

City of Philadelphia

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

Founded 1682



Fairmount Park Waterworks

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013

City of Philadelphia

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013



Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Joseph Oswald
Accounting Director



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City of Philadelphia

OFFICE OF THE DIRECTOR OF FINANCE

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Philadelphia, Pennsylvania 19102-1693

ROB DUBOW

Director of Finance

February 24, 2014

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, 2013, 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 in excess of 30 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. 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 the chart below demonstrates the city's population, and income, have shown increases in each of the two previous calendar years. 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 poverty in the region has become increasingly concentrated in the City.

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 tax revenues are rebounding, revenue from some taxes have yet to hit the level they attained before the recession. Since October of 2008, the City has implemented significant actions to balance the budget and its five year plans, including: reducing General Fund employee headcount; implementing a temporary five year sales tax increase and a real estate tax increase; pension funding changes; freezing City funded wage tax and business income and receipts tax reductions until fiscal 2014; and, instituting spending cuts throughout the government. As a result of these actions as well as several one-time revenues, the City's fund balance on a legally enacted basis increased from \$146.8 million in fiscal 2012 to \$256.9 million in fiscal 2013. The City's current projection for the fund balance level at the end of fiscal 2014 is \$101.5 million.

While the recession officially ended in June 2009, unemployment remains high 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.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population fluctuations, with increases since 2010 in total compensation and lower unemployment rates.

Calendar Year	Population	Personal Income (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate
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%

Long Term Financial Planning

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

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal 2013, 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 has made changes to its labor contracts in the areas of health and pension benefits and is continuing to seek changes in its open contracts. 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. Also, the City made additional changes to the health care related to the FOP as a result of the December 18, 2009 Act 111 arbitration award. These changes include lowering the cost to the City, increasing the share paid by employees, changing the funding structure and providing financial incentives to the health fund to keep costs down.

In the area of pensions, the City has sought to reduce its costs, reduce its risk and increase employee contributions. The 2009 FOP interest arbitration introduced a new hybrid pension plan with defined

benefit and defined contribution components for police officers and gave new hires the option of participating in this new plan or paying an additional 1% of pay to enter the existing plan. The City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the IAFF. A 2011 interest arbitration award involving the employees of the Sheriff's Office and Register of Wills included a new hybrid pension plan with defined benefit and defined contribution components for new hires as well. For employees of the Register of Wills, this new plan is mandatory for new hires, while employees of the Sheriff's Office have a choice between the existing plan with a higher employee contribution or the new plan. Interest arbitration awards issued in 2012 covering more than 2,000 prison guards represented by District Council 33 and a unit of court employees represented by District Council 47 require all new hires to enter into the hybrid plan. The interest arbitration covering the prison guards also increased the employee contribution for pensions for current employees. The City has proposed similar changes to exempt and non-represented employees, elected officials and employees represented by Local 2186 of District Council 47. Implementation of these pension changes for prison guards, courts employees, and the latter groups awaits City Council passage of the applicable ordinances. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009.

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, 2012. This was the thirty third 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**

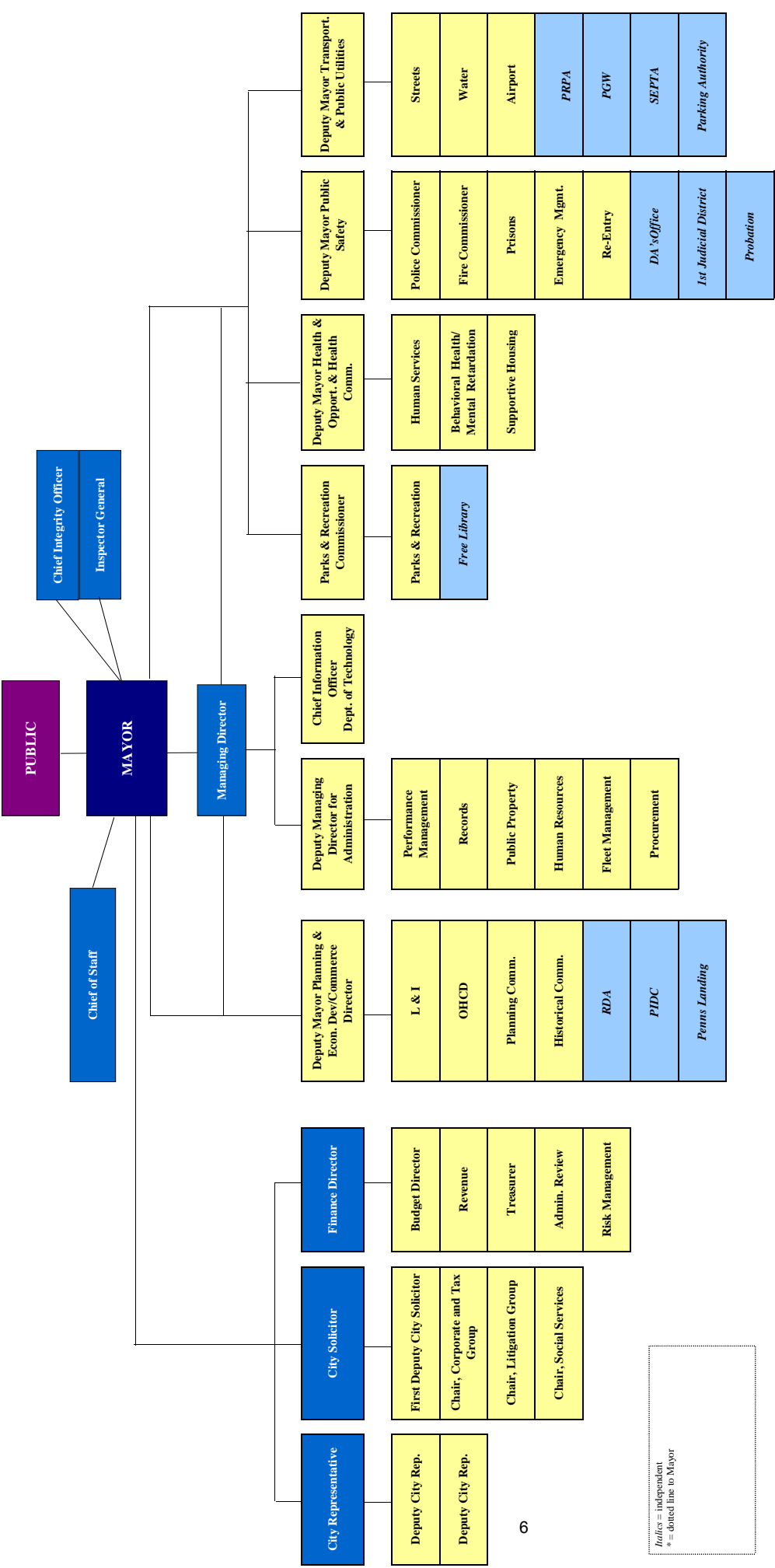
Presented to

**City of Philadelphia
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



Italics = independent
** = dotted line to Mayor*



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 James F. Kenney

At-Large Bill Green

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 Perkin-Bell
Chief of Staff	Everett A. Gillison
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Deputy Mayor for Transportation and Utilities	Rina Cutler
Chief Integrity Officer	Joan L. Markman
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	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	David J. Perri
Fire Commissioner	Lloyd Ayers
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	Anne Marie Ambrose
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	Rene Vargas



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, 2013, 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 I.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Departmental and Permanent Funds which represent 33% and 18% of the total assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development, and Philadelphia Parking Authority discussed in Note I.1, were not audited in accordance with *Government Auditing Standards*.

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

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 financial statement presentation of the financial statements.

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 report 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, 2013, 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.

Changes in Accounting Principles

As discussed in Note I.10 to the financial statements, in 2013 the City adopted new accounting principles required by Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 120 through 124 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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, 2013 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, 2013, 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

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2013, 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, 2013.

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.

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, 2012 (not presented herein), and have issued our report thereon dated February 21, 2013, 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 2012 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2012 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 2012 financial statements. The 2012 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 2012 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 2012 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, 2012.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the City of Philadelphia, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Philadelphia, Pennsylvania's internal control over financial reporting and compliance.



GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 24, 2014



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, 2013 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 assets and deferred outflows of the City of Philadelphia exceeded its liabilities by 15.2 million. Its *unrestricted net position* showed a deficit of \$2,415.5 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 increased by \$50.1 million. The governmental activities of the city experienced an increase of \$2.9 million, while the business type activities had an increase of \$47.2 million.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$582.5 million, an increase of \$35.8 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of \$134.4 million, a decrease of \$47.2 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 \$188.0 million, of which, \$90.0 million was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* increased by \$90.0 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 \$256.9 million, as compared to a \$146.8 million surplus last year. This increase of \$110.1 million was due to an increase in revenues that resulted in an operating surplus of \$84.7 million and the cancellations of prior year obligations further increased the fund balance.

Overview of the Financial Statements

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

- Government-wide financial statements which provide both long-term and short-term information about the city's overall financial condition.
 - Fund financial statements which provide a more detailed look at major individual portions, or funds, of the city.
 - Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
 - Other supplementary information which further explains and supports the information in the financial statements.
- **Government-wide financial statements.** The government-wide financial statements report information about the city as a whole using accounting methods similar to those used by a private-sector business. The two statements presented are:

The statement of net 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 assets are an indicator of whether the city's financial position is improving or deteriorating.

The statement of activities presents revenues and expenses and their effect on the change in the city's net 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 assets & deferred outflows exceeded its liabilities by \$15.2 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, \$1,215.0 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.

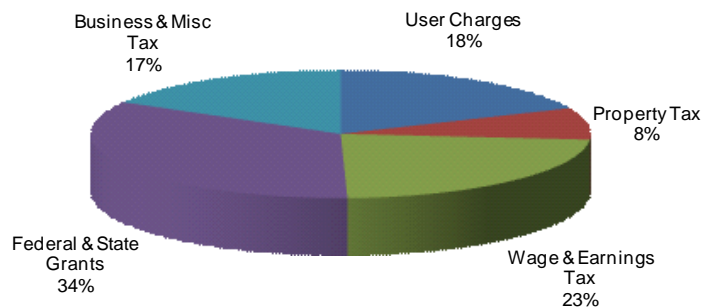
A portion of the city's net position, \$1,215.7 million, are subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$2,415.5 million. The governmental activities reported negative *unrestricted net position* of \$2,588.9 million. The business type activities reported an unrestricted net assets surplus of \$173.4 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)

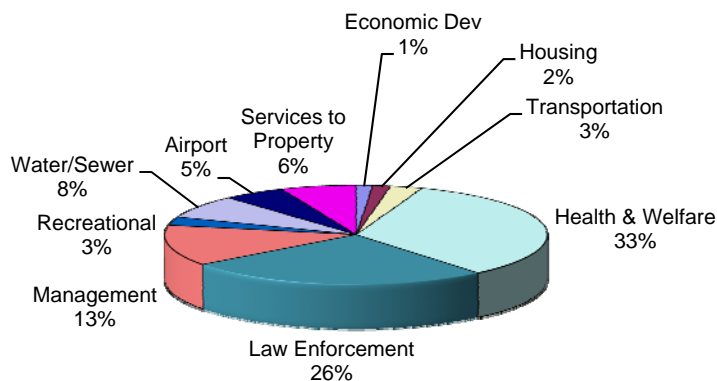
	Governmental Activities			%	Business-type Activities			%	Total Primary Government			%
	2013	2012	Change		2013	2012	Change		2013	2012	Change	
Current and other assets	1,956.1	1,967.6	-0.58%		1,320.3	1,530.6	-13.74%		3,276.4	3,498.2	-6.34%	
Capital assets	2,249.3	2,200.3	2.23%		3,824.4	3,706.5	3.18%		6,073.7	5,906.8	2.83%	
Total assets	4,205.4	4,167.9	0.90%		5,144.7	5,237.1	-1.76%		9,350.1	9,405.0	-0.58%	
Deferred Outflows	121.2	-			105.8	-			227.0	-		
Long-term liabilities	5,205.4	5,049.9	3.08%		3,253.0	3,271.4	-0.56%		8,458.4	8,321.3	1.65%	
Other liabilities	890.7	890.5	0.02%		212.8	228.1	-6.71%		1,103.5	1,118.6	-1.35%	
Total liabilities	6,096.1	5,940.4	2.62%		3,465.8	3,499.5	-0.96%		9,561.9	9,439.9	1.29%	
Deferred Inflows	-	-			-	-			-	-		
Net Position:												
Net Investment in capital assets	232.5	83.9	177.12%		982.5	887.8	10.67%		1,215.0	971.7	25.04%	
Restricted	586.9	621.9	-5.63%		628.8	591.8	6.25%		1,215.7	1,213.7	0.16%	
Unrestricted	(2,588.9)	(2,478.2)	-4.47%		173.4	257.9	-32.76%		(2,415.5)	(2,220.3)	-8.79%	
Total Net Position	(1,769.5)	(1,772.4)	0.16%		1,784.7	1,737.5	2.72%		15.2	(34.9)	-143.55%	

Changes in net position. The city's total revenues this year, \$6,939.2 million, exceeded total costs of \$6,800.0 million by \$139.2 million. Approximately 48% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 34%, and the remaining 18% of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 65% are related to the health, welfare and safety of the general public.



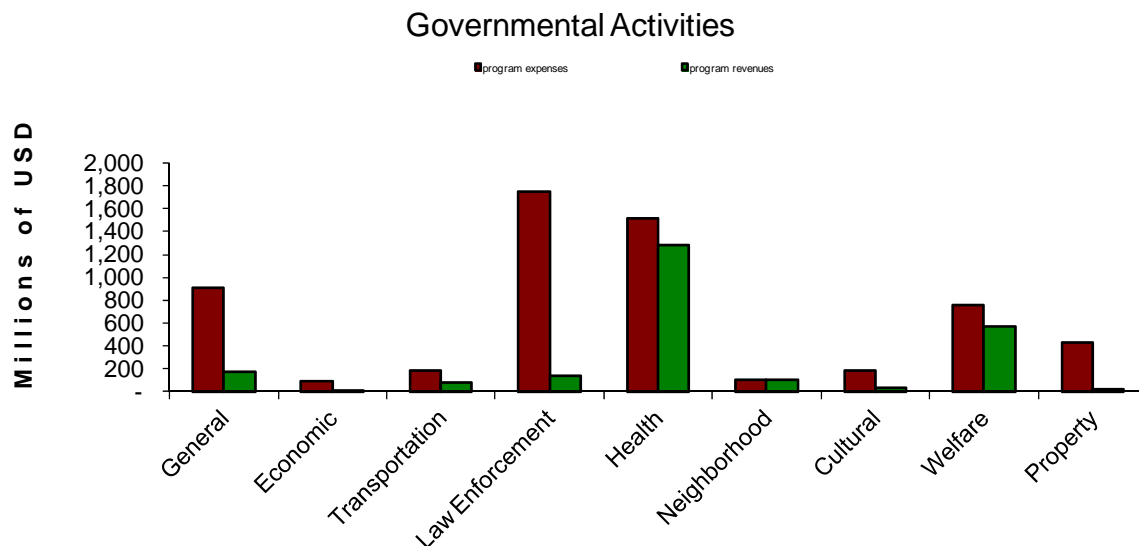
Overall, net position for the city increased by \$139.2 million. Total revenues increased by \$88.1 million, total expenses increased by \$37.4 million over last year. This resulted in the Change in Net Position being \$50.7 million higher than in the previous year. Net positions were decreased by \$116.9 million from Operating Grants and Contributions, \$27.8 million from Capital Grants and Contributions, and \$11.7 million from Unrestricted Interest; and, increased by \$45.4 million from Charges for Services, \$47.0 million for Wage and Earning taxes, \$53.0 million from Property taxes, \$95.5 million from Other Taxes and \$3.6 million from Unrestricted grants and contributions.

Expense increased by \$37.4 million with increases of \$114.7 million for General Management; \$22.6 million in Water and Waste Water, \$15.8 million in Airport, and \$0.5 in Industrial Land Bank; and, decreases of \$8.9 million in Judiciary and Law Enforcement, \$5.7 million in Transportation, \$34.0 million in Conservation of Health, \$34.8 million in Housing and Neighborhood Development, \$18.6 million in Improvement in General Welfare, \$11.9 million in Services to Taxpayer Property and \$2.3 million in Economic Development.



Governmental Activities

The governmental activities of the City resulted in a \$17.6 million increase 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			Program			Net		
	Costs			Revenues			Cost		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
General Welfare	757.7	776.3	-2.4%	569.7	520.8	9.4%	188.0	255.5	-26.4%
Judiciary & Law Enforcement	1,748.2	1,757.1	-0.5%	138.4	139.9	-1.1%	1,609.8	1,617.2	-0.5%
Public Health	1,514.5	1,548.5	-2.2%	1,284.6	1,293.2	-0.7%	229.9	255.3	-9.9%
General Governmental	905.2	790.5	14.5%	174.0	262.0	-33.6%	731.2	528.5	38.4%
Services to Property	433.5	445.4	-2.7%	21.4	20.3	5.4%	412.1	425.1	-3.1%
Housing, Economic & Cultural	568.0	610.9	-7.0%	219.1	274.2	-20.1%	348.9	336.7	3.6%
	5,927.1	5,928.7	0.0%	2,407.2	2,510.4	-4.1%	3,519.9	3,418.3	3.0%

The cost of all governmental activities this year was \$5,927.1 million; the amount that taxpayers paid for these programs through tax payments was \$3,310.9 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,035.3 million while those who benefited from the programs paid \$371.9 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 \$226.6 million. The difference of \$17.6 million is available to fund future commitments.

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

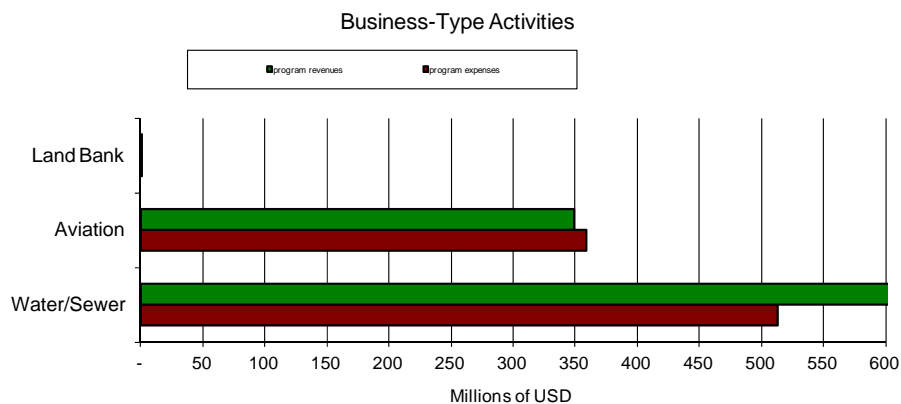
(millions of USD)

	Governmental Activities		Business-type Activities		Total		%
	2013	2012	2013	2012	2013	2012	Change
Revenues:							
Program revenues:							
Charges for services	371.9	365.1	900.5	861.8	1,272.4	1,226.9	3.7%
Operating grants and contributions	1,986.4	2,102.1	2.3	3.5	1,988.7	2,105.6	-5.6%
Capital grants and contributions	48.9	43.2	58.2	91.7	107.1	134.9	-20.6%
General revenues:							
Wage and earnings taxes	1,598.7	1,551.7	-	-	1,598.7	1,551.7	3.0%
Property taxes	553.8	500.8	-	-	553.8	500.8	10.6%
Other taxes	1,158.4	1,062.9	-	-	1,158.4	1,062.9	9.0%
Unrestricted grants and contributions	187.4	223.1	42.2	2.9	229.6	226.0	1.6%
Unrestricted Interest	17.9	33.3	12.7	9.0	30.6	42.3	-27.6%
Total revenues	5,923.3	5,882.2	1,015.9	968.9	6,939.2	6,851.1	1.3%
Expenses:							
Economic development	94.2	96.5	-	-	94.2	96.5	-2.4%
Transportation	183.9	189.6	-	-	183.9	189.6	-3.0%
Judiciary & law enforcement	1,748.2	1,757.1	-	-	1,748.2	1,757.1	-0.5%
Conservation of health	1,514.5	1,548.5	-	-	1,514.5	1,548.5	-2.2%
Housing & neighborhood development	102.9	137.7	-	-	102.9	137.7	-25.3%
Cultural & recreational	187.0	187.1	-	-	187.0	187.1	-0.1%
Improvement of the general welfare	757.7	776.3	-	-	757.7	776.3	-2.4%
Services to taxpayer property	433.5	445.4	-	-	433.5	445.4	-2.7%
General management	743.4	678.4	-	-	743.4	678.4	9.6%
Interest on long term debt	161.8	112.1	-	-	161.8	112.1	44.3%
Water & waste water	-	-	513.4	490.8	513.4	490.8	4.6%
Airport	-	-	358.9	343.1	358.9	343.1	4.6%
Industrial land bank	-	-	0.6	-	0.6	-	0.0%
Total expenses	5,927.1	5,928.7	872.9	833.9	6,800.0	6,762.6	0.6%
Increase (decrease) in net assets before transfers & special items	(3.8)	(46.5)	143.0	135.0	139.2	88.5	
Transfers	21.4	27.5	(21.4)	(27.5)	-	-	
Increase (decrease) in Net Position	17.6	(19.0)	121.6	107.5	139.2	88.5	
Net Position - Beginning	(1,772.5)	(1,753.4)	1,737.5	1,630.0	(35.0)	(123.4)	-71.6%
Adjustment	(14.6)	-	(74.4)	-	(89.0)	-	
Net Position - End	(1,769.5)	(1,772.4)	1,784.7	1,737.5	15.2	(34.9)	-143.7%

Business-type Activities

Business-type activities caused the city's net position to increase by \$121.6 million. This increase was comprised of an increase in net position for water/wastewater of \$89.1 million, an increase to aviation of \$32.6 million and a decrease for industrial & commercial development operations of \$0.1 million. Some of the key reasons for these changes are:

- Increased airport rental concession income and a reduction in Other Expenses, in the Aviation Fund.
- Increased user related charges and increased Interest Income, decreased Debt Service Interest and decreased Other Expenses, in the Water Fund.

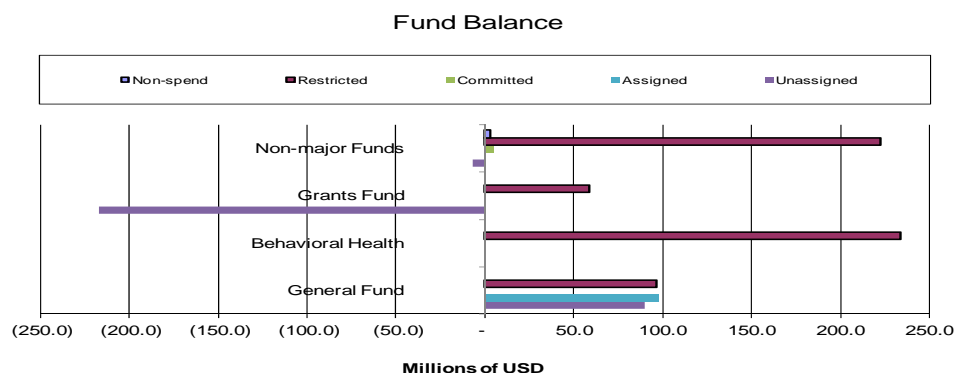


Financial Analysis of the Government's Funds

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 \$582.5 million, an increase of \$35.8 million over last year. Of the total fund balance, \$2.8 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, \$610.9 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods (\$34.2 million); pay debt service (\$81.5 million); support programs funded by independent agencies (\$33.9 million); fund a portion of the city's managed care programs (\$233.7 million); fund a portion of new sports stadiums (\$8.9 million); fund the 9-1-1 emergency phone system (\$24.5 million); fund a portion of the central library renovation project (\$2.3 million), pay for a portion of the cultural and commercial corridor project (\$12.2 million), pay pension obligation bonds interest (\$79.8); and trusts (\$8.9 million); fund economic development programs (\$7.2 million); improve streets and highways (\$23.9 million); fund housing and neighborhood development (\$15.0 million); provide health services (\$15.2 million); preserve parks, libraries and museums (\$0.5 million); and support capital projects (\$29.2 million). The fund balance is further broken down as to *committed fund balance* for Prisons (\$4.4 million) and Parks and Recreation (\$0.7 million). The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of \$134.4 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 \$98.0 million and *unassigned fund balance* of \$90.0 million at the end of the fiscal year.



Overall, the total fund balance of the general fund increased by \$195.7 million during the current fiscal year. This increase was due to an excess of revenues and other financing sources over expenditures, for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An increase of \$161.9 in tax revenue due to increased collections for Wage & Earnings Tax, Real Property Tax, Business Income & Receipts Tax, and Real Property Transfer Tax.
- An increase resulting from issuance of debt for \$87.8 million.

Expenditures:

- Expenditures for the year increased \$95.1 million, an increase of only 2.9%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$233.7 million, the entire amount million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by \$3.0 million.

The Grants Revenue fund has a total fund balance deficit of \$158.4 million which is comprised of a positive restricted fund balance of \$58.7 million (earmarked for neighborhood revitalization for \$34.2 million and emergency telephone system programs for \$24.5 million) and a deficit unassigned fund balance of \$217.1 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 \$64.5 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 \$121.6 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of \$89.1 million, airport operations which experienced an increase of \$32.6 million, while industrial & commercial development operations experienced a decrease of \$0.1 million.

The proprietary funds reported an *unrestricted nets position* surplus of \$173.4 million, comprised of \$74.6 million for the water and waste water operations, \$79.1 million for the airport and \$19.7 million for the industrial & commercial development activities. These unrestricted net position represent an overall decrease of \$84.5 million over the previous year, comprised of a decrease of \$107.6 million for the water and waste water operations, a decrease of \$.1 million for the Land Bank; and, an increase of \$23.2 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)
2013	256.9	110.1
2012	146.8	146.7
2011	0.1	114.1
2010	(114.0)	23.2
2009	(137.2)	(256.7)

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

- \$22.8 million for Office of the Director of Finance Contributions
- \$ 8.5 million for Office of the Director of Finance for Employee Benefits
- \$15.1 million for Police personal services
- \$ 9.6 million for Fire personal services
- \$11.5 million for Prisons personal services

The general fund's budgetary fund balance surplus of \$256.9 million differs from the general fund's fund financial statement unassigned fund balance of \$90.0 million by \$166.9 million, which represents the unearned portion of the business income & receipts tax of \$166.9 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 \$102.5 million
- Infrastructure improvements for Streets, Highways and Bridges \$63.9 million
- Airport terminal and airfield improvements in the amount of \$149.6 million.
- City Hall and Municipal Buildings renovations in the amount of \$3.6 million.
- Ben Franklin Parkway improvements \$4.5 million
- Commuter and Transit System improvements \$3.9 million
- Computers, Servers and IT Infrastructure in the amount of \$7.9 million

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

	Governmental activities			Business-type activities			Total		
	2013	2012	Inc (Dec)	2013	2012	Inc (Dec)	2013	2012	Inc (Dec)
Land	787.1	779.1	8.0	152.2	125.9	26.3	939.3	905.0	34.3
Fine Arts	1.0	1.0	-	0.0	0.0	-	1.0	1.0	-
Buildings	772.1	679.1	93.0	1,469.0	1,532.8	(63.8)	2,241.1	2,211.9	29.2
Improvements other than buildings	94.0	96.0	(2.0)	121.0	121.0	-	215.0	217.0	(2.0)
Machinery & equipment	70.0	78.0	(8.0)	24.0	24.0	-	94.0	102.0	(8.0)
Infrastructure	424.1	395.1	29.0	1,353.2	1,313.8	39.4	1,777.3	1,708.9	68.4
Construction in progress	29.0	96.0	(67.0)	698.0	582.0	116.0	727.0	678.0	49.0
Transit	72.0	76.0	(4.0)	0.0	0.0	-	72.0	76.0	(4.0)
Intangible Assets	0.0	0.0	-	7.0	7.0	-	7.0	7.0	-
Total	2,249.3	2,200.3	49.0	3,824.4	3,706.5	117.9	6,073.7	5,906.8	166.9

The city's governmental activities experienced an overall increase in capital assets of \$49.0 million (net of accumulated depreciation) during the current fiscal year. During the fiscal year there were increases in:

land (\$8.0 million); buildings (\$93.0 million); and infrastructure (\$29.0 million); that were offset by decreases in equipment (\$8.0 million); construction in progress (\$67.0 million); transit (\$4.0 million) and other improvements (\$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 \$8.5 billion in long term debt outstanding. Of this amount, \$5.2 billion represents bonds outstanding (comprised of \$2.0 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 \$3.3 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

(millions of USD)	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
<u>Bonds Outstanding:</u>						
General obligation bonds	1,986.2	2,039.5	-	-	1,986.2	2,039.5
Revenue bonds	-	-	3,185.8	3,203.0	3,185.8	3,203.0
Total Bonds Outstanding	1,986.2	2,039.5	3,185.8	3,203.0	5,172.0	5,242.5
<u>Other Long Term Obligations:</u>						
Service agreements	2,293.7	2,103.6	-	-	2,293.7	2,103.6
Employee related obligations	833.2	814.5	62.1	61.1	895.3	875.6
Indemnities	63.4	51.6	4.8	7.0	68.2	58.6
Leases	28.9	40.7	-	-	28.9	40.7
Other	-	-	0.3	0.3	0.3	0.3
Total Other Long Term Obligations	3,219.2	3,010.4	67.2	68.4	3,286.4	3,078.8
Total Long Term Debt Outstanding	5,205.4	5,049.9	3,253.0	3,271.4	8,458.4	8,321.3

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 \$127.0 million in Tax and Revenue Anticipation Notes by June 2013 plus interest. In accordance with statute there are no temporary loans outstanding at year end.
- Effective March 1, 2013 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B (\$100.0 million), and entered into a letter of credit substitution with the Royal Bank of Canada (RBC). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by RBC. The Letter of Credit (LOC) will permit the fiscal agent to draw up to \$101.1 million for principal and unpaid interest on the 2009B bonds and will expire on March 7, 2016, unless earlier cancelled, terminated

or renewed. The LOC will constitute both a Credit Facility and Credit Provider and RBC a Liquidity Facility and Liquidity Provider for the 2009B bonds.

