66,029
Interest Income	31,804	13,675	178	45,657
Net Pension Obligation	(10,049)	(4,881)	-	(14,930)
Debt Service - Interest	(93,069)	(53,030)	-	(146,099)
Other Revenue (Expenses)	(6,156)	(487)	-	(6,643)
Total Non-Operating Revenues (Expenses)	(76,192)	22,790	178	(53,224)
Income (Loss) Before Contributions & Transfers	50,496	10,089	(2,003)	58,582
Transfers Out	(4,994)	-	-	(4,994)
Capital Contributions	-	22,409	20	22,429
Change in Net Assets	45,502	32,498	(1,983)	76,017
Net Assets - July 1, 2006	650,543	690,073	22,553	1,363,169
Adjustment	(2,766)	-	-	(2,766)
Net Assets Adjusted - July 1, 2006	647,777	690,073	22,553	1,360,403
Net Assets - June 30, 2007	693,279	722,571	20,570	1,436,420

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, 2007

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	494,254	226,922	2,023	723,199
Payments to Suppliers	(106,080)	(74,859)	(1,594)	(182,533)
Payments to Employees	(173,323)	(92,256)	-	(265,579)
Internal Activity-Payments to Other Funds	-	(5,767)	-	(5,767)
Claims Paid	(2,417)	-	-	(2,417)
Other Receipts (Payments)	-	(282)	345	63
Net Cash Provided (Used)	212,434	53,758	774	266,966
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	744	1,693	-	2,437
Operating Subsidies and Transfers from Other Funds	(4,994)	-	-	(4,994)
Net Cash Provided (Used)	(4,250)	1,693	-	(2,557)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	-	106	-	106
Contributions Received	-	21,008	-	21,008
Acquisition and Construction of Capital Assets	(80,661)	(79,246)	-	(159,907)
Interest Paid on Debt Instruments	(89,920)	(63,890)	-	(153,810)
Principal Paid on Debt Instruments	(84,003)	(29,800)	-	(113,803)
Passenger Facility Charges	-	65,329	-	65,329
Other Receipts (Payments)	-	(5)	-	(5)
Net Cash Provided (Used)	(254,584)	(86,498)	-	(341,082)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	6,041	-	6,041
Interest and Dividends on Investments	30,936	22,273	171	53,380
Net Cash Provided (Used)	30,936	28,314	171	59,421
Net Increase (Decrease) in Cash and Cash Equivalents	(15,464)	(2,733)	945	(17,252)
Cash and Cash Equivalents, July 1 (including 368,675 for Water & Sewer and 347,964 for Aviation reported in restricted accounts)	418,958	442,876	3,632	865,466
Cash and Cash Equivalents, June 30 (including 350,933 for Water & Sewer and 353,310 for Aviation reported in restricted accounts)	403,494	440,143	4,577	848,214
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	126,688	(12,701)	(2,181)	111,806
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	82,554	76,680	-	159,234
Changes in Assets and Liabilities:				
Receivables, Net	177	(3,733)	843	(2,713)
Deferred Revenue	507	(13,729)	-	(13,222)
Inventories	(544)	21	2,119	1,596
Accounts and Other Payables	6,502	6,613	(7)	13,108
Accrued Expenses	(3,450)	607	-	(2,843)
Net Cash Provided by Operating Activities	212,434	53,758	774	266,966

Non-cash Capital & Financing Activities:

During the year the City issued $345.0 million of Water & Wastewater revenue refunding bonds. The proceeds were deposited immediately into an irrevocable trust and used to current refund a portion of the 1997A Series Water & Wastewater revenue bonds and advance refund Series 2001A Water & Wastewater revenue bonds.

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

City of Philadelphia **Exhibit IX**

Statement of Net Assets

Fiduciary Funds

June 30, 2007

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	123,808
Equity in Treasurer's Account	5,424,797	20,365
Investments	-	19,881
Securities Lending Collective Investment Pool	443,073	-
Accounts Receivable	4,283	-
Due from Brokers for Securities Sold	72,682	-
Interest and Dividends Receivable	11,000	-
Due from Other Governmental Units	5,158	-
Due from Other Funds	-	800
Total Assets	5,960,993	164,854
Liabilities		
Vouchers Payable	104	156
Accounts Payable	4,295	-
Salaries and Wages Payable	127	-
Payroll Taxes Payable	-	6,931
Funds Held in Escrow	377	157,767
Due on Return of Securities Loaned	443,073	-
Due to Brokers for Securities Purchased	139,570	-
Accrued Expenses	1,074	-
Deferred Revenue	1,971	-
Other Liabilities	315	-
Total Liabilities	590,906	164,854
Net Assets Held in Trust for Pension Benefits	5,370,087	-

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

City of Philadelphia **Exhibit X**

Statement of Changes in Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	447,527
Employees' Contributions	49,180
Total Contributions	496,707
Investment Income:	
Interest and Dividends	96,157
Net Gain in Fair Value of Investments	754,776
(Less) Investments Expenses	(19,595)
Securities Lending Revenue	21,968
(Less) Securities Lending Expenses	(20,853)
Net Investment Gain	832,453
Miscellaneous Operating Revenues	1,963
Total Additions	1,331,123
Deductions	
Personal Services	3,626
Purchase of Services	1,183
Materials and Supplies	104
Employee Benefits	1,562
Pension Benefits	687,482
Refunds of Members' Contributions	4,475
Other Operating Expenses	55
Total Deductions	698,487
Change in Net Assets	632,636
Net Assets - July 1, 2006	4,737,451
Net Assets - June 30, 2007	5,370,087

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

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2007

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Authority*	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Pennsylvania Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development*	Total
Assets											
Cash on Deposit and on Hand	6,611	71,061	108,121	42,009	1,362	4,033	25,164	1,933	9,344	9,749	279,387
Equity in Pooled Cash and Investments	-	-	-	-	28,272	-	-	-	-	-	28,272
Investments	-	-	14,398	124,423	-	38,520	-	52,099	457	-	229,897
Due from Primary Government	-	14,219	-	-	-	-	57,671	3,199	-	-	75,089
Amounts Held by Fiscal Agent	86	-	-	-	69,880	-	-	-	-	-	69,966
Notes Receivable	106	30,086	34,060	-	-	221	-	-	-	-	64,473
Taxes Receivable	-	-	-	-	129,536	-	-	-	-	-	129,536
Accounts Receivable-Net	74,254	383	20,039	581	5,574	2,851	8,332	795	1,384	15,785	129,978
Interest and Dividends Receivable	-	14,559	195	771	218	89	-	564	-	-	16,396
Due from Other Governments	-	813	-	-	90,925	1,897	-	-	-	24,497	118,132
Inventories	149,438	18,635	4,489	-	3,497	-	-	-	-	-	176,059
Other Assets	137,355	551	22,245	22,558	78,530	474	594	4,543	935	-	267,785
Restricted Assets:											
Cash and Cash Equivalents	135,625	18,316	6,925	-	491,292	1,315	-	-	-	23,139	676,612
Other Assets	-	22,974	11,771	-	-	-	-	-	-	26,969	61,714
Capital Assets:											
Land and Other Non-Depreciated Assets	70,389	479	122,656	15,916	521,730	23,381	-	3,321	6,219	3,791	767,882
Other Capital Assets (Net of Depreciation)	937,259	1,515	803,231	203,420	1,007,623	75,617	2,206	231,333	5,154	52,363	3,319,721
Total Capital Assets	1,007,648	1,994	925,887	219,336	1,529,353	98,998	2,206	234,654	11,373	56,154	4,087,603
Total Assets	1,511,123	193,591	1,148,130	409,678	2,428,439	148,398	93,967	297,787	23,493	156,293	6,410,899
Liabilities											
Notes Payable	55,000	23,140	-	11,181	-	48,770	-	-	-	-	138,091
Vouchers Payable	40,316	-	-	-	-	7,073	-	-	-	-	47,389
Accounts Payable	-	10,057	12,882	26,643	153,045		1,126	4,107	463	10,392	218,715
Salaries and Wages Payable	4,771	-	-	-	33,018	5,004	2,185	766	-	-	45,744
Accrued Expenses	37,981	5,220	16,338	2,428	-	1,310	-	3,759	1,501	-	68,537
Funds Held in Escrow	-	9,767	1,203	-	-	63	77,272	-	-	4,134	92,439
Due to Other Governments	-	-	-	-	890	8,383	-	-	-	11,566	20,839
Due to Primary Government	45,000	1,500	-	36,726	-	-	-	21,077	-	6,374	110,677
Deferred Revenue	12,815	39,656	-	3,560	35,807	1,286	13,384	1,147	8,656	24,420	140,731
Overpayment of Taxes	-	-	-	-	12,082	-	-	-	-	-	12,082
Other Current Liabilities	-	-	34,362	-	58,875	-	-	-	44	3,261	96,542
Non-Current Liabilities:											
Due within one year	38,045	3,143	5,611	59,940	192,381	1,127	-	6,025	-	-	306,272
Due in more than one year	1,037,790	37,982	183,915	206,465	3,170,850	757	-	206,401	2,188	11,639	4,857,987
Total Liabilities	1,271,718	130,465	254,311	346,943	3,656,948	73,773	93,967	243,282	12,852	71,786	6,156,045
Net Assets											
Invested in Capital Assets, Net of Related Debt	(7,754)	1,994	597,580	-	4,316	49,504	-	-	-	44,589	690,229
Restricted For:											
Capital Projects	-	-	-	-	-	930	-	-	-	-	930
Debt Service	95,989	9,516	-	25,264	70,056	-	-	-	-	-	200,825
Educational Programs	-	-	-	-	5,996	5,131	-	-	-	-	11,127
Grant Programs	-	-	2,394	-	-	-	-	-	-	38,468	40,862
Unrestricted	151,170	51,616	293,845	37,471	(1,308,877)	19,060	-	54,505	10,641	1,450	(689,119)
Total Net Assets	239,405	63,126	893,819	62,735	(1,228,509)	74,625	-	54,505	10,641	84,507	254,854

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2006. The Community Behavioral Health Fund and the Philadelphia Authority for Industrial Development Fund are presented as of the close of their fiscal year, December 31, 2006. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2007.

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

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2007

Exhibit XII

Amounts in thousands of USD

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Authority*	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations															
Gas Works	947,566	940,443	23,882	-	16,759										16,759
Housing															
Redevelopment Authority	63,079	1,806	73,796	-		12,523									12,523
Housing Authority	418,639	26,408	336,135	20,478			(35,618)								(35,618)
Total	481,718	28,214	409,931	20,478											
Parking															
Parking Authority	189,440	192,200	-	-				2,760							2,760
Education															
School District	2,702,179	7,615	873,509	123					(1,820,932)						(1,820,932)
Community College	119,730	28,278	37,368	35						(54,049)					(54,049)
Total	2,821,909	35,893	910,877	158											
Health															
Community Behavioral Health	655,832	-	653,972	-							(1,860)				(1,860)
Economic Development															
Convention Center Authority	48,245	9,036	34,909	8,988								4,688			4,688
Penn's Landing Corporation	9,824	6,654	2,233	-									(937)		(937)
Authority for Industrial Development	115,262	20,431	65,973	-										(28,858)	(28,858)
Total	173,331	36,121	103,115	8,988											
Total Component Units	5,269,796	1,232,871	2,101,777	29,624											(1,905,524)
General Revenues:															
Property Taxes					-	-	-	-	549,519	-	-	-	-	-	549,519
Other Taxes					-	-	-	-	168,484	-	-	-	-	-	168,484
Grants & Contributions Not Restricted to Specific Programs					-	-	-	-	986,574	58,262	-	-	-	-	1,044,836
Unrestricted Interest & Investment Earnings					-	3,240	-	5,644	-	2,557	1,860	3,452	491	1,609	18,853
Miscellaneous					-	-	-	-	250	955	-	-	-	-	1,205
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	-	-	1,880	1,880
Transfers					-	-	-	-	-	-	-	-	-	20,473	20,473
Total General Revenues, Special Items and Transfers					-	3,240	-	5,644	1,704,827	61,774	1,860	3,452	491	23,962	1,805,250
Change in Net Assets					16,759	15,763	(35,618)	8,404	(116,105)	7,725	-	8,140	(446)	(4,896)	(100,274)
Net Assets - July 1, 2006					222,646	47,363	927,420	54,331	(1,111,254)	66,900	-	46,365	11,087	89,403	354,261
Adjustment					-	-	2,017	-	(1,150)	-	-	-	-	-	867
Net Assets Adjusted - July 1, 2006					222,646	47,363	929,437	54,331	(1,112,404)	66,900	-	46,365	11,087	89,403	355,128
Net Assets - June 30, 2007					239,405	63,126	893,819	62,735	(1,228,509)	74,625	-	54,505	10,641	84,507	254,854

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2006. The Community Behavioral Health Fund and the Philadelphia Authority for Industrial Development Fund are presented as of the close of their fiscal year, December 31, 2006. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2007.

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

Mounted Police in City Hall Courtyard (1908)

Notes to the Financial Statements
FYE 06/30/2007

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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) – 1429 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.

From time to time the status of the City's component units is re-evaluated to determine if an organization continues to meet the requirements for inclusion as a component unit. The Philadelphia Housing Authority (PHA) has been included as a discretely presented component unit in the past. However, after reviewing the City's relationship with PHA it has been determined that PHA should be considered a related organization. Although City officials appoint a voting majority of PHA's board of directors it has been determined that the City cannot impose its will on PHA and PHA is not fiscally dependent on the City.

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.

Penn's Landing Corporation (PLC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
PLC was established to assist the City and the Commonwealth of Pennsylvania and their agencies in the rehabilitation, renewal and management of the historic site on the bank of the Delaware River known as Penn's Landing. The Corporation is governed by a 20 member board with 10 members appointed by the City. It receives substantial subsidies from the City and its budgets must be approved by the City**.**

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.

Philadelphia Housing Authority (PHA) – 2012 Chestnut St., Philadelphia, PA 19103
PHA was established to provide low cost housing and other social services to the residents of the City. It is governed by a five member board with four members appointed by the City. PHA provides significant services to the City's residents.

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) – 1101 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 Activities	Business-type Activities	Aggregate Discretely Presented Component Units	Major Funds	Aggregate Remaining Fund Information
Total Assets	7%	0%	62%	0%	93%
Total Revenues	7%	0%	50%	0%	85%

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

Activity 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 uncollectibles. The real estate tax receivable allowance is equal to 46.4% 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; $4.790 for the SDP and $3.474 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 SDP consists primarily of uncollected real estate taxes which were levied in the current and prior years but will not be available to pay liabilities of the current period. It is estimated that substantially all of the year-end balance will be received and recognized as revenue in the subsequent year.

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.

13. COMPONENT UNIT ACCRUED LIABILITIES, NOTES PAYABLE AND FIXED LIABILITIES

Accrued liabilities, notes payable and fixed liabilities of the Philadelphia Housing Authority (PHA) are comprised primarily of accrued interest and notes or bonds payable which are the obligations of HUD. Such obligations were issued by HUD to finance the acquisition, construction or rehabilitation of housing units utilized by PHA in the Public Housing Program. HUD pays the annual debt service on these obligations through annual contribution contracts.

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, eight Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax and Housing Trust 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 $361.7 million and $361.4 million respectively. All of the collateralized securities were held in the City's name except for $143.2 million which were 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 has selected 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, 2007 the City's Investments consisted of:

(amounts in thousands of USD)	Primary Government	
	Fair Value	% of Total
U.S. Government Securities	211,273	2.6%
U.S. Government Agency Securities	1,301,572	16.0%
Corporate Bonds	401,415	4.9%
Corporate Equity	4,528,550	55.5%
Commercial Paper	530,441	6.5%
Collateralized Mortgage Obligations	173,406	2.1%
Other Bonds and Investments	142,072	1.7%
Short-Term Investment Pools	422,015	5.2%
Real Estate	25,118	0.3%
Financial Agreements	354,680	4.3%
Certificates of Deposit	69,700	0.9%
	8,160,242	

The Philadelphia Code authorizes financial institutions for deposit of City funds. During FY 2007 the trust department of an authorized financial institution was sold to a financial institution that was not on the City's authorized depository list. At June 30, 2007 the trust department of the successor institution accounted for $1.3 billion in City investments. Legislation will be proposed to include the successor institution as an authorized depository.

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)

	Fair Value		
Maturity :	Less than 1 year	1-3 years	More than 3 years
Short term Investment Pools	230,503	-	-
U.S. Government Securities	64,088	65,019	1,142
U. S. Government Agency Securities	790,305	283,131	3,504
Corporate Bonds	125,235	12,614	422
Municipal Bonds	13,950	-	-
Commercial Paper	530,441	-	-
Financial Agreements	40,000	-	-
Repurchase Agreements	-	-	10,659
Certificates of Deposit	69,700	-	-
	1,864,222	360,764	15,727

Credit Risk: The City's credit risk is limited by investing in US Government securities (5.8%) or US Government Agency obligations (48.1%). 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 (23.7%) 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, 93% 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 AAAm by Standard & Poor's Corp and Aaa by Moody's Investor Services. 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 assets 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.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 61% of all investments and is invested primarily in equity securities (67.1%). 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, 76% had Standard & Poor ratings of AAA to A and 77% had Moody's rating of Aaa to A1.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Russell 1000 Growth Pooled Fund exceeding 5% of the total investment (5.26%). The fair value of the investment in the Russell 1000 Growth Pooled Fund was $259,763 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 21% of the total investment in equities.

Municipal Pension Fund
Equity Securities subject to Foreign Currency Risk

Currency	Fair Value (USD)	
Euro Currency	281,044,889	40.28%
Pound Sterling	144,899,513	20.77%
Japanese Yen	118,454,631	16.98%
Australian Dollar	46,152,410	6.62%
All others	107,124,676	15.35%
	697,676,119	

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

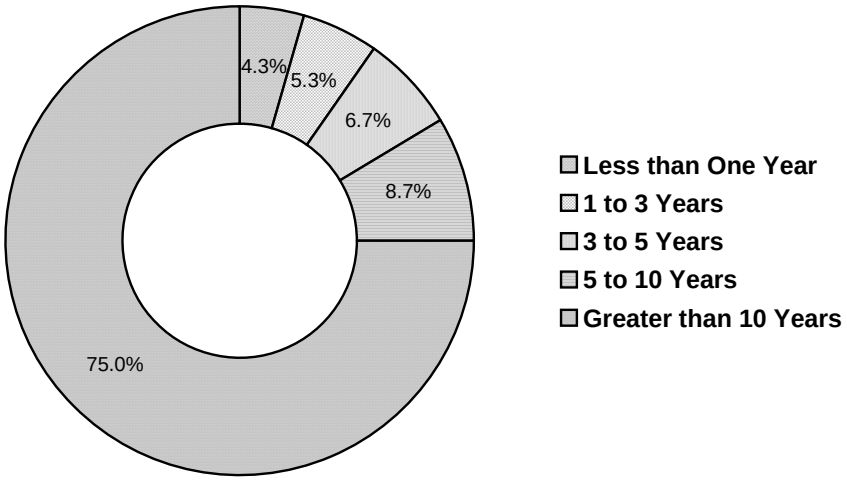
	Currency	Fair Value (USD)	Maturities
Currency	Euro	4,279,286	
Currency	Australian Dollar	1,485,402	
Currency	All others	5,005,083	
Government Issues	Euro	1,993,331	Jan 2015 - Jan 2017
Government Issues	Canadian Dollar	218,394	Dec 2031
Limitied Partnership Units	Euro	52,298,181	
Real Estate Investment Trusts	Pounds Sterling	685,498	
Real Estate Investment Trusts	All others	358,444	

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 leaned 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 borrower defaults.

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

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the PGWRR owns approximately 5.8% of all investments and is primarily invested in equity securities (65%). 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 manager's Average Credit Quality range from AAA to AA.

The PGWRR's fixed income investments are as follows:

(amounts in thousands of USD)

Investment type	less than 1 yr	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short-Term Investment Pools	4,652	-	-	-	-
U.S. Government Agency Securities	-	761	267	330	101
U.S. Government Securities	-	8,285	5,529	3,790	2,952
MTG Pass Thrus	940	73	1,539	1,510	12,239
Collateralized Mortgage Obligations	-	3,967	2,720	3,935	24,432
Asset Backed Securities	114	4,385	4,674	362	2,548
Corporate bonds	2,659	7,522	6,306	5,296	4,907
	8,365	24,993	21,035	15,223	47,179

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 banks must deposit (with their trust department or other custodian) obligations of the US Government, the Commonwealth of Pa 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) was $97.5 million. The bank balance of $97.5 million was insured or collateralized as follows:

(amounts in thousands of USD)	
Insured	100
Uninsured and uncollateralized	97,384
	97,484

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 $63.3 million 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:

(amounts in thousands of USD)	Fair Value	Cost
U S Government Securities	389	389
Money Market Funds	30	30
Certificates of Deposit	103	103
	522	522

All investments were uninsured and unregistered, for which the securities are held by the financial institutions' trust department 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 money market funds and government securities was rated AAA by S&P. Depository accounts consisted of $423 thousand on deposit with a local bank. Amounts are insured by the FDIC up to $100 thousand. Amounts are also insured by collateral pledges at the Federal Reserve Bank.

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 no 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 2001, 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 Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	790	790
Non major Special Revenue Funds	18,037	-	4,450	10	22,497
Non major Debt Service Funds	59	167	-	-	226
Total	18,096	167	4,450	800	23,513

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. During fiscal 2001, the City approved loaning up to $45.0 million to the Philadelphia Gas Works to meet an unanticipated emergency created by a cash flow crisis. All interfund balances are expected to be settled during the subsequent year except the $45.0 million due from PGW. 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:*						
	General	Airport	PCCA	CBH	RDA	Timing Difference	Total
Payables Due From:							
General	-	-	-	-	2,316	-	2,316
Behavioral Health	-	-	-	35,267	-	-	35,267
Grants Revenue	-	-	-	-	2,376	-	2,376
Non-major Funds	-	-	3,199	-	2,895	-	6,094
PGW	45,000	-	-	-	-	-	45,000
PPA	7,757	33,185	-	-	-	(4,216)	36,726
PCCA	21,077	-	-	-	-	-	21,077
PAID	6,374	-	-	-	-	-	6,374
Timing Difference	(6,374)	(33,185)	-	22,404	6,632	-	(10,523)
Total	73,834	-	3,199	57,671	14,219	(4,216)	144,707

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:				
Capital assets not being depreciated:				
Land	741	2	-	743
Fine Arts	1	-	-	1
Construction In Process	4	-	(3)	1
Total capital assets not being depreciated	746	2	(3)	745
Capital assets being depreciated:				
Buildings	1,678	43	(2)	1,719
Other Improvements	262	15	(1)	276
Equipment	430	27	(14)	443
Infrastructure	1,145	23	-	1,168
Transit	292	-	-	292
Total capital assets being depreciated	3,807	108	(17)	3,898
Less accumulated depreciation for:				
Buildings	(889)	(56)	-	(945)
Other Improvements	(170)	(8)	-	(178)
Equipment	(331)	(23)	7	(347)
Infrastructure	(752)	(48)	-	(800)
Transit	(173)	(8)	-	(181)
Total accumulated depreciation	(2,315)	(143)	7	(2,451)
Total capital assets being depreciated, net	1,492	(35)	(10)	1,447
Governmental activities capital assets, net	2,238	(33)	(13)	2,192

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	88	6	-	94
Construction In Process	179	161	(177)	164
Total capital assets not being depreciated	267	167	(177)	258
Capital assets being depreciated:				
Buildings	2,731	100	(3)	2,828
Other Improvements	202	1	-	203
Equipment	103	8	(9)	102
Infrastructure	2,229	69	(3)	2,295
Total capital assets being depreciated	5,265	178	(15)	5,428
Less accumulated depreciation for:				
Buildings	(1,178)	(86)	2	(1,262)
Other Improvements	(101)	(4)	-	(105)
Equipment	(71)	(8)	5	(74)
Infrastructure	(1,090)	(61)	3	(1,148)
Total accumulated depreciation	(2,440)	(159)	10	(2,589)
Total capital assets being depreciated, net	2,825	19	(5)	2,839
Business-type activities capital assets, net	3,092	187	(182)	3,097

The beginning balance of Land and Buildings in Governmental Funds were increased to include the capital assets of the Fairmount Park commission. In the Business-Type Funds, the Aviation Fund reclassified beginning balances in Buildings, Other Improvements, Equipment and Infrastructure but did not change total capital assets.

