

City of Philadelphia

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

Founded 1682



Rothman Ice Rink

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014

City of Philadelphia

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

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Director of Finance

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Accounting Director

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Cover photo courtesy of Charlie Jones, Sinking Fund Commission



City of Philadelphia

OFFICE OF THE DIRECTOR OF FINANCE

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Philadelphia, Pennsylvania 19102-1693

ROB DUBOW

Director of Finance

February 23, 2015

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, 2014, is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Home Rule Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951, and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten from districts and seven from the City at-large, elected every four years. Minority representation is assured by the requirement that no more than five 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 Philadelphia Redevelopment 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 Delaware River Waterfront Corporation's, and the Philadelphia Authority for Industrial Development's statements are presented discretely. A component unit is considered to be part of the City's reporting entity when it is concluded that there is a financial benefit, or burden, to the City or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport, which handles an excess of 15 million passengers annually, as well as cargo and Northeast Philadelphia Airport' which handles private aircraft and some cargo.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. The City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. In addition, as shown in the following chart, the city's population, and income, have shown

increases in each of the four previous calendar years. Calendar year 2013 marked the seventh year in a row that Philadelphia has seen an increase in population, after decades of decline. Furthermore, personal income and per capita personal income have each increased by 21% since calendar year 2009. Still, significant challenges remain. The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and the city's poverty rate remains elevated relative to the region.

Calendar Year	Population	Personal Income (thousands - USD)	Per Capita Personal Income (USD)	Unemployment Rate
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%

As is the case with municipalities across the country, the City experienced significant tax revenue declines during the deep world-wide recession of 2007-2009. The economic recovery has been slow, and while revenue from most taxes have rebounded somewhat, some tax receipts have not yet returned to their pre-recession levels. While the City took significant budget balancing actions during the Great Recession, it has begun to see the benefits of the slow recovery. As a result, the City has been able to resume wage and business tax reductions, reach collective bargaining agreements with its four largest unions and increase investment in infrastructure and key programs. The fiscal 2013 fund balance (on a legally enacted basis) was \$256.9 million and decreased to \$202.1 million in fiscal 2014. Due in large part to the settlement of union contracts, which included a significant fire union back pay component, the City's fund balance decreased by \$54.8 million in fiscal 2014. The City's current projection for the fund balance level at the end of fiscal 2015 is \$146.1 million (\$56 million lower than fiscal 2014).

While the recession officially ended in June 2009, unemployment at the end of 2014 remains slightly above pre-recession levels and many economists anticipate that the recovery will continue to be slow. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

Long-Term Financial Planning

As discussed above, the City made significant changes to its budget and five-year plan to compensate for projected deficits during the Great Recession. While overall tax revenues continue to improve, the City faces uncertainty regarding the pace of economic growth. As a result, the City will continue to monitor its fiscal position and make adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal 2014, employee benefits (14%) and pensions (17%) combined, comprised 31% of the total budgeted expenditures and encumbrances.

In order to address the challenges these long term structural costs present, the City achieved key reforms in labor contracts with its four major unions in the areas of health and pension benefits. The City has already made changes in the City-administered benefits programs to reduce the cost to the City, implement efficiency savings and increase employee health benefit contributions.

In the area of pensions, the City has sought to reduce its costs, reduce its risk and increase employee contributions. Each of the City's unions that has entered into collective bargaining agreements or received arbitration awards has seen pension modifications.

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, 2013. This was the thirty fourth 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.

Sincerely,



ROB DUBOW
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

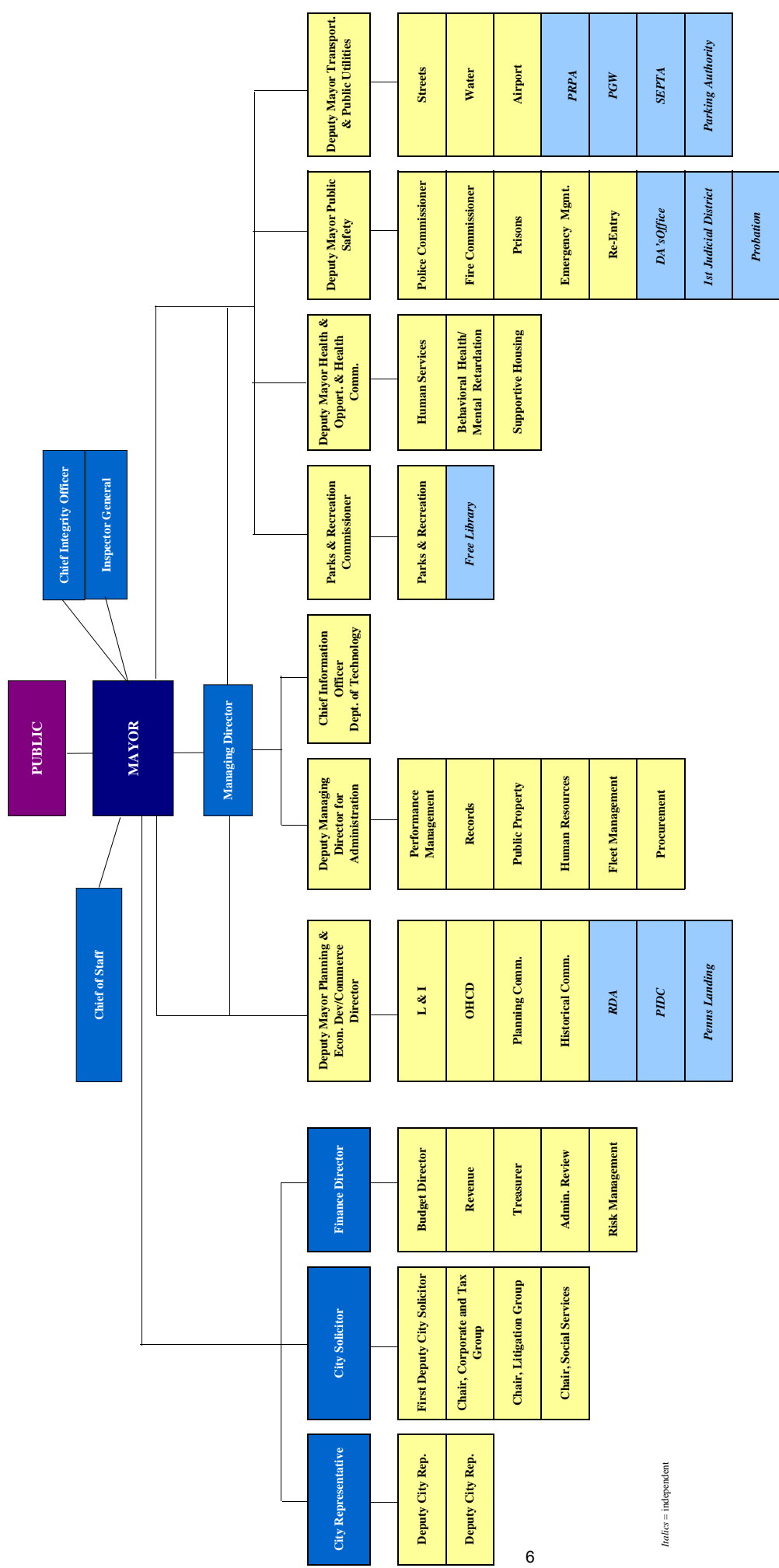
**City of Philadelphia
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is fluid and cursive.

Executive Director/CEO





Elected Officials

Mayor Michael A. Nutter

City Council

President, 5th District Darrell L. Clarke

1st District Mark Squilla

2nd District Kenyatta Johnson

3rd District Jannie L. Blackwell

4th District Curtis Jones, Jr.

6th District Bobby Henon

7th District Maria D. Quinones-Sanchez

8th District Cindy Bass

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 David Oh

At-Large Vacant

At-Large Ed Neilson

At-Large Dennis O'Brien

District Attorney Seth Williams

City Controller Alan Butkovitz

City Commissioners

Chairman Anthony Clark

Commissioner Al Schmidt

Commissioner Stephanie Singer

Register of Wills Ronald R. Donatucci

Sheriff Jewell Williams

First Judicial District of Pennsylvania

President Judge, Court of Common Pleas Pamela P. Dembe

President Judge, Municipal Court Marsha H. Neifield

President Judge, Traffic Court Vacant



Appointed Officials

Managing Director	Richard Negrin
Director of Finance	Rob Dubow
City Solicitor	Shelley R. Smith
City Representative	Desiree Peterkin-Bell
Chief of Staff	Everett A. Gillison
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	James W. Buehler M.D.
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Deputy Mayor for Transportation and Utilities	Rina Cutler
Chief Integrity Officer	Hope Caldwell
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Chief Innovation Officer	Adel W. Ebeid
City Treasurer	Nancy Winkler
Revenue Commissioner	Clarena Tolson
Procurement Commissioner	Mary Stitt
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	David J. Perri
Fire Commissioner	Derrick Sawyer
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Bridget Collins-Greenwald
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Vanessa Garrett-Harley
Licenses and Inspections Commissioner	Carlton Williams
Water Commissioner	Howard Neukrug
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D'Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Charles Jones
Chief Executive Officer of PHL	Mark Gale
Director of the Office of Labor Relations	Monica Marchetti-Brock



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District, we did not audit the financial statements of the blended component units and the discretely presented component units listed in Note 1.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Parks and Recreation Departmental and Permanent Funds which collectively represent 33%, 46%, and 18% of the total assets, net position/fund balances, and revenues, respectively. Those 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 component units and funds, are based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits - schedule of funding progress, and the related notes to required supplementary information, on pages 126 through 130 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the above required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit for the year ended June 30, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2014, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2014, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2014.

The other information, which includes the Introductory Section and Statistical Section as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated February 24, 2014, which contained unmodified opinions on the respective 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. The 2013 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The 2013 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.



GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 23, 2015



City of Philadelphia

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

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2014 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 liabilities of the City of Philadelphia exceeded its assets and deferred outflows by \$71.0 million. Its *unrestricted net position* showed a deficit of \$2,571.1 million. This deficiency will have to be funded from resources generated in future years.
- During the current fiscal year the city's total net position decreased by \$86.2 million. The governmental activities of the city experienced a decrease of \$195.2 million, while the business type activities had an increase of \$108.9 million.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$572.5 million, a decrease of \$10.0 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of \$258.1 million, a decrease of \$123.8 million from last year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of the fund balance) for the general fund was \$126.1 million, of which, \$23.0 million was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* decreased by \$67.0 million in comparison with the prior year.
- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of \$202.1 million, as compared to a \$256.9 million surplus last year. The decrease of \$54.8 million was due to an increase in expenditures that resulted in an operating deficit of \$80.9 million offset by some cancelations of prior year obligations.

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 position which includes all of the city's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position during the current fiscal year. These changes in net position 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 eight distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, Gas Works, Parking Authority, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

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

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

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

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

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

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

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

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

	Government-wide Statements	Fund 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 Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
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, liability and deferred inflow/outflow of resources	All assets, liabilities, deferred inflow/outflow of resources, financial and capital, short and long term	Only assets expected to be used up and liabilities and deferred inflows of resources that come due during the current year or soon thereafter; no capital assets are included	All assets, liabilities, deferred inflow/outflow of resources, 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 position. As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets & deferred outflows by \$71.0 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 position, \$1,184.2 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.

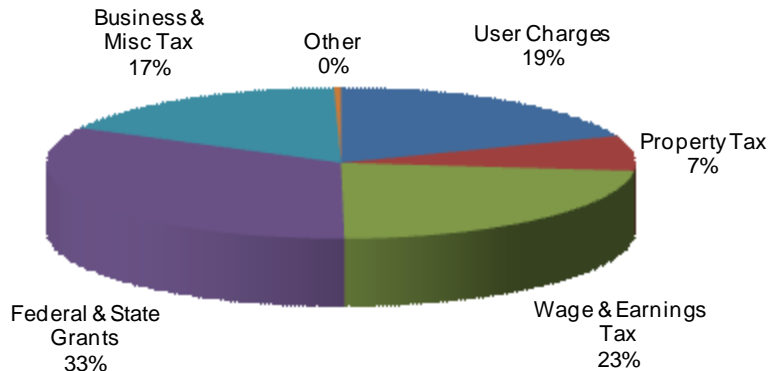
A portion of the city's net position, \$1,315.9 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$2,571.1 million. The governmental activities reported negative *unrestricted net position* of \$2,771.8 million. The business type activities reported an unrestricted net assets surplus of \$200.7 million. Any deficits will have to be funded from future revenues.

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

City of Philadelphia's Net Position
(millions of USD)

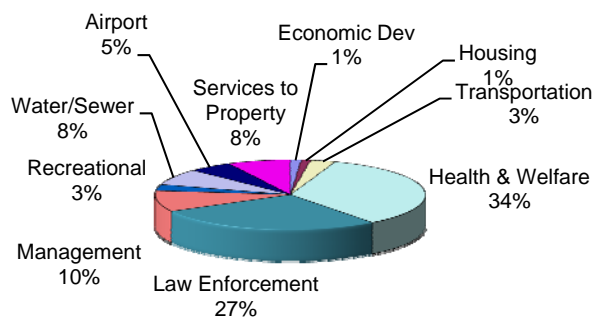
	Governmental			Business-type			Total		
	Activities		%	Activities		%	Primary Government		%
	2014	2013		2014	2013		2014	2013	
Current and other assets	2,246.2	1,956.1	14.83%	1,442.5	1,320.3	9.26%	3,688.7	3,276.4	12.58%
Capital assets	2,242.4	2,249.3	-0.31%	3,882.8	3,824.4	1.53%	6,125.2	6,073.7	0.85%
Total assets	4,488.6	4,205.4	6.73%	5,325.3	5,144.7	3.51%	9,813.9	9,350.1	4.96%
Deferred Outflows	136.6	121.2		93.3	105.8		229.9	227.0	
Long-term liabilities	5,475.6	5,205.4	5.19%	3,322.1	3,253.0	2.12%	8,797.7	8,458.4	4.01%
Other liabilities	1,114.2	890.7	25.09%	202.9	212.8	-4.65%	1,317.1	1,103.5	19.36%
Total liabilities	6,589.8	6,096.1	8.10%	3,525.0	3,465.8	1.71%	10,114.8	9,561.9	5.78%
Deferred Inflows	-	-		-	-		-	-	
Net Position:									
Net Investment in									
capital assets	176.8	232.5	-23.96%	1,007.4	982.5	2.53%	1,184.2	1,215.0	-2.53%
Restricted	630.4	586.9	7.41%	685.5	628.8	9.02%	1,315.9	1,215.7	8.24%
Unrestricted	(2,771.8)	(2,588.9)	-7.06%	200.7	173.4	15.74%	(2,571.1)	(2,415.5)	-6.44%
Total Net Position	(1,964.6)	(1,769.5)	-11.03%	1,893.6	1,784.7	6.10%	(71.0)	15.2	-567.11%

Changes in net position. The city's total revenues this year, \$7,096.7 million, fell short of total costs of \$7,182.9 million by \$86.2 million. Approximately 47% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 33%, and the remaining 19% 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 69% are related to the health, welfare and safety of the general public.



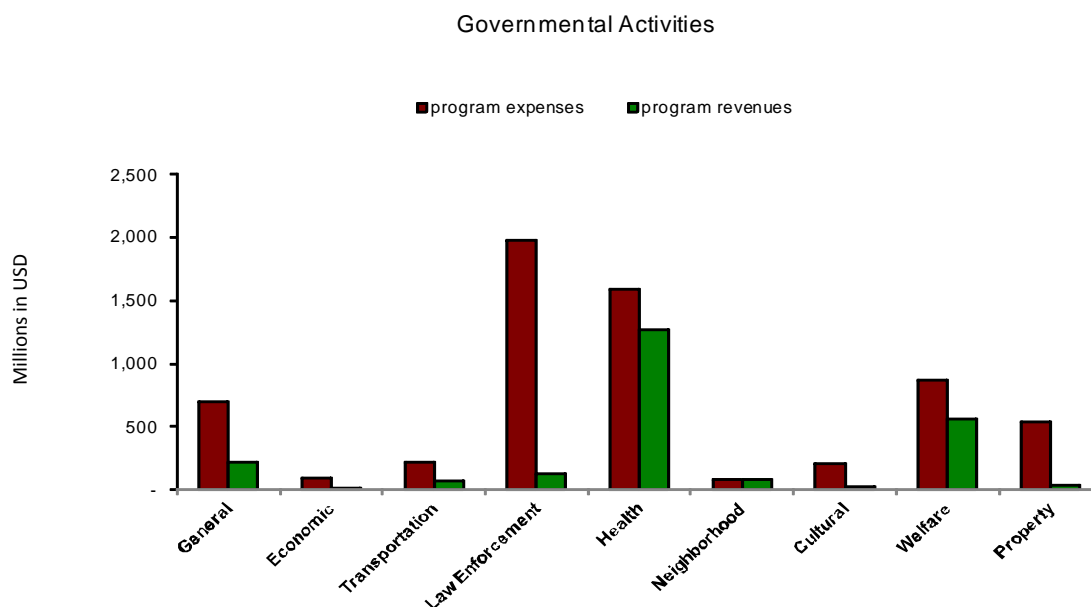
Overall, net position for the city decreased by \$86.2 million. Total revenues increased by \$157.5 million, total expenses increased by \$382.8 million over last year. This resulted in the Change in Net Position being \$225.6 million lower than in the previous year. Net positions were decreased by \$20.0 million from Operating Grants and Contributions, \$23.6 million from Property Taxes, and \$3.7 million from Unrestricted Interest; and, increased by \$92.7 million from Charges for Services, \$41.1 million for Wage and Earning Taxes, \$21.8 million from Capital Grants and Contributions, \$46.5 million from Other Taxes and \$2.4 million from Unrestricted Grants and Contributions.

Expense increased by \$382.8 million with increases of \$224.2 million for Judiciary and Law Enforcement, \$110.6 million in Improvement of the General Welfare, \$106.1 million in Services to Taxpayer Property, \$73.9 million in Conservation of Health, \$32.1 million in Transportation, \$30.0 million in Water and Waste Water, \$17.6 million in Airport, \$18.8 million in Cultural & Recreational and \$0.9 million in Economic Development; and, decreases of \$208.2 million in General Management, \$22.6 million in Housing and Neighborhood Development, and, \$0.6 in Industrial Land Bank.



Governmental Activities

The governmental activities of the City resulted in a \$195.2 million decrease in net position. 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		
	2014	2013	% Change	2014	2013	% Change	2014	2013	% Change
General Welfare	868.3	757.7	14.6%	561.7	569.7	-1.4%	306.6	188.0	63.1%
Judiciary & Law Enforcement	1,972.4	1,748.2	12.8%	125.6	138.4	-9.2%	1,846.8	1,609.8	14.7%
Public Health	1,588.4	1,514.5	4.9%	1,271.3	1,284.6	-1.0%	317.1	229.9	37.9%
General Governmental	697.0	905.2	-23.0%	224.3	174.0	28.9%	472.7	731.2	-35.4%
Services to Property	539.6	433.5	24.5%	40.6	21.4	89.7%	499.0	412.1	21.1%
Housing, Economic & Cultural	597.2	568.0	5.1%	189.7	219.1	-13.4%	407.5	348.9	16.8%
	6,262.9	5,927.1	5.7%	2,413.2	2,407.2	0.2%	3,849.7	3,519.9	9.4%

The cost of all governmental activities this year was \$6,263.0 million; the amount that taxpayers paid for these programs through tax payments was \$3,375.0 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,002.6 million while those who benefited from the programs paid \$410.7 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 \$279.5 million. The difference of \$195.2 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 Position

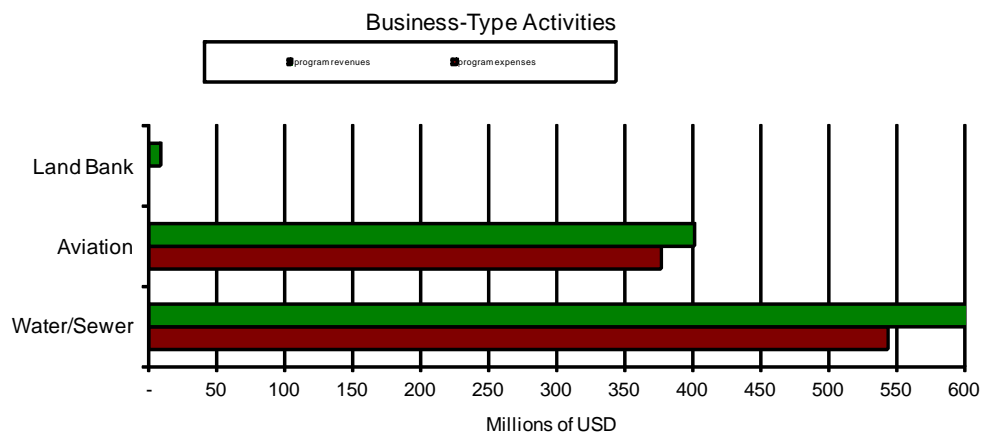
(millions of USD)

	Governmental Activities		Business-type Activities		Total		% Change
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenues:							
Charges for services	410.7	371.9	954.4	900.5	1,365.1	1,272.4	7.3%
Operating grants and contributions	1,967.3	1,986.4	1.4	2.3	1,968.7	1,988.7	-1.0%
Capital grants and contributions	35.3	48.9	93.6	58.2	128.9	107.1	20.4%
General revenues:							
Wage and earnings taxes	1,639.8	1,598.7	-	-	1,639.8	1,598.7	2.6%
Property taxes	530.2	553.8	-	-	530.2	553.8	-4.3%
Other taxes	1,205.1	1,158.4	-	-	1,205.1	1,158.4	4.0%
Unrestricted grants and contributions	229.5	187.4	2.5	42.2	232.0	229.6	1.1%
Unrestricted interest	21.7	17.9	5.3	12.7	26.9	30.6	-12.0%
Total revenues	6,039.5	5,923.3	1,057.2	1,015.9	7,096.7	6,939.2	2.3%
Expenses:							
Economic development	95.1	94.2	-	-	95.1	94.2	1.0%
Transportation	216.0	183.9	-	-	216.0	183.9	17.5%
Judiciary & law enforcement	1,972.4	1,748.2	-	-	1,972.4	1,748.2	12.8%
Conservation of health	1,588.5	1,514.5	-	-	1,588.5	1,514.5	4.9%
Housing & neighborhood development	80.3	102.9	-	-	80.3	102.9	-22.0%
Cultural & recreational	205.8	187.0	-	-	205.8	187.0	10.1%
Improvement of the general welfare	868.3	757.7	-	-	868.3	757.7	14.6%
Services to taxpayer property	539.6	433.5	-	-	539.6	433.5	24.5%
General management	538.0	743.4	-	-	538.0	743.4	-27.6%
Interest on long term debt	159.0	161.8	-	-	159.0	161.8	-1.7%
Water & waste water	-	-	543.4	513.4	543.4	513.4	5.8%
Airport	-	-	376.5	358.9	376.5	358.9	4.9%
Industrial land bank	-	-	-	0.6	-	0.6	0.0%
Total expenses	6,263.0	5,927.1	919.9	872.9	7,182.9	6,800.0	5.6%
Increase (decrease) in net assets before transfers & special items	(223.5)	(3.8)	137.3	143.0	(86.2)	139.2	
Transfers	28.3	21.4	(28.3)	(21.4)	-	-	
Increase (decrease) in Net Position	(195.2)	17.6	108.9	121.6	(86.2)	139.2	
Net Position - Beginning	(1,769.5)	(1,772.5)	1,784.7	1,737.5	15.2	(35.0)	-143.4%
Adjustment	0.0	(14.6)	-	(74.4)	0.0	(89.0)	
Net Position - End	(1,964.6)	(1,769.5)	1,893.6	1,784.7	(71.0)	15.2	-565.7%

Business-type Activities

Business-type activities caused the city's net position to increase by \$108.9 million. This increase was comprised of an increase in net position for water/wastewater of \$72.4 million, an increase to aviation of \$28.0 million, and an increase for industrial & commercial development operations of \$8.5 million. Some of the key reasons for these changes are:

- Increased airport rental concession income, Passenger Facility Charges and grants capital contribution, in the Aviation Fund.
- Increased user related charges and decreased debt service interest in the Water Fund.
- Increased capital contribution in the Industrial & Commercial Development Fund.

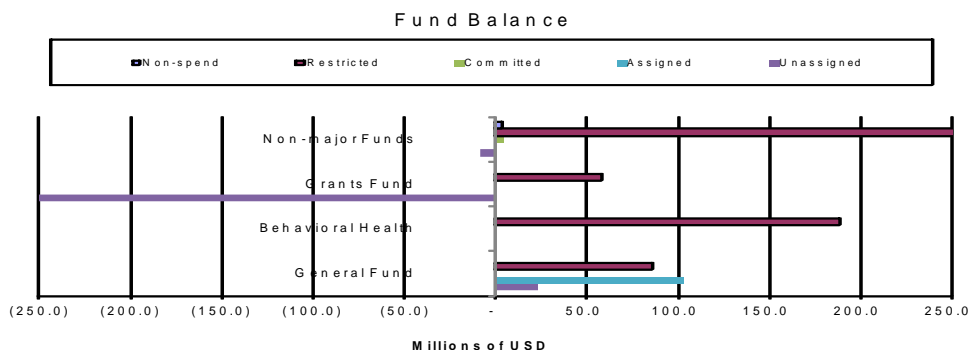


Financial Analysis of the Government's Funds

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. *Unassigned 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 \$572.5 million, a decrease of \$10.0 million over last year. Of the total fund balance, \$3.2 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, \$719.9 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods (\$30.6 million); pay debt service (\$83.1 million); support programs funded by independent agencies (\$33.9 million); fund a portion of the city's managed care programs (\$188.5 million); fund a portion of new sports stadiums (\$11.1 million); fund the 9-1-1 emergency phone system (\$27.5 million); fund a portion of the central library renovation project (\$2.0 million), pay for a portion of the cultural and commercial corridor project (\$11.6 million), pay pension obligation bonds interest (\$68.2); and trusts (\$11.8 million); fund economic development programs (\$6.8 million); improve streets and highways (\$26.2 million); fund housing and neighborhood development (\$16.5 million); provide health services (\$10.0 million); preserve parks, libraries and museums (\$0.5 million); and support capital projects (\$191.6 million). The fund balance is further broken down as to *committed fund balance* for Prisons \$3.5 million and Parks and Recreation \$0.8 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of \$258.1 million which constitutes *unassigned fund balance*, this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported *assigned fund balance* of \$103.1 million and *unassigned fund balance* of \$23.0 million at the end of the fiscal year.



Overall, the total fund balance of the general fund decreased by \$72.6 million during the current fiscal year. This decrease was due to an excess of expenditures over revenues and other financing uses for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An increase of \$60 million in tax revenue due to increased collections of \$82 million for Wage & Earnings Tax, Business Income & Receipts Tax, and Real Property Transfer Tax and a decrease of \$22 million for Real Property Tax.
- An increase resulting from sale of the Love Park Garage for \$28 million.

Expenditures:

- Expenditures for the year increased \$312.8 million, an increase of 9.16%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$188.6 million, the entire amount million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by \$45.2 million.

The Grants Revenue fund has a total fund balance deficit of \$215.2 million which is comprised of a positive restricted fund balance of \$58 million (earmarked for neighborhood revitalization for \$30.5 million and emergency telephone system programs for \$27.5 million) and a deficit unassigned fund balance of \$273.3 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 unassigned fund balance. The overall fund balance of the grants revenue fund experienced a decrease of \$56.7 million during the current fiscal year due primarily to the Act 148 program being included in this fund beginning with fiscal year 2012.

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 position* of the proprietary funds increased by \$108.9 million during the current fiscal year. This increase is attributable to the water/wastewater system which had an increase of \$72.4 million, airport operations which experienced an increase of \$28.0 million, and industrial & commercial development operations which also experienced an increase of \$8.5 million.

The proprietary funds reported an *unrestricted net position* surplus of \$200.6 million, comprised of \$126.8 million for the water and waste water operations, \$45.7 million for the airport and \$28.1 million for the industrial & commercial development activities. These unrestricted net position represent an overall increase of \$27.3 million over the previous year, comprised of an increase of \$52.2 million for the water and waste water operations, an increase of \$8.5 million for the Land Bank; and, a decrease of \$33.4 million for the airport.

General Fund Budgetary Highlights

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

(millions of USD)		
General Fund at June 30....	Fund Balance Available for Appropriation	Increase (Decrease)
2014	202.1	(54.8)
2013	256.9	110.1
2012	146.8	146.7
2011	0.1	114.1
2010	(114.0)	23.2

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

- \$8.4 million for Office of the Director of Finance - Indemnities
- \$49.3 million for Office of the Director of Finance for Employee Benefits
- \$47.5 million for Fire personal services
- \$4.7 million for Prisons personal services
- \$3.0 million for Licenses & Inspections personal services

The general fund's budgetary fund balance surplus of \$202.1 million differs from the general fund's fund financial statement unassigned fund balance of \$23.0 million by \$179.1 million, which represents the unearned portion of the business income & receipts tax of \$179.1 million. Business income & receipts tax is 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 \$6.1 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:

- Water and Wastewater Improvements of \$116.0 million
- Infrastructure improvements for Streets, Highways and Bridges \$46.8 million
- Airport terminal and airfield improvements in the amount of \$86.3 million.
- City Hall and Municipal Buildings renovations in the amount of \$6.2 million.
- Park system, Museum & Recreational Facility improvements \$18.6 million
- Commuter and Transit System improvements \$2.2 million
- Computers, Servers, Software and IT Infrastructure in the amount of \$15.1 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
	2014	2013	(Dec)	2014	2013	(Dec)	2014	2013	(Dec)
Land	800.0	787.1	12.9	153.0	152.2	0.8	953.0	939.3	13.7
Fine Arts	4.0	1.0	3.0	0.0	0.0	-	4.0	1.0	3.0
Buildings	743.2	772.1	(28.9)	1,425.0	1,469.0	(44.0)	2,168.2	2,241.1	(72.9)
Improvements other than buildings	92.1	94.0	(1.9)	123.0	121.0	2.0	215.1	215.0	0.1
Machinery & equipment	90.0	70.0	20.0	21.0	24.0	(3.0)	111.0	94.0	17.0
Infrastructure	422.1	424.1	(2.0)	1,391.0	1,353.2	37.8	1,813.1	1,777.3	35.8
Construction in progress	23.0	29.0	(6.0)	763.8	698.0	65.8	786.8	727.0	59.8
Transit	68.0	72.0	(4.0)	0.0	0.0	-	68.0	72.0	(4.0)
Intangible Assets	0.0	0.0	-	6.0	7.0	(1.0)	6.0	7.0	(1.0)
Total	2,242.4	2,249.3	(6.9)	3,882.8	3,824.4	58.4	6,125.2	6,073.7	51.5

The city's governmental activities experienced an overall decrease in capital assets of \$6.9 million (net of accumulated depreciation) during the current fiscal year. During the fiscal year there were increases in: land (\$12.9 million); equipment (20.0 million); and, fine arts (\$3.0 million) that were offset by decreases in buildings (\$28.9 million); transit (\$4.0 million), other improvements (\$1.9 million); construction in progress (\$6.0 million)); and, infrastructure (\$2.0 million).

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 \$8.8 billion in long term debt outstanding. Of this amount, \$5.4 billion represents bonds outstanding (comprised of \$2.2 billion of debt backed by the full faith and credit of the city, and \$3.2 billion of debt secured solely by specific revenue sources) while \$3.4 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

	Governmental activities		Business-type activities		Total	
(millions of USD)	2014	2013	2014	2013	2014	2013
<u>Bonds Outstanding:</u>						
General obligation bonds	2,155.4	1,986.2	-	-	2,155.4	1,986.2
Revenue bonds	-	-	3,227.0	3,185.8	3,227.0	3,185.8
Total Bonds Outstanding	2,155.4	1,986.2	3,227.0	3,185.8	5,382.4	5,172.0
<u>Other Long Term Obligations:</u>						
Service agreements	2,121.7	2,293.7	-	-	2,121.7	2,293.7
Employee related obligations	1,115.6	833.2	89.2	62.1	1,204.8	895.3
Indemnities	66.0	63.4	4.7	4.8	70.7	68.2
Leases	16.9	28.9	-	-	16.9	28.9
Other	-	-	0.3	0.3	0.3	0.3
Total Other Long Term Obligations	3,320.2	3,219.2	94.2	67.2	3,414.4	3,286.4
Total Long Term Debt Outstanding	5,475.6	5,205.4	3,321.2	3,253.0	8,796.8	8,458.4

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 \$100.0 million in Tax and Revenue Anticipation Notes by June 2014 plus interest. In accordance with statute there are no temporary loans outstanding at year end.
- In July 2013, the City issued \$208.4 million of General Obligation Bonds Series 2013A of which \$201.4 million would be used to provide funds for the City's capital program and \$7 million would be used to currently refund the \$6.8 million of the outstanding GO Series 2003A bonds.
- In February 2014, the City issued \$154.3 million of General Obligation Series 2014A bonds to advance refund \$142.9 million of outstanding Series 2008B bonds to lower interest rates.

- In August 2013, the City issued \$170.0 million of Water and Wastewater Revenue Refunding Bonds, Series 2013A to fund capital improvements to the City's water and wastewater systems, pay the costs of issuance relating to the bonds, and to make a deposit of \$8.5 million into the Water Sinking Fund Reserve.
- In January 2014, the City issued \$123.2 million of Water and Wastewater Revenue Bonds Series 2014A of which \$30 million would be used to provide funds for capital improvements to the City's Water and Wastewater systems, and \$93.2 million would be used to advance refund \$98.1 million of outstanding series 2005A water revenue bonds.
- In October 2013, the Philadelphia Municipal Authority (PMA) issued \$85.05 million of City Service Agreement Revenue Refunding bonds Series 2013A to currently refund \$89.7 million of PMA's Series 2003B to lower interest rates.
- In April 2014, the Philadelphia Municipal Authority (PMA) issued 4.1 million (federally taxable) and \$61.1 million (tax-exempt) of City Service Agreement revenue bonds Series 2014A to convert the building at 4601 Market Street into a Public Safety Services campus, which will include the headquarters for the City of Philadelphia Police department, and to pay the costs of issuance for the series 2014 bonds.
- In May 2014, the Philadelphia Authority for Industrial Development (PAID) issued \$117.3 million of Lease Revenue Refunding Bonds Series 2014A. The proceeds were used to refund all of the outstanding Series 2007B-1 Stadium bonds. At the same time, the two swaps associated with the 2007B-1 bonds were amended, and the fixed interest rates that are paid to our counterparties were reduced from 3.9713% to 3.621332%.
- In June 2014, the Philadelphia Authority for Industrial Development (PAID) issued \$27.3 million of federally taxable City Service Agreement Revenue Bonds Series 2014A to provide additional operating funds to the School District of Philadelphia and to pay other costs of issuance fees.
- July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to \$214.9 million. During fiscal year 2014, PENNVEST reimbursements totaled \$23.6 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years.

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

Bond Type	Moody's Investor Service	Standard & Poor's Corporation	Fitch Ratings, Inc.
General Obligation Bonds	A2	A+	A-
Water Revenue Bonds	A1	A	A+
Aviation Revenue Bonds	A2	A+	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of June 30, 2014 the legal debt limit was \$3,011.1 million. There is \$1,673.4 million of outstanding tax supported debt leaving a legal debt margin of \$1,337.7 million.