- In Fiscal Year 2013, the serial bonds (\$65.1 million) for PMA were reclassified to term bonds. This reclassification supports PMA's debt presentation.
- In November 2012, the City issued Water and Wastewater Revenue Refunding Bonds, Series 2012. The bonds were issued in the amount of \$70.4 million with interest rates ranging from 1% to 5% and have a maturity date of 2028. The plan is to refund all of the City's outstanding Water and Wastewater Revenue Bonds, Series 2001A and Series 2001B maturing after November 1, 2012 and pay the costs of issuance related to the Bonds.
- 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 2013, PENNVEST drawdowns totaled \$15.4 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, 2013 the legal debt limit was \$1,670.0 million. There is \$1,617.9 million of outstanding tax supported debt leaving a legal debt margin of \$52.1 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 2014 fiscal year:

- Philadelphia entered FY14 with a fund balance of \$256.9 million. For FY 2014 Wage and Earnings Tax revenue are projected to grow 1.6%, SalesTax revenue are projected to grow by 3.3% and Real Estate transfer tax is projected to grow by 8.5%, while the Business Income and Receipts tax is projected to grow by 3.0%.
- Due to the larger than expected FY 13 fund balance, the city withdrew its appeal of the 2012 IAFF award. In FY 14 the city paid \$96.8 million to the IAFF (\$47.5 million for wages and \$49.3 million for health care costs) to honor the contract.
- The current five year plan (FY 2014 to 2018) includes a resumption of the wage and business tax cuts in FY 2014, previously suspended in the FY 2010 plan.
- Union contracts for District Council 33, District Council 47 and the International Association of fire Fighters are currently unresolved. Funds have been set aside in the FY 14 budget and the FY 14 – FY 18 Five Year Plan as a reserve for the costs of these agreements in the future.
- To control rising pension plan costs the city introduced a new hybrid pension plan that contains both a defined benefit and a voluntary defined contribution component. Uniformed employees not electing to participate in the hybrid plan must increase their pension contribution percentage.
- The country entered its most recent recession in December 2007. 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, 2013

Exhibit I

Amounts in thousands of USD

	Primary Government			Component
	Governmental	Business Type		Units
	Activities	Activities	Total	
<u>Assets</u>				
Cash on Deposit and on Hand	68,509	30	68,539	317,023
Equity in Pooled Cash and Investments	-	-	-	93,648
Equity in Treasurer's Account	815,154	179,701	994,855	-
Investments	89,254	-	89,254	50,676
Due from Component Units	51,776	-	51,776	-
Due from Primary Government	-	-	-	57,067
Amounts Held by Fiscal Agent	119,303	-	119,303	98,113
Notes Receivable - Net	-	-	-	29,235
Accounts Receivable - Net	348,309	161,897	510,206	324,149
Interest and Dividends Receivable	1,121	-	1,121	22,184
Due from Other Governments - Net	444,240	940	445,180	127,476
Inventories	15,805	31,094	46,899	114,660
Other Assets	2,677	-	2,677	254,128
Restricted Assets:				
Cash and Cash Equivalents	-	300,388	300,388	135,953
Other Assets	-	646,289	646,289	230,101
Capital Assets:				
Land and Other Non-Depreciated Assets	797,552	849,397	1,646,949	277,258
Other Capital Assets (Net of Depreciation)	1,451,732	2,974,980	4,426,712	3,237,792
Total Capital Assets, Net	2,249,284	3,824,377	6,073,661	3,515,050
Total Assets	4,205,432	5,144,716	9,350,148	5,369,463
<u>Deferred Outflows of Resources</u>	121,198	105,762	226,960	-
<u>Liabilities</u>				
Notes Payable	-	39,600	39,600	113,837
Vouchers Payable	58,730	8,379	67,109	73,247
Accounts Payable	189,514	76,271	265,785	105,080
Salaries and Wages Payable	55,507	5,756	61,263	77,635
Accrued Expenses	42,401	27,708	70,109	278,522
Due to Agency Funds	700	-	700	-
Due to Primary Government	-	-	-	43,273
Due to Component Units	50,177	-	50,177	-
Funds Held in Escrow	37,010	1,902	38,912	12,478
Due to Other Governments	-	-	-	34,267
Unearned Revenue	267,974	22,739	290,713	157,154
Overpayment of Taxes	120,255	-	120,255	9,273
Other Current Liabilities	-	-	-	131,073
Derivative Instrument Liability	68,429	31,381	99,810	23,951
Non-Current Liabilities:				
Due within one year	443,974	186,682	630,656	330,543
Due in more than one year	4,761,465	3,065,357	7,826,822	4,859,911
Total Liabilities	6,096,136	3,465,775	9,561,911	6,250,244
<u>Net Position</u>				
Net Investment in Capital Assets	232,508	982,475	1,214,983	68,648
Restricted For:				
Capital Projects	29,231	172,863	202,094	3,318
Debt Service	80,569	294,502	375,071	223,000
Pension Oblig Bond Refunding Reserve	79,743	-	79,743	18,375
Behavioral Health	233,724	-	233,724	-
Neighborhood Revitalization	34,218	-	34,218	-
Stadium Financing	2,096	-	2,096	-
Central Library Project	2,331	-	2,331	-
Cultural & Commercial Corridor Project	12,175	-	12,175	-
Grant Programs	53,726	-	53,726	30,203
Rate Stabilization	-	161,464	161,464	-
Libraries & Parks:				
Expendable	3,109	-	3,109	-
Non-Expendable	2,633	-	2,633	-
Educational Programs	-	-	-	13,862
Other	53,337	-	53,337	266
Unrestricted(Deficit)	(2,588,906)	173,399	(2,415,507)	(1,238,453)
Total Net Position	(1,769,506)	1,784,703	15,197	(880,781)

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, 2013

Exhibit II

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
Economic Development	94,202	2,565	2,021	2,000	(87,616)		(87,616)	
Transportation:								
Streets & Highways	112,891	5,268	34,100	42,494	(31,029)		(31,029)	
Mass Transit	71,048	1,853	253	-	(68,942)		(68,942)	
Judiciary and Law Enforcement:								
Police	1,087,927	6,322	12,783	-	(1,068,822)		(1,068,822)	
Prisons	342,153	687	21	-	(341,445)		(341,445)	
Courts	318,077	59,956	58,650	-	(199,471)		(199,471)	
Conservation of Health:								
Emergency Medical Services	49,668	33,345	718	-	(15,605)		(15,605)	
Health Services	1,464,882	16,653	1,233,877	-	(214,352)		(214,352)	
Housing and Neighborhood Development	102,865	23,543	76,577	-	(2,745)		(2,745)	
Cultural and Recreational:								
Recreation	102,311	3,754	8,449	2,678	(87,430)		(87,430)	
Parks	8,556	3,257	6	1,242	(4,051)		(4,051)	
Libraries and Museums	76,111	1,032	7,958	-	(67,121)		(67,121)	
Improvements to General Welfare:								
Social Services	625,271	8,292	507,274	-	(109,705)		(109,705)	
Education	94,399	94	-	-	(94,305)		(94,305)	
Inspections and Demolitions	38,028	53,909	122	-	16,003		16,003	
Service to Property:								
Sanitation	136,723	16,199	1,796	-	(118,728)		(118,728)	
Fire	296,784	924	2,467	-	(293,393)		(293,393)	
General Management and Support	743,377	134,193	39,341	489	(569,354)		(569,354)	
Interest on Long Term Debt	161,796	8	-	-	(161,788)		(161,788)	
Total Governmental Activities	5,927,069	371,854	1,986,413	48,903	(3,519,899)		(3,519,899)	
Business Type Activities:								
Water and Sewer	513,426	608,703	2,285	-	-	97,562	97,562	
Aviation	358,905	291,367	-	58,188	-	(9,350)	(9,350)	
Industrial and Commercial Development	581	430	-	-	-	(151)	(151)	
Total Business Type Activities	872,912	900,500	2,285	58,188	-	88,061	88,061	
Total Primary Government	6,799,981	1,272,354	1,988,698	107,091	(3,519,899)	88,061	(3,431,838)	
Component Units:								
Gas Operations	651,976	683,487	11,131	-				42,642
Housing	57,163	959	-	62,986				6,782
Parking	234,011	240,197	-	-				6,186
Education	3,172,373	41,853	1,009,737	3,809				(2,116,974)
Health	796,234	-	796,234	-				-
Economic Development	199,644	8,539	30,652	157,179				(3,274)
Total Component Units	5,111,401	975,035	1,847,754	223,974				(2,064,638)
General Revenues:								
Taxes:								
Property Taxes					553,795	-	553,795	650,633
Wage & Earnings Taxes					1,598,686	-	1,598,686	-
Business Taxes					452,369	-	452,369	-
Other Taxes					706,005	-	706,005	209,200
Grants & Contributions Not Restricted to Specific Programs					187,369	42,233	229,602	1,085,470
Unrestricted Interest & Investment Earnings					17,916	12,713	30,629	2,554
Miscellaneous					-	-	-	1,347
Special Items					-	-	-	2,258
Transfers					21,380	(21,380)	-	-
Total General Revenues, Special Items and Transfers					3,537,520	33,566	3,571,086	1,951,462
Change in Net Position					17,621	121,627	139,248	(113,176)
Net Position - July 1, 2012								
Adjustment					(1,772,472)	1,737,527	(34,945)	(773,441)
Net Position Adjusted - July 1, 2012					(14,655)	(74,451)	(89,106)	5,836
					(1,787,127)	1,663,076	(124,051)	(767,605)
Net Position - June 30, 2013								
					(1,769,506)	1,784,703	15,197	(880,781)

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2013

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	10,080	-	75	58,354	68,509
Equity in Treasurer's Account	458,185	233,592	-	123,377	815,154
Investments	-	-	-	86,248	86,248
Due from Other Funds	16,351	-	-	17	16,368
Due from Component Units	51,776	-	-	-	51,776
Amounts Held by Fiscal Agent	96,345	-	22,958	-	119,303
Taxes Receivable	581,729	-	-	12,649	594,378
Accounts Receivable	369,764	-	3,421	6,416	379,601
Due from Other Governmental Units	96,388	58,133	259,231	41,759	455,511
Allowance for Doubtful Accounts	(624,009)	-	-	(1,661)	(625,670)
Interest and Dividends Receivable	92	948	-	81	1,121
Other Assets	-	-	-	142	142
Total Assets	<u>1,056,701</u>	<u>292,673</u>	<u>285,685</u>	<u>327,382</u>	<u>1,962,441</u>
<u>Liabilities</u>					
Vouchers Payable	27,865	1,198	22,365	7,302	58,730
Accounts Payable	63,725	9,113	83,977	32,649	189,464
Salaries and Wages Payable	52,138	-	3,099	319	55,556
Due to Other Funds	699	-	5,642	10,727	17,068
Due to Component Units	-	48,638	1,371	168	50,177
Funds Held in Escrow	33,839	-	-	3,171	37,010
Due to Other Governmental Units	-	-	-	11,271	11,271
Unearned Revenue	172,440	-	93,367	2,167	267,974
Overpayment of Taxes	120,255	-	-	-	120,255
Total Liabilities	<u>470,961</u>	<u>58,949</u>	<u>209,821</u>	<u>67,774</u>	<u>807,505</u>
<u>Deferred Inflows of Resources</u>	<u>301,382</u>	<u>-</u>	<u>234,310</u>	<u>36,761</u>	<u>572,453</u>
<u>Fund Balances</u>					
Nonspendable	-	-	-	2,833	2,833
Restricted	96,345	233,724	58,693	222,097	610,859
Committed	-	-	-	5,108	5,108
Assigned	98,033	-	-	-	98,033
Unassigned	89,980	-	(217,139)	(7,191)	(134,350)
Total Fund Balances	<u>284,358</u>	<u>233,724</u>	<u>(158,446)</u>	<u>222,847</u>	<u>582,483</u>
<u>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</u>	<u>1,056,701</u>	<u>292,673</u>	<u>285,685</u>	<u>327,382</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	2,249,284
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	572,453
c. Long Term Liabilities, including bonds payable are not reported in the funds	(5,205,440)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	52,769
e. Other	(21,055)

Net Position of Governmental Activities (1,769,506)

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, 2013

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	2,724,307	-	-	580,113	3,304,420
Locally Generated Non-Tax Revenue	267,992	630	48,422	31,561	348,605
Revenue from Other Governments	335,697	812,980	958,854	104,442	2,211,973
Other Revenues	19,489	-	-	8,398	27,887
Total Revenues	3,347,485	813,610	1,007,276	724,514	5,892,885
Expenditures					
Current Operating:					
Economic Development	27,082	-	5,618	53,193	85,893
Transportation:					
Streets & Highways	51,803	-	1,592	28,180	81,575
Mass Transit	66,259	-	253	-	66,512
Judiciary and Law Enforcement:					
Police	1,077,052	-	12,386	-	1,089,438
Prisons	336,674	-	267	1,746	338,687
Courts	261,146	-	48,009	-	309,155
Conservation of Health:					
Emergency Medical Services	49,331	-	718	-	50,049
Health Services	153,019	810,567	361,454	139,584	1,464,624
Housing and Neighborhood Development	2,836	-	50,136	49,876	102,848
Cultural and Recreational:					
Recreation	81,857	-	8,406	-	90,263
Parks	15	-	5	3,853	3,873
Libraries and Museums	63,887	-	7,806	278	71,971
Improvements to General Welfare:					
Social Services	124,166	-	500,163	-	624,329
Education	94,399	-	-	-	94,399
Inspections and Demolitions	31,895	-	13,948	-	45,843
Service to Property:					
Sanitation	135,452	-	1,796	-	137,248
Fire	293,403	-	2,467	-	295,870
General Management and Support	554,846	-	23,266	44,651	622,763
Capital Outlay	-	-	-	161,127	161,127
Debt Service:					
Principal	-	-	-	114,045	114,045
Interest	3,789	-	-	108,421	112,210
Bond Issuance Cost	4,356	-	-	-	4,356
Total Expenditures	3,413,267	810,567	1,038,290	704,954	5,967,078
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,782)	3,043	(31,014)	19,560	(74,193)
Other Financing Sources (Uses)					
Issuance of Debt	231,185	-	-	-	231,185
Issuance of Refunding Debt	299,805	-	-	-	299,805
Bond Issuance Premium	-	-	-	821	821
Excess Pension Contribution	(252,668)	-	-	-	(252,668)
Bond Defeasance	(190,542)	-	-	-	(190,542)
Transfers In	343,174	-	320	269,649	613,143
Transfers Out	(169,424)	-	(33,799)	(388,547)	(591,770)
Total Other Financing Sources (Uses)	261,530	-	(33,479)	(118,077)	109,974
Net Change in Fund Balance	195,748	3,043	(64,493)	(98,517)	35,781
Fund Balance - July 1, 2012	88,610	230,681	(93,953)	321,364	546,702
Fund Balance - June 30, 2013	284,358	233,724	(158,446)	222,847	582,483

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, 2013

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	35,781
Amounts reported for governmental activities in the statement of activities are different because:	
a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (136,859) exceeded depreciation (138,870) in the current period.....	(2,011)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	57,134
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 (517,135) exceeded proceeds (530,145).....	(13,010)
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.....	35,371
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.....	(95,644)
Change in Net Position of governmental activities.....	<u>17,621</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, 2013

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	82,494	93,581	3,626	179,701
Due from Other Governments	76	864	-	940
Accounts Receivable	160,060	14,596	1,972	176,628
Allowance for Doubtful Accounts	(13,661)	(1,070)	-	(14,731)
Inventories	13,799	3,207	14,088	31,094
Total Current Assets	242,798	111,178	19,686	373,662
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	313,927	332,362	-	646,289
Amounts Held by Fiscal Agent	-	341	-	341
Sinking Funds and Reserves	210,990	51,764	-	262,754
Grants for Capital Purposes	252	29,598	-	29,850
Receivables	1,405	6,038	-	7,443
Total Restricted Assets	526,574	420,103	-	946,677
Capital Assets:				
Land	5,919	146,240	-	152,159
Infrastructure	2,167,639	919,139	-	3,086,778
Construction in Progress	373,844	323,394	-	697,238
Buildings and Equipment	1,591,073	1,851,544	-	3,442,617
Less: Accumulated Depreciation	(2,119,125)	(1,435,290)	-	(3,554,415)
Total Capital Assets, Net	2,019,350	1,805,027	-	3,824,377
Total Non-Current Assets	2,545,924	2,225,130	-	4,771,054
Total Assets	2,788,722	2,336,308	19,686	5,144,716
Deferred Outflows of Resources	73,865	31,897	-	105,762
Liabilities				
Current Liabilities:				
Vouchers Payable	6,763	1,616	-	8,379
Accounts Payable	12,655	14,576	-	27,231
Salaries and Wages Payable	4,187	1,569	-	5,756
Construction Contracts Payable	27,530	21,510	-	49,040
Accrued Expenses	23,812	3,896	-	27,708
Funds Held in Escrow	1,902	-	-	1,902
Unearned Revenue	7,531	15,208	-	22,739
Commercial Paper Notes		39,600	-	39,600
Bonds Payable-Current	127,492	59,190	-	186,682
Total Current Liabilities	211,872	157,165	-	369,037
Derivative Instrument Liability	8,565	22,816	-	31,381
Net Pension Liability	8,962	14,273	-	23,235
Non-Current Liabilities:				
Bonds Payable	1,702,895	1,296,195	-	2,999,090
Other Non-Current Liabilities	32,205	10,827	-	43,032
Total Non-Current Liabilities	1,735,100	1,307,022	-	3,042,122
Total Liabilities	1,964,499	1,501,276	-	3,465,775
Net Position				
Net Investment in Capital Assets	351,160	631,315	-	982,475
Restricted For:				
Capital Projects	99,856	73,007	-	172,863
Debt Service	210,990	83,512	-	294,502
Rate Stabilization	161,464	-	-	161,464
Unrestricted	74,618	79,095	19,686	173,399
Total Net Position	898,088	866,929	19,686	1,784,703

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, 2013

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	600,156	88,824	-	688,980
Rentals and Concessions	-	197,913	-	197,913
Operating Grants	2,285	-	-	2,285
Miscellaneous Operating Revenues	8,547	4,630	430	13,607
Total Operating Revenues	610,988	291,367	430	902,785
Operating Expenses:				
Personal Services	110,784	63,191	-	173,975
Purchase of Services	88,395	88,684	-	177,079
Materials and Supplies	38,409	6,557	-	44,966
Employee Benefits	104,713	46,467	-	151,180
Indemnities and Taxes	3,108	1,946	-	5,054
Depreciation	89,045	97,873	-	186,918
Cost of Goods Sold	-	-	581	581
Total Operating Expenses	434,454	304,718	581	739,753
Operating Income (Loss)	176,534	(13,351)	(151)	163,032
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	880	41,353	-	42,233
Passenger Facility Charges	-	58,188	-	58,188
Interest Income	12,079	632	2	12,713
Net Pension Obligation	2,839	-	-	2,839
Debt Service - Interest	(80,146)	(40,180)	-	(120,326)
Other Revenue (Expenses)	(1,665)	(14,007)	-	(15,672)
Total Non-Operating Revenues (Expenses)	(66,013)	45,986	2	(20,025)
Income (Loss) Before Contributions & Transfers	110,521	32,635	(149)	143,007
Transfers In/(Out)	(21,380)	-	-	(21,380)
Change in Net Position	89,141	32,635	(149)	121,627
Net Position - July 1, 2012	865,320	852,372	19,835	1,737,527
Adjustment	(56,373)	(18,078)	-	(74,451)
Net Position Adjusted - July 1, 2012	808,947	834,294	19,835	1,663,076
Net Position - June 30, 2013	898,088	866,929	19,686	1,784,703

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, 2013

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	602,342	269,512	-	871,854
Payments to Suppliers	(129,513)	(92,454)	(581)	(222,548)
Payments to Employees	(208,891)	(110,251)	-	(319,142)
Internal Activity-Payments to Other Funds	-	(7,053)	-	(7,053)
Claims Paid	(5,090)	-	-	(5,090)
Other Receipts (Payments)	-	910	430	1,340
Net Cash Provided (Used)	<u>258,848</u>	<u>60,664</u>	<u>(151)</u>	<u>319,361</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,285	2,188	-	4,473
Operating Subsidies and Transfers from Other Funds	(21,380)	-	-	(21,380)
Net Cash Provided (Used)	<u>(19,095)</u>	<u>2,188</u>	<u>-</u>	<u>(16,907)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	97,860	39,600	-	137,460
Capital Grants & Contributions Received	628	27,483	-	28,111
Acquisition and Construction of Capital Assets	(153,388)	(176,083)	-	(329,471)
Interest Paid on Debt Instruments	(76,180)	(43,673)	-	(119,853)
Principal Paid on Debt Instruments	(207,220)	(51,465)	-	(258,685)
Passenger Facility Charges	-	58,444	-	58,444
Net Cash Provided (Used)	<u>(338,300)</u>	<u>(145,694)</u>	<u>-</u>	<u>(483,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	11,858	-	11,858
Interest and Dividends on Investments	(63,653)	923	2	(62,728)
Net Cash Provided (Used)	<u>(63,653)</u>	<u>12,781</u>	<u>2</u>	<u>(50,870)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(162,200)	(70,061)	(149)	(232,410)
Cash and Cash Equivalents, July 1 (including \$478.0 mil for Water & Sewer and \$385.1 mil for Aviation reported in restricted accounts)	<u>558,651</u>	<u>496,345</u>	<u>3,775</u>	<u>1,058,771</u>
Cash and Cash Equivalents, June 30 (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>3,626</u>	<u>826,361</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	176,534	(13,351)	(151)	163,032
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	89,045	97,873	-	186,918
Changes in Assets and Liabilities:				
Receivables, Net	(9,551)	(759)	-	(10,310)
Unearned Revenue	905	(20,186)	-	(19,281)
Inventories	(343)	(243)	-	(586)
Accounts and Other Payables	(4,134)	(2,670)	-	(6,804)
Accrued Expenses	6,392	-	-	6,392
Net Cash Provided by Operating Activities	<u>258,848</u>	<u>60,664</u>	<u>(151)</u>	<u>319,361</u>

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

City of Philadelphia
Statement of Net Position
Fiduciary Funds
June 30, 2013

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	-	100,861
Equity in Treasurer's Account	4,908,603	53,156
Investments	-	6,145
Securities Lending Collective Investment Pool	621,546	-
Due from Brokers for Securities Sold	154,907	-
Interest and Dividends Receivable	14,761	-
Due from Other Governmental Units	3,133	-
Due from Other Funds	15,742	699
	<hr/>	<hr/>
Total Assets	5,718,692	160,861
	<hr/>	<hr/>
<u>Liabilities</u>		
Vouchers Payable	18	31
Accounts Payable	3,853	-
Salaries and Wages Payable	53	-
Payroll Taxes Payable	-	15,262
Funds Held in Escrow	9	145,568
Due on Return of Securities Loaned	622,021	-
Due to Brokers for Securities Purchased	184,142	-
Accrued Expenses	4,778	-
Unearned Revenue	1,792	-
Other Liabilities	488	-
	<hr/>	<hr/>
Total Liabilities	817,154	160,861
	<hr/>	<hr/>
Net Position Held in Trust for Pension Benefits	4,901,538	-
	<hr/>	<hr/>

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, 2013

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	805,496
Employees' Contributions	<u>49,747</u>
Total Contributions	<u>855,243</u>
Investment Income:	
Interest and Dividends	134,699
Net Gain in Fair Value of Investments	258,384
(Less) Investments Expenses	(14,152)
Securities Lending Revenue	2,996
Securities Lending Unrealized Gain	118,126
(Less) Securities Lending Expenses	<u>(331)</u>
Net Investment Gain	<u>499,722</u>
Miscellaneous Operating Revenues	469
Total Additions	<u>1,355,434</u>
<u>Deductions</u>	
Personal Services	3,502
Purchase of Services	1,618
Materials and Supplies	69
Employee Benefits	2,941
Pension Benefits	782,105
Refunds of Members' Contributions	5,744
Administrative Expenses Paid	796
Other Operating Expenses	<u>211</u>
Total Deductions	<u>796,986</u>
Change in Net Position	558,448
Net Position - July 1, 2012	<u>4,343,090</u>
Net Position - June 30, 2013	<u><u>4,901,538</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, 2013

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	100,933	80,918	69,077	502	12,312	32,054	4,114	17,113	317,023
Equity in Pooled Cash and Investments	-	-	-	93,648	-	-	-	-	93,648
Investments	-	-	13,655	-	37,021	-	-	-	50,676
Due from Primary Government	-	4,938	-	-	-	52,129	-	-	57,067
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	98,113
Notes Receivable	-	29,164	-	98,113	-	71	-	-	29,235
Taxes Receivable	-	-	-	173,648	-	-	-	-	173,648
Accounts Receivable-Net	97,749	1,110	970	14,298	6,724	-	3,878	25,772	150,501
Interest and Dividends Receivable	-	21,495	226	415	48	-	-	-	22,184
Due from Other Governments	-	203	-	66,711	2,753	-	-	57,809	127,476
Inventories	80,234	30,910	-	3,516	-	-	-	-	114,660
Other Assets	124,364	483	94,577	29,026	1,338	4,048	166	126	254,128
Restricted Assets:									
Cash and Cash Equivalents	-	10,716	-	109,152	-	-	-	16,085	135,953
Other Assets	155,155	25,572	-	18,375	3,633	-	-	27,366	230,101
Capital Assets:									
Land and Other Non-Depreciated Assets	50,004	-	15,980	168,285	30,877	-	1,850	10,262	277,258
Other Capital Assets (Net of Depreciation)	1,104,983	554	166,205	1,744,887	149,176	2,537	7,176	62,274	3,237,792
Total Capital Assets	1,154,987	554	182,185	1,913,172	180,053	2,537	9,026	72,536	3,515,050
Total Assets	1,713,422	206,063	360,690	2,520,576	243,882	90,839	17,184	216,807	5,369,463
Liabilities									
Notes Payable	-	21,894	5,927	-	86,016	-	-	-	113,837
Vouchers Payable	59,379	-	-	-	13,868	-	-	-	73,247
Accounts Payable	-	4,415	15,919	-	-	2,040	1,066	5,658	105,080
Salaries and Wages Payable	3,451	-	-	75,982	-	5,859	-	-	77,535
Accrued Expenses	198,317	3,488	728	64,239	4,086	74,640	447	-	278,522
Funds Held in Escrow	-	11,653	-	-	187	-	-	638	12,478
Due to Other Governments	-	-	14,825	5,374	1,908	-	-	12,160	34,267
Due to Primary Government	-	1,500	30,106	-	-	-	-	11,667	43,273
Unearned Revenue	4,898	38,184	1,348	17,015	3,418	8,300	5,043	78,948	157,154
Overpayment of Taxes	-	-	-	9,273	-	-	-	-	9,273
Other Current Liabilities	-	-	-	131,073	-	-	-	-	131,073
Derivative Instrument Liability	-	-	-	23,951	-	-	-	-	23,951
Non-Current Liabilities:									
Due within one year	49,800	4,464	10,970	262,985	2,324	-	-	-	330,543
Due in more than one year	1,038,990	33,956	168,421	3,531,628	42,738	-	2,313	41,865	4,859,911
Total Liabilities	1,354,835	119,554	248,244	4,121,520	155,447	90,839	8,869	150,936	6,250,244
Net Position									
Net Investment in Capital Assets	112,660	156	57,466	(236,118)	91,370	2,537	9,025	31,552	68,648
Restricted For:									
Capital Projects	-	-	-	-	3,318	-	-	-	3,318
Debt Service	111,100	11,238	2,434	98,228	-	-	-	-	223,000
Behavioral Health	-	-	-	18,375	-	-	-	-	18,375
Educational Programs	-	-	-	6,283	7,579	-	-	-	13,862
Grant Programs	-	-	-	-	-	-	-	30,203	30,203
Other	-	-	-	266	-	-	-	-	266
Unrestricted	134,827	75,115	52,546	(1,487,979)	(13,832)	(2,537)	(710)	4,116	(1,238,453)
Total Net Position	358,587	86,509	112,446	(1,600,944)	88,435	-	8,315	65,871	(880,781)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2013. 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, 2013.