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

(Amounts in Thousands of USD)

Governmental Activities:	
Economic Development	3,626
Transportation:	
Streets & Highways	32,072
Mass Transit	26,969
Judiciary and Law Enforcement:	
Police	7,924
Prisons	6,167
Courts	662
Conservation of Health:	
Health Services	2,334
Housing and Neighborhood Development	2
Cultural and Recreational:	
Recreation	10,207
Parks	9,045
Libraries and Museums	5,555
Improvements to General Welfare:	
Social Services	2,210
Inspections and Demolitions	141
Service to Property:	
Fire	4,500
General Management & Support	30,915
Total Governmental Activities	142,329
Business Type Activities:	
Water and Sewer	82,554
Aviation	76,680
Total Business Type Activities	159,234

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)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	113	-	-	113
Construction In Process	253	230	(74)	409
Total capital assets not being depreciated	366	230	(74)	522
Capital assets being depreciated:				
Buildings	987	62	-	1,048
Other Improvements	776	50	-	827
Equipment	240	29	(20)	249
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,004	141	(20)	2,125
Less accumulated depreciation for:				
Buildings	(476)	(18)	-	(494)
Other Improvements	(424)	(40)	-	(464)
Equipment	(154)	(23)	18	(159)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,056)	(81)	18	(1,118)
Total capital assets being depreciated, net	948	60	(2)	1,006
Capital assets, net	1,315	290	(76)	1,530
Business-type activities:				
Capital assets not being depreciated:				
Land	59	5	(6)	58
Fine Arts	3	2	-	5
Construction In Process	186	116	(121)	181
Total capital assets not being depreciated	248	123	(127)	244
Capital assets being depreciated:				
Buildings	2,364	18	(7)	2,375
Other Improvements	34	4	-	38
Equipment	378	16	(11)	383
Infrastructure	1,173	46	(4)	1,215
Total capital assets being depreciated	3,948	84	(22)	4,010
Less accumulated depreciation for:				
Buildings	(960)	(78)	2	(1,036)
Other Improvements	(24)	(12)	-	(36)
Equipment	(98)	(14)	23	(89)
Infrastructure	(513)	(25)	3	(535)
Total accumulated depreciation	(1,595)	(129)	28	(1,696)
Total capital assets being depreciated, net	2,353	(45)	6	2,314
Capital assets, net	2,601	78	(121)	2,558

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 $150 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 Fund's revenues. The notes outstanding at year end (August 31, 2006) had an average weighted interest rate of approximately 3.57% and terms to maturity of 1 day. The principal amount outstanding was $55 million.

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year end of $23.1 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 7.3%. Aggregate minimum principal payments on these notes are as follows:

Fiscal Year	Amount
2008	$ 6,370,305
2009	-
2010	-
2011	-
2012	-
2013-2017	-
2018-2022	13,736,956
2023-2027	83,000
2028-2032	1,000,000
2033-2037	1,950,000
Total	$ 23,140,261

In September, 2006, under a loan agreement with the Authority, **CCP** borrowed $3.0 million. The loan has an interest rate of 4.5% and will be repaid over a ten year period. The proceeds of the loan went towards deferred maintenance cost for various projects.

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 $84.4 million. The loans have interest rates ranging from 1.25% to 6.15%, mature through 2023 and will be used for various capital projects and the upgrading of network infrastructures.

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

Period	Amount
2007 to 2008	$ 5,055,527
2008 to 2009	5,030,000
2009 to 2010	3,730,000
2010 to 2011	3,885,000
2011 to 2012	4,040,000
2013 to 2017	15,165,000
2018 to 2022	9,810,000
2023 to 2027	2,055,000
Total	$ 48,770,527

PPA, in prior years, borrowed a total of $17.7 million in the form of bank notes ranging in maturity from 12-15 years and in interest rates from 4.06 to 6.5%. The proceeds 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 principal balance of these notes at March 31, 2007 was $11,181,158 subject to the following repayment schedule:

Fiscal Year		Amount
2008	$	1,390,891
2009		1,501,589
2010		1,912,235
2011		1,885,841
2012		1,236,209
2013-2017		2,633,614
2018-2022		620,779
Total	$	11,181,158

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, 2007 the statutory limit for the City is $1.4 billion, the General Obligation Debt net of deductions authorized by law is $1.3 billion, leaving a legal debt borrowing capacity of $81.3 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)

Governmental Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	1,220.2	28.9	(51.8)	1,197.3	58.2
Refunding Bonds	140.6	-	(4.1)	136.5	7.7
Serial Bonds	497.4	188.7	(35.5)	650.6	23.3
Less Deferred Amounts					
Unamortized Bond Premium	26.6	13.7	(2.4)	37.9	-
Unamortized Issuance Expenses	(8.3)	(4.9)	0.5	(12.7)	-
Unamortized Discount and Loss	(11.1)	-	0.9	(10.2)	-
Total Bonds Payable	1,865.4	226.4	(92.4)	1,999.4	89.2
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,439.2	45.7	(40.0)	1,444.9	47.0
Neighborhood Transformation	277.4	-	(5.8)	271.6	6.0
One Parkway	50.9	-	(1.3)	49.6	1.4
Sports Stadia	339.6	-	(5.6)	334.0	5.9
Library	10.8	-	(0.4)	10.4	0.4
Cultural Corridor Bonds	-	135.5	-	135.5	3.0
Indemnity Claims	46.2	16.8	(27.4)	35.6	10.7
Worker's Compensation Claims	212.4	59.6	(46.3)	225.7	28.3
Termination Compensation Payable	171.2	33.3	(21.2)	183.3	21.2
Governmental Activity Long-term Liabilities	4,413.1	517.3	(240.4)	4,690.0	213.1

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 Rates	Principal	Due Dates
Governmental Funds:			
City	4.05 % to 6.00 %	1,166.4	Fiscal 2008 to 2033
PMA	2.00 % to 7.50 %	195.4	Fiscal 2008 to 2019
PICA	4.75 % to 5.50 %	622.5	Fiscal 2008 to 2023
		1,984.3	

In July, 2006, the City issued $217.5 million in General Obligation Bonds, of which $188.7 million were serial bonds with interest rates ranging from 4.5% to 5.1%, maturing in 2029. The remaining $28.9 million were term bonds with a 5% interest rate and mature in 2031. The proceeds of the sale were used to finance and reimburse the City for various capital projects.

The City has General Obligation Bonds authorized and unissued at year end of $178.7 million for Governmental Funds.

The debt service through maturity for the Governmental General Obligation Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2008	31.0	55.9	9.5	14.9	48.7	31.9
2009	35.1	54.4	14.2	14.8	42.5	29.4
2010	36.8	52.6	15.0	13.9	37.9	27.3
2011	39.0	50.4	15.6	13.3	36.2	25.3
2012	40.3	49.1	16.2	12.6	38.1	23.4
2013-2017	228.8	210.2	89.5	39.7	221.9	85.1
2018-2022	253.1	151.2	35.4	1.5	177.7	29.8
2023-2027	265.9	89.5	-	-	19.5	0.9
2028-2032	221.4	29.6	-	-	-	-
2033-2037	15.0	0.4	-	-	-	-
Totals	1,166.4	743.3	195.4	110.7	622.5	253.1

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

(Amounts In Millions of USD)

	Lease & Service Agreements											
	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	47.1	44.5	6.0	13.9	1.5	2.7	5.9	17.6	0.4	0.4	2.9	6.4
2009	54.8	41.8	6.3	13.6	1.5	2.6	6.2	17.3	0.4	0.4	3.1	6.2
2010	71.1	38.7	6.6	13.3	1.6	2.5	7.1	16.9	0.4	0.4	3.3	6.1
2011	80.2	34.5	6.9	13.0	1.7	2.4	8.0	16.5	0.5	0.4	3.3	5.9
2012	66.6	53.1	7.2	12.7	1.8	2.3	8.4	16.1	0.5	0.3	3.4	5.8
2013-2017	304.4	346.8	42.2	57.4	10.4	10.1	52.0	72.4	2.7	1.5	19.9	26.3
2018-2022	228.4	445.2	54.8	44.9	13.5	7.0	68.1	56.1	3.2	0.9	25.5	20.7
2023-2027	253.4	421.4	70.9	28.9	17.6	2.9	88.7	35.4	2.3	0.2	32.7	13.5
2028-2032	338.9	29.3	70.7	9.1	-	-	89.6	9.7	-	-	41.4	4.8
Totals	1,444.9	1,455.3	271.6	206.8	49.6	32.5	334.0	258.0	10.4	4.5	135.5	95.7

(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 Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	7.0	-	(1.2)	5.8	1.2
Revenue Bonds	3,027.0	345.0	(454.1)	2,917.9	123.1
Less Deferred Amounts					
Unamortized Discounts and Loss	(110.8)	-	8.2	(102.6)	-
Total Bonds Payable	2,923.2	345.0	(447.1)	2,821.1	124.3
Indemnity Claims	1.2	2.8	(2.4)	1.6	-
Worker's Compensation Claims	10.9	6.0	(3.9)	13.0	-
Termination Compensation Payable	14.7	2.7	(2.1)	15.3	-
Arbitrage	0.2	0.5	-	0.7	-
Business-type Activity Long-term Liabilities	2,950.2	357.0	(455.5)	2,851.7	124.3

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)

	Interest Rates	Principal	Due Dates
Enterprise Funds			
Water Fund	1.0 %	5.8	Fiscal 2008 to 2012
		5.8	

Also, the City has General Obligation Bonds authorized and unissued at year end of $303.6 million for 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	Water Fund Interest
2008	1.2	0.1
2009	1.2	-
2010	1.2	-
2011	1.2	-
2012	1.0	
Totals	5.8	0.1

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	2.73 % to 7.00 %	1,756.5	Fiscal 2008 to 2036
Aviation Fund	4.20 % to 6.00 %	1,161.4	Fiscal 2008 to 2035
Total Revenue Debt Payable		2,917.9	

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

(Amounts In Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest	Aviation Fund Principal	Aviation Fund Interest
2008	91.3	82.3	31.7	61.2
2009	90.4	81.4	36.2	59.2
2010	94.0	77.8	38.4	56.9
2011	99.6	71.7	44.1	54.5
2012	106.9	64.1	46.8	51.8
2013-2017	551.9	235.7	267.6	214.1
2018-2022	232.8	143.3	270.5	138.4
2023-2027	204.7	90.9	280.0	71.2
2028-2032	226.8	43.2	123.4	15.6
2033-2037	58.1	6.0	22.7	2.2
Totals	1,756.5	896.4	1,161.4	725.1

(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)
Enterprise Funds:	
Water Fund Revenue Bonds	364.4

In May, 2007, the City issued $191.4 million of Water & Wastewater Revenue refunding Series 2007A and $153.6 million Water & Wastewater Revenue refunding Series 2007B bonds. The proceeds of the bonds were used to current refund a portion of the 1997A Series Water & Wastewater Revenue and to advance refund a portion of the Series 2001A Water & Wastewater Revenue Bonds. The refunding structure of the bonds generated approximately $14.5 million in net present value savings or 4.22% of the principal amount of the refunded bonds. The early extinguishing of debt resulted in an accounting loss of approximately $17.1 million, representing the difference between the reacquisition price of $353.7 million and the amount of debt extinguished of $341.5 million (less $4.9 million unamortized discount). The resulting loss attributed to the Series 1997A and Series 2001A bonds, $17.1 million, will be amortized monthly over the life of the refunded bonds through November, 2031.

(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 $310.0 million in Tax Revenue Anticipation Notes by June 2007 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, 2006	-
Additions	310.0
Deletions	(310.0)
Balance June 30, 2007	-

(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, 2007 the Aviation Fund recorded a liability of $0.7 million. There was no liability for the Water Fund.

(6) Interest Rate Swaption

a. Philadelphia Airport Swaption

Objective of swaption: In April 2002, the Airport entered into a swaption that provided the Airport with an up-front payment of $6.5 million. As a synthetic refunding of its 1995 Bonds, this payment represents the present value savings as of April, 2002, of refunding on June 15, 2005, without issuing refunding bonds as of April, 2002. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005 - the Airport's 1995 bonds' first call date. The swap also commenced on the exercise date of June 15, 2005. 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 rates 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 will approximate the debt service of the "refunded bonds." The swap's variable payment would be based on the SIFMA Municipal Swap Index(formerly the BMA Municipal Swap Index). Staring on June 15, 2007 and thereafter, to the extent that 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, 2007, the swap had a notional amount of $182.7 million and the associated variable-rate bond had a $182.7 million principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. The bonds and the related swap agreement mature on June 15, 2025 As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to JPMorgan	Fixed	6.369%
Variable payment from JPMorgan	SIFMA	(3.730%)
Net interest rate swap payments		2.639%
Variable Rate bond coupon payments	Market driven	3.830%
Synthetic interest rate on bonds		6.469%

Fair Value: As of June 30, 2007, the swap had a negative fair value of $14.0 million. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risk: As of June 30, 2007, 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 rate bond coupon payments, the synthetic interest rate on the bonds will increase. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if JP Morgan or its Credit Support Provider, or the Airport has one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., (ii) BBB- or higher as determined by Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

Swap payments and associated debt: As of June 30, 2007, 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 Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2008	$ 4,100,000	$ 6,990,867	$ 4,547,389	$ 11,538,256
2009	4,700,000	6,832,880	4,116,524	10,949,403
2010	5,300,000	6,651,912	3,702,456	10,354,368
2011	6,000,000	6,447,805	3,217,746	9,665,551
2012	6,700,000	6,216,888	2,760,011	8,976,899
2013 - 2017	45,200,000	26,626,798	6,861,796	33,488,594
2018 - 2022	64,600,000	16,427,189	(1,649,202)	14,777,987
2023 - 2027	46,100,000	3,492,162	(1,515,867)	1,976,295
	$ 182,700,000	$ 79,686,501	$ 22,040,852	$ 101,727,353

As rates vary, variable rate bond interest payments and net swap payments will vary. The swap increases the Airport's exposure to variable interest rates starting June 15, 2007 and thereafter to the extent that if the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan has the option to terminate the swap.

b. City of Philadelphia 2003 Water & Sewer Swap(1993 Bonds)

Objective of swaption: In December 2002, the City entered into a swaption that provided the City with an up-front payment of $25.0 million. As a synthetic refunding of its 1993 Bonds, this payment represents the present value savings, as of December 2002 of a refunding on March 18 2003, without issuing refunding bonds as of December 2002. 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.

Terms: Citigroup exercised its option to enter into a swap on March 18, 2003 - the City's 1993 water and sewer bonds' first call date. The swap also commenced on the exercise date of March 18, 2003. Under the swap, the City pays a fixed payment of 4.52% and receives a variable payment computed as the actual bond rate through March 1, 2005 and thereafter computed as the actual bond rate or alternatively, 68.5% of USD-LIBOR-BBA with a Designated Maturity of one month ("one month LIBOR"), in the event the average rate on the Bonds as a percentage of the average of the one month LIBOR has exceeded 68.5% for a period of more than 180 days. The rates are based on an amortizing notional schedule (with an initial notional amount of $381.2 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the "refunded bonds."

As of June 30, 2007, the swap had a notional amount of $372.2 million and the associated variable-rate bond has a $372.2 million principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. The bonds and the related swap agreement mature June 15, 2023. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Citigroup	Fixed	4.52%
Variable payment from Citigroup	Actual Bond Rate	(3.73%)
Net interest rate swap payments		0.79%
Variable Rate bond coupon payments	Market driven	3.73%
Synthetic interest rate on bonds		4.52%

Fair Value: As of June 30, 2007, the swap had a negative fair value of $18.0 million. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risk: As of June 30, 2007, 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. Should the variable-rate received on the swap change from the actual bond rate to the alternative floating rate of 68.5% of one month LIBOR, the City would be 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 structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if Citigroup's or its Credit Support Provider, or the City has one or more outstanding issues of rated unsecured, un-enhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

Swap payments and associated debt: As of June 30, 2007, 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	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2008	$ 1,095,000	$ 13,883,969	$ 2,940,573	$ 16,824,542
2009	1,145,000	13,843,048	2,931,906	16,774,954
2010	1,205,000	13,800,246	2,922,840	16,723,087
2011	1,260,000	13,755,214	2,913,303	16,668,517
2012	41,195,000	13,646,151	2,890,203	16,536,354
2013 - 2017	245,585,000	41,760,046	8,844,621	50,604,668
2018 - 2022	65,620,000	10,316,465	2,184,989	12,501,454
2023 - 2027	15,165,000	542,086	114,812	656,897
	$ 372,270,000	$ 121,547,225	$ 25,743,246	$ 147,290,471

As rates vary, variable rate bond interest payments and net swap payments will vary.

c. City of Philadelphia, 2005 Water & Sewer Swap (1995 Bonds)

Objective of swaption: 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 its 1995 Bonds, this payment represents the present value savings, as of December 2002, of a refunding on May 4, 2005, without issuing refunding bonds as of December, 2002. The swaption gives 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 - the City's 1995 water and sewer bonds' first call date. The swap also commenced on the exercise date of May 4, 2005. 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 USD-LIBOR-BRA with a Designated Maturity of one month ("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. The rates 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 will approximate the debt service of the "refunded bonds."

As of June 30, 2007, the swap had a notional amount of $84.4 million and the associated variable-rate bond has an $84.4 million principal amount. The bonds' variable-rate coupons are not based on an index but on market conditions. The bonds and the related swap agreement mature on August 1, 2018. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed payment to Citigroup	Fixed	4.53%
Variable payment from Citigroup	Actual Bond Rate	(3.73%)
Net interest rate swap payments		0.80%
Variable Rate bond coupon payments	Market driven	3.73%
Synthetic interest rate on bonds		4.53%

Fair value: As of June 30, 2007, the swap had a negative fair value of $ 4.3 million. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risk: As of June 30, 2007, 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. Should the variable rate received on the swap change from the actual bond rate to the alternative floating rate of 68.5% of one month LIBOR, the City would be 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 structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if Citigroup's or its Credit Support Provider, or the City has one or more outstanding issues of rated unsecured, un-enhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

Swap payments and associated debt: As of June 30, 2007, 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. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2008	$ 350,000	$ 3,135,593	$ 672,513	$ 3,808,107
2009	370,000	3,121,855	669,567	3,791,421
2010	390,000	3,107,370	666,460	3,773,830
2011	405,000	3,092,310	663,230	3,755,540
2012	425,000	3,076,520	659,843	3,736,363
2013 - 2017	82,280,000	9,747,858	2,090,693	11,838,551
2018 - 2022	165,000	513	110	623
	84,385,000	25,282,018	5,422,417	30,704,434

d. City of Philadelphia, 2006 Philadelphia Gas Works ("PGW") Synthetic Refunding Swap

Objective of the swap: In January, 2006, the City entered into a swap to synthetically refund outstanding bonds which provided the City with present value savings of $14.7 million or 5.144% of the refunded bonds. The swap structure was used as a means to increase the City's savings, when compared against fixed-rate bonds at the time of issuance. The intention of the swap was to effectively change the City's interest rate on the bonds to a fixed rate.

Terms: The swap, executed with JP Morgan Chase Bank, commenced 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 BMA index until September 1, 2011, on which date the variable interest rate received will switch to 70% of the one month LIBOR-until maturity. The swap has a notional amount of $313.4 million and associated variable rate bond has a $313.4 million principal amount. As of August 31, 2006, rates were as follows:

Interest Rate Swap		
Fixed payment to JPMorgan	Fixed	3.6745%
Variable payment from JPMorgan	BMA	(-3.410%)
Net interest rate swap payments		(0.265%)
Variable Rate bond coupon payments	auction rates	3.3900%
Synthetic interest rate on bonds		3.6545%

Fair Value: As of August 31, 2006, the swap had a fair value of $3.2 million. Since the coupons on the City's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value on the swaps was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks: The swaps' fair value represents the City's credit exposure to JP Morgan Chase Bank as of August 31, 2006. Should JP Morgan Chase Bank fail to perform according to the terms of the swap, the City faces a maximum possible loss equivalent to the swaps' $3.2 million fair value. As of August 31, 2006, JP Morgan Chase Bank was rated AA by Standard and Poors and Aa2 by Moody's Investors Service. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an additional termination event." That is, the swap may be terminated if the long-term debt rating of JP Morgan Chase Bank falls below "A-" by Standard & Poors Rating Group or "A3" by Moody's Investors Service unless JP Morgan Chase Bank 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 to the Schedule with the City, in form and substance acceptable to the City providing for the collateralization by JP Morgan Chase Bank of its obligations under the swap. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swaps' fair value.

The scheduled payments by the City are secured by an insurance policy provided from Financial Security Assurance Inc. (FSA). From and after the occurrence of an insurer event (as defined in the Schedule), the swap may be terminated if (i) the associated bonds are rated below "BBB" by Standard & Poors Ratings Group or below "Baa2" by Moody's Investors Service, or (ii) the bonds are not rated by either Standard and Poors Ratings Group or Moody's Investors Service, and the City has not provided a credit support provider acceptable to JP Morgan Chase Bank whose obligations are pursuant to a credit support document reasonably acceptable to JP Morgan Chase Bank.

