

City of Philadelphia

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

Founded 1682



Love Park

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

City of Philadelphia

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012



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 21, 2013

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, 2012, 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 the City is financially accountable for the entity or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. After 50 years of losing residents, the City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. Still, significant challenges remain. 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 \$92,000 in fiscal 2011 to \$146.8 million in fiscal 2012. The City's current projection for the fund balance level at the end of fiscal 2013 is \$117.9 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, increases in total compensation and high unemployment rates.

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u> (thousands of USD)	<u>Per Capita Personal Income</u> (USD)	<u>Unemployment Rate</u>
<u>2007</u>	<u>1,530,031</u>	<u>50,672,227</u>	<u>33,118</u>	<u>6.0%</u>
<u>2008</u>	<u>1,540,351</u>	<u>54,262,716</u>	<u>35,228</u>	<u>7.1%</u>
<u>2009</u>	<u>1,547,297</u>	<u>54,061,223</u>	<u>34,939</u>	<u>9.6%</u>
<u>2010</u>	<u>1,526,006</u>	<u>56,970,074</u>	<u>37,333</u>	<u>10.8%</u>
<u>2011</u>	<u>1,536,471</u>	<u>60,035,440</u>	<u>39,074</u>	<u>10.8%</u>

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 four 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 2012, employee benefits (13%) and pensions (16%) combined, will comprise 29% of the proposed budget expenditures.

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 programs to reduce the cost to the City, implement efficiency savings and increase employee contributions. The City's 2008 contracts with the Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) reduced the amount the City pays monthly to the respective union-controlled health funds. In addition, 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. While the economic provisions of the award are being appealed by the City, the award's pension provisions are not under appeal by the City or the IAFF and have been implemented. 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, 2011. This was the thirty second consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,