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

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2015 fiscal year:

- Philadelphia entered FY15 with a fund balance of \$202.1 million. For FY 2015 Wage and Earnings Tax revenue are projected to grow 4.8%, Sales Tax revenue are projected to grow by 0.3%, and Real Estate transfer tax is projected to grow by 20%, while the Business Income and Receipts tax is projected to grow by 3.0%.
- The current five year plan (FY 2015 to 2019) includes a continuation of wage tax cuts resumed in FY 2014 after being suspended during the Great Recession.
- Union contracts for District Council 33, District Council 47 and the International Association of fire Fighters have been resolved and funds are set aside in the FY 15 budget for this purpose.
- To control rising pension plan costs the city introduced a new hybrid pension plan that contains both defined benefit and voluntary defined contribution components. Police, Fire and Municipal employees not electing to participate in the hybrid plan must increase their pension contribution percentage if they choose to stay in the traditional pension plan, and new employees opting out of the hybrid option plan must make an additional contribution beyond what existing employees now pay. Register of Wills employees hired after January 1, 2012 and newly hired correction officers must enter the hybrid plan.
- The country entered its most recent recession in December 2007-2009. It was the longest recession in the post-WWII period.
- Recovery from the current recession has been slow. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

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

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





Basic Financial Statements

City of Philadelphia
Statement of Net Position
June 30, 2014

Exhibit I

Amounts in thousands of USD

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<u>Assets</u>				
Cash on Deposit and on Hand	81,530	30	81,560	334,321
Equity in Pooled Cash and Investments	-	-	-	27,492
Equity in Treasurer's Account	879,743	133,475	1,013,218	-
Investments	137,842	-	137,842	56,062
Due from Component Units	49,233	-	49,233	-
Due from Primary Government	-	-	-	52,313
Amounts Held by Fiscal Agent	106,262	-	106,262	99,275
Notes Receivable - Net	-	-	-	26,869
Accounts Receivable - Net	377,798	175,960	553,758	297,018
Interest and Dividends Receivable	569	-	569	23,886
Due from Other Governments - Net	492,391	3,376	495,767	137,781
Inventories	16,606	38,474	55,080	109,032
Other Assets	104,171	-	104,171	161,462
Restricted Assets:				
Cash and Cash Equivalents	-	798,552	798,552	197,347
Other Assets	-	292,599	292,599	154,143
Capital Assets:				
Land and Other Non-Depreciated Assets	827,728	915,566	1,743,294	252,692
Other Capital Assets (Net of Depreciation)	1,414,679	2,967,284	4,381,963	3,184,171
Total Capital Assets, Net	2,242,407	3,882,850	6,125,257	3,436,863
Total Assets	4,488,552	5,325,316	9,813,868	5,113,864
<u>Deferred Outflows of Resources</u>	136,579	93,332	229,911	140,846
<u>Liabilities</u>				
Notes Payable	101,500	39,700	141,200	100,354
Vouchers Payable	80,048	11,967	92,015	72,003
Accounts Payable	247,411	73,105	320,516	129,055
Salaries and Wages Payable	63,938	6,648	70,586	74,850
Accrued Expenses	43,769	31,196	74,965	278,840
Due to Agency Funds	699	-	699	-
Due to Primary Government	-	-	-	36,191
Due to Component Units	64,936	3,607	68,543	-
Funds Held in Escrow	38,450	1,868	40,318	12,921
Due to Other Governments	-	-	-	31,055
Unearned Revenue	283,411	11,089	294,500	162,932
Overpayment of Taxes	119,672	-	119,672	16,761
Other Current Liabilities	-	-	-	85,527
Derivative Instrument Liability	70,326	24,684	95,010	23,114
Non-Current Liabilities:				
Due within one year	281,210	187,650	468,860	342,365
Due in more than one year	5,194,399	3,133,533	8,327,932	4,782,052
Total Liabilities	6,589,769	3,525,047	10,114,816	6,148,020
<u>Deferred Inflows of Resources</u>	-	-	-	641
<u>Net Position</u>				
Net Investment in Capital Assets	176,788	1,007,442	1,184,230	41,022
Restricted For:				
Capital Projects	131,133	199,698	330,831	5,356
Debt Service	82,221	301,005	383,226	218,147
Pension Oblig Bond Refunding Reserve	68,238	-	68,238	-
Behavioral Health	188,557	-	188,557	-
Neighborhood Revitalization	30,574	-	30,574	-
Stadium Financing	3,804	-	3,804	-
Central Library Project	2,028	-	2,028	-
Cultural & Commercial Corridor Project	11,569	-	11,569	-
Grant Programs	56,261	-	56,261	31,455
Rate Stabilization	-	184,796	184,796	-
Libraries & Parks:				
Expendable	2,444	-	2,444	-
Non-Expendable	3,042	-	3,042	-
Educational Programs	-	-	-	14,407
Other	50,455	-	50,455	18,641
Unrestricted(Deficit)	(2,771,752)	200,660	(2,571,092)	(1,222,979)
Total Net Position	(1,964,638)	1,893,601	(71,037)	(893,951)

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, 2014

Exhibit II

Amounts in thousands of USD

					Net (Expense) Revenue and Changes in Net Position				
					Primary Government				
					Governmental	Business Type			
					Activities	Activities	Total	Component Units	
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions					
Primary Government:									
Governmental Activities:									
Economic Development	95,086	99	4,649	3,932	(86,406)		(86,406)		
Transportation:									
Streets & Highways	143,925	5,195	39,026	28,062	(71,642)		(71,642)		
Mass Transit	72,070	1,842	83	-	(70,145)		(70,145)		
Judiciary and Law Enforcement:									
Police	1,262,744	4,535	11,384	-	(1,246,825)		(1,246,825)		
Prisons	371,179	398	17	-	(370,764)		(370,764)		
Courts	338,517	50,343	58,944	-	(229,230)		(229,230)		
Conservation of Health:									
Emergency Medical Services	69,342	36,313	7,699	-	(25,330)		(25,330)		
Health Services	1,519,089	18,882	1,208,441	-	(291,766)		(291,766)		
Housing and Neighborhood Development									
Development	80,298	16,715	63,824	-	241		241		
Cultural and Recreational:									
Recreation	113,124	2,787	8,952	1,471	(99,914)		(99,914)		
Parks	8,170	2,165	-	1,089	(4,916)		(4,916)		
Libraries and Museums	84,484	2,000	7,824	-	(74,660)		(74,660)		
Improvements to General Welfare:									
Social Services	657,536	5,576	506,034	-	(145,926)		(145,926)		
Education	167,459	-	-	-	(167,459)		(167,459)		
Inspections and Demolitions	43,303	50,145	(34)	-	6,808		6,808		
Service to Property:									
Sanitation	153,075	35,520	1,667	-	(115,888)		(115,888)		
Fire	386,556	271	3,127	-	(383,158)		(383,158)		
General Management and Support	538,040	177,710	45,637	760	(313,933)		(313,933)		
Interest on Long Term Debt	158,989	204	-	-	(158,785)		(158,785)		
Total Governmental Activities	6,262,986	410,700	1,967,274	35,314	(3,849,698)		(3,849,698)		
Business Type Activities:									
Water and Sewer	543,453	638,575	1,399	-	-	96,521	96,521		
Aviation	376,491	315,414	-	85,557	-	24,480	24,480		
Industrial and Commercial Development	-	446	-	8,011	-	8,457	8,457		
Total Business Type Activities	919,944	954,435	1,399	93,568	-	129,458	129,458		
Total Primary Government	7,182,930	1,365,135	1,968,673	128,882	(3,849,698)	129,458	(3,720,240)		
Component Units:									
Gas Operations	713,385	744,455	18,278	-				49,348	
Housing	34,786	920	35,746	-				1,880	
Parking	227,775	233,708	-	-				5,933	
Education	3,062,346	43,975	921,642	-				(2,096,729)	
Health	802,862	-	802,803	-				(59)	
Economic Development	191,686	11,340	145,879	28,032				(6,435)	
Total Component Units	5,032,840	1,034,398	1,924,348	28,032				(2,046,062)	
General Revenues:									
Taxes:									
Property Taxes					530,204	-	530,204	661,263	
Wage & Earnings Taxes					1,639,758	-	1,639,758	-	
Business Taxes					469,249	-	469,249	-	
Other Taxes					735,827	-	735,827	238,127	
Grants & Contributions Not Restricted to Specific Programs					229,515	2,484	231,999	1,158,556	
Unrestricted Interest & Investment Earnings					21,654	5,289	26,943	5,280	
Miscellaneous					-	-	-	1,416	
Special Items					-	-	-	2,215	
Transfers					28,333	(28,333)	-	-	
Total General Revenues, Special Items and Transfers					3,654,540	(20,560)	3,633,980	2,066,857	
Change in Net Position					(195,158)	108,898	(86,260)	20,795	
Net Position - July 1, 2013									
Adjustment					26	-	26	(33,964)	
Net Position Adjusted - July 1, 2013					(1,769,480)	1,784,703	15,223	(914,746)	
Net Position - June 30, 2014									
					(1,964,638)	1,893,601	(71,037)	(893,951)	

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash on Deposit and on Hand	10,972	-	97	70,461	81,530
Equity in Treasurer's Account	434,692	192,130	-	252,921	879,743
Investments	-	-	-	134,741	134,741
Due from Other Funds	36,890	-	-	5,495	42,385
Due from Component Units	49,233	-	-	-	49,233
Amounts Held by Fiscal Agent	85,638	-	20,624	-	106,262
Taxes Receivable	590,754	-	-	6,277	597,031
Accounts Receivable	336,610	-	4,239	7,743	348,592
Due from Other Governmental Units	55,961	65,051	309,745	61,634	492,391
Allowance for Doubtful Accounts	(566,769)	-	-	(1,056)	(567,825)
Interest and Dividends Receivable	402	132	-	35	569
Other Assets	-	-	-	78	78
Total Assets	<u>1,034,383</u>	<u>257,313</u>	<u>334,705</u>	<u>538,329</u>	<u>2,164,730</u>
<u>Liabilities</u>					
Vouchers Payable	37,298	591	27,129	15,030	80,048
Accounts Payable	76,322	4,400	113,030	53,648	247,400
Salaries and Wages Payable	59,301	-	4,329	308	63,938
Payroll Taxes Payable	-	-	-	11	11
Due to Other Funds	699	-	24,338	18,047	43,084
Due to Component Units	16	63,765	1,005	150	64,936
Funds Held in Escrow	35,316	-	-	3,134	38,450
Unearned Revenue	184,657	-	94,440	4,314	283,411
Overpayment of Taxes	119,672	-	-	-	119,672
Total Liabilities	<u>513,281</u>	<u>68,756</u>	<u>264,271</u>	<u>94,642</u>	<u>940,950</u>
<u>Deferred Inflows of Resources</u>	<u>309,384</u>	<u>-</u>	<u>285,628</u>	<u>56,318</u>	<u>651,330</u>
<u>Fund Balances</u>					
Nonspendable	-	-	-	3,242	3,242
Restricted	85,639	188,557	58,075	387,692	719,963
Committed	-	-	-	4,320	4,320
Assigned	103,063	-	-	-	103,063
Unassigned	23,016	-	(273,269)	(7,885)	(258,138)
Total Fund Balances	<u>211,718</u>	<u>188,557</u>	<u>(215,194)</u>	<u>387,369</u>	<u>572,450</u>
<u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u>	<u>1,034,383</u>	<u>257,313</u>	<u>334,705</u>	<u>538,329</u>	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,242,407
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	651,330
c. Long Term Liabilities, including bonds payable are not reported in the funds	(5,475,609)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	66,253
e. Other	(21,469)

Net Position of Governmental Activities (1,964,638)

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

City of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,783,401	-	-	587,354	3,370,755
Locally Generated Non-Tax Revenue	303,748	594	56,531	26,214	387,087
Revenue from Other Governments	347,056	799,470	931,534	90,973	2,169,033
Other Revenues	16,971	-	-	3,257	20,228
Total Revenues	3,451,176	800,064	988,065	707,798	5,947,103
Expenditures					
Current Operating:					
Economic Development	25,086	-	5,457	53,141	83,684
Transportation:					
Streets & Highways	64,745	-	4,860	28,486	98,091
Mass Transit	67,389	-	83	-	67,472
Judiciary and Law Enforcement:					
Police	1,156,603	-	8,259	-	1,164,862
Prisons	343,936	-	-	2,394	346,330
Courts	271,276	-	46,601	-	317,877
Conservation of Health:					
Emergency Medical Services	58,058	-	7,699	-	65,757
Health Services	149,957	845,231	362,870	152,203	1,510,261
Housing and Neighborhood Development	3,277	-	23,181	53,846	80,304
Cultural and Recreational:					
Recreation	89,889	-	8,699	-	98,588
Parks	4	-	-	1,203	1,207
Libraries and Museums	67,322	-	7,414	153	74,889
Improvements to General Welfare:					
Social Services	147,000	-	508,305	-	655,305
Education	167,459	-	-	-	167,459
Inspections and Demolitions	38,278	-	2,515	-	40,793
Service to Property:					
Sanitation	142,936	-	1,882	-	144,818
Fire	341,095	-	3,127	-	344,222
General Management and Support	579,936	-	18,682	48,080	646,698
Capital Outlay	-	-	-	140,116	140,116
Debt Service:					
Principal	-	-	-	120,299	120,299
Interest	11,505	-	-	106,479	117,984
Bond Issuance Cost	275	-	-	4,759	5,034
Total Expenditures	3,726,026	845,231	1,009,634	711,159	6,292,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	(274,850)	(45,167)	(21,569)	(3,361)	(344,947)
Other Financing Sources (Uses)					
Issuance of Debt	27,275	-	-	266,515	293,790
Issuance of Refunding Debt	117,275	-	-	246,325	363,600
Bond Issuance Premium	-	-	-	31,410	31,410
Payment to Refunded Bonds Escrow Agent	(117,275)	-	-	(264,970)	(382,245)
Transfers In	343,984	-	51	272,226	616,261
Transfers Out	(169,049)	-	(35,230)	(383,649)	(587,928)
Total Other Financing Sources (Uses)	202,210	-	(35,179)	167,857	334,888
Net Change in Fund Balance	(72,640)	(45,167)	(56,748)	164,496	(10,059)
Fund Balance - July 1, 2013	284,358	233,724	(158,446)	222,847	582,483
Adjustment	-	-	-	26	26
Fund Balance Adjusted - July 1, 2013	284,358	233,724	(158,446)	222,873	582,509
Fund Balance - June 30, 2014	211,718	188,557	(215,194)	387,369	572,450

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

City of Philadelphia
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	(10,059)
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 (130,493) exceeded capital outlay (128,492) in the current period.....	(2,001)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	88,949
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (664,319) exceeded proceeds (596,715).....	67,604
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.....	(223,649)
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.....	(116,002)
Change in Net Position of governmental activities.....	<u>(195,158)</u>

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

City of Philadelphia
Statement of Fund Net Position
Proprietary Funds
June 30, 2014

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Total
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	71,136	58,260	4,079	133,475
Due from Other Governments	176	1,228	1,972	3,376
Accounts Receivable	164,042	31,646	-	195,688
Allowance for Doubtful Accounts	(18,629)	(1,099)	-	(19,728)
Inventories	13,423	2,953	22,098	38,474
Total Current Assets	230,178	92,988	28,149	351,315
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	470,740	327,812	-	798,552
Amounts Held by Fiscal Agent	-	341	-	341
Sinking Funds and Reserves	219,013	50,748	-	269,761
Grants for Capital Purposes	-	12,210	-	12,210
Receivables	995	9,292	-	10,287
Total Restricted Assets	690,748	400,403	-	1,091,151
Capital Assets:				
Land	5,919	146,996	-	152,915
Infrastructure	2,269,015	928,331	-	3,197,346
Construction in Progress	361,592	401,059	-	762,651
Buildings and Equipment	1,623,520	1,870,205	-	3,493,725
Less: Accumulated Depreciation	(2,189,554)	(1,534,233)	-	(3,723,787)
Total Capital Assets, Net	2,070,492	1,812,358	-	3,882,850
Total Non-Current Assets	2,761,240	2,212,761	-	4,974,001
Total Assets	2,991,418	2,305,749	28,149	5,325,316
Deferred Outflows of Resources	66,586	26,746	-	93,332
Liabilities				
Current Liabilities:				
Vouchers Payable	8,230	3,737	-	11,967
Accounts Payable	11,664	11,373	-	23,037
Salaries and Wages Payable	4,819	1,829	-	6,648
Construction Contracts Payable	22,783	27,285	-	50,068
Due to Component Units	3,607	-	-	3,607
Accrued Expenses	27,477	3,719	-	31,196
Funds Held in Escrow	1,868	-	-	1,868
Unearned Revenue	8,923	2,166	-	11,089
Commercial Paper Notes	-	39,700	-	39,700
Bonds Payable-Current	125,300	62,350	-	187,650
Total Current Liabilities	214,671	152,159	-	366,830
Derivative Instrument Liability	5,711	18,973	-	24,684
Net Pension Liability	26,673	23,079	-	49,752
Non-Current Liabilities:				
Bonds Payable	1,809,952	1,229,398	-	3,039,350
Other Non-Current Liabilities	30,514	13,917	-	44,431
Total Non-Current Liabilities	1,840,466	1,243,315	-	3,083,781
Total Liabilities	2,087,521	1,437,526	-	3,525,047
Net Position				
Net Investment in Capital Assets	336,980	670,462	-	1,007,442
Restricted For:				
Capital Projects	102,860	96,838	-	199,698
Debt Service	219,013	81,992	-	301,005
Rate Stabilization	184,796	-	-	184,796
Unrestricted	126,834	45,677	28,149	200,660
Total Net Position	970,483	894,969	28,149	1,893,601

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

City of Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

Exhibit VII

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	630,429	110,782	-	741,211
Rentals and Concessions	-	200,192	-	200,192
Operating Grants	1,399	-	-	1,399
Miscellaneous Operating Revenues	8,146	4,440	446	13,032
Total Operating Revenues	639,974	315,414	446	955,834
Operating Expenses:				
Personal Services	112,820	65,636	-	178,456
Purchase of Services	90,611	94,404	-	185,015
Materials and Supplies	43,453	8,927	-	52,380
Employee Benefits	102,623	56,859	-	159,482
Indemnities and Taxes	5,179	1,109	-	6,288
Depreciation	90,523	99,708	-	190,231
Total Operating Expenses	445,209	326,643	-	771,852
Operating Income (Loss)	194,765	(11,229)	446	183,982
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	-	2,484	-	2,484
Passenger and Customer Facility Charges	-	65,511	-	65,511
Interest Income	4,207	1,076	6	5,289
Net Pension Obligation	(17,712)	(8,806)	-	(26,518)
Debt Service - Interest	(77,561)	(40,966)	-	(118,527)
Other Revenue (Expenses)	(2,971)	(76)	-	(3,047)
Total Non-Operating Revenues (Expenses)	(94,037)	19,223	6	(74,808)
Income (Loss) Before Contributions & Transfers	100,728	7,994	452	109,174
Transfers In/(Out)	(28,333)	-	-	(28,333)
Capital Contributions	-	20,046	8,011	28,057
Change in Net Position	72,395	28,040	8,463	108,898
Net Position - July 1, 2013	898,088	866,929	19,686	1,784,703
Net Position - June 30, 2014	970,483	894,969	28,149	1,893,601

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, 2014

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	640,819	284,199	-	925,018
Payments to Suppliers	(130,852)	(99,779)	-	(230,631)
Payments to Employees	(216,574)	(118,082)	-	(334,656)
Internal Activity-Payments to Other Funds	-	(6,685)	-	(6,685)
Claims Paid	(5,179)	-	-	(5,179)
Other Receipts (Payments)	-	984	446	1,430
Net Cash Provided (Used)	<u>288,214</u>	<u>60,637</u>	<u>446</u>	<u>349,297</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,650	2,120	-	3,770
Operating Subsidies and Transfers from Other Funds	(31,323)	-	-	(31,323)
Net Cash Provided (Used)	<u>(29,673)</u>	<u>2,120</u>	<u>-</u>	<u>(27,553)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	229,204	132,000	-	361,204
Capital Grants & Contributions Received	-	37,434	-	37,434
Acquisition and Construction of Capital Assets	(142,039)	(73,851)	-	(215,890)
Interest Paid on Debt Instruments	(74,701)	(71,674)	-	(146,375)
Principal Paid on Debt Instruments	(127,009)	(191,090)	-	(318,099)
Passenger Facility Charges	-	62,168	-	62,168
Net Cash Provided (Used)	<u>(114,545)</u>	<u>(105,013)</u>	<u>-</u>	<u>(219,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	1,598	-	1,598
Interest and Dividends on Investments	1,459	787	6	2,252
Net Cash Provided (Used)	<u>1,459</u>	<u>2,385</u>	<u>6</u>	<u>3,850</u>
Net Increase (Decrease) in Cash and Cash Equivalents	145,455	(39,871)	452	106,036
Cash and Cash Equivalents, July 1 (including \$313.9 mil for Water & Sewer and \$332.7 mil for Aviation reported in restricted accounts)	<u>396,451</u>	<u>426,284</u>	<u>3,627</u>	<u>826,362</u>
Cash and Cash Equivalents, June 30 (including \$470.7 mil for Water & Sewer and \$328.1 mil for Aviation reported in restricted accounts)	<u>541,906</u>	<u>386,413</u>	<u>4,079</u>	<u>932,398</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	194,765	(11,229)	446	183,982
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	90,523	99,708	-	190,231
Bad Debts, Net of Recoveries	-	29	-	29
Changes in Assets and Liabilities:				
Receivables, Net	(547)	(17,238)	-	(17,785)
Unearned Revenue	1,392	(13,042)	-	(11,650)
Inventories	376	254	-	630
Accounts and Other Payables	3,396	2,155	-	5,551
Accrued Expenses	(1,691)	-	-	(1,691)
Net Cash Provided by Operating Activities	<u>288,214</u>	<u>60,637</u>	<u>446</u>	<u>349,297</u>
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	8,011	8,011

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

City of Philadelphia
Statement of Net Position
Fiduciary Funds
June 30, 2014

Exhibit IX

Amounts in thousands of USD

	Pension Trust <u>Funds</u>	Agency <u>Funds</u>
<u>Assets</u>		
Cash on Deposit and on Hand	-	120,223
Equity in Treasurer's Account	5,510,332	44,314
Investments	-	5,713
Securities Lending Collective Investment Pool	524,813	-
Accounts Receivable	1,317	-
Due from Brokers for Securities Sold	135,202	-
Interest and Dividends Receivable	1,380	-
Due from Other Governmental Units	3,303	-
Due from Other Funds	-	699
	<hr/>	<hr/>
Total Assets	6,176,347	170,949
	<hr/>	<hr/>
<u>Liabilities</u>		
Vouchers Payable	60	404
Accounts Payable	542	-
Salaries and Wages Payable	54	-
Payroll Taxes Payable	-	3,889
Funds Held in Escrow	9	166,656
Due on Return of Securities Loaned	525,137	-
Due to Brokers for Securities Purchased	210,862	-
Accrued Expenses	9,318	-
Other Liabilities	515	-
	<hr/>	<hr/>
Total Liabilities	746,497	170,949
	<hr/>	<hr/>
Net Position Held in Trust for Pension Benefits	<u>5,429,850</u>	<u>-</u>

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

City of Philadelphia
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	578,113
Employees' Contributions	<u>53,960</u>
Total Contributions	<u>632,073</u>
Investment Income:	
Interest and Dividends	113,925
Net Gain in Fair Value of Investments	651,006
(Less) Investments Expenses	(12,247)
Securities Lending Revenue	4,202
(Less) Securities Lending Expenses	<u>(630)</u>
Net Investment Gain	<u>756,256</u>
Miscellaneous Operating Revenues	517
Total Additions	<u>1,388,846</u>
<u>Deductions</u>	
Personal Services	3,373
Purchase of Services	1,621
Materials and Supplies	59
Employee Benefits	3,076
Pension Benefits	845,470
Refunds of Members' Contributions	6,040
Administrative Expenses Paid	731
Other Operating Expenses	<u>164</u>
Total Deductions	<u>860,534</u>
Change in Net Position	528,312
Net Position - July 1, 2013	<u>4,901,538</u>
Net Position - June 30, 2014	<u><u>5,429,850</u></u>

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2014

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets									
Cash on Deposit and on Hand	115,734	67,483	66,418	196	10,729	36,544	4,794	32,423	334,321
Equity in Pooled Cash and Investments	-	-	-	27,492	-	-	-	-	27,492
Investments	-	-	15,639	-	39,673	-	750	-	56,062
Due from Primary Government	-	4,672	-	-	-	47,641	-	-	52,313
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	99,275
Notes Receivable	-	26,869	-	99,275	-	-	-	-	26,869
Taxes Receivable	-	-	-	175,651	-	-	-	-	175,651
Accounts Receivable-Net	101,457	1,354	712	11,332	5,922	99	2,415	(1,924)	121,367
Interest and Dividends Receivable	-	23,030	207	601	48	-	-	-	23,886
Due from Other Governments	-	162	-	58,676	2,651	-	-	76,292	137,781
Inventories	69,989	35,992	-	3,051	-	-	-	-	109,032
Other Assets	126,815	4,193	113	7,832	-	5,028	104	17,377	161,462
Restricted Assets:									
Cash and Cash Equivalents	-	8,971	94,468	78,664	-	-	-	15,244	197,347
Other Assets	111,729	22,750	-	18,375	1,289	-	-	-	154,143
Capital Assets:									
Land and Other Non-Depreciated Assets	62,801	-	15,255	137,648	30,112	-	1,850	5,026	252,692
Other Capital Assets (Net of Depreciation)	1,130,751	529	155,740	1,672,889	149,381	2,925	7,405	64,551	3,184,171
Total Capital Assets	1,193,552	529	170,995	1,810,537	179,493	2,925	9,255	69,577	3,436,863
Total Assets	1,719,276	196,005	348,552	2,291,682	239,805	92,237	17,318	208,989	5,113,864
Deferred Outflows of Resources	-	-	-	140,846	-	-	-	-	140,846
Liabilities									
Notes Payable	-	20,851	2,022	-	77,481	-	-	-	100,354
Vouchers Payable	58,889	-	-	-	13,114	-	-	-	72,003
Accounts Payable	-	5,396	17,035	99,128	-	2,043	1,305	4,148	129,055
Salaries and Wages Payable	3,970	-	-	61,679	2,675	6,526	-	-	74,850
Accrued Expenses	199,148	1,801	681	1,149	1,149	75,668	393	-	278,840
Funds Held in Escrow	-	10,885	-	-	461	-	-	1,575	12,921
Due to Other Governments	-	-	12,580	3,290	3,025	-	-	12,160	31,055
Due to Primary Government	-	1,500	31,179	-	-	-	-	3,512	36,191
Unearned Revenue	15,359	29,871	-	12,447	3,629	-	4,875	96,751	162,932
Overpayment of Taxes	-	-	-	16,761	-	-	-	-	16,761
Other Current Liabilities	-	-	-	77,527	-	8,000	-	-	85,527
Derivative Instrument Liability	-	-	-	23,114	-	-	-	-	23,114
Non-Current Liabilities:									
Due within one year	50,975	3,355	11,425	274,701	1,909	-	-	-	342,365
Due in more than one year	983,000	32,307	155,670	3,526,332	53,467	-	2,699	28,577	4,782,052
Total Liabilities	1,311,341	105,966	230,592	4,094,979	156,910	92,237	9,272	146,723	6,148,020
Deferred Inflows of Resources	-	-	641	-	-	-	-	-	641
Net Position									
Net Investment in Capital Assets	159,576	359	61,413	(313,151)	93,771	-	9,255	29,799	41,022
Restricted For:									
Capital Projects	-	-	-	-	5,356	-	-	-	5,356
Debt Service	111,729	10,471	2,456	93,491	-	-	-	-	218,147
Educational Programs	-	-	-	6,294	8,113	-	-	-	14,407
Grant Programs	-	-	-	-	-	-	-	31,455	31,455
Other	-	-	-	18,641	-	-	-	-	18,641
Unrestricted	136,630	79,209	53,450	(1,467,726)	(24,345)	-	(1,209)	1,012	(1,222,979)
Total Net Position	407,935	90,039	117,319	(1,662,451)	82,895	-	8,046	62,266	(893,951)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2014. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2013. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2014.

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, 2014

Exhibit XII

Amounts in thousands of USD

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations													
Gas Works	713,385	744,455	18,278	-	49,348								49,348
Housing													
Redevelopment Authority	34,786	920	35,746	-		1,880							1,880
Parking													
Parking Authority	227,775	233,708	-	-			5,933						5,933
Education													
School District	2,889,498	6,966	852,805	-				(2,029,727)					(2,029,727)
Community College	172,848	37,009	68,837	-					(67,002)				(67,002)
Total	3,062,346	43,975	921,642	-									
Health													
Community Behavioral Health	802,862	-	802,803	-						(59)			(59)
Economic Development													
Delaware River Waterfront Corp.	14,318	7,368	6,598	-							(352)		(352)
Authority for Ind. Development	177,368	3,972	139,281	28,032								(6,083)	(6,083)
Total	191,686	11,340	145,879	28,032									
Total Component Units	5,032,840	1,034,398	1,924,348	28,032									(2,046,062)
General Revenues:													
Property Taxes					-	-	-	661,263	-	-	-	-	661,263
Other Taxes					-	-	-	238,127	-	-	-	-	238,127
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,098,062	60,494	-	-	-	1,158,556
Unrestricted Interest & Investment Earnings					-	1,650	1,126	837	1,524	59	84	-	5,280
Miscellaneous					-	-	-	-	1,153	-	-	263	1,416
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	2,215	2,215
Total General Revenue, Special Items and Transfers					-	1,650	1,126	1,998,289	63,171	59	84	2,478	2,066,857
Change in Net Position					49,348	3,530	7,059	(31,438)	(3,831)	-	(268)	(3,605)	20,795
Net Position - July 1, 2013					358,587	86,509	112,446	(1,600,944)	88,435	-	8,314	65,871	(880,782)
Adjustment					-	-	(2,186)	(30,069)	(1,709)	-	-	-	(33,964)
Net Position Adjusted - July 1, 2013					358,587	86,509	110,260	(1,631,013)	86,726	-	8,314	65,871	(914,746)
Net Position - June 30, 2014					407,935	90,039	117,319	(1,662,451)	82,895	-	8,046	62,266	(893,951)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2014. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2012. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2014.

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



Notes to the Financial Statements
FYE 06/30/2014

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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. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASBS) No. 14 which has been amended by GASB Statements No. 39 and No. 61. 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 Related Organization is an entity which the City appoints board members but for which the city has no significant financial responsibility.

A. BLENDED COMPONENT UNITS

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

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

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

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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.

Philadelphia Redevelopment Authority (PRA) – 1234 Market St., Philadelphia, PA 19107

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

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

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

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

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

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

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

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. RELATED ORGANIZATIONS

Philadelphia Housing Authority (PHA) – 12 South 23RD Street, 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 nine member board with all members appointed by the City. PHA provides significant services to the City's residents.

Philadelphia Housing Development Corporation – 1234 Market Street, Philadelphia, PA 19107

PHDC was established to provide affordable housing and home repair to low income residents. The City appoints a voting majority of PHDC's governing board. PHDC services the residents of Philadelphia through various home preservation programs.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Position 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 income and receipts, 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 income and receipts tax, 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.

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 **CCP** have been prepared in accordance with GASBS No. 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 calendar year end. This was due to cyclical tax collections (billings for taxes are mailed in December 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 Position 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.
- **PRA** 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 (except for the Aviation Fund which uses \$10,000 for personal property and \$100,000 for fixed assets). 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 Avia-

tion Fund which uses "substantially complete" as their determining basis for transferring construction in process to one or more of the major asset classes), (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. In FY13 GASB Statement No. 65 was implemented resulting in bond issuance costs being recognized as an expense and reported in the period incurred.

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 workers' compensation and unemployment benefits to its employees. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police and its city-administered health plan.

9. RECEIVABLE AND PAYABLES

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

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 25.11% 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 \$1.34 on each \$100 assessment; \$.7382 for the **SDP** and \$.6018 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 OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Beginning with the fiscal year ended June 30, 2013 the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This new GASB Statement replaces the term Net Assets with Net Position. Net Position is the residual of (a) assets and deferred outflows, less (b) liabilities and deferred inflows. The new deferred classifications take into consideration the fact that governments enter into transactions that are applicable to future periods.

Also, beginning with the fiscal year ended June 30, 2013 the city chose to early implement GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*. The objective of Statement No. 65 is to either properly classify or recognize, certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues).

Deferred Outflows of resources represents consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time. On the full accrual basis of accounting, the City has two items that qualify for reporting in this category. Derivative instruments are reported for the changes in fair value. Deferred Refunding results from the difference in the refunding of debt and its reacquisition price. One component unit (SDP) only has one item that qualifies in this category, which is deferred charge of refunding. These items have been reported as deferred outflows on the City's and the SDP's Statement of Net Position.

(Amounts in Thousands of USD)

	Governmental	Business Type	Component
	Activities	Activities	Unit
<u>Deferred Outflows of Resources</u>			
Derivative Instrument	63,938	24,684	-
Deferred Charge of Refunding	72,641	68,648	140,846
Total:	<u>136,579</u>	<u>93,332</u>	<u>140,846</u>

Deferred Inflows of resources represents an acquisition of net position that applies to future period(s) and will not be recognized as revenue until that time. On the modified accrual statements, the City has three items that are reported in the Governmental Balance Sheet as deferred inflows: Unavailable Tax revenue, Unavailable Agency revenue and Unavailable Governmental revenue.

(Amounts in Thousands of USD)

	General	Grants	Other
	Fund	Revenue	Governmental
	Fund	Fund	Funds
<u>Deferred Inflows of Resources</u>			
Unavailable Tax Revenue	173,344	-	191
Unavailable Agency Revenue	43,978	-	-
Unavailable Government Revenue	92,062	285,628	56,127
Total:	<u>309,384</u>	<u>285,628</u>	<u>56,318</u>

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. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term “deferred” on any line items other than deferred inflows or outflows. Therefore, the term “Deferred Revenue” has been replaced by “Unearned Revenue”. Unearned Revenue as reported in all the City’s fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance (\$5.5 million) and Business Income and Receipts Tax (BIRT) (\$179.1 million).

14. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, an accounting standard related to the accounting and reporting of defined pension plan obligations. One of the objectives of this accounting standard is to require governmental agencies to recognize the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as the net pension liability on the statement of net position. In addition to the benefits earned each year, the annual pension expense will also include interest on the total pension liability and the impacts of changes in benefit terms, projected investment earnings and other plan net position changes. This accounting standard, which is effective for the year ending June 30, 2015, will have a material impact on recorded pension liabilities compared to the application of current standards. The City’s reported Net Pension Obligation (Governmental and Business Type Activities combined) was \$454.5 million at June 30, 2014. The separately issued audited financial statements of the Municipal Pension Fund, which reflect the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, disclosed a Net Pension Liability of \$5.5 billion at June 30, 2014.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were \$925.8 million and \$925.8 million respectively. All of the collateralized securities were held in the City's name except for \$106 million which was collateralized but held in the pledging institutions name.

Investments

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

As of June 30, 2014 the City's Investments including Pension Trust Funds consisted of:

(amount in thousands of USD)		
<u>Classifications</u>	<u>Fair Value</u>	<u>% of Total</u>
Corporate Equities	2,757,559	38.72%
Miscellaneous - Limited Partnership	1,169,044	16.41%
U.S. Government Securities	915,616	12.86%
Corporate Bonds	499,040	7.01%
Short-Term Investment Pools	434,960	6.11%
Mutual Funds	341,922	4.80%
Other Bonds and Investments	228,697	3.21%
U.S. Government Agency Securities	341,190	4.79%
Commercial Paper	299,945	4.21%
Collateralized Mortgage Obligations	62,049	0.87%
Financial Agreement	67,000	0.94%
Certificate of Deposit	5,000	0.07%
Grand Total	<u>7,122,022</u>	<u>100.00%</u>

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (12.86%) or US Government Agency obligations (4.80%). 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 (4.21%) 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, 9.94% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's In-

vestor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has 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.

City Excluding Pension Trust Funds

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

(amount in thousands of USD)

<u>Classifications</u>	<u>Less than 1 Year</u>	<u>1 - 3 Years</u>	<u>More than 3 Years</u>
U.S. Government Securities	377,875	398,561	2,839
Corporate Bonds	90,190	63,830	
U.S. Government Agency Securities	126,551	123,895	29,826
Commerical Papers	299,945		
Total	<u>894,561</u>	<u>586,286</u>	<u>32,665</u>

Municipal Pension Fund

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's rated debt investments as of June 30, 2014 were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

2014 (in thousands)	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	D	NR
Asset Backed Securities	3,265	-	-	-	1,865	-	988	-	-	412
CMO/REMIC	1,111	-	-	-	-	-	89	596	426	-
Commercial Mortgage Backed Securities	2,878	1,662	-	1,216	-	-	-	-	-	-
Corporate Bonds	262,357	716	7,208	29,343	50,305	46,526	59,350	21,701	-	47,208
Government Bonds	276,587	15,554	151,680	45,000	41,794	15,064	-	-	-	7,494
Mortgage Backed Securities	58,060	-	58,060	-	-	-	-	-	-	-
Municipal Bonds	<u>3,222</u>	-	<u>1,170</u>	<u>2,052</u>	-	-	-	-	-	-
Total Credit Risk of Debt Securities	<u>607,480</u>	<u>17,932</u>	<u>218,118</u>	<u>77,611</u>	<u>93,964</u>	<u>61,590</u>	<u>60,427</u>	<u>22,297</u>	<u>426</u>	<u>55,114</u>

Custodial Credit Risk: In the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2014, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

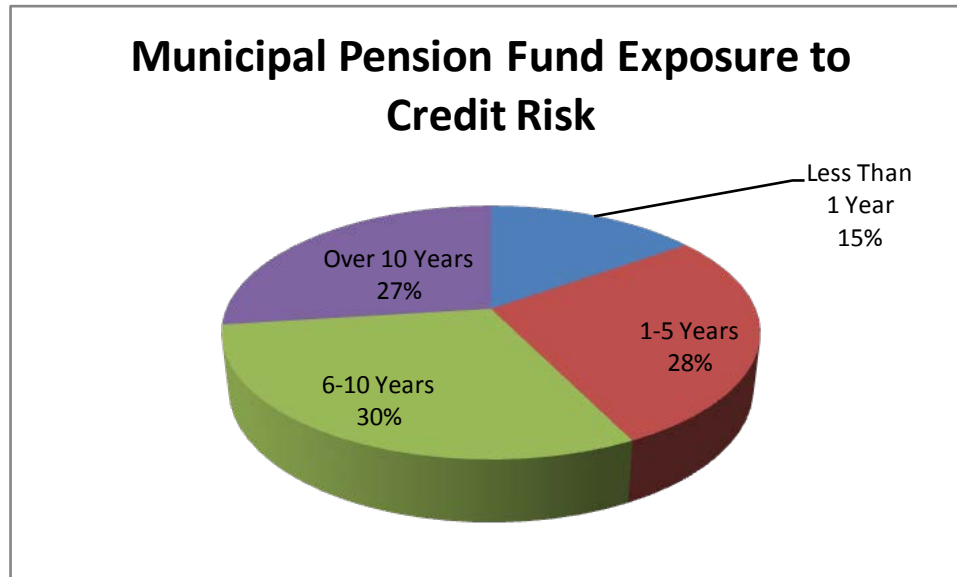
Municipal Pension Fund						
Assets subject to foreign currency risk:						
	<i>(thousands of USD)</i>					
Currency	Cash	Fixed Income	Equities	Private Equity	Mutual Funds	Total
Euro	2,285	23,340	246,589	31,358	6,125	309,697
British Pound Sterling	733	12,026	160,555	-	-	173,314
Japanese Yen	595	-	99,667	-	-	100,262
Swiss Franc	445	-	84,430	-	-	84,875
Hong Kong Dollar	293	-	65,460	-	-	65,753
South Korean Won	-	9,435	47,395	-	-	56,830
Australian Dollar	84	21,624	25,751	-	-	47,459
Mexican Peso	520	30,916	10,710	-	-	42,146
Canadian Dollar	104	-	36,126	-	-	36,230
Brazilian Real	9	9,875	22,469	-	-	32,352
South African Rand	2	7,192	15,885	-	-	23,080
Swedish Krona	49	-	16,539	-	-	16,587
Polish Zloty	9	9,632	3,718	-	-	13,359
Indonesian Rupiah	84	7,476	5,674	-	-	13,234
Malaysian Ringgit	1	4,291	8,449	-	-	12,741
Singapore Dollar	153	-	9,061	-	-	9,214
Hungarian Forint	-	8,059	355	-	-	8,414
Danish Krone	73	-	7,985	-	-	8,058
New Zealand Dollar	2	6,642	468	-	-	7,112
Turkish Lira	-	2,984	3,820	-	-	6,804
Thai Baht	27	-	5,456	-	-	5,483
All Others	2,981	-	17,294	-	-	20,274
	<u>8,449</u>	<u>153,492</u>	<u>893,856</u>	<u>31,358</u>	<u>6,125</u>	<u>1,093,278</u>

Interest Rate Risk

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond's value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using option-adjusted duration, which recognizes the fact that yield changes may change the expected cash flows due to embedded options.