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

Functions	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues									
	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*
Gas Operations										
Gas Works	651,976	683,487	11,131	-	42,642					
										42,642
Housing										
Redevelopment Authority	57,163	959	-	62,986		6,782				
										6,782
Parking										
Parking Authority	234,011	240,197	-	-			6,186			
										6,186
Education										
School District	2,998,778	8,075	941,634	1,000				(2,048,069)		
Community College	173,595	33,778	68,103	2,809					(68,905)	
Total	3,172,373	41,853	1,009,737	3,809						(2,048,069)
										(68,905)
Health										
Community Behavioral Health	796,234	-	796,234	-						-
										-
Economic Development										
Delaware River Waterfront Corp.	12,380	6,520	5,187	-				(673)		(673)
Authority for Ind. Development	187,264	2,019	25,465	157,179						
Total	199,644	8,539	30,652	157,179						(2,601)
										(2,601)
Total Component Units	5,111,401	975,035	1,847,754	223,974						(2,064,638)
										(2,064,638)
General Revenues:										
Property Taxes					-	-	-	650,633	-	-
Other Taxes					-	-	-	209,200	-	-
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,025,762	60,033	(325)
Unrestricted Interest & Investment Earnings					-	1,445	1,548	(1,864)	1,370	-
Miscellaneous					-	-	-	-	1,347	-
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-
Total General Revenue, Special Items and Transfers					-	1,445	1,548	1,883,731	62,750	2,258
										2,258
Change in Net Position					42,642	8,227	7,734	(164,338)	(6,155)	1,933
Net Position - July 1, 2012					309,740	78,651	104,712	(1,436,606)	94,590	(668)
Adjustment					6,205	(369)	-	-	-	8,933
Net Position Adjusted - July 1, 2012					315,945	78,282	104,712	(1,436,606)	94,590	8,933
										8,933
Net Position - June 30, 2013					358,587	86,509	112,446	(1,600,944)	88,435	65,871
										8,315
										(880,781)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2013. 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, 2013.

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



Notes to the Financial Statements
FYE 06/30/2013

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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. GASB No. 61 was implemented in fiscal year 2013 to modify certain requirements for inclusion of component units. 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 funding PAID's debt service.

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

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

C. RELATED ORGANIZATION

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.

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 Community College of Philadelphia 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 January and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net 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. Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

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

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

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

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are

used only to acquire other items for the collections. Among the City's collections are historical artifacts at the Ryers Museum & Library, Loudoun Mansion, Fort Mifflin, Atwater Kent Museum and the Betsy Ross House. The city also has sculptures, paintings, murals and other works of art on display on public property and buildings throughout the City.

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE AND PAYABLES

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

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 30.6% 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 \$9.771 on each \$100 assessment; \$5.309 for the SDP and \$4.462 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. These items have been reported as deferred outflows on the Statement of Net Position.

(Amounts in Thousands of USD)

	Governmental Activities	Business Type Activities
<u>Deferred Outflows of Resources</u>		
Derivative Instrument	62,510	31,381
Deferred Charge of Refunding	<u>58,688</u>	<u>74,381</u>
Total:	<u>121,198</u>	<u>105,762</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 Fund	Grants Revenue Fund	Other Governmental Funds
<u>Deferred Inflows of Resources</u>			
Unavailable Tax Revenue	169,054	-	265
Unavailable Agency Revenue	28,855	-	-
Unavailable Government Revenue	<u>103,473</u>	<u>234,310</u>	<u>36,496</u>
Total:	<u>301,382</u>	<u>234,310</u>	<u>36,761</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) (\$166.9 million).

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 \$411.9 million and \$411.9 million respectively. All of the collateralized securities were held in the City's name except for \$120.9 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, 2013 the City's Investments including Pension Trust Funds consisted of:

(amounts in thousands of USD)

<u>Classifications</u>	<u>Fair Value</u>	<u>% of Total</u>
Corporate Equities	2,198,128	32.50%
Miscellaneous - Limited Partnership	901,590	13.33%
U.S. Government Securities	645,794	9.55%
U.S. Government Agency Securities	649,675	9.61%
Other Bonds and Investments	610,032	9.02%
Corporate Bonds	591,964	8.75%
Short-Term Investment Pools	558,565	8.26%
Mutual Funds	332,801	4.92%
Commercial Paper	207,462	3.07%
Collateralized Mortgage Obligations	39,502	0.58%
Financial Agreement	23,393	0.35%
Certificate of Deposit	5,000	0.07%
Grand Total	6,763,906	100.00%

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (9.55%) or US Government Agency obligations (9.61%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (3.07%) 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, 11% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has 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	346,499	276,365	8,686
Corporate Bonds	108,221	49,369	-
U.S. Government Agency Securities	223,094	199,050	34,752
Commerical Papers	207,462	-	-
Financial Agreement	13,395	9,998	-
Total	<u>898,671</u>	<u>534,782</u>	<u>43,438</u>

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 65.4% of all investments and is invested primarily in equity securities (77.6%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 13% had Standard & Poor ratings of AAA to A.

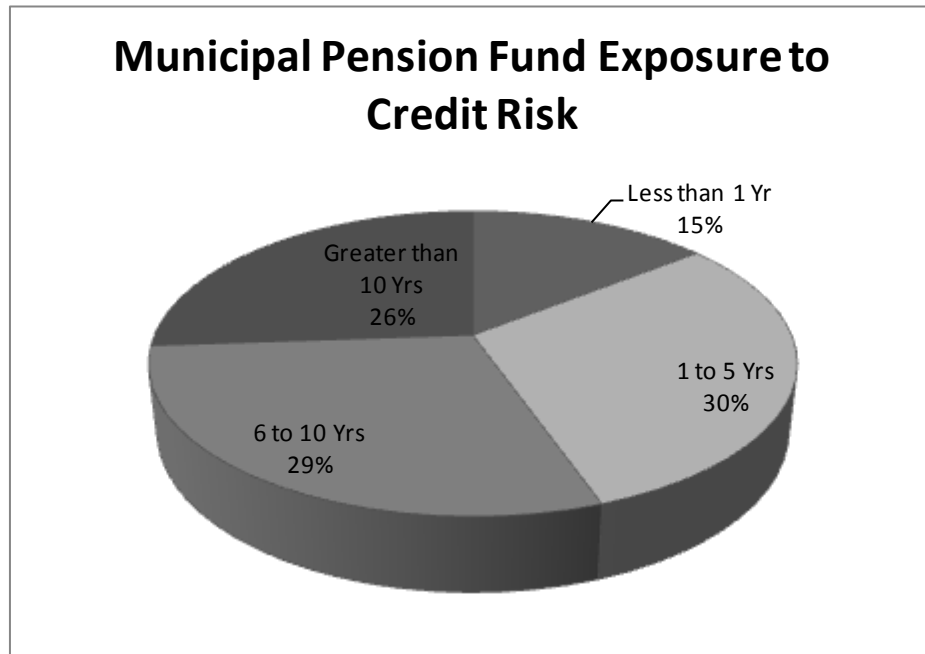
Municipal Pension Fund

Assets subject to foreign currency risk:

(thousands of USD)

<u>Currency</u>	<u>Fixed Income</u>	<u>Equity</u>	<u>% of Equity</u>
Euro Currency	21,679	150,604	21.32%
Pound Sterling	14,328	114,162	16.16%
Japanese Yen	41	115,097	16.30%
Sw iss Franc	-	58,778	8.32%
Hong Kong Dollar	39	58,332	8.26%
Mexican Peso	35,526	11,018	1.56%
South Korean Won	8,356	34,916	4.94%
Australian Dollar	17,216	18,975	2.69%
Brazilian Real	14,428	22,156	3.14%
Canadian Dollar	29	33,165	4.70%
South African Rand	13,717	14,424	2.04%
Malaysian Ringgit	14,866	7,645	1.08%
Polish Zloty	14,956	3,846	0.54%
Singapore Dollar	-	16,632	2.35%
Indonesian Rupiah	6,308	6,422	0.91%
Turkish Lira	7,632	3,977	0.56%
Hungarian Forint	10,992	427	0.06%
Sw edish Krona	-	10,277	1.46%
Thai Baht	4,747	5,343	0.76%
All Others	18,124	20,109	2.85%
	<u>202,984</u>	<u>706,305</u>	<u>100.00%</u>

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



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.93% of all investments and is primarily invested in equity securities (65.84%). 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:

Investment Type	Maturity Length				
	Less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	More than 10 yrs
Short-Term Investment Pools	12,960	-	-	-	-
U.S. Government Agency Securities	-	10,969	6,641	1,097	9,583
U.S. Government Securities	448	7,391	3,553	2,676	176
MTG Pass Thrus	-	-	-	-	1,792
Municipal Securities	-	-	836	948	512
Asset Backed Securities	-	358	2,110	2,449	18,574
Corporate bonds	1,887	11,220	11,881	38,171	13,483
	15,295	29,938	25,021	45,341	44,120

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, 2013 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 \$114 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)
Insured	4,674
Uninsured and uncollateralized	109,322
Total:	<u>113,996</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, 2013, 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, 2013</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	(406)	Investment	3,006	324,745

a. PICA Series of 2003 and 1999 Basis Cap Agreements

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

2003 Basis Cap

Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The agreement matures June 15, 2022.

1999 Basis Cap

Beginning July 15, 2009, the counterparty pays the Authority a fixed rate each month of .46% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional agreement matures June 15, 2023.

Fair value: As of June 30, 2013, the 2003 Basis Cap had a positive fair value of \$733,062. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2013, the 1999 Basis Cap had a positive fair value of \$2,273,256. 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	7,195	7,195
U.S. Treasury & Agency obligation	4,250	4,250
U.S. Treasury bonds & notes	750	750
Certificates of Deposit	100	100
Corporate bond & debts	5,334	5,490
	<u>17,629</u>	<u>17,785</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, 2013.

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, 2013 the Authority's investments in U.S. Government Securities were rated AAA, and investments in corporate and foreign debt 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 \$313,418 on deposit with two local banks. Amounts are insured by the FDIC up to \$250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Discretely Presented Component Units

a. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2013, **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 of USD)

		<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2013</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 Revenue	(1,169)	Investment	(5,919)	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. Payments under this swap are a lease rental obligation of the City.

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, 2013, the notional amount on the portion of the swap that was not amended was \$193.5 million.

Fair Value: As of June 30, 2013, the swap had a negative fair value of (\$5.9 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2013, **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 bps, 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, 2013 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	11/30/06	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$7,185,341)	Wells Fargo Bank N.A.	Aa3/AA-/AA-
Series 2003 School Lease Revenue Bonds	\$350,000,000	\$350,000,000	11/30/06	5/15/2033	SIFMA Swap Index	67% of USD-LIBOR + 0.2788%	(\$16,765,796)	JPMorgan Chase Bank, N.A.	Aa1/A+/A+
							(\$23,951,137)		

Basis 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, 2013, the net benefit to the School District has been \$9,134,530.

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, 2013, 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 \$.5 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** Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID's** Central Library Project Financing Lease Revenue Bonds Series 2005, **PAID's** Cultural and Commercial Corridor Lease Revenue Bonds Series 2006 and **PAID** City Service Agreement Refunding Revenue Bonds Series 2012.

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		
		Revenue	Service	Funds		
	General				Total	
Interfund Payables Due From:						
General	-	-	-	699	699	
Non major Special Revenue Funds	16,351	-	-	17	16,368	
Non major Debt Service Funds	-	-	-	-	-	
Total	16,351	-	-	716	17,067	

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	Timing Difference
						Total
Payables Due From:						
Behavioral Health	-	-	48,638	-	-	48,638
Grants Revenue	-	-	-	1,371	-	1,371
Non-major Funds	-	-	-	150	-	150
PPA	8,146	22,700	-	-	(739)	30,107
PAID	39,130	-	-	-	(27,463)	11,667
PRA	-	-	-	-	-	-
PGW	-	-	-	-	-	-
School District of Phila	4,500	-	-	-	-	4,500
Timing Difference	-	(22,700)	3,491	3,417	-	(15,792)
Total	51,776	-	52,129	4,938	(28,202)	80,641

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	779	8	-	787
Fine Arts	1	-	-	1
Construction In Process	96	10	(96)	10
Total capital assets not being depreciated	876	18	(96)	798
<u>Capital assets being depreciated:</u>				
Buildings	1,881	158	-	2,039
Other Improvements	313	7	-	320
Equipment	479	22	(20)	481
Infrastructure	1,408	67	-	1,475
Transit	292	-	-	292
Total capital assets being depreciated	4,373	254	(20)	4,607
<u>Less accumulated depreciation for:</u>				
Buildings	(1,202)	(61)	-	(1,263)
Other Improvements	(217)	(9)	-	(226)
Equipment	(382)	(27)	13	(396)
Infrastructure	(1,013)	(38)	-	(1,051)
Transit	(216)	(4)	-	(220)
Total accumulated depreciation	(3,030)	(139)	13	(3,156)
Total capital assets being depreciated, net	1,343	115	(7)	1,451
Governmental activities capital assets, net	2,219	133	(103)	2,249

	(Amounts In Millions of USD)			
Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	126	26	-	152
Intangible Assets	-	-	-	-
Construction In Process	582	197	(81)	698
Total capital assets not being depreciated	708	223	(81)	850
<u>Capital assets being depreciated:</u>				
Buildings	3,039	24	(5)	3,058
Other Improvements	244	13	-	257
Equipment	122	22	(17)	127
Intangible Assets	12	1	-	13
Infrastructure	2,963	119	(8)	3,074
Total capital assets being depreciated	6,380	179	(30)	6,529
<u>Less accumulated depreciation for:</u>				
Buildings	(1,506)	(88)	5	(1,589)
Other Improvements	(123)	(13)	-	(136)
Equipment	(98)	(6)	1	(103)
Intangible Assets	(5)	(1)	-	(6)
Infrastructure	(1,649)	(79)	7	(1,721)
Total accumulated depreciation	(3,381)	(187)	13	(3,555)
Total capital assets being depreciated, net	2,999	(8)	(17)	2,974
Business-type activities capital assets, net	3,707	215	(98)	3,824

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	39
Mass Transit	5
Judiciary and Law Enforcement:	
Police	9
Prisons	6
Courts	1
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	11
Parks	10
Libraries and Museums	9
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	6
General Management & Support	<u>36</u>
Total Governmental Activities	<u>139</u>
<u>Business-Type Activities:</u>	
Water and Sewer	89
Aviation	<u>98</u>
Total Business Type Activities	<u>187</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)			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	132	-	-	132
Construction In Process	58	-	(30)	28
Art	8	-	-	8
Total capital assets not being depreciated	198	-	(30)	168
<u>Capital assets being depreciated:</u>				
Buildings	1,753	45	-	1,798
Other Improvements	1,185	45	-	1,230
Intangible Assets	46	1	-	46
Equipment	272	0	(16)	257
Infrastructure	1	-	-	1
Total capital assets being depreciated	3,256	90	(16)	3,331
<u>Less accumulated depreciation for:</u>				
Buildings	(610)	(32)	-	(642)
Other Improvements	(670)	(58)	-	(728)
Intangible Property	(35)	(2)	-	(37)
Equipment	(181)	(27)	29	(179)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,496)	(119)	29	(1,586)
Total capital assets being depreciated, net	1,761	(29)	13	1,745
Capital assets, net	1,959	(29)	(17)	1,913
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	39	1	-	40
Fine Arts	(9)	-	-	(9)
Construction In Process	71	94	(108)	57
Total capital assets not being depreciated	101	95	(108)	88
<u>Capital assets being depreciated:</u>				
Buildings	647	32	-	679
Other Improvements	25	1	(1)	25
Equipment	441	19	(8)	452
Infrastructure	1,482	104	(22)	1,564
Total capital assets being depreciated	2,595	156	(31)	2,720
<u>Less accumulated depreciation for:</u>				
Buildings	(269)	(21)	1	(289)
Other Improvements	(28)	(2)	-	(30)
Equipment	(149)	(29)	4	(174)
Infrastructure	(674)	(61)	20	(715)
Total accumulated depreciation	(1,120)	(113)	25	(1,208)
Total capital assets being depreciated, net	1,475	43	(6)	1,512
Capital assets, net	1,576	138	(114)	1,600

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.

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, 2013).

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 \$86 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>
2014	\$ 8,498,508
2015	6,160,293
2016	6,170,886
2017	6,147,857
2018	5,980,767
2019	5,329,480
2020-2024	27,688,101
2025-2028	20,040,000
Total	<u>\$ 86,015,892</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, 2013 was \$5,926,559 subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 3,994,001
2015	484,569
2016	504,512
2017	525,584
2018	<u>417,893</u>
Total	<u>\$ 5,926,559</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, 2013 the statutory limit for the City is \$1.7 billion, the General Obligation Debt net of deductions authorized by law is \$1.6 billion, leaving a legal debt borrowing capacity of \$52.1 million. 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)					
Governmental Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	973.8	-	(66.4)	907.4	71.0
Refunding Bonds	821.8	-	(16.8)	805.0	33.4
Serial Bonds	233.6	-	(31.7)	201.9	17.0
Add: Bond Premium	107.8	-	(10.4)	97.4	-
Less: Deferred Amounts					
Unamortized Issuance Expenses	(23.3)	-	1.3	(22.0)	-
Unamortized Discount	(3.7)	-	0.2	(3.5)	-
Total Bonds Payable	2,110.0	-	(123.8)	1,986.2	121.4
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,379.3	54.3	(262.2)	1,171.4	96.2
Neighborhood Transformation	227.6	-	(7.6)	220.0	7.6
One Parkway	43.5	-	(2.1)	41.4	2.1
Sports Stadium	325.6	-	(11.5)	314.1	12.0
Library	8.2	-	(0.5)	7.7	0.5
Cultural Corridor Bonds	119.4	-	(3.6)	115.8	3.8
City Service Agreement	-	531.0	(107.7)	423.3	123.5
Indemnity Claims	51.6	45.1	(33.3)	63.4	21.7
Worker's Compensation Claims	279.4	46.3	(59.2)	266.5	33.4
Termination Compensation Payable	209.7	29.1	(19.5)	219.3	9.7
Net Pension Obligation	216.4	-	(35.3)	181.1	-
OPEB Obligation	109.0	57.3	-	166.3	-
Leases	40.6	-	(11.7)	28.9	12.1
Governmental Activity Long-term Liabilities	5,120.3	763.1	(678.0)	5,205.4	444.0

The beginning balance of bonds payable changed due to the implementation of GASB Statement No. 65 see Note III.13.A

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

(Amounts In Millions of USD)

	Interest Rates					Principal	Due Dates		
Governmental Funds:									
City	2.00	%	to	7.125	%	1,277.6	Fiscal	2014	to 2042
PMA	2.00	%	to	7.50	%	227.4	Fiscal	2014	to 2039
PICA	4.00	%	to	5.00	%	<u>409.3</u>	Fiscal	2014	to 2023
						1,914.3			

- Effective March 1, 2013 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B (\$100.0 million), and entered into a letter of credit substitution with Bank of New York Mellon (BNY). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by BNY. The Letter of Credit (LOC) will permit the fiscal agent to draw up to \$101.1 million for principal and unpaid interest on the 2009B bonds and will expire on March 7, 2016, unless earlier cancelled, terminated or renewed. The LOC will constitute both a Credit Facility and Credit Provider and BNY a Liquidity Facility and Liquidity Provider for the 2009B bonds.
- In Fiscal Year 2013, the serial bonds (\$165.1 million) for **PMA** were reclassified to term bonds. This reclassification supports PMA's debt presentation.
- As of June 30, 2013, **PMA's** Statement of Net Position disclosed \$11.04 million of accretion to its bond principal payments for fiscal years 2014-2015. Capitalized interest rates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents cumulative compounded interest due and payable at bond maturity.

The City has General Obligation Bonds authorized and un-issued at year-end of \$390.7 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2014	50.7	66.1	25.1	12.5	45.6	20.4
2015	52.4	63.4	26.6	11.0	47.7	18.1
2016	52.0	60.8	20.6	9.6	49.9	15.7
2017	54.7	58.2	21.6	8.6	52.2	13.3
2018	57.2	55.3	27.7	7.3	45.4	10.6
2019-2023	293.6	231.9	26.3	28.3	168.5	23.2
2024-2028	329.6	152.0	21.0	22.9	-	-
2029-2033	255.1	76.5	21.7	16.4	-	-
2034-2038	84.4	31.0	29.7	8.3	-	-
2039-2043	47.9	5.2	7.1	0.5	-	-
Totals	<u>1,277.6</u>	<u>800.4</u>	<u>227.4</u>	<u>125.4</u>	<u>409.3</u>	<u>101.3</u>

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

(Amounts in Millions of USD)

Lease & Service Agreements								
Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	91.5	34.5	7.6	10.9	2.1	2.0	12.0	13.3
2015	90.2	40.8	7.9	10.6	2.3	1.8	12.4	12.7
2016	87.6	47.1	8.3	10.2	2.4	1.7	13.0	12.0
2017	82.0	52.7	8.7	9.8	2.5	1.6	13.6	11.3
2018	76.8	57.9	9.2	9.3	2.6	1.5	14.1	10.5
2019-2023	239.2	294.6	53.2	39.4	14.9	5.6	80.2	41.8
2024-2028	279.1	188.5	70.8	24.7	14.6	1.8	98.8	24.0
2029-2033	225.0	7.4	54.3	5.5	-	-	70.0	4.2
Totals	1,171.4	723.5	220.0	120.4	41.4	16.0	314.1	129.8

Fiscal Year	City Service Agreement		Cultural Corridors		Central Library	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	123.5	13.3	3.8	5.4	0.5	0.3
2015	-	11.8	3.9	5.3	0.5	0.3
2016	-	11.8	4.2	5.1	0.5	0.3
2017	-	11.7	4.4	4.9	0.6	0.2
2018	-	11.7	4.6	4.6	0.6	0.2
2019-2023	106.9	56.4	26.8	19.4	3.4	0.8
2024-2028	192.9	15.4	34.3	11.8	1.6	0.1
2029-2033	-	-	33.8	3.1	-	-
Totals	423.3	132.1	115.8	59.6	7.7	2.2

(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 Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Revenue Bonds	3,248.0	85.8	(258.6)	3,075.2	186.7
Add: Bond Premium	113.8	12.8	(16.0)	110.6	-
Total Bonds Payable	3,361.8	98.6	(274.6)	3,185.8	186.7
Indemnity Claims	7.0	2.1	(4.3)	4.8	-
Worker's Compensation Claims	17.8	8.1	(4.6)	21.3	-
Termination Compensation Payable	15.8	4.5	(2.7)	17.6	-
Net Pension Obligation	27.5	-	(4.3)	23.2	-
Arbitrage	0.3	-	-	0.3	-
Business-type Activity Long-term Liabilities	3,430.2	113.3	(290.5)	3,253.0	186.7

The beginning balance of bonds payable changed due to the implementation of GASB Statement No. 65 see Note III.13.A

The Enterprise Funds have no debt that is classified on their respective balance sheets as General Obligation debt payable as of June 30, 2013.

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

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

(Amounts in Millions of USD)

	Interest Rates	Principal	Due Dates
Water Fund	0.05 % to 5.75 %	1,759.8	Fiscal 2014 to 2041
Aviation Fund	2.00 % to 5.375 %	1,315.5	Fiscal 2014 to 2040
Total Revenue Debt Payable		3,075.3	

- In November 2012, the City issued Water and Wastewater Revenue Refunding Bonds, Series 2012. The bonds were issued in the amount of \$70.4 million with interest rates ranging from 1% to 5% and have a maturity date of 2028. The plan is to refund all of the City's outstanding Water and Wastewater Revenue Bonds, Series 2001A and Series 2001B maturing after November 1, 2012 and pay the costs of issuance related to the Bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is \$13.2 million. This refunding transaction resulted in a net economic gain of \$12.7 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 2013, PENNVEST drawdowns totaled \$15.4 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 6/30/2013</u>	<u>Amt Rec'd Yes/No</u>	<u>Purpose</u>
Oct. 2009	2009B	42,886,030	42,339,199	25,908,165	Yes	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	40,338,440	Yes	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	70,930,405	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	9,254,100	Yes	Green Infrastructure Project
Totals:		<u>214,913,486</u>	<u>214,385,181</u>	<u>146,431,110</u>		

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

<u>Fiscal Year</u>	<u>Water Fund</u>		<u>Aviation Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	127.5	75.9	59.2	65.2
2015	125.6	70.2	62.4	62.0
2016	137.0	65.6	60.2	58.6
2017	121.8	58.6	63.6	55.4
2018	128.6	53.7	65.9	52.2
2019-2023	292.7	219.5	331.8	212.2
2024-2028	280.5	162.6	364.1	128.5
2029-2033	290.5	99.2	143.0	62.3
2034-2038	179.7	41.0	130.6	26.5
2039-2043	<u>75.9</u>	<u>7.1</u>	<u>34.7</u>	<u>2.6</u>
Totals	<u>1,759.8</u>	<u>853.4</u>	<u>1,315.5</u>	<u>725.5</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)

Enterprise Funds:

Water Fund Revenue Bonds	40.5
	<u>40.5</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 \$127.0 million in Tax Revenue Anticipation Notes by June 2013 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, 2012	-
Additions	127.0
Deletions	<u>(127.0)</u>
Balance June 30, 2013	<u>-</u>

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2013, 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, 2013, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands of USD)

<u>Changes in Fair Value</u>			<u>Fair Value at June 30, 2013</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	11,218	Debt	(15,798)	100,000
	Deferred Outflow	17,165	Debt	(35,037)	217,275
	Deferred Outflow	5,720	Debt	(11,675)	72,400
<u>Business Type Activities:</u>					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	9,370	Debt	(22,816)	148,400
	Deferred Outflow	3,453	Debt	(8,565)	81,995

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty.