ROB DUBOW
Director of Finance

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, 2011

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

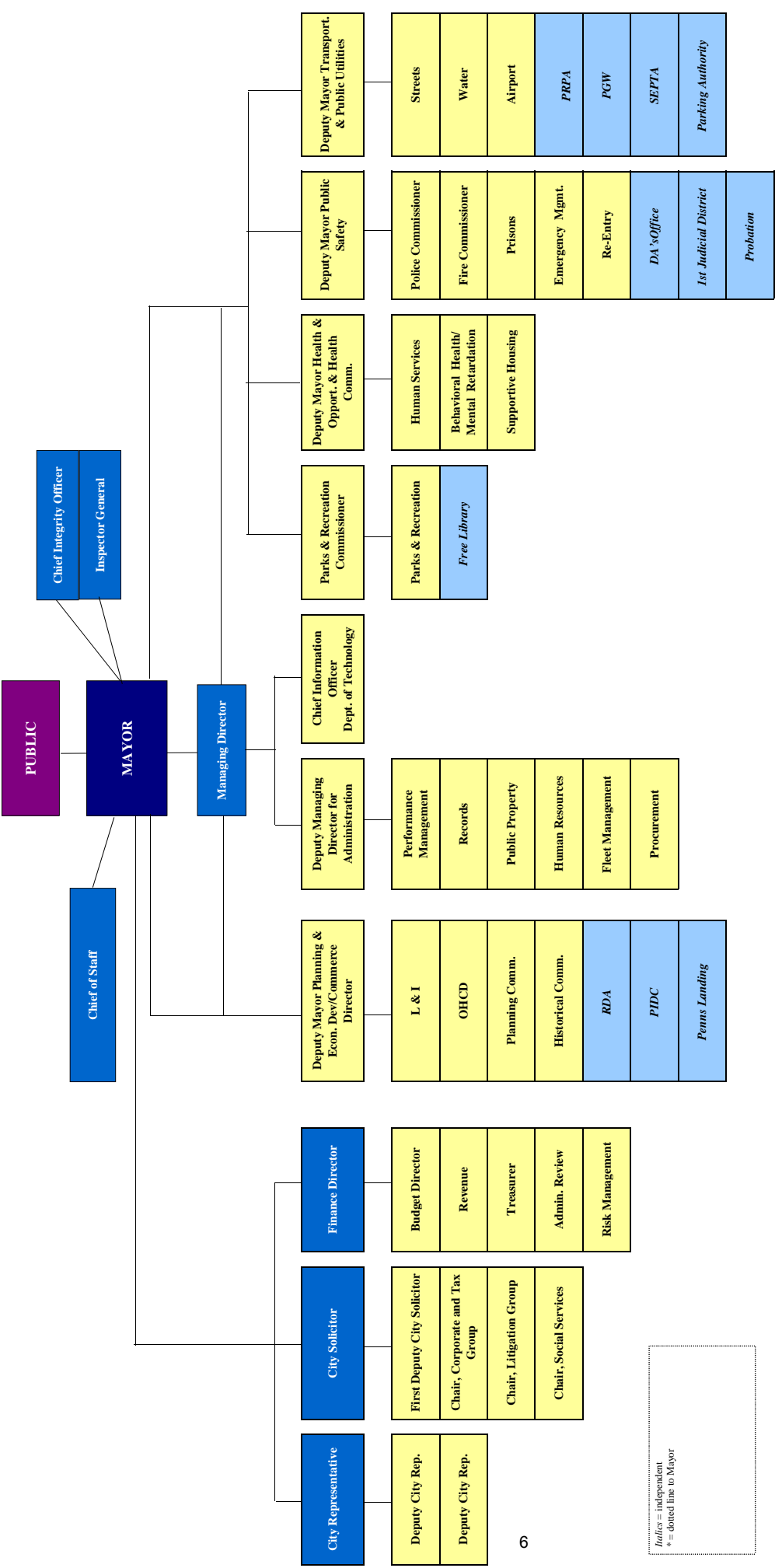


Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director



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
Vice Chairman 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 DirectorRichard Negrin
Director of FinanceRob Dubow
City SolicitorShelley R. Smith
City RepresentativeDesiree Perkin-Bell

Chief of StaffEverett A. Gillison
Deputy Mayor for Public SafetyEverett A. Gillison
Deputy Mayor for Health & Opportunity/Health CommissionerDonald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce DirectorAlan Greenberger
Chief Integrity OfficerJoan L. Markman
Inspector GeneralAmy L. Kurland
Chief Education Advisor to the MayorLori A. Shorr, Ph.D.

Chief Innovation OfficerAdel W. Ebeid
City TreasurerNancy Winkler
Revenue CommissionerKeith J. Richardson
Procurement CommissionerHugh Ortman
Police CommissionerCharles Ramsey
Prisons CommissionerLouis Giorla
Streets CommissionerClarena Tolson
Fire CommissionerLloyd Ayers
Commissioner of Parks and RecreationMichael DiBerardinis
Public Property CommissionerBridget Collins-Greenwald
Director of the Office of Behavioral HealthArthur C. Evans, MD
Department of Human Services CommissionerAnne Marie Ambrose
Licenses and Inspections CommissionerCarlton Williams
Water CommissionerHoward Neukrug
Records CommissionerJoan T. Decker
Human Resources DirectorAlbert L. D'Attilio
Executive Director of the Board of Pensions & RetirementFrancis X. Bielli
Executive Director of the Sinking Fund CommissionCharles Jones
Chief Executive Officer of PHLMark Gale
Director of the Office of Labor RelationsRene 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

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, 2012, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District of Philadelphia, 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. Those financial statements representing 31% and 17% of the total assets and revenues, respectively, 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 on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013 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* and should be considered in assessing the results of our audit.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER


As discussed in Note IV.8.A.5 to the financial statements, commencing July 1, 2011 the City of Philadelphia prospectively changed the accounting for the Act 148 Children and Youth program, which costs are reimbursed by the Commonwealth of Pennsylvania. Expenditures and related revenues for reimbursed program activities that were previously accounted for within the general fund are now accounted for within the grants revenue fund.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 24, 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 114 through 118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the above required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit for the year ended June 30, 2012 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 Introductory Section, Other Supplementary Information, and the Statistical Section for the year ended June 30, 2012 as listed in the table of contents 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 basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2012, 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 previously, 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, 2012. The Introductory Section and Statistical Section have 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 them.

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, 2011 (not presented herein), and have issued our report thereon dated February 21, 2012, which contained unqualified 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 2011 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2011 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 2011 financial statements. The 2011 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 2011 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 2011 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, 2011.

February 21, 2013


GERALD V. MICCIULLA, CPA
Deputy City Controller

City of Philadelphia

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

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2012 has been prepared by the city's management. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the city's financial statements immediately following this discussion and analysis.