After September 1, 2011, the City is will be exposed to tax risk as reflected by the relationship between the rate paid on the outstanding bonds and the 70% of one month LIBOR, the rate received on the swap. Tax risk is a form of basis risk where the City is exposed to a potential additional interest cost in the event that changes in the structure of the federal tax system or in the marginal tax rates causes the rate paid on the outstanding bonds to be greater than the 70% of the LIBOR received on the swap

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2008	$ -	$ 11,783,464	$ (173,931)	$ 11,609,533
2009	1,775,000	11,722,286	(173,028)	11,549,257
2010	1,845,000	11,653,133	(172,008)	11,481,125
2011	1,915,000	11,581,348	(170,948)	11,410,400
2012	1,990,000	11,506,759	(169,847)	11,336,912
2013 - 2017	40,320,000	54,032,140	(797,549)	53,234,591
2018 - 2023	74,010,000	42,293,514	(624,279)	41,669,235
2024 - 2027	107,205,000	24,725,901	(364,970)	24,360,931
2028 - 2032	84,330,000	4,425,238	(65,319)	4,359,919
				-
Totals	$ 313,390,000	$ 183,723,783	$ (2,711,880)	$ 181,011,903

e. 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 as the counterparty that provided the Authority up-front 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 issuance 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, represent 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 are 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% to 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% to 67%) of the London Interbank Offered Rate (LIBOR). Both the Authority and the counterparty have the ability terminate the swaptions, with monetary consequences, before the interest rate swaps were set to begin.

Fair value: As of June 30, 2007, the 1999 swaption had a negative fair value of approximately $21.5 million. The fair value was determined by the counterparty using its proprietary methodology.

Market access risk: If the options are exercised and the refunding bonds are not issued, the 1999 bonds would not be refunded and the Authority would make net swap payments as required by the terms of the contracts. If options are exercised and the variable rate refunding bonds are issued, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the to-be-issued variable rate refunding bonds versus the variable payment on the swap.

f. PICA Series 2003 and 2006 Swap Agreement and Basis Cap Agreement

In June, 2003, and June 2006, the counterparty exercised its option under the 1993A and 1996 swaption agreements respectively, concurrently with **PICA's** (the Authority) Series 2003 and 2006 Refunding Bond issuances. The $10.7 million premium received (1993A) was recognized as swaption premium revenue in the General Fund during the fiscal year ended June 30, 2003. The $5.8 million (1996) premium was recognized as swaption premium revenue in the General Fund during the fiscal year ended June 30, 2006. At June 30, 2007, the swaption premiums continue to be reflected as deferred revenue in the government-wide financial statements, net of amortization over the life of the related Swap Agreement.

*Terms and objec*tives: The series 2003 and 2006 bonds and the related swap agreements mature June, 2022 and June 15, 2020 respectively. The swap's initial notional amounts of $163.1 million and $90.0 million match the related 1993A and 1996 bonds that were currently refunded on June 16, 2003 and June 6, 2006 and the notional amount declines each year to match the original maturity schedules of the 1993A and 1996 refunded bonds. The swaps were entered into at the same time the refunding bonds were issued, during June 2003 and 2006. Under the swap agreements, the Authority pays the counterparty a fixed payment of approximately 5.0% and receives a variable payment computed as 67.0% of the one-month LIBOR. Conversely, the variable rate bonds are based on the Bond Market Association Municipal Swap Index ("BMA").

In June 2003 and 2004, the Authority also entered into basis cap transactions with the counterparty. Beginning July 15, 2003, and July 15, 2009, the counterparty pays the Authority a fixed rate each month of .40% and .46% per year respectively 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. The objective of each basis cap is to minimize the basis risk as discussed below.

Fair value: At June 30, 2007, the swap basis cap agreements had fair values as follows:

Instrument		Fair Value
2003 Swap Agreement	$	(11,655,000)
2003 Basis Cap		2,219,000
2006 Swap Agreement		(9,180,000)
1999 Basis Cap		4,206,000

The swap and basis cap negative fair values may be countered by a reduction in total interest payments required by the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

Credit risk: As of June 30, 2007, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated "Aaa" by Standard and Poor's and "AA" by Moody's Investors Service as of June, 2007. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A-" or "A3", respectively, the fair value of the swap will be fully collateralized by the counterparty within 15 days of it having ceased to have such minimum ratings. The collateral would be posted with a third party custodian.

Basis risk: As noted above, the swap exposes the Authority to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs, the results in the rates' moving to converge, the expected cost savings may not be realized. At June, 2007, the 67% of LIBOR rate was approximately 3.56% and the BMA rate was approximately 3.73%.

Termination risk: The derivative contract for the swap and the basis cap uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes an "additional termination events" section. Under each of the transactions the Authority has the right at its option to terminate the related interest rate swap or basis cap and any such termination will result in a termination payment calculated under the Master Agreement either owing by the Authority to the counterparty or owing by the counterparty to the Authority. Additionally, the swap may be terminated by the Authority if the counterparty's credit quality falls below "A-" as issued by Standard & Poor's or "A3" by Moody's Investors Service and collateral is not posted within 15 days of it having ceased to have such minimum ratings. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.291 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 $1.25 Billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that 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 fiscal year 2004, $10.9 million was borrowed from the line of credit.

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 2007 NTI Service Agreement liability of $271.6 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 fiscal 2007, the Sports Stadium Financing Agreement liability of $334.0 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. During fiscal year 2007, none of the proceeds were spent. In fiscal 2007 the liability of $135.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

In June, 2000 the Pennsylvania Intergovernmental Cooperation Authority (PICA), entered into a debt service reserve forward delivery agreement which began August 1, 2003, whereby PICA received a premium of $4,450,000 on December 1, 2002 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. Under this agreement PICA is guaranteed a fixed interest rate on the debt service reserve investments of 4.79%. The premium amount will be deferred and recognized as revenue over the remaining life of this agreement or through June 15, 2010 beginning with the first scheduled delivery of the debt service reserve investments in August, 2003.

(12) Pension Obligation Bond Option Rights

In July, 2002, the City through **PAID** sold the option rights relating to $225 million Pension Funding Income Bonds, Series 1999C. The bonds were structured with provisions which permit the optional redemption or mandatory tender for purchase prior to maturity at any time on or after January 15, 2004, at a purchase price of par plus accrued interest. By selling the rights, the City can no longer cause the mandatory tender for purchase or to optionally redeem the bonds. If the Purchaser exercises the option rights, then upon payment of the exercise price of the option, the Purchaser becomes the new owner of the bonds and is entitled to receive the original fixed rate payments on the Series C bonds. The City realized $8.1 million from the sale of the option rights.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

One discretely presented component unit, the **SDP**, has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total $2,638.4 million in principal, with interest rates from 3.0% to 6.25 % and have due dates from 2008 to 2036.

The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	2,386.8	1,009.2	(757.6)	2,638.4	70.8
Add: Bond Premium	32.0	18.0	(22.6)	27.4	1.3
Less: Bond Discounts	(9.9)	(0.9)	9.2	(1.6)	(0.1)
Total Bonds Payable	2,408.9	1,026.3	(771.0)	2,664.2	72.0
Loans Payable - Federal Asbestos	-	-	-	-	-
Termination Compensation Payable	285.9	32.1	(27.9)	290.1	28.2
Severance Payable	176.7	48.7	(10.8)	214.6	10.1
Other Liabilities	99.0	84.5	(40.0)	143.5	34.2
Capital Lease	2.4	-	(0.8)	1.6	0.8
Due to Other Governments			-		
Deferred Reimbursement	45.3	-	-	45.3	45.3
Deferred Revenue	1.7	-	(1.7)	-	-
Deferred Basis Swap	-	-	-	-	-
Early Retirement Incentive	5.6	0.1	(1.8)	3.9	1.8
Total	3,025.5	1,191.7	(854.0)	3,363.2	192.4

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

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2008	65.6	74.3
2009	69.3	70.8
2010	69.8	67.4
2011	71.7	64.4
2012	74.7	60.4
2013-2017	385.3	255.2
2018-2022	398.6	171.0
2023-2027	319.4	91.1
2028-2032	203.4	32.0
2033-2037	74.5	7.0
Totals	1,732.3	893.6

In December, 2006, SDP issued fixed rate School Lease Revenue Bonds through the State Public School Building Authority in the amount of $862.7 million. The Series 2006A Bonds were issued in the amount of $317.1 million, have interest rates ranging from 4% to 5%, mature in 2036 and will be used to fund various Capital Improvement Programs. The Series 2006B Bonds were issued for $545.6 million, have interest rates ranging from 3.5% to 5%, mature through 2033, and were issued to advance refund certain Series 2003 School Lease Revenue Bonds.

(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	5.75 % to 6.875 %	221.3	Fisca 2008 to 2020
PPA	3.5 % to 5.75 %	270.5	Fisca 2008 to 2029
PGW	3.0 % to 5.25 %	1,054.9	Fisca 2007 to 2032
RDA	4.50 % to 7.15 %	22.4	Fisca 2008 to 2029
Total Revenue Debt Payable		1,569.1	

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

(Amounts in Millons of USD)

Fiscal	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	6.0	11.1	59.9	13.5	38.0	47.3	-	1.1
2009	13.5	10.7	8.8	11.0	41.8	45.3	-	1.1
2010	14.2	10.0	9.3	10.6	41.6	43.2	-	1.1
2011	14.9	9.3	9.8	10.1	43.2	41.1	-	1.1
2012	15.6	8.5	10.3	9.6	43.7	38.9	-	1.1
2013-2017	91.2	29.7	50.0	39.7	203.9	168.2	2.3	5.3
2018-2022	65.9	5.3	45.0	26.0	209.5	119.4	2.4	4.2
2023-2027	-	-	45.4	15.0	216.6	71.3	5.7	3.6
2028-2032	-	-	32.0	2.7	155.2	29.6	12.0	0.8
2033-2037	-	-	-	-	61.4	5.4	-	-
2038-2042	-	-		-	-	-	-	-
Totals	221.3	84.6	270.5	138.2	1,054.9	609.7	22.4	19.2

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2006
‡ - Parking Authority amounts are presented as of its fiscal year March 31, 2007.

(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	204.1
Philadelphia Gas Works †	341.8
Community College of Philadelphia	29.3
School District of Philadelphia	1,288.6
Total	1,863.8

† - Gas Works amounts are presented as of August 31, 2006

- In February, 2007, under a loan agreement with Hospitals & Higher Education Facilities Authority, CCP borrowed $30.5 million. The proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the 1998 and 2001 loan agreements. As a result, that portion of the 1998 and 2001 loans is considered defeased, and the related liability ($6.7 and $24.0 million respectively) has been removed from the statement of net assets. At June 30, 2007, the outstanding principal of the defeased debt is $29.3 million. The 2007 loan is payable over 16-1/2 years with interest rates ranging from 4.0% to 5.0% and an average annual payment of $2.7 million.

  The transaction resulted in a loss on the advance refunding of approximately $1.6 million. This amount is deferred as unamortized issuance cost and amortized as a component of interest expense over the life of the defeased 1998 and 2001 loans.

  The advanced refunding reduced the total loan payments over the next 16-1/2 years by approximately $819,071. This resulted in an economic gain (difference between the present values of the payments on the old and new debt) of $816,498.

- In January, 2006, PGW issue $313.4 million of Sixth Series Bonds, maturing at various dates through 2031, for the purpose of redeeming and refunding, on a current basis, all of the First Series B and a portion of the outstanding Second Series A, Third Series and Fourth Series City of Philadelphia Gas Works Revenue Bonds previously issued under the 1998 Ordinance. The refunded par amounts of the First Series B, Second Series A, Third and Fourth Series Bonds were $103.6, $79.4, $99.9, and $2.3 million respectively. The $313.4 million of serial bonds have a variable rate set through weekly auction and are paid monthly. The bonds were issued on parity with the obligations of the City to make periodic payments due under a Qualified Swap being entered into between the City and JP Morgan Chase Bank, National Association (JP Morgan) in connection with the issuance of the bonds.

  The refunding of the existing debt resulted in an accounting loss of $28.3 million. The loss is being deferred and amortized as interest expense over the life of the new bonds. The refunding generated a present value savings of $14.7 million.

  The investments held by the trustee and the defeased bonds area not recognized on PGW's balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

  At August, 31, 2006, the assets pledged, primarily non-callable U.S. government securities, had a market value of $358.1 million and bearing interest on face value from 0% to 5.89%.

- **SDP** partially defeased in substance $19.3 million in QZAB bonds, series 2004E. The bonds were issued in September, 2004, and have a maturity date of September, 2018. SDP irrevocably places $1.3 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt, and the possibility that SDP will be required to make future payments on that debt is remote.

- During FY2007, **SDP** elected to take advantage of favorable changes in interest rates and issued to refunding issues. In December, 2006, **SDP** refunded $545.6 million of Series 2006B School Lease Revenue Bonds. The bond proceeds of $6.6 million were used for insurance, underwriting fees and other issuance cost. In April, 2007, SDP issued General Obligation Refunding Bonds Series 2007A in the amount of $146.5 million to refund various maturities of the outstanding Series 1999A and Series 2004D Bonds. The bond proceeds for the 2007A Bonds of $2.3 million were used for various insurance, underwriting fees, and other issuance costs.

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

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

- In November, 2005, **PCCA** issued Refunding Revenue Bonds, Series 2005A, sub series (1) and (2) in the amounts of $143.5 million and $86.1 million respectively. Sub series (1) has interest rates ranging from 4.38% to 5.13% and mature through 2015. Sub series (2) are term bond, mature through 2019 with and interest rate of 5.27%. The proceeds were used to refund the Series 1994A bonds and fund various issuance and debt service cost for the 2005A series.

  The proceeds of the 1994 refunding bonds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 bonds. An accounting loss of $10.1 million was incurred as a result of the 2005 refunding.

(4) Swaptions

a. Philadelphia Gas Works (PGW) Knock-in Swaption

Objective: In December, 1999, the Gas Works entered into a swaption to take on contingent variable rate exposure. The Gas Works' asset/liability strategy was to have a mixture of fixed and variable rate debt. Instead of creating floating rate exposure today the Gas Works took contingent variable rate exposure and received an upfront payment of $8.6 million.

Terms: JP Morgan Chase had the option if the 180 day average of BMA exceeds 7.00% to execute a swap whereby the Gas Works pays a variable rate and receives a fixed rate. If the swap is exercised before January 1, 2014, the notional of the swap would be $103.6. Starting in 2014 the swap would amortize from $103.6 until the final maturity of July 1, 2028. Under the swap, the Gas Works would pay a variable rate equal to the BMA index plus 50 bps and receive a fixed rate from JP Morgan of 5.01%.

In September, 2004, PGW terminated its Interest Swap Agreement making a termination payment in the amount of $ 8.0 million on October 4, 2004. This transaction resulted in a net loss of $890,000.

b. Philadelphia Authority for Industrial Development Basis Swap

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, and provided **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 in a synthetic refunding, with a percent of LIBOR without having to issue bonds or utilize its one advance refunding. This allows **PAID** to do a traditional advance refunding in the future if rates decline to appropriate levels.

In July, 2006, a portion of the existing basis swap was restructures such that the variable rate received by **PAID** was converted from a percentage of the USD-LIBOR-BBA with a Designated Maturity of one month

("one month LIBOR") to a percentage of the USD-ISDA-Swap Rate with a Designated Maturity of five years ("five year LIBOR"), 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 rates 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 the one-month LIBOR + 20 basis points. **PAID,** also receives ten equal payments of $1.2 million from MLCS starting on July 1, 2004.

The transaction was amended in part on $105.0 million of the original notional total with rates 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 is October 1, 2006, with variable payments made (as described above) through October 1, 2020.

As of June 30, 2007, the notional amount on the portion of the swap that was not amended was $193.5 million and rates were as follows:

	Terms	Rates
Interest Rate Swap		
Variable payment to MLCS	SIFMA	3.73%
Variable payment from MLCS	67% of LIBOR + 0.20%	(3.76%)
Net interest rate swap payments		-0.03%

As of June 30, 2007, the notional amount on the portion of the swap that was amended was $105.0 and rates were as follows.

	Terms	Rates
Interest Rate Swap		
Variable payment to MLCS	SIFMA	3.73%
Variable payment from MLCS	62.89% of LIBOR + 0.20%	(3.68%)
Net interest rate swap payments		0.05%

Fair Value: As of June 30, 2007, the swap (including both the amended swap and the portion of the original swap that was not amended) had a fair value of $3.5 million. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current year curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks: The swaps' fair value represents **PAID's** credit exposure to MLCS as of June 30, 2007. Should MLCS fail to perform according to the terms of the swap, PAID faces a maximum possible loss equivalent to the swaps' $3.5 million fair value. As of June 30, 2007, MLCS was rated AA- by Standard & Poors and Aaa3 by Moody's Investors Service. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if MLCS or **PAID** has one or more outstanding issues of rated unsecured, un-enhanced senior debt and none of such issues has a rating of at

least (i) Baa3 or higher as determined by Moody's Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

The swap does not expose **PAID** to traditional basis risk since there are no corresponding variable-rate bonds. However, the swap does expose PAID to a form of basis risk known as tax risk should the relationship between one month LIBOR and the SIFMA index converge on the portion of the swap that was not amended. The risk is reduced by the 20 bps add-on or cushion should SIFMA not match its historical average of 67%. It is further reduced in the first ten years by the $1.2 million ten equal payments due **PAID** from MLCS. Additionally, PAID is exposed to basis risk on the amended portion of the swap should the relationship between five year LIBOR and SIFMA change.

c. The School District of Philadelphia

Interest Rate Swaps: Simultaneously with the issuance of its General Obligation Refunding Bonds, Series 2004B and General Obligation Refunding Bonds Series 2004C, SDP executed certain qualifies interest rate management agreements (the "TE Advance Refunding Agreements") with three counterparties (each having at least one rating of "AA" or higher from Standard & Poor's rating services, a division of the McGraw-Hill Companies or "Aa" or higher from Moody's Investors Service in connection with the issuance of the 2004B bonds to achieve debt service savings through the advance refunding of certain existing general obligation bonds of SDP.

In addition to the TE Advance Refunding Agreements, SDP on the date of the issuance of the 2004B bonds and the 2004C bonds entered into another qualified interest rate management agreement with a counterparty (having t least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's) specifically in connection with the issuance of the 2004C bonds which were issued in order to accelerate the receipt of the savings derived from the TE Advance Refunding Agreements.

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

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

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

Terms, fair values and credit risk: The terms, including the fair values and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2007 are as follows:

Related Bonds	PAYS	RECEIVES	MATURITY DATE	INITIAL NOTIONAL	BANK COUNTERPARTY	Credit Rating (Moody's/S&P/Fitch)	TOTAL VALUES
Series 2003	SIFMA Swap Index	67% of USD LIBOR 0.2786%	5/15/2003	$ 150,000,000	Wachovia Bank	Aa1/AA/AA-	$ (1,939,715)
Series 2003	SIFMA Swap Index	67% of USD LIBOR 0.2786%	5/15/2003	350,000,000	Bear Sterns Financial Products Inc.	Aaa/AAA/N/A	(4,526,001)
Series B-1	3.767%	58.5% of USD LIBOR 0.27%	09/01/2030	60,000,000	Wachovia Bank	Aa1/AA/AA-	(1,324,559)
Series B-2	3.767%	58.5% of USD LIBOR 0.27%	09/01/2030	54,200,000	Wachovia Bank	Aa1/AA/AA-	(1,199,247)
Series B-3	3.767%	58.5% of USD LIBOR 0.27%	09/01/2030	64,900,000	Wachovia Bank	Aa1/AA/AA-	(1,442,432)
Series B-4	3.770%	58.5% of USD LIBOR 0.27%	09/01/2030	95,000,000	Morgan Stanley Capital Services, Inc.	Aa3/A+/AA-	(2,161,174)
Series B-5	3.761%	58.5% of USD LIBOR 0.27%	09/01/2021	78,475,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(1,706,090)
Series B-6	3.683%	60.4% of USD LIBOR 0.32%	09/01/2021	59,025,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(395,903)
Series B-7	3.690%	60.4% of USD LIBOR 0.32%	09/01/2021	91,000,000	Morgan Stanley Capital Services, Inc.	Aa3/A+/AA-	(610,783)
Series B-8	3.689%	60.4% of USD LIBOR 0.32%	09/01/2021	80,000,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(601,284)
Series B-9	3.689%	60.4% of USD LIBOR 0.32%	09/01/2021	70,000,000	Goldman Sachs Capital Markets, LLP	Aa3/AA-/AA-	(601,284)
Series C	3.240%	58.5% of USD LIBOR 0.27%	09/01/2011	38,475,000	Merrell Lynch Capital Services	Aa3/AA-/AA-	(223,850)
							$ (16,732,322)

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

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, 2003, **SDP** adopted a written interest rate management plan pursuant to a resolution o the School District Reform Commission, authorized in February, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The **SDP** entered into the fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution. As of June 30, 2007, **SDP** was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, **SDP** would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis Risk: The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by **SDP** 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 **SDP** bears basis risk on each of its fixed-to-floating swaps since **SDP** receives a percentage of LIBOR to offset the actual variable bond rate **SDP** pays on its bonds. **SDP** is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate **SDP** pays on the bonds. Depending on the magnitude and duration of any basis risk shortfalls, the expected cost savings from the swap may not be realized.

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

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

In November, 2006, **SDP** took action to unwind the four outstanding 2005 Basis Swaps and entered into two 2006 Basis Swaps totaling $500.0 million in notional amounts related to outstanding general obligation bonds of the SDP for the purpose of managing interest expense.

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)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	17,690	24,382	3,186
Additional Rentals	9	127,427	-
Total Rental Income	17,699	151,809	3,186

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

(Amounts In Thousands of USD) Fiscal Year Ending June 30	Primary Government Governmental Funds	Primary Government Proprietary Funds	Component Units
2008	3,364	17,463	3,470
2009	3,409	16,939	2,843
2010	3,531	15,615	2,644
2011	3,659	13,128	2,563
2012	3,791	12,123	4,039
2013-2017	21,123	28,591	4,859
2018-2022	25,276	21,242	3,402
2023-2027	30,287	12,943	2,176
2028-2032	36,336	9,596	1,262
2033-2037	-	-	934
2038-2042	-	-	872
2043-2047	-	-	793
2048-2052	-	-	793
2053-2057	-	-	793
2058-2062	-	-	793
2063-2067	-	-	793
2068-2072	-	-	793
2073-2077	-	-	793
2078-2082	-	-	793
2083-2087	-	-	720
2088-2092	-	-	256
Total	130,777	147,640	36,382

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)	Primary Government Governmental Funds	Primary Government Proprietary Funds	Component Units
Minimum Rentals	146,008	16,476	20,975
Additional	4,940	10,173	2,196
Sublease	421,661	-	-
Total Rental Expense	572,609	26,649	23,171

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	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
2008	29,542	1,039	19,669
2009	24,500	667	16,250
2010	24,317	88	10,533
2011	21,217	88	6,498
2012	21,551	88	7,031
2013-2017	67,766	176	13,812
2018-2022	28,220	-	-
2023-2027	661	-	-
Total	217,775	2,146	73,793

figures may not agree due to rounding

2) CAPITAL LEASES

Capital leases consist of leased real estate. Future minimum rental commitments are as follows:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Component Units
2008	51,031
2009	50,570
2010	49,326
2011	49,221
2012	49,127
2013-2017	245,293
2018-2022	247,443
2023-2027	373,208
2028-2032	514,409
2033-2037	206,594
Future Minimum Rental Payments	1,836,221
Interest Portion of Payments	(926,209)
Obligation Under Capital Leases	910,012

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, 2007, 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 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 Intergovernmentally 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 Long Term Loan - An account used to segregate a portion of Fund Balance that represents amounts that were loaned and are not due to be repaid in the next fiscal year.