(amounts in thousands of USD)

<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	217,275	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa3/A+
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	72,400	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Baa2/A-
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	148,400	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	81,995	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, 2013, 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, 2013, the swap had a negative fair value of (\$15.80 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2013, 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, 2013, 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	0.06000	%
Synthetic interest rate on bonds		3.82900	%

Swap payments and associated debt: As of June 30, 2013, 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	<u>Variable Rate Bonds</u>		Interest Rate	
	Principal	Interest	Swaps Net	Total Interest
2014	\$ -	\$ 60,000	\$ 3,769,000	\$ 3,829,000
2015	-	60,000	3,769,000	3,829,000
2016	-	60,000	3,769,000	3,829,000
2017	-	60,000	3,769,000	3,829,000
2018	-	60,000	3,769,000	3,829,000
2019-2023	-	300,000	18,845,000	19,145,000
2024-2028	30,535,000	300,000	18,845,000	19,145,000
2029-2032	69,465,000	106,272	6,675,653	6,781,925
Total:	\$ <u>100,000,000</u>	\$ <u>1,006,272</u>	\$ <u>63,210,653</u>	\$ <u>64,216,925</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. As of June 30, 2013, the swaps together had a notional amount of \$289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2013, the swap with JP Morgan Chase Bank had a negative fair value of (\$35.0 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of (\$11.7 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2013, **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, 2013, the rates for the \$217.3 million notional swap with JP Morgan Chase Bank were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JPMorgan under Swap	Fixed	3.97130 %
Variable rate payment from JPMorgan under Swap	SIFMA	(0.06000) %
Net interest rate swap payments		3.91130 %
Variable Rate bond coupon payments	Weighted Average Weekly resets	0.34990 %
Synthetic interest rate on bonds		4.26120 %

As of June 30, 2013, the rates for the \$72.4 million notional swap with Merrill Lynch Capital Services, Inc. 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	Weekly resets	0.34975 %
Synthetic interest rate on bonds		4.26105 %

Swap payments and associated debt. As of June 30, 2013, 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 <u>June 30</u>	Variable Rate Bonds		Interest Rate		Total Interest
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>		
2014	\$ -	\$ 760,241	\$ 8,498,277	\$	9,258,518
2015	-	760,241	8,498,277		9,258,518
2016	9,745,000	760,241	8,498,277		9,258,518
2017	10,165,000	603,347	8,117,121		8,720,467
2018	10,595,000	439,690	7,719,537		8,159,227
2019-2023	60,150,000	597,037	32,016,533		32,613,570
2024-2028	74,125,000	254,861	19,205,461		19,460,322
2029-2031	52,495,000	55,252	4,163,579		4,218,831
Total:	\$ <u>217,275,000</u>	\$ <u>4,230,910</u>	\$ <u>96,717,062</u>	\$	<u>100,947,971</u>

Swap payments and associated debt: As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate		Total Interest
	Principal	Interest	Swaps Net		
2014	\$ -	\$ 253,219	\$ 2,831,781	\$	3,085,000
2015	-	253,219	2,831,781		3,085,000
2016	3,245,000	253,219	2,831,781		3,085,000
2017	3,385,000	200,974	2,704,860		2,905,834
2018	3,530,000	146,476	2,572,462		2,718,938
2019-2023	20,050,000	198,919	10,669,049		10,867,968
2024-2028	24,695,000	84,925	6,399,669		6,484,594
2029-2031	17,495,000	18,413	1,387,534		1,405,947
Total:	\$ 72,400,000	\$ 1,409,364	\$ 32,228,917	\$	33,638,281

c. Philadelphia Airport Swap

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

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

As of June 30, 2013, the swap had a notional amount of \$148.4 million and the associated variable-rate bonds had a \$148.4 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, 2013, the swap had a negative fair value of (\$22.8 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, 2013, 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, 2013, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed-declining	4.98577 %
Variable rate payment from JP Morgan under swap	SIFMA	(0.06000) %
Net interest rate swap payments		4.92577 %
Variable Rate bond coupon payments	Weekly resets	0.07000 %
Synthetic interest rate on bonds		4.99577 %

Swap payments and associated debt: As of June 30, 2013, 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>
2014	\$ 8,200,000	\$ 103,880	\$ 7,309,836	\$ 7,413,716
2015	9,000,000	98,140	6,542,356	6,640,496
2016	9,800,000	91,840	5,779,656	5,871,496
2017	10,700,000	84,980	4,921,020	5,006,000
2018	11,400,000	77,490	4,262,830	4,340,320
2019-2023	68,100,000	256,900	10,992,930	11,249,830
2024-2025	31,200,000	32,900	844,000	876,900
Total:	<u>\$ 148,400,000</u>	<u>\$ 746,130</u>	<u>\$ 40,652,628</u>	<u>\$ 41,398,758</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 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, 2013, the swap had a notional amount of \$82.0 million and the associated variable-rate bond had an \$82.0 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, 2013, the swap had a negative fair value of (\$8.6 million). This means that the City would have to pay this amount if the swap terminated.

Risk: As of June 30, 2013 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, 2013, 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	(0.13334) %
Net interest rate swap payments		4.39666 %
Variable Rate bond coupon payments	68.5% of 1-month LIBOR + fixed	0.13334 %
Synthetic interest rate on bonds		4.53000 %

Swap payments and associated debt: As of June 30, 2013, 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>	
2014	\$ 14,820,000	\$ 109,328	\$ 3,605,045	\$ 3,714,373	
2015	15,535,000	89,568	2,953,460	3,043,028	
2016	16,315,000	68,854	2,270,438	2,339,292	
2017	17,145,000	47,101	1,553,122	1,600,223	
2018	18,015,000	24,240	799,314	823,554	
2019	165,000	221	7,253	7,474	
Total:	\$ <u>81,995,000</u>	\$ <u>339,312</u>	\$ <u>11,188,632</u>	\$ <u>11,527,944</u>	

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of \$1.2 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of \$1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments. The fiscal year 2013 Pension Funding Bonds liability of \$1,171.4 million is reflected in the City's financial statements as another Long Term Obligation.

(8) Neighborhood Transformation Initiative Service Agreement

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

In March, 2005, **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 2013 NTI Service Agreement liability of \$220 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

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

In October, 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2013, the Sports Stadium Financing Agreement liability of \$314.1 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 2013 the liability of \$115.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) City Service Agreement

In October 2012, **PAID** issued City Service Agreement Revenue Bonds, Series 2012 in the amount of \$231.2 million. The bonds mature on April 1, 2013 (\$107.7 million) and April 1, 2014 (\$123.5 million). **PAID** issued the bonds at the request of the City of Philadelphia and the proceeds will be used to finance the early repayment of the City's Deferred Funding Obligation Bond in the amount of \$230 million and payment of the costs 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 began in 2013. In fiscal 2013 the liability of \$123.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

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.

(12) 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.

(13) Net Pension Liability

Net Pension Liabilities at June 30, 2012 was \$216.4 million and \$27.5 million for the Governmental and Business Type Activities, respectively. The decrease in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2013 of \$35.3 million resulted in Net Pension Liabilities of \$181.1 million. During FY 2013, the Business Type Activities' NPO decreased by \$4.3 million resulting in a Net Pension Liability of \$23.2 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The School District has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total \$3,295 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2014 to 2040. The following schedule reflects the changes in long-term liabilities for the School District:

(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	3,144.2	265.0	(114.2)	3,295.0	113.7
Add: Bond Premium	100.9	36.9	(8.9)	128.9	9.7
Less: Bond Refunding Losses	(167.3)	-	13.2	(154.1)	(13.2)
Less: Bond Discounts	(10.3)	-	0.5	(9.8)	(0.5)
Total Bonds Payable	3,067.5	301.9	(109.4)	3,260.0	109.7
Termination Compensation Payable	253.5	19.4	(67.5)	205.4	38.8
Severance Payable	166.9	2.1	(36.5)	132.5	17.3
Interfund Loan	7.1	-	(3.0)	4.1	-
Other Liabilities	136.5	33.8	(37.8)	132.5	37.8
Incurred But Not Reported (IBNR) Payable	12.0	0.5	-	12.5	12.5
Deferred Reimbursement	45.3	-	-	45.3	45.3
DHS Liability	4.0	-	(0.5)	3.5	0.5
OPEB Liability	0.1	-	-	0.1	-
Arbitrage Liability	0.3	0.3	-	0.6	0.3
NFS Federal Liability	-	2.5	(0.1)	2.4	0.8
Early Retirement Incentive	11.4	-	(11.4)	-	-
Total	3,704.6	360.5	(266.2)	3,798.9	263.0

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

(Amounts In Millions of USD)

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	117.4	155.3
2015	119.0	146.4
2016	125.9	140.9
2017	130.1	135.4
2018	132.0	129.4
2019-2023	716.9	555.5
2024-2028	786.0	400.4
2029-2033	847.6	223.1
2034-2038	272.6	49.4
2039-2040	47.5	3.5
Totals	<u>3,295.0</u>	<u>1,939.3</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)

				<u>Interest</u> <u>Rates</u>		<u>Principal</u>					<u>Due Dates</u>
PGW	2.00	%	to	5.38	%	1,065.7	Fiscal	2015	to	2040	
PPA	3.00	%	to	5.25	%	167.1	Fiscal	2014	to	2030	
PRA	4.55	%	to	4.75	%	14.9	Fiscal	2017	to	2028	
Total Revenue Debt Payable						<u>1,247.7</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
2014	49.8	49.2	11.0	8.1	-	0.7
2015	51.0	46.8	11.4	7.6	-	0.7
2016	49.1	44.1	11.9	7.0	-	0.7
2017	49.9	41.7	12.6	6.4	1.8	0.7
2018	49.3	39.2	13.2	5.7	-	0.7
2019-2023	260.6	160.8	68.6	18.7	-	3.1
2024-2028	268.3	101.0	33.1	4.6	13.1	2.5
2029-2033	142.6	51.4	5.3	0.1	-	-
2034-2038	126.7	18.8	-	-	-	-
2039-2040	18.4	1.5	-	-	-	-
Totals	<u>1,065.7</u>	<u>554.5</u>	<u>167.1</u>	<u>58.2</u>	<u>14.9</u>	<u>9.1</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2013

(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 †	32.5
School District of Philadelphia	<u>106.5</u>
Total	<u>139.0</u>

† - Gas Works amounts are presented as of August 31, 2013

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 \$34.1 million at August 31, 2013, bearing interest on face value from 0.0% to 7.74%.

As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. As of June 30, 2013, \$91.0 million of bonds outstanding are considered to be totally defeased and the liability has been removed from long-term liabilities.

In addition, 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 School District 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 a scheduled payment of the defeased debt. As of June 30, 2013, \$11.0 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, 2007, and due December 28, 2022 are considered partially defeased in substance for accounting and financial reporting purposes. The School District 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, 2013, \$4.5 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, 2013, the arbitrage rebate calculation indicates a liability totaling \$265,502 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. This liability will continue to decrease since the project funds are no longer earning above the bond yield. 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, 2013.

The School District has reserved \$265,502 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 through E.

In September 2011, the underlying variable rate bonds were remarketed with new letters of credit. During the remarketing, PGW partially redeemed portions of the bonds, and re-allocated 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.

As of August 31, 2013, 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 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 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 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 final maturity date for all swaps is on August 1, 2028.

As of August 31, 2013, the swaps had a combined negative fair value of approximately \$33.4 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, 2013, 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 the Company'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, 2013 and 2012 is as follows (thousands of U.S. dollars):

	Interest rate swap liability	Deferred outflow of resources
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>
	Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2011	51,671	25,360
Change in fair value through August 31, 2012	5,764	9,352
Balance August 31, 2012	<u>57,435</u>	<u>34,712</u>

The interest rate swap liability is included in other liabilities and deferred credits and deferred outflow of resources is included in other assets and deferred debits 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, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows (amounts in thousands; debit (credit)):

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2013</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	expense	\$ (1,864)	Investment	<u>\$(23,951)</u>	\$ 500,000
				<u>\$(23,951)</u>	

As of June 30, 2013, 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>
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	
Minimum Rentals	8,319	28,758	3,853
Additional Rentals	-	153,316	185
Sublease	12,281	-	1,985
Total Rental Income	<u>20,600</u>	<u>182,074</u>	<u>6,023</u>

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

(Amounts In Thousands of USD)

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>	
2014	3,898	13,815	4,375
2015	4,142	7,534	3,492
2016	4,384	6,897	3,183
2017	4,371	6,549	2,355
2018	4,687	6,557	1,377
2019-2023	29,121	25,304	2,890
2024-2028	41,662	16,551	1,637
2029-2033	59,311	10,859	855
2034-2038	85,649	5,754	717
2039-2043	-	-	717
2044-2048	-	-	717
2049-2053	-	-	717
2054-2058	-	-	717
2059-2063	-	-	717
2064-2068	-	-	717
2069-2073	-	-	717
2074-2078	-	-	717
2079-2083	-	-	704
2084-2088	-	-	623
2089-2093	-	-	47
Total	<u>237,225</u>	<u>99,820</u>	<u>27,991</u>

B. CITY AS LESSEE

1) OPERATING LEASES

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

(Amounts In Thousands of USD)	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>	
Minimum Rentals	174,594	36,910	205,593
Additional	-	-	77
Sublease	-	-	1,982
Total Rental Expense	<u>174,594</u>	<u>36,910</u>	<u>207,652</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:

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2014	36,096	537	208,180
2015	29,277	49	206,212
2016	28,841	-	206,166
2017	26,944	-	206,235
2018	25,545	-	207,828
2019-2023	78,603	-	199,850
2024-2028	36,052	-	-
2029-2033	16,257	-	-
2034-2038	16,414	-	-
Total	<u>294,029</u>	<u>586</u>	<u>1,234,471</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
2014	2,324
2015	1,734
2016	1,544
2017	1,255
2018	944
2019-2023	<u>2,370</u>
Future Minimum Rental Payments	10,171
Interest Portion of Payments	<u>(957)</u>
Obligation Under Capital Leases	<u>9,214</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, 2013, 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

In December 2011, the Pension Plan for **PGW** 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.

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 (\$2.2 million) and Permanent Funds (\$2.6 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 \$96.3 million at June 30, 2013. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health (\$233.7 million); Grants Revenue (\$58.7 million); County Liquid Fuels (\$2.6 million); Special Gasoline Tax (\$21.3 million); Hotel Room Rental Tax (\$7.2 million); Car Rental Tax (\$6.8 million); Housing Trust (\$15 million); Acute Care Hospital Assessment (\$15.2 million); Departmental (\$6.3 million); Municipal Authority Administrative (\$.3 million); PICA Administrative (\$33.9 million). The entire fund balances of the Debt Service (\$81.2 million) and Capital Improvement (\$29.2 million) funds were restricted. The Permanent Fund had a restricted fund balance of \$3.1 million at June 30, 2013.
- **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 (\$4.4 million) and Departmental (\$.7 million).
- **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 \$98 million at June 30, 2013 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 \$90 million unassigned fund balance at June 30, 2013. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of \$217.1 million and the Community Development fund had a negative fund balance of \$7.2 million at June 30, 2013.

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.

City of Philadelphia
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Exhibit XIII

Table below presents a more detailed breakdown of the City's fund balances at June 30, 2013:

(Amounts In Thousands of USD)				
	HealthChoices			
	General	Behavioral	Grants	Other
	Fund	Health	Revenue	Governmental
	Fund	Fund	Fund	Funds
<u>Nonspendable:</u>				
Permanent Fund (Principal)	-	-	-	2,833
Subtotal Nonspendable:	-	-	-	2,833
<u>Restricted for:</u>				
Neighborhood Revitalization	-	-	34,218	-
Economic Development	-	-	-	7,150
Public Safety Emergency Phone System	-	-	24,475	-
Streets & Highways	-	-	-	23,904
Housing & Neighborhood Dev	-	-	-	15,042
Health Services	-	-	-	15,196
Behavioral Health	-	233,724	-	-
Parks & Recreation	-	-	-	418
Libraries & Museums	-	-	-	96
Intergovernmental Financing (PICA)	-	-	-	33,880
Intergovernmentally Financed Programs	-	-	-	-
Central Library Project	2,331	-	-	-
Stadium Financing	2,096	-	-	6,822
Cultural & Commercial Corridor Project	12,175	-	-	-
Capitalized Interest	79,743	-	-	-
Debt Service Reserve	-	-	-	81,474
Capital Projects	-	-	-	29,230
Trust Purposes	-	-	-	8,885
Subtotal Restricted	96,345	233,724	58,693	222,097
<u>Committed, reported in:</u>				
Social Services	-	-	-	34
Prisons	-	-	-	4,401
Parks & Recreation	-	-	-	673
Subtotal Committed	-	-	-	5,108
<u>Assigned, reported in:</u>				
General Fund	98,033	-	-	-
Subtotal Assigned:	98,033	-	-	-
<u>Unassigned Fund Balance:</u>	89,980	-	(217,139)	(7,191)
Total Fund Balances	284,358	233,724	(158,446)	222,847

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:

		Transfers To:				
		Non major				
<i>(Amounts in Thousands of USD)</i>	Governmental	Governmental				
			Special	Debt	Capital	
<i>Transfers From:</i>	<u>General</u>	<u>Grants</u>	<u>Revenue</u>	<u>Service</u>	<u>Improvement</u>	<u>Total</u>
General	-	320	12,005	156,070	1,029	169,424
Grants	26,772	-	1,433	-	5,594	33,799
Non major Special Revenue Funds	315,842	-	-	63,849	8,850	388,541
Water Fund	560	-	20,820	-	-	21,380
Total	343,174	320	34,258	219,919	15,473	613,144

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	1,986.2
Service Agreements	2,293.7
Employee Related Obligations	652.1
Indemnities	63.4
Arbitrage	-
Leases	28.9
Net Pension Obligation	181.1
Total Adjustment	<u>5,205.4</u>

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

A. PRIMARY GOVERNMENT

- The **PMA** net position beginning balance was increased by \$19.1 million. This increase was a result of an adjustment from "Expense-General Management and Support" to "Other Capital Assets (Net of Depreciation)". This adjustment involved the correction of a **PMA** purchase of capital assets being incorrectly recorded as an expense in the 2012 full accrual financial statements.
- The City implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 amends the accounting and financial reporting guidance for certain items previously required to be reported as assets and liabilities. As a result of this accounting change, the beginning net position as of July 1, 2012 has been decreased by \$33.8 million in Governmental Activities and \$74.5 million in Business-Type Activities. GASB No. 65 requires bond issuance costs to be expensed. Prior unamortized costs were retroactively written off as reflected in the effect of restating prior periods.

The impact of these changes in the primary government is as follows:

(Amounts in Thousands of USD)

	Governmental Activities	Business-Type Activities
Net Position as previously reported	(1,772,472)	1,737,527
Cumulative effect for a change in accounting principles:		
Related to bond issuance cost	(33,792)	(74,451)
Prior Period Adjustment	19,137	
Total Adjustments	(14,655)	(74,451)
Net Position as restated	(1,787,127)	1,663,076

B. COMPONENT UNIT

- PGW** net position beginning balance was increased by \$11.8 million. The City historically used **PGW** financial statements from their previous fiscal year (August 31, 2012). However, in FY13 to comply with GASB 14, which states that it is acceptable to incorporate an entity's fiscal year if the component unit's fiscal year ends within the first quarter, **PGW** financial statements ending August 31, 2013 were used to provide a timely and accurate presentation of the financial statements.
- PGW** implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, that amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Certain debt issuance costs are now expensed rather than recorded as an asset and amortized over the life of the debt. This provision was applied retroactively and resulted in beginning net assets as of September 1, 2011 being reduced by \$5.6 million.

14. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$1,266.2 million of restricted net position, of which \$68.1 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	252,657	-
Debt Service	375,071	-
Pension Oblig Bond Refunding Reserve	79,743	-
Behavioral Health	233,724	-
Neighborhood Revitalization	34,218	-
Stadium Financing	2,096	-
Central Library Project	2,331	-
CCC Project	12,175	-
Grant Programs	53,726	15,042
Rate Stabilization	161,464	-
Libraries & Parks:		
Expendable	3,109	-
Non-Expendable	2,633	-
Other	53,337	53,072
Total	<u>1,266,284</u>	<u>68,114</u>

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year end of \$158.4 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 \$7.2 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-2012). The Fund includes these charges in current revenues at the time they are received. Fund regulations also provide for a refund of any advance service charges upon payment of a \$100 fee and permanent disconnection from the system.

During FY 2013, 333 disconnection permits were issued resulting in a refund or final credit of approximately \$149,760. During the period of July 1, 2012 and December 31, 2012, 403 new connection permits were issued resulting in additional advance service charges of approximately \$175,765. As part of the process for setting rates and charges, the Department revised the regulations to freeze advanced service charges at their then current levels starting on January 1, 2013. As a result, advance service charges will no longer be collected or charged to new customers of the system.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS). The fund covers all officers and employees of the city and the officers and employees of certain other governmental and quasi-governmental organizations.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

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

(1) City Plan

a. Plan Description

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions. In addition to the two major classes of members, a third class of members was enacted in fiscal year 2011 that features a defined benefit and a defined contribution component.

Retirement Benefits

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

Death Benefits

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

Disability Benefits

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

Membership

Membership in the plan as of July 1, 2012 was as follows:

Retirees and beneficiaries currently receiving benefits	36,890
Terminated members entitled to benefits but not yet receiving them	1,289
Active members	26,306
Total Members	<u>64,485</u>

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

b. Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3¼% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. Plan 87 contribution rates are defined for the membership as a whole by Council ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

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

- The accrued actuarially determined normal costs
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
 - non active member's benefit modifications (10 years)
 - experience gains and losses (15 years)
 - changes in actuarial assumptions (20 years)
 - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to \$727.6 million or 51.1% of the covered payroll of \$1,423.4 million. The City's actual contribution was \$763.7 million. The City's contribution did meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2011 the City made several changes to the pension plan based on Act 44, which provided a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline. The City adopted fresh start amortization, alternating to 30 years and lowered the assumed rate of interest from 8.15% to 8.10% assuming a partial deferral of the pension payments in fiscal years 2010 and 2011 of \$150 million and \$80 million respectively, which must be repaid by fiscal year 2014. The change in amortization period and the partial deferral were approved by the Commonwealth of Pennsylvania General Assembly's Act 44. Act 44 also allowed the City to temporarily impose an additional local sales tax of 1.0% to fund future MMO Payments.

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

(Millions of USD)			
Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2011	721.7	65.14%	80.0
2012	719.6	77.22%	243.9
2013	729.1	105.43%	204.3

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2012. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 7.95%
- 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.

(Amounts in Millions of USD)						UAAL as a
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	Percent of Covered Payroll (b - a) / c
07/01/2010	4,380.9	9,317.0	4,936.1	47.02%	1,421.2	347.32%
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%

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)	738,010
Interest on Net Pension Obligation (NPO)	19,756
Adjustment to ARC	<u>(28,660)</u>
Annual Pension Cost	729,106
Contributions Made	<u>(768,702)</u>
Increase in NPO	(39,596)
NPO at beginning of year	<u>243,898</u>
NPO at end of year	<u><u>204,302</u></u>
Interest Rate	8.10%
15 Year amortization Factor (EOY)	8.51%

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, 2013:

List of Derivatives Aggregated by Investment Type

Changes in Fair Value			Fair Value at June 30, 2013		
Classification	Amount		Classification	Amount	Notional
Investment Derivatives					
Forward Currency Contracts	Net appreciation/(depreciation) in investments	\$ 2,036,338	Accrued interest and other receivables	\$ 1,742,854	\$ 211,776,936
Futures	Net appreciation/(depreciation) in investments	(153,003)	Accrued interest and other receivables	(27,773)	36
Swaps	Net appreciation/(depreciation) in investments	284,636	Accrued interest and other receivables	-	-
Grand Totals		<u>\$2,167,971</u>		<u>\$1,715,081</u>	<u>\$211,776,972</u>

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

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

Concentration of Credit Risk: Currently, the Fund is invested primarily in equity securities (70.79%). 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 Fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 59.8% had Standard & Poors ratings of AAA to A.

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

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

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2013, was \$1,742,854. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by (\$27,773) of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$1,715,082.

Interest Rate Swap Agreements. provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2013 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.

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.

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.

In addition, the Pension Fund also was involved in other financial instruments such as rights that were worth \$3,993 and warrants that were \$19,626,337.

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.

(2) **Gas Works Plan**

a. **Plan Description**

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

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

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

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

At September 1, 2012 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	2,373
Current Employees	<u>1,473</u>
Total Members	<u><u>3,846</u></u>

b. Funding Policy

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

The funding policy of the **PGW** Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of \$23.6 million (approximately 22.3% of covered payroll) were made to the PGW Plan during the year.

Beneficiary payments of \$41.6 million were made in FY 2013. Withdrawals from the pension assets of \$14.5 million were utilized to meet these beneficiary payments. Additionally, \$3.5 million is due to the Company from the pension fund at the end of FY 2013.

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, 2012 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded/ (Over Funded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
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%
09/01/2010	\$381,975	\$533,630	\$151,655	71.6%	\$106,125	142.9%

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 \$23.6 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%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of FY 2013, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

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

(Amounts in Millions of USD)

Fiscal Year Ended <u>August 31</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2013	23.6	100%
2012	24.0	100%
2011	22.6	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 2013, the City paid \$57.1 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	113,934
Interest on net OPEB obligation	4,633
Adjustment to ARC	(4,175)
Annual OPEB cost	114,392
Payments made	(57,096)
Increase/(Decrease) in net OPEB Obligation	57,296
Net OPEB obligation - beginning of year	109,019
Net OPEB obligation - end of year	166,315

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, 2013 was as follows:

(Amounts in thousands USD)				
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation	
6/30/2013	\$ 114,392	50%	\$ 166,314	
6/30/2012	\$ 105,369	72%	\$ 109,019	
6/30/2011	\$ 101,713	64%	\$ 79,481	

Funded Status and Funding Progress: As of July 1, 2012, 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 \$1.5 billion. The covered annual payroll was \$ 1.372 billion and the ratio of the UAAL to the covered payroll was 110.2 percent.

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

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

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

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4.25% 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 7.95% 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 during the year ended June 30, 2008, 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 in a single-employer plan. 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. A disabled employee's eligibility is determined by the insurance company providing the coverage. 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, 2012, 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	13,907	45.9
Non-represented	848	48.4
Retirees	9,758	76.3
Disabled	120	58.6
Total	24,633	55.9

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, 2012, using the level percentage of payroll method. The following table shows the elements of the **SDP's** annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the **SDP's** net OPEB obligation to the plan:

Normal Cost	\$ 206,936
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	603,813
Annual Required Contribution (ARC)	810,749
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	<u>\$ 810,749</u>
Net OPEB Obligation as of June 30, 2012	\$ 130,344
Annual OPEB Cost	810,749
Employer Contributions	(552,663)
Increase/(Decrease) in net OPEB Obligation	<u>\$ 258,086</u>
Net OPEB Obligation as of June 30, 2013	<u>\$ 388,430</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, 2013 was as follows:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2011	\$673,167	100%	\$0
2012	810,749	83.9%	130,344
2013	810,749	68.2%	388,430

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, 2012, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$18.1 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.1 million.

Active	\$4,088,289
Inactive	\$14,026,106
Total	\$18,114,395

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2012 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.
- Payroll Growth: Payroll is assumed to increase at an average rate of 3.25% per year considering inflation.
- 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, 2011 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, 2011 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>Percentage Disability Incidence</u>	
<u>Age</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, 2012 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.
- **Special Data Adjustments:** Male was assumed for 555 retirees for whom gender was not provided. Active members hired after June 30, 2011 were assumed to be in Class T-E or T-F in PSERS; otherwise Class T-C or T-D was assumed.

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 2,044 participating retirees and their beneficiaries and dependents in FY 2013, in accordance with their retiree medical program. The annual covered payroll (which was substantially equal to total payroll) was \$110.1 million at August 31, 2013.

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 \$23.7 million in FY 2013. In addition, PGW expensed \$18.5 million of funding for the OPEB Trust. Retirees contributed \$0.4 million towards their healthcare in FY 2013. 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 2013 which included \$1.7 million for retirees. Retirees contributed \$0.1 million towards their life insurance in FY 2013.

Annual Postemployment Benefit Cost, Contributions Required, and Contributions Made: The amount paid by the Company for retiree benefits in FY 2013 was \$42.2 million, consisting of \$22.2 million of healthcare expenses, \$1.5 million of life insurance expenses, and \$18.5 million contributed to the OPEB trust. The difference between the AOC and the Company's contributions resulted in an increase in the OPEB obligation of \$2.0 million in FY 2013, which was recorded to other liabilities and expensed. The actuarial accrued liability for benefits at August 31, 2013 was \$436.5 million. The ratio of the unfunded actuarial accrued liability to the covered payroll was 340.3% as of August 31, 2013.

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

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

The report utilized an 8.0% discount rate for purposes of developing the liabilities and ARC on the Plan for FY 2013. This rate is based on the expected return of investments of the OPEB Trust.

Year	Healthcare cost trend rates			
	Medical (pre-65)	Medical (post-65)	Prescription	Dental
1	10.0%	8.0%	8.0%	4.5%
2	9.0	7.0	7.0	4.5
3	8.0	6.0	6.0	4.5
4	7.0	5.0	5.0	4.5
5	6.5	4.5	4.5	4.5
6	6.0	4.5	4.5	4.5
7	5.5	4.5	4.5	4.5
8	5.0	4.5	4.5	4.5
9	4.5	4.5	4.5	4.5
10 and beyond	4.5	4.5	4.5	4.5

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

The following table shows the calculation of **PGW's** OPEB liability for FY2013. The difference between the annual OPEB cost and contributions made is recorded as other postemployment benefits expense on the statement of revenues and expenses. Contributions made are allocated to operating expense line items along with salaries and other employee benefit costs.

	(Amounts in Thousands)
Annual required contribution	41,216
Interest on net OPEB obligation	8,885
Adj to annual required contribution	<u>(9,866)</u>
Annual OPEB cost	40,235
Payments made	<u>(42,242)</u>
Increase/(Decrease) in net OPEB obligation	(2,007)
Net OPEB obligation - beginning of year	<u>111,067</u>
Net OPEB obligation - end of year	<u><u>109,060</u></u>

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2013 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	
8/31/2013	\$ 40,235	105.00%	\$ 109,060	
8/31/2012	46,105	96.50%	111,067	
8/31/2011	45,691	91.31%	109,448	

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 2013 this transfer amounted to \$314 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 \$65.17 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled \$199.9 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 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 \$356.1 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, 2011 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 2011	371.3	82.0	(99.8)	353.5
Fiscal 2012	353.5	102.1	(99.8)	355.8
Fiscal 2013	355.8	101.6	(101.3)	356.1

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 \$4.6 million for Unemployment Compensation claims and \$63.8 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$287.8 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$375.8 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 \$259.9 million (discounted) and \$339.9 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, the combined amount of these liabilities totaled \$195.9 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, 2012 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2012	184.8	283.0	(268.0)	199.8
Fiscal 2013	199.8	250.4	(254.3)	195.9

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 \$500,000 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 \$26.3 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 \$356.1 million. Of this amount, \$26.1 million is charged to current operations of the Enterprise Funds. The remaining \$330.0 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 \$75 million to the General Fund and \$2.5 million to the Enterprise Funds.