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



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 7.33% of all investments and is primarily invested in equity securities (67.56%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the **PGWRR** is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio managers' Average Credit Quality ranges from AAA to AA.

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

(amounts in thousands of USD)

Investment Type	Maturity Length				
	Less than 1 Year	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short Term Investment Pools	15,892				
U.S. Government Agency Securities	707	10,746	3,526	678	11,196
U.S. Government Securities	8,557	11,376	6,780	14,084	1,243
MTG Pass Thrus	459				
Collateralized Mortgage Obligations	1,044				
Municipal Securities			1,790	3,208	1,427
Asset Backed Securities			2,106	4,343	17,069
Corporate Bonds	2,472	4,423	11,958	23,801	10,452
	<u>29,131</u>	<u>26,544</u>	<u>26,160</u>	<u>46,115</u>	<u>41,388</u>

Blended Component Units

A. PICA

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

At June 30, 2014 the carrying amount of **PICA's** deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short-term investments was \$121.3 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)
Insured	4,165
Uninsured and uncollateralized	117,168
Total:	<u>121,333</u>

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds.

Investment Derivative Instruments

As of June 30, 2014, **PICA's** basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

(amounts in thousands of USD)					
<u>Changes in Fair Value</u>			<u>Fair Value at June 30, 2014</u>		
<u>Classification</u>	<u>Amount</u>		<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment Derivatives:					
Basis Caps	Investment Revenue	95	Investment	3,101	289,220

a. PICA Series of 2003 and 1999 Basis Cap Agreements

PICA entered into two basis cap transactions with JPMorgan Chase Bank, one in June 2003 related to the 2003 swap and one in April 2004 related to the 1999 swaption. For the 2003 basis cap transaction, beginning June 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by 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 the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

For the 1999 basis cap transaction, beginning June 15, 2009, the counterparty will pay the Authority a fixed-rate each month of .46% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR, less 70%, multiplied by 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 1999 interest rate swaption noted above. The objective of each basis cap is to generate income. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit might not be realized.

Fair value: As of June 30, 2014, the 2003 Basis Cap had a positive fair value of \$828,400. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2014, the 1999 Basis Cap had a positive fair value of \$2,272,973. This means that **PICA** would receive this amount to terminate the 1999 basis cap.

Risk: The basis caps include an additional termination event based on credit ratings. The basis cap may be terminated by the Authority if the counterparty's ratings fall below A- or A3 and collateral is not posted within 15 days.

B. PHILADELPHIA MUNICIPAL AUTHORITY

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

	(thousands of USD)	
	<u>Fair Value</u>	<u>Cost</u>
Money Market Funds	16,168	16,168
U.S. Treasury & Agency obligation	24,992	24,998
U.S. Treasury bonds & notes	15,083	15,094
Certificates of Deposit	100	100
Corporate bond & debts	11,997	11,996
	<u>68,340</u>	<u>68,356</u>

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department or by the Federal Reserve Bank of Philadelphia at June 30, 2014.

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, 2014 the Authority's investments in U.S. Government Securities were rated AAA, and investments in corporate bonds and debt obligations were rated AA+ or AAA, by Standard & Poor's. Investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of \$327,582 on deposit with two local banks. Amounts are insured by the FDIC up to \$250,000 per bank. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Discretely Presented Component Units

a. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2014, **PAID's** basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands)

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2014</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment Derivatives:					
Basis Swap	Investment Loss	(469)	Investment	(6,388)	193,520

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, that provides **PAID** with ten equal payments of \$1.2 million with the first payment due on July 1, 2004. **PAID** executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July 2006, a portion of the existing basis swap was restructured such that the variable rate received by **PAID** was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This was intended to provide for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio. The restructured portion of the swap was terminated in December 2009 at a benefit.

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

A portion of the original transaction in the amount of \$105 million was amended such that the variable payments received by **PAID** were computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amendment effective date was October 1, 2006, with variable payments to be made (as described above) through October 1, 2020. On December 1, 2009, **PAID** terminated that portion of the swap that was subject to the amendment and received a termination payment of \$3,049,000.

As of June 30, 2014, the notional amount on the portion of the swap that was not amended was \$193.5 million.

Fair Value: As of June 30, 2014, the swap had a negative fair value of (\$6.39 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2014, **PAID** is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to basis risk, the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 basis points, the anticipated savings of the swap will be reduced and may not materialize.

b. School District of Philadelphia Basis Swaps

Issued and Adopted Accounting Principles: In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. All derivatives are to be reported on the statement of net position at fair value. For swaps deemed to be investment instruments under GASB 53, such as the School District's basis swaps, the changes in fair value are reported in the statement of activities as investment revenue or loss.

Objective, Terms, Fair Value and Accounting of Derivative Instruments: The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB 53. Fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

The table below displays the objectives, terms, and fair values of the School District's derivative instruments outstanding as of June 30, 2014 along with the counterparties and their credit ratings.

Associated Bonds	Initial Notional	Current Notional	Effective Date	Maturity Date	Rate Paid	Rate received	Fair Value	Bank Counterparty	Counterparty Ratings
Series 2003 School Lease Revenue Bonds	150,000,000	150,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$6,934,062)	Wells Fargo Bank N.A.	Aa3/AA-/AA-
Series 2003 School Lease Revenue Bonds	350,000,000	350,000,000	11/30/2006	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$16,179,477)	JP Morgan Chase Bank N.A.	Aa3/A+/A+
							<u>(\$23,113,539)</u>		

Basis Risk/Interest rate risk - The primary objective of the basis swaps was for the School District to reduce interest cost from the expected benefit resulting from short term tax-exempt rates reflecting prevailing income tax rates throughout the life of the swap. The School District receives a percentage of 1-Month LIBOR plus a spread of 0.2788% and pays the SIFMA tax-exempt rate, with the expectation of a 0.2788% net benefit over the life of the swap as long as tax rates remain the same. The historical average ratio of 1-Month LIBOR (short-term taxable rates) versus SIFMA Swap Rates (short-term tax-exempt rates), a direct function of income tax rates, is approximately 67%. Therefore, there needs to be a spread payable to the School District in exchange for 67% of LIBOR over the long term and this is the value of the benefit, the risk being tax rates change over the life of the basis swap. This additional receipt of 0.2788% to the School District is the expected benefit and reduction to interest cost on the associated bonds for the life of the basis swap transaction. From the date of execution of the two basis swaps through June 30, 2014, the net benefit to the School District has been \$11,417,796.

The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

Credit risk - This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the total fair value of swaps netting, or aggregating under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2014, the School District has no credit risk exposure on the two basis swap contracts because the swaps under each netting agreement with each counterparty have negative fair values, meaning the counterparties are exposed to the School District in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the basis swaps become positive, the School District would be exposed to credit risk.

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

Termination risk - Only the School District may terminate the two exiting basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the basis swap's fair value.

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 100% of the market value of the loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced \$.3 million in unrealized loss 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 **PRA**) 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** Central Library Project Financing Lease Revenue Bonds Series 2005, **PAID's** Cultural and Commercial Corridor Lease Revenue Bonds Series 2006, **PAID** City Service Agreement Refunding Revenue Bonds Series 2012, **PAID's** Sports Stadium Financing Lease Revenue Bonds, Series A & B of 2007 and Series 2014A and **PAID's** City Service Agreement Series 2014A for the Philadelphia School District.

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

B. PROPRIETARY FUNDS

Aviation Fund consists of 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			
		Special	Debt	Other	
	<u>General</u>	<u>Revenue</u>	<u>Service</u>	<u>Funds</u>	<u>Total</u>
<u>Interfund Payables Due From:</u>					
General		-	-	699	699
Grants Revenue Fund	24,338	-	-	-	24,338
Non major Special Revenue Funds	12,552	5,495	-	-	18,047
Total	<u>36,890</u>	<u>5,495</u>	<u>-</u>	<u>699</u>	<u>43,084</u>

B. COMPONENT UNITS

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

(Amounts in Thousands of USD)		Receivables Due to:					
		General	Aviation	CBH	PRA	PAID	Timing Difference
<u>Payables Due From:</u>							
General Fund	-	-	-	16	-	-	16
Behavioral Health	-	-	63,765	-	-	-	63,765
Grants Revenue	-	-	169	806	30	-	1,005
Non-major Funds	-	-	-	150	-	-	150
PPA	8,103	22,449	-	-	-	627	31,179
PAID	38,629	-	-	-	-	(35,116)	3,513
PRA	1,500	-	-	-	-	-	1,500
PGW	-	-	-	-	-	-	-
School District of Phila	2,500	-	-	-	-	(2,500)	-
Water Fund	-	-	-	1,823	1,784	-	3,607
Timing Difference	(1,500)	(22,449)	(16,294)	1,893	(1,814)	-	(40,164)
Total	<u>49,232</u>	<u>-</u>	<u>47,640</u>	<u>4,672</u>	<u>-</u>	<u>(36,989)</u>	<u>64,555</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

	(Amounts In Millions of USD)			
Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	787	13	-	800
Fine Arts	1	3	-	4
Construction In Process	10	17	(4)	23
Total capital assets not being depreciated	798	33	(4)	827
<u>Capital assets being depreciated:</u>				
Buildings	2,039	29	-	2,068
Other Improvements	320	7	-	327
Equipment	481	25	(14)	492
Infrastructure	1,475	38	-	1,513
Transit	292	-	-	292
Total capital assets being depreciated	4,607	99	(14)	4,692
<u>Less accumulated depreciation for:</u>				
Buildings	(1,263)	(62)	-	(1,325)
Other Improvements	(226)	(9)	-	(235)
Equipment	(396)	(20)	14	(402)
Infrastructure	(1,051)	(40)	-	(1,091)
Transit	(220)	(4)	-	(224)
Total accumulated depreciation	(3,156)	(135)	14	(3,277)
Total capital assets being depreciated, net	1,451	(36)	-	1,415
Governmental activities capital assets, net	2,249	(3)	(4)	2,242

(Amounts In Millions of USD)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	152	1	-	153
Construction In Process	698	248	(182)	764
Total capital assets not being depreciated	850	249	(182)	917
<u>Capital assets being depreciated:</u>				
Buildings	3,058	49	(10)	3,097
Other Improvements	257	15	-	272
Equipment	127	20	(23)	124
Intangible Assets	13	-	-	13
Infrastructure	3,074	116	(6)	3,184
Total capital assets being depreciated	6,529	200	(39)	6,690
<u>Less accumulated depreciation for:</u>				
Buildings	(1,589)	(90)	7	(1,672)
Other Improvements	(136)	(13)	-	(149)
Equipment	(103)	(6)	6	(103)
Intangible Assets	(6)	(1)	-	(7)
Infrastructure	(1,721)	(79)	7	(1,793)
Total accumulated depreciation	(3,555)	(189)	20	(3,724)
Total capital assets being depreciated, net	2,974	11	(19)	2,966
Business-type activities capital assets, net	3,824	260	(201)	3,883

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

(Amounts in Millions of USD)	
<u>Governmental Activities:</u>	
Economic Development	3
Transportation:	
Streets & Highways	40
Mass Transit	4
Judiciary and Law Enforcement:	
Police	9
Prisons	6
Courts	1
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	11
Parks	11
Libraries and Museums	9
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	5
General Management & Support	32
Total Governmental Activities	<u>135</u>
<u>Business-Type Activities:</u>	
Water and Sewer	90
Aviation	<u>100</u>
Total Business Type Activities	<u>190</u>

B. DISCRETELY PRESENTED COMPONENT UNITS

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

	(Amounts In Millions of USD)			
Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	132	-	(1)	131
(1) Construction In Process	27	3	(23)	7
(2) Art	-	-	-	-
Total capital assets not being depreciated	159	3	(24)	138
<u>Capital assets being depreciated:</u>				
Buildings	1,798	3	(18)	1,783
Other Improvements	1,230	14	(1)	1,243
Intangible Assets	46	3	-	49
(3) Equipment	240	9	(19)	230
Total capital assets being depreciated	3,314	29	(38)	3,305
<u>Less accumulated depreciation for:</u>				
Buildings	(642)	(32)	17	(656)
Other Improvements	(728)	(55)	15	(768)
Intangible Property	(37)	(2)	-	(39)
Equipment	(164)	(23)	17	(171)
Total accumulated depreciation	(1,571)	(112)	49	(1,634)
Total capital assets being depreciated, net	1,743	(83)	11	1,671
Capital assets, net	1,902	(80)	(13)	1,809

- (1) The beginning balance of WIP was adjusted to reflect a \$1.4 million prior period adjustment to remove items not deemed capitalizable.
- (2) The beginning balance for Artwork was adjusted to reflect an \$8.1 million prior period adjustment to remove the replacement value of artwork. The determination has been made that the **SDP's** Artwork will no longer be reported on the financial statements for the following reasons:
 - a. The historical cost/value of the **SDP's** artwork cannot be determined and replacement value is inappropriate for use as the carrying value.
 - b. The replacement value of artwork accounts for 0.3% of total assets for Government Activities and is deemed immaterial.
 - c. Per GASB 34, Par. 27, the **SDP's** artwork is considered a collection and therefore should not be reported on the financial statements.
- (3) The value, as well as depreciation, of Print Shop assets have been consolidated in the Equipment line item and will no longer be shown separately.

(Amounts in Millions of USD)

Business-type Activities:

Capital assets not being depreciated:

Land	40	-	-	40
Fine Arts	(9)	-	-	(9)
Construction In Process	57	88	(78)	67
Total capital assets not being depreciated	88	88	(78)	98

Capital assets being depreciated:

Buildings	679	9	(1)	687
Other Improvements	25	-	-	25
Equipment	452	16	(4)	464
Infrastructure	1,564	66	(5)	1,625
Total capital assets being depreciated	2,720	91	(10)	2,801

Less accumulated depreciation for:

Buildings	(289)	(11)	-	(300)
Other Improvements	(30)	(8)	-	(38)
Equipment	(174)	(20)	3	(191)
Infrastructure	(715)	(36)	4	(747)
Total accumulated depreciation	(1,208)	(75)	7	(1,276)
Total capital assets being depreciated, net	1,512	16	(3)	1,525
Capital assets, net	1,600	104	(81)	1,623

6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on January 1, 2013, in the amount of \$350 million to provide funding for capital projects currently approved by the airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to our capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were \$39.7 million notes outstanding at June 30, 2014.

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2014, \$11.6 million of CDBG program income funds had been used to repay the debt. Collateral for repayment of the HUD Section 108 loans includes future CDBG entitlements due to the City from HUD.

Through the end of the fiscal year, HUD had disbursed \$262.1 million in loans to PIDC. As of June 30, 2014, there was \$101.55 million in outstanding HUD Section 108 Notes Payable. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position. Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2014 are as follows:

<u>Calendar Year</u>	<u>Amount</u>
2014	\$ 10,047,000
2015	13,645,000
2016	10,175,000
2017	10,820,000
2018	11,535,000
Thereafter	45,328,000
Total	<u>\$ 101,550,000</u>

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 **PGW**'s revenues. There were no notes outstanding at year-end (August 31, 2014).

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 \$77 million. The loans have interest rates ranging from 1.198% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

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

<u>Period</u>	<u>Amount</u>
2015	\$ 6,157,176
2016	6,170,886
2017	6,145,316
2018	5,950,163
2019	5,329,480
2020-2024	27,688,101
2025-2028	20,040,000
Total	<u>\$ 77,481,122</u>

PPA, in prior years, borrowed a total of \$34 million in the form of bank notes ranging in maturity from 5-15 years and in interest rates from 4.06% to 6.5%. The proceeds of these loans were used to finance various capital projects, the acquisition of capital assets, building improvements, installation of Multi-Space parking meters and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2014 was \$2,021,914 subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 484,569
2016	504,512
2017	525,583
2018	<u>507,250</u>
Total	\$ <u>2,021,914</u>

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2014 the statutory limit for the City is \$3.0 billion, the General Obligation Debt net of deductions authorized by law is \$1.7 billion, leaving a legal debt borrowing capacity of \$1.3 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims, Net Pension Obligation and OPEB are typically paid by the General Fund.

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

	(Amounts in Millions of USD)				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activity					
Bonds Payable					
Term Bonds	907.4	150.2	(300.4)	757.2	75.6
Refunding Bonds	805.0	161.2	(55.2)	911.0	42.7
Serial Bonds	201.9	201.3	(5.4)	397.8	15.3
Add: Bond Premium	97.4	31.3	(19.7)	109.0	-
Less: Deferred Amounts					
Unamortized Insurance Expenses	(22.0)	-	4.3	(17.7)	-
Unamortized Discount	(3.5)	-	1.6	(1.9)	-
Total Bonds Payable	1,986.2	544.0	(374.8)	2,155.4	133.6
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,171.4	46.3	(96.2)	1,121.5	101.2
Neighborhood Transformation	220.0	-	(7.5)	212.5	7.9
One Parkway	41.4	-	(2.1)	39.3	2.3
Sports Stadium	314.1	117.3	(129.3)	302.1	12.4
Library	7.7	-	(0.5)	7.2	0.5
Cultural Corridor Bonds	115.8	-	(3.8)	112.0	4.0
City Service Agreement	423.3	-	(123.5)	299.8	-
PAID School District	-	27.3	-	27.3	-
Indemnity Claims	63.4	105.4	(102.8)	66.0	10.0
Worker's Compensation Claims	266.5	48.9	(57.6)	257.8	-
Termination Compensation Payable	219.3	23.2	(17.9)	224.6	5.3
Net Pension Obligation	181.1	223.6	-	404.7	-
OPEB Obligation	166.3	135.7	(73.5)	228.5	-
Leases	28.9	-	(12.0)	16.9	4.0
Governmental Activity Long-term Liabilities	<u>5,205.4</u>	<u>1,271.7</u>	<u>(1,001.5)</u>	<u>5,475.6</u>	<u>281.2</u>

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

(Amounts in Millions of USD)

		Interest							
		<u>Rates</u>				<u>Principal</u>			<u>Due Dates</u>
Governmental Funds:									
City	1.250	%	to	6.500	%	1,439.6	Fiscal	2015	to 2042
PMA	1.250	%	to	7.500	%	262.8	Fiscal	2015	to 2044
PICA	4.000	%	to	5.000	%	<u>363.6</u>	Fiscal	2015	to 2023
						2,066.0			

- In July 2013, the City issued \$208.4 million of General Obligation Bonds Series 2013A. Serial bonds were issued with interest rates ranging from 1% to 5.25%. The 2013 Bonds were issued to provide funds for a portion of the city's capital program, refunding the City's outstanding Series 2003 A General Obligation Bonds and for the cost relating to the issuance of the 2013 Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is \$0.15 million. This funding transaction resulted in a net economic gain of \$.13 million.
- In October 2013, **PMA** issued \$85.05 million of its City Agreement Revenue Refunding Bonds, 2013 Series A. The proceeds of the 2013 Bonds were used to finance the current refunding of a portion of the Authority's outstanding Lease Revenue Refunding Bonds, 2003 Series B and payment of the costs of issuance for the 2013 Bonds. The serial bonds have interest rates ranging from 1.25% to 5% and mature in 2018. The Refunded Bonds include all the 2003 Series Bonds maturing on and after November 15, 2014. The aggregate difference in debt service between the refunding debt and the refunded debt is \$8.7 million. This funding transaction resulted in a net economic gain of \$8.4 million.
- In February 2014, the City issued General Obligation Refunding Bonds, Series 2014A in the amount of \$154.3 million. Serial Bonds were issued in the amount of \$112 million with interest rates ranging from 3.0% to 5.25% and mature July 15, 2034. Term Bonds were issued in the amount of \$42.3 million with an interest rate of 5.0% and mature July 15, 2038. The 2014 Bonds were issued to refund certain maturities of the City's outstanding General Obligation Bonds, Series 2008B and for the payment of the cost relating to the issuance of the Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is \$34.5 million. This funding transaction resulted in a net economic gain of \$21.6 million.
- In April 2014, **PMA** issued \$65.2 million of City Service Agreement Revenue Bonds, Series 2014 for the 2014 4601 Market Street Project. The bonds consist of \$4.06 million of Federally Taxable Bonds, Series 2014 A with interest rates ranging from 2.0% to 2.82% and \$61.10 million of Tax Exempt Bonds, Series 2014 B with interest rates ranging from 3.25% to 5%. The Series 2014 A Bonds will mature January 15, 2020 and the Series 2014 B Bonds will mature January 15, 2040. Proceeds will be used to finance the acquisition, selective demolition, remediation, renovation and equipping the facility located at 4601 Market Street as the Public Safety Campus for the City of Philadelphia. This includes the headquarters of the Philadelphia Police Department, certain other safety and health related uses and construction of parking accommodations, other capital improvements and payment of the costs of issuance for 2014 Bonds.

The City has General Obligation Bonds authorized and un-issued at year-end of \$284.1 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	59.8	70.7	26.0	12.2	47.7	18.1
2016	59.2	68.4	19.7	12.0	49.9	15.7
2017	62.1	65.4	20.6	11.0	52.1	13.3
2018	65.1	62.1	28.0	9.8	45.4	10.7
2019	68.4	58.8	13.4	8.8	38.8	8.4
2020-2024	344.5	243.3	24.6	39.6	129.7	14.8
2025-2029	367.0	151.0	31.0	32.1	-	-
2030-2034	299.2	65.4	35.1	23.3	-	-
2035-2039	87.0	21.5	46.3	12.2	-	-
2040-2044	27.3	2.7	18.1	2.3	-	-
Totals	1,439.6	809.3	262.8	163.3	363.6	81.0

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

(Amounts In Millions of USD)

Lease & Service Agreements

Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	96.2	34.8	7.9	10.6	2.3	1.8	12.4	13.1
2016	93.4	41.3	8.3	10.2	2.4	1.7	13.0	12.3
2017	87.5	47.2	8.7	9.8	2.5	1.6	13.6	11.6
2018	82.0	52.7	9.2	9.3	2.6	1.5	14.1	10.8
2019	76.7	58.0	9.7	8.9	2.7	1.4	14.7	10.0
2020-2024	197.2	267.0	55.9	36.7	15.6	4.9	83.7	40.0
2025-2029	488.5	146.5	75.7	21.2	11.2	1.1	103.0	20.8
2030-2034	-	-	37.1	2.8	-	-	47.6	2.0
Totals	1,121.5	647.5	212.5	109.5	39.3	14.0	302.1	120.6

Fiscal Year	Central Library		Cultural Corridors		City Service Agreement		PAID School District	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	0.5	0.3	4.0	5.3	-	11.7	-	0.2
2016	0.6	0.3	4.2	5.1	-	11.7	6.6	0.1
2017	0.6	0.2	4.4	4.9	-	11.8	6.7	0.1
2018	0.6	0.2	4.6	4.6	-	11.8	6.9	-
2019	0.6	0.2	4.8	4.4	-	11.8	7.1	-
2020-2024	3.5	0.7	28.1	18.0	169.0	52.3	-	-
2025-2029	0.8	-	36.0	10.1	130.8	7.8	-	-
2030-2034	-	-	25.9	1.7	-	-	-	-
Totals	<u>7.2</u>	<u>1.9</u>	<u>112.0</u>	<u>54.1</u>	<u>299.8</u>	<u>118.9</u>	<u>27.3</u>	<u>0.4</u>

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

Business-Type Activity	Beginning	Additions	Reductions	Ending	Due Within One Year
	Balance			Balance	
Bonds Payable					
Revenue Bonds	3,075.2	316.7	(284.2)	3,107.7	187.7
Add: Bond Premium	<u>110.6</u>	<u>28.3</u>	<u>(19.6)</u>	<u>119.3</u>	<u>-</u>
Total Bonds Payable	3,185.8	345.0	(303.8)	3,227.0	187.7
Indemnity Claims	4.8	7.1	(7.2)	4.7	-
Worker's Compensation Claims	21.3	5.7	(4.6)	22.4	-
Termination Compensation Payable	17.6	3.0	(2.7)	17.9	-
Net Pension Obligation	23.2	26.6	-	49.8	-
Arbitrage	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>-</u>
Business-type Activity Long-term Liabilities	<u>3,253.0</u>	<u>387.4</u>	<u>(318.3)</u>	<u>3,322.1</u>	<u>187.7</u>

The Enterprise Funds have no debt that is classified on their respective balance sheets as General Obligation debt payable as of June 30, 2014.

Also, the City has General Obligation Bonds authorized and un-issued at year end of \$303.6 million. This includes \$211.6 million for the Enterprise Funds and \$92 million for **PGW**.

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				Principal		Due Dates	
		Rates							
Water Fund	0.050 %	to	5.750 %		1,851.4	Fiscal	2015	to	2044
Aviation Fund	2.000 %	to	5.375 %		1,256.3	Fiscal	2015	to	2040
Total Revenue Debt Payable					<u>3,107.7</u>				

- In August 2013, the City issued Water and Wastewater Revenue Bonds Series 2013 A in the amount of \$170 million. Serial Bonds were issued in the amount of \$120 million with interest rates ranging from 3% to 5% and have a maturity date of 2023. Term Bonds were issued in the amount of \$50 million with an interest rate of 5.125% and mature in 2043. The proceeds of the bonds together with other available funds of the City's Water Department will be used to finance capital improvements to the City's Water and Wastewater systems, a deposit to the Debt Reserve account of the Sinking Fund and the cost of issuance relating to the Bonds.
- In January 2014, the City issued Water and Wastewater Revenue Bonds Series 2014A in the amount of \$123.2 million. Serial Bonds were issued for \$93.2 million with interest rates ranging from 3.0% to 5.0% maturing July 1, 2027. Term bonds were issued in the amount of \$30 million with a 5.0% interest rate maturing July 1, 2043. The purpose of the bonds is to provide funds that will be used for the advance refunding of a portion of the City's outstanding Water and Wastewater Revenue Bonds, Series 2005A, capital improvements to the City's Water and Wastewater System, a deposit to the Debt Reserve Sinking Fund and the cost of issuance relating to the bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is \$8.8 million. This funding transaction resulted in a net economic gain of \$6.8 million.
- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to \$214.9 million. During fiscal year 2014, PENNVEST drawdowns totaled \$23.6 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

<u>Date</u>	<u>Series</u>	<u>Maximum Loan Amount</u>	<u>Estimated Project Costs</u>	<u>Amt Requested thru 6/30/2014</u>	<u>Amt Rec'd Yes/No</u>	<u>Purpose</u>
Oct. 2009	2009B	42,886,030	42,339,199	28,790,697	Yes	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	41,771,895	Yes	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	71,703,769	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	27,741,841	Yes	Green Infrastructure Project
Totals:		<u>214,913,486</u>	<u>214,385,181</u>	<u>170,008,202</u>		

The debt service through maturity for the Revenue Debt Payable is as follows:
(Amounts In Millions of USD)

Fiscal Year	Water Fund		Aviation Fund	
	Principal	Interest	Principal	Interest
2015	125.3	79.6	62.4	62.0
2016	136.7	75.4	60.2	58.6
2017	124.8	68.4	63.6	55.4
2018	131.6	63.5	65.9	52.2
2019	86.8	59.1	59.9	48.7
2020-2024	381.5	241.7	348.2	196.1
2025-2029	292.1	172.3	317.5	111.2
2030-2034	279.7	106.4	143.8	55.2
2035-2039	161.0	52.5	117.0	20.0
2040-2044	131.9	16.6	17.8	0.9
Totals	<u>1,851.4</u>	<u>935.5</u>	<u>1,256.3</u>	<u>660.3</u>

(3) Defeased Debt

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

(Amounts In Millions of USD)

Governmental Funds:

General Obligation Bonds	142.9
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Enterprise Funds:

Water Fund Revenue Bonds	<u>138.5</u>
	<u>281.4</u>

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$100 million in Tax Revenue Anticipation Notes by June 2014 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, 2013	-
Additions	100.0
Deletions	(100.0)
Balance June 30, 2014	-

(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, 2014, the Aviation Fund had recorded liabilities of \$0.3 million.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

		<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2014</u>		
	<u>Classification</u>	<u>Amount</u>		<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>						
Cash Flow Hedges:						
Pay fixed interest rate swaps	Deferred Outflow	(1,150)	Debt		(16,948)	100,000
	Deferred Outflow	15,215	Debt		(19,822)	129,314
	Deferred Outflow	(15,396)	Debt		(15,396)	87,961
	Deferred Outflow	5,069	Debt		(6,606)	43,086
	Deferred Outflow	(5,166)	Debt		(5,166)	29,314
<u>Business Type Activities:</u>						
Cash Flow Hedges:						
Pay fixed interest rate swaps	Deferred Outflow	3,843	Debt		(18,973)	140,200
	Deferred Outflow	2,854	Debt		(5,711)	67,175

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2014, along with the credit rating of the associated counterparty.

(amounts in thousands)

<u>Agency</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aa3/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	129,314	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa3/A+
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	87,961	5/14/2014	10/1/2030	City pays 3.62%; receives 70% 1 Month LIBOR	Aa3/A+
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	43,086	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Baa2/A-
City Lease PAID (e)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	29,314	5/14/2014	10/1/2030	City pays 3.632%; receives 70% 1 Month LIBOR	Baa2/A-
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	140,200	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa3/A+
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	67,175	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	Baa2/A-

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective: In December 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 28, 2009, the City terminated approximately \$213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of \$15.5 million to RBC.

Terms: The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2014, the swap had a notional amount of \$100 million and the associated variable rate bonds had a \$100 million principal amount. The bonds mature in August 2031.

Fair Value: As of June 30, 2014, the swap had a negative fair value of (\$16.95 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2014, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the rating of RBC falls below Baa3 or BBB- or by RBC if the rating of the City falls below Baa3 or BBB-.

There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corp. (formerly FSA), no termination event based on the City's ratings can occur as long as Assured is rated at least A3 and A-.

As of June 30, 2014 the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900 %
Variable rate payment from RBC under swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.76900 %
Variable Rate bond coupon payments	Weekly reset	0.05000 %
Synthetic interest rate on bonds		3.81900 %

Swap payments and associated debt: As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	<u>Total Interest</u>
2015	\$ -	\$ 50,000	\$ 3,769,000	\$ 3,819,000
2016	-	50,000	3,769,000	3,819,000
2017	-	50,000	3,769,000	3,819,000
2018	-	50,000	3,769,000	3,819,000
2019	-	50,000	3,769,000	3,819,000
2020-2024	-	250,000	18,845,000	19,095,000
2025-2029	46,875,000	234,733	17,694,136	17,928,869
2030-2032	53,125,000	53,828	4,057,517	4,111,345
Total:	\$ <u>100,000,000</u>	\$ <u>788,561</u>	\$ <u>59,441,653</u>	\$ <u>60,230,214</u>

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

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

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

In May 2014, PAID fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds was converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of \$87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of \$29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID pays a fixed rate of 3.62% and 3.632% (to JPMor-

gan and Merrill Lynch, respectively), and receives 70% of 1-month LIBOR. The payments are based on an amortizing notional schedule.

As of June 30, 2014, the swaps together had a notional amount of \$289.7 million which matched the principal amount of the associated variable rate bond deals. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2014, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of (\$19.82 million), the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of (\$6.61 million), the LIBOR-based swap with JP Morgan Chase Bank had a negative fair value of (\$15.40 million) and the LIBOR-based swap with Merrill Lynch Capital Services had a negative fair value of (\$5.17 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2014, **PAID** was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2014, the rates for the JP Morgan SIFMA-based swap were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.97130 %
Variable rate payment from JP Morgan under Swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.91130 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.55131 %
Synthetic interest rate on bonds		4.46261 %

As of June 30, 2014, the rates for the Merrill Lynch SIFMA-based swap were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable rate payment from Merrill Lynch under Swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.91130 %
Variable Rate bond coupon payments	Weighted Average weekly resets	0.55110 %
Synthetic interest rate on bonds		4.46240 %

As of June 30, 2014, the rates for the JP Morgan Libor-based swap were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JP Morgan under Swap	Fixed	3.62000 %
Variable rate payment from JP Morgan under swap	70% of 1-month Libor	(0.10864) %
Net interest rate swap payments		3.51136 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.10864 %*
Synthetic interest rate on bonds		3.62000 %

As of June 30, 2014, the rates for the Merrill Lynch Libor-based swap were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Merrill Lynch under Swap	Fixed	3.63200 %
Variable rate payment from Merrill Lynch under Swap	70% of 1-month Libor	(0.10864) %
Net interest rate swap payments		3.52336 %
Variable Rate bond coupon payments	70% of 1-month Libor + fixed spread	0.10864 %*
Synthetic interest rate on bonds		3.63200 %

* Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond

Swap payments and associated debt: As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending	Variable Rate Bonds		Interest Rate		Total Interest
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>		
2015	\$ -	\$ 951,636	\$ 10,864,546	\$	11,816,182
2016	12,990,000	951,636	10,864,546		11,816,182
2017	13,550,000	742,497	10,356,468		11,098,965
2018	14,125,000	524,342	9,826,487		10,350,829
2019	14,730,000	296,930	9,274,016		9,570,946
2020-2024	83,620,000	258,008	37,539,722		37,797,730
2025-2029	103,035,000	141,859	20,635,893		20,777,752
2030-2031	47,625,000	18,361	2,670,715		2,689,076
Total:	\$ 289,675,000	\$ 3,885,269	\$ 112,032,393	\$	115,917,662

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Division (the Philadelphia Airport) with an up-front payment of \$6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

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

As of June 30, 2014, the swap had a notional amount of \$140.2 million and the associated variable-rate bonds had a \$140.2 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2014, the swap had a negative fair value of (\$18.97 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2014, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2014, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed-declining	4.72645 %
Variable rate payment from JP Morgan under swap	SIFMA	(0.06000) %
Net interest rate swap payments		4.66645 %
Variable Rate bond coupon payments	Weekly resets	0.05000 %
Synthetic interest rate on bonds		4.71645 %

Swap payments and associated debt: As of June 30, 2014, 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		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	<u>Total Interest</u>	
2015	\$ 9,000,000	\$ 70,100	\$ 6,542,356	\$ 6,612,456	
2016	9,800,000	65,600	5,779,656	5,845,256	
2017	10,700,000	60,700	4,921,020	4,981,720	
2018	11,400,000	55,350	4,262,830	4,318,180	
2019	12,200,000	49,650	3,512,436	3,562,086	
2020-2024	71,300,000	149,450	8,072,684	8,222,134	
2025	15,800,000	7,900	251,810	259,710	
Total:	<u>\$ 140,200,000</u>	<u>\$ 458,750</u>	<u>\$ 33,342,792</u>	<u>\$ 33,801,542</u>	

d. City of Philadelphia, 2005 Water & Sewer Swap

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

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

In May 2013, the City and Water Department converted the original variable rate bonds associated with the swap to an index-based rate, terminating the existing letter of credit in the process.