Financial Highlights

- At the end of the current fiscal year, the City of Philadelphia's *net liabilities* were \$34.9 million resulting from an excess of its liabilities over its assets. Its *unrestricted net assets* showed a deficit of \$2,220.3 million. This deficiency will have to be funded from resources generated in future years.
- During the current fiscal year the city's total net assets increased by \$88.5 million. The governmental activities of the city experienced a decrease of \$19.0 million, while the business type activities had an increase of \$107.5 million.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$546.7 million, a decrease of \$201.1 million from last year. Primarily, this was due to a \$157.9 million decrease in the Grants Revenue Fund and a \$19.4 decrease in the Health Choices Behavioral Health fund. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of \$181.6 million, a decrease of \$97.6 million from last year.
- The overall unassigned fund balance of the city's General fund ended the fiscal year with a zero balance, an increase from last year of \$45.7 million. At June 30, 2012 total encumbrances exceeded unassigned fund balance and, in accordance with GASB 54, the difference is reported as assigned fund balance.
- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of \$146.8 million, as compared to a 0.1 million surplus last year. This increase of \$146.7 million was due to cost containment measures that resulted in an operating surplus of \$106.5 million, the cancellations of prior year obligations further increased the fund balance and the receipt of one-time revenue from three sources: \$34.9 million from the state for Act 205; \$11.0 million from Philadelphia Parking Authority for the Love Park garage, and \$12.5 million from Philadelphia Authority for Industrial Development for repayment of the Parametric Garage loan. Also, beginning with fiscal year 2012, the city altered its budgeting of the Act 148 program to include only the unreimbursable portion of the program's costs in the general fund. Historically, Act 148 revenues are not received in the same fiscal period that costs were recorded, resulting in the general fund's fund balance being understated, in previous fiscal periods.

Overview of the Financial Statements

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

- Government-wide financial statements which provide both long-term and short-term information about the city's overall financial condition.
- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the city.

- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

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

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

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

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

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

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

These two activities comprise the primary government of Philadelphia.

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

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

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

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

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

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

Government-wide Financial Analysis

Net assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets by \$34.9 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net assets, \$971.7 million. Although these capital assets assist the city in providing services to its citizens, they are generally not available to fund the operations of future periods.

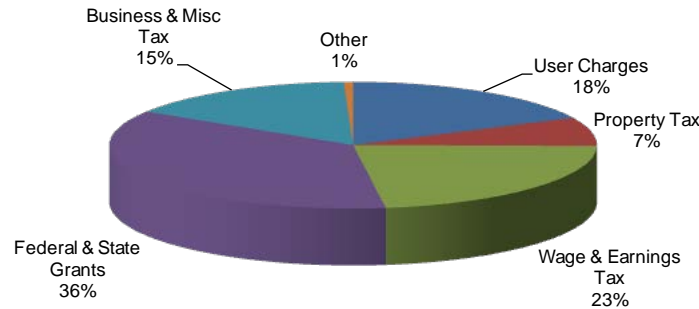
A portion of the city's net assets, \$1,213.7 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of \$2,220.3 million. The governmental activities reported negative *unrestricted net assets* of \$2,478.2 million. The business type activities reported an unrestricted net assets surplus of \$257.9 million. Any deficits will have to be funded from future revenues

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

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

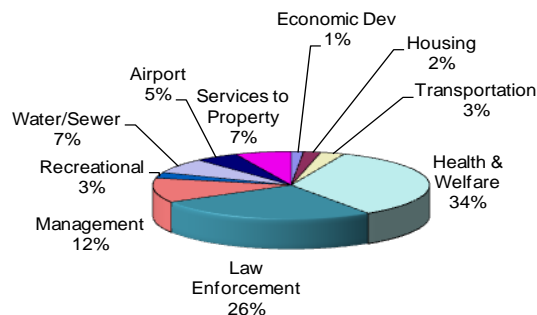
	Governmental Activities			%	Business-type Activities			%	Total Primary Government			%
	2012	2011	Change		2012	2011	Change		2012	2011	Change	
Current and other assets	1,967.6	2,022.7	-2.72%		1,530.6	1,475.8	3.71%		3,498.2	3,498.5	-0.01%	
Capital assets	2,200.3	2,147.2	2.47%		3,706.5	3,612.6	2.60%		5,906.8	5,759.8	2.55%	
Total assets	4,167.9	4,169.9	-0.05%		5,237.1	5,088.4	2.92%		9,405.0	9,258.3	1.58%	
Long-term liabilities	5,049.9	5,007.4	0.85%		3,271.4	3,246.8	0.76%		8,321.3	8,254.2	0.81%	
Other liabilities	890.5	915.9	-2.77%		228.1	211.6	7.80%		1,118.6	1,127.5	-0.79%	
Total liabilities	5,940.4	5,923.3	0.29%		3,499.6	3,458.4	1.19%		9,439.9	9,381.7	0.62%	
Net assets:												
Invested in capital assets,												
net of related debt	83.9	(47.5)	-276.63%		887.8	845.1	5.05%		971.7	797.6	21.83%	
Restricted	621.9	789.6	-21.24%		591.8	550.6	7.48%		1,213.7	1,340.2	-9.44%	
Unrestricted	(2,478.2)	(2,495.5)	0.69%		257.9	234.3	10.07%		(2,220.3)	(2,261.2)	1.81%	
Total net assets	(1,772.4)	(1,753.4)	-1.08%		1,737.5	1,630.0	6.60%		(34.9)	(123.4)	71.72%	

Changes in net assets. The city's total revenues this year, \$6,851.1 million, exceeded total costs of \$6,762.6 million by \$88.5 million. Approximately 45% of all revenue came from wage and earnings taxes, property taxes and miscellaneous taxes. State, Federal and local grants account for another 36%, with the remainder of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 67% are related to the health, welfare and safety of the general public.