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

- **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 ("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 million 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 that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded.

The parties completed 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, the Court adjourned the start of trial on the basis of a settlement in principle.

The parties signed as of December 13, 2011 a binding settlement term sheet providing 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 on or 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 to extend the potential Effective Date of the settlement until June 30, 2014. 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, 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**

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 system (Bid #6851; Contract #084002). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by 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.

G&T filed a motion for partial summary judgment, opposed by Bock and City. After oral argument, the Court granted the motion solely as to legal interpretation of particular contract terms, and denied the balance. City and Bock filed motions for summary judgment that were opposed by G&T and both were denied.

Judge Snite agreed with the City and Bock that the case cannot be tried until at least the baggage handling system had successfully completed the integrated site acceptance testing ("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. Judge Snite, on August 28, 2012, after an on-the-record conference, granted the Motions for Extraordinary Relief over G&T's opposition. As a result, Judge Snite reopened discovery and rescheduled trial.

Bock filed a Motion for Summary Judgment to preclude the City from assessing liquidated damages until the Court made a determination that such damages were allowed. The City opposed that Motion and cross-moved arguing that Bock's failure to provide any contractually-mandated analysis justifying delays warranted award of judgment to the City on the delays incurred to date.

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.

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.

The City also filed a Motion for Declaratory Judgment requesting the Court to determine that the BHS failed to meet the applicable standards and failed to pass ISAT, and therefore, Bock is in default of its contract. The City also requested that the Court determine that the City is entitled to get the source code for the BHS pursuant to the terms of the contract between the City and Bock. Bock and G&T responded and the Motion is currently pending. However, the Court did order that a copy of the source code currently on the BHS be placed in escrow pending further order of the Court.

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 was to begin by March 18, 2013 and conclude by April 5, 2013. 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.

Discovery is expected to close on February 28, 2014, and trial is scheduled for August of 2014. However, there is a pending Motion filed by G&T to extend the case management deadlines until after the completion of ISAT in 2015.

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 plaintiffs will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **Pingitore vs. John Green and O'Hara vs. City**

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 the 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. Plaintiffs have appealed that denial to Commonwealth 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.

- **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, pollutants or contaminants at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA 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 at the end of September 2013. Once EPA reviews the public comments, it will issue a Record of Decision documenting the selected cleanup option. 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 costs of the removal and remedial actions for which EPA may assert cost recovery claims are estimated to be in the range of approximately \$30 million to \$50 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 (\$6 million- \$10 million).

- **Fraternal Order of Police grievance of deplorable conditions**

The police union, the FOP, has filed a grievance against the City protesting the conditions at police facilities, including district stations, the Police Academy, Police headquarters and a number of other places. Because many of the facilities are old, upgrading them could potentially cost millions. However, the arbitrator's power to order remedies is limited. Additional hearings were held, and briefs submitted.

The arbitrator issued an interim award on April 6, 2013, finding that the City had breached the collective bargaining agreement and ordering the parties to create a working group. That group meets on a monthly basis and discusses what issues need to be addressed and the City's progress. Reports are sent to the arbitrator on a quarterly basis. If the parties are unable to resolve a dispute, the arbitrator retains jurisdiction to hold a hearing and issue an additional award. Under the interim award the City has not been exposed to excessive costs, but the FOP recently indicated that it would like to return to the arbitrator for additional remedies. Depending on what, if any, additional remedies are awarded, the City could face a substantial financial loss.

- **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.

New state legislation ("Act 131") mandates that 2013 real estate taxes will be based on 2011 assessed values (with adjustments for subsequent demolitions and improvements) and will not be subject to adjustment for the common level ratio, so this issue should not resurface next year. Act 131 also mandates the adoption of actual values for 2014 real estate taxes; therefore this issue also should not arise for 2014 real estate taxes because the CLR does not apply to assessment appeals made immediately after a full reassessment. To date, about 857 taxpayers with property collectively valued at about \$814 million filed assessment appeals with the BRT. The School District filed cross appeals in all cases deemed appropriate. The deadline to file an assessment appeal for 2013 expired on October 1, 2013 for all but about 5,000 taxpayers. We believe a prudent yet reasonable estimate of the amount of potential loss on the 800 cases for 2013 would be less than \$5 million.

- **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. The following summary is drawn from the complaint.

Reach pleaded federal law and state law claims for damages against City Defendants. Reach alleged in pertinent part that Acting Sheriff Deeley, immediately after her appointment as Acting Sheriff and following the retirement of former Sheriff Green, in January 2011, "unlawfully" terminated certain alleged contracts ("Alleged Contracts") made between former Sheriff Green and Reach/RCS for advertising and printing services, settlement services, distribution policies of title insurance, and 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 from 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 Chief Deputy Sheriff Vignola and Lexington officials, in connection with the Controller's audit of Sheriff Office operations (and critical Auditor's Report), the engagement of Lexington Technology Auditing, Inc. ("Lexington") to assist in that audit and the information Lexington purportedly obtained about Reach, and the 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 damages 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. 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).

If and when the case is removed from suspense status and litigation resumes, The City (and City Defendants in their official capacities) intend to pursue defenses and potentially counterclaims vigorously to defeat 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.

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

This 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 "employees" of the City for purposes of the Ordinance. Employers who violate the Ordinance are liable for back pay plus attorneys' fees and costs.

Philadelphia minimum wage is \$10.88 for covered employees. The plaintiffs contend they should have been paid at least \$152.25 per day or \$137.55 per day, depending on the year, if the Ordinance applies to them. The City paid these workers, 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 \$100 per day; the remaining workers received \$95 per day. We estimate the total back pay that would be payable to the plaintiff class is approxi-

mately \$6.6 million. The addition of prejudgment interest (at 6%) and attorneys' fees raises the total potential liability to about \$8.4 million.

The City Commissioners Office requested and was granted a waiver from the Office of Labor Standards. Such a waiver is expressly permitted by the Ordinance and excuses the employer from the obligation to the Philadelphia minimum wage. This should cut off any potential liability for the May 2013 and all future elections. However, the plaintiffs contend that the waiver establishes that the City was liable to pay pursuant to the Ordinance before the waiver, and is now estopped from continuing to assert that the election workers were not covered employees under the Ordinance. The plaintiffs also contend that the change to the Home Rule Charter in 2010 did not grant City Council the right to regulate compensation of City employees; it "merely confirmed" Council's pre-existing authority. This is based on the wording of the amendment as submitted to the voters.

The Court has denied plaintiffs' motion for summary judgment. The case had been scheduled for trial starting June 3, 2013, but the Court instead ordered the parties to participate in mediation. The mediator proposed some parameters for a partial settlement, which the City considered, but decided that if a global settlement was not possible, it would be in the City's interest to defend the action globally.

A conference was held February 11, 2014 by the Judge, who will decide a pending motion and who will probably allow the City to file another motion for summary judgment.

- **Ernest Bock & Sons, Inc. vs. City of Philadelphia**

Ernest Bock & Sons, Inc. filed a suit against the City on February 6, 2014, seeking \$5,900,000 in damages plus penalty, interest, and attorney fees arising out of alleged contract delays and change orders in a contract at Philadelphia International Airport (Bid No. 6843, Contract No. 084016) for Terminal D-E Bag Claim Expansion & Ticketing Renovations. The complaint includes counts for declaratory judgment, breach of contract, violation of Pennsylvania's Contracts for Public Works Statute, and quantum meruit. The City expects to contest the claim vigorously.

- **District Council 33, District Council 47 and Firefighter's union contracts**

Union contracts for District Council 33, District Council 47 and the International Association of Firefighters are currently unresolved. Some funds have been set aside in FY14-FY18 Five Year Plan as a reserve for the costs of these agreements in the future; however, the full amount of costs cannot be calculated until the contracts are resolved.

- **Prison Overcrowding**

A Prison Overcrowding case is currently in the discovery phase. At the conclusion of the discovery phase, the city anticipates filing a summary judgment motion, which could be ruled upon in mid to late calendar year 2015. Also, the city feels it has valid defenses to the claims. In the event that the City is unsuccessful, monetary damages are unlikely, however, there is potential exposure for capital expenditures in excess of \$8 million.

2) **Guaranteed Debt**

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

(Amounts In Thousands of USD)

HUD Section 108 Loans	112,740
Philadelphia Parking Authority	14,250
Total:	<u>126,990</u>

3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2012, which accounted for \$968.3 million for all open programs as of December 27, 2013. Of this amount, \$540.1 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2012 due to timing differences in audit requirements, \$80.2 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2012 and prior and \$348.0 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed \$267.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was \$112.7 million.

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, 2012 the Grants Revenue Fund had a \$132.5 million receivable for the Children and Youth program. In FY2013 the Grants Revenue fund had expenditures totaling \$457.8 million and revenue totaling \$437.3 million. At June 30, 2013 the Grants Revenue Fund had a \$153 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 two hundred eighty-seven (287) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$1.9 million.

Of those, two hundred seventy-seven (277) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, one hundred and thirty-nine (139) unfavorable outcomes are deemed probable and one hundred and seventeen (117) are considered reasonably possible, in the aggregate of \$1.0 million and \$0.4 million respectively.

There are three (3) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes of two (2) are deemed probable in the aggregate amounts of approximately \$0.03 million.

There are six (6) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately \$0.22 million and \$0.05 million

respectively.

Another special education case which the School District is considering whether to file a petition with the Supreme Court of the United States is deemed by General Counsel to be reasonably possible in the amount of \$0.1 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 \$24.1 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 \$2.4 million and \$6.1 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$1.9 million and \$2.7 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 ADM 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 ADM figures, an audit of reported ADM 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 ADM 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.

The Pennsylvania Auditor General's Bureau of Audits conducted a performance audit of the School District's pupil membership and attendance reporting procedures for the 2009-2010 school year, and issued a draft report on October 26, 2011. The School District's response to the draft report was filed on December 16, 2011. The final audit report was issued on February 14, 2012, including the School District's corrective action plan. Because no final determination of forgiveness has been made, however, there remains a reasonably possible loss in this category on 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, 2013 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 a third PDL on the remaining findings that required corrective actions, but did not result in monetary exposure. Most of the corrective actions have already been implemented or are being addressed as part of the corrective action plan agreed upon with the PDE and DOE. DOE has indicated that it may issue a fourth (final) PDL related to the 2010 audit seeking a recovery of questioned costs under Funds for the Improvement of Education (FIE) and Gain-

ing Early Awareness and Readiness for Undergraduate Programs (GEAR UP). The fourth PDL will likely result in additional sustained liabilities related to these programs; however, the District has arguments to defend against the recovery.

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. To extinguish the remaining liability, the School District submitted, on April 27, 2012, documentation for equitable offset. The case is briefed and the Administrative Law Judge may issue the decision entirely on the bases of the briefs, or may schedule a hearing. Once the initial decision is rendered by the Administrative Law Judge, either party may request a review of that initial decision by the Secretary. The Secretary may affirm, remand or set aside the decision. The Secretary's final decision may be appealed to the U.S. Court of Appeals for the Third Circuit.

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.

On December 18, 2012, DOE's office of the Chief Financial Officer (OCFO) requested the School District provide additional documentation \$341,693 of questioned GEAR UP expenditures. The School District provided documentation supporting \$281,858 of the costs at issue to OCFO, as well as evidence covering the remaining liability through equitable offset, on January 30, 2013. The School District continued to work with OCFO regarding the documentation requests, and provided additional evidence on April 12, 2013. In April 2013, OCFO also asked about costs related to the FIE program. The School District provided the requested supporting documentation for FIE expenditures to OCFO on May 1, 2013. To date, DOE has not issued a formal determination regarding these expenditures.

Because of the long appeal process, no assurance can be given as to the final resolution of the OIG audit findings, or the amounts, if any, which may be required to be repaid by the School District at this time.

Therefore, no assurance can be given by outside counsel as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District. Of the \$9.7 remaining exposure from the \$138.8 million of findings, the School District is optimistic that all of the liability included on the PDLs will be eliminated based on the application of the statute of limitations and equitable offset. In the opinion of the School District, with regard to the March PDL and the September PDL, the likelihood of a recovery by USDE in the amount of \$9.7 million is remote.

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 employee'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 June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans. 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 its 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, 2013, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2013.

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 not whether the School District made improper calculations on the form, but 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 pending with respect to more than 200 subsidy withholding requests were submitted to PDE, seeking additional subsidies from school districts throughout the Commonwealth, all of which requests raise the same issue.

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 has assigned a Hearing Officer to hear these administrative appeals and to make a recommendation to the Secretary of Education. The School District of Philadelphia intends to Petition to Intervene in the example case so that the School District's interests can be adequately represented. It is not yet known when that Petition will be filed or if the School District will be permitted to intervene. The direct cases against the School District are currently 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, it is the opinion of outside counsel that there is a high likelihood of success for the School Districts' positions in this matter. The likelihood of an unfavorable outcome, in the opinion of outside counsel, would be between reasonably possible and remote. If, however, the charter schools successfully argue that they are entitled to a portion of the School District's federal funding, the exposure to the School District is approximately \$5.7 million in terms of the pending withholding requests of which we are aware. The exposure in terms of future effects 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.

On December 9, 2013, the lead petitioner Urban Pathways 6-12 Charter Schools withdrew its requests for withholding and reimbursement from Pittsburgh Public Schools. The proceedings are in suspense until PDE determines who will be the lead petitioner.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2013 through and including February 24, 2014. The following events are described below:

A. PRIMARY GOVERNMENT

- 1) In July 2013, the City issued \$208 million of General Obligation Bonds Series 2013 A. 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, for the purpose of refunding Series the City's outstanding Series 2003 A General Obligation Bonds and for the cost relating to the issuance of the 2013 Bonds.
- 2) 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.

- 3) In December 2013 the city issued \$100 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2013-2014 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, 2014.
- 4) Through January 24, 2014 drawdowns totaling \$23.6 million represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for: Water Treatment Plant (\$2.9 million); Sewer Pipe Replacement (\$.8 million); Water Main Replacement (\$1.4 million); Green Infrastructure (\$18.5 million).
- 5) 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.
- 6) 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.
- 7) During fiscal year 2013, the City engaged a team of legal and financial advisors, as well as brokers, to assist with a process to consider the sale of PGW to a private entity. Lazard Frères & Co. LLC is serving as financial advisor and has conducted a financial review of the proposed transaction, including an analysis of the anticipated loss to the City of the \$18 million annual payment from PGW. Lazard prepared a report for the City, which was completed in October 2013. The City's brokers, J.P. Morgan Securities LLC and Loop Capital Markets LLC, are assisting the City in managing the bidding process. On August 30, 2013, the City received more than 30 responses to its Request for Qualifications from potential bidders, and later received indicative bids from a number of prequalified bidders on November 1, 2013. A short-list of bidders was approved to continue in the process, and final bids were received on January 31, 2014. Negotiations with potential Buyers are underway, and the City expects to finalize the terms of any sale in February/March 2014. If an agreement is reached, the sale must then be authorized by Philadelphia City Council and approved by the Pennsylvania Public Utility Commission. It should be noted that no sale can be finalized without providing for the defeasance of the City's outstanding Gas Works Revenue Bonds and Notes. After all outstanding PGW obligations are met, it is the City's intention to utilize the proceeds of the Sale to fund other long-term obligations of the City, most likely through a deposit into the City's Pension fund. As part of the evaluation of the benefits of the sale, the City will be conducting a more detailed analysis of the long-term impact of this deposit into the Pension Fund. Currently, the City is under no obligation to sell PGW.

B. COMPONENT UNITS

- 1) On July 2, 2013 the **SDP** issued Tax and Revenue Anticipation Notes, the Series A of 2013-2014 in the principal amount of \$125 million ("Series A Notes"). The Commonwealth of Pennsylvania provided the School District with \$400 million of basic education subsidy advances. Both the Series A Notes and the advances were for cash flow purposes.
- 2) On September 23, 2013 the **SDP** authorized the extension and amendment of two letters of Credit agreements and authorized two new Letters of Credit agreements effective October 31, 2013 through January 3, 2017. The LOC providers are, Barclays Bank for the Series F2010 Bonds, PNC Bank for the Series G 2010 Bonds, RBC Bank for the series H 2010 Bonds and TD Securities for the Series C 2009 Bonds. These LOCs cover \$349 million of existing variable rate demand bonds.

- 3) In October 2013, an Ordinance was introduced in City Council which authorizes the City to sell **PGW** Revenue Capital Project Commercial Paper Notes in an aggregate principal amount of up to \$120.0 million at any one time outstanding to pay the costs related to any or all of the purposes set forth in the Ordinance. This includes providing funds for any or all of the following purposes: (a) the capital projects included in the capital program of **PGW**, which may include, without limitation, (i) the acquisition of land or rights therein; (ii) the acquisition, construction or improvement of buildings, structures and facilities together with their related furnishings, equipment, machinery and apparatus; (iii) the acquisition, construction or replacement of pipes and pipe lines; and (iv) the acquisition or replacement of property of a capital nature for use in the operation, maintenance and administration of the Gas Works system of the City; (b) the provision of interest on the Notes during construction of the capital projects; (c) paying the costs of issuing the Notes; and (d) paying any other Project Costs (as defined in the First Class Revenue Bond Act of October 18, 1972, Act No. 234). The Ordinance was passed by City Council on November 21, 2013 and was signed by the Mayor on December 4, 2013. This Ordinance does not expire.
- 4) In September 2013, **PMA** adopted a resolution to proceed with the project of refunding the 2003 Series Bonds with the issuance of its City Agreement Revenue Refunding Bonds, 2013 Series A, in the aggregate principal amount not to exceed \$100 million. In April 2013, the City Council of the City of Philadelphia, by Ordinance approved by the mayor authorized the refunding project to refund all or a portion of the Lease Revenue Refunding Bonds, 2003 Series A and B of which \$106 million was outstanding as of June 30, 2013.



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, 2013

Exhibit XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
<u>Revenues</u>				
Tax Revenue	2,614,398	2,712,511	2,733,457	20,946
Locally Generated Non-Tax Revenue	246,253	258,606	266,173	7,567
Revenue from Other Governments	653,817	650,864	651,539	675
Revenue from Other Funds	53,253	58,583	46,821	(11,762)
Total Revenues	3,567,721	3,680,564	3,697,990	17,426
<u>Expenditures and Encumbrances</u>				
Personal Services	1,341,313	1,373,989	1,362,360	11,629
Pension Contributions	629,106	620,806	618,874	1,932
Other Employee Benefits	489,151	504,078	500,200	3,878
Sub-Total Employee Compensation	2,459,570	2,498,873	2,481,434	17,439
Purchase of Services	768,574	799,068	757,803	41,265
Materials and Supplies	63,219	69,222	68,090	1,132
Equipment	16,071	19,112	17,326	1,786
Contributions, Indemnities and Taxes	137,862	138,414	138,273	141
Debt Service	127,433	118,874	118,874	-
Payments to Other Funds	31,138	31,598	31,466	132
Total Expenditures and Encumbrances	3,603,867	3,675,161	3,613,266	61,895
Operating Surplus (Deficit) for the Year	(36,146)	5,403	84,724	79,321
Fund Balance Available for Appropriation, July 1, 2012	98,970	146,754	146,754	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,500	24,500	25,441	941
Revenue Adjustments - Net	-	(6,225)	(13)	6,212
Prior Period Adjustments	-	-	(4)	(4)
Funding for Future Obligations	-	(11,633)	-	11,633
Other Adjustments	(6,000)	(550)	-	550
Adjusted Fund Balance, July 1, 2012	117,470	152,846	172,178	19,332
Fund Balance Available for Appropriation, June 30, 2013	81,324	158,249	256,902	98,653

* 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, 2013

Exhibit XV

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	2,500	1,500	630	(870)
Revenue from Other Governments	840,143	815,995	812,979	(3,016)
Total Revenues	842,643	817,495	813,609	(3,886)
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	-	-	2,477	2,477
Increase in Financed Reserves	-	-	(20,727)	(20,727)
Total Revenues and Other Sources	842,643	817,495	795,359	(22,136)
<u>Expenditures and Encumbrances</u>				
Purchase of Services	899,317	898,512	814,451	84,061
Equipment	100	100	-	100
Payments to Other Funds	1,226	2,031	1,679	352
Total Expenditures and Encumbrances	900,643	900,643	816,130	84,513
Operating Surplus (Deficit) for the Year	(58,000)	(83,148)	(20,771)	62,377
Fund Balance Available for Appropriation, July 1, 2012	-	25,164	25,164	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	3,087	3,087
Other Adjustments	58,000	(1,333)	-	1,333
Adjusted Fund Balance, July 1, 2012	58,000	23,831	28,251	4,420
Fund Balance Available for Appropriation, June 30, 2013	-	(59,317)	7,480	66,797

* 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, 2013

Exhibit XVI

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	76,955	79,745	46,317	(33,428)
Revenue from Other Governments	1,351,315	1,187,637	875,991	(311,646)
Total Revenues	1,428,270	1,267,382	922,308	(345,074)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(12,708)	(12,708)
Decrease in Financed Reserves	-	-	22,437	22,437
Total Revenues and Other Sources	1,428,270	1,267,382	932,037	(335,345)
<u>Expenditures and Encumbrances</u>				
Personal Services	178,960	179,499	139,436	40,063
Pension Contributions	31,441	48,563	27,569	20,994
Other Employee Benefits	40,279	42,910	29,059	13,851
Sub-Total Employee Compensation	250,680	270,972	196,064	74,908
Purchase of Services	998,413	975,684	768,477	207,207
Materials and Supplies	39,329	20,608	13,567	7,041
Equipment	-	19,207	7,313	11,894
Contributions, Indemnities and Taxes	-	467	467	-
Payments to Other Funds	39,848	45,047	46,644	(1,597)
Advances, Subsidies, Miscellaneous	100,000	21,197	-	21,197
Total Expenditures and Encumbrances	1,428,270	1,353,182	1,032,532	320,650
Operating Surplus (Deficit) for the Year	-	(85,800)	(100,496)	(14,695)
Fund Balance Available for Appropriation, July 1, 2012	-	(175,082)	(175,082)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	58,483	58,483
Revenue Adjustments - Net	-	-	(44)	(44)
Prior Period Adjustments	-	175,082	-	(175,082)
Adjusted Fund Balance, July 1, 2012	-	-	(116,643)	(116,643)
Fund Balance Available for Appropriation, June 30, 2013	-	(85,800)	(217,139)	(131,338)

* 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>						
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
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%
<hr/>						
<u>City of Philadelphia Other Post Employment Benefits</u>						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
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%
<hr/>						
<u>Philadelphia Gas Works Pension Plan</u>						
09/01/2007	416.2	482.4	66.2	86.28%	105.6	62.69%
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%

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	3,697,990	813,610	922,308
Transfers	(343,174)	-	-
Program Income	-	-	73,760
Change in Amount Held by Fiscal Agent	1,739	-	-
Change in BPT Adjustment	(9,070)	-	-
Other	-	-	11,208
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,347,485</u>	<u>813,610</u>	<u>1,007,276</u>
<u>Expenditures and Encumbrances</u>			
Budgetary Comparison Schedule	3,613,266	816,131	1,032,532
Transfers	(169,424)	-	(33,799)
Bond Issuance Costs	4,356	-	-
Expenditures applicable to Prior Years Budgets	30,872	(3,627)	24,085
Program Income	-	-	73,760
Other	-	-	11,573
Change in Amount Held by Fiscal Agent	6,922	-	-
Current Year Encumbrances	<u>(72,725)</u>	<u>(1,937)</u>	<u>(69,861)</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,413,267</u>	<u>810,567</u>	<u>1,038,290</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.

	Special Revenue													Total
	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	
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	5,639	313	20,621	26,573
Equity in Treasurer's Account	3,281	22,699	7,845	-	6,293	15,582	27,706	34	5,059	-	1,665	100	13,398	90,164
Investments	-	-	-	-	-	-	-	-	-	-	1,283	-	-	14,781
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	17	-	-	17
Taxes Receivable	-	-	5,961	-	548	-	1,163	-	-	-	-	-	4,977	12,649
Accounts Receivable	-	-	-	2,793	-	-	-	-	-	-	-	3,623	-	6,416
Due from Other Governmental Units	-	-	-	4,420	-	-	-	-	-	-	-	-	-	4,420
Allowance for Doubtful Accounts	-	-	(600)	-	(15)	-	(1,046)	-	-	-	-	-	-	(1,661)
Interest and Dividends Receivable	-	-	-	-	1	-	-	-	-	-	-	-	1	2
Other Assets	-	-	-	-	-	-	-	-	-	-	119	-	22	141
Total Assets	3,281	22,699	13,206	7,213	6,827	15,582	27,823	34	5,059	-	8,723	4,036	39,019	153,502
Liabilities														
Vouchers Payable	205	597	-	495	-	28	1	-	147	-	193	-	-	1,666
Accounts Payable	488	786	5,912	3,683	-	494	1,174	-	64	-	530	3,731	112	16,974
Salaries and Wages Payable	-	-	-	115	-	-	65	-	-	-	-	-	49	229
Due to Other Funds	-	-	-	5,732	-	-	-	-	-	-	17	-	4,978	10,727
Due to Component Units	-	-	-	150	-	18	-	-	-	-	-	-	-	168
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	820	-	-	1,267
Due to Other Governmental Units	-	-	-	-	-	-	11,271	-	-	-	-	-	-	11,271
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	693	1,383	5,912	10,175	-	540	12,511	-	658	-	1,560	3,731	5,139	42,302
Deferred Inflows of Resources														
	-	-	144	4,229	5	-	116	-	-	-	-	-	-	4,494
Fund Balances														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,588	21,316	7,150	-	6,822	15,042	15,196	-	-	-	6,290	305	33,880	108,589
Committed	-	-	-	-	-	-	-	34	4,401	-	673	-	-	5,108
Unassigned	-	-	-	(7,191)	-	-	-	-	-	-	-	-	-	(7,191)
Total Fund Balances	2,588	21,316	7,150	(7,191)	6,822	15,042	15,196	34	4,401	-	7,163	305	33,880	106,706
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	3,281	22,699	13,206	7,213	6,827	15,582	27,823	34	5,059	-	8,723	4,036	39,019	153,502

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2013

Schedule I

Amounts in thousands of USD

	Debt Service			Capital Improvement			Permanent		Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Assets									
Cash on Deposit and on Hand	-	-	31,526	31,526	-	-	-	255	58,354
Equity in Treasurer's Account	1,180	-	-	1,180	32,033	-	32,033	-	123,377
Investments	-	11	48,451	48,462	-	17,518	17,518	5,487	86,248
Due from Other Funds	-	-	-	-	-	-	-	-	17
Taxes Receivable	-	-	-	-	-	-	-	-	12,649
Accounts Receivable	-	-	-	-	-	-	-	-	6,416
Due from Other Governmental Units	-	-	-	-	37,339	-	37,339	-	41,759
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(1,661)
Interest and Dividends Receivable	-	-	1	1	26	52	78	-	81
Other Assets	-	-	-	-	-	-	-	1	142
Total Assets	1,180	11	79,978	81,169	69,398	17,570	86,968	5,743	327,382
Liabilities									
Vouchers Payable	-	-	-	-	5,636	-	5,636	-	7,302
Accounts Payable	-	-	-	-	13,466	2,208	15,674	1	32,649
Salaries and Wages Payable	-	-	-	-	90	-	90	-	319
Due to Other Funds	-	-	-	-	-	-	-	-	10,727
Due to Component Units	-	-	-	-	-	-	-	-	168
Funds Held in Escrow	-	-	-	-	1,904	-	1,904	-	3,171
Due to Other Governmental Units	-	-	-	-	-	-	-	-	11,271
Unearned Revenue	-	-	-	-	2,167	-	2,167	-	2,167
Total Liabilities	-	-	-	-	23,263	2,208	25,471	1	67,774
Deferred Inflows of Resources	-	-	-	-	32,267	-	32,267	-	36,761
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	2,633	2,833
Restricted	1,180	11	79,978	81,169	13,868	15,362	29,230	3,109	222,097
Committed	-	-	-	-	-	-	-	-	5,108
Unassigned	-	-	-	-	-	-	-	-	(7,191)
Total Fund Balances	1,180	11	79,978	81,169	13,868	15,362	29,230	5,742	222,847
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,180	11	79,978	81,169	69,398	17,570	86,968	5,743	327,382