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 Stadium Financing - An account used to segregate a portion of Fund Balance for the amount held by the fiscal agent for the purpose of funding new stadium construction.

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)	General Fund	Health Choices Behavioral Health Fund	Grants Revenue Fund	Total
Reserved Fund Balance:				
Reserved for Encumbrances	135.6	-	-	135.6
Reserved for Neighborhood Revitalization	-	-	99.9	99.9
Reserved for Behavioral Health	-	192.9	-	192.9
Reserved for Intergov Financed Programs	-	-	24.5	24.5
Reserved for Emergency Phone System	-	-	21.7	21.7
Reserved for Long Term Loan	45.0	-	-	45.0
Reserved for Central Library Project	4.8	-	-	4.8
Reserved for Stadium Financing	6.4	-	-	6.4
Reserved for CCC Project	143.3	-	-	143.3
Total Reserved Fund Balance	335.1	192.9	146.1	674.1

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)	*Transfers To:*					
			Non major Governmental			
Transfers From:	**General**	**Grants**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General	-	3,033	1,105	107,290	3,571	114,999
Grants	5,653	-	-	-	7,231	12,884
Non major Special Revenue Funds	244,784	-	-	82,168	219	327,171
Water Fund	4,994	-	-	-	-	4,994
Total	255,431	3,033	1,105	189,458	11,021	460,048

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government fund balance sheet (Exhibit III) includes a 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	1,999.4
Service Agreements	2,246.0
Employee Related Obligations	409.0
Indemnities	35.6
Total Adjustment	4,690.0

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNEMNT

- Governmental Funds net assets beginning balance was increased by $8.6 million due to a change in the accounting in the grants revenue fund for revenue from drug forfeiture programs.

- Governmental Funds net assets beginning balance was increased by $15.7 million due to a change in methodology for calculating depreciation for the library book collection.

- Business-Type net assets beginning balance was decreased by $2.8 million which represents the net effect of corrections made to Buildings & Equipment and Depreciation in the water and sewer fund.

B. COMPONENT UNIT

- **SDP's** district-wide net assets beginning balances were decreased by $1.2 million. These adjustments involved an overstatement of asset value of $1.1 million and an understatement of accumulated depreciation of $0.1 million

- **PHA's** beginning net assets have been restated to correct certain errors in prior year financial statements, resulting in an increase in net assets of $2.0 million.

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports $1,324.8 million of restricted net assets, of which $28.6 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	199,224	-
Debt Service	375,717	-
Behavioral Health	221,215	-
Intergovernmental Finance	24,483	-
Neighborhood Revitalization	99,922	-
Stadium Financing	6,429	-
Central Library Project	4,768	-
CCC Project	143,283	-
Grant Programs	42,496	15,875
Rate Stabilization	185,612	-
Libraries & Parks:		
Expendable	4,301	-
Non-Expendable	4,641	-
Other	12,724	12,724
Total	1,324,815	28,599

15. FUND DEFICITS

a) The Grants Revenue Fund, which is a Special Revenue fund, has an Unreserved Fund Balance deficit at year end of $26.2 million.

b) The Community Development Fund, which is a Special Revenue fund, has a Fund Balance deficit at year end of $3.9 million.

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, two discretely presented component units - **PHA** and **RDA** - maintain their 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 two plans maintained by the City's component units are the Philadelphia Housing Authority Plan (PHA Plan) and 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. All assets of the PHA pension plan are invested in an Immediate Participating Guaranteed (IPG) contract.

Required Supplementary Information calculated in accordance with GASBS #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, 2006 was as follows:

Retirees and beneficiaries currently receiving benefits	35,554
Terminated members entitled to benefits but not yet recei	809
Active members	28,017
Total Members	64,380

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 3¾% of their total compensation that is subject to Social Security Tax and 6% of compensation not subject to Social Security Tax. 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 $477.5 million or 34.9% of the covered payroll of $1,367.4 million.

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

c) Annual Pension Cost and 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:

(Amounts in Thousands of USD)

Annual Required Contribution (ARC)	527,925
Interest on Net Pension Obligation (NPO)	(71,541)
Adjustment to ARC	99,953
Annual Pension Cost	556,337
Contributions Made	419,241
Increase in NPO	137,096
NPO at beginning of year	(817,614)
NPO at end of year	(680,518)
Interest Rate	8.75%
15 Year amortization Factor (EOY)	8.18%

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2005. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a five-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 8.75%
- projected annual salary increases of 5% (including inflation)
- annual inflation of 2.75%
- no post-retirement benefit increases

In FY2007, the actuarial assumed investment rate of return for the Municipal Pension Fund was lowered from 9.0% to 8.75%. The average rate of return during the most recent five-year period was well less than the previous 9.0% assumption. The dramatic decline in the equity market and its slow rebound were considered in lowering the investment return rate assumption. The change caused a significant decrease in the investment income assumption and hence increased the City's annual liability.

Under the City's funding policy, the recommended contribution for the City for the current year amounted to $477.5 million. The City's actual contribution was $419.2 million. The City's contribution did meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189. The Annual Pension Cost and related percentage contributed for the three most recent fiscal years are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2005	392.3	76.27%	(911.9)
2006	426.0	77.88%	(817.6)
2007	556.3	75.36%	(680.5)

d) 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. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

At September 1, 2005 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	2,187
Current Employees	1,701
Total Members	3,888

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 $17.6 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Historically, payments to beneficiaries of the PGW Plan are made by the Fund and not from the assets of the Plan. During the year, payments to beneficiaries exceeded the Fund's actuarially computed pension contribution and a withdrawal of $13.9 million from the pension assets was necessary to meet beneficiary payment obligations.

c) Annual Pension Cost

PGW's annual pension cost for the current year was $17,563,000 equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study completed June, 2006, using the projected credit unit method. Significant actuarial assumptions used include an annual rate of return on investments of 8.25%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

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

(Amounts in Millions of USD)

Fiscal Year Ended August 31	Annual Required Contribution	Percentage Contributed
2004	15.0	100%
2005	14.7	100%
2006	17.6	100%

d) Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

3) Component Unit - Philadelphia Housing Authority Plan

a) Plan Description

The PHA contributes to a single-employer Public Employees' Retirement System (PERS), administered by an insurance company (the PHA Pension Plan) covering all permanent employees. The PERS issues separate, stand-alone financial statements. The Authority's payroll for employees covered by the PHA Plan for the year was approximately $64.8 million. The PHA Pension Plan provides retirement benefits as well as death and disability benefits. Employees who retire at or after age 65 receive an annual retirement benefit equal to 2.5% of average earnings multiplied by the years of service not to exceed 25 years, plus 1.25% of average earnings multiplied by years of service in excess of 25 years.

b) Funding Policy

Funding policies are determined by collective bargaining agreements and employment policies. Covered employees are required to contribute 5.5% of pre tax salary to the PHA Pension Plan. The Philadelphia Housing Authority is required to contribute an amount equal to employee contributions.

c) Annual Pension Cost

Actuarially determined contributions are required to provide sufficient assets to pay benefits when due. The Authority's funding policy is set by collective bargaining agreements and employment policies. The policy is to contribute 5.5% to the PERS along with the employees' required contributions of 5.5% of total salary. Significant method and assumptions used to calculate the actuarially required contributions are:

- the entry-age normal method
- annual rate of return on investments of 7.5%
- projected salary increases of 5.5% per year
- no post-retirement benefit increases

The required contribution for the current year was approximately 11.1% of covered payroll.

The Authority's actuarially required contributions and percentage contributed for the last three fiscal years of the Plan are summarized below:

(Amounts in Millions of USD)

Fiscal Year Ended October 31	Annual Required Contribution	Percentage Contributed
2004	5.5	70%
2005	6.6	59%
2006	7.2	54%

4) 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.

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 2007 of $1.3 million (approximately 14% 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 $1,048,241 (approximately 9% of current covered payroll) and the employees contributed $243,790 (approximately 5% 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 net pension obligation at year end was $(198,481) computed as follows:

Annual Required Contribution	$	891,682
Interest On Net Pension Obligation		(3,410)
Adjustment to Annual Required Contribution		5,494
Annual Pension Cost		893,766
Contributions Made		(1,048,241)
Decrease In Net Pension Obligation		(154,475)
Net Pension Obligation - Beginning of Year		(44,006)
Net Pension Obligation - End of Year	$	(198,481)

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
2005	1,287.9	128%	(77.3)
2006	1,259.9	98%	(44.0)
2007	893.8	117%	(198.5)

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 $58.7 million and the total payroll was $64.7 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately $4.5 million representing 7.60% of covered payroll. **CCP** employees contributed approximately $3.7 million representing 5% of covered payroll.

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 mandated 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 2007 was 6.46%, and is composed of a pension contribution rate of 5.72% for pension benefits and .74% 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 June 30	Annual Required Contribution	Percentage Contributed
2005	48.9	100%
2006	55.8	100%
2007	69.3	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
2005	60.5	100%
2006	120.7	100%
2007	171.9	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**'s 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 is provided to the beneficiary of participants who die prior to retirement. There are a variety of payments available. The **CCP** has 981 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 balances. 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. POST EMPLOYMENT BENEFITS

A. PRIMARY GOVERNMENT

In addition to providing pension benefits, the City provides certain post-employment health care and life insurance benefits for retired employees, dependents and/or beneficiaries through provisions of City ordinances, civil service regulations and agreements with its various employee bargaining units. The City provides these benefits for periods from one to five years after retirement depending upon the classification of the employee at his/her retirement. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. These and similar benefits for active employees are provided through a combination of a self-insurance program and insurance companies whose premiums are based on the benefits paid during the year. The cost of providing these health benefits and life insurance for approximately 5225 eligible retirees amounted to $49.0 million and $4.2 million, respectively.

B. COMPONENT UNITS

The **SDP** pays monthly premiums to provide up to $2,000 of life insurance coverage for 7,615 retired/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 any age with 35 years of service. Disabled employees' eligibility is determined by the insurance company providing the coverage. In 2007, the cost of life insurance premiums for retirees/disabled employees was $598,322.

PGW provides certain health care and life insurance benefits for approximately 1929 retired employees and their dependents. PGW recognizes the cost of providing these benefits by charging the annual insurance premiums to expense. Total premiums incurred for health care amounted to $35.1 million, of which approximately 52% relates to retirees and their dependents. Total premiums for group life insurance amounted to $2.1 million of which approximately 76% relates to retirees.

RDA provides life, accidental death & dismemberment, health and dental insurance. Post employment benefits are generally provided for periods of one to five years from retirement, depending on the age of the individual at retirement date.

Certain retirees are required to contribute nominal amounts towards health insurance. The remainder of the post employment benefit costs is funded by **RDA** on a pay-as-you-go basis. A group of 50 retirees who retired during fiscal years 1969 through 1975 receive life and health insurance post employment benefits, for which retirees contribute approximately 96% of the total benefit costs. The remainder is funded by **RDA** on a pay-as you go basis until the death of the retiree. In 2007, **RDA** incurred costs in the amount of $326,074.

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, the President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of

Representatives and the Minority Leader of the House of Representatives each appoints one voting member of 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 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 2007 this transfer amounted to $245.0 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 $57.9 million to SEPTA

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $60.5 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation
- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated

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 $275.9 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, 2005 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2006	259.4	91.1	(79.8)	270.7
Fiscal 2007	270.7	85.3	(80.1)	275.9

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 $2.5 million for Unemployment Compensation claims and $50.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $238.7 million discounted at 4%. On an undiscounted basis, these liabilities total $323.4 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 $221.7 million (discounted) and $300.8 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. They 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 $159.4 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, 2005 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2006	130.2	41.2	(58.2)	113.2
Fiscal 2007	113.2	92.4	(46.2)	159.4

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 $15.5 million for Weekly Indemnity, $3.7 million for Unemployment Compensation claims and $30.7 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

A. 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 $408.2 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. The Commonwealth has agreed to defer a scheduled payment of $45.3 million.

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 $270.0 million. Of this amount, $14.6 million is charged to current operations of the Enterprise Funds. The remaining $255.4 million pertaining to the General Fund is reflected in the Government Wide Full Accrual 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 $70.4 million to the General Fund and $7.2 million to the Enterprise Funds.

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

- In *Burella v. City* the Plaintiff sued the City and three individual police officers under state and federal law, seeking to hold them liable for her non-fatal shooting at the hand of her husband who is a police officer. The Plaintiff's theories (procedural and substantive due process, equal protection, intentional infliction of emotional distress) are based on the alleged failure of defendants to address the husbands' increasingly apparent psychological problems and anger management difficulties, manifested by repeated instances of domestic violence and physical altercations with his wife over several years. The federal district court denied the defendants' motion for summary judgment, and the individual officers have appealed to the Third Circuit. Briefing is completed and the Third Circuit heard oral argument November 2, 2006.

- *Lawrence v. City of Philadelphia* is a collective action brought on behalf of 250 former and current fire-service paramedics (paramedics) against the City of Philadelphia's (City), under the Fair Labor Standards Act ("FLSA"). The plaintiffs claim the City violated the FLSA primarily by using the same schedule of 10 and 14-hour shifts applicable to firefighters, which can lead to them working as many as 48 hours in a traditional Sunday to Saturday workweek without compensating them at overtime rates for all hours worked over 40 in a week. The City has denied that the plaintiffs have been paid improperly and has asserted various defenses to the plaintiffs' claim. The City's primary defense is that fire service paramedics qualify for the higher overtime thresholds applicable to fire protection and other emergency service employees under Sections 203(y) and 207(k) of the FLSA. Discovery in this case is essentially complete and the parties filed cross-motions for summary judgment on March 16, 2005. All further briefings on summary judgment were completed by May 2, 2005. The court ruled in favor of the City on the summary judgment motion. Plaintiffs have appealed to the Third Circuit. We have estimated that if plaintiffs were entirely successful in all aspects of their claims the City's potential liability could approach $20 million.

- In *Limbach Co. LLC et. al. vs. The City of Philadelphia et. al.,* the City is a defendant in a matter brought by the successors to a U.S. Airways subcontractor for allegedly unpaid electrical and mechanical work performed in connection with the new international terminal at Philadelphia International Airport. The Court of Common Pleas in Philadelphia County dismissed certain claims and granted summary judgment to the City and PAID, which served as the financing arm of the project, to all others. The plaintiffs appealed to the Commonwealth Court which reversed and remanded to Common Pleas Court. The City and PAID have applied to the Commonwealth Court for reargument/reconsideration. Plaintiffs have recently stated in discovery that they are seeking about $8.9 million. The City believes it is not liable at all; but if it is liable, the amount is likely to be about $2.5 million and could be as high as $7.9 million, all of which would be the responsibility of the City's Aviation Fund. A pre-trial conference has been scheduled. Trial is likely to take place during fiscal 2008, but an appeal is likely by either side.

- *Chainey vs. Street.* This federal lawsuit was filed by twenty-four homeowners in the Osage-Pine neighborhood whose homes were destroyed in the MOVE altercation of 1985. Following the altercation, and after extensive negotiations, the residents agreed not to pursue lawsuits if the City would rebuild their homes. After the residents returned, they began to complain about the quality of the homes. In 1988 the City and RDA entered into a contract to repair the homes. In 1999, RDA hired the Allied Construction Company to complete further repairs. Mayor Rendell wrote to the residents promising them that the City remained firm in its intention to complete certain repairs. However, by early 2000, Allied was issuing change orders for hundreds of thousands of dollars in additional work. RDA then demobilized the contract, effectively ending the repair work. The residents alleged several claims: denial of equal protection, denial of due process, civil conspiracy, breach of the Allied contract (to which they believe they are third-party beneficiaries), specific performance, and taking without just compensation. On April 11, 2005 the jury returned a verdict of $12.83 million. Upon consideration of defendants' motion for a new trial and motion for judgment as a matter of law, the District Court reduced the judgment to $6 million, upholding only the breach of contract and substantive due process claims. Defendants have appealed and plaintiffs have cross-appealed. Briefing is complete and the Third Circuit heard oral argument in January, 2007.

- *Boone vs. City of Philadelphia.* This is an uncertified class action challenging the constitutionality of the Philadelphia Prison System's (PPS) policy of strip searching all inmates regardless of pending charges. Liability is possible because a substantial body of case law indicates that blanket strip search policies violate the Fourth Amendment rights of pre-trial detainees. PPS has changed its policies and purchased equipment regarding strip search procedures but no further policy changes are anticipated. The financial impact is believed to be between $3.0 million and $10.0 million. Currently, the case is in suspension while all parties engage in a series of settlement conferences. The next settlement conference before Magistrate Judge Hey is scheduled for January 30, 2008.

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 Parking Authority	68,880
Philadelphia Authority for Industrial Development	6,155
	75,035

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, 2007, which amounted to $881.9 million for all open program years as of December 14, 2007. Of this amount, $660.9 million represents unresolved cost due to the inability to obtain audit reports from sub recipients for the year ended June 30, 2007 due to timing differences in audit requirements, $205.3 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2006 and prior and $15.7 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 $192.1 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 unloaned 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 $132.7 million.

5) Philadelphia International Airport

In April, 2007, Delta Air Lines exited bankruptcy. Delta assumed the Use & Lease Agreement with the Philadelphia International Airport in April, 16, 2007. The City of Philadelphia received payment in full for all of its pre-petition claims.

Northwest Airlines exited bankruptcy in May, 2007. Northwest assumed the Use & Lease Agreement with Philadelphia International Airport on May 15, 2007. The City of Philadelphia received payment in full for all of its pre-petition claims.

B. COMPONENT UNITS

1) Claims and Litigation

- The **SDP** is a party to various claims, legal actions, arbitration and complaints arising in the ordinary course of business which aggregate to a total potential liability of $9.2 million. In the opinion of the General Counsel of **SDP**, it is unlikely that final judgments or compromised settlements will approach the total potential liability. **SDP** 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. In addition, **SDP** has recorded in its Government Wide Full Accrual Statements the total cumulative potential liability of $125.4 million for Workers' Compensation, $10.5 million for Unemployment Compensation claims and $6.4 million for claims and judgments.

- There are twenty lawsuits pending against **SDP** asserting claims in violation of § 1983 of the Civil Rights Act. In the opinion of the Interim General Counsel of the **SDP**, unfavorable outcomes are deemed reasonably possible in an aggregate amount and including other attorney fees of approximately $1.4 million. There is no limitation on the exposure or potential liability of the **SDP** for civil rights violations.

- More than thirty years ago, the Pennsylvania Human Relations Commission (the "Commission") initiated an action against the **SDP** in Pennsylvania Commonwealth court to end historical de facto racial segregation in public schools and sought to compel remedies such as forced busing. Between 1973 and 1993, the **SDP** and the Commission developed a series of desegregation plans, strategies and reforms with the objective of achieving maximum feasible desegregation. Despite the persistence of racially segregated residential patterns and the number of non-minority students choosing to attend any number of parochial or private schools in the region, the Court determined, from time to time and over the years, that such reform efforts were inadequate to cure the problem of racial isolation in the public schools.

  In late 1995, the Court joined the Commonwealth of Pennsylvania as a defendant in the action, and in the summer of 1996, held that the Commonwealth was liable for substantial and ongoing financial contributions to **SDP** to fund and support desegregation mandates. However, the Commonwealth Court's Order was vacated by the Pennsylvania Supreme Court when it assumed plenary jurisdiction of the case in the fall of 1996. After nearly three years, the Supreme Court determined that the Commonwealth Court lacked authority to add defendants or claims to the case after its commencement by the Commission in 1973. The Commonwealth was dismissed from the case and jurisdiction of the case was returned to the Commonwealth Court. Since that time, **SDP** has continued to implement remedial measures and reports periodically to the Court on its progress toward satisfying the Court's mandates.

  In May and September 2001, and at the request of the Court, **SDP** submitted a Comprehensive School Safety and Security Plan and a Curriculum Renewal Plan (collectively the "Plans") intended to guide managements' work in the areas of curriculum and instruction. Following a hearing, the Court issued an Opinion and Order concluding that **SDP** had made significant and continued effort to comply with the Remedial Order, accepting the Plans, and directing the Human Relations Commission to monitor their implementation. The Court further directed the Commission to monitor their implementation. The Court further directed the Commission to request the Court to close the case when it is satisfied that **SDP** has demonstrated that it can and will provide an equal educational opportunity to all students.

  In December, 2001, the Court reiterated its position that the Plans approved by the Court in September, 2001, are to be implemented by **SDP** notwithstanding any changes in management or organizational structure given the possibility of the impending state "takeover" of the district.

  After the Commonwealth assumed control of the district and between July 2002 and July 2003, **SDP** responded to Court questions, submitted materials, attended conferences, accompanied court officials on tours of elementary schools, and provided testimony concerning the series of initiatives being undertaken by management and the School Reform Commission Nevertheless by letter dated August, 2003, the Court indicated its intent to defer issuing an opinion and order until Counsel confer among themselves to determine whether they can agree upon a consent decree for submission and approval by the court. Since this time counsel for **SDP**, the Commission and Interventors meet on a regular and consistent basis to develop a proposed Memorandum of Understanding (the "MOU").

  More specifically, the MOU, which was submitted to the Court for review and approved in March of 2004, stays all judicial proceedings for an initial period of three years while requiring that **SDP** submit annual reports to the Commission. As detailed in the MOU, the Commission will provide written feedback to **SDP** based on its review of the reports and the parties will have the opportunity to meet and confer during the term of the MOU. The MOU also includes a dispute resolution process by which the parties may seek to resolve disagreements, if any, remaining at the end of the initial period of the MOU before returning to Court. The MOU further preserves positions of the parties in the event the MOU does not result in a final resolution of this case and the stay is lifted..

  By order of the Court and following a hearing "for formal Court review and approval of the Memorandum of Understanding entered into by the parties in an effort to avoid continue litigation and to move toward a final resolution of this long-standing Philadelphia School desegregation case," the Court approved the MOU. The order further provided that "at the end of the Term of the Memorandum of Understanding, and unless the Pennsylvania Human Relations Commission or the **SDP** files an application with the

Court indicating that areas of disagreement still remain, the case shall be terminated with prejudice upon precipe by the Commission."