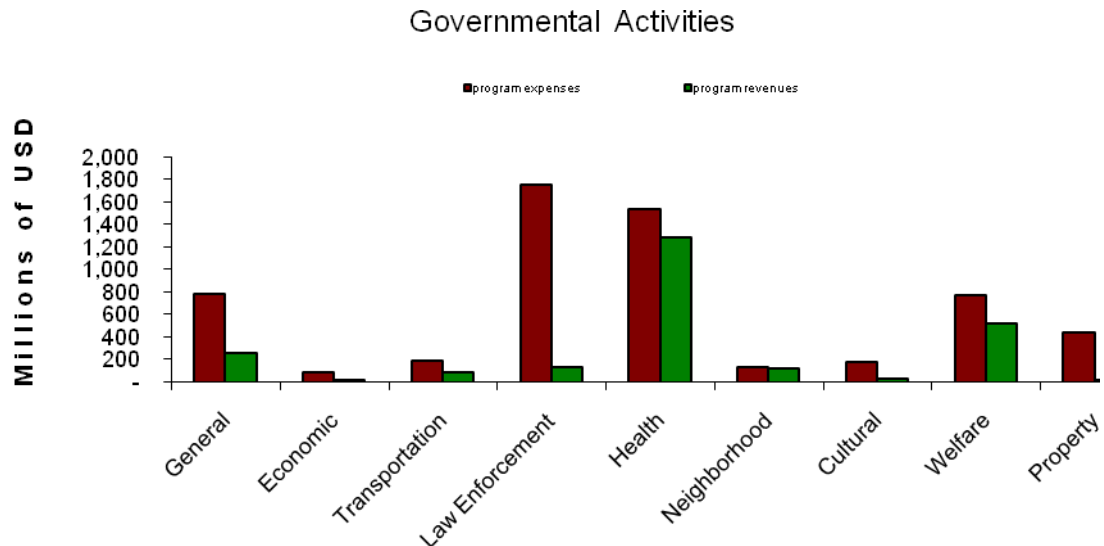
Overall, net assets for the city increased by \$88.5 million. Total revenues increased by \$80.4 million, total expenses increased by \$66.1 million over last year. This resulted in the Change in Net Assets being \$14.3 million higher than in the previous year. Net assets were decreased by \$124.4 million from Operating grants and \$0.4 million from Contributions, and increased by \$60.1 million from Charges for Services, \$47.1 million for Wage and Earning taxes, \$52.9 million from Other taxes and \$52.2 million from Unrestricted grants and contributions.

Expense increases by \$66.1 million with increases for General Management of \$117.4 million and \$53.6 million in Judiciary and Law Enforcement and decreases of \$21.9 million in Transportation, \$29.4 in Conservation of Health, \$36.2 million in Improvement in General Welfare, and decreased \$29.4 million in Water and Waste Water.



Governmental Activities

The governmental activities of the City resulted in a \$19.0 million decrease in net assets. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program Costs			Program Revenues			Net Cost		
	2012	2011	% Change	2012	2011	% Change	2012	2011	% Change
General Welfare	776.3	812.5	-4.5%	520.8	668.4	-22.1%	255.5	144.1	77.3%
Judiciary & Law Enforcement	1,757.1	1,703.5	3.1%	139.9	122.6	14.1%	1,617.2	1,580.9	2.3%
Public Health	1,548.5	1,577.9	-1.9%	1,293.2	1,371.6	-5.7%	255.3	206.3	23.8%
General Governmental	790.5	697.4	13.3%	262.0	198.9	31.7%	528.5	498.5	6.0%
Services to Property	445.4	429.0	3.8%	20.3	15.5	31.0%	425.1	413.5	2.8%
Housing, Economic & Cultural	610.9	618.1	-1.2%	274.2	228.2	20.2%	336.7	389.9	-13.6%
	5,928.7	5,838.4	1.5%	2,510.4	2,605.2	-3.6%	3,418.3	3,233.2	5.7%

The cost of all governmental activities this year was \$5,928.7 million; the amount that taxpayers paid for these programs through tax payments was \$3,115.4 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,145.3 million while those who benefited from the programs paid \$365.1 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$283.9 million. The deficit of \$19.0 million will have to be funded in future fiscal periods.