As of June 30, 2014, the swap had a notional amount of \$67.175 million and the associated variable-rate bond had an \$67.175 million principal amount. The bonds' variable-rate coupons are based on the same index as the receipt on the swap. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2014, the swap had a negative fair value of (\$5.71 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2014 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, and paying 68.5% of one month LIBOR plus a fixed spread, the City is no longer exposed to basis risk or tax risk. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 30, 2014, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Citi under swap	Fixed	4.53000 %
Variable rate payment from Citi under swap	68.5% of 1-month LIBOR	(0.10631) %
Net interest rate swap payments		4.42369 %
Variable Rate bond coupon payments	68.5% of 1-month LIBOR + fixed spread	0.10631 % *
Synthetic interest rate on bonds		4.53000 %

*Excludes fixed spread, which is similar to the City's expected Letter of Credit costs on a comparable variable rate bond

Swap payments and associated debt: As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate		Total Interest
	Principal	Interest	Swaps Net		
2015	\$ 15,535,000	\$ 71,415	\$ 2,971,612	\$	3,043,027
2016	16,315,000	54,900	2,284,392		2,339,292
2017	17,145,000	37,555	1,562,668		1,600,223
2018	18,015,000	19,328	804,226		823,554
2019	165,000	175	7,299		7,474
Total:	\$ 67,175,000	\$ 183,373	\$ 7,630,197	\$	7,813,570

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The net proceeds of the bond sale of \$1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments. The fiscal year 2014 Pension Funding Bonds liability of \$1,121.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(8) Neighborhood Transformation Initiative Service Agreement

In March 2005, **PRA** 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.

In Fiscal 2012, **PRA** issued \$91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of \$124 million. The bonds will be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company (DTC), which will act as securities depository. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. The fiscal year 2014 NTI Service Agreement liability of \$212.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(9) Sports Stadium Financing Agreement

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

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

In May 2014, **PAID** issued Lease Revenue Refunding Bonds, 2014 Series A in the amount of \$117.3 million. The proceeds from the bonds were used to refund the Series 2007 Series B-1 Stadium Bonds. The bonds have an interest rate of 3.62% and mature in 2030. **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 year 2014, the Sports Stadium Financing Agreement liability of \$302.1 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December 2006, **PAID** issued \$135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal year 2014, the liability of \$112.0 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) City Service Agreement

In December 2012, **PAID** issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of \$299.8 million. The bonds were issued as term Bonds with interest rates of 3.664% (\$42.2 million) and 3.964% (\$257.6 million). The term bonds have a maturity date of April 15, 2026. The bonds were issued to refund outstanding Pension Funding Bonds Series 1999B, fund interest on the Bonds through April 15, 2020, make a deposit to the City Retirement System and pay the cost of issuance of the Bonds. The bond is payable as set forth in the Service Agreement solely from revenues of the City. The debt service payments begin in 2021. The reacquisition price exceeded the net carrying value of the old debt by \$23.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The portion of the Series 1999B Bonds that were refunded are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. In fiscal year 2014, the liability of \$299.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(12) School District

In June 2014, **PAID** issued City Service Agreement Revenue Bonds, Series 2014A in the amount of \$27.3 million. The bonds shall bear interest at the LIBOR Interest Rate. The Calculation Agent will determine the LIBOR interest rate on each computation date and will become effective on the Libor index reset date next succeeding the computation date and will accrue each date during the rate period. The LIBOR interest rate will be rounded if necessary to the nearest one hundred-thousandth of a percentage point. The bonds were issued to provide additional operating funds for the School District of Philadelphia and pay the costs of issuance. The bonds have a maturity date of August 15, 2018. In fiscal year 2014, **PAID** School District liability of \$27.3 million is reflected in the City's financial statements as Other Long Term Liabilities.

(13) Forward Purchase Agreements

On June 6, 2000 PICA entered into a debt service reserve forward delivery agreement, which would begin on June 15, 2010 and expires on June 15, 2023. **PICA** received a premium of \$1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of respective agreements.

(14) Net Pension Liability

Net Pension Liabilities at June 30, 2013 was \$181.1 million and \$23.2 million for the Governmental and Business Type Activities, respectively. The increase in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2014 of \$223.6 million resulted in Net Pension Liabilities of \$404.7 million. During FY 2014, the Business Type Activities' NPO increased by \$26.6 million resulting in a Net Pension Liability of \$49.8 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total \$3,178 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2015 to 2040. The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable	3,295.0	-	(117.4)	3,177.6	119.0
Add: Bond Premium	128.9	-	(9.7)	119.2	9.7
Less: Bond Discounts	(9.8)	-	0.5	(9.3)	(0.5)
Total Bonds Payable	<u>3,414.1</u>	<u>-</u>	<u>(126.6)</u>	<u>3,287.5</u>	<u>128.2</u>
Termination Compensation Payable	205.3	7.8	(10.6)	202.5	35.7
Severance Payable	132.5	1.6	(8.7)	125.4	17.4
Interfund Loan	4.1	-	(4.1)	-	-
Other Liabilities	132.5	40.8	(47.4)	125.9	36.4
Incurred But Not Reported (IBNR) Payable	12.5	-	(3.1)	9.4	9.4
Deferred Reimbursement	45.3	-	-	45.3	45.3
DHS Liability	3.5	-	(1.0)	2.5	1.5
OPEB Liability	0.4	0.4	-	0.8	-
Arbitrage Liability	0.3	-	-	0.3	0.3
NFS Federal Liability	2.4	-	(0.8)	1.6	0.7
Total	<u>3,952.9</u>	<u>50.6</u>	<u>(202.3)</u>	<u>3,801.2</u>	<u>274.9</u>

The beginning balance of General Obligation Bonds changed due to the implementation of GASB Statement No. 65 which reclassified bond refunding losses as deferred outflows of resources.

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

(Amounts in Millions of USD)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	119.0	146.4
2016	125.9	140.9
2017	130.1	135.4
2018	132.0	129.4
2019	136.4	123.5
2020-2024	729.5	524.2
2025-2029	802.6	369.9
2030-2034	799.9	179.1
2035-2039	187.9	34.2
2040	<u>14.3</u>	<u>1.0</u>
Totals	<u>3,177.6</u>	<u>1,784.0</u>

(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		
PGW	2.00	%	to	5.38	%	1,015.9	Fiscal	2015	to 2040
PPA	3.00	%	to	5.25	%	156.1	Fiscal	2015	to 2030
PRA	4.55	%	to	4.75	%	10.9	Fiscal	2017	to 2028
Total Revenue Debt Payable					<u>1,182.9</u>				

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

(Amounts in Millions of USD)

Fiscal Year	Philadelphia Gas Works †		Philadelphia Parking Authority		Philadelphia Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	50.9	46.8	11.4	7.5	-	0.5
2016	49.2	44.1	11.9	7.0	0.1	0.5
2017	49.9	41.7	12.6	6.4	0.5	0.5
2018	49.4	39.2	13.2	5.7	0.9	0.5
2019	50.2	37.0	13.5	5.1	-	0.4
2020-2024	266.2	148.7	69.3	15.2	-	2.2
2025-2029	241.0	89.4	22.1	3.1	9.4	1.3
2030-2034	139.8	44.1	2.1	0.1	-	-
2035-2039	109.9	13.8	-	-	-	-
2040-2041	9.4	0.5	-	-	-	-
Totals	<u>1,015.9</u>	<u>505.3</u>	<u>156.1</u>	<u>50.1</u>	<u>10.9</u>	<u>5.9</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2014

(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)

Philadelphia Gas Works †	28.8
School District of Philadelphia	<u>17.9</u>
Total	<u>46.7</u>

† - Gas Works amounts are presented as of August 31, 2014

The investments held by the trustee and the defeased bonds are 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.

The assets pledged, primarily noncallable U.S. Government securities, had a market value of \$30.3 million at August 31, 2014, bearing interest on face value from 0.0% to 5.89%.

As of June 30, 2014, \$17.9 million of bonds outstanding for the **SDP** are considered to be partially defeased and the liability has been removed from long-term liabilities. This includes:

- The QZAB bond Series 2004E of \$19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places \$1.4 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. As of June 30, 2014, \$12.4 million is considered partially defeased in substance for accounting and financial reporting purposes.
- The QZABs bond Series 2007C and 2007D of \$13.5 and \$28.2 million, respectively, were issued December 28, 2008, and due December 28, 2022 which are considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places \$0.9 million in trust with its fiscal agent each December 15th for Series 2007C. These amounts are invested in a forward purchase agreement to be used solely for satisfying scheduled payments of the defeased debt. As of June 30, 2014, \$5.4 million is considered partially defeased in substance for accounting and financial reporting purposes.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2014, the arbitrage rebate calculation indicates a liability totaling \$265,706 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. The School District will continue to perform an annual audit rebate calculation until all funds have been expended. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2014.

The **SDP** has reserved \$265,706 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

In January 2006, the City entered into a fixed rate payer, floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

The swaps have a maturity date of August 1, 2031 and require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one month LIBOR until maturity.

In August 2009, the City terminated approximately \$54.8 million of the notional amount of the swap, issued fixed rate refunding bonds related to that portion and kept the remaining portion of the swap to hedge the Eight Series variable rate refunding bonds backed with letters of credit. The Company paid a swap termination payment of \$3.8 million to the counterparty to partially terminate the swap.

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

In September 2011, the underlying variable rate bonds were remarketed with new letters of credit. During the remarketing, PGW partially redeemed portions of the three longest maturities of the bonds, and reallocated remaining principal amongst the bond subseries. At the same time, the City terminated an aggregate notional amount of \$29.5 million of the swaps, keeping the remaining portion of the swap to hedge the remaining variable rate bonds backed with letters of credit. The partial termination was competitively bid, with the winning swap counterparty providing the lowest cost of termination/assignment. PGW paid a swap termination payment of \$7.0 million to partially terminate the swaps. The remaining notional amounts of each of the swaps were adjusted to match the reallocation of the underlying bonds.

In April 2013, each of the swaps was amended to include additional language specifying the exact process to be used to calculate a termination amount in the event of an optional termination at the request of the City on or before April 1, 2015.

In August 2013, two subseries of the underlying variable rate bonds (8th Series C and 8th Series D) were re-marketed with new letters of credit. The letters of credit for the remaining two subseries (8th Series B and 8th Series E) were extended with the existing providers.

As of August 31, 2014, the swaps had a notional amount of \$225.5 million and the associated variable rate debt had a \$225.5 million principal amount, broken down by series as follows:

- The Series B swap had a notional amount of \$50.3 million and the associated variable rate bonds had a \$50.3 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.
- The Series C swap had a notional amount of \$50.0 million and the associated variable rate bonds had a \$50.0 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.
- The Series D swap had a notional amount of \$75.0 million and the associated variable rate bonds had a \$75.0 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.
- The Series E swap had a notional amount of \$50.2 million and the associated variable rate bonds had a \$50.2 million principal amount. The interest rate at August 31, 2014 for the underlying bonds is approximately 0.04%.

The final maturity date for all swaps is on August 1, 2028.

As of August 31, 2014, the swaps had a combined negative fair value of approximately \$38.8 million. The fair values of the interest rate swaps were estimated using the zero coupon method. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

As of August 31, 2014, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A – (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on **PGW's** bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA – (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2014 and 2013 is as follows (thousands of U.S. dollars):

	<u>Interest rate swap liability</u>	<u>Deferred outflow of resources</u>
Balance, August 31, 2013	\$ 33,363	12,059
Change in fair value through August 31, 2014	5,399	6,820
Balance, August 31, 2014	<u>\$ 38,762</u>	<u>18,879</u>

	<u>Interest rate swap liability</u>	<u>Deferred outflow of resources</u>
Balance, August 31, 2012	\$ 57,435	34,712
Change in fair value through August 31, 2013	(24,072)	(22,653)
Balance, August 31, 2013	<u>\$ 33,363</u>	<u>12,059</u>

The interest rate swap liability is included in other non-current liabilities on the balance sheet.

There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The School District adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows (amounts in thousands; debit (credit)):

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2014</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment derivatives:					
Pays-variable	Investment				
Interest rate swaps	Revenue	\$ 837	Investment	<u>\$(23,114)</u>	\$ 500,000
				<u>\$(23,114)</u>	

As of June 30, 2014, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)	<u>Primary Government</u>		<u>Component Units</u>
	Governmental Funds	Proprietary Funds	
Minimum Rentals	7,318	28,437	3,993
Additional Rentals	-	163,776	190
Sublease	11,000	-	2,266
Total Rental Income	<u>18,318</u>	<u>192,213</u>	<u>6,449</u>

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

(Amounts In Thousands of USD)

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	Governmental Funds	Proprietary Funds	
2015	3,615	13,994	5,306
2016	3,631	7,097	4,944
2017	3,570	6,528	4,650
2018	3,618	6,552	6,928
2019	3,666	6,559	1,632
2020-2024	19,072	22,614	5,257
2025-2029	20,343	15,563	1,939
2030-2034	21,503	9,103	596
2035-2039	22,986	5,736	596
2040-2044	-	-	596
2045-2049	-	-	596
2050-2054	-	-	596
2055-2059	-	-	596
2060-2064	-	-	596
2065-2069	-	-	596
2070-2074	-	-	596
2075-2079	-	-	596
2080-2084	-	-	567
2085-2089	-	-	510
Total	<u>102,004</u>	<u>93,746</u>	<u>37,693</u>

B. CITY AS LESSEE

1) OPERATING LEASES

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

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	
Minimum Rentals	181,659	46,185	14,060
Additional	-	-	73
Sublease	-	-	2,266
Total Rental Expense	<u>181,659</u>	<u>46,185</u>	<u>16,399</u>

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

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	
2015	34,594	663	11,038
2016	28,390	624	9,988
2017	25,983	635	7,495
2018	24,013	172	7,204
2019	16,933	-	8,164
2020-2024	61,967	-	23,145
2025-2029	14,974	-	9,557
2030-2034	1,576	-	10,476
2035-2039	-	-	9,043
Total	<u>208,430</u>	<u>2,094</u>	<u>96,110</u>

2) CAPITAL LEASES

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

(Amounts In Thousands of USD)	
Fiscal Year Ending June 30	Component Units
2015	2,118
2016	1,725
2017	1,432
2018	1,055
2019	625
2020-2023	1,745
Future Minimum Rental Payments	8,700
Interest Portion of Payments	(721)
Obligation Under Capital Leases	<u>7,979</u>

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2014, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.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 (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vest to the employee. **PGW** contributed \$0.4 million in FY2014.

10. FUND BALANCE POLICIES

Fund Balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Non-Spendable Fund Balance** — Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Departmental Funds (\$2 million) and Permanent Funds (\$3.0 million) were non-spendable.
- **Restricted Fund Balance** — Includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The General Fund had a restricted fund balance of \$85.6 million at June 30, 2014. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health (\$188.6 million); Grants Revenue (\$58.1 million); County Liquid Fuels (\$2.5 million); Special Gasoline Tax (\$23.7 million); Hotel Room Rental Tax (\$6.8 million); Car Rental Tax (\$7.3 million); Housing Trust (\$16.6 million); Acute Care Hospital Assessment (\$10.1 million); Departmental (\$9 million); Municipal Authority Administrative (\$3 million); PICA Administrative (\$34 million). The entire fund balances of the Debt Service (\$82.8 million) and Capital Improvement (\$191.6 million) funds were restricted. The Permanent Fund had a restricted fund balance of \$3.3 million at June 30, 2014.
- **Committed Fund Balance** — Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Philadelphia Prisons (\$3.5 million) and Departmental (\$7 million). The Permanent Fund had a committed fund balance of \$.1 million at June 30, 2014.
- **Assigned Fund Balance** — Includes amounts that are constrained by government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General fund reported an assigned fund balance of \$103.1 million at June 30, 2014 which represents the encumbrance balance at the end of the reporting period.
- **Unassigned Fund Balance** — This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a \$23 million unassigned fund balance at June 30, 2014. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of \$273.3 million and the Community Development fund had a negative fund balance of \$7.9 million at June 30, 2014.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding non-spendable. To the extent that funds are available for expenditure in these other categories, except for the non-spendable fund balance, the order of use shall be: committed balances, assigned amounts, and lastly, unassigned amounts.

Table below presents a more detailed breakdown of the City's fund balances at June 30, 2014:

(Amounts In Thousands of USD)		HealthChoices			
	General	Behavioral	Grants	Other	Total
	Fund	Health	Revenue	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<u>Nonspendable:</u>					
Permanent Fund (Principal)	-	-	-	3,242	3,242
Subtotal Nonspendable:	-	-	-	3,242	3,242
<u>Restricted for:</u>					
Neighborhood Revitalization	-	-	30,574	-	30,574
Economic Development	-	-	-	6,765	6,765
Public Safety Emergency Phone System	-	-	27,501	-	27,501
Streets & Highways	-	-	-	26,178	26,178
Housing & Neighborhood Dev	-	-	-	16,556	16,556
Health Services	-	-	-	10,067	10,067
Behavioral Health	-	188,557	-	-	188,557
Parks & Recreation	-	-	-	389	389
Libraries & Museums	-	-	-	71	71
Intergovernmental Financing (PICA)	-	-	-	33,960	33,960
Intergovernmentally Financed Programs	-	-	-	-	-
Central Library Project	2,028	-	-	-	2,028
Stadium Financing	3,804	-	-	7,255	11,059
Cultural & Commercial Corridor Project	11,569	-	-	-	11,569
Capitalized Interest	68,238	-	-	-	68,238
Debt Service Reserve	-	-	-	83,107	83,107
Capital Projects	-	-	-	191,559	191,559
Trust Purposes	-	-	-	11,785	11,785
Subtotal Restricted	85,639	188,557	58,075	387,692	719,963
<u>Committed, reported in:</u>					
Social Services	-	-	-	30	30
Prisons	-	-	-	3,511	3,511
Parks & Recreation	-	-	-	779	779
Subtotal Committed	-	-	-	4,320	4,320
<u>Assigned, reported in:</u>					
General Fund	103,063	-	-	-	103,063
Subtotal Assigned:	103,063	-	-	-	103,063
<u>Unassigned Fund Balance:</u>	23,016	-	(273,269)	(7,885)	(258,138)
Total Fund Balances	211,718	188,557	(215,194)	387,369	572,450

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:					
	Governmental	Non major Governmental				Total
		Grants	Special Revenue	Debt Service	Capital Improvement	
Transfers From:	General					
General	-	51	9,942	155,642	3,414	169,049
Grants	24,631	-	962	5,050	4,587	35,230
Non major Special Revenue Funds	318,953	-	-	63,173	1,523	383,649
Water Fund	400	-	27,932	-	-	28,332
Total	343,984	51	38,836	223,865	9,524	616,260

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

(Amounts in Millions of USD)

Bonds Payable	2,155.4
Service Agreements	2,121.7
Employee Related Obligations	710.9
Indemnities	66.0
Arbitrage	-
Leases	16.9
Net Pension Obligation	404.7
Total Adjustment	5,475.6

13. PRIOR PERIOD ADJUSTMENTS AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

A. COMPONENT UNIT

- **SDP** net position decreased by \$9.4 million for capital assets adjustments that involved: (1) an increase to Land of \$40,050 which was previously not recorded, (2) the removal of Construction of Progress of \$1.4 million for items deemed non capitalizable, and (3) the removal of \$8.1 million for Artwork no longer capitalized per GASBS 34. See Note III.5.B.
- During FY14 the **SDP, CCP, PPA, PAID**, and **DWRC** implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result of the adoption of GASB 65, debt issuance costs are recognized as expense in the period incurred rather than as an asset. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. **PAID** and **DRWC** reclassified certain amounts to conform to the presentation requirements however, the adoption of GASB 65 caused no change in the net position of the prior fiscal year.

The **SDP's** net position as of July 1, 2013 was decreased by \$20.65 million in Governmental Activities. Prior unamortized costs were retroactively written off as reflected in the effect of restating prior periods.

The implementation of GASB 65 impacted **CCP** and **PPA** as follows:

(Amounts in Thousands of USD)		As previously	
		<u>reported</u>	<u>As restated</u>
CCP			
Statement of net position			
Short-term unamortized bond issuance costs	\$	154	\$ -
Long-term unamortized bond issuance costs		1,278	-
Short-term unamortized bond premium		(33)	(51)
Long-term unamortized bond premium		(210)	(469)
Net investment in capital assets		<u>(91,369)</u>	<u>(89,660)</u>
Statement of revenues, expenses and changes			
net position			
Interest on capital asset-related debt service		4,856	4,689
Net position, beginning		<u>(83,142)</u>	<u>(81,266)</u>
PPA			
		As previously	
		<u>reported</u>	<u>As restated</u>
Parking facilities	\$	295,234	\$ 293,774
Land		15,980	15,255
Net position as of April 1, 2012		(104,712)	(102,457)
Depreciation and Amortization		16,294	16,224

14. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$1,315.8 million of restricted net position, of which \$66.8 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	330,830	-
Debt Service	383,226	-
Pension Oblig Bond Refunding Reserve	68,238	-
Behavioral Health	188,557	-
Neighborhood Revitalization	30,574	-
Stadium Financing	3,804	-
Central Library Project	2,028	-
CCC Project	11,569	-
Grant Programs	56,261	16,556
Rate Stabilization	184,796	-
Libraries & Parks:		
Expendable	2,444	-
Non-Expendable	3,042	-
Other	50,455	50,265
Total	<u>1,315,824</u>	<u>66,821</u>

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year end of \$215.2 million. The deficit was primarily caused due to the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of \$7.9 million.

IV. OTHER INFORMATION

1. PENSION PLANS

Effective with fiscal year 2014, the city implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. The new GASB required the City to re-evaluate its status as a single, multi, or employer defined benefit pension plan. The new statement defines a single employer as the primary government and its component units. However, the City's pension plan includes an entity, the Philadelphia Housing Development Corporation (**PHDC**), that is not a component unit. Therefore, beginning with fiscal year 2014, the City's pension plan meets the definition of a multi-employer plan. The City also maintains one single-employer defined pension plan **PGW**.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*. The statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring a participating employer's pension liability. In most respects, the requirements for pension plan financial statements remain unchanged from the prior standards; however, the statement does require additional note disclosures including new schedules of required supplementary information.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67 are presented in separately issued 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.

The Pension Plans' financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund.

A. MULTI-EMPLOYER PLAN

(1) City Plan

a. Plan administration

The Philadelphia Board of Pensions and Retirement administers the City of Philadelphia Public Employees Retirement System-a multiple employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City, as well as those of three quasi governmental agencies (per applicable enabling legislation and contractual agreements). The Board was established by section 2-308 of the 1952 Philadelphia Home Rule Charter. Its actions in administering the Retirement System are governed by Title 22 of the Philadelphia Code.

Plan Membership

At July 1, 2013, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	26,788
Terminated Vested	1,281
Disabled	4,152
Retirees	21,696
Beneficiaries	8,614
DROP	<u>2,427</u>
Total City Members	<u>64,958</u>
Annual Salaries	\$1,429,723,436
Average Salary Per Active Member	\$53,372
Annual Retirement Allowances	\$676,634,789
Average Retirement Allowance	\$19,634

Contributions

Per Title 22 of the Philadelphia Code, members contribute to the System at various rates based on bargaining unit, uniform status, and entry date into the System. As of July 1, 2013 uniform employees will be contributing either 5.00%, 5.50%, or 6.00% of pensionable earnings; non-uniform employees will be contributing either 1.93%, 2.03%, 2.55%, or 6.00% of pensionable earnings; and elected employees will be contributing either 8.16% or 9.60% of pensionable earnings.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, two contribution amounts are determined based upon two different sets of rules for determining the way the unfunded actuarial liability is funded.

The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law.

The second method is in accordance with the City's Funding Policy which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

Under both funding methods there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are different under the MMO and City's Funding Policy.

b. Funding Policy

The initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 year ending June 30, 2019 with payments increasing at 3.3% per year, the assumed payroll growth. Other charges in the actuarial liability are amortized in level-dollar payments follows:

*Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.

*Assumptions changes – 15 years beginning July 1, 2010. Prior changes were amortized over 20 years.

*Plan changes for active members – 10 years.

*Plan changes for inactive members – 1 year.

*Plan changes mandated by the State – 20 years.

In fiscal year 2014, the City and other employers' contributions of \$553.2 million was less than the actuarially determined employer contribution (ADEC) of \$823.9 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over 20 years.

MMO

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above. In fiscal year 2014, the City and other employers' contributions of \$553.2 million exceeded the Minimum Municipal Obligation of \$523.4 million.

Benefits

The Public Employees Retirement System provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages, that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or may retire at either age 60 with up to 100% or 25% of AFC, depending on entry date into the System. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the System. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay, and are payable immediately without an actuarial reduction. These applications require approval by the Board.

Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits, and are payable immediately.

Service-connected death benefits are payable to:

- 1) surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);
- 2) if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or
- 3) if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).

Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(s) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2013, the date of the most recent actuarial valuation, there was \$1,096,608 in the PAF and the Board voted to make distributions of \$0 during the fiscal year ended June 30, 2014.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2014 is \$216.9 million.

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

Fiscal Year Ended June 30	Annual Pension Cost	(Millions of USD)	
		Percentage Contributed	Net Pension Obligation
2012	719.6	77.22%	243.9
2013	729.1	105.43%	204.3
2014	816.3	69.35%	454.5

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2013. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- an annual investment rate of return of 7.85%
- projected annual salary increases based on new age based scale
- payroll growth rate is 3.3%
- no post-retirement benefit increases

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

c. Funding Status

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	(Amounts in Millions of USD)		UAAL as a Percent of Covered Payroll
				Funded Ratio	Covered Payroll	
	(a)	(b)	(b - a)	(a / b)	(c)	(b - a) / c
07/01/2011	4,489.1	9,487.5	4,998.4	47.32%	1,371.3	364.50%
07/01/2012	4,486.8	9,799.9	5,313.1	45.78%	1,372.2	387.20%
07/01/2013	4,799.3	10,126.2	5,326.9	47.39%	1,429.7	372.59%

d. Net Pension Obligation

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

(Amounts in Thousands of USD)

Annual Required Contribution (ARC)	823,885
Interest on Net Pension Obligation (NPO)	16,242
Adjustment to ARC	<u>(23,784)</u>
Annual Pension Cost	816,343
Contributions Made	<u>(566,179)</u>
Increase in NPO	250,164
NPO at beginning of year	<u>204,302</u>
NPO at end of year	<u><u>454,466</u></u>
Interest Rate	7.95%
15 Year amortization Factor (EOY)	8.59%

e. Derivative Instruments

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

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

The following table summarizes the aggregate notional or contractual amounts for the Pension Fund's derivative financial instruments at June 30, 2014:

List of Derivatives Aggregated by Investment Type

Changes in Fair Value		Fair Value at June 30, 2014		
Classification	Amount	Classification	Amount	Notional
Investment Derivatives				
Forward Currency Contracts	Net appreciation/(depreciation) in investments	\$ (1,981,432)	Accrued expenses and other liabilities	\$ (238,578) \$ 150,909,330
Futures	Net appreciation/(depreciation) in investments	24,249	Accrued expenses and other liabilities	(3,524) 101
Grand Totals		<u>\$ (1,957,183)</u>	<u>\$ (242,102)</u>	<u>\$150,909,431</u>

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the City of Philadelphia Municipal Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch, and S&P. The details of other risks and financial instruments in which the Fund involves are described below:

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

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

Swap Agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2012 the Fund entered into interest rate swaps. Under the receive fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest Swaps this year. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

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

amount pledged by substituting other securities for those accessed. The realized gain from Future contracts was \$749,289.

Forward contracts The Fund is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle. The realized loss from Forward contracts was \$(1,913,361).

Termination risk: The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the city would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk: The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

f. **Summary of Significant Accounting Policies**

Financial statements of the Fund are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund. Investments are valued as described in Footnote III.1.

B. **SINGLE EMPLOYER PLAN**

(1) **Gas Works Plan**

a. **Plan Description**

The City 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 60.0% of the highest annual earnings during the last 10 years of credited service, applicable to all participants; or
- 2.0% 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 prior to March 24, 1967.

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

At September 1, 2014 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	2,343
Current Employees	1,391
Total Members	<u>3,734</u>

b. Funding Policy

Covered employees are not required to contribute to the Pension Plan. **PGW** is required by statute to contribute the amounts necessary to fund the Pension Plan. Benefit and contribution provisions are established by City Ordinance and may be amended only as allowed by City Ordinance.

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 \$24.5 million (approximately 23.6% of covered payroll) were made to the PGW Plan during the year.

Beneficiary payments of \$43.2 million were made in FY 2014. Withdrawals from the pension assets of \$21.8 million were utilized to meet these beneficiary payments. Additionally, \$0.8 million was due to **PGW** from the pension fund at the end of FY 2014.

In December 2011, the Pension Plan sponsored by the City was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees will have an irrevocable option to join either a new deferred compensation plan created in accordance with Internal Revenue Code Section 401 or the existing defined benefit plan. The deferred compensation plan provides for an employer contribution equal to 5.5% of applicable wages. The defined benefit plan provides for a newly hired employee contribution equal to 6.0% of applicable wages. The Ordinance did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2013 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued Liability <u>(AAL)-Entry Age</u> (b)	Unfunded/ (Over Funded) AAL <u>(UAAL)</u> (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
09/01/2013	\$462,691	\$623,612	\$160,921	74.2%	\$104,123	154.5%
09/01/2012	\$437,780	\$585,632	\$147,852	74.8%	\$106,000	139.5%
09/01/2011	\$421,949	\$572,190	\$150,241	73.7%	\$106,308	141.3%

The analysis of pension funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d. Annual Pension Cost

PGW's annual pension cost for the current year of \$24.5 million is equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study or updates thereto, using the projected unit credit method. Significant actuarial assumptions used include an annual rate of return on investments of 7.95% per year, compounded annually, with salary increases assumed to reach 4.5% per year; and retirements assumed to occur prior to age 62, at a rate of 10.0% at ages 55 to 61 and 100.0% 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 <u>August 31</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2014	24.5	100%
2013	23.6	100%
2012	24.0	100%

e. 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.

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. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

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

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self insured for non-union employees. For fiscal year 2014, the City paid \$67.1 million for retiree healthcare.

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

(Amounts in Thousands of USD)	
Annual required contribution	128,619
Interest on net OPEB obligation	7,068
Adjustment to ARC	(6,369)
Annual OPEB cost	129,318
Payments made	(67,100)
Increase/(Decrease) in net OPEB Obligation	62,218
Net OPEB obligation - beginning of year	166,315
Net OPEB obligation - end of year	228,533

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2014 was as follows:

(Amounts in thousands USD)			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2014	\$ 129,318	52%	\$ 228,533
6/30/2013	\$ 114,392	50%	\$ 166,314
6/30/2012	\$ 105,369	72%	\$ 109,019

Funded Status and Funding Progress: As of July 1, 2013, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability for benefits was \$1.7 billion. The covered annual payroll was \$1.417 billion and the ratio of the UAAL to the covered payroll was 120.2%.

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

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

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

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4.25% per year. The actuarial assumption included a 7.95% compound annual interest rate on the City's general investments. The current plan incorporates the following assumptions: no post-retirement benefit increases since last year; a 7.85% Investment Rate of Return, a 3.30% Rate of Salary increases; and, a 4% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45, the **SDP** recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the **SDP's** future cash flows. Recognition of the liability accumulated from prior years is amortized over no more than 30 years.

Plan Description:

The **SDP** provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the life insurance benefit plan can be obtained by writing to The **SDP**, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2014, the effective date of the most recent biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees	Average Age
Active:		
Represented	12,213	46.0
Non-represented	787	48.5
Retirees	10,357	76.8
Disabled	91	59.4
Total	23,448	59.4

Annual OPEB Cost and Net OPEB Obligation:

The **SDP's** annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the actuarial accrued liability (AAL), which under GASB Statement No. 45 may be amortized over no more than 30 years. The **SDP** has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each biennial actuarial valuation date, amortized over a 30 year period for the valuation period ending June 30, 2014. There was a change in actuarial assumptions since the last biennial actuarial valuation. The payroll growth assumptions was eliminated as the **SDP** is now using level dollar amortization of the unfunded liability.

Normal Cost	\$	82,021
Amortization of Unfunded Liability		
Accrued Liability (UAAL)		916,182
Annual Required Contribution (ARC)		998,203
Interest on Net OPEB Obligation		12,624
Adjustment to the ARC		(20,463)
Increase/(Decrease) in net OPEB Obligation	\$	<u>990,364</u>
Net OPEB Obligation as of June 30, 2013	\$	388,430
Annual OPEB Cost		990,364
Employer Contributions		(567,888)
Increase/(Decrease) in net OPEB Obligation	\$	422,476
Net OPEB Obligation as of June 30, 2014	\$	<u>810,906</u>

The **SDP's** annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending June 30, 2014 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2012	\$810,749	83.9%	\$130,344
2013	810,749	68.2%	388,430
2014	990,364	57.3%	810,906

Basis of Accounting:

As defined by GASB Statement No. 45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. The **SDP's** policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement No. 45.

Funded Status and Funding Progress:

As of June 30, 2014, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$18.0 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.0 million.

Active	\$3,280,989
Inactive	\$14,675,072
Total	\$17,956,061

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2014 OPEB actuarial valuations are those specific to the OPEB valuations. Actuarial valuations involve estimates of the values of reported amounts, assumptions about the probability of events far into the future, and are subject to continual revision. Actuarial calculations reflect a long-term perspective.

- Discount Rate: 3.25% per year, compounded annually.
- Mortality: Pre-termination and post-termination healthy annuitant rates are projected on a generational basis using Scale AA. As generational tables, they reflect mortality improvements both before and after the measurement date.

Pre-termination: RP-2000 Employee Mortality Table for Males and Females.

Post-termination Healthy Lives: RP-2000 Healthy Annuitant mortality table for males and females.

Post-termination Disabled Lives: RP-2000 Disabled Annuitant mortality table for males and females. No provision was made for future mortality improvements for disabled lives.

- Termination: Rates which vary by age and years of services were used. Sample rates are shown below:

<u>If less than 5 years of Service</u>		<u>If 5 or more Years of Service</u>	
<u>Years of Service</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
Less than one year	24.49%	25	24.75%
1 - 2	25.23%	30	18.01%
2 - 3	16.54%	35	10.98%
3 - 4	14.07%	40	7.91%
4 - 5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

- Retirement: Retirement rates are the rates utilized in the June 30, 2013 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	15%	15%
60	12	15

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	30%	30%
60	28	30
65	20	25
74	100	100

- Disability: Disability rates are the rates utilized in the June 30, 2013 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age and gender. In addition, no disabilities are assumed to occur at age 60 or later. Sample rates are shown below

<u>Attained</u> <u>Age</u>	<u>Percentage Disability Incidence</u>	
	<u>Male</u>	<u>Female</u>
25	0.024%	0.030%
30	0.024%	0.040%
35	0.100%	0.060%
40	0.180%	0.100%
45	0.180%	0.150%
50	0.280%	0.200%
55	0.430%	0.380%

- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.
- Life Insurance Coverage while Disabled: The maximum amount of life insurance of \$45,000 for non-represented employees or \$25,000 for represented employees was assumed to be in effect for future disabled retirees prior to age 65. Actual amounts were used for current disabled retirees prior to age 65.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2014 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.

Philadelphia Gas Works (PGW) OPEB

Plan Description: PGW sponsors a single employer defined benefit healthcare plan and provided postemployment healthcare and life insurance benefits to approximately 2,053 participating retirees and their beneficiaries and dependents in FY 2014, in accordance with their retiree medical program. The annual covered payroll (which was substantially equal to total payroll) was \$115.2 million at August 31, 2014.

PGW pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided a choice of three plans at PGW's expense and can elect to pay toward a more expensive plan. Retirees may also contribute toward enhanced dental plan and life insurance coverage. PGW pays 100% of the cost for the prescription drug plan after drug co-pays. Union employees hired on or after May 21, 2011 and Non-Union employees hired on or after December 21, 2011 are entitled to receive post-retirement medical, prescription, and dental benefits for five years only. Currently, PGW provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis.

Total expense incurred for healthcare and life insurance related to retirees amounted to \$25.9 million in FY 2014. In addition, PGW expensed \$18.5 million of funding for the OPEB Trust. Retirees contributed \$0.4 million towards their healthcare in FY 2014. These contributions represent the additional cost of healthcare plans chosen by retirees above the basic plan offered by PGW. Total premiums for group life insurance were \$2.2 million in FY 2014 which included \$1.8 million for retirees. Retirees contributed \$0.1 million towards their life insurance in FY 2014.

Annual Postemployment Benefit Cost, Contributions Required, and Contributions Made: The amount paid by PGW for retiree benefits in FY 2014 was \$44.4 million, consisting of \$24.3 million of healthcare expenses, \$1.6 million of life insurance expenses, and \$18.5 million contributed to the OPEB trust. The difference between the AOC and PGW's contributions resulted in an decrease in the OPEB obligation of \$7.3 million in FY 2014, which was recorded to other non-current liabilities and expensed. The actuarial accrued liability for benefits at August 31, 2014 was \$450.3 million. The ratio of the unfunded actuarial accrued liability to the covered payroll was 312.1% as of August 31, 2014.