Subsequently, **SDP** submitted annual status reports to the PHRC in December 2004 and December, 2005 and intends to submit its third annual status report in late 2006 or early 2007.

SDP believes that the substantive and procedural aspects of the MOU have the potential to lead to a final resolution of this matter. Management is unable, at this stage however, to express an opinion concerning whether disagreements will remain at the end of the term of the MOU. Should the parties not resolve this matter within the framework of the MOU and should the stay be lifted, **SDP** believes that it may be able to raise meritorious defenses and arguments relating to its compliance with the Pennsylvania Human Relations Act, as well as, the proper scope of the Court's jurisdiction and remedial authority in the context of future proceedings.

- **SDP** was notified by the Pennsylvania Department of Education (PDE) that the results of an audit conducted by the Auditor General for the years ending June 30, 1991, 1992 and 1993 revealed that **SDP** over-reported student enrollment in Fiscal Year 1991 which established the base for all school subsidies through Fiscal Year 1999. The determination of subsidy reimbursement from the PDE's Director, Bureau of Budget and Fiscal Management, was $20 million after appeal through fiscal year 1999. The Commonwealth has agreed to a repayment schedule that results in periodic deductions from amounts paid by the Commonwealth to **SDP**. A similar audit was undertaken which concluded with PDE asserting an additional $20 million per year claim for alleged over reporting of enrollment in school years 1994-95 through 1996-97. **SDP** denies the claim and has produced documentation. The Commonwealth has postponed collections of this category in order to assist the District through a funding shortfall. Both matters remain pending. Though discussions with state representatives regarding relief from this potential liability are ongoing, because no final determination of forgiveness has been made to date, there still remains a reasonably possible loss in this category in the total amount of $40.0 million.

- In *Robert Johnson v. **SDP** and K Sangster*, a lawsuit was filed by three former and one current employee alleging reverse racial discrimination and retaliation under Title VII of the Civil Rights Act and the Pennsylvania Human Relations Act. Collectively, the plaintiffs claim that **SDP** and the Chief Procurement Officer ("CPO"), an African American female, terminated their employment on the basis of race (white) and retaliated against them by denying alternative placement or positions. In December, 2005, a jury verdict was entered in favor of the plaintiffs and against **SDP** and Sangster. That verdict included an award of back-pay, front-pay and reinstatement, as well as, compensatory damages in the amount of $2 million. Total value of the award, including future earnings, was in excess of $4 million. In June, 2006, **SDP** entered into a Settlement Agreement and General Release of Claims which provided for payments of over $3.8 million to the plaintiffs in fiscal years 2007, 2008 and 2009. As part of the resolution, the Plaintiffs waived reinstatement rights to positions with SDP as well as, releasing SDP from all other potential claims. As of June, 2007, approx $2.0 million was still outstanding on this settlement .In July, 2007, SDP paid $1.6 million of the $2.0 million that was outstanding.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1) In July 2007, the City issued $200.0 million of Tax and Revenue Anticipation Notes 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, 2008.

2) In August 2007, the ratings for Airport Revenue Bonds were upgraded as follows: Moody's Investor Service upgraded from A3 to A2 and Standard and Poor's Corporation upgraded from A to A+.

3) In August, 2007, the City issued $255.4 million in Airport Revenue Bonds. Series 2007A, with various sub sections were issued in the amount of $172.4 million, and will be used to finance a portion of the cost for the "2007Project." The bonds have a 5% interest rate and maturity dates from 2011 through 2037. Series 2007B, with various sub divisions, were issued in the amount of $82.9 million and will be used to refund all outstanding series 1997B bonds. Series 2007B bonds have interest rates ranging from 4.5% to 5%, and maturity date from 2008 through 2027. Some of the proceeds from both series 2007A and 2007B will pay issuance and insurance cost.

4) In November, 2007 the water department purchased a surety bond to replace cash reserves in accordance with the water general ordinance. This transaction allowed the water department to transfer $64 million from the reserve to be used for water/sewer projects.

5) In December, 2007, the City simultaneously issued general obligation bonds Series 2007A and 2007B in the amounts of $188.9 million and $313.5 million respectively.

   The Series 2007A bonds are fixed rate refunding bonds, have interest rates ranging from 4.0% to 5.25% and mature through 2019. The Series 2007B bonds are multi-modal refunding bonds that will bear interest at a weekly rate, subject to conversion to an ARS rate, daily rate, commercial paper rate, term rate, or fixed rate at the direction of the City. The bonds will be used to refund a portion of the Series 1994B bonds and the 1995, 1998 and 2001 general obligation bonds.

6) At June 30, 2007 the Philadelphia Gas Works (PGW) owed the City $45.0 million that the City loaned to them in FY2001. During the first half of FY2008 PGW returned $22.5 million.

B. COMPONENT UNITS

1) In July 2007, the **SDP** issued $550.0 million in Tax and Revenue Anticipation Notes. The proceeds of the notes are used for cash flow purposes and will be repaid by June 27, 2008.

2) In April, 2007**, PGW** issued $245.4 million in Gas Revenue Bonds. The 19th Series Bonds were issued in the amount of $14.5 million, have a 5% interest rate and mature through 2023. The proceeds will be used to refund a portion of the 15th Series Bonds, various project and issuance cost. The 7th Series Bonds, sub series (1), (2) and (3) were issued for $137.7, $36.3 and $56.9 million respectively. Sub series (1) are serial bonds with interest rates ranging from 4-5% and mature in 2028. Sub series (2) and (3) are term bonds, with a 5% interest rate and mature through 2037. The proceeds will be used to for various acquisition, construction & improvement cost, and to advance refund various bonds.

3) In April, 2007, **PPA**'s board of directors authorized a plan to sell the "Rittenhouse Properties," various dwellings previously acquired with the proceeds from a 1999 bond indenture. In June, 2007, after approval of the plan by the City of Philadelphia and **PPA's** board of directors, an Agreement of Sale for approximately $36.7 million sale price was executed. Subject to a due diligence period, the sale of the properties is expected to close before September. 2007. As of March, the remaining bonds outstanding totaled $51.6 million. With the settlement of the pending sale of the "Rittenhouse Properties," these remaining bonds are expected to be completely defeased. Accordingly, the fixed assets and revenue bonds associated with the "Rittenhouse" project have been reclassified as current assets and current liabilities, respectively.

4) In October, 2007, **PAID** issued Lease Revenue Refunding Bonds Series 2007A & B in the amounts of $50.3 million and $289.7 million respectively. The Series 2007A bonds have interest rates ranging from 4% to 5% and mature through 2015. The Series 2007B bonds have a weekly interest rate that will be subject to conversion to an ARS rate, and maturity dates from 2016 through 2031. The proceeds from the bonds will be used for various issuance cost and to refund the Series 2001B stadium bonds. In connection with the sale of the Series 2007B bonds, **PAID** entered into separate interest rate swap agreements pursuant to which PAID will make periodic fixed rate payments to the swap counterparties and the swap counterparties will make periodic floating rate payments to **PAID**.

5) In November, 2007, **PAID** issued Lease Revenue Refunding Bonds Series 2007C in the amount of $51.6 million. The bonds have interest rates ranging from 3.5% to 5.25% and mature through 2027. The proceeds of the bonds will be used to refund prior bonds for the City of Philadelphia One Benjamin Franklin Parkway Project and to finance various issuance costs.

6) In December, 2007, the School Reform Commission authorized the sale of $41.7 million Qualified Zone Academy Bonds with an interest rate of 1.25%. The bond issue is expected to close by the year end. The proceeds of the issue will be used to fund technology upgrades in various classrooms and major renovations at fifteen schools.

Frankford El Progress (1919)

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia **Exhibit XIV**

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	2,313,632	2,387,275	2,435,855	48,580
Locally Generated Non-Tax Revenue	245,008	240,298	247,911	7,613
Revenue from Other Governments	1,031,786	997,777	1,032,935	35,158
Revenue from Other Funds	27,574	25,719	27,417	1,698
Total Revenues	3,618,000	3,651,069	3,744,118	93,049
Expenditures and Encumbrances				
Personal Services	1,307,184	1,338,844	1,327,589	11,255
Pension Contributions	419,129	436,822	436,822	-
Other Employee Benefits	445,350	453,508	453,508	-
Sub-Total Employee Compensation	2,171,663	2,229,174	2,217,919	11,255
Purchase of Services	1,148,053	1,155,252	1,151,610	3,642
Materials and Supplies	61,695	66,534	66,986	(452)
Equipment	21,067	22,518	22,101	417
Contributions, Indemnities and Taxes	110,782	118,994	118,960	34
Debt Service	105,214	89,154	89,154	-
Payments to Other Funds	29,345	68,955	38,727	30,228
Advances, Subsidies, Miscellaneous	31,200	31,200	31,200	-
Total Expenditures and Encumbrances	3,679,019	3,781,781	3,736,657	45,124
Operating Surplus (Deficit) for the Year	(61,019)	(130,712)	7,461	138,173
Fund Balance Available for Appropriation, July 1, 2006	183,560	254,506	254,506	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	18,000	20,000	36,002	16,002
Revenue Adjustments - Net	-	-	(34)	(34)
Prior Period Adjustments	-	-	(66)	(66)
Adjusted Fund Balance, July 1, 2006	201,560	274,506	290,408	15,902
Fund Balance Available for Appropriation, June 30, 2007	140,541	143,794	297,869	154,075

* 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, 2007

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	6,000	9,000	13,663	4,663
Revenue from Other Governments	750,660	721,308	711,278	(10,030)
Total Revenues	756,660	730,308	724,941	(5,367)
Other Sources				
Increase in Unreimbursed Committments	-	-	15,807	15,807
Decrease in Financed Reserves	-	49,000	3,172	(45,828)
Total Revenues and Other Sources	756,660	779,308	743,920	(35,388)
Expenditures and Encumbrances				
Purchase of Services	804,080	804,080	690,764	113,316
Equipment	100	100	-	100
Payments to Other Funds	1,480	1,480	-	1,480
Total Expenditures and Encumbrances	805,660	805,660	690,764	114,896
Operating Surplus (Deficit) for the Year	(49,000)	(26,352)	53,156	79,508
Fund Balance Available for Appropriation, July 1, 2006	118,062	(24,798)	(24,798)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	2	2
Adjusted Fund Balance, July 1, 2006	118,062	(24,798)	(24,796)	2
Fund Balance Available for Appropriation, June 30, 2007	69,062	(51,150)	28,360	79,510

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVI**

Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	54,124	51,686	45,618	(6,068)
Revenue from Other Governments	1,073,314	900,942	748,253	(152,689)
Total Revenues	1,127,438	952,628	793,871	(158,757)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(3,909)	(3,909)
Decrease in Financed Reserves	-	-	27,509	27,509
Total Revenues and Other Sources	1,127,438	952,628	817,471	(135,157)
Expenditures and Encumbrances				
Personal Services	98,148	99,268	74,734	24,534
Pension Contributions	9,084	11,915	9,307	2,608
Other Employee Benefits	14,355	16,774	12,678	4,096
Sub-Total Employee Compensation	121,587	127,957	96,719	31,238
Purchase of Services	849,863	846,795	678,226	168,569
Materials and Supplies	14,899	17,803	12,001	5,802
Equipment	6,101	9,579	5,110	4,469
Contributions, Indemnities and Taxes	300	71	-	71
Payments to Other Funds	34,688	33,984	23,519	10,465
Advances, Subsidies, Miscellaneous	100,000	-	-	-
Total Expenditures and Encumbrances	1,127,438	1,036,189	815,575	220,614
Operating Surplus (Deficit) for the Year	-	(83,561)	1,896	85,457
Fund Balance Available for Appropriation, July 1, 2006	-	(51,171)	(51,171)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	45,069	45,069
Revenue Adjustments - Net	-	-	(30,488)	(30,488)
Prior Period Adjustments	-	51,171	8,478	(42,693)
Adjusted Fund Balance, July 1, 2006	-	-	(28,112)	(28,112)
Fund Balance Available for Appropriation, June 30, 2007	-	(83,561)	(26,216)	57,345

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVII**

Required Supplementary Information

Pension Plans - Schedule of Funding Progress

Amounts in millions of USD

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
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%
Philadelphia Gas Works Plan						
09/01/2001	391.0	411.0	20.0	95.13%	100.3	19.94%
09/01/2003	356.0	427.0	71.0	83.37%	97.5	72.82%
09/01/2005	383.5	450.8	67.3	85.07%	99.9	67.37%

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	3,744,118	724,941	793,871
Transfers	(255,431)	-	(3,032)
Program Income	-	-	71,662
Adjustments applicable to Prior Years Budgets	(34)	-	(4,726)
Change in Amount Held by Fiscal Agent	5,890	-	-
Change in BPT Adjustment	(1,835)	-	-
Other	2,943	-	(25,761)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,495,651	724,941	832,014
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,736,657	690,764	815,575
Transfers	(114,999)	-	(12,883)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	64,452	(3,211)	34,195
Program Income	-	-	71,662
Other	2,942	-	-
Change in Amount Held by Fiscal Agent	9,742	-	-
Current Year Encumbrances	(103,650)	(12,598)	(75,204)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,595,144	674,955	833,345

III. OBLIGATION IN EXCESS OF APPROPRIATIONS

Fund	Classification	Amount
General Fund	Materials and Supplies	452
Water Fund	Payments to Other Funds	4,419

City of Philadelphia
PENNSYLVANIA

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.

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
June 30, 2007

Schedule I

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	6,126	423	75,557	82,106
Equity in Treasurer's Account	1,767	9,086	3,507	-	4,706	16,601	169	2,857	-	605	-	-	39,298
Investments	-	-	-	-	-	-	-	-	-	1,060	103	-	1,163
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	167	167
Taxes Receivable	-	-	5,467	-	508	-	-	-	-	-	-	9,073	15,048
Accounts Receivable	-	-	-	3,111	-	-	-	-	-	614	503	-	4,228
Allowance for Doubtful Accounts	-	-	(1,250)	-	(8)	-	-	-	-	-	-	-	(1,258)
Interest and Dividends Receivable	12	43	14	-	14	53	-	-	-	-	1	259	396
Due from Other Governmental Units	-	-	-	11,674	-	-	-	-	-	-	-	-	11,674
Other Assets	-	-	-	-	-	-	-	-	-	-	-	81	81
Total Assets	1,779	9,129	7,738	14,785	5,220	16,654	169	2,857	-	8,405	1,030	85,137	152,903
Liabilities and Fund Balances													
Liabilities:													
Vouchers Payable	12	1,725	-	800	-	-	-	78	-	30	-	-	2,645
Accounts Payable	765	902	4,231	3,957	-	448	-	31	-	1,077	845	355	12,611
Salaries and Wages Payable	-	-	-	214	-	-	-	-	-	-	-	-	214
Due to Other Funds	-	-	-	7,674	-	-	-	10	-	-	-	14,813	22,497
Due to Component Units	-	-	3,199	2,140	-	331	-	-	-	-	-	-	5,670
Funds Held in Escrow	-	-	-	-	-	-	-	448	-	598	-	-	1,046
Deferred Revenue	-	-	308	3,863	1	-	-	-	-	-	-	9,700	13,872
Total Liabilities	777	2,627	7,738	18,648	1	779	-	567	-	1,705	845	24,868	58,555
Fund Balances:													
Reserved for:													
Encumbrances	273	1,029	-	-	-	11,278	-	386	-	56	-	-	13,022
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	-	53,293	53,293
Debt Service Principal & Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	-	203	-	-	203
Unreserved:													
Designated for Trust Purposes	-	-	-	-	-	-	169	1,904	-	6,441	-	-	8,514
Undesignated	729	5,473	-	(3,863)	5,219	4,597	-	-	-	-	185	6,976	19,316
Total Fund Balances	1,002	6,502	-	(3,863)	5,219	15,875	169	2,290	-	6,700	185	60,269	94,348
Total Liabilities and Fund Balances	1,779	9,129	7,738	14,785	5,220	16,654	169	2,857	-	8,405	1,030	85,137	152,903

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2007

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	-	-	21,926	21,926	-	-	-	152	104,184
Equity in Treasurer's Account	7,025	-	-	7,025	169,870	-	169,870	-	216,193
Investments	-	20	63,337	63,357	-	398	398	8,828	73,746
Due from Other Funds	-	-	4,450	4,450	-	-	-	-	4,617
Taxes Receivable	-	-	-	-	-	-	-	-	15,048
Accounts Receivable	-	-	-	-	-	-	-	1	4,229
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(1,258)
Interest and Dividends Receivable	29	-	183	212	145	-	145	-	753
Due from Other Governmental Units	-	-	-	-	27,500	-	27,500	-	39,174
Other Assets	-	-	-	-	-	-	-	-	81
Total Assets	7,054	20	89,896	96,970	197,515	398	197,913	8,981	456,767
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	4,075	-	4,075	-	6,720
Accounts Payable	-	-	-	-	6,155	-	6,155	39	18,805
Salaries and Wages Payable	-	-	-	-	59	-	59	-	273
Due to Other Funds	-	-	226	226	-	-	-	-	22,723
Due to Component Units	-	-	-	-	424	-	424	-	6,094
Funds Held in Escrow	-	-	-	-	3,548	-	3,548	-	4,594
Deferred Revenue	-	-	4,450	4,450	24,028	-	24,028	-	42,350
Total Liabilities	-	-	4,676	4,676	38,289	-	38,289	39	101,559
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	56,656	-	56,656	-	69,678
Intergovernmental Financing	-	-	-	-	-	-	-	-	53,293
Debt Service Principal & Interest	7,054	20	83,661	90,735	-	-	-	-	90,735
Trust Purposes	-	-	-	-	-	-	-	4,641	4,844
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	4,301	12,815
Undesignated	-	-	1,559	1,559	102,570	398	102,968	-	123,843
Total Fund Balances	7,054	20	85,220	92,294	159,226	398	159,624	8,942	355,208
Total Liabilities and Fund Balances	7,054	20	89,896	96,970	197,515	398	197,913	8,981	456,767

City of Philadelphia **Schedule II**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Special Revenue												
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues													
Tax Revenue	-	-	38,039	-	5,076	-	-	-	-	-	-	327,923	371,038
Locally Generated Non-Tax Revenue	72	283	143	23,420	211	14,550	13	2,071	524	6,512	12,310	4,300	64,409
Revenue from Other Governments	4,978	23,261	-	40,464	-	-	-	-	-	-	-	-	68,703
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	132	132
Total Revenues	5,050	23,544	38,182	63,884	5,287	14,550	13	2,071	524	6,512	12,310	332,355	504,282
Expenditures													
Current Operating:													
Economic Development	-	-	38,182	-	-	-	-	-	-	-	-	-	38,182
Transportation:													
Streets & Highways	4,706	20,420	-	-	-	-	-	-	-	-	-	-	25,126
Judiciary and Law Enforcement:													
Prisons	-	-	-	-	-	-	-	1,341	-	-	-	-	1,341
Conservation of Health:													
Housing and Neighborhood Development	-	-	-	62,180	-	8,251	-	-	-	-	-	-	70,431
Cultural and Recreational:													
Recreation	-	-	-	-	-	-	-	-	-	29	-	-	29
Parks	-	-	-	-	-	-	-	-	-	4,451	-	-	4,451
Libraries and Museums	-	-	-	-	-	-	-	-	-	223	-	-	223
Improvements to General Welfare:													
Service to Property:													
General Management and Support	-	-	-	81	5,000	-	54	-	524	1,372	12,293	1,473	20,797
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,706	20,420	38,182	62,261	5,000	8,251	54	1,341	524	6,075	12,293	1,473	160,580
Excess (Deficiency) of Revenues Over (Under) Expenditures	344	3,124	-	1,623	287	6,299	(41)	730	-	437	17	330,882	343,702
Other Financing Sources (Uses)													
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	1,105	-	-	1,105
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	(327,171)	(327,171)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	1,105	-	(327,171)	(326,066)
Net Change in Fund Balances	344	3,124	-	1,623	287	6,299	(41)	730	-	1,542	17	3,711	17,636
Fund Balance - July 1, 2006	658	3,378	-	(5,486)	4,932	9,576	210	1,560	-	5,158	168	56,558	76,712
Fund Balance - June 30, 2007	1,002	6,502	-	(3,863)	5,219	15,875	169	2,290	-	6,700	185	60,269	94,348

City of Philadelphia **Schedule II**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	371,038
Locally Generated Non-Tax Revenue	153	28	5,353	5,534	-	19	19	1,324	71,286
Revenue from Other Governments	-	-	-	-	16,470	-	16,470	-	85,173
Other Revenues	-	-	-	-	240	-	240	-	372
Total Revenues	153	28	5,353	5,534	16,710	19	16,729	1,324	527,869
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	38,182
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	25,126
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,341
Conservation of Health:									
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	70,431
Cultural and Recreational:									
Recreation	-	-	-	-	-	-	-	-	29
Parks	-	-	-	-	-	-	-	160	4,611
Libraries and Museums	-	-	-	-	-	-	-	-	223
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	555	555	-	-	-	-	21,352
Capital Outlay	-	-	-	-	92,291	-	92,291	-	92,291
Debt Service:									
Principal	22,125	17,564	51,770	91,459	-	-	-	-	91,459
Interest	52,093	15,544	34,207	101,844	-	-	-	-	101,844
Bond Issuance Cost	-	-	-	-	2,297	-	2,297	-	2,297
Total Expenditures	74,218	33,108	86,532	193,858	94,588	-	94,588	160	449,186
Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,065)	(33,080)	(81,179)	(188,324)	(77,878)	19	(77,859)	1,164	78,683
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	217,590	-	217,590	-	217,590
Bond Issuance Premium	6,910	-	-	6,910	-	-	-	-	6,910
Transfers In	74,209	33,081	82,168	189,458	11,021	-	11,021	-	201,584
Transfers Out	-	-	-	-	-	-	-	-	(327,171)
Total Other Financing Sources (Uses)	81,119	33,081	82,168	196,368	228,611	-	228,611	-	98,913
Net Change in Fund Balances	7,054	1	989	8,044	150,733	19	150,752	1,164	177,596
Fund Balance - July 1, 2006	-	19	84,231	84,250	8,493	379	8,872	7,778	177,612
Fund Balances - June 30, 2007	7,054	20	85,220	92,294	159,226	398	159,624	8,942	355,208