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

City of Philadelphia-Net Assets

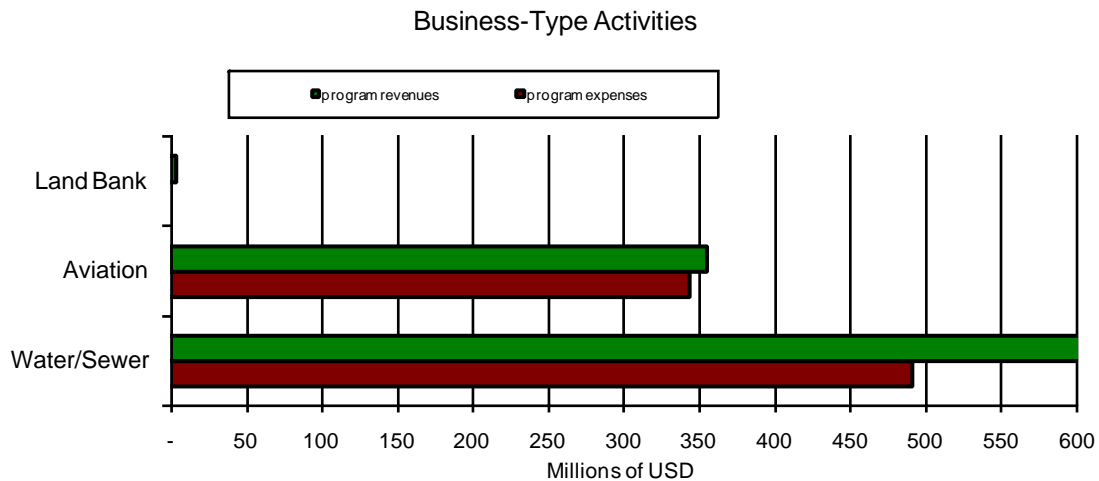
(millions of USD)

	Governmental Activities		Business-type Activities		Total		% Change
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program revenues:							
Charges for services	365.1	349.7	861.8	817.1	1,226.9	1,166.8	5.2%
Operating grants and contributions	2,102.1	2,223.5	3.5	6.9	2,105.6	2,230.4	-5.6%
Capital grants and contributions	43.2	32.0	91.7	103.7	134.9	135.7	-0.6%
General revenues:							
Wage and earnings taxes	1,551.7	1,504.6	-	-	1,551.7	1,504.6	3.1%
Property taxes	500.8	506.6	-	-	500.8	506.6	-1.2%
Other taxes	1,062.9	1,010.0	-	-	1,062.9	1,010.0	5.2%
Unrestricted grants and contributions	223.1	173.8	2.9	-	226.0	173.8	30.0%
Unrestricted Interest	33.3	35.9	9.0	6.9	42.3	42.8	-1.2%
Total revenues	5,882.2	5,836.1	968.9	934.6	6,851.1	6,770.7	1.2%
Expenses:							
Economic development	96.5	92.3	-	-	96.5	92.3	4.6%
Transportation	189.6	211.5	-	-	189.6	211.5	-10.4%
Judiciary & law enforcement	1,757.1	1,703.5	-	-	1,757.1	1,703.5	3.1%
Conservation of health	1,548.5	1,577.9	-	-	1,548.5	1,577.9	-1.9%
Housing & neighborhood development	137.7	126.1	-	-	137.7	126.1	9.2%
Cultural & recreational	187.1	188.3	-	-	187.1	188.3	-0.6%
Improvement of the general welfare	776.3	812.5	-	-	776.3	812.5	-4.5%
Services to taxpayer property	445.4	429.0	-	-	445.4	429.0	3.8%
General management	678.4	561.0	-	-	678.4	561.0	20.9%
Interest on long term debt	112.1	136.3	-	-	112.1	136.3	-17.8%
Water & waste water	-	-	490.8	520.2	490.8	520.2	-5.7%
Airport	-	-	343.1	336.0	343.1	336.0	2.1%
Industrial land bank	-	-	-	1.9	-	1.9	-100.0%
Total expenses	5,928.7	5,838.4	833.9	858.1	6,762.6	6,696.5	1.0%
Increase (decrease) in net assets before transfers & special items	(46.4)	(2.3)	135.0	76.5	88.5	74.2	
Transfers	27.5	24.9	(27.5)	(24.9)	-	-	
Increase (decrease) in Net Assets	(19.0)	22.6	107.5	51.6	88.5	74.2	
Net Assets - Beginning	(1,753.4)	(1,776.0)	1,630.0	1,578.4	(123.4)	(197.6)	-37.6%
Adjustment	-	-	-	-	-	-	
Net Assets - End	(1,772.4)	(1,753.4)	1,737.5	1,630.0	(34.9)	(123.4)	-71.7%