The assumptions used to determine the AOC for the current year and the funded status of the plan include:

Actuarial cost method	Projected unit credit
Method(s) used to determine the actuarial value of assets	Fair value of plan assets held in the OPEB trust
Investment return assumption (discount rate)	7.95%, which represents the long-term expected investment return on OPEB trust assets
Mortality	2014 Static Annuitant and Non-Annuitant Mortality Table
Amortization method	Level dollar amount
Amortization period	Open period of 30 years

Healthcare cost trend rates are as follows:

Year	Healthcare cost trend rates			
	Medical (pre-65)	Medical (post-65)	Prescription	Dental
2014	9.0%	7.0%	7.0%	4.5%
2015	8.0	6.0	6.0	4.5
2016	7.0	5.0	5.0	4.5
2017	6.5	4.5	4.5	4.5
2018	6.0	4.5	4.5	4.5
2019	5.5	4.5	4.5	4.5
2020	5.0	4.5	4.5	4.5
2021+	4.5	4.5	4.5	4.5

The following table shows the calculation of **PGW's** OPEB liability for FY 2014. The difference between annual OPEB cost (AOC) and contributions made results as an increase or decrease to the net OPEB obligation which is recorded in other non-current liabilities and expensed.

(Amounts in Thousands)	
Annual required contribution	38,062
Interest on net OPEB obligation	8,670
Adj to annual required contribution	(9,642)
Annual OPEB cost	37,090
Payments made	(44,362)
Increase/(Decrease) in net OPEB obligation	(7,272)
Net OPEB obligation - beginning of year	109,060
Net OPEB obligation - end of year	101,788

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY 2014 and the preceding years is as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
8/31/2014	\$ 37,090	119.60%	\$ 101,788
8/31/2013	40,235	105.00%	109,060
8/31/2012	46,105	96.50%	111,067

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

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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

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

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2014 this transfer amounted to \$319 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 \$66.02 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled \$97.1 million during the year) to the following organizations:

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

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' 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 is self-insured for medical benefits provided to employees in the Fraternal Order of Police and its city-administered health plan.

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 \$349.3 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2012 resulted from the following:

(Amounts in Millions of USD)

	Beginning	Current Year	Claim	Ending
	<u>Liability</u>	<u>Claims and Changes</u>	<u>Payments</u>	<u>Liability</u>
		<u>In Estimates</u>		
Fiscal 2012	353.5	102.1	(99.8)	355.8
Fiscal 2013	355.8	101.6	(101.3)	356.1
Fiscal 2014	356.1	244.0	(250.8)	349.3

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were \$3.2 million for Unemployment Compensation claims and \$62.2 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$280.2 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$367.5 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 \$251.7 million (discounted) and \$330.9 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The **SDP** has self-Insured Medical Benefits and Workers' Compensation coverage which is funded by a pro-rata charge to the various funds while both the **SDP** and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, 2014 the combined amount of these liabilities totaled \$175.2 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, 2014 resulted from the following:

(Amounts in Millions of USD)

	Beginning <u>Liability</u>	Current Year Claims and Changes <u>In Estimates</u>	Claim <u>Payments</u>	Ending <u>Liability</u>
Fiscal 2013	199.8	250.4	(254.3)	195.9
Fiscal 2014	195.9	210.9	(231.6)	175.2

The **SDP** is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the **SDP** is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

The **SDP** maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$1.0 million and a limit of \$250.0 million. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

7. COMMITMENTS

COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled \$24.5 million.
- SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization.

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 \$340.9 million. Of this amount, \$27.1 million is charged to current operations of the Enterprise Funds. The remaining \$313.8 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately \$77.2 million to the General Fund and \$9.0 million to the Enterprise Funds.

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

- **Ernest Bock & Sons, Inc("Bock") vs. City**

Each of the matters described below relates to a City contract with Ernest Bock & Sons for work performed as part of the Terminal D&E expansion and modernization project at the Philadelphia International Airport. While the possible loss from each suit, on its face, may not meet the materiality threshold used to determine what matters are to be disclosed, were the City to lose both matters, the potential liability would, in the aggregate, exceed the threshold.

- **Bock vs. City of Philadelphia, CCP Phila.**

After competitive bidding, Bock was awarded and entered into a contract with City to perform general construction work on the Airport's Terminal D & E expansion and modernization project – package IB. During the course of contract performance, Bock commenced a civil action for damages against City. Bock seeks to recover for unpaid extra work performed, unpaid retainage and acceleration costs. Bock also seeks to recover attorneys' fees and penalty interest under the Prompt Pay Act for untimely payments. Out of precaution, City attorneys disclose this case because they cannot at this stage, based on available information, conclude that probable or reasonably possible loss (from an adverse adjustment) will not exceed threshold.

The City filed an answer, New Matter and Counterclaim. The City alleged that Bock failed to complete contract work, coordinate the prime contractors and failed to meet MWBE commitments in material breach of the contract. The City seeks to recover \$5 million for deficient, incomplete and untimely work.

The City settled its claims against Bock for alleged breach of its MWBE commitments and failure to perform twenty percent of the work with its own forces in a settlement dated October 17, 2014. By the pertinent terms of that settlement, the City resolved the dispute/counterclaim about Bock's failure to comply with MWBE and twenty percent self-performance requirements in the three contracts to which Bock is a party relating to the Terminal D&E expansion and the modernization project in exchange for a payment from Bock to City of \$650,000.

Discovery ended in June 2013. The City filed a Motion for Summary Judgment seeking to dismiss Bock's delay claim based on the lack of a scheduling expert opinion supporting the claim. The Court denied that

Motion without prejudice but allowed the City to take additional discovery and submit an expert report concerning such damages. Discovery and expert reporting has been done.

The City demanded that Bock's Sureties correct the defective work. The Sureties have denied that request. The City has issued an emergency bid for roofing related to the defective work installed by Bock. The remediation work began in December 2013 and the work completed in October 2014. The City will seek to recover the costs of that work in this action.

The Court scheduled a settlement conference in this matter for April 30, 2014. The Conference did not result in a resolution of the case but the judge pro tempore recommended that the parties participate in a modified settlement master program where the judge pro tempore would review each claim and make a recommendation which could either be accepted or challenged by one or both parties before the Judge. The City agreed to the procedure but Bock did not.

On May 19, 2014, the Court ordered that the parties submit to the procedure proposed by the judge pro tempore, although the parties could select another special settlement master within thirty days of the order. The parties selected and the Court approved a mediator. The parties are still negotiating the mediation protocol.

The City intends to mount vigorous defenses to defeat the claims and to pursue its counterclaims. The City's lawyers reasonably believe that the plaintiff will not likely succeed on their claims or for the amount of damages sought and that the City's defenses and counterclaims have merit.

- **Bock vs City of Philadelphia, CCP Phila**

After competitive bidding, Bock was awarded a contract for general construction on Package 2 of the Terminal D/E expansion and renovation project. In February 2014, Bock commenced civil action against the City in connection with its claims for work performed as the general construction contractor on Package 2. Based on allegations of complaint and other assertions/computations presented by Bock (or its counsel), Bock seeks to recover nearly \$8 million in delay "damages", for unpaid additional work, for unpaid retainage, unpaid contract balances, and potential pass-through subcontractor claims. Bock also seeks to recover attorney fees and penalty interest under the Procurement Code for untimely payment or nonpayment. Again, out of precaution, City attorneys disclose this case because they cannot at this stage, based on available information, conclude that probable or reasonably possible loss (from adverse judgment) will not exceed the threshold.

The City denied liability for the delay and the additional work alleged by Bock. To the extent Bock was delayed, City contends such delay resulted from Bock's "defective or deficient" work under the Baggage Handling Contract. On that Contract, the City terminated Bock for cause after Bock failed to deliver a safe and contractually compliant system. The City asserted counterclaims for breach of contract and under the City's False Claims Act for violations of the City's procurement requirements and misrepresentations made by Bock in connection with the City's Anti-Discrimination Policy.

The City settled its claims against Bock for alleged breach of its MWBE commitments and failure to perform twenty percent of the work with its own forces in a settlement dated October 17, 2014. By the pertinent terms of that settlement, the City resolved the dispute/counterclaim about Bock's failure to comply with the MWBE and twenty percent self-performance requirements in the three contracts to which Bock is a party relating to Terminal D&E expansion and modernization project (includes this contract) in exchange for a payment from Bock to City of \$650,000. The settlement does not impair or resolve claims (counterclaims) by City for breach of contract against Bock for delays or deficient/defective performance of work. The City also contends that Bock owes credits of more than \$3.8 million for work included in the contract but not provided.

The Court-ordered settlement conference (on BHS case) resulted in a tentative settlement of this case that the City must approve. Under the tentative settlement, in material part, the City will pay an amount to Bock that is less than the threshold (and less than half of the amount claimed).

If settlement is not approved, and the matter proceeds through further litigation and trial, the City intends to mount vigorous defenses to defeat Bock's claims. The City's lawyers reasonably believe that the plaintiff will not likely succeed on its claims or for the amount of damages sought and that the City's defenses and counterclaims have merit.

- **Thea at the Waterworks, LLC vs. City**

In September 2005, the City entered into a concession agreement with Thea at the Waterworks, LLC, to operate a restaurant at the Philadelphia Water Works Engine House. Since commencing operations, Thea has committed numerous events of default, including certain payment and performance defaults (approximately \$1 million owed to the City), which it has failed to cure.

In January 2014, after numerous attempts to bring Thea into compliance with the terms of the concession agreement, the City issued a notice to terminate the agreement. In response, Thea petitioned the court to preliminarily enjoin the City from terminating the agreement. A hearing on the petition for preliminary injunctive relief is scheduled for October 21, 2014.

Thea also filed a complaint against the City in which Thea alleged that the City breached the concession agreement and improperly evicted Thea from a small number of parking spaces that Thea was authorized to use in connection with the concession agreement.

In its complaint, Thea claims damages in excess of \$43.5 million, but does not provide any basis or support for this amount. This amount seems to be well in excess of any reasonable claim for damages based on the allegations set forth in the complaint. Moreover, the City has strong and credible defenses to Thea's claims.

- **City vs. Keystone**

Keystone seeks a refund of approximately \$6 million in overpaid Business Income and Receipts Taxes (BIRT). Keystone filed its refund request after the expiration of the statute of limitations, but claims an equitable exception to the statute based on a re-statement of their income issued by the IRS after the expiration of the City's statute of limitations. The TRB disagreed, finding no exception to the statute of limitation for refunds, but instead granted them a credit, though in an indeterminate amount. Both Common Pleas and Commonwealth Court affirmed the denial of the refund and the grant of the credit, and the Pennsylvania Supreme Court has granted allowance of appeal to both parties. Briefing is underway in the Supreme Court. With interest, total exposure to the City could exceed \$8,000,000.

- **Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area)**

In November 2003, the City filed a declaration of taking condemning certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Philadelphia Redevelopment Authority ("PRA") (formerly known as the "Redevelopment Authority of the City of Philadelphia" or "RDA") was the record title holder of the property. The City deposited in Court in April 2006 estimated just compensation in the amount of \$7,714,000.

In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation (collectively "Eastwick Development") petitioned the Court for appointment of a Board of View and the Court appointed a Board of View to ascertain and award just compensation. Eastwick Development alleged they owned or held equitable interests in and certain development rights to the condemned property and had not received just compensation.

After a view of the premises and a hearing in July 2009, the Board of View filed a report with the Court in October 2009. The Board made an award of just compensation for the property of \$13,500,500 (including attorney fee), subject to credit for the \$7,714,000 already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of \$3,298,200, and accruing thereafter until payment.

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

The parties completed extensive discovery. At a final pretrial conference, the Court issued an order consolidating the two separate appeals from the Board of View report and scheduled the case for trial. Subsequently, at the request of the parties, on the basis of a settlement in principle, the Court adjourned the start of trial.

The parties thereafter signed a binding settlement term sheet. The settlement term sheet provided for, among other things, discontinuance of the lawsuit, payment by City of \$9.6 million, an amended redevelopment agreement, and release or transfer of property interests to City, all upon certain terms and conditions, and to take effect or occur before an Effective Date. If the conditions precedent and Effective Date do not occur, the settlement will expire and the parties will be restored to their previous litigation positions (with some modification to any accrual of delay damages). The Court ordered the case to remain in deferred status to allow for implementation of the settlement.

The parties have agreed on several occasions to extend the potential Effective Date of the settlement. Currently, they have agreed to extend the date to June 30, 2015. The case was marked settled by the Court. Should the settlement not be consummated on account of a failure of condition, the case may be restored to trial list, on the request of either party, as if the case had not been marked settled.

The City will vigorously contest the award if the settlement is not consummated. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of an unfavorable outcome in terms of probability and the range or amount of any loss assuming an unfavorable outcome. Any ultimate judgment would be paid from the Aviation Fund.

- **G&T Conveyor Co., Inc. vs. Ernest Bock & Sons, Inc, et al vs. City et al**

G&T Conveyor Co., Inc (G&T) commenced a civil action for declaratory and monetary relief against Bock, Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland ("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about \$1.3 million in damages for work performed but unpaid by Bock; and for nearly \$7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

Bock had successfully bid to perform general contractor work on the Airport's Terminal D&E expansion and modernization project for Baggage Handling System (BHS). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by Daroff Design Inc. ("DDI"), and in compliance with certain milestones and deadlines. G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed.

Bock answered the Complaint, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a "third party" complaint against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock. Bock alleges that these damages are approximately \$1.7 million in addition to the G&T damages for which Bock seeks recovery from City.

City filed preliminary objections to the third party complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer. The City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and the bonding companies for indemnity, and added a fourth party claim against the designer of the project, DDI. The City thereafter made a tolling agreement with DDI. The Court dismissed Daroff from the case pursuant to a voluntary discontinuance of claims against Daroff.

The parties have completed the initially scheduled discovery and submitted expert reports. The Court denied City's petition to dismiss the claims against it for lack of subject matter jurisdiction (City claimed in essence the absence of a justiciable controversy due to the incomplete status of the project and the absence of required inspection, testing and approval of the system). City filed a motion to amend its Answer to add a more specific defense of release. The Court granted that motion and City filed an Amended Answer. In addition, the City has asserted a liquidated damages claim against Bock, on account of the incomplete work, and has received delay claims from two other contractors, due to the unfinished work on the BHS project.

The federal Transportation Security Administration ("TSA") conducted an integrated site acceptance test ("ISAT") on the BHS in May 2012. The BHS did not pass the test because major deficiencies were found. The City issued a Notice of Contract Violation on June 12, 2012.

TSA conducted another round of ISAT in August 2012. On September 5, 2012, the TSA issued a quick look report ("QLR") which noted that the BHS had failed ISAT. On September 7, 2012, the City issued a Notice of Default to Bock based on the QLR.

The judge agreed with the City and Bock that the case cannot be tried until at least the baggage handling system has successfully completed ISAT. Both the City and Bock filed Motions for Extraordinary Relief requesting that the Court reopen discovery and move the trial date to a later date, based primarily on the fact that the system had not passed ISAT. On August 28, 2012, after an on-the-record conference, the judge granted the Motions for Extraordinary Relief over G&T's opposition. As a result, the judge reopened discovery and rescheduled trial.

Subsequently, G&T filed a Motion asking the Court to declare that TSA conducted the ISAT according to the wrong standards and that future ISAT testing should be conducted differently. The City responded to that Motion with affidavits from TSA's testing agent, Battelle Memorial Institute, and from the City's security consultant noting that they had personally witnessed the testing and that the testing conformed to the applicable standards and that ISAT demonstrated that the BHS fails to meet the contract standards. The Court denied this Motion without prejudice.

On January 17, 2013, the City issued a Notice of termination to Bock for cause based on the failure of Bock to provide a working BHS that could pass ISAT. Bock brought a Motion for Special Injunction to enjoin the Notice of Termination. On January 23, 2013, the Court stayed the "legal effect" of the Notice on Bock only, and not Bock's surety, until January 28, 2013 to allow the Judge to hear the matter. On January 28, 2013, Bock withdrew the Motion for Special Injunction, and the Termination became effective as to Bock on January 28. Bock has also issued a Notice of Termination to G&T on January 28 for failure to perform.

After termination, the Court ordered that G&T assist in the copying of all software and source code on the BHS and provide copies of all pass words and passcodes for the BHS and place all the information in escrow. As part of that order, the Court required that the BHS not be modified pending further order of the Court. G&T failed to comply with portions of the Order concerning copying and escrow. The City moved for contempt of the Order, and the Court held G&T in contempt.

Bock and G&T also moved to have the Court order testing to determine the status of the BHS at testing. The Court ordered that Alliant, a company previously under contract with both Bock and G&T, would perform the status quo testing. To the extent G&T requested testing different than G&T's requested testing, the Judge denied G&T's request. Testing concluded on March 27, 2013 with Alliant determining that the BHS was not ready for ISAT and further demonstrating the basis for termination. As part of the testing order, the Court maintained requirement that the BHS not be modified pending further order of the Court.

On April 4, 2013, the Court transferred all of the Bock and City cases to another Judge. The City moved to remove the limitation on modification of the BHS. The Court held argument on the City's Motion to Lift the Stay on June 6, 2013. During this time, G&T had appealed to the Superior Court the Judge's denial of G&T's testing plan to the extent it was different than Bock's testing plan. On July 8, 2013, the Superior Court granted the City's Motion to squash G&T's appeal. That same day, the City's Motion was granted to Lift the Stay.

Subsequently, G&T moved for permission to retest the BHS. On September 10, 2013, the Court granted G&T the opportunity to retest provided it met a number of requirements including securing TSA's approval and beginning testing by October 7, 2013. Testing did not begin by October 7 and TSA denied G&T's request to test. Testing was to conclude by November 11, 2013. On November 13, 2013, the Court issued an order which denied G&T's supplemental request to extend the time to test, held the time for testing had expired and stated that the Court's prior order allowing repairs to go forward remained in effect. Repair efforts have proceeded, with repairs and confirmatory testing scheduled to be completed in the first quarter of 2015.

At the urging of the Court, the parties conducted non-binding mediations before the Pennsylvania Supreme Court on June 10, 2014 and on December 18, 2014. Those mediations were unsuccessful. The Court then ordered a settlement conference that culminated in a tentative settlement that the City must approve. Under the tentative settlement, in material part, the City will not pay any amount to Bock (or G&T) on this project except for post-settlement work that is duly authorized by approved change order.

If the settlement is not approved, and the matter proceeds through further litigation and trial, the City intends to mount vigorous defenses to defeat Bock's claims (both Bock's delay claims and the G&T pass-through claims). The City's lawyers reasonably believe that the third party plaintiff (Bock) will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **Lower Darby Creek Area Superfund Site**

In 2001, the U.S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill. In 2002, EPA sent the City a letter alleging that the City is a Potentially Responsible Party (PRP) at the Clearview Landfill site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreational Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe there may be or has been a release or threat of release of hazardous substances at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for the Clearview Landfill in May 2011 and a Feasibility Study of remedial options in October 2012. In August 2013, EPA issued a proposed plan identifying its preferred remedy and proposed cleanup plan. The comment period on the proposed plan expired in September 2013, and the final plan and Record of Decision (ROD) were issued September 2014. EPA has chosen its preferred option of a capping remedy that is estimated to cost approximately \$24 million, and has preliminarily identified approximately \$11 million dollars in past costs. On January 16, 2015, EPA sent a letter to the City and 22 other PRPs indicating whether EPA will not use its Special Notice authority to force the PRPs to begin a cleanup. Instead, EPA has decided that EPA will implement the cleanup/remedial action plan. EPA is also beginning a groundwater study that is likely to result in a recommendation for additional cleanup related to groundwater. Because of the broad liability scheme under the federal Superfund law, Superfund litigation generally focuses not on avoiding a finding of liability, but rather on ensuring that the remediation is cost-effective and the allocation of costs among all parties identified as bearing some degree of liability is fair and reasonable. The total cost of removal and remedial actions for which EPA may assert cost recovery claims are estimated to be in the range of approximately \$40 million to \$60 million. Insufficient information is available to the City at this time to determine the exact amount of those costs that will be allocated to the City, but based on existing information the City's allocated share may exceed 20% of the total cleanup costs or approximately \$8 million to \$12 million.

- **Appeals related to the State Tax Equalization Board Assessment of Real Estate**

In July 2011 the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia, significantly lower than the City's Established Predetermined Ratio (EPR) of 32% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Board of Revision of Taxes (BRT) is directed by statute to calculate the assessed value using the CLR rather than the EPR as a percentage of the property's market value. In April 2012, in response to informal objections filed by the City and the Philadelphia School District, STEB raised the CLR to 25.2; that is not enough to avoid the use of CLR in calculating assessed value for real estate tax purposes, but it effectively halves the City's potential losses. The appeal period from STEB's increase to the CLR passed without any appeal being filed, so that number is now final.

For tax year 2012, about 2,000 taxpayers with property collectively valued at about \$2 billion filed assessment appeals with the BRT. The School District filed cross-appeals seeking higher market values in all of those cases. Roughly 1,500 of those cases now have been resolved at a total estimated cost of \$7 million. We believe a prudent yet reasonable (as opposed to worst case) estimate for the loss on the remaining 500 cases would be around \$7.3 million for both the City and the School District.

- **Reach Communications Specialists, Inc (Reach) vs. Jewell Williams, Sheriff, et al**

Reach, for itself and t/a RCS Searchers, Inc., commenced an action by writ of summons in Court of Common Pleas of Philadelphia County in January 2013 against, among others, Sheriff Williams in his official capacity, the City of Philadelphia, Alan Butkovitz, Controller in his official and individual capacity and Barbara Deeley, former Acting Sheriff, in her individual and official capacity ("collectively City Defendants"). Reach thereafter filed a complaint. Reach pleaded federal law and state claims for damages against the City Defendants.

Based on the Complaint, Reach made these material allegations against the City Defendants. Acting Sheriff Deeley, in January 2011, immediately after her appointment as Acting Sheriff and following the retirement of former Sheriff Green effective December 2010, "unlawfully" terminated certain alleged contracts ("Alleged Contracts") made between former Sheriff Green and Reach/RCS. The Alleged Contracts concerned

advertising and printing services, settlement services, title insurance distribution policies, computer systems and website technical support and services, relating to the official functions of the Office of the Sheriff in connection with judicial sales of real property. Reach further alleged that it had provided (and expected to continue to render), such services or distribution policies pursuant to those Alleged Contracts (a series of oral and written agreements and amendments with former Sheriff Green or his staff).

Reach asserted that it has been a minority-owned and controlled corporation, with mostly black employees, and has acquired an imputed racial identity as a "black corporation". Reach also asserted that it actively and publicly supported and assisted Sheriff Green's efforts to: help homeowners stave off foreclosure sales and; to maintain the power and office of Sheriff from its alleged dissolution.

Reach alluded to certain official actions taken, statements made, familial connections and employment relationships by the former Sheriff, her daughter and Controller Butkovitz or by and between then-Chief Deputy Sheriff Vignola and Lexington officials, in connection with: the Controller's audit of Sheriff Office operations (and Auditor's Report Critical of Sheriff's Office); the engagement of Lexington Technology Auditing, Inc. ("Lexington") to assist in that audit and the information Lexington purportedly obtained about Reach; and then-President Judge of the Court of Common Pleas' involvement in the termination of Reach and First Judicial District's hiring of Lexington. Reach contended that these relationships, actions and statements established improper motivation and conspiratorial conduct to terminate the Alleged Contracts unlawfully and take over the functions, powers and monies of Sheriff's Office. Additionally, Reach contended that the termination of Reach's Alleged Contracts fits into a pattern and practice of racial discrimination engaged in by Acting Sheriff Deeley and results from her retaliatory animus or conspiratorial activity.

Reach made claims for damages (compensatory and punitive), interest, attorneys fees and costs under 42 U.S.C. §§1983 and 1985(3) arising out of former Sheriff Deeley's termination of the Alleged Contracts and her (and current Sheriff Williams') refusal to continue the relationships. In summary, Reach alleged: deprivation of property without due process by former Sheriff Deeley and Sheriff Williams; retaliation by City and City Official Defendants for protected First Amendment conduct in violation of the First Amendment; racial discrimination by Controller Butkovitz, former Sheriff Deeley and Sheriff Williams in violation of 42 U.S.C. § 1981; and conspiracies by all in violation of Section 1983 and 42 U.S.C. § 1985(3).

Reach also made claims for compensatory damages, prejudgment interest and costs against Sheriff Williams, in his official capacity, for breach of contract, or alternatively promissory estoppel or unjust enrichment, and against City for breach of contract or alternatively unjust enrichment. Reach asserted in substance that Sheriff Williams (or City) refused to be bound by the Alleged Contracts, alleged promises of Green or implied restitutionary obligations and refused to pay post-termination any alleged unpaid balances due and owing for services rendered. Reach contended such actions resulted in breach of those Alleged Contracts (or alternatively) necessitated enforcement of Green's promises to pay to avoid injustice or justified creation of implied contracts (at law) to avoid unjust enrichment.

The City Defendants, with the consent of other co-Defendant Lexington Technology Auditing, Inc. ("Lexington"), removed the action to federal court, specifically the Eastern District of Pennsylvania. The case was assigned to a Federal Judge.

Lexington and City Defendants filed motions to dismiss the Complaint and Reach responded. The Court denied the motions by Order of August 12, 2013. Essentially, the Court concluded only that, giving the benefit of doubt in favor of Reach as it must under the federal standard of review Rule 12(b)(6) motions, and at this very early (pre-discovery) stage, Reach had pleaded enough facts sufficient to set forth claims that survive the motions to dismiss.

The Court scheduled a Rule 16 conference. As a result of the conference, based on the Court's determination that continued litigation may interfere with an ongoing criminal investigation, the Court issued an order placing the case in suspense (deferred status). The case remains in deferred status.

If and when the Court removes the case from suspense status and litigation resumes, The City (and City Defendants in their official capacities) intend vigorously to pursue defenses and potentially counterclaims to defeat/minimize Reach's claims. At this very early stage of the action, and based on filed papers and matters of record, the City's lawyers reasonably believe that Reach will not likely succeed on their claims or for the amount of damages sought and that the City's defenses/counterclaims have merit.*

**Based on the allegations of the Complaint, the demands for and specification of any monetary damages sought, the prejudgment interest claims, the number of counts that do not claim any specific sum but demand more than \$50,000, and the federal counts under civil rights laws that seek to recover unliquidated at-*

torney's fees, costs, punitive damages and interest, out of the precaution, City attorneys have disclosed this case under the disclosure criteria.

- **Sheriff's Excess Proceeds Litigation (a consolidation of two cases: Pingatore vs. John Green and O'Hara, et al. vs. City, et al.)**

John O'Hara and Finn Land Corporation filed a now consolidated putative class action on behalf of classes of former property owners whose property was subject to a sheriff's sale. They claim for themselves and the class an entitlement to excess funds from Sheriff's sales of their properties.

In the consolidated action, Plaintiffs allege that they are owed excess proceeds of approximately \$9,000 and \$10,000 respectively from the sheriff's sale of two properties that were not paid to them. They assert claims in unjust enrichment, equitable conversion, fraudulent concealment, violation of Pennsylvania Constitution, mandamus relief, an award of damages to plaintiffs and the class of the excess proceeds due them, interest, attorney's fees and costs and all such other relief that the Court deems proper.

The Court granted the Treasurer's request to intervene in the consolidated lawsuit and subsequently denied plaintiffs' motion for class certification. Commonwealth Court affirmed the denial of class certification, and plaintiffs have filed a petition for allocatur with the Pennsylvania Supreme Court.

If the class were to be certified, it is unclear the number of class members entitled to relief, whether the plaintiffs will succeed on the merits and whether plaintiffs will recover from City monetary damages in excess of \$8,000,000.

- **Grubel et al. vs. City of Philadelphia**

This case is a class action lawsuit in the Court of Common Pleas by a class of Election Day workers who worked in one or more elections in Philadelphia from November 2005 to the present. They claim they should have been paid at least the "minimum wage" per the Philadelphia 21st Century Minimum Wage Standard, Chapter 17-1300 of the Philadelphia Code. The Ordinance requires covered employers to pay each employee an hourly wage of at least 150% of the federal minimum wage. Plaintiffs contend that they are "covered employees" of the City for purposes of the Ordinance. Employers who violate the Ordinance are liable for back pay plus attorneys' fees and costs.

The City Commissioners Office, which runs elections, does not consider these election workers to be employees of the City and has always paid them, in compliance with the State Election Code, on a per diem rather than hourly basis. Judges of Election (one at each polling place) were paid at \$100 per day; the remaining election workers received \$95 per day. If the plaintiffs are covered employees and entitled to 150% of the federal minimum wage, they should have been paid at least \$152.25 per day (or \$137.55 per day for the earlier elections, based on the prior minimum wage). Thus, they are seeking the difference between what they were paid on a per diem basis and what they would have received if paid hourly at the Philadelphia minimum wage level.

Because there are two elections each year, and approximately 8,000 election workers who serve in each election, paying the minimum wage would increase the City's cost for payment of the election workers by approximately \$492,918 per election. There have been 17 elections since the minimum wage ordinance became effective, so the total potential exposure in excess of \$8 million, plus attorneys' fees. The City Commissioners requested and received waiver of the minimum wage requirements as of May 21, 2013. Such a waiver is specifically permitted under the Ordinance and should foreclose any claims for prospective relief.

The Philadelphia Court of Common Pleas granted summary judgment to the City on July 24, 2014. Plaintiffs appealed to Commonwealth Court and we are waiting for a briefing schedule from that Court.

- **Narcotics Field Unit – District Attorney's Letter Re: Not Prosecuting Cases**

The highly publicized letter from District Attorney's Office calls into question approximately 350 arrests by a group of five narcotics officers. So far, approximately 125 cases have been filed in Federal Court in the Eastern District of Pennsylvania. The Complaints allege that narcotics officer(s) falsified information obtained through confidential informants and planted evidence. Six narcotics officers have been arrested and are facing federal charges in relation to these complaints. While the investigation is ongoing, the Law Department is working in conjunction with the Police Department and the District Attorney's Office to gather available information in preparation for the lawsuits. At this time, the Public Defender's Office has filed ap-

proximately 500 Petitions questioning the validity of the information resulting in their clients' incarcerations. If the allegations are substantiated, CRU anticipates between 150 and 200 lawsuits to be filed. The number of lawsuits could easily surpass the number of cases brought as a result of the 39th District scandal. The 39th District scandal cost the City approximately \$5 million. The former officers' criminal cases are scheduled to be heard in April 2015. During the criminal case, the Judge has stayed discovery in the civil matter. The outcome of the criminal cases against the former officers will have an impact on the possible exposure of the City in the civil cases. If liability is found against the City, the exposure could surpass \$8 million.

- **Williams et al. vs. City – Prison Overcrowding (Triple Cell Litigation)**

This class action Prison litigation was initiated in 2008, where it was alleged that the conditions at the Philadelphia Prison (specifically placing 3 inmates in a cell) were/unconstitutional. As a result of prior related litigation, we believe that the Prisons are in a good posture for this litigation. There has been protracted discovery and monitoring of daily triple cell reports in this matter. Also, there are allegations that the prison facilities are in need of repairs that include capital improvements. In addition to litigation costs associated with outside housing contracts with several institutions, additional staffing costs (including overtime) and physical plan improvements, which could result in expenditures in excess of \$8 million. Despite the exposure issues, we believe that there are valid defenses to the allegations in this matter.

2) Guaranteed Debt

During fiscal year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as are necessary to restore any deficiency in the debt service reserve fund for the PPA's Parking System Revenue Bonds Series of 1999A. Through fiscal year 2014, the City has provided approximately \$11.4 million in its role as guarantor of these bonds. The 1999A Indenture provides for the PPA to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the related parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of \$13.65 million at June 30.

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, 2014, which account for \$507.5 million for all open programs as of December 10, 2014. Of this amount, \$502.9 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2014 and prior. The remaining \$4.6 million represents questioned costs related to specific compliance requirements for fiscal years ending June 30, 2013 and prior, which have yet to be resolved.

4) HUD Section 108 Loans

As detailed in Note III.6., collateral for repayment of the City's HUD Section 108 loans includes future Community Development Block Grant entitlements due to the City from HUD.

5) Act 148 Children and Youth Program Activities Moved to Grants Revenue Fund

In previous fiscal years the Act 148 Children and Youth Program, reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2013 the Grants Revenue Fund had a \$153 million receivable for the Children and Youth program. In FY2014 the Grants Revenue fund had expenditures totaling \$464.6 million and revenue totaling \$416.4 million. At June 30, 2014 the Grants Revenue Fund had a \$201.2 million receivable for the Children and Youth Program. Due to the nature of the program's billing policies, the city has 24 months after the current fiscal yearend date to submit a final reimbursement request. If

receivables for program costs submitted for reimbursement are subsequently deemed as ineligible, such non-reimbursable costs will be charged to the General Fund.

B. COMPONENT UNITS

1) Claims and Litigation

Special Education and Civil Rights Claims – There are three hundred sixty-eight (368) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.3 million.

Of those, three hundred fifty (350) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, two hundred and ten (210) unfavorable outcomes are deemed probable and one hundred and five (105) are considered reasonably possible, in the aggregate of \$1.5 million and \$0.4 million respectively.

There are six (6) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately \$1.3 million and \$0.4 million respectively.

There are twelve (12) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable in the aggregate amounts of approximately \$0.4 million.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$24.7 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$0.3 million and \$9.0 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$2.1 million and \$1.5 million, respectively, arising from personal injury and property damage claims and lawsuits.

Education Audits - In the early 1990s, the School District received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student average daily membership ("ADM"). In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40 million through fiscal year 1999, and subsequently reduced by half, to approximately \$20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student enrollment figures, an audit of reported enrollment in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional \$20 million for the alleged over-reporting of enrollment during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing. Because no final determination of forgiveness has been made, however, there remains a possible loss in this category in the amount of \$40 million.

Federal Audit - The U.S. Department of Education Office of the Inspector General ("OIG") conducted an audit of the School District's controls over Federal expenditures for the period commencing July 1, 2005 through June 30, 2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the School District responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. On January 15, 2010, the OIG issued an audit report, assessing the School District's management of federal grant funds during the 2006 fiscal year. The report identified \$138.8 million in findings resulting from the audit of controls over federal expenditures, of which \$121.1 million were considered inadequately supported and \$17.7 million were considered unallowable costs. The report included five findings, the largest of which related to undocumented salary and benefits charged to federal programs in the amount of \$123 million.

As of June 30, 2014 and continuing until the date of this letter, in the opinion of outside counsel, the School District has potential material liability related to the OIG audit issued in January 2010. The OIG issued an audit report to the School District assessing the School District's management of federal grant funds during the 2006 fiscal year.

To date, the U.S. Department of Education (DOE) has issued two program determination letters (PDLs) related to the 2010 audit report seeking a recovery of funds. The PDLs were issued to the Pennsylvania Department of Education (PDE) and appeals of both are pending. DOE issued two additional PDLs on the remaining findings that required corrective actions, but did not result in monetary exposure. All of the corrective actions have already been implemented as part of the corrective action plan agreed upon with the PDE and DOE.

The first PDL demanded a recovery of \$9.9 million and was appealed to the Office of Administrative Law Judge. Of that amount, DOE's counsel stipulated to approximately \$2.8 million as barred by the statute of limitations, leaving a balance of \$7.2 million. PDE raised two primary arguments against the recovery of the remaining liability: (1) the statute of limitations bars an additional \$5.3 million in costs; and (2) equitable offset extinguishes the remaining liability. The administrative law judge (ALJ) issued a decision on February 28, 2014 rejecting these arguments and sustaining the full amount of disputed liabilities. On March 31, 2014, PDE and the School District appealed the initial decision to the Secretary. On May 5, 2014, the Secretary provided notice that a decision will be forthcoming based on his review of the ALJ decision. On December 29, 2014, the Secretary issued a decision affirming the liability in the ALJ decision, although he did not adopt ALJ's propose standard for denying equitable offset. The Secretary's final decision may be appealed to the U.S. Court of Appeals for the Third Circuit by February 27, 2015. In the opinion of the School District, the liability of \$7.2 million is reasonably possible.

The second PDL demanded a recovery of \$2.5 million. That PDL was not timely appealed by PDE. However, the PDL invited the State to present evidence to DOE of the amount barred by the statute of limitations. PDE and the School District have assembled documentation demonstrating the application of the statute of limitations. DOE will then review the documentation and indicate what costs DOE agrees are barred by the statute of limitations.

With regard to the March PDL, the case involves new and novel interpretations of law so it is not possible to predict with any reliability the likelihood of a recovery in the amount of \$7.2 million. Although DOE has applied a differing statute of limitations analysis, the September PDL liability arguably falls within the standard statute of limitations defense as well as the DOE's new analysis; therefore in the opinion of the School District, the recovery by the DOE in the amount of \$2.5 million is remote. Because of the long appeal process, no assurance can be given by outside counsel at this time as to final the resolution of the OIG audit findings, or the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District. Of the \$9.7 remaining exposure from the \$138.8 million of findings, the School District is optimistic that the liability included on the PDLs will be reduced based on the application of the statute of limitations and equitable offset.