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Assets

Pension Trust Funds

June 30, 2007

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	468,970	4,955,827	5,424,797
Securities Lending Collective Investment Pool	-	443,073	443,073
Accounts Receivable	631	3,652	4,283
Due from Brokers for Securities Sold	-	72,682	72,682
Interest and Dividends Receivable	1,722	9,278	11,000
Due from Other Governmental Units	-	5,158	5,158
Total Assets	471,323	5,489,670	5,960,993
Liabilities			
Vouchers Payable	-	104	104
Accounts Payable	591	3,704	4,295
Salaries and Wages Payable	-	127	127
Funds Held in Escrow	-	377	377
Due on Return of Securities Loaned	-	443,073	443,073
Due to Brokers for Securities Purchased	-	139,570	139,570
Accrued Expenses	-	1,074	1,074
Deferred Revenue	-	1,971	1,971
Other Liabilities	-	315	315
Total Liabilities	591	590,315	590,906
Net Assets Held in Trust for Pension Benefits	470,732	4,899,355	5,370,087

City of Philadelphia **Schedule IV**

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	15,260	432,267	447,527
Employees' Contributions	-	49,180	49,180
Total Contributions	15,260	481,447	496,707
Investment Income:			
Interest and Dividends	15,846	80,311	96,157
Net Gain in Fair Value of Investments	53,046	701,730	754,776
(Less) Investments Expenses	(2,468)	(17,127)	(19,595)
Securities Lending Revenue	131	21,837	21,968
(Less) Securities Lending Expenses	(95)	(20,758)	(20,853)
Net Investment Gain	66,460	765,993	832,453
Miscellaneous Operating Revenues	-	1,963	1,963
Total Additions	81,720	1,249,403	1,331,123
Deductions			
Personal Services	-	3,626	3,626
Purchase of Services	-	1,183	1,183
Materials and Supplies	-	104	104
Employee Benefits	-	1,562	1,562
Pension Benefits	31,853	655,629	687,482
Refunds of Members' Contributions	-	4,475	4,475
Other Operating Expenses	-	55	55
Total Deductions	31,853	666,634	698,487
Change in Net Assets	49,867	582,769	632,636
Net Assets - July 1, 2006	420,865	4,316,586	4,737,451
Net Assets - June 30, 2007	470,732	4,899,355	5,370,087

City of Philadelphia **Schedule V**

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2007

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	123,808	123,808
Equity in Treasurer's Account	7,848	12,517	-	20,365
Investments	-	-	19,881	19,881
Due from Other Funds	-	-	800	800
Total Assets	7,848	12,517	144,489	164,854
Liabilities				
Vouchers Payable	22	134	-	156
Payroll Taxes Payable	-	6,931	-	6,931
Funds Held in Escrow	7,826	5,452	144,489	157,767
Total Liabilities	7,848	12,517	144,489	164,854
Net Assets	-	-	-	-

City of Philadelphia **Schedule VI**

Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Balance 7-1-2006	Additions	Deductions	Balance 6-30-2007
Escrow Fund				
Assets				
Equity in Treasurer's Account	7,600	346,397	346,149	7,848
Liabilities				
Funds Held in Escrow	7,600	341,349	341,123	7,826
Vouchers Payable	-	1,945	1,923	22
Due to Other Governmental Units	-	-	-	-
Total Liabilities	7,600	343,294	343,046	7,848
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	13,089	830,675	831,247	12,517
Liabilities				
Vouchers Payable	91	6,167	6,124	134
Payroll Taxes Payable	7,883	750,961	751,913	6,931
Funds Held in Escrow	5,115	79,750	79,413	5,452
Total Liabilities	13,089	836,878	837,450	12,517
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	124,572	84,348	85,112	123,808
Investments	20,746	-	865	19,881
Due from Other Funds	777	102	79	800
Total Assets	146,095	84,450	86,056	144,489
Liabilities				
Funds Held in Escrow	146,095	84,450	86,056	144,489
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	124,572	84,348	85,112	123,808
Equity in Treasurer's Account	20,689	1,177,072	1,177,396	20,365
Investments	20,746	-	865	19,881
Due from Other Funds	777	102	79	800
Total Assets	166,784	1,261,522	1,263,452	164,854
Liabilities				
Vouchers Payable	91	8,112	8,047	156
Payroll Taxes Payable	7,883	750,961	751,913	6,931
Funds Held in Escrow	158,810	505,549	506,592	157,767
Total Liabilities	166,784	1,264,622	1,266,552	164,854

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2007

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2007 Outstanding	Maturities	Interest Rates	FY 2008 Debt Service Requirements Interest	Principal
General Obligation Bonds:								
Term Bonds	34,966,006 [1]	12/01/1995	28,516,101	28,516,101	05/2014 to 05/2025	5.00	1,425,805	-
	[1]	11/15/1998	6,449,905	6,449,905	03/2019 to 03/2028	5.00	322,495	-
	72,135,877 [1]	12/01/1995	36,358,899	36,358,899	05/2014 to 05/2025	5.00	1,817,945	-
	[1]	11/15/1998	35,776,978	35,776,978	03/2019 to 03/2028	5.00	1,788,849	-
	68,194,869 [1]	11/15/1998	68,194,869	68,194,869	03/2019 to 03/2028	5.00	3,409,744	-
	22,303,248 [1]	11/15/1998	22,303,248	22,303,248	03/2019 to 03/2028	5.00	1,115,162	-
	51,328,447 [1]	01/01/2001	51,328,447	51,328,447	09/2022 to 09/2031	5.00 to 5.25	2,610,226	-
	97,493,541 [1]	01/01/2001	96,961,553	96,961,553	09/2022 to 09/2031	5.00 to 5.25	4,930,824	-
		07/27/2006	531,988	531,988	8/2008 to 8/2031	5.00	26,599	
	120,935,000 [3]	12/02/2003	100,000,000	99,925,000	2/2008 to 2/2033	Variable rates	3,691,396	25,000
	[3]	12/02/2003	20,935,000	20,919,298	2/2008 to 2/2033	Variable rates	841,131	5,234
	79,065,000 [3]	12/02/2003	79,065,000	79,005,702	2/2008 to 2/2033	Variable rates	3,176,690	19,766
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2008 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2008 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2008 to 8/2031	5.00	506,553	-
Total Term Bonds	574,800,000		574,800,000	574,650,000			26,575,767	50,000
Refunding Issues	178,240,000	12/01/1998	178,240,000	136,515,000	05/2008 to 05/2020	4.75 to 5.25	6,822,581	7,725,000
Total Refunding Bonds	178,240,000		178,240,000	136,515,000			6,822,581	7,725,000
Serial Bonds	20,000,000	NA	20,000,000	5,787,024	07/2007 to 06/2013	1.00	52,497	1,174,485
	73,033,994	06/15/1994	47,500,000	9,645,000	11/2007 to 11/2014	5.80 to 6.00	546,253	970,000
	[1]	12/01/1995	19,834,899	2,613,152	05/2008 to 05/2025	5.00	130,658	1,274,708
	[1]	11/15/1998	5,699,095	4,259,925	03/2008 to 03/2018	4.75 to 5.25	215,106	297,651
	56,902,420 [1]	12/01/1995	25,290,101	3,331,848	05/2008 to 05/2025	5.00	166,592	1,625,292
	[1]	11/15/1998	31,612,319	23,629,384	03/2008 to 03/2018	4.75 to 5.25	1,193,171	1,651,038
	60,256,571 [1]	11/15/1998	60,256,571	45,040,212	03/2008 to 03/2018	4.75 to 5.25	2,274,316	3,147,060
	19,707,015 [1]	11/15/1998	19,707,015	14,730,479	03/2008 to 03/2018	4.75 to 5.25	743,819	1,029,251
	50,781,553 [1]	01/01/2001	50,781,553	41,975,863	09/2007 to 09/2021	4.05 to 5.50	2,036,313	1,974,704
	99,400,449 [1]	01/01/2001	95,928,447	79,294,137	09/2007 to 09/2021	4.05 to 5.50	3,846,679	3,730,296
		07/27/2006	3,472,002	3,472,002	8/2007 to 8/2029	4.50 to 5.125	170,045	82,807
	12,165,000 [1]	12/02/2003	12,165,000	10,227,115	02/2008 to 02/2015	5 to 5.25	521,100	745,715
	84,972,482	12/02/2003	37,835,000	31,807,885	02/2008 to 02/2015	5 to 5.25	1,620,700	2,319,285
		07/27/2006	47,137,482	47,137,482	8/2007 to 8/2029	4.50 to 5.125	2,308,601	1,124,224
	71,950,563	07/27/2006	71,950,563	71,950,563	8/2007 to 8/2029	4.50 to 5.125	3,523,844	1,716,014
	66,119,953	07/27/2006	66,119,953	66,119,953	8/2007 to 8/2029	4.50 to 5.125	3,238,285	1,576,955
Total Serial Bonds	615,290,000		615,290,000	461,022,024			22,587,979	24,439,485
Total General Obligation Bonds	1,368,330,000		1,368,330,000	1,172,187,024			55,986,327	32,214,485

City of Philadelphia **Schedule VII**

City Related Schedule of Bonded Debt Outstanding

June 30, 2007

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2007 Outstanding	Maturities	Interest Rates	FY 2008 Debt Service Requirements Interest	Principal
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
14th Series	158,265,000 [2]	05/15/1989	158,265,000	47,200,000	10/2007 to 10/2008	NA	-	23,600,000
Series 1993	1,157,585,000	08/01/1993	1,010,025,000	225,975,000	06/2008 to 06/2011	5.625 to 7.00	14,671,156	40,570,000
Series 1995	221,630,000	04/15/1995	221,630,000	69,935,000	08/2007 to 08/2018	6.25	4,061,094	9,915,000
Series 1997 A	350,000,000	10/15/1997	250,000,000	5,815,000	08/2007	5.25	152,644	5,815,000
Series 1997 B	[3]	11/25/1997	100,000,000	83,600,000	08/2007 to 08/2027	Variable rates	3,032,950	2,500,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
Series 1999 A	6,700,000	N.A.	6,700,000	1,373,419	07/2007 to 04/2019	2.73	32,114	431,187
Series 2001 A and B	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	-
Series 2003	381,275,000 [3]	04/01/2003	381,275,000	372,270,000	06/2008 to 06/2023	Variable rates	16,826,604	1,095,000
Series 2005 A	250,000,000	05/04/2005	250,000,000	247,875,000	07/2007 to 07/2035	3.00 to 5.25	12,166,625	4,145,000
Series 2005 B	86,105,000 [3]	05/04/2005	86,105,000	84,385,000	08/2007 to 08/2018	Variable rates	3,814,713	350,000
Series 2007 A	191,440,000	11/16/2006	191,440,000	191,440,000	8/2007 to 8/2027	4.00 to 5.00	6,577,034	2,815,000
Series 2007 B	153,595,000	11/16/2006	153,595,000	153,595,000	11/2007 to 11/2031	4.00 to 5.00	6,825,998	90,000
Total Water Revenue Bonds	3,377,700,000		3,230,140,000	1,756,523,419			82,327,627	91,326,187
Aviation Revenue Bonds:								
Series 1997 A and B	222,265,000	07/01/1997	222,265,000	120,210,000	06/2008 to 06/2027	5.00 to 6.00	6,524,450	6,680,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	83,835,000	06/2008 to 06/2018	5.25 to 6.00	4,558,306	5,760,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	398,675,000	07/2007 to 07/2028	5.00 to 5.375	20,175,343	10,175,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	172,865,000	07/2007 to 07/2028	5.125 to 5.50	9,111,876	4,205,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	37,140,000	06/2008 to 06/2031	4.25 to 5.50	1,937,119	825,000
Series 2005 B	41,000,000 [3]	06/02/2005	41,000,000	41,000,000	06/2011 to 06/2020	Variable rates	1,558,000	-
Series 2005 C	189,500,000 [3]	06/02/2005	189,500,000	182,700,000	06/2008 to 06/2025	Variable rates	11,380,088	4,100,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	124,985,000	06/2009 to 06/2035	4.20 to 5.50	5,979,705	-
Total Aviation Revenue Bonds	1,372,655,000		1,372,655,000	1,161,410,000			61,224,887	31,745,000
Total Revenue Bonds	4,750,355,000		4,602,795,000	2,917,933,419			143,552,514	123,071,187
Total All Bonds	6,118,685,000		5,971,125,000	4,090,120,443 [4]			199,538,841	155,285,672

NOTES:

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

[2] The balance outstanding on these issues includes zero discount bonds and compound interest bonds as follows:

Outstanding	Maturity Value	Discount
47,200,000	47,200,000	34,230,384

[3] Based on latest available estimated rates.

[4] A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,166,400,000	-	1,166,400,000
Proprietary Fund Types:			
Water Fund	5,787,024	1,756,523,419	1,762,310,443
Aviation Fund	-	1,161,410,000	1,161,410,000
Total Proprietary Funds	5,787,024	2,917,933,419	2,923,720,443
Total All Funds	1,172,187,024	2,917,933,419	4,090,120,443

City of Philadelphia **Schedule VIII**

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	465,286	477,078	486,917	9,839
Revenue from Other Governments	1,600	1,500	520	(980)
Revenue from Other Funds	63,328	30,272	32,311	2,039
Total Revenues	530,214	508,850	519,748	10,898
Expenditures and Encumbrances				
Personal Services	109,721	103,818	101,056	2,762
Pension Contributions	32,600	34,513	34,513	-
Other Employee Benefits	32,519	31,138	31,138	-
Sub-Total Employee Compensation	174,840	169,469	166,707	2,762
Purchase of Services	97,059	85,617	83,967	1,650
Materials and Supplies	38,994	38,557	38,274	283
Equipment	4,820	3,658	3,134	524
Contributions, Indemnities and Taxes	6,603	6,038	2,445	3,593
Debt Service	178,826	176,415	173,923	2,492
Payments to Other Funds	42,072	63,460	67,879	(4,419)
Total Expenditures and Encumbrances	543,214	543,214	536,329	6,885
Operating Surplus (Deficit) for the Year	(13,000)	(34,364)	(16,581)	17,783
Fund Balance Available for Appropriation, July 1, 2006	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	13,000	13,000	16,584	3,584
Prior Period Adjustments	-	-	(3)	(3)
Adjusted Fund Balance, July 1, 2006	13,000	13,000	16,581	3,581
Fund Balance Available for Appropriation, June 30, 2007	-	(21,364)	-	21,364

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2007

Schedule IX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	100	-	-	-
Revenue from Other Funds	145,765	20,765	16,324	(4,441)
Total Revenues	145,865	20,765	16,324	(4,441)
Expenditures and Encumbrances				
Personal Services	125,000	125,000	-	125,000
Payments to Other Funds	21,494	21,494	21,494	-
Total Expenditures and Encumbrances	146,494	146,494	21,494	125,000
Operating Surplus (Deficit) for the Year	(629)	(125,729)	(5,170)	120,559
Fund Balance Available for Appropriation, July 1, 2006	17,606	6,867	6,867	-
Fund Balance Available for Appropriation, June 30, 2007	16,977	(118,862)	1,697	120,559

City of Philadelphia **Schedule X**

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	20	35	72	37
Revenue from Other Governments	4,916	4,915	4,978	63
Total Revenues	4,936	4,950	5,050	100
Expenditures and Encumbrances				
Personal Services	3,284	3,284	3,284	-
Purchase of Services	1,311	1,311	1,307	4
Materials and Supplies	260	260	258	2
Equipment	80	80	74	6
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	4,950	4,950	4,938	12
Operating Surplus (Deficit) for the Year	(14)	-	112	112
Fund Balance Available for Appropriation, July 1, 2006	644	574	574	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	75	75	43	(32)
Adjusted Fund Balance, July 1, 2006	719	649	617	(32)
Fund Balance Available for Appropriation, June 30, 2007	705	649	729	80

City of Philadelphia
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2007

Schedule XI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	70	90	283	193
Revenue from Other Governments	21,916	22,055	23,261	1,206
Total Revenues	21,986	22,145	23,544	1,399
Expenditures and Encumbrances				
Personal Services	8,270	8,270	8,270	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	9,270	9,270	9,270	-
Purchase of Services	7,310	7,470	7,433	37
Materials and Supplies	3,595	3,935	3,869	66
Equipment	590	90	89	1
Payments to Other Funds	31	31	31	-
Total Expenditures and Encumbrances	20,796	20,796	20,692	104
Operating Surplus (Deficit) for the Year	1,190	1,349	2,852	1,503
Fund Balance Available for Appropriation, July 1, 2006	2,269	2,496	2,496	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	215	100	125	25
Adjusted Fund Balance, July 1, 2006	2,484	2,596	2,621	25
Fund Balance Available for Appropriation, June 30, 2007	3,674	3,945	5,473	1,528

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	43,000	43,000	38,039	(4,961)
Locally Generated Non-Tax Revenue	100	100	143	43
Total Revenues	43,100	43,100	38,182	(4,918)
Expenditures and Encumbrances				
Personal Services	90	90	90	-
Contributions, Indemnities and Taxes	43,010	43,010	41,318	1,692
Total Expenditures and Encumbrances	43,100	43,100	41,408	1,692
Operating Surplus (Deficit) for the Year	-	-	(3,226)	(3,226)
Fund Balance Available for Appropriation, July 1, 2006	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,226	3,226
Adjusted Fund Balance, July 1, 2006	-	-	3,226	3,226
Fund Balance Available for Appropriation, June 30, 2007	-	-	-	-

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	319,575	319,775	266,013	(53,762)
Revenue from Other Governments	2,500	2,500	1,693	(807)
Revenue from Other Funds	1,000	1,000	920	(80)
Total Revenues	323,075	323,275	268,626	(54,649)
Expenditures and Encumbrances				
Personal Services	59,996	59,996	57,886	2,110
Pension Contributions	16,296	17,524	17,524	-
Other Employee Benefits	15,824	15,780	15,688	92
Sub-Total Employee Compensation	92,116	93,300	91,098	2,202
Purchase of Services	98,635	98,438	84,216	14,222
Materials and Supplies	10,219	10,228	7,818	2,410
Equipment	7,545	7,535	3,266	4,269
Contributions, Indemnities and Taxes	4,787	4,787	1,243	3,544
Debt Service	99,487	98,501	85,694	12,807
Payments to Other Funds	24,381	24,381	16,766	7,615
Total Expenditures and Encumbrances	337,170	337,170	290,101	47,069
Operating Surplus (Deficit) for the Year	(14,095)	(13,895)	(21,475)	(7,580)
Fund Balance Available for Appropriation, July 1, 2006	37,706	47,107	47,107	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	17,036	5,036
Prior Period Adjustments	-	-	(85)	(85)
Adjusted Fund Balance, July 1, 2006	49,706	59,107	64,058	4,951
Fund Balance Available for Appropriation, June 30, 2007	35,611	45,212	42,583	(2,629)

City of Philadelphia **Schedule XIV**

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	250	250	23,420	23,170
Revenue from Other Governments	135,722	115,722	33,323	(82,399)
Total Revenues	135,972	115,972	56,743	(59,229)
Other Sources				
Increase in Unreimbursed Committments	-	-	14,774	14,774
Total Revenues and Other Sources	135,972	115,972	71,517	(44,455)
Expenditures and Encumbrances				
Personal Services	4,989	7,009	3,606	3,403
Pension Contributions	1,449	2,129	1,458	671
Other Employee Benefits	1,469	1,800	1,490	310
Sub-Total Employee Compensation	7,907	10,938	6,554	4,384
Purchase of Services	107,820	104,689	79,810	24,879
Materials and Supplies	172	287	208	79
Equipment	43	28	15	13
Payments to Other Funds	30	30	18	12
Advances, Subsidies, Miscellaneous	20,000	8,487	-	8,487
Total Expenditures and Encumbrances	135,972	124,459	86,605	37,854
Operating Surplus (Deficit) for the Year	-	(8,487)	(15,088)	(6,601)
Fund Balance Available for Appropriation, July 1, 2006	-	(5,486)	(5,486)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	16,791	16,791
Revenue Adjustments - Net	-	-	(80)	(80)
Prior Period Adjustments	-	5,486	-	(5,486)
Adjusted Fund Balance, July 1, 2006	-	-	11,225	11,225
Fund Balance Available for Appropriation, June 30, 2007	-	(8,487)	(3,863)	4,624

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2007

Schedule XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	5,000	5,000	5,076	76
Locally Generated Non-Tax Revenue	130	120	211	91
Total Revenues	5,130	5,120	5,287	167
Expenditures and Encumbrances				
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	130	120	287	167
Fund Balance Available for Appropriation, July 1, 2006	5,132	4,932	4,932	-
Fund Balance Available for Appropriation, June 30, 2007	5,262	5,052	5,219	167

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2007

Schedule XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	14,120	14,300	14,550	250
Expenditures and Encumbrances				
Personal Services	20,000	1,400	1,400	-
Purchase of Services	-	18,600	18,574	26
Total Expenditures and Encumbrances	20,000	20,000	19,974	26
Operating Surplus (Deficit) for the Year	(5,880)	(5,700)	(5,424)	276
Fund Balance Available for Appropriation, July 1, 2006	10,100	8,936	8,936	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,085	1,085
Adjusted Fund Balance, July 1, 2006	10,100	8,936	10,021	1,085
Fund Balance Available for Appropriation, June 30, 2007	4,220	3,236	4,597	1,361

City of Philadelphia
Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2007

Schedule XVII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	331,827	328,827	240	(328,587)
Revenue from Other Governments	254,301	257,301	16,689	(240,612)
Revenue from Other Funds	-	-	10,803	10,803
Total Revenues	586,128	586,128	27,732	(558,396)
Other Sources (Uses)				
Decrease in Unreimbursed Committments	-	-	(1,560)	(1,560)
Proceeds from Bond Sales	-	-	217,590	217,590
Total Revenues and Other Sources	586,128	586,128	243,762	(342,366)
Expenditures and Encumbrances				
Capital Outlay	586,128	586,128	79,149	506,979
Operating Surplus (Deficit) for the Year	-	-	164,613	164,613
Fund Balance Available for Appropriation, July 1, 2006	-	-	(67,514)	(67,514)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	4,419	4,419
Revenue Adjustments - Net	-	-	1,052	1,052
Adjusted Fund Balance, July 1, 2006	-	-	(62,043)	(62,043)
Fund Balance Available for Appropriation, June 30, 2007	-	-	102,570	102,570