Business-type Activities

Business-type activities caused the city's net assets to increase by \$107.5 million. This increase was comprised of an increase in net assets for water/wastewater of \$87.3 million, an increase to aviation of \$17.1 million and an increase for industrial & commercial development operations of \$3.1 million. Some of the key reasons for these changes are:

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

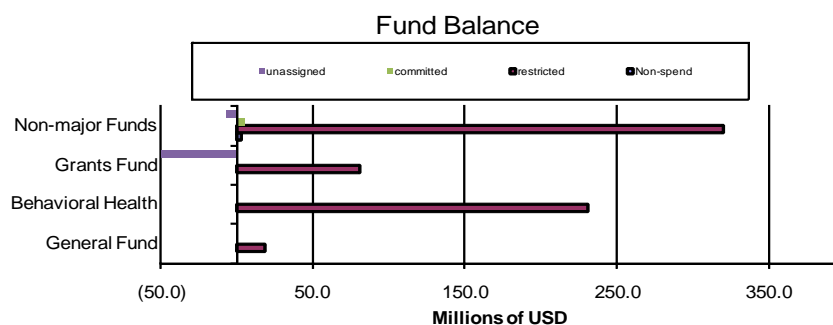


Financial Analysis of the Government's Funds

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. *Unreserved fund balance* serves as a useful measure of the city's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of \$546.7 million a decrease of \$201.1 million over last year. Of the total fund balance, \$2.6 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, \$650.1 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods (\$51.6 million); pay debt service (\$82.4 million); support programs funded by independent agencies (\$40.5 million); fund a portion of the city's managed care programs (\$230.7 million); fund a portion of new sports stadiums (\$6.9 million); fund the 9-1-1 emergency phone system (\$29.6 million); fund a portion of the central library renovation project (\$2.3 million), cultural and commercial corridor project (\$15.3 million); and trusts (\$8.3 million); fund economic development programs (\$10.3 million); improve streets and highways (\$23.2 million); fund housing and neighborhood development (\$10.5 million); provide health services (\$9.5 million); preserve parks, libraries and museums (\$5.5 million); and support capital projects (\$128.5 million). The fund balance is further broken down as to committed fund balance for Prisons (\$4.2 million) and Parks and Recreation (\$9.9 million). The difference between the non-spendable, restricted, committed and combined fund balance is a deficit of \$181.6 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 an *unassigned fund balance* of zero at the end of the fiscal year.



Overall, the total fund balance of the general fund increased by \$112.5 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:

- One time payments during the fiscal year for: Act 205 for \$34.9 million; \$11 million from PPA for the Love Park Garage; and, \$12.5 million from PAID for the Parametric Garage loan.
- An increase resulting from Bond Defeasance for \$102.6 million.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$230.7 million, the entire amount million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by \$19.4 million.

The Grants Revenue fund has a total fund balance deficit of \$94.0 million which is comprised of a positive restricted fund balance of \$81.1 million (earmarked for neighborhood revitalization for \$51.6 million and emergency telephone system programs for \$29.5 million) and a deficit unassigned fund balance of \$175.1 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 \$157.9 million during the current fiscal year due primarily to the Act 148 program being included in this fund beginning with fiscal year 2012. With Act 148 in the Grants Revenue Fund, revenue increased by \$296.4 million but expenditures also increased by \$428.8 million.

Proprietary funds. The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net assets* of the proprietary funds increased by \$107.5 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of \$87.3 million, airport operations which experienced an increase of \$17.1 million, while industrial & commercial development operations experienced an increase of \$3.1 million.

The proprietary funds reported an *unrestricted nets assets* surplus of \$257.9 million, comprised of \$182.2 million for the water and waste water operations, \$55.9 million for the airport and \$19.8 million for the industrial & commercial development activities. These unrestricted net assets represent an overall increase of \$23.6 million over the previous year, comprised of an increase of \$34.4 million for the water and waste water operations, a decrease of \$13.9 million for the airport and an increase of \$3.1 million for the Land Bank. The change in the water fund unrestricted is the result of an increase in Charges for Goods and Services of \$38.4 million.