The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan

Pursuant to resolutions approved by the School Reform Commission, the School District implemented The School District of Philadelphia 403(b) Plan ("403(b) Plan") and The School District of Philadelphia 457(b) Deferred Compensation Plan (the "457(b) Plan")(collectively, the 403(b) Plan and the 457(b) Plan shall be known as the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District, after withholding all applicable payroll taxes, (i) would pay termination pay owed to a resigning or retiring employee in cash or, (ii) at the direction of the employee, would deposit such termination pay into the retiring or resigning employ-

ee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring or resigning during or after the calendar year in which they attain age 55, after July 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. Based on the advice of legal counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld FICA taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. By letter dated October 16, 2012, the IRS stated that the School District is following the School District's revised policy concerning the treatment of termination pay under the 403(b) Plan, and thus no federal employment tax liability exists. By letter dated November 18, 2013, the Department of Revenue of the City of Philadelphia determined that the contributions of termination pay to the 403(b) Plan are employer contributions, and, as such, are not subject to City Wage Taxes at the time of contribution, and the School District is not required to withhold City Wage Tax from such contributions. The School District management believes that if it were finally determined that any liability for State taxes (including interest and penalties) relating to these plans existed at June 30, 2014, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2014.

Administrative Appeals in Pennsylvania Department of Education

The School District received several subsidy withholding requests filed with the Pennsylvania Department of Education (PDE) by charter schools that have enrolled resident students from the School District. These withholding requests address whether the PDE's charter school funding form (PDE-363) used to calculate charter school tuition contains an allowance for improper deductions in the calculation of the regular education expenditure. The issue is whether the form itself is flawed, in that PDE has authorized federal funding to be deducted from the expenditure calculation in violation of the law. This is an issue in more than 200 subsidy withholding requests were submitted to PDE seeking subsidy from many school districts in Pennsylvania.

Because there are over 200 appeals pending, PDE elected to select four cases involving Pittsburgh School District and charter schools as example cases on the legal issues involved. PDE had assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. However, prior to the hearing, the dispute between Pittsburgh School District and the charter schools was settled.

It is expected that PDE will select a different representative case to decide the legal question involved. However, no hearing is currently scheduled. The School District of Philadelphia intends to file a Petition to intervene in the chosen example case, so that the School District's interests can be adequately presented. It is not yet known when the Petition will be filed or if the School District will be permitted to intervene. The direct cases against the School District are stayed pending the outcome of the example case.

The School District intends to vigorously defend its position in this matter, both as an intervenor and as a party, if the direct cases against the School District ever move forward. It is the belief of the School District – and of PDE according to their own form and guidance documents – that federal funding is not appropriately included in the calculation of charter school funding due to the nature of the funding itself and the fact that charter schools are equally eligible for the same federal funding as school districts. Although it is impossible to determine with any degree of certainty, based upon our evaluation of the case and the legal claims, in the opinion of the School District's outside counsel, the likelihood of an unfavorable outcome is reasonably possible in the amount of approximately \$5.7 million for the pending withholding requests of which we are aware, assuming the charter schools successfully argue that they are entitled to a portion of the School District's federal funding. The exposure if the PDE-363 form is invalidated and all charter schools are permitted, going forward, to receive a portion of the School District's federal funding on an annual basis, is estimated to be upwards of \$100 million each year.

9. SUBSEQUENT EVENTS-

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2014 through and including February 23, 2015. The following events are described below:

A. PRIMARY GOVERNMENT

- 1) In August 2014, the City reached a tentative seven-year contract with District Council 33. The contract agreement term is July 1, 2009 thru June 30, 2016 and includes critical reform to overtime and pension contributions, wage increases, Health and Welfare benefits and work rule changes. The agreement will add approximately \$127 million in costs to the City's Five Year Plan.
- 2) In November 2014, the City issued \$130 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2014-2015 to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses of the city prior to receipt of taxes and other revenues to be received in the current fiscal year and pay the costs of issuance of the Notes. The proceeds will be invested and repaid by June 30, 2015.
- 3) Through December 2014, drawdowns totaling \$0.4 million represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for Green Infrastructure.
- 4) The City moved to a self insurance arrangement with District Council 47 Health and Welfare and the Firefighter's Union Local 22 Health and Welfare effective January 1, 2015 and February 1, 2015, respectively. The City will pay only the cost of benefits and administration for District Council 47. The Firefighter's Union Local 22 Health and Welfare will be responsible for the first \$15 million in expenses after February 1, 2015. Thereafter, the City pays the cost of the benefits and administration. The agreement will help control the City's health costs in the future.

B. COMPONENT UNITS

- 1) On July 3, 2014 the **SDP** issued its annual tax and revenue anticipation notes for cyclical cash flow purposes in the aggregate principal amount of \$300.0 million (the "FY 2015 Notes"). The notes will be paid off by June 30, 2015.
- 2) On July 21, 2014, Moody's Investor Service ("Moody's") downgraded its rating of "Aa2" to "Aa3" on the Commonwealth of Pennsylvania's ("Commonwealth") outstanding general obligation bonds. At the same time Moody also downgraded all ratings based on the intercept provisions of the Pennsylvania Public School code of 1949, as amended. The specific rating changes which affect the above-referenced general obligation bonds and lease rental debt ("Bonds") issued by or on behalf of The School District of Philadelphia, Pennsylvania (**SDP**), based on the intercept provisions were announced on July 22, 2014. The ratings assigned to Bonds based on what Moody's describes as the Pennsylvania School District Fiscal Agent Agreement Intercept Program (Sec. 633) and the State Public School Building Authority Lease Revenue Intercept Program have been downgraded from "Aa3" to "A1" with a stable outlook.

On August 15, 2014, Moody downgraded the **SDP** underlying credit from "Ba2" to "Ba3".

On September 23, 2014 Fitch Ratings ("Fitch") downgraded from "AA" to "AA-" its rating on the Commonwealth of Pennsylvania's ("Commonwealth") outstanding general obligation bonds. At the same time Fitch also downgraded all ratings assigned to the general obligation bonds, revenue bonds and lease rental debt ("Bonds") issued by or on behalf of the **SDP** based on what Fitch describes as the Pennsylvania School Credit Enhancement Intercept Program and the Pennsylvania School Credit Enhancement Direct-Pay Intercept Program from "AA-" to "A+" with a stable outlook.

On October 02, 2014 Fitch downgraded the **SDP** underlying bond rating to "BB-".

- 3) In July 2014, **PAID** issued Lease Revenue Refunding Bonds, 2014 Series B in the amount of \$56.7 million. The purpose for the issuance was to refund the Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B-4 presently outstanding in the principal amount of \$55.4 million, the payment of certain

cost of terminating a portion of certain swap agreements entered in connection with the 2007B-4 bonds and paying the costs of issuing the 2014B Bonds. The 2014 Series B bonds have fixed interest rates ranging from 2.0% to 5.0% and have maturity dates through 2018.

- 4) In October 2014, **PAID** issued City Service Agreement Revenue Bonds, 2014B in the amount of \$57.5 million. The purpose of this issuance to finance \$30 million of additional operating funds for the School District of Philadelphia for fiscal year 2015 only, refinance **PAID's** \$27.3 million City Service Agreement Revenue Bonds, Series 2014A and pay costs of issuance of the 2014B Bonds. The 2014B bonds have a 1.78% interest rate and maturity dates through 2018.
- 5) On March 4, 2014, following a competitive bidding process, the City entered into agreement with **PGW** to UIL Holdings Corporation, subject to authorization by City Council and the Public Utility Commission. On December 4, 2014, UIL exercised its option to withdraw from the agreement after no authorizing ordinance was introduced by City Council.
- 6) Between September 5, 2014 and January 9, 2015, **SDP** sold three **SDP** properties for a net of \$17.8 million. Of this amount, \$13 million will be used during Fiscal Year 2015 for operating purposes while the remaining will be used for defeasance costs of approximately \$2.7 million and for future capital projects of approximately \$2.1 million.





Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

Exhibit XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Tax Revenue	2,762,598	2,788,749	2,795,884	7,135
Locally Generated Non-Tax Revenue	265,168	307,441	301,755	(5,686)
Revenue from Other Governments	628,570	674,786	666,009	(8,777)
Revenue from Other Funds	67,249	67,486	42,001	(25,485)
Total Revenues	3,723,585	3,838,462	3,805,649	(32,813)
<u>Expenditures and Encumbrances</u>				
Personal Services	1,401,330	1,470,366	1,450,615	19,751
Pension Contributions	667,520	660,020	646,393	13,627
Other Employee Benefits	509,785	561,306	547,698	13,608
Sub-Total Employee Compensation	2,578,635	2,691,692	2,644,706	46,986
Purchase of Services	790,552	803,333	787,615	15,718
Materials and Supplies	67,513	72,306	70,687	1,619
Equipment	21,113	23,727	18,127	5,600
Contributions, Indemnities and Taxes	141,708	208,839	208,587	252
Debt Service	129,530	122,481	122,481	-
Payments to Other Funds	31,644	34,608	34,361	247
Advances, Subsidies, Miscellaneous	84,708	37,219	-	37,219
Total Expenditures and Encumbrances	3,845,403	3,994,205	3,886,564	107,641
Operating Surplus (Deficit) for the Year	(121,818)	(155,743)	(80,915)	74,828
Fund Balance Available for Appropriation, July 1, 2013	188,942	256,902	256,902	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,500	24,500	25,257	757
Funding for Future Obligations	-	-	891	891
Other Adjustments	(5,112)	(5,112)	-	5,112
Adjusted Fund Balance, July 1, 2013	208,330	276,290	283,050	6,760
Fund Balance Available for Appropriation, June 30, 2014	86,512	120,547	202,135	81,588

* 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, 2014

Exhibit XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	2,500	1,500	594	(906)
Revenue from Other Governments	842,995	829,789	799,470	(30,319)
Total Revenues	845,495	831,289	800,064	(31,225)
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	-	-	45,826	45,826
Decrease in Financed Reserves	-	-	64,691	64,691
Total Revenues and Other Sources	845,495	831,289	910,581	79,292
<u>Expenditures and Encumbrances</u>				
Purchase of Services	901,900	901,713	895,973	5,740
Equipment	100	100	-	100
Payments to Other Funds	1,500	1,687	1,687	-
Total Expenditures and Encumbrances	903,500	903,500	897,660	5,840
Operating Surplus (Deficit) for the Year	(58,005)	(72,211)	12,921	85,132
Fund Balance Available for Appropriation, July 1, 2013	-	7,480	7,480	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	6,603	6,603
Other Adjustments	58,005	42,520	-	(42,520)
Adjusted Fund Balance, July 1, 2013	58,005	50,000	14,083	(35,917)
Fund Balance Available for Appropriation, June 30, 2014	-	(22,211)	27,004	49,215

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2014

Exhibit XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual*</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	99,801	95,342	55,693	(39,649)
Revenue from Other Governments	1,293,473	1,160,850	863,021	(297,829)
Total Revenues	1,393,274	1,256,192	918,714	(337,478)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(8,313)	(8,313)
Decrease in Financed Reserves	-	-	617	617
Total Revenues and Other Sources	1,393,274	1,256,192	911,018	(345,174)
<u>Expenditures and Encumbrances</u>				
Personal Services	175,218	180,605	143,028	37,577
Pension Contributions	26,844	31,074	29,969	1,105
Other Employee Benefits	32,224	32,126	29,793	2,333
Sub-Total Employee Compensation	234,286	243,805	202,790	41,015
Purchase of Services	955,923	956,938	768,630	188,308
Materials and Supplies	46,471	21,909	15,344	6,565
Equipment	-	19,677	6,092	13,585
Contributions, Indemnities and Taxes	-	119	118	1
Payments to Other Funds	56,593	60,399	31,656	28,743
Advances, Subsidies, Miscellaneous	100,001	35,929	-	35,929
Total Expenditures and Encumbrances	1,393,274	1,338,776	1,024,630	314,146
Operating Surplus (Deficit) for the Year	-	(82,584)	(113,612)	(31,028)
Fund Balance Available for Appropriation, July 1, 2013	-	(175,082)	(217,139)	(42,057)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	57,734	57,734
Revenue Adjustments - Net	-	-	(252)	(252)
Prior Period Adjustments	-	175,082	-	(175,082)
Adjusted Fund Balance, July 1, 2013	-	-	(159,657)	(159,657)
Fund Balance Available for Appropriation, June 30, 2014	-	(82,584)	(273,269)	(190,685)

* Refer to the notes to required supplementary information.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b - a)	<u>Funded Ratio</u> (a / b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percent of Covered Payroll</u> (b - a) / c
<u>City of Philadelphia Municipal Pension Plan</u>						
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
07/01/2010	4,230.9	9,317.0	5,086.1	45.41%	1,421.2	357.87%
07/01/2011	4,489.1	9,487.5	4,998.4	47.32%	1,371.3	364.50%
07/01/2012	4,486.8	9,799.9	5,313.1	45.78%	1,372.2	387.20%
07/01/2013	4,799.3	10,126.2	5,326.9	47.39%	1,429.7	372.59%
<u>City of Philadelphia Other Post Employment Benefits</u>						
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
07/01/2010	-	1,169.5	1,169.5	0.00%	1,419.5	82.39%
07/01/2011	-	1,212.5	1,212.5	0.00%	1,469.2	82.53%
07/01/2012	-	1,511.9	1,511.9	0.00%	1,371.6	110.23%
07/01/2013	-	1,703.6	1,703.6	0.00%	1,416.9	120.23%
<u>Philadelphia Gas Works Pension Plan</u>						
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%
09/01/2009	355.5	519.8	164.3	68.39%	106.0	155.00%
09/01/2010	382.0	533.7	151.7	71.58%	106.1	142.98%
09/01/2011	421.9	572.2	150.2	73.73%	106.3	141.30%
09/01/2012	437.8	585.6	147.9	74.76%	106.0	139.53%
09/01/2013	462.7	623.6	160.9	74.20%	104.1	154.56%

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
<u>Revenues</u>			
Budgetary Comparison Schedule	3,805,649	800,064	918,714
Transfers	(343,984)	-	-
Program Income	-	-	69,654
Adjustments applicable to Prior Years Activity	-	-	-
Change in Amount Held by Fiscal Agent	1,709	-	-
Change in BPT Adjustment	(12,198)	-	-
Return of Loan	-	-	-
Other	-	-	(303)
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,451,176</u>	<u>800,064</u>	<u>988,065</u>
<u>Expenditures and Encumbrances</u>			
Budgetary Comparison Schedule	3,886,564	897,660	1,024,630
Transfers	(169,049)	-	(35,230)
Bond Issuance Costs	275	-	-
Expenditures applicable to Prior Years Budgets	48,348	(487)	23,674
Program Income	-	-	69,654
Other	(891)	-	-
Change in Amount Held by Fiscal Agent	12,415	-	-
Current Year Encumbrances	<u>(78,636)</u>	<u>(51,942)</u>	<u>(73,094)</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,699,026</u>	<u>845,231</u>	<u>1,009,634</u>

**Other
Supplementary
Information**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

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

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

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

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

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

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

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

DEPARTMENTAL - Established to account for various activities of the Free Library and Parks and Recreation.

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 to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

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 and report resources that are restricted to the extent that only earnings, and 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 Parks and Recreation.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

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	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	7,218	328	23,404	30,950
Equity in Treasurer's Account	2,523	26,048	6,978	-	6,721	17,750	24,615	30	4,130	-	2,264	-	-	91,059
Investments	-	-	-	-	-	-	-	-	-	-	1,567	100	10,760	12,427
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	10	-	5,485	5,495
Taxes Receivable	-	-	5,742	-	535	-	-	-	-	-	-	-	-	6,277
Accounts Receivable	-	-	-	2,567	-	-	1,241	-	-	-	-	3,935	-	7,743
Due from Other Governmental Units	-	-	-	8,639	-	-	(336)	-	-	-	-	-	-	8,639
Allowance for Doubtful Accounts	-	-	(717)	-	(3)	-	-	-	-	-	-	-	-	(1,056)
Interest and Dividends Receivable	-	-	-	-	5	-	-	-	-	-	-	-	5	5
Other Assets	-	-	-	-	-	-	-	-	-	-	56	-	20	76
Total Assets	2,523	26,048	12,003	11,206	7,258	17,750	25,520	30	4,130	-	11,115	4,363	39,669	161,615
Liabilities														
Vouchers Payable	6	898	-	601	-	148	51	-	116	-	116	-	-	1,936
Accounts Payable	-	1,489	5,050	3,576	-	1,046	15,303	-	56	-	328	4,077	93	31,018
Salaries and Wages Payable	-	-	-	87	-	-	99	-	-	-	-	-	-	186
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	-	11	11
Due to Other Funds	-	-	-	6,947	-	-	-	-	-	-	9	-	5,605	12,561
Due to Component Units	-	-	-	150	-	-	-	-	-	-	-	-	-	150
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	809	-	-	1,256
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	6	2,387	5,050	11,361	-	1,194	15,453	-	619	-	1,262	4,077	5,709	47,118
Deferred Inflows of Resources	-	-	188	7,730	3	-	-	-	-	-	-	-	-	7,921
Fund Balances														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,517	23,661	6,765	-	7,255	16,556	10,067	-	-	-	8,986	286	33,960	110,053
Committed	-	-	-	-	-	-	-	30	3,511	-	667	-	-	4,208
Unassigned	-	-	-	(7,885)	-	-	-	-	-	-	-	-	-	(7,885)
Total Fund Balances	2,517	23,661	6,765	(7,885)	7,255	16,556	10,067	30	3,511	-	9,853	286	33,960	106,576
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,523	26,048	12,003	11,206	7,258	17,750	25,520	30	4,130	-	11,115	4,363	39,669	161,615

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2014

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	-	-	39,255	39,255	-	-	-	256
Equity in Treasurer's Account	1,125	-	-	1,125	160,737	-	160,737	-
Investments	-	11	47,914	47,925	-	68,230	68,230	6,159
Due from Other Funds	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	52,995	-	52,995	-
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-
Interest and Dividends Receivable	-	-	1	1	16	13	29	-
Other Assets	-	-	-	-	-	-	-	2
Total Assets	1,125	11	87,170	88,306	213,748	68,243	281,991	6,417
								538,329
Liabilities								
Vouchers Payable	-	-	-	-	13,094	-	13,094	-
Accounts Payable	-	-	-	-	22,389	238	22,627	3
Salaries and Wages Payable	-	-	-	-	122	-	122	-
Payroll Taxes Payable	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	5,485	5,485	-	-	-	11
Due to Component Units	-	-	-	-	-	-	-	1
Funds Held in Escrow	-	-	-	-	1,878	-	1,878	-
Unearned Revenue	-	-	-	-	4,314	-	4,314	-
Total Liabilities	-	-	5,485	5,485	41,797	238	42,035	4
								94,842
Deferred Inflows of Resources								
	-	-	-	-	48,397	-	48,397	-
								56,318
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	3,042
Restricted	1,125	11	81,685	82,821	123,554	68,005	191,559	3,259
Committed	-	-	-	-	-	-	-	112
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	1,125	11	81,685	82,821	123,554	68,005	191,559	6,413
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,125	11	87,170	88,306	213,748	68,243	281,991	6,417
								538,329

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2014

Schedule II

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	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	52,756	-	5,425	-	148,574	-	-	-	-	-	380,599	587,354
Locally Generated Non-Tax Revenue	-	1	-	1,860	8	11,014	-	-	2,540	316	4,838	49	279	20,905
Revenue from Other Governments	4,701	26,058	-	41,792	-	-	-	-	-	-	-	-	-	72,551
Other Revenues	-	-	-	-	-	-	-	-	-	-	34	-	3,208	3,242
Total Revenues	4,701	26,059	52,756	43,652	5,433	11,014	148,574	-	2,540	316	4,872	49	384,086	684,052
Expenditures														
Current Operating:														
Economic Development	-	-	53,141	-	-	-	-	-	-	-	-	-	-	53,141
Transportation:														
Streets & Highways	4,772	23,714	-	-	-	-	-	-	-	-	-	-	-	28,486
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	2,394	-	-	-	-	2,394
Conservation of Health:														
Health Services	-	-	-	-	-	-	152,203	-	-	-	-	-	-	152,203
Housing and Neighborhood Development	-	-	-	44,346	-	9,500	-	-	-	-	-	-	-	53,846
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	1,118	-	-	1,118
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	153	-	-	153
General Management and Support	-	-	-	-	5,000	-	-	4	1,036	316	2,087	37,755	1,857	48,055
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,772	23,714	53,141	44,346	5,000	9,500	152,203	4	3,430	316	3,358	37,755	1,857	339,396
Excess (Deficiency) of Revenues														
Over (Under) Expenditures	(71)	2,345	(385)	(694)	433	1,514	(3,629)	(4)	(890)	-	1,514	(37,706)	382,229	344,656
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Insurance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,150	37,687	-	38,837
Transfers Out	-	-	-	-	-	-	(1,500)	-	-	-	-	-	(382,149)	(383,649)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(1,500)	-	-	-	1,150	37,687	(382,149)	(344,812)
Net Change in Fund Balances	(71)	2,345	(385)	(694)	433	1,514	(5,129)	(4)	(890)	-	2,664	(19)	80	(156)
Fund Balance - July 1, 2013	2,588	21,316	7,150	(7,191)	6,822	15,042	15,196	34	4,401	-	7,163	305	33,880	106,706
Adjustment	-	-	-	-	-	-	-	-	-	-	26	-	-	26
Fund Balance Adjusted - July 1, 2013	2,588	21,316	7,150	(7,191)	6,822	15,042	15,196	34	4,401	-	7,189	305	33,880	106,732
Fund Balance - June 30, 2014	2,517	23,661	6,765	(7,885)	7,255	16,556	10,067	30	3,511	-	9,853	286	33,960	106,576

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2014

	Debt Service				Capital Improvement			Amounts in thousands of USD	
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Permanent	Total
Revenues								Libraries & Parks	Non-Major Governmental Funds
Tax Revenue	-	-	-	-	-	-	-	-	587,354
Locally Generated Non-Tax Revenue	5	-	4,548	4,553	-	-	-	756	26,214
Revenue from Other Governments	-	-	-	-	18,422	-	18,422	-	90,973
Other Revenues	-	-	-	-	15	-	15	-	3,257
Total Revenues	5	-	4,548	4,553	18,437	-	18,437	756	707,798
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	53,141
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	28,486
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	2,394
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	152,203
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	53,846
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	85	1,203
Libraries and Museums	-	-	-	-	-	-	-	-	153
General Management and Support	-	-	-	-	-	-	-	-	48,080
Capital Outlay	-	-	-	-	127,868	12,248	140,116	-	140,116
Debt Service:									
Principal	50,905	23,754	45,640	120,299	-	-	-	-	120,299
Interest	70,350	15,755	20,374	106,479	-	-	-	-	106,479
Bond Issuance Cost	1,252	635	-	1,887	1,574	1,298	2,872	-	4,759
Total Expenditures	122,507	40,144	66,014	228,665	129,442	13,571	143,013	85	711,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,502)	(40,144)	(61,466)	(224,112)	(111,005)	(13,571)	(124,576)	671	(3,361)
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	201,360	65,155	266,515	-	266,515
Issuance of Refunding Bonds	161,275	85,050	-	246,325	-	-	-	-	246,325
Bond Issuance Premium	12,863	7,681	-	20,544	9,807	1,059	10,866	-	31,410
Payment to Refunded Bonds Escrow Agent	(172,885)	(92,085)	-	(264,970)	-	-	-	-	(264,970)
Transfers In	121,194	39,498	63,173	223,865	9,524	-	9,524	-	272,226
Transfers Out	-	-	-	-	-	-	-	-	(383,649)
Total Other Financing Sources (Uses)	122,447	40,144	63,173	225,764	220,691	66,214	286,905	-	167,857
Net Change in Fund Balances	(55)	-	1,707	1,652	109,686	52,643	162,329	671	164,496
Fund Balance - July 1, 2013	1,180	11	79,978	81,169	13,868	15,362	29,230	5,742	222,847
Adjustment	-	-	-	-	-	-	-	-	26
Fund Balance Adjusted - July 1, 2013	<u>1,180</u>	<u>11</u>	<u>79,978</u>	<u>81,169</u>	<u>13,868</u>	<u>15,362</u>	<u>29,230</u>	<u>5,742</u>	<u>222,873</u>
Fund Balance - June 30, 2014	1,125	11	81,685	82,821	123,554	68,005	191,559	6,413	387,369

City of Philadelphia
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2014

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Assets</u>			
Equity in Treasurer's Account	522,151	4,988,181	5,510,332
Securities Lending Collective Investment Pool	466	524,347	524,813
Accounts Receivable	-	1,317	1,317
Due from Brokers for Securities Sold	6,405	128,797	135,202
Interest and Dividends Receivable	1,380	-	1,380
Due from Other Governmental Units	-	3,303	3,303
	<hr/>	<hr/>	<hr/>
Total Assets	530,402	5,645,945	6,176,347
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Vouchers Payable	-	60	60
Accounts Payable	486	56	542
Salaries and Wages Payable	-	54	54
Funds Held in Escrow	-	9	9
Due on Return of Securities Loaned	466	524,671	525,137
Due to Brokers for Securities Purchased	11,002	199,860	210,862
Accrued Expenses	5,303	4,015	9,318
Other Liabilities	-	515	515
	<hr/>	<hr/>	<hr/>
Total Liabilities	17,257	729,240	746,497
	<hr/>	<hr/>	<hr/>
Net Position Held in Trust for Pension Benefits	<u>513,145</u>	<u>4,916,705</u>	<u>5,429,850</u>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2014

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve <u>Fund</u>	Municipal Pension <u>Fund</u>	<u>Total</u>
<u>Additions</u>			
Contributions:			
Employer's Contributions	24,934	553,179	578,113
Employees' Contributions	<u>238</u>	<u>53,722</u>	<u>53,960</u>
Total Contributions	<u>25,172</u>	<u>606,901</u>	<u>632,073</u>
Investment Income:			
Interest and Dividends	11,760	102,165	113,925
Net Gain in Fair Value of Investments	65,600	585,406	651,006
(Less) Investments Expenses	(2,057)	(10,190)	(12,247)
Securities Lending Revenue	-	4,202	4,202
(Less) Securities Lending Expenses	<u>-</u>	<u>(630)</u>	<u>(630)</u>
Net Investment Gain	<u>75,303</u>	<u>680,953</u>	<u>756,256</u>
Miscellaneous Operating Revenues	-	517	517
Total Additions	<u>100,475</u>	<u>1,288,371</u>	<u>1,388,846</u>
<u>Deductions</u>			
Personal Services	-	3,373	3,373
Purchase of Services	-	1,621	1,621
Materials and Supplies	-	59	59
Employee Benefits	-	3,076	3,076
Pension Benefits	42,913	802,557	845,470
Refunds of Members' Contributions	-	6,040	6,040
Administrative Expenses Paid	731	-	731
Other Operating Expenses	<u>-</u>	<u>164</u>	<u>164</u>
Total Deductions	<u>43,644</u>	<u>816,890</u>	<u>860,534</u>
Change in Net Position	56,831	471,481	528,312
Net Position - July 1, 2013	<u>456,314</u>	<u>4,445,224</u>	<u>4,901,538</u>
Net Position - June 30, 2014	<u><u>513,145</u></u>	<u><u>4,916,705</u></u>	<u><u>5,429,850</u></u>

City of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2014

Schedule V

Amounts in thousands of USD

	<u>Escrow Fund</u>	<u>Employee Health & Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<u>Assets</u>				
Cash on Deposit and on Hand	-	-	120,223	120,223
Equity in Treasurer's Account	29,018	15,296	-	44,314
Investments	-	-	5,713	5,713
Due from Other Funds	-	-	699	699
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	29,018	15,296	126,635	170,949
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>				
Vouchers Payable	8	396	-	404
Payroll Taxes Payable	-	3,889	-	3,889
Funds Held in Escrow	29,010	11,011	126,635	166,656
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	29,018	15,296	126,635	170,949
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

City of Philadelphia
Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2014

Schedule VI

Amounts in thousands of USD

	Balance 7-1-2013	Additions	Deductions	Balance 6-30-2014
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	27,453	395,792	394,227	29,018
<u>Liabilities</u>				
Funds Held in Escrow	27,447	395,780	394,217	29,010
Vouchers Payable	6	9,678	9,676	8
Total Liabilities	27,453	405,458	403,893	29,018
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	25,703	933,314	943,721	15,296
<u>Liabilities</u>				
Vouchers Payable	25	9,195	8,824	396
Payroll Taxes Payable	15,262	839,392	850,765	3,889
Funds Held in Escrow	10,416	93,922	93,327	11,011
Total Liabilities	25,703	942,509	952,916	15,296
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	100,861	163,674	144,312	120,223
Investments	6,145	-	432	5,713
Due from Other Funds	699	-	-	699
Total Assets	107,705	163,674	144,744	126,635
<u>Liabilities</u>				
Funds Held in Escrow	107,705	163,674	144,744	126,635
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	100,861	163,674	144,312	120,223
Equity in Treasurer's Account	53,156	1,329,106	1,337,948	44,314
Investments	6,145	-	432	5,713
Due from Other Funds	699	-	-	699
Total Assets	160,861	1,492,780	1,482,692	170,949
<u>Liabilities</u>				
Vouchers Payable	31	18,873	18,500	404
Payroll Taxes Payable	15,262	839,392	850,765	3,889
Funds Held in Escrow	145,568	653,376	632,288	166,656
Total Liabilities	160,861	1,511,641	1,501,553	170,949

City of Philadelphia

City Related Schedule of Bonded Debt Outstanding

June 30, 2014

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2014 Outstanding	Maturities	Interest Rates	FY 2015 Debt Service Requirements	Principal
Governmental Activities							
General Obligation Bonds:							
Series 2006	7/27/2006	217,590,000	180,845,000	8/2014 to 8/2031	4.75 to 5.00	8,823,662	6,365,000
Series 2007A (Refunding)	12/20/2007	188,910,000	138,445,000	8/2014 to 8/2019	5.00 to 5.25	6,442,962	24,135,000
Series 2008A (Refunding)	5/1/2008	195,170,000	192,415,000	12/2014 to 12/2032	5.00 to 5.25	9,863,737	5,520,000
Series 2008B	1/6/2009	165,000,000	11,140,000	7/2014 to 7/2017	5.00 to 5.75	538,794	2,565,000
Series 2009A (Refunding)	8/13/2009	237,025,000	237,025,000	8/2019 to 8/2031	4.25 to 5.50	12,030,260	-
Series 2009B (Refunding)	8/13/2009	100,000,000	100,000,000	8/2027 to 8/2031	3.829	3,829,000	-
Series 2011	4/19/2011	139,150,000	135,190,000	8/2014 to 8/2041	4.25 to 6.50	7,908,675	2,110,000
Series 2011 (Refunding)	4/19/2011	114,570,000	67,560,000	8/2014 to 8/2020	3.00 to 5.25	2,989,973	10,400,000
Series 2012A (Refunding)	5/8/2012	21,295,000	21,295,000	9/2014 to 9/2021	5.00	1,030,500	1,370,000
Series 2013A	7/30/2013	201,360,000	201,360,000	7/2014 to 7/2033	1.25 to 5.25	10,011,400	6,100,000
Series 2014A (Refunding)	2/6/2014	154,275,000	154,275,000	7/2014 to 7/2038	3.00 to 5.25	7,283,364	1,285,000
Total New Money Bonds		723,100,000	528,535,000			27,282,531	17,140,000
Total Refunding Bonds		1,011,245,000	911,015,000			43,469,796	42,710,000
Total General Obligation Bonds		1,734,345,000	1,439,550,000			70,752,327	59,850,000

Business Type Activities**Revenue Bonds****Water and Sewer Revenue Bonds:**

Series 1997B	11/25/1997	100,000,000	63,800,000	8/2014 to 8/2027	variable	30,387	3,400,000
Series 1998 (Refunding)	12/15/1998	135,185,000	38,025,000	12/15/2014	5.25	998,156	38,025,000
Series 1999	4/22/1999	6,700,000	410,108	7/2014 to 4/2019	2.729	10,190	80,475
Series 2005A	5/4/2005	250,000,000	117,250,000	7/2014 to 7/2035	5.00	5,724,125	5,535,000
Series 2005B (Refunding)	5/4/2005	86,105,000	67,175,000	8/2014 to 8/2018	4.53	2,691,160	15,535,000
Series 2007A (Refunding)	5/9/2007	191,440,000	137,010,000	8/2017 to 8/2027	4.50 to 5.00	6,551,200	-
Series 2007B (Refunding)	5/9/2007	153,595,000	152,220,000	11/2015 to 11/2031	4.00 to 5.00	6,923,075	245,000
Series 2009A	5/21/2009	140,000,000	140,000,000	1/2017 to 1/2036	4.00 to 5.75	7,294,038	-
Series 2009B	10/14/2009	28,790,697	25,090,064	7/2014 to 6/2033	1.193 to 2.107	287,740	2,123,601
Series 2009C	10/14/2009	41,771,895	36,230,899	7/2014 to 6/2033	1.193 to 2.107	416,941	2,803,062
Series 2009D	3/31/2010	71,703,769	64,520,996	7/2014 to 6/2033	1.193 to 2.107	747,015	4,164,261
Series 2010B	6/17/2010	27,741,841	27,133,255	7/2014 to 6/2033	1.193 to 2.107	316,095	1,393,773
Series 2010A (Refunding)	4/15/2010	396,460,000	251,830,000	6/2015 to 6/2019	3.00 to 5.00	12,022,735	49,275,000
Series 2010C	8/5/2010	185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	9,022,250	-
Series 2011A	11/16/2011	135,000,000	135,000,000	1/2033 to 1/2041	4.50 to 5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011	49,855,000	49,855,000	11/2016 to 11/2026	4.00 to 5.00	2,460,500	-
Series 2012 (Refunding)	11/1/2012	70,370,000	67,725,000	11/2014 to 11/2028	4.00 to 5.00	3,304,650	2,720,000
Series 2013A	8/22/2013	170,000,000	170,000,000	1/2017 to 1/2043	3.00 to 5.125	8,471,700	-
Series 2014 (Refunding)	1/23/2014	93,170,000	93,170,000	7/2016 to 7/2027	3.00 to 5.00	4,219,132	-

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2014

Schedule VII

Amounts in USD

	<u>Date of Issuance</u>	<u>Issued</u>	<u>Fiscal 2014 Outstanding</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>FY 2015 Debt Service Requirements</u>	<u>Principal</u>
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,408,333	-
<u>Total New Money Bonds</u>		1,186,708,202	994,435,322			40,465,814	19,500,172
<u>Total Refunding Bonds</u>		1,176,180,000	857,010,000			39,170,608	105,800,000
<u>Total Water Revenue Bonds</u>		2,362,888,202	1,851,445,322			79,636,422	125,300,172
Aviation Revenue Bonds:							
Series 1998B	7/15/1998	443,700,000	5,000	7/1/2028	5.125	256	-
Series 2005C (Refunding)	6/2/2005	189,500,000	140,200,000	6/2015 to 6/2025	variable	6,626,476	9,000,000
Series 2005A	8/4/2005	124,985,000	109,075,000	6/2015 to 6/2035	4.20 to 5.00	5,184,205	3,130,000
Series 2007A	8/16/2007	172,470,000	158,870,000	6/2015 to 6/2037	5.00	7,943,500	3,835,000
Series 2007B (Refunding)	8/16/2007	82,915,000	59,290,000	6/2015 to 6/2027	5.00	2,964,500	3,965,000
Series 2009A (Refunding)	4/14/2009	45,715,000	38,790,000	6/2015 to 6/2029	4.00 to 5.375	1,882,354	1,865,000
Series 2010A	11/15/2010	273,065,000	267,980,000	6/2015 to 6/2040	4.00 to 5.25	13,353,112	5,315,000
Series 2010B (Refunding)	11/15/2010	24,395,000	5,305,000	6/15/2015	5.00	265,250	5,305,000
Series 2010C (Refunding)	11/15/2010	54,730,000	33,495,000	6/2015 to 6/2018	5.00	1,674,750	7,775,000
Series 2010D (Refunding)	11/15/2010	272,475,000	231,600,000	6/2015 to 6/2028	4.00 to 5.25	11,844,450	14,545,000
Series 2011A (Refunding)	12/14/2011	199,040,000	181,185,000	6/2015 to 6/30/2028	4.625 to 5.00	9,003,656	6,315,000
Series 2011B (Refunding)	12/14/2011	34,790,000	30,470,000	6/2015 to 6/2031	2.00 to 5.00	1,293,019	1,300,000
<u>Total New Money Bonds</u>		1,014,220,000	535,930,000			26,481,073	12,280,000
<u>Total Refunding Bonds</u>		903,560,000	720,335,000			35,554,455	50,070,000
<u>Total Aviation Revenue Bonds</u>		1,917,780,000	1,256,265,000			62,035,528	62,350,000
<u>Total Revenue Bonds</u>		4,280,668,202	3,107,710,322			141,671,950	187,650,172
<u>Total All Bonds</u>		6,015,013,202	4,547,260,322			212,424,277	247,500,172

NOTES:

¹ Assumes interest rate to be fixed swap rate on hedged variable rate bonds

² Based on latest available estimated rates at June 30, 2014

City of Philadelphia
 Budgetary Comparison Schedule
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2014