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	368,592	366,769	367,257	488	354,058	13,199
Prior Years	41,000	41,000	30,286	(10,714)	41,759	(11,473)
Total Real Property Tax	409,592	407,769	397,543	(10,226)	395,817	1,726
Wage and Earnings Taxes:						
Current	1,108,448	1,133,395	1,162,391	28,996	1,104,035	58,356
Prior Years	10,500	8,000	5,061	(2,939)	7,120	(2,059)
Total Wage and Earnings Taxes	1,118,948	1,141,395	1,167,452	26,057	1,111,155	56,297
Business Taxes:						
Business Privilege Taxes:						
Current	325,927	383,046	401,911	18,865	390,463	11,448
Prior Years	53,000	25,000	34,447	9,447	25,041	9,406
Total Business Privilege Tax	378,927	408,046	436,358	28,312	415,504	20,854
Net Profits Tax:						
Current	12,315	12,083	10,936	(1,147)	11,822	(886)
Prior Years	2,500	2,500	4,326	1,826	2,799	1,527
Total Net Profits Tax	14,815	14,583	15,262	679	14,621	641
Total Business Taxes	393,742	422,629	451,620	28,991	430,125	21,495
Other Taxes:						
Sales Tax	129,023	135,000	132,572	(2,428)	127,817	4,755
Amusement Tax	17,425	17,394	16,454	(940)	16,970	(516)
Real Property Transfer Tax	195,000	210,000	217,329	7,329	236,430	(19,101)
Parking Lot Tax	48,380	49,588	50,310	722	48,378	1,932
Miscellaneous Taxes	1,522	3,500	2,575	(925)	2,263	312
Total Other Taxes	391,350	415,482	419,240	3,758	431,858	(12,618)
Total Taxes	2,313,632	2,387,275	2,435,855	48,580	2,368,955	66,900
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	13,320	14,373	5,140	(9,233)	5,005	135
Licenses and Permits	42,639	41,814	40,584	(1,230)	39,138	1,446
Fines, Forfeits, Penalties, Confiscated Money and Property	19,855	21,025	18,441	(2,584)	18,844	(403)
Interest Income	25,450	24,950	41,978	17,028	30,098	11,880
Service Charges and Fees	102,609	106,257	108,084	1,827	104,315	3,769
Other	41,135	31,879	33,684	1,805	38,510	(4,826)
Total Locally Generated Non-Tax Revenue	245,008	240,298	247,911	7,613	235,910	12,001
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	207,840	198,922	207,430	8,508	235,293	(27,863)
Commonwealth of Pennsylvania:						
Grants and Other Payments	516,226	496,914	509,109	12,195	405,582	103,527
Other Governmental Units	307,720	301,941	316,396	14,455	283,669	32,727
Total Revenue from Other Governments	1,031,786	997,777	1,032,935	35,158	924,544	108,391
Revenue from Other Funds of the City	27,574	25,719	27,417	1,698	24,887	2,530
Total Revenues	3,618,000	3,651,069	3,744,118	93,049	3,554,296	189,822

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	14,790	44,790	13,625	31,165	12,735	890
Mayor's Office:						
Mayor's Office	4,929	5,231	5,061	170	4,603	458
Scholarships	200	200	200	-	199	1
Mural Arts Program	857	857	724	133	832	(108)
Labor Relations	586	586	547	39	585	(38)
Mayor's Office of Information Services	13,077	14,411	13,654	757	11,717	1,937
Capital Program Office	1,918	1,918	1,762	156	1,843	(81)
Mayor's Office of Community Services	-	-	-	-	132	(132)
Law	15,156	16,000	16,195	(195)	14,799	1,396
City Planning Commission	3,354	3,354	3,214	140	3,138	76
Commission on Human Relations	2,157	2,175	2,175	-	2,035	140
Board of Revision of Taxes	9,594	9,594	9,559	35	8,133	1,426
Total General Government	66,618	99,116	66,716	32,400	60,751	5,965
Operation of Service Departments						
Housing	1,387	6,317	6,317	-	1,541	4,776
Managing Director	13,004	13,922	13,328	594	13,543	(215)
Police	493,497	503,191	500,751	2,440	480,283	20,468
Streets	128,342	140,184	137,362	2,822	127,726	9,636
Fire	180,461	195,923	195,923	-	172,301	23,622
Public Health	114,339	114,985	112,910	2,075	105,653	7,257
Office of Behavioral Health	14,475	14,475	14,352	123	14,445	(93)
Recreation	36,319	38,833	37,032	1,801	35,026	2,006
Fairmount Park Commission	12,882	14,675	14,463	212	13,453	1,010
Atwater Kent Museum	270	270	256	14	267	(11)
Camp William Penn	283	321	309	12	289	20
Public Property	172,652	194,837	194,332	505	169,993	24,339
Department of Human Services	609,479	590,587	590,438	149	557,741	32,697
Philadelphia Prisons	194,238	208,761	208,774	(13)	194,774	14,000
Office of Supportive Housing	29,481	37,529	38,608	(1,079)	35,779	2,829
Office of Fleet Management	55,174	58,695	59,708	(1,013)	57,212	2,496
Licenses and Inspections	28,788	28,998	28,686	312	28,628	58
Board of L & I Review	219	219	184	35	178	6
Board of Building Standards	110	110	91	19	101	(10)
Zoning Board of Adjustment	449	449	398	51	414	(16)
Records	8,136	8,136	8,017	119	8,740	(723)
Philadelphia Historical Commission	322	322	315	7	272	43
Art Museum	2,250	2,280	2,280	-	2,000	280
Philadelphia Free Library	39,449	39,469	39,211	258	37,310	1,901
Total Operations of Service Departments	2,136,006	2,213,488	2,204,045	9,443	2,057,669	146,376
Financial Management						
Office of Director of Finance	62,748	47,343	47,343	-	42,919	4,424
Department of Revenue	17,702	17,782	16,766	1,016	16,649	117
Sinking Fund Commission	199,321	173,420	173,420	-	159,922	13,498
Procurement	5,342	5,342	4,933	409	4,599	334
City Treasurer	817	817	642	175	677	(35)
Audit of City Operations	8,150	8,150	7,786	364	7,330	456
Total Financial Management	294,080	252,854	250,890	1,964	232,096	18,794

City of Philadelphia **Schedule XVIII**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	864,479	890,330	890,330	-	760,221	130,109
Community College of Philadelphia	23,468	23,468	23,468	-	22,468	1,000
Legal Services	34,269	35,404	35,404	-	33,609	1,795
Hero Award	25	26	26	-	19	7
Refunds	500	10	10	-	20	(10)
Witness Fees	173	135	135	-	104	31
Contribution to School District	35,000	35,000	35,000	-	35,000	-
Total City-Wide Under Director of Finance	957,914	984,373	984,373	-	851,441	132,932
Promotion and Public Relations						
City Representative	47,318	47,352	46,991	361	47,199	(208)
Personnel						
Civic Service Commission	164	164	146	18	155	(9)
Personnel Director	5,010	5,010	4,793	217	4,421	372
Total Personnel	5,174	5,174	4,939	235	4,576	363
Administration of Justice						
Clerk of Quarter Sessions	4,805	4,805	4,792	13	4,297	495
Register of Wills	3,457	3,457	3,443	14	3,178	265
District Attorney	30,646	31,264	30,937	327	28,658	2,279
Sheriff	13,733	14,739	14,644	95	13,775	869
First Judicial District	109,651	114,796	114,830	(34)	112,544	2,286
Total Administration of Justice	162,292	169,061	168,646	415	162,452	6,194
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,492	1,571	1,571	-	1,595	(24)
Conduct of Elections						
City Commissioners	8,125	8,792	8,486	306	8,268	218
Total Obligations	3,679,019	3,781,781	3,736,657	45,124	3,426,047	310,610
Operating Surplus (Deficit) for the Year	(61,019)	(130,712)	7,461	138,173	128,249	(120,788)

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	379,740	364,496	379,903	15,407	357,585	22,318
Sales and Charges - Prior Years	32,662	51,537	40,645	(10,892)	38,058	2,587
Fire Service Connections	1,790	1,758	1,953	195	2,057	(104)
Surcharges	5,109	6,355	4,754	(1,601)	4,693	61
Fines and Penalties	664	838	877	39	715	162
Miscellaneous Charges	1,216	1,226	1,627	401	1,109	518
Charges to Other Municipalities	29,430	28,250	27,314	(936)	35,647	(8,333)
Licenses and Permits	1,480	1,900	1,797	(103)	1,914	(117)
Interest Income	6,420	11,600	15,754	4,154	10,397	5,357
Fleet Management - Sale of Vehicles & Equipment	170	170	102	(68)	278	(176)
Contributions from Sinking Fund Reserve	5,319	6,000	9,209	3,209	5,666	3,543
Reimbursement of Expenditures	110	94	60	(34)	48	12
Repair Loan Program	921	2,443	2,577	134	1,892	685
Other	255	411	345	(66)	377	(32)
Total Locally Generated Non-Tax Revenue	465,286	477,078	486,917	9,839	460,436	26,481
Revenue from Other Governments						
State	1,500	1,000	463	(537)	332	131
Federal	100	500	57	(443)	237	(180)
Total Revenue from Other Governments	1,600	1,500	520	(980)	569	(49)
Revenue from Other Funds	63,328	30,272	32,311	2,039	29,254	3,057
Total Revenues	530,214	508,850	519,748	10,898	490,259	29,489
Obligations						
Mayor's Office of Information Services	1,454	1,454	1,453	1	1,292	161
Public Property	4,235	4,235	4,237	(2)	4,013	224
Office of Fleet Management	7,686	7,686	6,863	823	6,346	517
Water Department	255,327	260,115	265,144	(5,029)	245,634	19,510
Office of the Director of Finance	299	299	270	29	319	(49)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	32,600	34,513	34,513	-	27,622	6,891
Other Employee Benefits	32,519	31,138	31,138	-	28,658	2,480
Contributions, Indemnities and Taxes	6,500	3,591	-	3,591	-	-
Department of Revenue	20,708	20,708	15,861	4,847	20,739	(4,878)
Sinking Fund Commission	178,826	176,415	173,923	2,492	166,416	7,507
Procurement Department	65	65	48	17	61	(13)
Law	2,995	2,995	2,879	116	2,926	(47)
Total Obligations	543,214	543,214	536,329	6,885	504,026	32,303
Operating Surplus (Deficit) for the Year	(13,000)	(34,364)	(16,581)	17,783	(13,767)	(2,814)

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2007

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2007 Actual	Positive (Negative)	FY 2006 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	26,000	26,000	24,114	(1,886)	22,623	1,491
Space Rentals	129,500	130,000	74,077	(55,923)	71,161	2,916
Landing Fees	53,000	53,000	51,466	(1,534)	51,429	37
Parking	33,000	33,000	33,185	185	30,187	2,998
Car Rentals	20,000	20,000	19,709	(291)	17,566	2,143
Payment in Aid - Terminal Building	-	-	-	-	16,510	(16,510)
Interest Earnings	1,750	1,750	4,394	2,644	3,816	578
Sale of Utilities	5,000	5,000	5,080	80	4,559	521
Passenger Facility charge	35,000	35,000	32,921	(2,079)	32,592	329
Overseas Terminal Facility Charges	300	-	21	21	224	(203)
International Terminal Charge	11,000	11,000	17,849	6,849	16,219	1,630
Other	5,025	5,025	3,197	(1,828)	2,568	629
Total Locally Generated Non-Tax Revenue	319,575	319,775	266,013	(53,762)	269,454	(3,441)
Revenue from Other Governments						
State	-	-	-	-	-	-
Federal	2,500	2,500	1,693	(807)	1,161	532
Total Revenue from Other Governments	2,500	2,500	1,693	(807)	1,161	532
Revenue from Other Funds	1,000	1,000	920	(80)	887	33
Total Revenues	323,075	323,275	268,626	(54,649)	271,502	(2,876)
Obligations						
Police	12,826	12,826	12,695	131	10,954	1,741
Fire	5,252	5,252	5,199	53	4,713	486
Public Property	25,160	25,160	20,159	5,001	23,138	(2,979)
Office of Fleet Management	7,862	7,862	3,788	4,074	4,522	(734)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	16,296	17,524	17,524	-	13,858	3,666
Other Employee Benefits	15,824	15,780	15,688	92	13,957	1,731
Purchase of Services	4,146	3,948	2,927	1,021	2,571	356
Contributions, Indemnities and Taxes	2,512	1,991	-	1,991	-	-
Sinking Fund Commission	99,487	98,501	85,694	12,807	88,221	(2,527)
Commerce	146,257	146,778	124,936	21,842	104,199	20,737
Law	1,548	1,548	1,491	57	1,336	155
Total Obligations	337,170	337,170	290,101	47,069	267,469	22,632
Operating Surplus (Deficit) for the Year	(14,095)	(13,895)	(21,475)	(7,580)	4,033	(25,508)

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
PENNSYLVANIA

Independence Hall

City of Philadelphia
Net Assets by Component
For the Fiscal Years 2002 Through 2007

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	280.9	286.4	175.0	241.3	248.6	161.4
Restricted	427.0	426.8	484.1	516.5	471.5	689.7
Unrestricted	(1,295.5)	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)
Total Governmental Activities Net Assets	(587.6)	259.4	(47.9)	(270.8)	(290.8)	(369.4)
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	199.1	478.6	541.0	548.4	537.4	544.0
Restricted	1,001.6	642.1	504.0	472.0	551.9	635.1
Unrestricted	(106.3)	(12.7)	91.3	269.7	273.9	257.3
Total Business-Type Activities Net Assets	1,094.4	1,108.0	1,136.3	1,290.1	1,363.2	1,436.4
Primary Government						
Invested in Capital Assets, Net of Related Debt	480.0	765.0	716.0	789.7	786.0	705.4
Restricted	1,428.6	1,068.9	988.1	988.5	1,023.4	1,324.8
Unrestricted	(1,401.8)	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)
Total Primary Government Net Assets	506.8	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2002 Through 2007

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental Activities:						
Economic Development	97.3	127.9	127.4	89.5	89.8	92.6
Transportation:						
Streets & Highways	110.9	99.8	109.9	119.0	116.0	116.6
Mass Transit	85.2	85.9	81.3	84.9	84.5	85.1
Judiciary and Law Enforcement:						
Police	674.9	755.2	793.8	817.1	836.0	921.4
Prisons	201.0	223.4	237.1	250.2	268.7	293.2
Courts	265.8	253.8	277.2	284.9	287.1	304.1
Conservation of Health:						
Emergency Medical Services	25.7	29.0	30.6	34.2	35.6	36.0
Health Services	1,147.8	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6
Housing and Neighborhood Development	124.8	125.2	119.0	123.0	149.5	111.2
Cultural and Recreational						
Recreation	84.5	109.5	118.4	68.3	73.3	73.4
Parks	44.2	26.2	32.6	30.2	28.9	32.6
Libraries and Museums	66.9	63.0	67.5	80.7	68.6	90.3
Improvements to General Welfare:						
Social Services	580.4	641.5	691.2	697.6	702.0	765.5
Education	81.8	57.1	58.6	61.6	59.9	64.0
Inspections and Demolitions	50.5	44.3	81.3	79.0	55.3	64.3
Service to Property:						
Sanitation	109.1	114.8	121.0	126.0	128.8	134.4
Fire	173.0	190.2	215.4	229.6	236.1	285.3
General Management and Support	521.8	524.8	576.9	519.9	574.8	568.7
Interest on Long Term Debt	169.7	130.2	98.3	138.2	136.9	149.5
Total Governmental Activities Expenses	4,615.3	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8
Business-Type Activities:						
Water and Sewer	427.7	412.9	416.9	442.3	455.4	476.2
Aviation	197.9	244.5	261.0	269.5	303.1	314.3
Industrial and Commercial Development	3.8	2.2	2.5	4.7	2.1	3.7
Total Business-Type Activities Expenses	629.4	659.6	680.4	716.5	760.6	794.2
Total Primary government Expenses	5,244.7	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0
Program Revenues						
Governmental Activities:						
Charges for Services:						
Economic Development	15.1	0.2	6.9	0.1	-	-
Transportation:						
Streets & Highways	1.3	1.1	1.5	1.9	2.2	3.5
Mass Transit	0.4	0.6	0.5	0.5	0.6	0.6
Judiciary and Law Enforcement:						
Police	1.4	2.2	2.4	2.2	7.2	1.7
Prisons	0.7	0.4	0.5	0.4	0.4	0.3
Courts	72.4	50.9	52.5	48.4	51.5	51.5
Conservation of Health:						
Emergency Medical Services	18.6	20.1	20.7	23.1	25.0	27.7
Health Services	10.0	10.2	11.6	13.5	14.0	12.6
Housing and Neighborhood Development	2.3	18.9	12.0	10.0	22.3	45.2
Cultural and Recreational:						
Recreation	14.5	14.3	13.0	0.8	0.4	0.2
Parks	1.6	1.9	1.7	0.9	0.4	0.5
Libraries and Museums	0.3	0.3	0.4	0.5	0.9	0.9
Improvements to General Welfare:						
Social Services	8.8	8.8	6.9	7.6	7.4	7.3
Inspections and Demolitions	0.5	0.5	0.8	0.7	0.7	44.4
Service to Property:						
Sanitation	1.2	1.8	2.0	2.1	1.8	-
Fire	0.3	0.1	0.1	0.5	0.4	0.7
General Management and Support	127.0	150.7	138.2	130.8	179.1	107.5
Operating Grants and Contributions	1,834.2	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9
Capital Grants and Contributions	19.9	17.3	19.6	9.1	21.4	15.8
Total Governmental Activities Program Revenues	2,130.5	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2002 Through 2007

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Business-Type Activities:						
Charges for Services:						
Water and Sewer	350.9	385.4	401.6	450.6	470.8	493.6
Aviation	201.2	230.5	251.9	278.4	295.0	309.2
Industrial and Commercial Development	3.2	1.2	1.2	1.1	1.2	1.5
Operating Grants and Contributions	11.0	8.9	4.8	2.0	2.5	2.8
Capital Grants and Contributions	23.8	17.8	21.0	20.7	25.3	22.4
Total Business-Type Activities Program Revenues	590.1	643.8	680.5	752.8	794.8	829.5
Total Primary Government Revenues	2,720.6	2,851.3	2,930.5	3,073.1	3,272.6	3,354.8
Net (Expense)/Revenue						
Governmental Activities	(2,484.8)	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)
Business-Type Activities	(39.3)	(15.8)	0.1	36.3	34.2	35.3
Total Primary Government Net Expense	(2,524.1)	(2,606.6)	(2,762.0)	(2,752.3)	(2,831.7)	(3,070.2)
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes:						
Property Taxes	351.7	362.7	374.4	381.8	386.3	399.2
Wage & Earnings Taxes	1,271.2	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5
Business Taxes	307.9	306.9	319.2	367.9	430.2	453.7
Other Taxes	286.1	294.7	342.1	406.4	457.7	460.3
Unrestricted Grants & Contributions	61.1	61.2	47.1	84.3	81.7	104.1
Interest & Investment Earnings	35.2	57.5	26.0	32.9	60.2	81.8
Special Items	-	(99.3)	-	-	-	-
Transfers	4.1	4.1	-	4.4	5.0	4.9
Total Governmental Activities	2,317.3	2,289.7	2,454.7	2,650.7	2,846.0	3,002.5
Business-Type Activities:						
Interest & Investment Earnings	45.4	33.5	6.6	15.8	43.8	45.7
Transfers	(6.9)	(4.1)	-	(4.4)	(4.9)	(4.9)
Total Business-Type Activities	38.5	29.4	6.6	11.4	38.9	40.8
Total Primary Government	2,355.8	2,319.1	2,461.3	2,662.1	2,884.9	3,043.3
Change in Net Assets						
Governmental Activities	(167.5)	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)
Business-Type Activities	(0.8)	13.6	6.7	47.7	73.1	76.1
Total Primary Government	(168.3)	(287.5)	(300.7)	(90.2)	53.2	(26.9)

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2007

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	337.5	240.9	152.2	190.7	193.3	335.2
Unreserved	139.0	(7.9) [1]	(148.1)	(36.4)	111.2	152.7
Total General Fund	476.5	233.0	4.1	154.3	304.5	487.9
All Other Governmental Funds						
Reserved	490.5	455.7	378.0	487.5	585.1	557.5
Unreserved, reported in:						
Special Revenue Funds	6.8	64.8	98.9	100.8	(52.0)	30.0
Debt Service funds	1.8	1.7	1.6	1.7	1.7	1.5
Capital Projects Funds	6.8	(98.1)	80.9	(6.3)	(67.1)	103.0
Permanent Funds	2.4	3.1	3.2	3.4	3.7	4.3
Total All Other Governmental Funds	508.3	427.2	562.6	587.1	471.4	696.3

[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 liabi
A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2007

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Revenues						
Tax Revenue	2,255.6	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1
Locally Generated Non-Tax Revenue	298.4	339.8	280.0	265.2	354.5	381.7
Revenue from Other Governments	1,790.2	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6
Other Revenues	13.6	17.3	18.5	16.7	15.3	17.1
Total Revenues	4,357.8	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5
Expenditures						
Current Operating:						
Economic Development	91.7	170.4	157.0	92.7	81.5	85.5
Transportation:						
Streets & Highways	71.8	78.1	75.9	77.7	78.8	89.2
Mass Transit	56.9	57.5	52.9	56.6	56.7	58.1
Judiciary and Law Enforcement:						
Police	665.2	727.3	752.0	770.9	798.0	860.2
Prisons	194.8	214.3	224.5	241.3	256.6	278.1
Courts	265.7	246.5	267.8	276.9	278.2	292.3
Conservation of Health:						
Emergency Medical Services	25.7	28.4	29.7	33.3	34.8	34.9
Health Services	1,146.0	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8
Housing and Neighborhood Development	123.5	120.7	119.0	122.9	147.9	109.2
Cultural and Recreational:						
Recreation	64.4	94.0	65.7	58.3	59.8	62.2
Parks	32.5	24.2	23.8	23.7	23.4	26.3
Libraries and Museums	62.5	64.4	61.1	68.2	70.2	83.2
Improvements to General Welfare:						
Social Services	578.6	636.1	683.4	689.1	695.9	756.7
Education	81.8	57.1	58.6	61.5	59.9	64.0
Inspections and Demolitions	50.9	46.6	83.6	81.2	59.8	63.0
Service to Property:						
Sanitation	109.1	111.5	117.8	122.0	125.6	129.5
Fire	170.3	188.0	203.0	217.8	225.8	267.6
General Management and Support	420.8	450.9	472.4	477.1	537.5	563.7
Capital Outlay	277.8	162.2	126.0	103.1	97.9	92.3
Debt Service:						
Principal	130.0	106.8	105.7	95.8	86.2	91.5
Interest	116.0	112.3	101.6	101.0	99.9	103.4
Bond Issuance Cost	-	-	9.2	3.9	-	5.0
Total Expenditures	4,736.0	4,890.0	4,961.0	5,046.1	5,282.1	5,552.7
Excess of Revenues Over (Under) Expenditures	(378.2)	(229.6)	(361.2)	13.0	19.4	27.8
Other Financing Sources (Uses)						
Issuance of Debt	-	165.5	487.7	157.3	10.0	353.1
Bond Issuance Premium	-	-	4.8	-	-	13.8
Proceeds from Lease & Service Agreements	468.2	-	10.9	-	-	-
Bond Defeasance	-	(165.4)	(233.1)	-	-	-
Transfers In	703.5	449.4	442.9	581.4	433.1	460.1
Transfers Out	(693.5)	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)
Total Other Financing Sources (Uses)	478.2	4.3	270.3	161.7	15.0	371.9
Special Items						
Business Privilage Tax Adjustment	-	(99.3) [1]	-	-	-	-
Net Change in Fund Balances	100.0	(324.6)	(90.9)	174.7	34.4	399.7
Debt Service as a Percentage of Non-capital Expenditures	5.6%	4.7%	4.3%	4.0%	3.6%	3.6%

[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 occured.