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)
2012	146.8	146.7
2011	0.1	114.1
2010	(114.0)	23.2
2009	(137.2)	(256.7)
2008	119.5	(178.4)

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:

- \$39.6 million for Office of the Director of Finance for Employee Benefits
- \$4.4 million for Prisons personal services
- \$1.7 million for Police personal services
- \$1.5 million for Sheriff's Office personal services

The general fund's budgetary fund balance surplus of \$146.8 million differs from the general fund's fund financial statement deficit of \$11.1 million by \$157.9 million, which represents the business privilege tax receipts of \$157.9 million. Business privilege tax receipts are received prior to being earned but have no effect on budgeted cash receipts. The positive assigned fund balance for encumbrances was offset against the negative unassigned fund balance, in accordance with GASB Statement No. 54.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$5.9 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 \$62.0 million
- Infrastructure improvements for Streets, Highways and Bridges \$61.8 million
- Airport terminal and airfield improvements in the amount of \$96.7 million.
- City Hall exterior renovations in the amount of \$5.6 million.
- Ben Franklin Parkway improvements \$3.1 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental activities		Inc (Dec)	Business-type activities		Inc (Dec)	Total		Inc (Dec)
	2012	2011		2012	2011		2012	2011	
Land	779.1	762.0	17.1	125.9	105.0	20.9	905.0	867.0	38.0
Fine Arts	1.0	1.0	-	0.0	0.0	-	1.0	1.0	-
Buildings	679.1	704.0	(24.9)	1,532.8	1,673.0	(140.2)	2,211.9	2,377.0	(165.1)
Improvements other than buildings	96.0	96.0	-	121.0	125.0	(4.0)	217.0	221.0	(4.0)
Machinery & equipment	78.0	92.0	(14.0)	24.0	24.0	-	102.0	116.0	(14.0)
Infrastructure	395.1	364.0	31.1	1,313.8	1,270.5	43.3	1,708.9	1,634.5	74.4
Construction in progress	96.0	47.0	49.0	582.0	406.0	176.0	678.0	453.0	225.0
Transit	76.0	81.2	(5.2)	0.0	0.0	-	76.0	81.2	(5.2)
Intangible Assets	0.0	0.0	-	7.0	9.1	(2.1)	7.0	9.1	(2.1)
Total	2,200.3	2,147.2	53.1	3,706.5	3,612.6	93.9	5,906.8	5,759.8	147.0

The city's governmental activities experienced an overall increase in capital assets of \$53.1 million (net of accumulated depreciation) during the current fiscal year. During the fiscal year there were increases in: land (\$17.1 million); infrastructure (\$31.1 million); construction in process (\$49.0 million); that were offset by increases in depreciation for: buildings (\$24.9 million); equipment (\$14.0 million) and transit (\$5.2 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 \$8.3 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 \$3.1 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

	Governmental activities		Business-type activities		Total	
<i>(millions of USD)</i>	2012	2011	2012	2011	2012	2011
<u>Bonds Outstanding:</u>						
General obligation bonds	2,039.5	2,121.7	-	1.0	2,039.5	2,122.7
Revenue bonds	-	-	3,203.0	3,189.0	3,203.0	3,189.0
Total Bonds Outstanding	2,039.5	2,121.7	3,203.0	3,190.0	5,242.5	5,311.7
<u>Other Long Term Obligations:</u>						
Service agreements	2,103.6	2,161.3	-	-	2,103.6	2,161.3
Employee related obligations	814.5	625.4	61.1	46.3	875.6	671.7
Indemnities	51.6	47.3	7.0	10.2	58.6	57.5
Leases	40.7	51.7	-	-	40.7	51.7
Other	-	-	0.3	0.3	0.3	0.3
Total Other Long Term Obligations	3,010.4	2,885.7	68.4	56.8	3,078.8	2,942.5
Total Long Term Debt Outstanding	5,049.9	5,007.4	3,271.4	3,246.8	8,321.3	8,254.2

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$173.0 million in Tax and Revenue Anticipation Notes by June 2012 plus interest. In accordance with statute there are no temporary loans outstanding at year end.
- In May 2012, the City issued General Obligation Refunding Bonds, Series 2012A in the amount of \$21.3 million. The bonds have a fixed interest rate of 5% and mature on September 15, 2014 (\$1.4 million); September 15, 2019 (\$9.9 million); and, September 15, 2021 (\$10.0 million). Proceeds will be used to currently refund Series 1998 General Obligation Refunding Bonds maturing on May 15, 2020 in the amount of \$10.7 million; currently refund Series 2001 General Obligation Bonds maturing on September 15, 2021 in the amount of \$11.2 million; advance refund Series 2003A General Obligation Bonds maturing on February 15, 2015 in the amount of \$2.4 million, and, pay the costs of issuing the

2012 bonds. Proceeds of the 2012 bonds will be applied, on the date of issuance, to the payment of the redemption price of the 1998 and 2001 bonds which are being optionally redeemed on such date.