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	606,789	603,747	607,107	3,360
Revenue from Other Governments	1,350	850	1,946	1,096
Revenue from Other Funds	79,941	52,752	33,966	(18,786)
Total Revenues	688,080	657,349	643,019	(14,330)
<u>Expenditures and Encumbrances</u>				
Personal Services	116,125	116,065	108,957	7,108
Pension Contributions	59,200	61,486	60,756	730
Other Employee Benefits	43,330	41,044	41,044	-
Sub-Total Employee Compensation	218,655	218,595	210,757	7,838
Purchase of Services	157,164	157,224	133,942	23,282
Materials and Supplies	48,887	48,881	45,945	2,936
Equipment	5,079	5,085	3,468	1,617
Contributions, Indemnities and Taxes	6,602	6,602	6,036	566
Debt Service	205,355	205,355	204,646	709
Payments to Other Funds	58,456	58,456	75,661	(17,205)
Advances, Subsidies, Miscellaneous	9,882	9,882	-	9,882
Total Expenditures and Encumbrances	710,080	710,080	680,455	29,625
Operating Surplus (Deficit) for the Year	(22,000)	(52,731)	(37,436)	15,295
Fund Balance Available for Appropriation, July 1, 2013	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	22,000	22,000	37,436	15,436
Adjusted Fund Balance, July 1, 2013	22,000	22,000	37,436	15,436
Fund Balance Available for Appropriation, June 30, 2014	-	(30,731)	-	30,731

City of Philadelphia
 Budgetary Comparison Schedule
 Water Residual Fund
 For the Fiscal Year Ended June 30, 2014

Schedule IX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Locally Generated Non-Tax Revenue	1,240	1,163	(10)	(1,173)
Revenue from Other Funds	<u>25,313</u>	<u>24,428</u>	<u>25,229</u>	<u>801</u>
Total Revenues	26,553	25,591	25,219	(372)
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>20,740</u>	<u>20,740</u>	<u>854</u>	<u>19,886</u>
Total Expenditures and Encumbrances	<u>20,740</u>	<u>20,740</u>	<u>854</u>	<u>19,886</u>
Operating Surplus (Deficit) for the Year	<u>5,813</u>	<u>4,851</u>	<u>24,365</u>	<u>19,514</u>
Fund Balance Available for Appropriation, July 1, 2013	885	847	847	-
Fund Balance Available for Appropriation, June 30, 2014	<u>6,698</u>	<u>5,698</u>	<u>25,212</u>	<u>19,514</u>

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2014

Schedule X

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Revenue from Other Governments	<u>4,950</u>	<u>4,950</u>	<u>4,701</u>	<u>(249)</u>
Total Revenues	<u>4,950</u>	<u>4,950</u>	<u>4,701</u>	<u>(249)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	861	856	5
Materials and Supplies	336	336	168	168
Equipment	-	-	102	(102)
Payments to Other Funds	<u>19</u>	<u>19</u>	<u>18</u>	<u>1</u>
Total Expenditures and Encumbrances	<u>4,950</u>	<u>4,950</u>	<u>4,878</u>	<u>72</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>(177)</u>	<u>(177)</u>
Fund Balance Available for Appropriation, July 1, 2013	2,377	2,388	2,388	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>25</u>	<u>25</u>	<u>200</u>	<u>175</u>
Adjusted Fund Balance, July 1, 2013	<u>2,402</u>	<u>2,413</u>	<u>2,588</u>	<u>175</u>
Fund Balance Available for Appropriation, June 30, 2014	<u>2,402</u>	<u>2,413</u>	<u>2,411</u>	<u>(2)</u>

City of Philadelphia
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2014

Schedule XI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	3	1	1	-
Revenue from Other Governments	<u>23,925</u>	<u>26,400</u>	<u>26,058</u>	<u>(342)</u>
Total Revenues	23,928	26,401	26,059	(342)
<u>Expenditures and Encumbrances</u>				
Personal Services	4,000	4,000	4,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Sub-Total Employee Compensation	5,000	5,000	5,000	-
Purchase of Services	15,459	15,459	13,251	2,208
Materials and Supplies	5,990	5,990	5,788	202
Payments to Other Funds	<u>20</u>	<u>20</u>	<u>20</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>26,469</u>	<u>26,469</u>	<u>24,059</u>	<u>2,410</u>
Operating Surplus (Deficit) for the Year	<u>(2,541)</u>	<u>(68)</u>	<u>2,000</u>	<u>2,068</u>
Fund Balance Available for Appropriation, July 1, 2013	15,954	19,407	19,407	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>500</u>	<u>500</u>	<u>779</u>	<u>279</u>
Adjusted Fund Balance, July 1, 2013	<u>16,454</u>	<u>19,907</u>	<u>20,186</u>	<u>279</u>
Fund Balance Available for Appropriation, June 30, 2014	<u><u>13,913</u></u>	<u><u>19,839</u></u>	<u><u>22,186</u></u>	<u><u>2,347</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2014

Schedule XII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Taxes	56,319	56,319	52,756	(3,563)
Locally Generated Non-Tax Revenue	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	56,321	56,319	52,756	(3,563)
<u>Expenditures and Encumbrances</u>				
Contributions, Indemnities and Taxes	<u>56,321</u>	<u>56,321</u>	<u>56,321</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>56,321</u>	<u>56,321</u>	<u>56,321</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(2)</u>	<u>(3,565)</u>	<u>(3,563)</u>
Fund Balance Available for Appropriation, July 1, 2013	7,352	6,852	6,852	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>298</u>	<u>298</u>
Adjusted Fund Balance, July 1, 2013	<u>7,352</u>	<u>6,852</u>	<u>7,150</u>	<u>298</u>
Fund Balance Available for Appropriation, June 30, 2014	<u><u>7,352</u></u>	<u><u>6,850</u></u>	<u><u>3,585</u></u>	<u><u>(3,265)</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Aviation Operating Fund
 For the Fiscal Year Ended June 30, 2014

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	408,350	373,345	320,623	(52,722)
Revenue from Other Governments	3,500	4,650	2,120	(2,530)
Revenue from Other Funds	<u>2,675</u>	<u>2,400</u>	<u>1,098</u>	<u>(1,302)</u>
Total Revenues	414,525	380,395	323,841	(56,554)
<u>Expenditures and Encumbrances</u>				
Personal Services	65,602	66,709	63,619	3,090
Pension Contributions	30,250	33,703	33,703	-
Other Employee Benefits	<u>18,564</u>	<u>21,105</u>	<u>21,104</u>	<u>1</u>
Sub-Total Employee Compensation	114,416	121,517	118,426	3,091
Purchase of Services	122,386	122,386	106,628	15,758
Materials and Supplies	9,639	9,893	9,069	824
Equipment	8,230	7,976	1,980	5,996
Contributions, Indemnities and Taxes	8,217	8,217	1,109	7,108
Debt Service	135,849	129,764	125,407	4,357
Payments to Other Funds	21,973	21,973	7,187	14,786
Advances, Subsidies, Miscellaneous	<u>5,003</u>	<u>3,987</u>	<u>-</u>	<u>3,987</u>
Total Expenditures and Encumbrances	<u>425,713</u>	<u>425,713</u>	<u>369,806</u>	<u>55,907</u>
Operating Surplus (Deficit) for the Year	<u>(11,188)</u>	<u>(45,318)</u>	<u>(45,965)</u>	<u>(647)</u>
Fund Balance Available for Appropriation, July 1, 2013	41,028	46,908	46,908	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>15,000</u>	<u>22,000</u>	<u>15,392</u>	<u>(6,608)</u>
Adjusted Fund Balance, July 1, 2013	<u>56,028</u>	<u>68,908</u>	<u>62,300</u>	<u>(6,608)</u>
Fund Balance Available for Appropriation, June 30, 2014	<u>44,840</u>	<u>23,590</u>	<u>16,335</u>	<u>(7,255)</u>

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2014

Schedule XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	250	250	1,860	1,610
Revenue from Other Governments	83,345	63,345	38,023	(25,322)
Total Revenues	83,595	63,595	39,883	(23,712)
<u>Other Sources</u>				
Decrease in Financed Reserves	-	-	9,906	9,906
Total Revenues and Other Sources	83,595	63,595	49,789	(13,806)
<u>Expenditures and Encumbrances</u>				
Personal Services	6,501	6,501	3,982	2,519
Pension Contributions	2,209	2,380	2,030	350
Other Employee Benefits	2,017	1,846	1,227	619
Sub-Total Employee Compensation	10,727	10,727	7,239	3,488
Purchase of Services	52,555	59,505	47,251	12,254
Materials and Supplies	206	252	131	121
Equipment	77	81	1	80
Payments to Other Funds	30	30	20	10
Advances, Subsidies, Miscellaneous	20,000	13,000	-	13,000
Total Expenditures and Encumbrances	83,595	83,595	54,642	28,953
Operating Surplus (Deficit) for the Year	-	(20,000)	(4,853)	15,147
Fund Balance Available for Appropriation, July 1, 2013	-	(7,191)	(7,191)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	4,159	4,159
Prior Period Adjustments	-	7,191	-	(7,191)
Adjusted Fund Balance, July 1, 2013	-	-	(3,032)	(3,032)
Fund Balance Available for Appropriation, June 30, 2014	-	(20,000)	(7,885)	12,115

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2014

Schedule XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Taxes	5,450	5,450	5,425	(25)
Locally Generated Non-Tax Revenue	<u>3</u>	<u>1</u>	<u>8</u>	<u>7</u>
Total Revenues	5,453	5,451	5,433	(18)
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	<u>453</u>	<u>451</u>	<u>433</u>	<u>(18)</u>
Fund Balance Available for Appropriation, July 1, 2013	<u>6,769</u>	<u>6,822</u>	<u>6,822</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2014	<u><u>7,222</u></u>	<u><u>7,273</u></u>	<u><u>7,255</u></u>	<u><u>(18)</u></u>

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2014

Schedule XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	<u>12,020</u>	<u>12,010</u>	<u>11,014</u>	<u>(996)</u>
Total Revenues	12,020	12,010	11,014	(996)
<u>Expenditures and Encumbrances</u>				
Personal Services	950	950	950	-
Purchase of Services	<u>20,550</u>	<u>20,550</u>	<u>20,550</u>	<u>-</u>
Total Expenditures and Encumbrances	21,500	21,500	21,500	-
Operating Surplus (Deficit) for the Year	<u>(9,480)</u>	<u>(9,490)</u>	<u>(10,486)</u>	<u>(996)</u>
Fund Balance Available for Appropriation, July 1, 2013	1,199	5,593	5,593	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	8,500	6,500	6,350	(150)
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>(838)</u>	<u>(838)</u>
Adjusted Fund Balance, July 1, 2013	<u>9,699</u>	<u>12,093</u>	<u>11,105</u>	<u>(988)</u>
Fund Balance Available for Appropriation, June 30, 2014	<u>219</u>	<u>2,603</u>	<u>619</u>	<u>(1,984)</u>

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2014

Schedule XVII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	470,193	469,915	15	(469,900)
Revenue from Other Governments	345,596	345,871	18,445	(327,426)
Revenue from Other Funds	29,855	29,858	9,501	(20,357)
Total Revenues	845,644	845,644	27,961	(817,683)
<u>Other Sources (Uses)</u>				
Increase in Unreimbursed Commitments	-	-	10,175	10,175
Proceeds from Bond Sales	-	-	211,167	211,167
Total Revenues and Other Sources	845,644	845,644	249,303	(596,341)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	845,644	845,644	165,925	679,719
Operating Surplus (Deficit) for the Year	-	-	83,378	83,378
Fund Balance Available for Appropriation, July 1, 2013	-	-	(59,184)	(59,184)
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	1,562	1,562
Prior Period Adjustments	-	-	(39)	(39)
Adjusted Fund Balance, July 1, 2013	-	-	(57,661)	(57,661)
Fund Balance Available for Appropriation, June 30, 2014	-	-	25,717	25,717

City of Philadelphia
 Budgetary Comparison Schedule
 Acute Care Hospital Assessment Fund
 For the Fiscal Year Ended June 30, 2014

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Tax Revenue	<u>157,000</u>	<u>157,000</u>	<u>148,574</u>	<u>(8,426)</u>
Total Revenues	<u>157,000</u>	<u>157,000</u>	<u>148,574</u>	<u>(8,426)</u>
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>3,788</u>	<u>3,788</u>
Total Revenues and Other Sources	<u>157,000</u>	<u>157,000</u>	<u>152,362</u>	<u>(4,638)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	<u>5,877</u>	<u>5,877</u>	<u>3,325</u>	<u>2,552</u>
Pension Contributions	<u>42</u>	<u>27</u>	<u>27</u>	<u>-</u>
Other Employee Benefits	<u>216</u>	<u>231</u>	<u>231</u>	<u>-</u>
Sub-Total Employee Compensation	<u>6,135</u>	<u>6,135</u>	<u>3,583</u>	<u>2,552</u>
Purchase of Services	<u>153,274</u>	<u>153,274</u>	<u>152,404</u>	<u>870</u>
Materials and Supplies	<u>26</u>	<u>26</u>	<u>4</u>	<u>22</u>
Equipment	<u>-</u>	<u>-</u>	<u>1</u>	<u>(1)</u>
Payments to Other Funds	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>160,935</u>	<u>160,935</u>	<u>157,492</u>	<u>3,443</u>
Operating Surplus (Deficit) for the Year	<u>(3,935)</u>	<u>(3,935)</u>	<u>(5,130)</u>	<u>(1,195)</u>
Fund Balance Available for Appropriation, July 1, 2013	<u>7,692</u>	<u>15,196</u>	<u>15,196</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Adjusted Fund Balance, July 1, 2013	<u>7,692</u>	<u>15,196</u>	<u>15,197</u>	<u>1</u>
Fund Balance Available for Appropriation, June 30, 2014	<u>3,757</u>	<u>11,261</u>	<u>10,067</u>	<u>(1,194)</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	492,363	488,938	483,955	(4,983)	504,207	(20,252)
Prior Years	44,234	44,234	42,469	(1,765)	36,324	6,145
Total Real Property Tax	536,597	533,172	526,424	(6,748)	540,531	(14,107)
Wage and Earnings Taxes:						
Current	1,269,883	1,246,249	1,255,871	9,622	1,219,500	36,371
Prior Years	4,250	4,250	5,717	1,467	2,006	3,711
Total Wage and Earnings Taxes	1,274,133	1,250,499	1,261,588	11,089	1,221,506	40,082
Business Taxes:						
Business Income & Receipts Taxes:						
Current	375,005	420,917	421,066	149	411,731	9,335
Prior Years	35,000	40,355	40,589	234	39,180	1,409
Total Business Income & Receipts Taxes	410,005	461,272	461,655	383	450,911	10,744
Net Profits Tax:						
Current	10,261	16,946	13,179	(3,767)	17,230	(4,051)
Prior Years	2,500	2,500	3,083	583	1,934	1,149
Total Net Profits Tax	12,761	19,446	16,262	(3,184)	19,164	(2,902)
Total Business Taxes	422,766	480,718	477,917	(2,801)	470,075	7,842
Other Taxes:						
Sales Tax	272,577	264,920	263,050	(1,870)	257,550	5,500
Amusement Tax	20,465	20,465	19,974	(491)	19,081	893
Real Property Transfer Tax	157,630	160,545	168,068	7,523	147,968	20,100
Parking Lot Tax	74,991	74,991	75,152	161	73,261	1,891
Smokeless Tobacco	634	634	698	64	728	(30)
Miscellaneous Taxes	2,805	2,805	3,013	208	2,756	257
Total Other Taxes	529,102	524,360	529,955	5,595	501,344	28,611
Total Taxes	2,762,598	2,788,749	2,795,884	7,135	2,733,456	62,428
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,390	5,835	5,590	(245)	5,933	(343)
Licenses and Permits	47,554	49,494	52,996	3,502	55,253	(2,257)
Fines, Forfeits, Penalties, Confiscated						
Money and Property	20,498	18,474	17,943	(531)	19,020	(1,077)
Interest Income	3,144	1,369	1,697	328	1,843	(146)
Service Charges and Fees	133,761	145,663	136,819	(8,844)	126,685	10,134
Other	54,821	86,606	86,710	104	57,440	29,270
Total Locally Generated Non-Tax Revenue	265,168	307,441	301,755	(5,686)	266,174	35,581
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	32,122	32,238	31,001	(1,237)	39,706	(8,705)
Commonwealth of Pennsylvania:						
Grants and Other Payments	210,422	258,697	255,326	(3,371)	233,634	21,692
Other Governmental Units	386,026	383,851	379,682	(4,169)	378,199	1,483
Total Revenue from Other Governments	628,570	674,786	666,009	(8,777)	651,539	14,470
Revenue from Other Funds	67,249	67,486	42,001	(25,485)	46,821	(4,820)
Total Revenues	3,723,585	3,838,462	3,805,649	(32,813)	3,697,990	107,659

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	15,815	16,220	14,474	1,746	13,468	1,006
Mayor's Office:						
Mayor's Office	5,192	5,381	5,057	324	3,729	1,328
Scholarships	200	200	200	-	318	(118)
Mural Arts Program	1,401	1,590	1,586	4	947	639
Labor Relations	553	553	479	74	543	(64)
MDO Office of Technology	84,994	84,995	64,078	20,917	63,234	844
Office of Property Assessment	13,326	13,333	10,875	2,458	11,564	(689)
Transportation	789	789	709	80	604	105
Law	12,822	13,993	13,950	43	14,827	(877)
Board of Ethics	1,000	1,000	768	232	713	55
Youth Commission	140	140	83	57	57	26
Inspector General	1,462	1,462	1,401	61	1,259	142
City Planning Commission	2,273	2,302	2,302	-	2,252	50
Commission on Human Relations	2,014	2,014	1,784	230	1,688	96
Arts & Culture	2,671	2,671	2,562	109	2,596	(34)
Board of Revision of Taxes	1,051	1,358	1,053	305	1,056	(3)
Total General Government	145,703	148,001	121,361	26,640	118,855	2,506
Operation of Service Departments						
Housing	3,020	4,060	4,060	-	2,840	1,220
Managing Director	74,017	75,252	74,990	262	73,276	1,714
Police	595,593	614,790	607,074	7,716	585,104	21,970
Streets	115,561	137,957	137,957	-	118,695	19,262
Fire	197,181	247,993	247,993	-	200,457	47,536
Public Health	114,483	114,620	109,947	4,673	109,077	870
Office-Behavioral Health/Mental Retardation	13,833	13,933	13,668	265	14,145	(477)
Parks and Recreation	51,314	54,367	54,367	-	52,468	1,899
Atwater Kent Museum	271	276	277	(1)	270	7
Public Property	173,905	192,697	190,956	1,741	172,472	18,484
Department of Human Services	98,339	100,240	100,242	(2)	90,871	9,371
Philadelphia Prisons	238,805	245,815	245,814	1	242,659	3,155
Office of Supportive Housing	43,617	45,156	45,156	-	42,112	3,044
Office of Fleet Management	56,445	62,541	62,611	(70)	60,810	1,801
Licenses and Inspections	22,588	25,880	25,698	182	21,649	4,049
Board of L & I Review	162	162	134	28	127	7
Board of Building Standards	71	71	62	9	57	5
Zoning Board of Adjustment	357	357	357	-	361	(4)
Records	4,026	4,546	4,340	206	3,933	407
Philadelphia Historical Commission	397	397	350	47	352	(2)
Art Museum	2,550	2,550	2,550	-	2,400	150
Philadelphia Free Library	35,258	35,742	35,736	6	33,591	2,145
Total Operations of Service Departments	1,841,793	1,979,402	1,964,339	15,063	1,827,726	136,613
Financial Management						
Office of Director of Finance	5,262	13,751	16,077	(2,326)	14,216	1,861
Department of Revenue	20,561	20,851	20,211	640	18,661	1,550
Sinking Fund Commission	226,259	215,851	215,932	(81)	209,845	6,087
Procurement	4,643	4,643	4,809	(166)	4,564	245
City Treasurer	899	899	894	5	884	10
Audit of City Operations	7,696	7,696	7,461	235	7,027	434
Total Financial Management	265,320	263,691	265,384	(1,693)	255,197	10,187

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,177,305	1,221,324	1,194,091	27,233	1,119,075	75,016
Community College of Philadelphia	26,409	26,409	26,409	-	25,409	1,000
Hero Award	25	25	18	7	21	(3)
Refunds	250	250	100	150	-	100
Indemnities	41,512	2,354	118	2,236	295	(177)
Office of Risk Management	3,074	3,152	3,131	21	2,916	215
Witness Fees	172	108	101	7	132	(31)
Contribution to School District	69,050	114,050	114,050	-	68,990	45,060
Total City-Wide Under Director of Finance	1,317,797	1,367,672	1,338,018	29,654	1,216,838	121,180
Promotion and Public Relations						
City Representative	1,006	1,006	970	36	960	10
Commerce	19,005	19,005	18,992	13	18,839	153
Total Promotion and Public Relations	20,011	20,011	19,962	49	19,799	163
Personnel						
Civic Service Commission	84,876	37,397	176	37,221	171	5
Personnel Director	5,886	5,887	5,496	391	5,301	195
Total Personnel	90,762	43,284	5,672	37,612	5,472	200
Administration of Justice						
Register of Wills	3,403	3,403	3,290	113	3,269	21
District Attorney	32,082	32,808	32,808	-	31,450	1,358
Sheriff	14,670	18,323	18,323	-	15,146	3,177
First Judicial District	103,431	107,196	107,195	1	109,394	(2,199)
Total Administration of Justice	153,586	161,730	161,616	114	159,259	2,357
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,542	1,521	1,521	-	1,437	84
Conduct of Elections						
City Commissioners	8,889	8,893	8,691	202	8,683	8
Total Obligations	3,845,403	3,994,205	3,886,564	107,641	3,613,266	273,298
Operating Surplus (Deficit) for the Year	(121,818)	(155,743)	(80,915)	74,828	84,724	(165,639)

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

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual</u>		
	<u>Original</u>	<u>Final</u>	<u>FY 2014 Actual</u>	<u>Positive (Negative)</u>	<u>FY 2013 Actual</u>	<u>Increase (Decrease)</u>
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	504,280	505,677	523,674	17,997	489,134	34,540
Sales and Charges - Prior Years	50,140	45,531	34,756	(10,775)	33,511	1,245
Fire Service Connections	2,252	2,186	2,236	50	2,026	210
Surcharges	6,000	5,761	4,252	(1,509)	5,656	(1,404)
Fines and Penalties	1,059	1,159	873	(286)	1,026	(153)
Miscellaneous Charges	2,012	2,312	1,609	(703)	1,446	163
Charges to Other Municipalities	32,800	31,700	31,642	(58)	29,512	2,130
Licenses and Permits	2,480	2,890	3,347	457	3,184	163
Interest Income	1,000	1,000	422	(578)	551	(129)
Fleet Management - Sale of Vehicles & Equipment	175	175	109	(66)	125	(16)
Contributions from Sinking Fund Reserve	-	-	-	-	1,707	(1,707)
Reimbursement of Expenditures	241	241	458	217	569	(111)
Repair Loan Program	3,400	4,165	2,807	(1,358)	2,802	5
Other	950	950	922	(28)	768	154
Total Locally Generated Non-Tax Revenue	606,789	603,747	607,107	3,360	572,017	35,090
<u>Revenue from Other Governments</u>						
State	350	350	1,310	960	163	1,147
Federal	1,000	500	636	136	2,564	(1,928)
Total Revenue from Other Governments	1,350	850	1,946	1,096	2,727	(781)
<u>Revenue from Other Funds</u>						
	79,941	52,752	33,966	(18,786)	37,212	(3,246)
Total Revenues	688,080	657,349	643,019	(14,330)	611,956	31,063
<u>Obligations</u>						
Mayor's Office of Information Services	17,621	17,621	15,133	2,488	14,046	1,087
Public Property	3,786	3,786	3,786	-	3,739	47
Office of Fleet Management	8,510	8,510	8,186	324	7,219	967
Water Department	336,271	342,307	329,230	13,077	302,494	26,736
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	59,200	61,486	60,755	731	55,959	4,796
Other Employee Benefits	43,330	41,044	41,044	-	40,369	675
Contributions, Indemnities and Taxes	6,500	464	-	464	-	-
Advances, Subsidies, Miscellaneous	9,882	9,882	-	9,882	-	-
Department of Revenue	16,079	16,079	14,524	1,555	14,602	(78)
Sinking Fund Commission	205,355	205,355	204,646	709	201,576	3,070
Procurement Department	69	69	63	6	69	(6)
Law	3,167	3,167	2,880	287	2,861	19
Mayor's Office of Transportation	310	310	208	102	170	38
Total Obligations	710,080	710,080	680,455	29,625	643,104	37,351
Operating Surplus (Deficit) for the Year	(22,000)	(52,731)	(37,436)	15,295	(31,148)	(6,288)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2014 (with comparative actual amounts for the Fiscal Year Ended June 30, 2013)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2014 Actual	Positive (Negative)	FY 2013 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Concessions	36,000	36,000	36,487	487	34,123	2,364
Space Rentals	160,000	150,000	112,452	(37,548)	105,207	7,245
Landing Fees	76,000	65,000	64,956	(44)	60,025	4,931
Parking	25,000	25,000	24,999	(1)	24,041	958
Car Rentals	22,000	22,500	19,256	(3,244)	19,711	(455)
Interest Earnings	1,000	2,000	383	(1,617)	333	50
Sale of Utilities	4,500	4,000	4,954	954	3,227	1,727
Passenger Facility Charge	32,800	32,800	31,168	(1,632)	31,160	8
Overseas Terminal Facility Charges	-	-	4	4	11	(7)
International Terminal Charge	33,000	22,000	23,009	1,009	19,744	3,265
Other	18,050	14,045	2,955	(11,090)	3,517	(562)
Total Locally Generated Non-Tax Revenue	408,350	373,345	320,623	(52,722)	301,099	19,524
<u>Revenue from Other Governments</u>						
State	500	500	-	(500)	-	-
Federal	3,000	4,150	2,120	(2,030)	2,528	(408)
Total Revenue from Other Governments	3,500	4,650	2,120	(2,530)	2,528	(408)
<u>Revenue from Other Funds</u>						
	2,675	2,400	1,098	(1,302)	989	109
Total Revenue	414,525	380,395	323,841	(56,554)	304,616	19,225
<u>Obligations</u>						
Mayor's Office of Information Services	7,269	7,269	5,987	1,282	5,966	21
Police	14,632	14,723	14,723	-	14,050	673
Fire	6,203	7,219	6,863	356	5,645	1,218
Public Property	26,900	26,900	23,075	3,825	21,930	1,145
Office of Fleet Management	8,109	8,109	3,442	4,667	3,552	(110)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	30,250	33,703	33,703	-	30,365	3,338
Other Employee Benefits	18,564	21,104	21,104	-	19,564	1,540
Purchase of Services	4,146	4,146	2,674	1,472	2,574	100
Contributions, Indemnities and Taxes	2,512	1,847	-	1,847	-	-
Advances, Subsidies, Miscellaneous	5,003	3,987	-	3,987	-	-
Sinking Fund Commission	135,849	129,764	125,407	4,357	109,521	15,886
Commerce	164,075	164,741	130,832	33,909	124,249	6,583
Law	1,971	1,971	1,825	146	1,709	116
Mayor's Office of Transportation	230	230	171	59	187	(16)
Total Obligations	425,713	425,713	369,806	55,907	339,312	30,494
Operating Surplus (Deficit) for the Year	(11,188)	(45,318)	(45,965)	(647)	(34,696)	(11,269)



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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Demographic & Economic Information

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City of Philadelphia
Net Position by Component
For the Fiscal Years 2005 Through 2014

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

Governmental Activities

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Investment in Capital Assets	241.3	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)	83.9	232.5	248.6
Restricted	516.5	471.5	689.7	641.0	833.8	705.1	789.5	621.8	586.8	630.3
Unrestricted	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,421.9)	(2,495.5)	(2,478.2)	(2,588.9)	(2,843.5)
Total Governmental Activities Net Position	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)	(1,772.5)	(1,769.6)	(1,964.6)

Business-Type Activities

Net Investment in Capital Assets	548.4	537.4	544.0	591.8	750.6	831.8	845.1	887.8	982.5	1,007.4
Restricted	472.0	551.9	635.1	644.1	511.2	489.3	550.6	591.8	628.9	685.5
Unrestricted	269.7	273.9	257.3	266.2	269.8	257.3	234.3	257.9	173.4	200.7
Total Business-Type Activities Net Position	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4	1,630.0	1,737.5	1,784.8	1,893.6

Primary Government

Net Investment in Capital Assets	789.7	786.0	705.4	798.2	744.8	772.5	797.6	971.7	1,215.0	1,256.0
Restricted	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,194.4	1,340.1	1,213.6	1,215.7	1,315.8
Unrestricted	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)	(2,642.8)
Total Primary Government Net Position	1,019.3	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)	(35.0)	15.2	(71.0)

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2005 Through 2014

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

Expenses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Economic Development	89.5	89.8	92.6	116.4	116.0	145.0	92.2	96.5	94.2	95.1
Transportation:										
Streets & Highways	119.0	116.0	116.6	117.7	119.1	129.4	136.3	115.6	112.9	143.9
Mass Transit	84.9	84.5	85.1	88.3	90.5	82.7	75.2	74.0	71.0	72.1
Judiciary and Law Enforcement:										
Police	817.1	836.0	921.4	1,002.9	985.6	990.5	1,048.1	1,094.2	1,087.9	1,262.7
Prisons	250.2	268.7	293.2	311.4	339.1	343.8	340.4	336.7	342.2	371.2
Courts	284.9	287.1	304.1	321.6	318.7	312.0	315.0	326.2	318.1	338.5
Conservation of Health:										
Emergency Medical Services	34.2	35.6	36.0	37.2	36.9	47.8	53.3	48.4	49.7	69.3
Health Services	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7	1,524.6	1,500.1	1,464.9	1,519.1
Housing and Neighborhood Development	123.0	149.5	111.2	142.1	149.1	131.3	126.1	137.7	102.9	80.3
Cultural and Recreational										
Recreation	68.3	73.3	73.4	86.2	77.3	77.0	98.7	97.3	102.3	113.1
Parks	30.2	28.9	32.6	36.6	37.7	37.9	14.0	9.0	8.6	8.2
Libraries and Museums	80.7	68.6	90.3	87.0	92.8	79.0	75.7	80.8	76.1	84.5
Improvements to General Welfare:										
Social Services	697.6	702.0	765.5	794.1	756.3	718.8	718.4	675.5	625.3	657.5
Education	61.6	59.9	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5
Inspections and Demolitions	79.0	55.3	64.3	47.3	27.8	23.4	30.1	26.5	38.0	43.3
Service to Property:										
Sanitation	126.0	128.8	134.4	138.0	137.8	142.7	143.0	153.2	136.7	153.1
Fire	229.6	236.1	285.3	284.8	278.6	266.0	285.9	292.2	296.8	386.6
General Management and Support	519.9	574.8	568.7	636.9	684.1	683.3	561.0	678.4	743.4	538.0
Interest on Long Term Debt	138.2	136.9	149.5	95.1	214.6	174.9	136.3	112.1	161.8	159.0
Total Governmental Activities Expenses	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,897.6	5,838.3	5,928.7	5,927.2	6,263.0
Business-Type Activities:										
Water and Sewer	442.3	455.4	476.2	504.3	530.8	502.5	520.2	490.8	513.4	543.5
Aviation	269.5	303.1	314.3	323.1	326.2	330.1	336.0	343.1	358.9	376.5
Industrial and Commercial Development	4.7	2.1	3.7	2.1	3.0	0.1	1.9	-	0.6	-
Total Business-Type Activities Expenses	716.5	760.6	794.2	829.5	860.0	832.7	858.1	833.9	872.9	920.0
Total Primary Government Expenses	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,730.3	6,696.4	6,762.6	6,800.1	7,183.0
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	0.1	-	-	-	0.3	0.1	-	1.1	2.6	0.1
Transportation:										
Streets & Highways	1.9	2.2	3.5	3.9	2.8	4.4	5.1	5.2	5.3	5.2
Mass Transit	0.5	0.6	0.6	0.5	0.4	0.5	0.6	1.3	1.9	1.9
Judiciary and Law Enforcement:										
Police	2.2	7.2	1.7	4.3	5.0	3.3	3.5	5.5	6.3	4.5
Prisons	0.4	0.4	0.3	0.3	0.4	0.5	0.5	0.9	0.7	0.4
Courts	48.4	51.5	51.5	52.7	51.8	53.4	45.6	60.6	59.9	50.3
Conservation of Health:										
Emergency Medical Services	23.1	25.0	27.7	27.6	37.5	36.8	34.7	27.5	33.3	36.3
Health Services	13.5	14.0	12.6	15.3	14.4	16.2	16.7	14.8	16.7	18.9
Housing and Neighborhood Development	10.0	22.3	45.2	25.2	31.3	20.8	23.1	28.6	23.5	16.7
Cultural and Recreational:										
Recreation	0.8	0.4	0.2	0.3	3.2	(0.1)	2.8	2.2	3.8	2.8
Parks	0.9	0.4	0.5	1.5	0.6	0.9	5.0	4.8	3.3	2.2
Libraries and Museums	0.5	0.9	0.9	0.8	1.3	0.9	1.8	1.2	1.0	2.0

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2005 Through 2014

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Improvements to General Welfare:										
Social Services	7.6	7.4	7.3	6.4	7.6	14.4	6.8	5.2	8.3	5.6
Education	-	-	-	-	1.1	-	-	-	0.1	-
Inspections and Demolitions	0.7	0.7	44.4	44.9	40.3	43.9	45.5	50.0	53.9	50.1
Service to Property:										
Sanitation	2.1	1.8	-	3.1	2.9	2.0	11.6	15.9	16.2	35.5
Fire	0.5	0.4	0.7	0.2	0.7	0.3	0.5	0.3	0.9	0.3
General Management and Support	130.8	179.1	107.5	110.6	131.9	127.9	136.6	139.7	134.2	177.7
Interest on Long Term Debt	-	-	-	-	-	-	9.2	0.3	-	0.2
Operating Grants and Contributions	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4	2,223.5	2,102.1	1,986.4	1,967.3
Capital Grants and Contributions	9.1	21.4	15.8	10.0	35.0	46.9	32.1	43.2	48.9	35.3
Total Governmental Activities Program Revenues	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,423.5	2,605.2	2,510.4	2,407.2	2,413.3
Business-Type Activities:										
Charges for Services:										
Water and Sewer	450.6	470.8	493.6	503.3	499.7	552.4	558.5	598.3	608.7	638.6
Aviation	278.4	295.0	309.2	303.2	251.7	240.0	258.1	263.2	291.4	315.4
Industrial and Commercial Development	1.1	1.2	1.5	1.5	0.5	0.3	0.5	0.4	0.4	0.4
Operating Grants and Contributions	2.0	2.5	2.8	5.4	2.6	6.1	4.8	3.5	2.3	1.4
Capital Grants and Contributions	20.7	25.3	22.4	36.6	109.4	90.5	105.9	91.6	58.2	93.6
Total Business-Type Activities Program Revenues	752.8	794.8	829.5	850.0	863.9	889.3	927.8	957.0	961.0	1,049.4
Total Primary Government Revenues	3,073.1	3,272.6	3,354.8	3,497.5	3,670.5	3,312.8	3,533.0	3,467.4	3,368.2	3,462.7
Net (Expense)/Revenue										
Governmental Activities	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)	(3,418.3)	(3,520.0)	(3,850)
Business-Type Activities	36.3	34.2	35.3	20.5	3.9	56.6	69.7	123.1	88.1	129.4
Total Primary Government Net Expense	(2,752.3)	(2,831.7)	(3,070.2)	(3,313.7)	(3,420.2)	(3,417.5)	(3,163.4)	(3,295.2)	(3,431.9)	(3,720)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	381.8	386.3	399.2	401.3	409.2	400.8	506.6	500.8	553.8	530.2
Wage & Earnings Taxes	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5	1,504.6	1,551.7	1,598.7	1,639.8
Business Taxes	367.9	430.2	453.7	414.5	407.6	385.2	364.2	399.2	452.4	469.2
Other Taxes	406.4	457.7	460.3	457.0	435.0	578.3	645.8	663.6	706.0	735.8
Unrestricted Grants & Contributions	84.3	81.7	104.1	104.7	107.8	171.4	173.8	223.2	187.4	229.5
Interest & Investment Earnings	32.9	60.2	81.8	65.3	46.1	25.5	35.8	33.3	17.9	21.7
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	4.4	5.0	4.9	4.9	4.2	28.3	24.9	27.5	21.4	28.3
Total Governmental Activities	2,650.7	2,846.0	3,002.5	2,972.2	2,875.4	3,038.0	3,255.7	3,399.3	3,537.6	3,654.5
Business-Type Activities:										
Interest & Investment Earnings	15.8	43.8	45.7	48.7	22.9	7.7	6.9	9.0	12.7	5.3
Unrestricted Grants & Contributions	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)	42.2	2.5
Transfers	11.4	38.9	40.8	43.8	18.7	(20.6)	(18.0)	(15.6)	33.5	(20.5)
Total Business-Type Activities	2,662.1	2,884.9	3,043.3	3,016.0	2,894.1	3,017.4	3,237.7	3,383.7	3,571.1	3,634.0
Change in Net Position										
Governmental Activities	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6	(19.0)	17.6	(195.2)
Business-Type Activities	47.7	73.1	76.1	64.3	22.6	36.0	51.7	107.5	121.6	108.9
Total Primary Government	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3	88.5	139.2	(86.3)

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2005 Through 2014

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

General Fund

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	-	-	-	-	-
Central Library Project	-	10.0	4.8	4.9	4.7	2.3	2.3	2.3	2.3	2.0
Stadium Financing	4.3	6.0	6.4	0.1	1.7	0.6	0.3	0.5	2.1	3.8
Cultural & Commercial Corridor Project	-	-	143.3	122.5	89.8	30.8	19.2	15.3	12.2	11.6
Long Term Loan	45.0	45.0	45.0	22.5	-	-	-	-	79.7	68.2
Committed to:	-	-	-	-	-	-	-	-	-	-
Encumbrances	141.5	132.4	135.6	108.8	102.8	-	-	-	-	-
General Fund	-	-	-	-	-	87.9	-	-	-	-
Assigned to:	-	-	-	-	-	-	-	70.5	98.0	103.1
Unassigned:	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)	(45.7)	-	90.0	23.0
Total General Fund:	154.3	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)	88.6	284.4	211.7

All Other Governmental Funds

Non-spendable:	-	-	-	-	-	-	2.6	2.6	2.8	3.2
Permanent Fund (Principal)	-	-	-	-	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	-	-	-	-	-
Behavioral Health	61.5	196.0	192.9	177.8	188.7	171.0	250.1	230.7	233.7	188.6
Neighborhood Revitalization	173.6	130.1	99.9	77.8	74.6	73.1	61.3	51.6	34.2	30.6
Public Safety Emergency Phone System	6.8	16.7	21.7	28.7	38.8	40.4	36.9	29.6	24.5	27.5
Economic Development	-	-	-	-	-	-	6.6	10.3	7.2	6.8
Intergovernmental Financing	31.7	26.8	24.5	18.6	12.1	7.9	21.1	21.7	33.9	34.0
Intergovernmentally Financed Pgms	-	-	-	-	-	-	24.5	18.9	-	-
Streets & Highways	2.8	4.0	7.5	12.8	16.8	16.8	18.3	23.2	23.9	26.2
Housing & Neighborhood Development	-	-	-	-	-	-	10.5	10.5	15.0	16.6
Health Services	-	-	-	-	4.0	10.8	8.8	9.5	15.2	10.1
Debt Service	88.1	84.3	92.3	80.9	79.1	76.6	82.8	82.4	81.5	83.1
Capital Improvements	-	-	103.0	21.0	196.1	152.2	267.7	128.5	29.2	191.6
Trust Purposes	7.4	7.8	8.9	8.3	6.4	4.7	8.1	8.3	8.9	11.8
Parks & Recreation	-	-	-	-	-	-	0.3	0.4	0.4	0.4
Libraries & Museums	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Stadium Financing	-	-	-	-	-	-	6.3	6.4	6.8	7.3
Committed to:	-	-	-	-	-	-	-	-	-	-
Capital Improvements	76.5	76.0	56.7	61.7	62.5	37.9	-	-	-	-
Economic Development	-	-	-	-	-	6.5	-	-	-	-
Housing & Neighborhood Development	-	9.6	15.9	17.4	18.6	15.2	-	-	-	-
Debt Service	6.5	4.9	5.2	5.7	5.6	7.9	-	-	-	-
Trust Purposes	5.6	6.9	9.2	9.1	8.0	7.7	-	-	-	-
Intergovernmental Financing	43.6	50.1	53.3	52.2	62.6	36.2	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	-	-	-	-	3.6	4.2	4.4	3.5
Parks & Recreation	-	-	-	-	-	-	0.5	0.9	0.7	0.8
Assigned to:	-	-	-	-	-	-	-	-	-	-
Behavioral Health	134.7	-	28.4	40.5	-	42.5	-	-	-	-
PICA Rebate Fund	5.7	6.5	7.0	7.4	8.0	7.5	-	-	-	-
PMA	0.2	0.2	0.2	0.2	0.2	0.2	-	-	-	-
Unassigned:	-	-	-	-	-	-	-	-	-	-
Community Behavioral Health	-	(24.8)	-	-	(5.4)	(4.0)	(4.0)	(6.5)	(7.2)	(7.9)
Housing & Neighborhood Dev	(8.0)	(5.5)	(3.9)	(3.2)	(5.0)	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Grants Revenue Fund	(43.3)	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)	(273.3)
Capital Improvement	(6.3)	(67.1)	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	587.1	471.3	696.3	594.2	734.9	672.1	771.7	458.1	298.1	360.7

¹ Effective April 15, 2009, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occurred.