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 1998 through 2007

Table 5

Amounts in millions of USD

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Additions:										
Contributions:										
Employee Contributions	48.0	49.2	50.2	49.3	50.1	52.5	50.5	49.3	48.9	49.2
Employer's:										
City of Philadelphia	252.0	1,506.8 [1]	179.5	163.5	174.2	174.6	196.6	290.6	321.3	419.2
Quasi-Governmental Agencies	5.0	4.9	4.5	4.1	4.0	5.2	6.2	8.6	10.4	13.1
Total Employer's Contributions	257.0	1,511.7	184.0	167.6	178.2	179.8	202.8	299.2	331.7	432.3
Total Contributions	305.0	1,560.9	234.2	216.9	228.3	232.3	253.3	348.5	380.6	481.5
Interest & Dividends	115.3	119.3	124.9	133.8	109.3	74.4	68.4	74.6	65.1	80.3
Net Gain (Decline) in Fair Value of Investments	295.2	262.3	318.7	(422.8)	(359.6)	(3.9)	526.6	306.2	386.4	684.7
Net Securities Lending Revenue	1.3	1.5	1.5	2.0	2.2	1.0	0.8	0.9	0.7	1.1
Net Investment Income (Loss)	411.8	383.1	445.1	(287.0)	(248.1)	71.5	595.8	381.7	452.2	766.1
Miscellaneous Operating Revenue	0.4	0.2	0.2	0.6	0.7	2.4	1.3	0.4	2.1	2.1
Total Additions	717.2	1,944.2	679.5	(69.5)	(19.1)	306.2	850.4	730.6	834.9	1,249.7
Deductions:										
Pension Benefits	383.3	434.0	444.3	456.8	450.2	462.3	657.5	590.6	608.6	655.8
Refunds to Members	3.2	4.2	4.2	4.7	7.1	4.9	4.1	4.6	4.8	4.5
Administrative Costs	4.0	4.4	4.9	5.3	5.2	6.6	6.4	6.8	6.7	6.7
Total Deductions	390.5	442.6	453.4	466.8	462.5	473.8	668.0	602.0	620.1	667.0
Net Increase (Decrease)	326.7	1,501.6	226.1	(536.3)	(481.6)	(167.6)	182.4	128.6	214.8	582.7
Net Assets: Adjusted Opening	2,922.1	3,248.8	4,750.3	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6
Closing	3,248.8	4,750.4	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	855.58%	964.44%	965.87%	1024.22%	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%
Closing Net Assets	11.80%	9.14%	8.93%	10.29%	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%
Coverage of Additions over Deductions	183.66%	439.26%	149.87%	-14.89%	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%
Investment Earnings as % of Pension Benefits	107.44%	88.27%	100.18%	-62.83%	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%

[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 1997 Through 2006

Table 6

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1]	Taxable Income	% of Total	Direct Rate [1]	Total Taxable Income	Total Direct Rate
1997	14,198.0	58.59%	4.84000%	10,035.0	41.41%	4.20820%	24,233.0	4.57837%
1998	14,914.5	58.59%	4.73845%	10,540.8	41.41%	4.11985%	25,455.3	4.48229%
1999	15,903.0	58.82%	4.65020%	11,133.8	41.18%	4.04310%	27,036.8	4.40020%
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	20,179.6	57.81%	4.30100%	14,729.0	42.19%	3.77160%	34,908.6	4.07763%

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 1998 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.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 1998 through 2007

Tax Classification	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Wage and Earnings Tax:										
[a] City Residents	4.7900%	4.6869%	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]
Non-City Residents	4.1647%	4.0750%	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]
	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									
[d] **Real Property: (% on Assessed Valuation)**										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%
School District of Philadelphia	4.519%	4.519%	4.519%	4.519%	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%
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	30.19%	30.35%	30.35%	30.32%	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.495%	2.508%	2.508%	2.506%	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%
	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										
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										
(% on Gross Receipts)	0.2875%	0.2775%	0.2650%	0.2525%	0.2400%	0.2400% [c]	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]
[f] (% on Net Income)	6.5000%	6.5000%	6.5000%	6.5000%	6.5000%	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]
	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									
[c] **Net Profits Tax:**										
[a] City Residents	4.7900%	4.6869%	4.6135%	4.5635%	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%
Non-City Residents	4.1647%	4.0750%	4.0112%	3.9672%	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%
	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.									

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 1998 through 2007

Tax Classification	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
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%	7.0%
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%	15.0%	15.0%
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%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
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 buildin 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	0.0%	0.0%	0.0%	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.

[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	2006 # of Remitters (Employers)	2006 Total Amount Remitted	2006 Percentage of Total Remitted	1997 # of Remitters (Employers)	1997 Total Amount Remitted	1997 Percentage of Total Remitted
Greater then $10 million	15	341.2	23.97%	10	228.1	20.67%
Between $1 million & $10 million	151	356.2	25.02%	97	282.0	25.55%
Between $100,000 & $1 million	1,502	386.3	27.14%	1,137	298.4	27.04%
Between $10,000 & $100,000	8,632	255.5	17.95%	7,485	217.0	19.66%
Less then $10,000	36,861	84.3	5.92%	36,223	78.2	7.08%
Total	47,161	1,423.5	100.00%	44,952	1,103.7	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia

Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 1998 through 2007

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)
1998	12,494	3,293	9,201	3.745%	30.19%	30,477	24.39%	37,724
1999	12,628	3,387	9,241	3.745%	30.35%	30,448	22.99%	40,196
2000	12,864	3,413	9,451	3.745%	30.35%	31,140	23.70%	39,878
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	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 Revison 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.

City of Philadelphia
Principal Property Tax Payers
Current Year and Nine Years Ago

Table 10

Amounts in millions of USD

	2007			1998		
Taxpayer	Assessment [1]	Rank	Percentage of Total Assessments	Assessment [1]	Rank	Percentage of Total Assessments
Two Liberty Place	54.4	1	0.47	-		-
Nine Penn Center Associates	54.1	2	0.47	45.4	6	0.49
Franklin Mills Associates	48.4	3	0.42	47.7	3	0.52
HUB Properties Trust	48.0	4	0.41	-		-
Bell Atlantic	43.3	5	0.37	47.0	4	0.51
Maguire/Thomas	33.9	6	0.29	31.6	8	0.34
Commerce Square Partners	33.3	7	0.29	-		-
PRU 1901 Market LLC	32.9	8	0.28	-		-
Phila Shipyard Development Corp	30.3	9	0.26	-		-
Phila Market Street	28.8	10	0.25	-		-
C S F Partnership	-		-	52.8	1	0.57
One Liberty Place & Land Joint Venture	-		-	48.0	2	0.52
LP Associates	-		-	45.4	5	0.49
The Marriott	-		-	38.4	7	0.42
Maguire/Thomas Partners & Phila Plaza	-		-	31.0	9	0.34
1600 Market St. Associates	-		-	27.6	10	0.30
	407.4		3.51	414.9		4.51
Total Taxable Assessments	11,615.0		100.00	9,200.5		100.00

[1] Source: Board of Revison of Taxes

City of Philadelphia

Table 11

Real Property Taxes Levied and Collected
For the Calendar Years 1998 through 2007

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
1998	338.6	311.9	92.1%	23.8	335.7	99.1%
1999	343.6	316.2	92.0%	23.3	339.5	98.8%
2000	349.3	322.0	92.2%	23.5	345.5	98.9%
2001	356.6	326.7	91.6%	22.8	349.5	98.0%
2002	368.2	340.4	92.5%	22.2	362.6	98.5%
2003	359.4	326.8	90.9%	22.4	349.2	97.2%
2004	372.5	340.9	91.5%	19.7	360.6	96.8%
2005	373.5	350.3	93.8%	13.2	363.5	97.3%
2006	385.6	339.6	88.1%	6.8	346.4	89.8%
2007	394.3	328.9 [3]	83.4%	-	328.9	83.4%

[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, 2007.

[3] Includes collections through June 30, 2007. It is estimated that approximately 91% of the amount levied for 2007 will be collected within the year of levy.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 1998 through 2007

Table 12

Amounts in millions of USD (except per capita)

	Governmental Activities								Business-Type Activities						
Fiscal Year	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	Total Primary Government	% of Personal Income [1]	Per Capita
1998	1,927.7	0.0	0.0	0.0	0.0	0.0	0.0	1,927.7	61.0	1,840.7	545.5	2,447.2	4,374.9	13.38%	2,857.54
1999	2,081.2	1,297.4	0.0	0.0	0.0	0.0	0.0	3,378.6	51.0	1,793.7	976.2	2,820.9	6,199.5	18.10%	4,065.25
2000	1,964.6	1,303.0	0.0	0.0	0.0	0.0	0.0	3,267.6	38.5	1,738.7	962.2	2,739.4	6,007.0	17.08%	3,951.97
2001	2,137.6	1,296.8	0.0	0.0	0.0	0.0	0.0	3,434.4	24.5	1,679.5	943.0	2,647.0	6,081.4	16.35%	4,016.78
2002	2,009.5	1,386.6	142.6	55.8	346.8	0.0	0.0	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	17.77%	4,543.19
2003	1,903.3	1,394.6	139.2	54.7	342.0	0.0	0.0	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	16.42%	4,461.21
2004	2,047.1	1,416.4	146.5	53.5	341.9	0.0	0.0	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	16.02%	4,551.80
2005	1,950.8	1,429.7	285.3	52.2	341.1	0.0	0.0	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	16.13%	4,750.85
2006	1,863.8	1,439.2	279.8	50.9	339.6	10.1	0.0	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	15.23%	4,743.48
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	14.84%	4,880.18

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 **Table 13**

Ratios of General Bonded Debt Outstanding

For the Fiscal Years 1998 through 2007

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]
1998	1,927.7	9,201	30.19%	30,477	6.33%	1,259.11
1999	2,081.2	9,241	30.35%	30,448	6.84%	1,364.72
2000	1,964.6	9,451	30.35%	31,140	6.31%	1,292.50
2001	2,137.6	9,741	30.32%	32,127	6.65%	1,411.89
2002	2,009.5	10,159	30.33%	33,495	6.00%	1,342.35
2003	1,903.3	10,621	30.12%	35,262	5.40%	1,281.68
2004	2,047.1	10,946	30.02%	36,462	5.61%	1,389.75
2005	1,950.8	11,032	29.70%	37,145	5.25%	1,331.60
2006	1,863.8	11,431	29.69%	38,501	4.84%	1,280.08
2007	1,993.7	11,615	29.24%	39,723	5.02%	1,376.86

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Board of Revison 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, 2007

Table 14

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	2,664.2	100.00%	2,664.2
[1] **City Direct Debt**			4,245.4
Total Direct and Overlapping Debt			6,909.6

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

[1] Refer to Table 12

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 1998 through 2007

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2007

[1]	Assessed Value	10,183.0
[2]	Debt Limit	1,374.7
[3]	Debt Applicable to Limit:	
	Tax Supported General Obligation Debt:	
	Issued & Outstanding	1,163.7
	Authorized but Unissued	129.7
	Total	1,293.4
	Less: Amount set aside for repayment of general obligation debt	-
	Total Net Debt Applicable to Limit	1,293.4
	Legal Debt Margin	81.3

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	1,215.4	1,227.4	1,241.5	1,247.4	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7
Total Net Debt Applicable to Limit	885.6	973.6	939.2	1,152.7	1,163.6	1,202.2	1,159.1	1,205.5	1,185.8	1,293.4
Legal Debt Margin	329.8	253.8	302.3	94.7	89.6	59.1	121.2	99.3	149.8	81.3
Total Net Debt Applicable to the Limit as a Percent of Total Debt	72.86%	79.32%	75.65%	92.41%	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%

[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 **Table 16**

Pledged-Revenue Coverage

For the Fiscal Years 1998 through 2007

Amounts in millions of USD

No.		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	411.1	393.9	391.8	380.6	390.8	454.2	421.6	463.5	504.0	536.2
2	Net Operating Expenses	228.6	233.9	237.8	242.6	242.9	250.2	262.0	277.7	284.2	303.2
3	Transfer To (From) Rate Stabilization Fund	30.7	(15.4)	(22.4)	(39.4)	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0
4	Net Revenues	151.8	175.4	176.4	177.4	174.2	187.2	188.4	186.4	198.2	207.0
	Debt Service:										
5	Revenue Bonds Outstanding	126.5	146.2	147.0	147.8	145.2	156.1	157.0	155.4	165.2	172.7
6	General Obligation Bonds Outstanding	3.1	2.3	1.5	1.3	0.6	-	-	-	-	-
7	Pennvest Loan	1.1	1.2	1.2	1.3	1.6	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	130.7	149.7	149.7	150.4	147.4	157.3	158.2	156.6	166.4	173.9
9	Net Revenue after Debt Service	21.1	25.7	26.7	27.0	26.8	29.9	30.2	29.8	31.8	33.1
10	Transfer to General Fund	4.1	4.1	4.1	4.1	4.1	4.1	-	4.4	5.0	5.0
11	Transfer to Capital Fund	15.1	15.6	15.9	15.9	16.1	16.0	16.4	16.7	16.9	16.9
12	Transfer to Residual Fund	1.9	6.0	6.7	7.0	6.6	9.8	13.8	8.7	9.9	11.2
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	1.20	1.20	1.20
	Coverage B (Line 4/Line 8 + Line 11)	1.04	1.06	1.07	1.07	1.07	1.08	1.08	1.08	1.08	1.08
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	-	-	-	-	-	-	10.2
2	Project Revenues	108.2	124.5	130.4	148.0	146.5	168.4	183.3	185.1	200.8	211.3
3	Passenger Facility Charges	-	-	-	-	16.8	31.2	32.8	32.9	32.6	32.9
4	Total Fund Balance and Revenue	108.2	124.5	130.4	148.0	163.3	199.6	216.1	218.0	233.4	254.4
5	Net Operating Expenses	41.2	47.0	51.8	59.6	56.3	67.0	71.9	71.3	77.2	87.1
6	Interdepartmental Charges	32.3	41.5	35.3	36.0	39.7	46.1	52.2	57.6	57.9	70.6
7	Total Expenses	73.5	88.5	87.1	95.6	96.0	113.1	124.1	128.9	135.1	157.7
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	67.0	77.5	78.6	88.4	107.0	132.6	144.2	146.7	156.2	167.3
9	All Bonds (Line 4-Line 7)	34.7	36.0	43.3	52.4	67.3	86.5	92.0	89.1	98.3	96.7
	Debt Service:										
10	Revenue Bonds	25.3	29.7	36.5	44.8	64.1	83.2	89.7	88.1	88.1	85.5
11	General Obligation Bonds	7.2	5.2	5.7	5.7	2.0	1.4	1.0	1.1	-	-
12	Total Debt Service	32.5	34.9	42.2	50.5	66.1	84.6	90.7	89.2	88.1	85.5
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.65	2.61	2.15	1.97	1.67	1.59	1.61	1.67	1.77	1.96
	Total Debt Service - Test "B" (Line 9/Line 12)	1.07	1.03	1.03	1.04	1.02	1.02	1.01	1.00	1.12	1.13

Note:

The rate covenant of the Aviation issues permit inclusion of Unencumbered Project Fund Balances at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal 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. Airport Revenues and Expenses have been reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 1997 through 2006

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
1997	1,531,923	32,694,799	21,342	5.6%
1998	1,525,955	34,248,049	22,444	5.0%
1999	1,520,064	35,169,398	23,137	5.2%
2000	1,513,655	37,193,547	24,572	4.9%
2001	1,497,897	38,290,004	25,563	6.2%
2002	1,485,249	40,353,074	27,169	7.0%
2003	1,473,364	41,843,691	28,400	6.8%
2004	1,465,475	43,154,553	29,447	6.4%
2005	1,456,350	45,334,701	31,129	5.9%
2006	1,448,394	47,624,989 [4]	32,881	5.7%

[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

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2007	1998
Albert Einstein Medical	-
Children's Hospital of Philadelphia	-
City of Philadelphia	City of Philadelphia
University of Pennsylvania Hospital	University of Pennsylvania Hospital
School District of Philadelphia	School District of Philadelphia
SEPTA	SEPTA
Temple University	Temple University
Thomas Jefferson University Hospitals	Thomas Jefferson University Hospitals
United States Postal Service	United States Postal Service
University of Pennsylvania	University of Pennsylvania
-	Allegheny University for the Health Sciences
-	CoreStates Services Corp

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2003 through 2007

Table 19

	2003	2004	2005	2006	2007
Governmental Activities:					
Economic Development	9	9	6	6	6
Transportation:					
Streets & Highways	667	597	564	579	585
Mass Transit	1	1	1	1	1
Judiciary and Law Enforcement:					
Police	8,036	7,888	7,578	7,522	7,639
Prisons	1,991	2,002	2,227	2,228	2,183
Courts	3,500	3,471	3,450	3,403	3,361
Conservation of Health:					
Emergency Medical Services	311	300	289	255	249
Health Services	1,236	1,210	1,163	1,133	1,148
Housing and Neighborhood Development	120	110	105	97	111
Cultural and Recreational:					
Recreation	589	556	511	495	482
Parks	217	200	182	158	156
Libraries and Museums	829	774	726	812	816
Improvements to General Welfare:					
Social Services	2,218	2,220	2,196	2,140	2,164
Inspections and Demolitions	450	417	380	248	243
Service to Property:					
Sanitation	1,338	1,340	1,233	1,272	1,229
Fire	2,121	2,004	1,925	1,974	2,109
General Management and Support	2,494	2,369	2,253	2,347	2,331
Total Governmental Activities	26,127	25,468	24,789	24,670	24,813
Business Type Activities:					
Water and Sewer	2,415	2,342	2,326	2,239	2,229
Aviation	915	1,021	967	1,004	1,010
Total Business-Type Activities	3,330	3,363	3,293	3,243	3,239
Fiduciary Activities:					
Pension Trust	62	64	64	65	65
Total Primary Government	29,519	28,895	28,146	27,978	28,117

Note: Data for FY2002 is not available

City of Philadelphia **Table 20**
Operating Indicators by Function
For the Fiscal Years 2002 through 2007

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Transportation:						
Streets & Highways						
Street Resurfacing (miles)	134	93	117	105	102	107
Potholes Repaired	11,593	24,182	23,179	20,862	18,203	12,721
Judiciary and Law Enforcement:						
Police						
Arrests	77,701	66,083	68,486	67,795	69,166	73,606
Calls to 911	3,319,936	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985
Prisons						
Average Inmate Population	7,637	7,631	7,738	8,141	8,613	8,796
Inmate Beds (city owned)	7,382	7,382	8,283	8,405	8,605	8,443
Conservation of Health:						
Emergency Medical Services						
Medic Unit Runs	NA	NA	NA	NA	209,654	216,606
First Responder Runs	NA	NA	NA	NA	69,740	68,203
Health						
Patient Visits	342,742	320,833	317,184	337,770	324,014	312,000
Children Screened for Lead Poisoning	39,629	39,293	37,863	38,013	43,038	43,501
Cultural and Recreational:						
Parks						
Athletic Field Permits Issued	NA	NA	NA	NA	2,878	2,227
Libraries						
Items borrowed	7,024,391	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706
Visitors to all libraries	6,226,316	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857
Visitors to library website	970,970	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380
Improvements to General Welfare:						
Social Services						
Children Receiving Services	NA	26,388	28,039	28,926	28,086	28,898
Children in Placement	NA	9,190	9,037	8,548	7,999	8,070
Youth Development Opportunities	24,676	37,024	44,222	40,149	42,401	48,263
Emergency Shelter Beds (average)	2,011	2,109	2,412	2,539	2,781	2,677
Transitional Housing Units (new placements)	615	458	489	597	448	543
Service to Property:						
Sanitation						
Refuse Collected (tons per day)	2,929	2,894	3,006	3,008	3,006	2,922
Recyclables Collected (tons per day)	149	175	169	157	155	179
Fire						
Fires Handled	NA	NA	NA	NA	9,523	8,080
Fire Marshall Investigations	NA	NA	NA	NA	2,734	3,153
Business Type Activities:						
Water and Sewer						
New Connections	83	110	106	137	207	125
Water Main Breaks	497	988	794	706	660	825
Average Daily Consumption (x 1000 gallons)	178,000	183,700	175,600	174,100	175,800	169,400
Peak Daily Consumption (x 1000 gallons)	200,300	208,600	201,700	210,000	207,400	179,100
Average Daily Sewage Treatment (x 1000 gallons)	409,230	478,130	476,110	478,670	430,170	463,080
[1] **Aviation**						
Passengers Handled (PIA)	24,030,686	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333
Air Cargo Tons (PIA)	544,875	565,653	568,898	599,758	591,815	571,452
Aircraft Movements (PIA and NPA)	590,563	654,758	584,214	629,885	625,692	614,720

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

City of Philadelphia **Table 21**

Capital Assets Statistics by Function

For the Fiscal Years 2002 through 2007

	2002	2003	2004	2005	2006	2007
Governmental Activities:						
Transportation:						
Streets & Highways						
[1] Total Miles of Streets	2,400	2,400	2,400	2,400	2,400	2,575
Streetlights	100,612	101,224	101,836	102,000	102,219	102,840
Judiciary and Law Enforcement:						
Police						
Stations and Other Facilities	33	33	33	33	33	34
Prisons						
Major Correctional Facilities	5	5	6	6	6	6
Conservation of Health:						
Health Services						
Health Care Centers	9	9	9	9	9	9
Cultural and Recreational:						
Recreation						
Recreation Centers	NA	164	164	165	165	171
[2] Athletic Venues	NA	1,121	1,121	1,121	1,117	1,117
Neighborhood Parks and Squares	NA	232	232	232	232	232
Parks						
Parks	NA	62	62	62	62	63
Baseball/Softball Fields	NA	106	106	106	106	109
Libraries						
Branch & Regional Libraries	55	55	54	53	54	54
Service to Property:						
Fire						
Stations and Other Facilities	63	63	63	63	64	64
Business Type Activities:						
Water and Sewer:						
Water Mains (miles)	3,168	3,169	3,169	3,169	3,169	3,133
Fire Hydrants	27,836	27,846	27,987	26,080	26,080	25,195
Storage Capacity (x 1000 gallons)	1,067,200	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500
Sanitary Sewers (miles)	594	595	596	596	596	768
Storm Sewers (miles)	622	622	623	623	623	784
Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
[3] **Aviation**						
Passenger Gates (PIA)	103	120	120	120	120	120
Terminal Buildings (square footage) (PIA)	1,563,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460

[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.

Clothespin Sculpture