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2013

Schedule II

Amounts in thousands of USD

	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	-	-	50,042	-	5,383	-	148,309	-	-	-	-	-	376,379	580,113
Locally Generated Non-Tax Revenue	-	1	-	7,856	3	12,749	-	-	2,934	353	4,596	1,213	193	29,898
Revenue from Other Governments	4,728	24,189	-	33,078	-	-	-	-	-	-	-	-	-	61,995
Other Revenues	-	-	-	-	-	-	-	-	-	-	539	-	3,903	4,442
Total Revenues	4,728	24,190	50,042	40,934	5,386	12,749	148,309	-	2,934	353	5,135	1,213	380,475	676,448
Expenditures														
Current Operating:														
Economic Development	-	-	53,193	-	-	-	-	-	-	-	-	-	-	53,193
Transportation:														
Streets & Highways	4,719	23,461	-	-	-	-	-	-	-	-	-	-	-	28,180
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	1,746	-	-	-	-	1,746
Conservation of Health:														
Health Services	-	-	-	-	-	-	139,584	-	-	-	-	-	-	139,584
Housing and Neighborhood Development	-	-	-	41,640	-	8,236	-	-	-	-	-	-	-	49,876
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	3,781	-	-	3,781
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	278	-	-	278
General Management and Support	-	-	-	-	5,000	-	-	-	987	353	1,862	35,082	1,284	44,568
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,719	23,461	53,193	41,640	5,000	8,236	139,584	-	2,733	353	5,921	35,082	1,284	321,206
Excess (Deficiency) of Revenues														
Over (Under) Expenditures	9	729	(3,151)	(706)	386	4,513	8,725	-	201	-	(786)	(33,869)	379,191	355,242
Other Financing Sources (Uses)														
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,150	33,868	-	35,018
Transfers Out	-	-	-	-	-	-	(3,000)	-	-	-	-	-	(385,547)	(388,547)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(3,000)	-	-	-	1,150	33,868	(385,547)	(353,529)
Net Change in Fund Balances	9	729	(3,151)	(706)	386	4,513	5,725	-	201	-	364	(1)	(6,356)	1,713
Fund Balance - July 1, 2012	2,579	20,587	10,301	(6,485)	6,436	10,529	9,471	34	4,200	-	6,799	306	40,236	104,993
Fund Balance - June 30, 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

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, 2013

Schedule II

For the Fiscal Year Ended June 30, 2013												
	Debt Service			Capital Improvement			Permanent	Total				
	City	Municipal Authority	PICA	Total	City	Municipal Authority			Total			
Revenues												
Tax Revenue	-	-	-	-	-	-	-	-	580,113			
Locally Generated Non-Tax Revenue	-	-	1,210	1,210	-	80	373	31,561				
Revenue from Other Governments	-	-	-	-	42,447	-	-	104,442				
Other Revenues	-	-	-	-	3,956	-	-	8,398				
Total Revenues	-	-	1,210	1,210	46,403	80	373	724,514				
Expenditures												
Current Operating:												
Economic Development	-	-	-	-	-	-	-	53,193				
Transportation:												
Streets & Highways	-	-	-	-	-	-	-	28,180				
Judiciary and Law Enforcement:												
Prisons	-	-	-	-	-	-	-	1,746				
Conservation of Health:												
Health Services	-	-	-	-	-	-	-	139,584				
Housing and Neighborhood Development	-	-	-	-	-	-	-	49,876				
Cultural and Recreational:												
Parks & Recreation	-	-	-	-	-	-	72	3,853				
Libraries and Museums	-	-	-	-	-	-	-	278				
General Management and Support	-	-	-	-	-	83	-	44,651				
Capital Outlay	-	-	-	-	134,148	26,979	-	161,127				
Debt Service:												
Principal	48,535	21,855	43,655	114,045	-	-	-	114,045				
Interest	68,055	17,827	22,539	108,421	-	-	-	108,421				
Total Expenditures	116,590	39,682	66,194	222,466	134,148	27,062	72	704,954				
Excess (Deficiency) of Revenues												
Over (Under) Expenditures	(116,590)	(39,682)	(64,984)	(221,256)	(87,745)	(26,982)	301	19,560				
Other Financing Sources (Uses)												
Bond Issuance Premium	821	-	-	821	-	-	-	821				
Transfers In	115,627	39,682	63,849	219,158	15,473	-	-	269,649				
Transfers Out	-	-	-	-	-	-	-	(388,547)				
Total Other Financing Sources (Uses)	116,448	39,682	63,849	219,979	15,473	-	-	(118,077)				
Net Change in Fund Balances	(142)	-	(1,135)	(1,277)	(72,272)	(26,982)	301	(98,517)				
Fund Balance - July 1, 2012	1,322	11	81,113	82,446	86,140	42,344	5,441	321,364				
Fund Balance - June 30, 2013	1,180	11	79,978	81,169	13,868	15,362	5,742	222,847				

City of Philadelphia
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2013

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Assets</u>			
Equity in Treasurer's Account	469,768	4,438,835	4,908,603
Securities Lending Collective Investment Pool	7,279	614,267	621,546
Due from Brokers for Securities Sold	1,351	153,556	154,907
Interest and Dividends Receivable	1,461	13,300	14,761
Due from Other Governmental Units	-	3,133	3,133
Due from Other Funds	-	15,742	15,742
Total Assets	479,859	5,238,833	5,718,692
<u>Liabilities</u>			
Vouchers Payable	-	18	18
Accounts Payable	562	3,291	3,853
Salaries and Wages Payable	-	53	53
Funds Held in Escrow	-	9	9
Due on Return of Securities Loaned	7,279	614,742	622,021
Due to Brokers for Securities Purchased	13,360	170,782	184,142
Accrued Expenses	2,344	2,434	4,778
Unearned Revenue	-	1,792	1,792
Other Liabilities	-	488	488
Total Liabilities	23,545	793,609	817,154
Net Position Held in Trust for Pension Benefits	456,314	4,445,224	4,901,538

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2013

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Additions</u>			
Contributions:			
Employer's Contributions	23,673	781,823	805,496
Employees' Contributions	<u>133</u>	<u>49,614</u>	<u>49,747</u>
Total Contributions	<u>23,806</u>	<u>831,437</u>	<u>855,243</u>
Investment Income:			
Interest and Dividends	11,806	122,893	134,699
Net Gain in Fair Value of Investments	44,510	213,874	258,384
(Less) Investments Expenses	(1,926)	(12,226)	(14,152)
Securities Lending Revenue	-	2,996	2,996
Unrealized Gain	-	118,126	118,126
(Less) Securities Lending Expenses	<u>-</u>	<u>(331)</u>	<u>(331)</u>
Net Investment Gain	<u>54,390</u>	<u>445,332</u>	<u>499,722</u>
Miscellaneous Operating Revenues	-	469	469
Total Additions	<u>78,196</u>	<u>1,277,238</u>	<u>1,355,434</u>
<u>Deductions</u>			
Personal Services	-	3,502	3,502
Purchase of Services	-	1,618	1,618
Materials and Supplies	-	69	69
Employee Benefits	-	2,941	2,941
Pension Benefits	41,359	740,746	782,105
Refunds of Members' Contributions	-	5,744	5,744
Administrative Expenses Paid	796	-	796
Other Operating Expenses	<u>-</u>	<u>211</u>	<u>211</u>
Total Deductions	<u>42,155</u>	<u>754,831</u>	<u>796,986</u>
Change in Net Position	36,041	522,407	558,448
Net Position - July 1, 2012	<u>420,273</u>	<u>3,922,817</u>	<u>4,343,090</u>
Net Position - June 30, 2013	<u><u>456,314</u></u>	<u><u>4,445,224</u></u>	<u><u>4,901,538</u></u>

City of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013

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	-	-	100,861	100,861
Equity in Treasurer's Account	27,453	25,703	-	53,156
Investments	-	-	6,145	6,145
Due from Other Funds	-	-	699	699
	<u>-</u>	<u>-</u>	<u>699</u>	<u>699</u>
Total Assets	<u>27,453</u>	<u>25,703</u>	<u>107,705</u>	<u>160,861</u>
<u>Liabilities</u>				
Vouchers Payable	6	25	-	31
Payroll Taxes Payable	-	15,262	-	15,262
Funds Held in Escrow	27,447	10,416	107,705	145,568
	<u>27,447</u>	<u>10,416</u>	<u>107,705</u>	<u>145,568</u>
Total Liabilities	<u>27,453</u>	<u>25,703</u>	<u>107,705</u>	<u>160,861</u>
Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
Statement of Changes in Fiduciary Net Position
Agency Funds
For the Fiscal Year Ended June 30, 2013

Schedule VI

Amounts in thousands of USD

	Balance 7-1-2012	Additions	Deductions	Balance 6-30-2013
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	17,494	390,755	380,796	27,453
<u>Liabilities</u>				
Funds Held in Escrow	14,452	390,741	377,746	27,447
Vouchers Payable	3,042	1,202	4,238	6
Total Liabilities	17,494	391,943	381,984	27,453
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	24,741	886,599	885,637	25,703
<u>Liabilities</u>				
Vouchers Payable	90	8,941	9,006	25
Payroll Taxes Payable	14,589	787,499	786,826	15,262
Funds Held in Escrow	10,062	84,014	83,660	10,416
Total Liabilities	24,741	880,454	879,492	25,703
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	104,934	261,319	265,392	100,861
Investments	9,676	-	3,531	6,145
Due from Other Funds	826	-	127	699
Total Assets	115,436	261,319	269,050	107,705
<u>Liabilities</u>				
Funds Held in Escrow	115,436	261,319	269,050	107,705
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	104,934	261,319	265,392	100,861
Equity in Treasurer's Account	42,235	1,277,354	1,266,433	53,156
Investments	9,676	-	3,531	6,145
Due from Other Funds	826	-	127	699
Total Assets	157,671	1,538,673	1,535,483	160,861
<u>Liabilities</u>				
Vouchers Payable	3,132	10,143	13,244	31
Payroll Taxes Payable	14,589	787,499	786,826	15,262
Funds Held in Escrow	139,950	736,074	730,456	145,568
Total Liabilities	157,671	1,533,716	1,530,526	160,861

City of Philadelphia

City Related Schedule of Bonded Debt Outstanding

June 30, 2013

Schedule VII

Amounts in USD

General Obligation Bonds:		Original Authorization	Date of Issuance	Issued	Fiscal 2013 Outstanding	Maturities	Interest Rates	FY 2014 Debt Service Requirements	
Term Bonds								Interest	Principal
		97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5.00	26,599	-
		7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5.00	361,126	-
		11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5.00	551,222	-
		10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5.00	506,553	-
		113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,859,694	239,739
		30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,139,531	65,261
		13,834,573	04/19/2011	13,834,573	13,834,573	8/2027 to 8/2041	5.875 to 6.50	856,361	-
		37,647,372	04/19/2011	37,647,372	37,647,372	8/2027 to 8/2041	5.875 to 6.50	2,330,377	-
		45,818,055	04/19/2011	45,818,055	45,818,055	8/2027 to 8/2041	5.875 to 6.50	2,836,143	-
Total Term Bonds		367,706,553		270,745,000	270,745,000			17,467,606	305,000
Refunding Issues									
		188,910,000	12/20/2007	188,910,000	159,520,000	8/2013 to 8/2019	5.00 to 5.25	7,573,212	21,075,000
		195,170,000	05/01/2008	195,170,000	192,885,000	12/2013 to 12/2032	4.00 to 5.25	10,011,138	470,000
		237,025,000	08/13/2009	237,025,000	237,025,000	8/2019 to 8/2031	4.25 to 5.50	12,030,260	-
		100,000,000	08/13/2009	100,000,000	100,000,000	8/2027 to 8/2031	variable rates	3,829,000	-
		114,570,000	04/19/2011	114,570,000	79,410,000	8/2013 to 8/2020	2.00 to 5.25	3,485,023	11,850,000
		21,295,000	05/08/2012	21,295,000	21,295,000	9/2014 to 9/2021	5.00	1,064,750	-
Total Refunding Bonds		856,970,000		856,970,000	790,135,000			37,993,383	33,395,000
Serial Bonds									
		99,400,449 ¹	07/27/2006	3,472,002	2,907,166	8/2013 to 8/2029	4.75 to 5.125	141,551	111,329
		12,165,000	12/02/2003	12,165,000	1,661,739	2/2014	5.25	87,241	1,661,739
		84,972,482	12/02/2003	37,835,000	5,168,261	2/2014	5.25	271,334	5,168,261
		¹	07/27/2006	47,137,482	39,469,022	8/2013 to 8/2029	4.75 to 5.125	1,921,754	1,511,457
		71,950,563 ¹	07/27/2006	71,950,563	60,245,441	8/2013 to 8/2029	4.75 to 5.125	2,933,362	2,307,086
		66,119,953 ¹	07/27/2006	66,119,953	55,363,371	8/2013 to 8/2029	4.75 to 5.125	2,695,653	2,120,128
		16,086,110 ¹	01/06/2009	16,086,110	9,404,852	7/2013 to 7/2018	4.75 to 6.00	480,348	1,678,175
		4,378,890 ¹	01/06/2009	4,378,890	2,560,148	7/2013 to 7/2018	4.75 to 6.00	130,758	456,825
		5,950,427 ¹	04/19/2011	5,950,427	5,674,589	8/2013 to 8/2026	4.00 to 5.375	281,375	287,213
		16,192,628 ¹	04/19/2011	16,192,628	15,442,002	8/2013 to 8/2026	4.00 to 5.375	765,694	781,580
		19,706,945 ¹	04/19/2011	19,706,945	18,793,409	8/2013 to 8/2026	4.00 to 5.375	931,874	951,207
Total Serial Bonds		396,923,447		300,995,000	216,690,000			10,640,944	17,035,000
Total General Obligation Bonds		1,621,600,000		1,428,710,000	1,277,570,000			66,101,933	50,735,000
Revenue Bonds:									
Water and Sewer Revenue Bonds:									
	Series 1995	221,630,000	04/15/1995	-	-	8/2012	6.25	-	-
	Series 1997 B	100,000,000 ²	11/25/1997	100,000,000	67,000,000	8/2013 to 8/2027	variable rates	32,062	3,200,000
	Series 1998	135,185,000	12/25/1998	135,185,000	74,100,000	12/2013 to 12/2014	5.25	2,943,281	36,075,000
	Series 1999 A	6,700,000	N.A.	6,700,000	488,418	7/2013 to 4/2019	2.73	12,354	78,311
	Series 2005 A	250,000,000	05/04/2005	250,000,000	220,580,000	7/2013 to 7/2035	3.60 to 5.25	10,988,400	5,260,000
	Series 2005 B	86,105,000 ²	05/04/2005	86,105,000	81,995,000	8/2013 to 8/2018	variable rates	3,378,701	14,820,000
	Series 2007 A	191,440,000	05/09/2007	191,440,000	145,135,000	8/2013 to 8/2027	4.50 to 5.00	6,754,325	8,125,000
	Series 2007 B	153,595,000	05/09/2007	153,595,000	152,455,000	11/2013 to 11/2031	4.00 to 5.00	6,932,675	235,000
	Series 2009 A	325,000,000	05/21/2009	140,000,000	140,000,000	1/2017 to 1/2036	4.00 to 5.75	7,294,038	-

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2013

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2013 Outstanding	Maturities	Interest Rates	FY 2014 Debt Service Requirements	
							Interest	Principal
Series 2010C	42,886,030	08/05/2010	185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	9,022,250	-
Series 2009B	57,268,193	10/14/2009	22,827,986	24,318,749	7/2013 to 1/2024	1.19	278,485	2,132,855
Series 2009C	84,759,263	10/14/2009	35,666,542	37,574,905	7/2013 to 10/2025	1.19	433,063	2,786,940
Series 2009D	30,000,000	03/31/2010	64,380,070	67,866,366	7/2013 to 6/2028	1.19	787,144	4,124,132
Series 2010B	396,460,000	02/16/2011	9,254,100	9,254,100	7/2014 to 6/2019	1.19	106,737	1,054,598
Series 2010A	135,000,000	04/15/2010	396,460,000	298,785,000	6/2013 to 6/2019	3.00 to 5.00	14,324,785	46,955,000
Series 2011A	49,855,000	11/16/2011	135,000,000	135,000,000	1/2036 to 1/2041	4.50 to 5.00	6,737,000	-
Series 2011B	70,370,000	11/16/2011	49,855,000	49,855,000	11/2016 to 11/2026	4.00 to 5.00	2,460,500	-
Series 2012		11/01/2012	70,370,000	70,370,000	11/2013 to 11/2028	1.00 to 5.00	3,372,275	2,645,000
Total Water Revenue Bonds	2,336,253,486		2,031,838,698	1,759,777,538			75,858,075	127,491,836
Aviation Revenue Bonds:								
Series 1998 B	443,700,000	07/01/1998	443,700,000	5,000	7/2028	5.125	256	-
Series 2005 C	189,500,000 ²	06/02/2005	189,500,000	148,400,000	6/2014 to 6/2025	variable rates	7,398,876	8,200,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	112,060,000	6/2014 to 6/2035	4.20 to 5.00	5,333,455	2,985,000
Series 2007 A	172,470,000	08/16/2007	172,470,000	162,520,000	6/2014 to 6/2037	5.00	8,126,000	3,650,000
Series 2007 B	82,915,000	08/16/2007	82,915,000	63,065,000	6/2014 to 6/2027	5.00	3,153,250	3,775,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	40,595,000	6/2014 to 6/2029	3.25 to 5.375	1,941,016	1,805,000
Series 2010A	273,065,000	11/15/2010	273,065,000	273,050,000	6/2014 to 6/2040	3.00 to 5.25	13,599,413	5,070,000
Series 2010B	24,395,000	11/15/2010	24,395,000	10,360,000	6/2014 to 6/2015	5.00	518,000	5,055,000
Series 2010C	54,730,000	11/15/2010	54,730,000	40,895,000	6/2014 to 6/2018	5.00	2,044,750	7,400,000
Series 2010D	272,475,000	11/15/2010	272,475,000	245,585,000	6/2014 to 6/2028	4.00 to 5.25	12,403,850	13,985,000
Series 2011A	199,040,000	12/14/2011	199,040,000	187,200,000	6/2014 to 6/2028	4.625 to 5.00	9,304,406	6,015,000
Series 2011B	34,790,000	12/14/2011	34,790,000	31,720,000	6/2014 to 6/2031	2.00 to 5.00	1,343,019	1,250,000
Total Aviation Revenue Bonds	1,917,780,000		1,917,780,000	1,315,455,000			65,166,291	59,190,000
Total Revenue Bonds	4,254,033,486		3,949,618,698	3,075,232,538			141,024,366	186,681,836
Total All Bonds	5,875,633,486		5,378,328,698	4,352,802,538 ³			207,126,299	237,416,836

NOTES:

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

² Based on latest available estimated rates.

³ A summary of all Bonds Outstanding is as follows:

General Obligation Bonds	
General Fund Types:	Revenue Bonds
General Fund	-
Proprietary Fund Types:	
Water Fund	1,759,777,538
Aviation Fund	1,315,455,000
Total Proprietary Funds	3,075,232,538
Total All Funds	4,352,802,538

City of Philadelphia
 Budgetary Comparison Schedule
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2013

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	584,399	573,855	572,017	(1,838)
Revenue from Other Governments	1,500	2,250	2,727	477
Revenue from Other Funds	85,990	69,691	37,212	(32,479)
Total Revenues	671,889	645,796	611,956	(33,840)
<u>Expenditures and Encumbrances</u>				
Personal Services	115,699	115,699	104,392	11,307
Pension Contributions	56,068	56,068	55,960	108
Other Employee Benefits	43,130	43,130	40,369	2,761
Sub-Total Employee Compensation	214,897	214,897	200,721	14,176
Purchase of Services	156,865	156,865	134,417	22,448
Materials and Supplies	49,066	49,085	45,492	3,593
Equipment	4,869	4,850	2,802	2,048
Contributions, Indemnities and Taxes	6,601	6,601	5,090	1,511
Debt Service	201,986	201,986	201,016	970
Payments to Other Funds	57,605	57,605	53,566	4,039
Total Expenditures and Encumbrances	691,889	691,889	643,104	48,785
Operating Surplus (Deficit) for the Year	(20,000)	(46,093)	(31,148)	14,945
Fund Balance Available for Appropriation, July 1, 2012	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	20,000	20,000	31,148	11,148
Adjusted Fund Balance, July 1, 2012	20,000	20,000	31,148	11,148
Fund Balance Available for Appropriation, June 30, 2013	-	(26,093)	-	26,093

City of Philadelphia
 Budgetary Comparison Schedule
 Water Residual Fund
 For the Fiscal Year Ended June 30, 2013

Schedule IX

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	-	828	9	(819)
Revenue from Other Funds	<u>28,060</u>	<u>23,241</u>	<u>27,293</u>	<u>4,052</u>
Total Revenues	28,060	24,069	27,302	3,233
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>72,605</u>	<u>72,605</u>	<u>71,099</u>	<u>1,506</u>
Total Expenditures and Encumbrances	<u>72,605</u>	<u>72,605</u>	<u>71,099</u>	<u>1,506</u>
Operating Surplus (Deficit) for the Year	<u>(44,545)</u>	<u>(48,536)</u>	<u>(43,797)</u>	<u>4,739</u>
Fund Balance Available for Appropriation, July 1, 2012	52,813	44,644	44,644	-
Fund Balance Available for Appropriation, June 30, 2013	<u>8,268</u>	<u>(3,892)</u>	<u>847</u>	<u>4,739</u>

City of Philadelphia
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2013

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>4,728</u>	<u>(222)</u>
Total Revenues	<u>4,950</u>	<u>4,950</u>	<u>4,728</u>	<u>(222)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	<u>3,734</u>	<u>3,734</u>	<u>3,734</u>	<u>-</u>
Purchase of Services	<u>861</u>	<u>861</u>	<u>856</u>	<u>5</u>
Materials and Supplies	<u>336</u>	<u>336</u>	<u>231</u>	<u>105</u>
Payments to Other Funds	<u>19</u>	<u>19</u>	<u>19</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>4,950</u>	<u>4,950</u>	<u>4,840</u>	<u>110</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>(112)</u>	<u>(112)</u>
Fund Balance Available for Appropriation, July 1, 2012	<u>2,060</u>	<u>2,352</u>	<u>2,352</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>25</u>	<u>25</u>	<u>148</u>	<u>123</u>
Adjusted Fund Balance, July 1, 2012	<u>2,085</u>	<u>2,377</u>	<u>2,500</u>	<u>123</u>
Fund Balance Available for Appropriation, June 30, 2013	<u>2,085</u>	<u>2,377</u>	<u>2,388</u>	<u>11</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Special Gasoline Tax Fund
 For the Fiscal Year Ended June 30, 2013

Schedule XI

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	20	3	1	(2)
Revenue from Other Governments	<u>24,579</u>	<u>23,413</u>	<u>24,189</u>	<u>776</u>
Total Revenues	24,599	23,416	24,190	774
<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	14,368	1,091
Materials and Supplies	3,990	3,990	2,988	1,002
Equipment	-	-	723	(723)
Payments to Other Funds	<u>20</u>	<u>20</u>	<u>20</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>24,469</u>	<u>24,469</u>	<u>23,099</u>	<u>1,370</u>
Operating Surplus (Deficit) for the Year	<u>130</u>	<u>(1,053)</u>	<u>1,091</u>	<u>2,144</u>
Fund Balance Available for Appropriation, July 1, 2012	16,460	16,507	16,507	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>150</u>	<u>500</u>	<u>1,809</u>	<u>1,309</u>
Adjusted Fund Balance, July 1, 2012	<u>16,610</u>	<u>17,007</u>	<u>18,316</u>	<u>1,309</u>
Fund Balance Available for Appropriation, June 30, 2013	<u>16,740</u>	<u>15,954</u>	<u>19,407</u>	<u>3,453</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2013

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	48,644	50,540	50,042	(498)
Locally Generated Non-Tax Revenue	<u>2</u>	<u>2</u>	<u>-</u>	<u>(2)</u>
Total Revenues	48,646	50,542	50,042	(500)
<u>Expenditures and Encumbrances</u>				
Contributions, Indemnities and Taxes	<u>48,646</u>	<u>50,542</u>	<u>50,542</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>48,646</u>	<u>50,542</u>	<u>50,542</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>(500)</u>	<u>(500)</u>
Fund Balance Available for Appropriation, July 1, 2012	<u>6,562</u>	<u>7,352</u>	<u>7,352</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2013	<u><u>6,562</u></u>	<u><u>7,352</u></u>	<u><u>6,852</u></u>	<u><u>(500)</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Aviation Operating Fund
 For the Fiscal Year Ended June 30, 2013

Schedule XIII

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	371,050	321,825	301,099	(20,726)
Revenue from Other Governments	3,500	3,500	2,528	(972)
Revenue from Other Funds	<u>2,500</u>	<u>2,575</u>	<u>989</u>	<u>(1,586)</u>
Total Revenues	377,050	327,900	304,616	(23,284)
<u>Expenditures and Encumbrances</u>				
Personal Services	64,235	64,235	60,461	3,774
Pension Contributions	27,811	26,511	30,365	(3,854)
Other Employee Benefits	<u>18,264</u>	<u>19,564</u>	<u>19,564</u>	<u>-</u>
Sub-Total Employee Compensation	110,310	110,310	110,390	(80)
Purchase of Services	114,435	114,435	97,824	16,611
Materials and Supplies	8,757	9,022	7,899	1,123
Equipment	9,110	8,845	1,862	6,983
Contributions, Indemnities and Taxes	5,262	5,262	1,946	3,316
Debt Service	112,549	112,549	109,521	3,028
Payments to Other Funds	<u>21,373</u>	<u>21,373</u>	<u>9,870</u>	<u>11,503</u>
Total Expenditures and Encumbrances	<u>381,796</u>	<u>381,796</u>	<u>339,312</u>	<u>42,484</u>
Operating Surplus (Deficit) for the Year	<u>(4,746)</u>	<u>(53,896)</u>	<u>(34,696)</u>	<u>19,200</u>
Fund Balance Available for Appropriation, July 1, 2012	58,060	64,679	64,679	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>10,000</u>	<u>10,000</u>	<u>16,925</u>	<u>6,925</u>
Adjusted Fund Balance, July 1, 2012	<u>68,060</u>	<u>74,679</u>	<u>81,604</u>	<u>6,925</u>
Fund Balance Available for Appropriation, June 30, 2013	<u><u>63,314</u></u>	<u><u>20,783</u></u>	<u><u>46,908</u></u>	<u><u>26,125</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2013

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	7,856	7,606
Revenue from Other Governments	<u>84,877</u>	<u>64,877</u>	<u>30,460</u>	<u>(34,417)</u>
Total Revenues	85,127	65,127	38,316	(26,811)
<u>Other Sources</u>				
Increase in Financed Reserves	<u>-</u>	<u>-</u>	<u>(12,327)</u>	<u>(12,327)</u>
Total Revenues and Other Sources	<u>85,127</u>	<u>65,127</u>	<u>25,989</u>	<u>(39,138)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	6,544	6,576	3,999	2,577
Pension Contributions	2,395	2,609	1,844	765
Other Employee Benefits	<u>2,186</u>	<u>1,972</u>	<u>1,147</u>	<u>825</u>
Sub-Total Employee Compensation	11,125	11,157	6,990	4,167
Purchase of Services	53,625	53,593	36,495	17,098
Materials and Supplies	205	227	141	86
Equipment	142	120	33	87
Payments to Other Funds	30	30	20	10
Advances, Subsidies, Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenditures and Encumbrances	<u>85,127</u>	<u>85,127</u>	<u>43,679</u>	<u>41,448</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(20,000)</u>	<u>(17,690)</u>	<u>2,310</u>
Fund Balance Available for Appropriation, July 1, 2012	-	(6,485)	(6,485)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	16,984	16,984
Prior Period Adjustments	<u>-</u>	<u>6,485</u>	<u>-</u>	<u>(6,485)</u>
Adjusted Fund Balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>10,499</u>	<u>10,499</u>
Fund Balance Available for Appropriation, June 30, 2013	<u>-</u>	<u>(20,000)</u>	<u>(7,191)</u>	<u>12,809</u>

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2013

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	5,330	5,330	5,383	53
Locally Generated Non-Tax Revenue	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Total Revenues	5,333	5,333	5,386	53
<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>333</u>	<u>333</u>	<u>386</u>	<u>53</u>
Fund Balance Available for Appropriation, July 1, 2012	<u>6,466</u>	<u>6,436</u>	<u>6,436</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2013	<u>6,799</u>	<u>6,769</u>	<u>6,822</u>	<u>53</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Housing Trust Fund
 For the Fiscal Year Ended June 30, 2013