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2005 Through 2014

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax Revenue	2,535.2	2,535.2	2,805.1	2,781.8	2,705.2	2,812.3	2,995.0	3,112.5	3,304.4	3,370.8
Locally Generated Non-Tax Revenue	265.2	265.2	381.7	349.7	349.3	302.7	370.6	336.5	348.6	387.1
Revenue from Other Governments	2,242.0	2,242.0	2,376.6	2,468.4	2,564.9	2,323.4	2,366.4	2,226.1	2,212.0	2,169.0
Other Revenues	16.7	16.7	17.1	17.9	49.6	33.1	25.8	27.5	27.9	20.2
Total Revenues	5,059.1	5,059.1	5,580.5	5,617.8	5,669.0	5,471.5	5,757.8	5,702.6	5,892.9	5,947.1
Expenditures										
Current Operating:										
Economic Development	92.7	92.7	85.5	112.3	107.0	135.1	82.6	88.9	85.9	83.7
Transportation:										
Streets & Highways	77.7	77.7	89.2	89.7	89.9	91.1	87.4	75.6	81.6	98.1
Mass Transit	56.6	56.6	58.1	61.7	63.7	65.2	67.1	67.7	66.5	67.5
Judiciary and Law Enforcement										
Police	770.9	770.9	880.2	951.9	933.9	882.7	955.9	1,020.0	1,089.4	1,164.9
Prisons	241.3	241.3	278.1	298.2	326.9	315.2	315.9	318.2	338.7	346.3
Courts	276.9	276.9	292.3	311.1	310.5	288.1	294.9	312.3	309.2	317.9
Conservation of Health:										
Emergency Medical Services	33.3	33.3	34.9	36.0	36.2	45.0	50.7	46.7	50.0	65.8
Health Services	1,271.1	1,271.1	1,436.8	1,567.6	1,695.0	1,436.5	1,514.8	1,492.7	1,464.6	1,510.3
Housing and Neighborhood Development	122.9	122.9	109.2	141.9	148.4	131.2	126.1	133.8	102.8	80.3
Cultural and Recreational Recreation	58.3	58.3	62.2	74.3	65.1	58.4	82.9	85.9	90.3	98.6
Parks	23.7	23.7	26.3	28.9	31.8	26.9	5.8	6.1	3.9	1.2
Libraries and Museums	68.2	68.2	83.2	84.2	81.0	68.8	68.7	71.9	72.0	74.9
Improvements to General Welfare:										
Social Services	689.1	689.1	756.7	778.2	743.1	699.7	701.8	674.3	624.3	655.3
Education	61.5	61.5	64.0	65.5	67.2	65.4	64.0	74.3	94.4	167.5
Inspections and Demolitions	81.2	81.2	63.0	46.3	33.1	27.3	34.8	32.2	45.8	40.8
Service to Property:										
Sanitation	122.0	122.0	129.5	132.9	134.6	130.6	133.9	146.2	137.2	144.8
Fire	217.8	217.8	267.6	276.4	266.9	237.6	258.1	267.8	295.9	344.2
General Management and Support	477.1	477.1	563.7	618.4	693.8	615.0	568.5	619.1	622.8	646.7
Capital Outlay	103.1	103.1	92.3	105.8	126.9	148.9	134.9	202.0	161.1	140.1
Debt Service:										
Principal	95.8	95.8	91.5	94.1	87.6	89.7	91.4	103.2	114.1	120.3
Interest	101.0	101.0	103.4	100.0	105.7	96.7	105.6	105.2	112.2	118.0
Bond Issuance Cost	3.9	3.9	5.0	24.2	8.5	23.5	2.2	1.6	4.4	5.0
Total Expenditures	5,046.1	5,046.1	5,552.7	5,999.6	6,156.8	5,678.6	5,748.0	5,945.7	5,967.1	6,292.2
Excess of Revenues Over (Under) Expenditures	13.0	13.0	27.8	(381.8)	(487.8)	(207.1)	9.8	(243.1)	(74.2)	(345.1)
Other Financing Sources (Uses)										
Issuance of Debt	157.3	157.3	353.1	1,303.8	262.9	207.0	139.1	12.6	299.8	293.8
Issuance of Refunding Debt	-	-	-	-	354.9	337.0	114.6	112.6	231.2	363.6
Bond Issuance Premium	-	-	13.8	31.1	26.7	24.3	5.0	16.6	0.8	31.4
Proceeds from Lease & Service Agreements	-	-	-	-	(3.1)	(1.0)	28.1	-	(252.7)	-
Payment to Refunded Bonds Escrow Agent	-	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)	(127.3)	(190.5)	(382.2)
Transfers In	581.4	581.4	460.1	465.2	574.5	558.1	583.1	600.8	613.1	616.3
Transfers Out	(577.0)	(577.0)	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)	(587.9)
Total Other Financing Sources (Uses)	161.7	161.7	371.9	26.2	318.7	91.7	194.2	42.0	110.0	335.0
Net Change in Fund Balances	174.7	174.7	399.7	(355.6)	(169.1)	(115.4)	204.0	(201.1)	35.8	(10.1)
Debt Service as a Percentage of Non-capital Expenditures	4.0%	4.0%	3.6%	3.3%	3.2%	3.4%	3.5%	3.6%	3.9%	3.9%

^{1,0} Effective April 15, 2003, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. \$166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occurred.

Table 5

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2005 through 2014

Amounts in millions of USD

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Additions:										
Contributions:										
Employee Contributions	49.3	48.9	49.2	51.7	54.0	51.6	52.7	50.0	49.6	53.7
Employer's:										
City of Philadelphia	290.6	321.3	419.2	412.4	440.0	297.4	455.8	539.8	763.7	533.4
Quasi-Governmental Agencies	8.6	10.4	13.1	14.5	15.4	15.1	14.2	16.2	18.1	19.8
<u>Total Employer's Contributions</u>	<u>299.2</u>	<u>331.7</u>	<u>432.3</u>	<u>426.9</u>	<u>455.4</u>	<u>312.5</u>	<u>470.1</u>	<u>556.0</u>	<u>781.8</u>	<u>553.2</u>
<u>Total Contributions</u>	<u>348.5</u>	<u>380.6</u>	<u>481.5</u>	<u>478.6</u>	<u>509.4</u>	<u>364.1</u>	<u>522.8</u>	<u>606.0</u>	<u>831.4</u>	<u>606.9</u>
Interest & Dividends	74.6	65.1	80.3	97.1	75.6	70.5	79.5	86.2	122.9	102.2
Net Gain (Decline) in Fair Value of Investments	306.2	386.4	684.7	(322.0)	(945.6)	381.2	618.5	(57.7)	213.9	585.4
(Less) Investment Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(13.3)	(12.2)	(10.2)
Net Securities Lending Revenue	0.9	0.7	1.1	7.4	5.7	1.9	1.5	2.1	3.0	4.2
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	118.0	0.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	(0.3)	(0.6)
Net Investment Income (Loss)	381.7	452.2	766.1	(217.5)	(864.3)	453.6	699.5	14.5	445.3	681.0
Miscellaneous Operating Revenue	0.4	2.1	2.1	1.1	1.0	0.7	1.4	0.0	0.5	0.5
<u>Total Additions</u>	<u>730.6</u>	<u>834.9</u>	<u>1,249.7</u>	<u>262.2</u>	<u>(353.9)</u>	<u>818.4</u>	<u>1,223.7</u>	<u>620.5</u>	<u>1,277.2</u>	<u>1,288.4</u>
Deductions:										
Pension Benefits	590.6	608.6	655.8	725.7	681.1	680.1	681.9	706.2	740.7	802.6
Refunds to Members	4.6	4.8	4.5	4.2	4.8	4.5	5.1	6.5	5.7	6.0
Administrative Costs	6.8	6.7	6.7	7.6	8.4	8.1	8.0	0.0	8.2	8.3
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.2	0.2	0.0
<u>Total Deductions</u>	<u>602.0</u>	<u>620.1</u>	<u>667.0</u>	<u>737.5</u>	<u>694.3</u>	<u>692.7</u>	<u>695.0</u>	<u>727.9</u>	<u>754.8</u>	<u>816.9</u>
Net Increase (Decrease)	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7	(107.4)	522.4	471.5
Net Assets: Adjusted Opening	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2
Closing	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2	3,922.8	4,445.2	4,916.7
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%	1687.24%	1682.60%
Closing Net Assets	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%	18.00%	16.66%	16.32%
Coverage of Additions over Deductions	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%	85.25%	169.21%	157.72%
Investment Earnings as % of Pension Benefits	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%	2.05%	60.12%	84.85%

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2004 Through 2013

Table 6

Amounts in millions of USD

Year	City Residents			Non-City Residents			Total Taxable Income	Total Direct Rate
	Taxable Income	% of Total	Direct Rate ^{1,2}	Taxable Income	% of Total	Direct Rate ^{1,2}		
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	21,051.3	57.33%	4.26000%	15,670.2	42.67%	3.75570%	36,721.5	4.04480%
2008	22,013.7	57.19%	4.09950%	16,479.4	42.81%	3.63170%	38,493.1	3.89923%
2009	21,805.5	57.38%	3.92980%	16,197.3	42.62%	3.49985%	38,002.8	3.74655%
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,360.6	56.99%	3.92800%	17,627.0	43.01%	3.49850%	40,987.6	3.74329%
2013	24,705.9	58.46%	3.92400%	17,557.7	41.54%	3.49500%	42,263.6	3.74578%

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

¹ For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

² In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2005 through 2014

Tax Classification

Wage and Earnings Tax:

^a City Residents

Non-City Residents

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
4.3310%	4.3010% ^b	4.2600% ^b	4.2190% ^b	4.2190% ^b	3.9300% ^b	3.9296% ^b	3.9280% ^b	3.9280% ^b	3.9280% ^b	3.9240%
3.8197%	3.7716% ^b	3.7557% ^b	3.7242% ^b	3.7242% ^b	3.5000% ^b	3.4997% ^b	3.4985% ^b	3.4985% ^b	3.4985% ^b	3.4950%
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	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%	4.123%	4.123%	4.462%	0.602%
School District of Philadelphia	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%	5.309%	5.309%	0.738%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%	9.432%	9.771%	1.340%
^e Assessment Ratio	29.69%	29.24%	29.22%	28.86%	28.46%	26.73%	28.05%	28.87%	28.68%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.454%	2.416%	2.415%	2.385%	2.352%	2.209%	2.548%	2.723%	2.802%	NA

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.

^c **Business Income and Receipts Taxes**

(% on Gross Receipts)	0.2100%	0.1900%	0.1665%	0.1540%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
^f (% on Net Income)	6.5000%	6.5000%	6.5000%	6.5000%	6.4500%	6.4500%	6.4500%	6.4500%	6.4500%	6.4300%

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return.

^c **Net Profits Tax:**

^a City Residents

Non-City Residents

4.6250%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%	3.9280%	3.9240%
3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	3.4985%	3.4985%	3.4985%	3.4985%	3.4950%

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
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2005 through 2014

Table 7

<u>Tax Classification</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>
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%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City										
Hotel Room Rental Tax	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%	8.2%	8.2%	8.2%	8.5%
Rate of Tourism & Marketing Tax	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>
	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>8.2%</u>	<u>9.2%</u>	<u>9.2%</u>	<u>9.2%</u>	<u>9.5%</u>
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration										

^a Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

^b Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

^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 Income and Receipts 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	2013			2004		
	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater than \$10 million	16	\$408.2	25.78%	14	\$320.1	24.00%
Between \$1 million & \$10 million	161	387.7	24.49%	139	332.1	24.90%
Between \$100,000 & \$1 million	1,661	425.5	26.88%	1,383	354.1	26.55%
Between \$10,000 & \$100,000	9,136	269.2	17.00%	8,259	244.0	18.30%
Less than \$10,000	40,097	92.5	5.85%	36,197	83.2	6.25%
Total	<u>51,071</u>	<u>\$1,583.1</u>	<u>100.00%</u>	<u>45,992</u>	<u>\$1,333.5</u>	<u>100.00%</u>

¹ Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2005 through 2014

Table 9

Amounts in millions of USD

Calendar Year of Levy ¹	Assessed Value on Certification Date ³	Less:		Less: Homestead Exemption ⁷	Less: Adjustments between Certification Date and Billing Date ^{2,3}		Total Taxable Assessed Value on Billing Date ⁴	Total Direct Tax Rate ⁴	Estimated Actual Taxable Value (STEB) ⁵	Sales Ratio ⁶	Estimated Actual Taxable Value (Sales)
		Tax-Exempt Property ^{2,3}	Total Taxable Assessed Value ^{2,3}								
2005	15,072	4,040	11,032			11,032	3.474%	29.69%	37,157	24.21%	45,568
2006	15,803	4,372	11,431			11,431	3.474%	29.24%	39,094	23.73%	48,171
2007	16,243	4,628	11,615			11,615	3.474%	29.22%	39,750	17.42%	66,676
2008	16,974	4,799	12,175			12,175	3.305%	28.86%	42,186	17.94%	67,865
2009	17,352	5,146	12,206			12,206	3.305%	28.46%	42,888	16.44%	74,246
2010	17,615	5,339	12,276			12,276	3.305%	26.73%	45,926	24.64%	49,821
2011	17,940	5,593	12,347			12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685	12,337			12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765	12,416			12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	94,513	5,429	2,590	91,923	0.602%	NA	NA	NA	NA

¹ Real property tax bills are normally sent out in December 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: Office of Property Assessment. Beginning in 2014:

- a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)
- b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

⁴ Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

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 Office of Property Assessment based on sales of property during the year.

⁷ Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners.

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

Table 10

Amounts in millions of USD

Taxpayer	2014			2005		
	Assessment	Rank	Percentage of Total Assessments	Assessment	Rank	Percentage of Total Assessments
HUB Properties Trust	265.7	1	0.28	51.2	4	0.46
Nine Penn Center Associates	232.6	2	0.25	54.1	2	0.49
Phila Liberty Pla E Lp	207.7	3	0.22	57.6	1	0.52
Philadelphia Market Street	203.7	4	0.22			-
Tenet Healthsystem Hahnem	192.1	5	0.20			-
Commerce Square Partners	178.2	6	0.19	30.5	9	0.28
Maguire/Thomas	170.1	7	0.18	32.0	8	0.30
Franklin Mills Associates	163.2	8	0.17	48.4	5	0.44
Brandywine Operating Part (Bell Atlantic)	159.4	9	0.17	44.2	6	0.40
NNN 1818 Market St. 37	146.8	10	0.16			-
Two Liberty Place				53.1	3	0.48
PRU 1901 Market LLC				32.9	7	0.30
Phila Shipyard Development Corp				30.3	10	0.27
	<u>1,919.5</u>		<u>2.03</u>	<u>434.3</u>		<u>3.94</u>
Taxable Assessments (before Homestead)	<u>99,942.0</u>		<u>100.00</u>	<u>11,031.8</u>		<u>100.00</u>
Less Homestead Exemption	<u>5,429.0</u>			<u>0.0</u>		
Total Taxable Assessments	<u>94,513.0</u>			<u>11,031.8</u>		

¹ Source: Office of Property Assessment.

a) 2014 Assessment as of March 2013.

b) 2005 Assessment as of November 2004.

² In calendar year 2014,

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) the City initiated a new \$30,000 Homestead Exemption to all homeowners.

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2005 through 2014
General Fund

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on		Collected in the Calendar Year of Levy **3	Percentage Collected in the Calendar Year of Levy	Collected in Subsequent Years **4	Total Collected to Date: All Years		Percentage Collected to Date: All Years
		Assessment **2	Adjusted				Date: All Years	Years	
2005	373.5	NA	NA	350.3	93.8%	23.0	373.3		99.9%
2006	385.6	NA	NA	339.6	88.1%	24.6	364.2		94.5%
2007	391.7	NA	NA	347.5	88.7%	26.0	373.5		95.4%
2008	390.2	NA	NA	346.4	88.8%	27.5	373.9		95.8%
2009	396.5	NA	NA	315.4	79.5%	47.0	362.4		91.4%
2010	405.8	NA	NA	353.7	87.2%	41.8	395.5		97.5%
2011	509.1	NA	NA	440.9	86.6%	44.8	485.7		95.4%
2012	508.6	492.2	492.2	459.2	93.3%	13.9	473.1		96.1%
2013	554.0	538.0	538.0	505.6	94.0%	8.3	513.9		95.5%
2014	553.2	535.8	535.8	470.1	87.7%	N/A	470.1		87.7%

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

**2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid.

For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

**3 For 2014, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections thru the end of June 2014.

**4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.

The collection percentages for the school district are the same as for the General Fund.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2005 through 2014

Table 12

Amounts in millions of USD (except per capita)

Fiscal Year	Governmental Activities												Business-Type Activities				
	General Obligation Bonds	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadium Agreement	Central Library Project	Cultural & Commercial Corridor	PAID School District	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Business-Type Activities	Total Primary Government	% of Personal Income ¹	Per Capita
2005	1,950.8	1,429.7	-	285.3	52.2	341.1	-	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,597.1
2006	1,863.8	1,439.2	-	279.8	50.9	339.6	10.1	-	-	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	0.2	4,549.7
2007	1,993.7	1,444.9	-	273.9	49.6	334.0	9.7	139.6	-	4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	0.1	4,649.0
2008	1,899.1	1,446.6	-	267.8	47.7	328.8	9.3	136.6	-	4,135.9	4.6	1,590.0	1,282.2	2,876.8	7,012.7	0.1	4,583.5
2009	2,093.8	1,443.8	-	261.5	46.3	323.6	8.9	133.3	-	4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	0.1	4,684.2
2010	2,085.1	1,428.3	-	254.8	44.9	319.6	8.5	129.9	-	4,271.1	2.2	1,574.9	1,213.9	2,791.0	7,062.1	0.1	4,565.0
2011	2,135.0	1,407.3	-	247.8	43.4	314.9	8.1	126.4	-	4,282.9	1.0	1,738.2	1,450.8	3,190.0	7,472.9	0.1	4,897.1
2012	2,041.1	1,379.3	-	240.3	41.9	310.0	7.7	122.8	-	4,143.1	-	1,819.9	1,383.1	3,203.0	7,346.1	0.1	4,782.6
2013	1,968.7	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	-	4,279.8	-	1,830.4	1,355.4	3,185.8	7,465.6	0.1	4,822.7
2014	2,139.7	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	4,277.1	-	1,935.3	1,291.7	3,227.0	7,504.1	0.1	4,832.0

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

¹ See Table 17 for Personal Income and Population Amounts

² FY 2013 amounts reflect the implementation of GASB Statement No. 65

City of Philadelphia

Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2005 through 2014

Table 13

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property	Assessed Ratio	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita
2005	1,950.8	11,031.8	29.69%	37,156.6	5.25%	1,285.43
2006	1,863.8	11,430.6	29.24%	39,092.3	4.77%	1,225.98
2007	1,993.7	11,615.0	29.22%	39,750.2	5.02%	1,303.05
2008	1,899.1	12,175.2	28.86%	42,187.1	4.50%	1,232.90
2009	2,093.8	12,205.6	28.46%	42,886.9	4.88%	1,353.20
2010	2,085.1	12,276.3	26.73%	45,927.0	4.54%	1,366.38
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	NA	NA	NA	NA

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

¹ Source: Office of Property Assessment

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, 2014

Table 14

Amounts in millions of USD

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Governmental Unit</u>			
School District of Philadelphia	<u>3,073.7</u>	<u>100.00%</u>	<u>3,073.7</u>
¹ City Direct Debt			<u>4,277.1</u>
Total Direct and Overlapping Debt			<u><u>7,350.8</u></u>

Note:

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

¹ Refer to Table 12

Table 15
Amounts in Millions of USD

FY2014			
	22,304.9		
	3,011.1		
		1,438.4	
		235.0	
		<u>1,673.4</u>	
			-
			<u>1,673.4</u>
			<u><u>1,337.7</u></u>
	13	2014	
	70.0	3,011.1	
	17.9	<u>1,673.4</u>	
	<u>52.1</u>	<u>1,337.7</u>	
	.88%		55.57%

¹ Refer to Purdon's Statutes 53 P.S. Section 15721
² The legal limit is based on the Pennsylvania Constitution article IX Section 12.
³ Tax Years 2004-2012 assessed values were provided by OPA via The Department of Revenue..
⁴ Calendar Year 2013/Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.
⁵ Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the preceding 10 year average; prior to this change, the Tax Year assessed values was used.

² The legal limit is based on the Pennsylvania Constitution article IX Section 12.

³ Tax Years 2004-2012 assessed values were provided by OPA via The Department of Revenue..

⁴ Calendar Year 2013/Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.

³ Tax Years 2004-2012 assessed values were provided by OPA via The Department of Revenue.

⁴ Calendar Year 2013/2014 assessed values were provided by the Department of Revenues.
⁵ Calendar Year 2013/2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013. Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the preceding 10 year average; prior to this change, the Tax Year assessed values was used.

⁵ Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used. Calendar Year 2014 assessed values were provided by OTR. The higher amount was due to the implementation of the RVI (Retail Value Initiative) in 2016.

Calendar Year of assessment	Tax Year of assessment	R.E. Assessments
2004	2005	11,430,376.225
2005	2006	11,949,243,041
2006	2007	12,268,019,348
2007	2008	12,901,810,390
2008	2009	13,307,070,680
2009	2010	13,102,186,291
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
Ten Year average		22,304,673,194.5
Limit per art. 9		13.50%
Legal Debt Limit		3,011,157,981

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2005 through 2014

Table 16

Amounts in millions of USD

No.		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Water and Sewer Revenue Bonds</u>											
1	Total Revenue and Beginning Fund Balance	463.5	504.0	536.2	597.8	527.5	566.7	589.7	613.3	638.4	680.4
2	Net Operating Expenses	277.7	284.2	303.2	334.7	342.6	334.0	357.7	375.1	399.3	410.8
3	Transfer To (From) Rate Stabilization Fund	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9	8.5	(4.7)	22.9
4	Net Revenues	186.4	198.2	207.0	272.9	219.6	235.4	221.1	229.7	243.8	246.7
Debt Service:											
5	Revenue Bonds Outstanding	155.4	165.2	172.7	173.8	183.0	195.7	184.3	191.4	201.0	201.7
6	General Obligation Bonds Outstanding	-	-	-	-	-	-	-	-	-	-
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0	-	-
8	Total Debt Service	156.6	166.4	173.9	175.0	184.2	196.9	185.5	192.4	201.0	201.7
9	Net Revenue after Debt Service	29.8	31.8	33.1	97.9	35.4	38.5	35.6	37.3	42.8	45.0
10	Transfer to General Fund	4.4	5.0	5.0	5.0	4.2	2.3	-	1.1	0.6	-
11	Transfer to Capital Fund	16.7	16.9	16.9	16.9	17.1	17.3	18.1	18.9	19.4	20.2
12	Transfer to Residual Fund	8.7	9.9	11.2	76.0	14.1	18.9	17.5	17.3	22.8	24.8
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.57	1.20	1.20	1.20	1.20	1.21	1.22
	Coverage B (Line 4/(Line 8 + Line 11))	1.08	1.08	1.08	1.42	1.09	1.10	1.09	1.09	1.11	1.11
<u>Airport Revenue Bonds</u>											
1	Fund Balance	-	-	10.2	42.6	61.4	55.1	77.6	65.9	69.3	66.5
2	Project Revenues	185.1	200.8	211.3	250.5	255.3	246.9	260.8	269.6	291.8	316.9
3	Passenger Facility Charges	32.9	32.6	32.9	32.9	32.9	33.1	32.4	31.6	31.2	31.2
4	Total Fund Balance and Revenue	218.0	233.4	254.4	326.0	349.6	335.1	370.8	367.1	392.3	414.6
5	Net Operating Expenses	71.3	77.2	87.1	99.8	99.5	102.9	98.1	99.0	110.7	117.3
6	Interdepartmental Charges	57.6	57.9	70.6	89.1	89.0	80.7	88.6	92.7	101.9	103.9
7	Total Expenses	128.9	135.1	157.7	188.9	188.5	183.6	186.7	191.7	212.6	221.2
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	146.7	156.2	167.3	226.2	250.1	232.2	272.7	268.1	281.6	297.3
9	All Bonds (Line 4-Line 7)	89.1	98.3	96.7	137.1	161.1	151.5	184.1	175.4	179.7	193.4
Debt Service:											
10	Revenue Bonds	88.1	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4
11	General Obligation Bonds	1.1	-	-	-	-	-	-	-	-	-
12	Total Debt Service	89.2	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8	125.4
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.67	1.77	1.96	2.68	2.62	2.46	2.66	2.60	2.56	2.37
	Total Debt Service - Test "B" (Line 9/Line 12)	1.00	1.12	1.13	1.62	1.69	1.61	1.80	1.70	1.64	1.54

Note:

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

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia
Demographic and Economic Statistics
For the Calendar Years 2004 through 2013

Table 17

Calendar Year	Population ¹	Personal Income ² (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate ³
2004	1,514,658	43,463,015	28,695	7.3%
2005	1,517,628	44,944,207	29,615	6.7%
2006	1,520,251	47,566,075	31,288	6.2%
2007	1,530,031	50,672,227	33,118	6.0%
2008	1,540,351	54,262,716	35,228	7.1%
2009	1,547,297	54,061,223	34,939	9.6%
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

City of Philadelphia
Principal Employers
Current Calendar Year and Nine Years Ago

Table 18

Listed Alphabetically

2013	2004
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	Children's Hospital of Philadelphia
City of Philadelphia	City of Philadelphia
Comcast Corporation	Hospital of the University of Pennsylvania
Hospital of the University of Pennsylvania	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
University Of Pennsylvania	University Of Pennsylvania

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2005 through 2014

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:										
Economic Development	6	6	9	6	23	25	27	28	31	29
Transportation:										
Streets & Highways	564	579	667	584	568	515	499	524	517	525
Mass Transit	1	1	1	1	8	7	9	13	15	15
Judiciary and Law Enforcement:										
Police	7,578	7,522	8,036	7,754	7,685	7,503	7,439	7,292	7,270	7,177
Prisons	2,227	2,228	1,991	2,153	2,309	2,268	2,173	2,150	2,245	2,257
Courts	3,450	3,403	3,500	3,386	3,310	3,215	3,225	3,249	3,260	3,234
Conservation of Health:										
Emergency Medical Services	289	255	311	237	256	329	341	338	375	494
Health Services	1,163	1,133	1,236	1,140	1,163	1,135	1,139	1,143	1,117	1,097
Housing and Neighborhood Development	105	97	120	108	99	96	94	83	75	72
Cultural and Recreational:										
Recreation	511	495	589	483	462	453	601	605	596	587
Parks	182	158	217	156	152	158	1	-	-	-
Libraries and Museums	726	812	829	808	723	687	682	658	651	637
Improvements to General Welfare:										
Social Services	2,196	2,140	2,218	2,232	2,107	2,079	1,989	1,924	1,832	1,809
Inspections and Demolitions	380	248	450	246	221	223	214	230	286	288
Service to Property:										
Sanitation	1,233	1,272	1,338	1,239	1,169	1,157	1,185	1,154	1,152	1,158
Fire	1,925	1,974	2,121	2,052	2,019	1,820	1,838	1,700	1,705	1,643
General Management and Support	2,253	2,347	2,494	2,414	2,393	2,276	2,225	2,454	2,384	2,456
Total Governmental Activities	24,789	24,670	26,127	24,999	24,667	23,946	23,681	23,545	23,511	23,478
Business Type Activities:										
Water and Sewer	2,326	2,239	2,415	2,291	2,256	2,196	2,116	2,228	2,218	2,302
Aviation	967	1,004	915	1,057	1,033	1,001	1,010	1,021	1,057	1,040
Total Business-Type Activities	3,293	3,243	3,330	3,348	3,289	3,197	3,126	3,249	3,275	3,342
Fiduciary Activities:										
Pension Trust	64	65	62	59	69	66	65	61	53	50
Total Primary Government	28,146	27,978	29,519	28,406	28,025	27,209	26,872	26,855	26,839	26,870

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	105	102	107	74	119	69	36	37	51	34
Potholes Repaired	20,862	18,203	12,721	12,326	11,976	23,049	24,406	14,451	12,093	45,077
Judiciary and Law Enforcement:										
Police										
Arrests	67,795	69,166	73,606	75,805	68,922	64,465	73,310	70,971	71,109	71,650
Calls to 911	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973	2,949,231	3,118,648	2,979,990	2,879,620
Prisons										
Average Inmate Population	8,141	8,613	8,796	9,133	9,554	8,806	7,935	8,240	8,987	8,759
Inmate Beds (city owned)	8,405	8,605	8,443	9,005	9,137	9,137	8,200	8,417	8,417	8,417
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	NA	209,654	216,606	215,305	217,505	222,882	227,147	273,557	280,877	239,403
First Responder Runs	NA	69,740	68,203	60,756	53,610	54,960	66,763	60,972	57,047	60,296
Health										
Patient Visits	337,770	324,014	323,121	334,139	349,078	350,695	339,032	348,472	341,305	309,911
Children Screened for Lead Poisoning	38,013	43,038	43,501	41,590	50,525	47,713	46,844	28,244	32,271	-
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	NA	2,878	2,227	1,389	1,420	1,388	2,714	1,978	2,442	873
Libraries										
Items borrowed	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662	7,210,217	7,503,031	6,579,054	6,502,087
Visitors to all libraries	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201	6,103,528	6,020,321	6,116,762	5,563,015
Visitors to library website	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928	6,131,726	6,886,339	7,301,311	8,194,626
Improvements to General Welfare:										
Social Services										
Children Receiving Services	28,926	28,086	28,898	25,893	35,685	31,416	28,572	28,939	27,391	17,761
Children in Placement	8,548	7,999	8,070	7,739	7,993	8,792	7,122	7,839	8,509	8,548
Emergency Shelter Beds (average)	2,539	2,781	2,677	2,747	2,689	2,617	2,520	2,987	2,116	2,544
Transitional Housing Units (new placements)	597	448	543	435	476	487	510	558	539	509
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	3,008	3,006	2,922	2,798	2,532	2,412	2,254	2,299	2,179	2,132
Recyclables Collected (tons per day)	157	155	179	197	288	381	441	461	470	490
Fire										
Fires Handled	NA	9,523	8,080	7,444	6,850	4,927	7,945	7,319	6,365	6,120
Fire Marshal Investigations	NA	2,734	3,153	3,097	3,031	2,726	2,711	2,387	2,135	1,943
Business Type Activities:										
Water and Sewer										
New Connections	137	207	125	295	281	704	121	125	147	133
Water Main Breaks	706	660	825	687	802	646	954	557	823	969
Avg. Daily Treated Water Delivered (x 1000 gallons)	174,100	175,800	169,400	167,000	163,660	242,900	250,000	239,200	245,500	239,500
Peak Daily Treated Water Delivered (x 1000 gallons)	210,000	207,400	179,100	170,500	167,090	272,200	282,000	254,500	270,200	265,300
Avg. Daily Water Sewage Treatment (x 1000 gallons)	478,670	434,170	463,080	411,830	417,330	468,200	410,000	443,500	388,400	432,800
Aviation										
Passengers Handled (PIA)	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899	31,225,470	30,612,150	30,358,905	30,539,430
Air Cargo Tons (PIA)	599,758	591,815	571,452	575,640	475,365	440,495	449,683	416,731	388,383	395,661
Aircraft Movements (PIA and NPA)	629,885	625,692	614,720	593,757	551,191	543,462	458,832	517,842	506,261	493,272

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2005 through 2014

Table 21

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:										
Transportation:										
Streets & Highways										
¹ Total Miles of Streets	2,400	2,400	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,575
Streetslights	102,000	102,219	102,840	102,949	103,982	104,219	104,219	104,600	105,151	105,151
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	33	34	36	35	35	31	32	37	39
Prisons										
Major Correctional Facilities	6	6	6	6	6	6	6	6	6	6
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	9	9	9	9	9
Cultural and Recreational:										
Recreation										
Recreation Centers	165	165	171	171	171	171	153	184	185	184
² Athletic Venues	1,121	1,117	1,117	919	915	914	1,148	1,102	1,101	1,107
⁴ Neighborhood Parks and Squares	232	232	232	79	79	79	-	-	-	-
Parks										
Parks	62	62	63	63	63	63	150	177	175	177
Baseball/Softball Fields	106	106	109	77	79	79	407	404	404	403
Libraries										
Branch & Regional Libraries	53	54	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	64	64	64	63	63	63	68	68	68
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,169	3,169	3,133	3,137	3,145	3,236	3,164	3,172	3,174	3,176
Fire Hydrants	26,080	26,080	25,195	25,181	25,208	25,234	25,353	25,321	25,355	25,364
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400	1,065,400	1,065,400	1,065,400
Sanitary Sewers (miles)	596	596	768	750	749	751	758	759	762	762
Stormwater Conduits (miles)	623	623	784	713	720	721	731	734	738	737
³ Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,065,400	1,044,000
Aviation										
Passenger Gates (PIA)	120	120	120	120	120	120	126	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000	3,144,000	3,144,000	3,144,000	3,254,354
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	43,500	43,500	43,500	43,500	43,500	43,500

¹ Street System-83% city streets, 2% park streets, 15% state highways

² Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

³ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

⁴ FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.