Schedule XVI

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	<u>10,610</u>	<u>12,020</u>	<u>12,749</u>	<u>729</u>
Total Revenues	10,610	12,020	12,749	729
 <u>Expenditures and Encumbrances</u>				
Personal Services	700	700	700	-
Purchase of Services	<u>14,800</u>	<u>16,800</u>	<u>13,289</u>	<u>3,511</u>
Total Expenditures and Encumbrances	15,500	17,500	13,989	3,511
Operating Surplus (Deficit) for the Year	<u>(4,890)</u>	<u>(5,480)</u>	<u>(1,240)</u>	<u>4,240</u>
 Fund Balance Available for Appropriation, July 1, 2012	3,484	1,929	1,929	-
 <u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>4,000</u>	<u>4,750</u>	<u>4,904</u>	<u>154</u>
Adjusted Fund Balance, July 1, 2012	<u>7,484</u>	<u>6,679</u>	<u>6,833</u>	<u>154</u>
 Fund Balance Available for Appropriation, June 30, 2013	<u><u>2,594</u></u>	<u><u>1,199</u></u>	<u><u>5,593</u></u>	<u><u>4,395</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2013

Schedule XVII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	481,674	482,129	4,200	(477,929)
Revenue from Other Governments	347,194	347,429	48,297	(299,132)
Revenue from Other Funds	-	-	9,379	9,379
Total Revenues	828,868	829,558	61,876	(767,682)
<u>Other Sources (Uses)</u>				
Decrease in Unreimbursed Commitments	-	-	(34,243)	(34,243)
Total Revenues and Other Sources	828,868	829,558	27,633	(801,925)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	828,868	829,558	118,914	710,644
Operating Surplus (Deficit) for the Year	-	-	(91,281)	(91,281)
Fund Balance Available for Appropriation, July 1, 2012	-	-	31,293	31,293
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	804	804
Adjusted Fund Balance, July 1, 2012	-	-	32,097	32,097
Fund Balance Available for Appropriation, June 30, 2013	-	-	(59,184)	(59,184)

City of Philadelphia
 Budgetary Comparison Schedule
 Acute Care Hospital Assessment Fund
 For the Fiscal Year Ended June 30, 2013

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>142,000</u>	<u>142,000</u>	<u>148,309</u>	<u>6,309</u>
Total Revenues	<u>142,000</u>	<u>142,000</u>	<u>148,309</u>	<u>6,309</u>
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>5,324</u>	<u>5,324</u>
Total Revenues and Other Sources	<u>142,000</u>	<u>142,000</u>	<u>153,633</u>	<u>11,633</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	4,303	3,008	2,730	278
Pension Contributions	100	87	87	-
Other Employee Benefits	<u>139</u>	<u>152</u>	<u>152</u>	<u>-</u>
Sub-Total Employee Compensation	4,542	3,247	2,969	278
Purchase of Services	137,869	142,059	142,059	-
Materials and Supplies	3	6	5	1
Equipment	6	6	-	6
Payments to Other Funds	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>145,420</u>	<u>148,318</u>	<u>148,033</u>	<u>285</u>
Operating Surplus (Deficit) for the Year	<u>(3,420)</u>	<u>(6,318)</u>	<u>5,600</u>	<u>11,918</u>
Fund Balance Available for Appropriation, July 1, 2012	6,623	9,471	9,471	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>
Adjusted Fund Balance, July 1, 2012	<u>6,623</u>	<u>9,471</u>	<u>9,596</u>	<u>125</u>
Fund Balance Available for Appropriation, June 30, 2013	<u>3,203</u>	<u>3,153</u>	<u>15,196</u>	<u>12,043</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Revenue						
<u>Taxes</u>						
Real Property Tax:						
Current	479,905	500,149	504,207	4,058	464,420	39,787
Prior Years	35,000	35,000	36,324	1,324	36,301	23
Total Real Property Tax	514,905	535,149	540,531	5,382	500,721	39,810
Wage and Earnings Taxes:						
Current	1,197,814	1,227,484	1,219,500	(7,984)	1,192,221	27,279
Prior Years	10,000	4,250	2,006	(2,244)	4,102	(2,096)
Total Wage and Earnings Taxes	1,207,814	1,231,734	1,221,506	(10,228)	1,196,323	25,183
Business Taxes:						
Business Income & Receipts Taxes:						
Current	359,920	399,959	411,731	11,772	370,189	41,542
Prior Years	35,000	35,000	39,180	4,180	19,197	19,983
Total Business Income & Receipts Taxes	394,920	434,959	450,911	15,952	389,386	61,525
Net Profits Tax:						
Current	9,791	9,972	17,230	7,258	12,193	5,037
Prior Years	2,500	2,500	1,934	(566)	2,928	(994)
Total Net Profits Tax	12,291	12,472	19,164	6,692	15,121	4,043
Total Business Taxes	407,211	447,431	470,075	22,644	404,507	65,568
Other Taxes:						
Sales Tax	259,316	259,263	257,550	(1,713)	253,523	4,027
Amusement Tax	22,064	19,064	19,081	17	21,911	(2,830)
Real Property Transfer Tax	124,541	143,300	147,968	4,668	119,364	28,604
Parking Lot Tax	75,138	73,162	73,261	99	70,930	2,331
Smokeless Tobacco	631	631	728	97	628	100
Miscellaneous Taxes	2,778	2,777	2,756	(21)	2,538	218
Total Other Taxes	484,468	498,197	501,344	3,147	468,894	32,450
Total Taxes	2,614,398	2,712,511	2,733,456	20,945	2,570,445	163,011
<u>Locally Generated Non-Tax Revenue</u>						
Rentals from Leased City Properties	5,290	5,790	5,933	143	5,507	426
Licenses and Permits	45,148	51,108	55,253	4,145	47,993	7,260
Fines, Forfeits, Penalties, Confiscated						
Money and Property	19,775	19,825	19,020	(805)	21,716	(2,696)
Interest Income	3,135	2,170	1,843	(327)	7,727	(5,884)
Service Charges and Fees	127,407	126,541	126,685	144	120,762	5,923
Other	45,498	53,172	57,440	4,268	52,989	4,451
Total Locally Generated Non-Tax Revenue	246,253	258,606	266,174	7,568	256,694	9,480
<u>Revenue from Other Governments</u>						
United States Government:						
Grants and Reimbursements	43,056	41,766	39,706	(2,060)	96,998	(57,292)
Commonwealth of Pennsylvania:						
Grants and Other Payments	244,066	232,853	233,634	781	536,806	(303,172)
Other Governmental Units	366,695	376,245	378,199	1,954	82,069	296,130
Total Revenue from Other Governments	653,817	650,864	651,539	675	715,873	(64,334)
<u>Revenue from Other Funds</u>	53,253	58,583	46,821	(11,762)	48,341	(1,520)
Total Revenues	3,567,721	3,680,564	3,697,990	17,426	3,591,353	106,637

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	35,549	15,672	13,468	2,204	13,758	(290)
Mayor's Office:						
Mayor's Office	3,711	3,738	3,729	9	3,514	215
Scholarships	200	318	318	-	196	122
Mural Arts Program	941	1,149	947	202	996	(49)
Labor Relations	541	550	543	7	517	26
MDO Office of Technology	70,044	71,254	63,234	8,020	63,272	(38)
Office of Property Assessment	11,715	14,693	11,564	3,129	7,967	3,597
Transportation	546	634	604	30	498	106
Law	12,771	15,340	14,827	513	14,501	326
Board of Ethics	898	909	713	196	683	30
Youth Commission	94	94	57	37	42	15
Inspector General	1,256	1,461	1,259	202	1,239	20
City Planning Commission	2,212	2,257	2,252	5	2,209	43
Commission on Human Relations	1,998	2,025	1,688	337	1,830	(142)
Zoning Code Commission	-	-	-	-	216	(216)
Arts & Culture	2,670	2,675	2,596	79	2,662	(66)
Board of Revision of Taxes	709	1,058	1,056	2	576	480
Total General Government	145,855	133,827	118,855	14,972	114,676	4,179
Operation of Service Departments						
Housing	2,520	2,840	2,840	-	4,213	(1,373)
Managing Director	69,476	74,123	73,276	847	21,732	51,544
Police	556,818	585,104	585,104	-	568,922	16,182
Streets	111,818	124,300	118,695	5,605	123,523	(4,828)
Fire	189,305	200,545	200,457	88	195,532	4,925
Public Health	111,646	112,378	109,077	3,301	107,770	1,307
Office-Behavioral Health/Mental Retardation	14,272	14,287	14,145	142	14,240	(95)
Parks and Recreation	47,781	53,184	52,468	716	47,344	5,124
Atwater Kent Museum	269	270	270	-	266	4
Public Property	180,671	182,446	172,472	9,974	169,143	3,329
Department of Human Services	111,038	103,285	90,871	12,414	103,761	(12,890)
Philadelphia Prisons	227,851	242,659	242,659	-	232,232	10,427
Office of Supportive Housing	39,641	42,706	42,112	594	38,384	3,728
Office of Fleet Management	55,375	60,949	60,810	139	55,944	4,866
Licenses and Inspections	21,661	21,937	21,649	288	21,429	220
Board of L & I Review	153	161	127	34	124	3
Board of Building Standards	70	71	57	14	58	(1)
Zoning Board of Adjustment	356	366	361	5	366	(5)
Records	4,009	4,022	3,933	89	3,841	92
Philadelphia Historical Commission	388	395	352	43	359	(7)
Art Museum	2,300	2,400	2,400	-	2,315	85
Philadelphia Free Library	33,682	34,040	33,591	449	33,399	192
Total Operations of Service Departments	1,781,100	1,862,468	1,827,726	34,742	1,744,897	82,829
Financial Management						
Office of Director of Finance	9,960	14,961	14,216	745	12,469	1,747
Department of Revenue	19,338	19,594	18,661	933	18,850	(189)
Sinking Fund Commission	222,473	211,883	209,845	2,038	201,046	8,799
Procurement	4,152	4,633	4,564	69	4,461	103
City Treasurer	887	896	884	12	825	59
Audit of City Operations	7,449	7,665	7,027	638	7,289	(262)
Total Financial Management	264,259	259,632	255,197	4,435	244,940	10,257

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,118,256	1,124,884	1,119,075	5,809	1,066,251	52,824
Community College of Philadelphia	25,409	25,409	25,409	-	25,409	-
Legal Services	-	-	-	-	37,066	(37,066)
Hero Award	25	25	21	4	28	(7)
Refunds	250	93	-	93	-	-
Indemnities	32,458	258	295	(37)	14	281
Office of Risk Management	3,019	3,056	2,916	140	2,925	(9)
Witness Fees	172	172	132	40	140	(8)
Contribution to School District	48,990	68,990	68,990	-	48,930	20,060
Total City-Wide Under Director of Finance	1,228,579	1,222,887	1,216,838	6,049	1,180,763	36,075
Promotion and Public Relations						
City Representative	890	960	960	-	879	81
Commerce	18,976	18,998	18,839	159	18,361	478
Total Promotion and Public Relations	19,866	19,958	19,799	159	19,240	559
Personnel						
Civic Service Commission	167	171	171	-	167	4
Personnel Director	5,347	5,560	5,301	259	4,945	356
Total Personnel	5,514	5,731	5,472	259	5,112	360
Administration of Justice						
Register of Wills	3,331	3,333	3,269	64	3,312	(43)
District Attorney	31,055	31,489	31,450	39	30,888	562
Sheriff	14,089	15,146	15,146	-	15,462	(316)
First Judicial District	99,935	110,374	109,394	980	115,562	(6,168)
Total Administration of Justice	148,410	160,342	159,259	1,083	165,224	(5,965)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,437	1,437	1,437	-	1,412	25
Conduct of Elections						
City Commissioners	8,847	8,879	8,683	196	8,611	72
Total Obligations	3,603,867	3,675,161	3,613,266	61,895	3,484,875	128,391
Operating Surplus (Deficit) for the Year	(36,146)	5,403	84,724	79,321	106,478	(21,754)

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, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual</u>		
	<u>Original</u>	<u>Final</u>	<u>FY 2013 Actual</u>	<u>Positive (Negative)</u>	<u>FY 2012 Actual</u>	<u>Increase (Decrease)</u>
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	481,100	486,740	489,134	2,394	474,478	14,656
Sales and Charges - Prior Years	52,250	39,500	33,511	(5,989)	34,224	(713)
Fire Service Connections	2,086	2,129	2,026	(103)	2,097	(71)
Surcharges	5,733	5,671	5,656	(15)	5,110	546
Fines and Penalties	1,037	960	1,026	66	838	188
Miscellaneous Charges	1,950	1,439	1,446	7	1,223	223
Charges to Other Municipalities	34,000	30,000	29,512	(488)	35,160	(5,648)
Licenses and Permits	2,250	2,480	3,184	704	2,398	786
Interest Income	850	850	551	(299)	246	305
Fleet Management - Sale of Vehicles & Equipment	195	175	125	(50)	108	17
Contributions from Sinking Fund Reserve	-	-	1,707	1,707	1,086	621
Reimbursement of Expenditures	186	316	569	253	438	131
Repair Loan Program	1,866	2,645	2,802	157	2,489	313
Other	896	950	768	(182)	417	351
Total Locally Generated Non-Tax Revenue	584,399	573,855	572,017	(1,838)	560,312	11,705
<u>Revenue from Other Governments</u>						
State	500	350	163	(187)	327	(164)
Federal	1,000	1,900	2,564	664	2,865	(301)
Total Revenue from Other Governments	1,500	2,250	2,727	477	3,192	(465)
<u>Revenue from Other Funds</u>						
	85,990	69,691	37,212	(32,479)	28,985	8,227
Total Revenues	671,889	645,796	611,956	(33,840)	592,489	19,467
<u>Obligations</u>						
Mayor's Office of Information Services	16,971	16,971	14,046	2,925	11,530	2,516
Public Property	3,740	3,740	3,739	1	3,726	13
Office of Fleet Management	8,510	8,510	7,219	1,291	7,603	(384)
Water Department	335,863	340,954	302,494	38,460	292,887	9,607
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	56,068	56,068	55,959	109	48,613	7,346
Other Employee Benefits	43,130	43,130	40,369	2,761	38,395	1,974
Contributions, Indemnities and Taxes	6,500	1,410	-	1,410	-	-
Department of Revenue	15,708	15,707	14,602	1,105	13,933	669
Sinking Fund Commission	201,986	201,986	201,576	410	193,509	8,067
Procurement Department	69	69	69	-	46	23
Law	3,108	3,108	2,861	247	2,993	(132)
Mayor's Office of Transportation	236	236	170	66	56	114
Total Obligations	691,889	691,889	643,104	48,785	613,291	29,813
Operating Surplus (Deficit) for the Year	(20,000)	(46,093)	(31,148)	14,945	(20,802)	(10,346)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2013 (with comparative actual amounts for the Fiscal Year Ended June 30, 2012)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2013 Actual	Positive (Negative)	FY 2012 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Concessions	26,000	35,000	34,123	(877)	35,284	(1,161)
Space Rentals	140,000	110,000	105,207	(4,793)	97,483	7,724
Landing Fees	65,000	65,000	60,025	(4,975)	57,669	2,356
Parking	29,000	25,500	24,041	(1,459)	25,035	(994)
Car Rentals	23,000	20,000	19,711	(289)	18,274	1,437
Interest Earnings	1,000	1,000	333	(667)	666	(333)
Sale of Utilities	5,000	4,200	3,227	(973)	4,119	(892)
Passenger Facility Charge	35,000	32,000	31,160	(840)	31,573	(413)
Overseas Terminal Facility Charges	-	-	11	11	13	(2)
International Terminal Charge	28,000	20,000	19,744	(256)	16,349	3,395
Other	19,050	9,125	3,517	(5,608)	7,298	(3,781)
Total Locally Generated Non-Tax Revenue	371,050	321,825	301,099	(20,726)	293,763	7,336
<u>Revenue from Other Governments</u>						
State	500	500	-	(500)	-	-
Federal	3,000	3,000	2,528	(472)	4,493	(1,965)
Total Revenue from Other Governments	3,500	3,500	2,528	(972)	4,493	(1,965)
<u>Revenue from Other Funds</u>						
	2,500	2,575	989	(1,586)	947	42
Total Revenue	377,050	327,900	304,616	(23,284)	299,203	5,413
<u>Obligations</u>						
Mayor's Office of Information Services	6,728	6,728	5,966	762	5,684	282
Police	14,148	14,148	14,050	98	13,738	312
Fire	6,203	6,203	5,645	558	5,641	4
Public Property	26,900	26,900	21,930	4,970	26,894	(4,964)
Office of Fleet Management	8,109	8,109	3,552	4,557	3,255	297
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	27,811	30,365	30,365	-	25,441	4,924
Other Employee Benefits	18,264	19,564	19,564	-	16,271	3,293
Purchase of Services	4,146	2,574	2,574	-	2,641	(67)
Contributions, Indemnities and Taxes	2,512	-	-	-	-	-
Sinking Fund Commission	112,549	111,361	109,521	1,840	103,178	6,343
Commerce	152,234	153,652	124,249	29,403	124,759	(510)
Law	1,878	1,878	1,709	169	1,686	23
Mayor's Office of Transportation	314	314	187	127	56	131
Total Obligations	381,796	381,796	339,312	42,484	329,244	10,068
Operating Surplus (Deficit) for the Year	(4,746)	(53,896)	(34,696)	19,200	(30,041)	(4,655)



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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City of Philadelphia
Net Position by Component
For the Fiscal Years 2004 Through 2013

Table 1*Amounts in millions of USD**(full accrual basis of accounting)***Governmental Activities**

	<u>2004</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>
Net Investment in Capital Assets										
Restricted	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)	83.9	232.5
Unrestricted	484.1	516.5	471.5	689.7	641.0	833.8	705.1	789.5	621.8	586.8
	(707.0)	(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)
Total Governmental Activities Net Position	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)	(1,772.5)	(1,769.6)

Business-Type Activities

Net Investment in Capital Assets										
Restricted	541.0	548.4	537.4	544.0	591.8	750.6	831.8	845.1	887.8	982.5
Unrestricted	504.0	472.0	551.9	635.1	644.1	511.2	489.3	550.6	591.8	628.9
	91.3	269.7	273.9	257.3	266.2	269.8	257.3	234.3	257.9	173.4
Total Business-Type Activities Net Position	1,136.3	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

Primary Government

Net Investment in Capital Assets										
Restricted	716.0	789.7	786.0	705.4	798.2	744.8	772.5	797.6	971.7	1,215.0
Unrestricted	988.1	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
	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)	(2,220.3)	(2,415.5)
Total Primary Government Net Position	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)	(35.0)	15.2

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2004 Through 2013

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
Economic Development	127.4	89.5	89.8	92.6	116.4	116.0	145.0	92.2	96.5	94.2
Transportation:										
Streets & Highways	109.9	119.0	116.0	116.6	117.7	119.1	129.4	136.3	115.6	112.9
Mass Transit	81.3	84.9	84.5	85.1	88.3	90.5	82.7	75.2	74.0	71.0
Judiciary and Law Enforcement:										
Police	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5	1,048.1	1,094.2	1,087.9
Prisons	237.1	250.2	268.7	293.2	311.4	339.1	343.8	340.4	336.7	342.2
Courts	277.2	284.9	287.1	304.1	321.6	318.7	312.0	315.0	326.2	318.1
Conservation of Health:										
Emergency Medical Services	30.6	34.2	35.6	36.0	37.2	36.9	47.8	53.3	48.4	49.7
Health Services	1,174.6	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
Housing and Neighborhood Development	119.0	123.0	149.5	111.2	142.1	149.1	131.3	126.1	137.7	102.9
Cultural and Recreational										
Recreation	118.4	68.3	73.3	73.4	86.2	77.3	77.0	98.7	97.3	102.3
Parks	32.6	30.2	28.9	32.6	36.6	37.7	37.9	14.0	9.0	8.6
Libraries and Museums	67.5	80.7	68.6	90.3	87.0	92.8	79.0	75.7	80.8	76.1
Improvements to General Welfare:										
Social Services	691.2	697.6	702.0	765.5	794.1	756.3	718.8	718.4	675.5	625.3
Education	58.6	61.6	59.9	64.0	65.5	67.2	65.4	64.0	74.3	94.4
Inspections and Demolitions	81.3	79.0	55.3	64.3	47.3	27.8	23.4	30.1	26.5	36.0
Service to Property:										
Sanitation	121.0	126.0	128.8	134.4	138.0	137.8	142.7	143.0	153.2	136.7
Fire	215.4	229.6	236.1	285.3	284.8	278.6	266.0	292.2	296.8	296.8
General Management and Support	576.9	519.9	574.8	568.7	636.9	684.1	683.3	561.0	678.4	743.4
Interest on Long Term Debt	98.3	138.2	136.9	149.5	95.1	214.6	174.9	136.3	112.1	161.8
Total Governmental Activities Expenses	5,012.1	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
Business-Type Activities:										
Water and Sewer	416.9	442.3	455.4	476.2	504.3	530.8	502.5	520.2	490.8	513.4
Aviation	261.0	269.5	303.1	314.3	323.1	326.2	330.1	336.0	343.1	358.9
Industrial and Commercial Development	2.5	4.7	2.1	3.7	2.1	3.0	0.1	1.9	-	0.6
Total Business-Type Activities Expenses	680.4	716.5	760.6	794.2	829.5	860.0	832.7	858.1	833.9	872.9
Total Primary Government Expenses	5,692.5	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
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	6.9	0.1	-	-	-	0.3	0.1	-	1.1	2.6
Transportation:										
Streets & Highways	1.5	1.9	2.2	3.5	3.9	2.8	4.4	5.1	5.2	5.3
Mass Transit	0.5	0.5	0.6	0.6	0.5	0.4	0.5	0.6	1.3	1.9
Judiciary and Law Enforcement:										
Police	2.4	2.2	7.2	1.7	4.3	5.0	3.3	3.5	5.5	6.3
Prisons	0.5	0.4	0.4	0.3	0.3	0.4	0.5	0.5	0.9	0.7
Courts	52.5	48.4	51.5	51.5	52.7	51.8	53.4	45.6	60.6	59.9
Conservation of Health:										
Emergency Medical Services	20.7	23.1	25.0	27.7	27.6	37.5	36.8	34.7	27.5	33.3
Health Services	11.6	13.5	14.0	12.6	15.3	14.4	16.2	16.7	14.8	16.7
Housing and Neighborhood Development	12.0	10.0	22.3	45.2	25.2	31.3	20.8	23.1	28.6	23.5
Cultural and Recreational:										
Recreation	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)	2.8	2.2	3.8
Parks	1.7	0.9	0.4	0.5	1.5	0.6	0.9	5.0	4.8	3.3
Libraries and Museums	0.4	0.5	0.9	0.9	0.8	1.3	0.9	1.8	1.2	1.0
Improvements to General Welfare:										
Social Services	6.9	7.6	7.4	7.3	6.4	7.6	14.4	6.8	5.2	8.3
Education	-	-	-	-	-	1.1	-	-	-	0.1
Inspections and Demolitions	0.8	0.7	0.7	44.4	44.9	40.3	43.9	45.5	50.0	53.9
Service to Property:										
Sanitation	2.0	2.1	1.8	-	3.1	2.9	2.0	11.6	15.9	16.2
Fire	0.1	0.5	0.4	0.7	0.2	0.7	0.3	0.5	0.3	0.9
General Management and Support	138.2	130.8	179.1	107.5	110.6	131.9	127.9	136.6	139.7	134.2
Interest on Long Term Debt	-	-	-	-	-	-	-	9.2	0.3	-
Operating Grants and Contributions	1,958.7	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
Capital Grants and Contributions	19.6	9.1	21.4	15.8	10.0	35.0	46.9	32.1	43.2	48.9
Total Governmental Activities Program Revenues	2,250.0	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

City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2004 Through 2013

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-Type Activities:										
Charges for Services:										
Water and Sewer	401.6	450.6	470.8	493.6	503.3	499.7	552.4	558.5	598.3	608.7
Aviation	251.9	278.4	295.0	309.2	303.2	251.7	240.0	258.1	263.2	291.4
Industrial and Commercial Development	1.2	1.1	1.2	1.5	1.5	0.5	0.3	0.5	0.4	0.4
Operating Grants and Contributions	4.8	2.0	2.5	2.8	5.4	2.6	6.1	4.8	3.5	2.3
Capital Grants and Contributions	21.0	20.7	25.3	22.4	36.6	109.4	90.5	105.9	91.6	58.2
Total Business-Type Activities Program Revenues	680.5	752.8	794.8	829.5	850.0	863.9	889.3	927.8	957.0	961.0
Total Primary Government Revenues	2,930.5	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
Net (Expense)/Revenue										
Governmental Activities	(2,762.1)	(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)
Business-Type Activities	0.1	36.3	34.2	35.3	20.5	3.9	56.6	69.7	123.1	88.1
Total Primary Government Net Expense	(2,762.0)	(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)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	374.4	381.8	386.3	399.2	401.3	409.2	400.8	506.6	500.8	553.8
Wage & Earnings Taxes	1,345.9	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
Business Taxes	319.2	367.9	430.2	453.7	414.5	407.6	385.2	364.2	399.2	452.4
Other Taxes	342.1	406.4	457.7	460.3	457.0	435.0	578.3	645.8	663.6	706.0
Unrestricted Grants & Contributions	47.1	84.3	81.7	104.1	104.7	107.8	171.4	173.8	223.2	187.4
Interest & Investment Earnings	26.0	32.9	60.2	81.8	65.3	46.1	25.5	35.8	33.3	17.9
Special Items	-	-	-	-	-	-	-	-	-	-
Transfers	-	4.4	5.0	4.9	4.9	4.2	28.3	24.9	27.5	21.4
Total Governmental Activities	2,454.7	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
Business-Type Activities:										
Interest & Investment Earnings	6.6	15.8	43.8	45.7	48.7	22.9	7.7	6.9	9.0	12.7
Unrestricted Grants & Contributions	-	-	-	-	-	-	-	-	2.9	42.2
Transfers	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)	(21.4)
Total Business-Type Activities	6.6	11.4	38.9	40.8	43.8	18.7	(20.6)	(18.0)	(15.6)	33.5
Total Primary Government	2,461.3	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
Change in Net Position										
Governmental Activities	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6	(19.0)	17.6
Business-Type Activities	6.7	47.7	73.1	76.1	64.3	22.6	36.0	51.7	107.5	121.6
Total Primary Government	(300.7)	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3	88.5	139.2

Table 3

**City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2004 Through 2013**

Amounts in millions of USD

(modified accrual basis of accounting)

General Fund

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	-	-	-	-	-
Central Library Project	-	-	10.0	4.8	4.9	4.7	2.3	2.3	2.3	2.3
Stadium Financing	18.7	4.3	6.0	6.4	0.1	1.7	0.6	0.3	0.5	2.1
Cultural & Commercial Corridor Project	-	-	-	143.3	122.5	89.8	30.8	19.2	15.3	12.2
Long Term Loan	45.0	45.0	45.0	45.0	22.5	-	-	-	-	79.7
Committed to:	88.5	141.5	132.4	135.6	108.8	102.8	-	-	-	-
Encumbrances	-	-	-	-	-	-	87.9	-	-	-
General Fund	-	-	-	-	-	-	-	-	70.5	98.0
Assigned to:	-	-	-	-	-	-	-	-	-	90.0
Unassigned:	(148.1)	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)	(45.7)	-	-
Total General Fund:	4.1	154.3	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)	88.6	284.4

All Other Governmental Funds

Non-spendable:	-	-	-	-	-	-	-	2.6	2.6	2.8
Permanent Fund (Principal)	-	-	-	-	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	-	-	-	-	-
Behavioral Health	36.9	61.5	196.0	192.9	177.8	188.7	171.0	250.1	230.7	233.7
Neighborhood Revitalization	87.4	173.6	130.1	99.9	77.8	74.6	73.1	61.3	51.6	34.2
Public Safety Emergency Phone System	8.4	6.8	16.7	21.7	28.7	38.8	40.4	36.9	29.6	24.5
Economic Development	-	-	-	-	-	-	-	6.6	10.3	7.2
Intergovernmental Financing	30.6	31.7	26.8	24.5	18.6	12.1	7.9	21.1	21.7	33.9
Intergovernmentally Financed Pgms	-	-	-	-	-	-	-	-	-	-
Streets & Highways	2.2	2.8	4.0	7.5	12.8	16.8	16.8	18.3	23.2	23.9
Housing & Neighborhood Development	-	-	-	-	-	-	-	10.5	10.5	15.0
Health Services	-	-	-	-	-	4.0	10.8	8.8	9.5	15.2
Debt Service	88.3	88.1	84.3	92.3	80.9	79.1	76.6	82.8	82.4	81.5
Capital Improvements	80.9	-	-	103.0	21.0	196.1	152.2	267.7	128.5	29.2
Trust Purposes	7.1	7.4	7.8	8.9	8.3	6.4	4.7	8.1	8.3	8.9
Parks & Recreation	-	-	-	-	-	-	-	0.3	0.4	0.4
Libraries & Museums	-	-	-	-	-	-	-	0.1	0.1	0.1
Stadium Financing	-	-	-	-	-	-	-	6.3	6.4	6.8
Committed to:	-	-	-	-	-	-	-	-	-	-
Capital Improvements	77.8	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	5.7	6.5	4.9	5.2	5.7	5.6	7.9	-	-	-
Trust Purposes	5.0	5.6	6.9	9.2	9.1	8.0	7.7	-	-	-
Intergovernmental Financing	44.9	43.6	50.1	53.3	52.2	62.6	36.2	-	-	-
Social Services	-	-	-	-	-	-	-	-	0.0	0.0
Prisons	-	-	-	-	-	-	-	3.6	4.2	4.4
Parks & Recreation	-	-	-	-	-	-	-	0.5	0.9	0.7
Assigned to:	-	-	-	-	-	-	-	-	-	-
Behavioral Health	144.0	134.7	-	28.4	40.5	-	42.5	-	-	-
PICA Rebate Fund	3.9	5.7	6.5	7.0	7.4	8.0	7.5	-	-	-
PMA	0.1	0.2	0.2	0.2	0.2	0.2	0.2	-	-	-
Unassigned:	-	-	-	-	-	-	-	-	-	-
Community Behavioral Health	-	-	(24.8)	-	-	(5.4)	-	-	-	-
Housing & Neighborhood Dev	(6.6)	(8.0)	(5.5)	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)	(6.5)	(7.2)
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Grants Revenue Fund	(53.9)	(43.3)	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(217.1)
Capital Improvement	-	(6.3)	(67.1)	-	-	-	-	-	-	-
Total All Other Governmental Funds	562.6	587.1	471.3	696.3	594.2	734.9	672.1	771.7	458.1	298.1

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

Table 4

**City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2004 Through 2013**

Amounts in millions of USD

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax Revenue	2,379.0	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
Locally Generated Non-Tax Revenue	280.0	285.2	265.2	381.7	349.7	349.3	302.7	370.6	336.5	348.6
Revenue from Other Governments	1,922.3	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
Other Revenues	18.5	16.7	16.7	17.1	17.9	49.6	33.1	25.8	27.5	27.9
Total Revenues	4,599.8	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
Expenditures										
Current Operating:										
Economic Development	157.0	92.7	92.7	85.5	112.3	107.0	135.1	82.6	88.9	85.9
Transportation:										
Streets & Highways	75.9	77.7	77.7	89.2	89.7	89.9	91.1	87.4	75.6	81.6
Mass Transit	52.9	56.6	56.6	58.1	61.7	63.7	65.2	67.1	67.7	66.5
Judiciary and Law Enforcement:										
Police	752.0	770.9	770.9	860.2	951.9	933.9	882.7	955.9	1,020.0	1,089.4
Prisons	224.5	241.3	241.3	278.1	298.2	326.9	315.2	315.9	318.2	338.7
Courts	267.8	276.9	276.9	292.3	311.1	310.5	288.1	294.9	312.3	309.2
Conservation of Health:										
Emergency Medical Services	29.7	33.3	33.3	34.9	36.0	36.2	45.0	50.7	46.7	50.0
Health Services	1,170.3	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
Housing and Neighborhood Development	119.0	122.9	122.9	109.2	141.9	148.4	131.2	126.1	133.8	102.8
Cultural and Recreational:										
Recreation	65.7	58.3	58.3	62.2	74.3	65.1	58.4	82.9	85.9	90.3
Parks	23.8	23.7	23.7	26.3	28.9	31.8	26.9	5.8	6.1	3.9
Libraries and Museums	61.1	68.2	68.2	83.2	84.2	81.0	68.8	68.7	71.9	72.0
Improvements to General Welfare:										
Social Services	683.4	689.1	689.1	756.7	778.2	743.1	699.7	701.8	674.3	624.3
Education	58.6	61.5	61.5	64.0	65.5	67.2	65.4	64.0	74.3	94.4
Inspections and Demolitions	83.6	81.2	81.2	63.0	46.3	33.1	27.3	34.8	32.2	45.8
Service to Property:										
Sanitation	117.8	122.0	122.0	129.5	132.9	134.6	130.6	133.9	146.2	137.2
Fire	203.0	217.8	217.8	267.6	276.4	266.9	237.6	258.1	267.8	295.9
General Management and Support	472.4	477.1	477.1	563.7	618.4	693.8	615.0	568.5	619.1	622.8
Capital Outlay	126.0	103.1	103.1	92.3	105.8	126.9	148.9	134.9	202.0	161.1
Debt Service:										
Principal	105.7	95.8	95.8	91.5	94.1	87.6	89.7	91.4	103.2	114.1
Interest	101.6	101.0	101.0	103.4	100.0	105.7	96.7	105.6	105.2	112.2
Bond Issuance Cost	9.2	3.9	3.9	5.0	24.2	8.5	23.5	2.2	1.6	4.4
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,961.0	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
Excess of Revenues Over (Under) Expenditures	(361.2)	13.0	13.0	27.8	(381.8)	(487.8)	(207.1)	9.8	(243.1)	(74.2)
Other Financing Sources (Uses)										
Issuance of Debt	487.7	157.3	157.3	353.1	1,303.8	262.9	207.0	139.1	12.6	299.8
Issuance of Refunding Debt	-	-	-	-	-	354.9	337.0	114.6	112.6	231.2
Bond Issuance Premium	4.8	-	-	13.8	31.1	26.7	24.3	5.0	16.6	0.8
Proceeds from Lease & Service Agreements	10.9	-	-	-	-	(3.1)	(1.0)	28.1	-	(252.7)
Bond Defeasance	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)	(127.3)	(190.5)
Transfers In	442.9	581.4	581.4	460.1	465.2	574.5	558.1	583.1	600.8	613.1
Transfers Out	(442.9)	(577.0)	(577.0)	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)	(573.3)	(591.7)
Total Other Financing Sources (Uses)	270.3	161.7	161.7	371.9	26.2	318.7	91.7	194.2	42.0	110.0
Net Change in Fund Balances	(90.9)	174.7	174.7	399.7	(355.6)	(169.1)	(115.4)	204.0	(201.1)	35.8
Debt Service as a Percentage of Non-capital Expenditures	4.3%	4.0%	4.0%	3.6%	3.3%	3.2%	3.4%	3.5%	3.6%	3.9%

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

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2004 through 2013

Table 5

Amounts in millions of USD

	<u>2004</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>
Additions:										
Contributions:										
Employee Contributions	50.5	49.3	48.9	49.2	51.7	54.0	51.6	52.7	50.0	49.6
Employer's:										
City of Philadelphia	196.6	290.6	321.3	419.2	412.4	440.0	297.4	455.8	539.8	763.7
Quasi-Governmental Agencies	6.2	8.6	10.4	13.1	14.5	15.4	15.1	14.2	16.2	18.1
<u>Total Employer's Contributions</u>	<u>202.8</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>Total Contributions</u>	<u>253.3</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>
Interest & Dividends	68.4	74.6	65.1	80.3	97.1	75.6	70.5	79.5	86.2	122.9
Net Gain (Decline) in Fair Value of Investments	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2	618.5	(57.7)	213.9
(Less) Investment Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(13.3)	(12.2)
Net Securities Lending Revenue	0.8	0.9	0.7	1.1	7.4	5.7	1.9	1.5	2.1	3.0
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)	118.0
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	(0.3)
Net Investment Income (Loss)	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6	699.5	14.5	445.3
Miscellaneous Operating Revenue	1.3	0.4	2.1	2.1	1.1	1.0	0.7	1.4	0.0	0.5
<u>Total Additions</u>	<u>850.4</u>	<u>730.6</u>	<u>834.9</u>	<u>1,249.7</u>	<u>262.2</u>	<u>(353.9)</u>	<u>818.4</u>	<u>1,223.7</u>	<u>620.5</u>	<u>1,277.2</u>
Deductions:										
Pension Benefits	657.5	590.6	608.6	655.8	725.7	681.1	680.1	681.9	706.2	740.8
Refunds to Members	4.1	4.6	4.8	4.5	4.2	4.8	4.5	5.1	6.5	5.7
Administrative Costs	6.4	6.8	6.7	6.7	7.6	8.4	8.1	8.0	0.0	8.1
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.2	0.2
<u>Total Deductions</u>	<u>668.0</u>	<u>602.0</u>	<u>620.1</u>	<u>667.0</u>	<u>737.5</u>	<u>694.3</u>	<u>692.7</u>	<u>695.0</u>	<u>727.9</u>	<u>754.8</u>
Net Increase (Decrease)	182.4	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7	(107.4)	522.4
Net Assets: Adjusted Opening Closing	3,790.8 3,973.2	3,973.2 4,101.8	4,101.8 4,316.6	4,316.6 4,899.3	4,899.3 4,424.0	4,424.0 3,375.9	3,375.9 3,501.6	3,501.6 4,030.2	4,030.2 3,922.8	3,922.8 4,445.2
<u>Ratios:</u>										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%	1687.47%
Closing Net Assets	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%	18.00%	16.67%
Coverage of Additions over Deductions	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%	85.25%	169.21%
Investment Earnings as % of Pension Benefits	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%	2.05%	60.11%

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}		
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	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	23,292.1	56.83%	3.92800%	17,690.6	43.17%	3.49850%	40,982.7	3.74260%

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 2004 through 2013

Table 7

Tax Classification

Wage and Earnings Tax:

^a City Residents

Non-City Residents

	<u>2004</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>
4.4625%	4.3310% ^b	4.3010% ^b	4.2600% ^b	4.2190% ^b	3.9300% ^b	3.9296% ^b	3.9280% ^b	3.9280% ^b	3.9280% ^b	3.9280% ^b
3.8801%	3.8197% ^b	3.7716% ^b	3.7557% ^b	3.7242% ^b	3.5000% ^b	3.4997% ^b	3.4985% ^b	3.4985% ^b	3.4985% ^b	3.4985% ^b

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

^d **Real Property: (% on Assessed Valuation)**

City	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%	4.123%	4.123%	4.462%
School District of Philadelphia	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%	5.309%	5.309%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%	9.432%	9.771%
^e Assessment Ratio	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%	26.73%	28.05%	28.87%
Effective Tax Rate	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%	2.428%	2.646%	2.821%
(Real Property Rate x Assessment Ratio)										

The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest. If you pay your bill on or before the last day of February, you receive a 1% discount.

Real Property Transfer Tax

City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.

Business Income and Receipts Taxes

(% on Gross Receipts)	0.2300% ^c	0.2100% ^c	0.1900% ^c	0.1665% ^c	0.1540% ^c	0.1415% ^c	0.1415% ^c	0.1415% ^c	0.1415% ^c	0.1415% ^c
^f (% on Net Income)	6.5000% ^c	6.5000% ^c	6.5000% ^c	6.5000% ^c	6.5000% ^c	6.4500% ^c	6.4500% ^c	6.4500% ^c	6.4500% ^c	6.4500% ^c

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

^c **Net Profits Tax:**

^a City Residents

Non-City Residents

4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%	3.9280%
3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	3.4985%	3.4985%	3.4985%	3.4985%

Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.

Table 7

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2004 through 2013

<u>Tax Classification</u>	<u>2004</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>
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	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	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged.										
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	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%	8.2%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%	9.2%	9.2%	9.2%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration.										

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

^b Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 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	2012			2003		
	# 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	\$397.8	25.94%	15	\$323.8	24.87%
Between \$1 million & \$10 million	157	369.2	24.07%	126	298.7	22.94%
Between \$100,000 & \$1 million	1,636	418.4	27.28%	1,379	355.6	27.31%
Between \$10,000 & \$100,000	8,785	259.7	16.93%	8,238	242.0	18.58%
Less than \$10,000	39,138	88.7	5.78%	36,217	82.1	6.30%
Total	<u>49,732</u>	<u>\$1,533.8</u>	<u>100.00%</u>	<u>45,975</u>	<u>\$1,302.2</u>	<u>100.00%</u>

¹ Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2004 through 2013

Table 9

Amounts in millions of USD

Calendar Year of Levy ¹	Assessed Value ³	Less: Tax-Exempt Property ^{2,3}	Total Taxable Assessed Value	Total Direct Tax Rate ⁴	STEB Ratio ⁵	Estimated Actual Taxable Value (STEB)	Sales Ratio ⁶	Estimated Actual Taxable Value (Sales)
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	24.64%	49,537
2010	17,615	5,339	12,276	3.305%	28.46%	43,134	13.35%	91,955
2011	17,940	5,593	12,347	4.123%	26.73%	46,192	13.13%	94,037
2012	18,022	5,685	12,337	4.123%	28.05%	43,982	11.88%	103,847
2013	18,181	5,765	12,416	4.462%	28.87%	43,007	NA	NA

¹ Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

² Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

³ Source: Board of Revision of Taxes

⁴ per \$1,000.00 of assessed value

⁵ The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

⁶ This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

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

Table 10

Amounts in millions of USD

Taxpayer	2013			2004		
	Assessment	¹ Rank	Percentage of Total Assessments	Assessment	¹ Rank	Percentage of Total Assessments
Franklin Mills Associates	57.6	1	0.46	48.4	5	0.44
Phila Liberty Pla E Lp	54.4	2	0.44	64.3	1	0.59
Nine Penn Center Associates	54.1	3	0.44	57.4	2	0.52
HUB Properties Trust	43.8	4	0.35	52.3	4	0.48
PRU 1901 Market LLC	35.2	5	0.28	32.9	7	0.30
Maguire/Thomas	33.9	6	0.27	32.0	9	0.29
Commerce Square Partners	33.3	7	0.27	32.3	8	0.30
Brandywine Operating Part (Bell Atlantic)	33.1	8	0.27	45.1	6	0.41
Phila Shipyard Development Corp	30.3	9	0.24	-	-	-
Philadelphia Market Street	28.8	10	0.23	30.4	10	0.28
Two Liberty Place			-	56.0	3	0.51
	<u>404.5</u>		<u>3.26</u>	<u>451.1</u>		<u>4.12</u>
Total Taxable Assessments	<u>12,416.2</u>		<u>100.00</u>	<u>10,945.9</u>		<u>100.00</u>

¹ Source: Office of Property Assessment

City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2004 through 2013
General Fund

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on		Percentage		Collected in Subsequent Years **4	Total Collected to Date: All Years		Percentage Collected to Date: All Years
		Adjusted Assessment **2	Calendar Year of Levy **3	Collected in the Calendar Year of Levy	Date: All Years				
2004	372.5	NA	340.9	91.5%	26.7	367.6	98.7%		
2005	373.5	NA	350.3	93.8%	22.5	372.8	99.8%		
2006	385.6	NA	339.6	88.1%	23.7	363.3	94.2%		
2007	391.7	NA	347.5	88.7%	24.5	372.0	95.0%		
2008	390.2	NA	346.4	88.8%	26.3	372.7	95.5%		
2009	396.5	NA	315.4	79.5%	44.5	359.9	90.8%		
2010	405.8	NA	353.7	87.2%	37.7	391.4	96.5%		
2011	509.1	NA	440.9	86.6%	38.1	479.0	94.1%		
2012	508.6	492.5	459.2	93.2%	6.4	465.6	94.5%		
2013	554.0	540.7	487.1	90.1%	N/A	487.1	90.1%		

**1 Taxes are levied on a calendar year basis. 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.

**3 For 2013, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections thru the end of June 2013.

**4 Includes payments from capitalized interest and penalty. This capitalization occurs only after the first year of the levy on any principal 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 2004 through 2013

Table 12

Amounts in millions of USD (except per capita)

Fiscal Year	Governmental Activities										Business-Type Activities					Per Capita
	General Obligation Bonds	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadium Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Business-Type Activities	Total Primary Government	% of Personal Income ¹	
2004	2,047.1	1,416.4	-	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,440.3
2005	1,950.8	1,429.7	-	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,597.1
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

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 2004 through 2013

Table 13

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property ¹	Assessed Ratio ²	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita ³
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,348.88
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,283.21
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,218.15
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,294.32
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,227.37
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,372.08
2010	2,085.1	12,276.3	28.46%	43,135.3	4.83%	1,357.07
2011	2,135.0	12,347.1	26.73%	46,191.9	4.62%	1,365.09
2012	2,041.1	12,337.0	28.05%	43,982.2	4.64%	1,328.84
2013	1,968.7	12,416.0	28.87%	43,006.6	4.58%	1,271.77

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

¹ Source: Board of Revision of Taxes

² The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

³ See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2013

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>3,226.0</u>	<u>100.00%</u>	<u>3,260.0</u>
¹ City Direct Debt			<u>4,279.8</u>
Total Direct and Overlapping Debt			<u><u>7,539.8</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

City of Philadelphia
Legal Debt Margin Information
For the Fiscal Years 2004 through 2013

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2013										

¹ Assessed Value	12,370.3
² Debt Limit	1,670.0
³ Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,276.2
Authorized but Unissued	341.7
Total	1,617.9
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	1,617.9
Legal Debt Margin	52.1

¹ Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

² Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

³ Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2004 through 2013

Table 16

Amounts in millions of USD

No.		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Water and Sewer Revenue Bonds</u>											
1	Total Revenue and Beginning Fund Balance	421.6	463.5	504.0	536.2	597.8	527.5	566.7	589.7	613.3	638.4
2	Net Operating Expenses	262.0	277.7	284.2	303.2	334.7	342.6	334.0	357.7	375.1	399.3
3	Transfer To (From) Rate Stabilization Fund	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9	8.5	(4.7)
4	Net Revenues	188.4	186.4	198.2	207.0	272.9	219.6	235.4	221.1	229.7	243.8
Debt Service:											
5	Revenue Bonds Outstanding	157.0	155.4	165.2	172.7	173.8	183.0	195.7	184.3	191.4	201.0
6	General Obligation Bonds Outstanding	-	-	-	-	-	-	-	-	-	-
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0	-
8	Total Debt Service	158.2	156.6	166.4	173.9	175.0	184.2	196.9	185.5	192.4	201.0
9	Net Revenue after Debt Service	30.2	29.8	31.8	33.1	97.9	35.4	38.5	35.6	37.3	42.8
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	16.4	16.7	16.9	16.9	16.9	17.1	17.3	18.1	18.9	19.4
12	Transfer to Residual Fund	13.8	8.7	9.9	11.2	76.0	14.1	18.9	17.5	17.3	22.8
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.57	1.20	1.20	1.20	1.20	1.21
	Coverage B (Line 4/(Line 8 + Line 11))	1.08	1.08	1.08	1.08	1.42	1.09	1.10	1.09	1.09	1.11
<u>Airport Revenue Bonds</u>											
1	Fund Balance	-	-	-	10.2	42.6	61.4	55.1	77.6	65.9	69.3
2	Project Revenues	183.3	185.1	200.8	211.3	250.5	255.3	246.9	260.8	269.6	291.8
3	Passenger Facility Charges	32.8	32.9	32.6	32.9	32.9	32.9	33.1	32.4	31.6	31.2
4	Total Fund Balance and Revenue	216.1	218.0	233.4	254.4	326.0	349.6	335.1	370.8	367.1	392.3
5	Net Operating Expenses	71.9	71.3	77.2	87.1	99.8	99.5	102.9	98.1	99.0	110.7
6	Interdepartmental Charges	52.2	57.6	57.9	70.6	89.1	89.0	80.7	88.6	92.7	101.9
7	Total Expenses	124.1	128.9	135.1	157.7	188.9	188.5	183.6	186.7	191.7	212.6
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	144.2	146.7	156.2	167.3	226.2	250.1	232.2	272.7	268.1	281.6
9	All Bonds (Line 4-Line 7)	92.0	89.1	98.3	96.7	137.1	161.1	151.5	184.1	175.4	179.7
Debt Service:											
10	Revenue Bonds	89.7	88.1	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8
11	General Obligation Bonds	1.0	1.1	-	-	-	-	-	-	-	-
12	Total Debt Service	90.7	89.2	88.1	85.5	84.4	95.6	94.3	102.4	103.0	109.8
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.61	1.67	1.77	1.96	2.68	2.62	2.46	2.66	2.60	2.56
	Total Debt Service - Test "B" (Line 9/Line 12)	1.01	1.00	1.12	1.13	1.62	1.69	1.61	1.80	1.70	1.64

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 2003 through 2012

Table 17

Calendar Year	Population ¹	Personal Income ² (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate ³
2003	1,510,068	42,198,628	27,945	7.5%
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%

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	City of Philadelphia
City of Philadelphia	Hospital of the University of Pennsylvania
Comcast Corporation	School District of Philadelphia
Hospital of the University of Pennsylvania	SEPTA
School District of Philadelphia	Temple University
SEPTA	Tenet Healthsystem
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 2004 through 2013

Table 19

	<u>2004</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>
Governmental Activities:										
Economic Development	9	6	6	6	6	23	25	27	28	31
Transportation:										
Streets & Highways	597	564	579	585	584	568	515	499	524	517
Mass Transit	1	1	1	1	1	8	7	9	13	15
Judiciary and Law Enforcement										
Police	7,888	7,578	7,522	7,639	7,754	7,685	7,503	7,439	7,292	7,270
Prisons	2,002	2,227	2,228	2,183	2,153	2,309	2,268	2,173	2,150	2,245
Courts	3,471	3,450	3,403	3,361	3,386	3,310	3,215	3,225	3,249	3,260
Conservation of Health:										
Emergency Medical Services	300	289	255	249	237	256	329	341	338	375
Health Services	1,210	1,163	1,133	1,148	1,140	1,163	1,135	1,139	1,143	1,117
Housing and Neighborhood Development	110	105	97	111	108	99	96	94	83	75
Cultural and Recreational										
Recreation	556	511	495	482	483	462	453	601	605	596
Parks	200	182	158	156	156	152	158	1	-	-
Libraries and Museums	774	726	812	816	808	723	687	682	658	651
Improvements to General Welfare:										
Social Services	2,220	2,196	2,140	2,164	2,232	2,107	2,079	1,989	1,924	1,832
Inspections and Demolitions	417	380	248	243	246	221	223	214	230	286
Service to Property:										
Sanitation	1,340	1,233	1,272	1,229	1,239	1,169	1,157	1,185	1,154	1,152
Fire	2,004	1,925	1,974	2,109	2,052	2,019	1,820	1,838	1,700	1,705
General Management and Support	<u>2,369</u>	<u>2,253</u>	<u>2,347</u>	<u>2,331</u>	<u>2,414</u>	<u>2,393</u>	<u>2,276</u>	<u>2,225</u>	<u>2,454</u>	<u>2,384</u>
Total Governmental Activities	<u>25,468</u>	<u>24,789</u>	<u>24,670</u>	<u>24,813</u>	<u>24,999</u>	<u>24,667</u>	<u>23,946</u>	<u>23,681</u>	<u>23,545</u>	<u>23,511</u>
Business Type Activities:										
Water and Sewer	2,342	2,326	2,239	2,229	2,291	2,256	2,196	2,116	2,228	2,218
Aviation	<u>1,021</u>	<u>967</u>	<u>1,004</u>	<u>1,010</u>	<u>1,057</u>	<u>1,033</u>	<u>1,001</u>	<u>1,010</u>	<u>1,021</u>	<u>1,057</u>
Total Business-Type Activities	<u>3,363</u>	<u>3,293</u>	<u>3,243</u>	<u>3,239</u>	<u>3,348</u>	<u>3,289</u>	<u>3,197</u>	<u>3,126</u>	<u>3,249</u>	<u>3,275</u>
Fiduciary Activities:										
Pension Trust	<u>64</u>	<u>64</u>	<u>65</u>	<u>65</u>	<u>59</u>	<u>69</u>	<u>66</u>	<u>65</u>	<u>61</u>	<u>53</u>
Total Primary Government	<u>28,895</u>	<u>28,146</u>	<u>27,978</u>	<u>28,117</u>	<u>28,406</u>	<u>28,025</u>	<u>27,209</u>	<u>26,872</u>	<u>26,855</u>	<u>26,839</u>

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2004 through 2013

Table 20

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	117	105	102	107	74	119	69	36	37	51
Potholes Repaired	23,179	20,862	18,203	12,721	12,326	11,976	23,049	24,406	14,451	12,083
Judiciary and Law Enforcement:										
Police										
Arrests	68,486	67,795	69,166	73,606	75,805	68,922	64,465	73,310	70,971	71,109
Calls to 911	3,290,786	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
Prisons										
Average Inmate Population	7,738	8,141	8,613	8,796	9,133	9,554	8,806	7,935	8,240	8,987
Inmate Beds (city owned)	8,283	8,405	8,605	8,443	9,005	9,137	9,137	8,200	8,417	8,417
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	NA	NA	209,654	216,606	215,305	217,505	222,882	227,147	273,557	280,877
First Responder Runs	NA	NA	69,740	68,203	60,756	53,610	54,960	66,763	60,972	57,047
Health										
Patient Visits	317,184	337,770	324,014	323,121	334,139	349,078	350,695	339,032	348,472	341,305
Children Screened for Lead Poisoning	37,863	38,013	43,038	43,501	41,590	50,525	47,713	45,844	28,244	32,271
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	NA	NA	2,878	2,227	1,389	1,420	1,388	2,714	1,978	2,442
Libraries										
Items borrowed	6,963,935	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
Visitors to all libraries	6,216,973	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
Visitors to library website	1,661,794	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
Improvements to General Welfare:										
Social Services										
Children Receiving Services	28,039	28,926	28,086	28,898	25,893	35,685	31,416	28,572	28,939	27,391
Children in Placement	9,037	8,548	7,999	8,070	7,739	7,993	8,792	7,122	7,839	8,509
Emergency Shelter Beds (average)	2,412	2,539	2,781	2,677	2,747	2,689	2,617	2,520	2,987	2,116
Transitional Housing Units (new placements)	489	597	448	543	435	476	487	510	558	539
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	3,006	3,008	3,006	2,922	2,798	2,532	2,412	2,254	2,299	2,179
Recyclables Collected (tons per day)	169	157	155	179	197	288	381	441	461	470
Fire										
Fires Handled	NA	NA	9,523	8,080	7,444	6,850	4,927	7,945	7,319	6,365
Fire Marshall Investigations	NA	NA	2,734	3,153	3,097	3,031	2,726	2,711	2,387	2,135
Business Type Activities:										
Water and Sewer										
New Connections	106	137	207	125	295	281	704	121	125	147
Water Main Breaks	794	706	660	825	687	802	646	954	557	823
Avg. Daily Treated Water Delivered (x 1000 gallons)	175,600	174,100	175,800	169,400	167,000	163,660	242,900	250,000	239,200	245,500
Peak Daily Treated Water Delivered (x 1000 gallons)	201,700	210,000	207,400	179,100	170,500	167,090	272,200	282,000	254,500	270,200
Avg. Daily Water Sewage Treatment (x 1000 gallons)	476,110	478,670	430,170	463,080	411,830	417,330	468,200	410,000	443,500	388,400
Aviation										
Passengers Handled (PIA)	26,190,976	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
Air Cargo Tons (PIA)	568,898	599,758	591,815	571,452	575,640	475,365	440,495	449,683	416,731	388,383
Aircraft Movements (PIA and NPA)	584,214	629,885	625,692	614,720	593,757	551,191	543,462	458,832	517,842	506,261

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 2004 through 2013

Table 21

	<u>2004</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>
Governmental Activities:										
Transportation:										
Streets & Highways										
¹ Total Miles of Streets	2,400	2,400	2,400	2,575	2,575	2,575	2,575	2,575	2,575	2,575
Streetlights	101,836	102,000	102,219	102,840	102,949	103,982	104,219	104,219	104,600	105,151
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	33	33	34	36	35	35	31	32	37
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	164	165	165	171	171	171	171	153	184	185
² Athletic Venues	1,121	1,121	1,117	1,117	919	915	914	1,148	1,102	1,101
⁴ Neighborhood Parks and Squares	232	232	232	232	79	79	79	-	-	-
Parks										
Parks	62	62	62	63	63	63	63	150	177	175
Baseball/Softball Fields	106	106	106	109	77	79	79	407	404	404
Libraries										
Branch & Regional Libraries	54	53	54	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	64	64	64	63	63	63	68	68
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,169	3,169	3,169	3,133	3,137	3,145	3,236	3,164	3,172	3,174
Fire Hydrants	27,987	26,080	26,080	25,195	25,181	25,208	25,234	25,353	25,321	25,355
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400	1,065,400	1,065,400
Sanitary Sewers (miles)	596	596	596	768	750	749	751	758	759	762
Stormwater Conduits (miles)	623	623	623	784	713	720	721	731	734	738
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	1,044,000	1,065,400
Aviation										
Passenger Gates (PIA)	120	120	120	120	120	120	120	126	126	126
Terminal Buildings (square footage) (PIA)	2,415,000	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
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	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.