- In May 2012, PMA issued \$12.6 million of City Agreement Revenue Bonds, Series 2012 for the Government Building Energy Conservation Project. The bonds consist of: \$6.3 million of Tax-Exempt Bonds, Series 2012A, and \$6.3 million of Federally Taxable Qualified Energy Conservation Bonds Series 2012B. Interest will be paid semi-annually on March 15 and September 15 commencing on September 15, 2012. The Series 2012A serial bonds will mature on March 15, 2022, and the Series 2012B term bonds mature on March 15, 2024 (\$2.1 million) and March 15, 2028 (\$4.2 million). Proceeds will be used to finance the evaluation and implementation of energy conservation and efficiency measures at four (4) properties owned or leased, and operated by the city (City Hall, Criminal Justice Center, Municipal Services Building and One Parkway Building).
- Effective August 4, 2011 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 \$101.8 million for principal and unpaid interest on the 2009B bonds and will expire on August 4, 2014, 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 September 2011 to reduce costs associated with the Deferred Retirement Option Plan (DROP), City Council amended the options for retirement benefits. Options include, but are not limited to: changing eligibility requirements and the interest credited to DROP accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of their regular monthly pension; and making conforming amendments to other provisions; under certain terms and conditions.
- As of June 30, 2012, **PMA's** Statement of Net Assets disclosed \$15.7 million of accretion to its bond principal payments for fiscal years 2013 through 2015. Capitalized interest relates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents the cumulative compounded interest due and payable at bond maturity.
- In November 2011, the City issued Water and Wastewater Revenue Bonds Series 2011A in the amount of \$135.0 million, and Water and Wastewater Revenue Refunding Bonds Series 2011B in the amount of \$49.9 million. Serial bonds were issued in the amount of \$49.9 million with interest rates ranging from 4.0% to 5.0%, and have a maturity date of 2026. Term bonds were issued in the following amounts (1) \$2.6 million with an interest rate of 4.5% and mature in 2036; (2) \$50.2 million with an interest rate of 5.0% and mature in 2036; (3) \$82.2 million with an interest rate of 5.0% and mature in 2041. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water and wastewater system, advance refunding of a portion of the 2001A and 2007A bonds, fund capitalized interest, the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.
- In December 2011, the City issued Airport Revenue Bond Series 2011 in the amount of \$233.8 million. The Series 2011A bonds (AMT) were issued as serial bonds in the amount of \$199.0 million with interest rates ranging from 2% to 5% and mature in 2028. The Series 2011B bonds were issued as serial bonds in the amount of \$34.8 million, with interest rates ranging from 2% to 5% and mature in 2031. The plan is to: (i) refund a portion of the International Terminal Bonds; (ii) refund all of the City's outstanding Airport Revenue Bonds, Series 2001B; and (iii) pay the issuance costs of the bonds. The proceeds from the 2011A bonds will be used to refund the entire principal amount of \$149.3 million for the Airport Revenue Bond, Series 2001A. In addition, the 2011B bonds will be used to refund a portion of the Airport Revenue Bond Series 1998B (currently outstanding aggregate principal amount of \$57.1 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 2012, PENNVEST drawdowns totaled \$43.7 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.

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

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

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of June 30, 2012 the legal debt limit was \$1,622.3 million. There is \$1,542.5 million of outstanding tax supported debt leaving a legal debt margin of \$79.8 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 2013 fiscal year:

- Philadelphia entered FY13 with a fund balance of \$146.8 million. For FY 2013 Wage and Earnings Tax revenue are projected to grow 3.4%, Sale Tax revenue are projected to grow by 3.7% and Real Estate transfer tax is projected to grow by 5.2%, while the Business Income and Receipts tax is projected to grow by 0.9%.
- The current five year plan (FY 2013 to 2017) includes a resumption of the wage and business tax cuts in FY 2014, previously suspended in the FY 2010 plan.
- Workforce reductions were implemented throughout FY10 through the use of layoffs and by not replacing vacant positions. Spending on supplies and equipment was curtailed in FY 10.

- Union contracts for three of the City's four major bargaining units are still outstanding, despite having expired in July 2009. Any awarded or negotiated wage or benefit increases will increase costs for the City unless offset by savings included elsewhere in the collective bargaining agreements.
- 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.
- Economists expect a slow and long recovery from the current recession. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

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

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



Basic Financial Statements

City of Philadelphia
Statement of Net Assets
June 30, 2012

Exhibit I

Amounts in thousands of USD

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities		
Assets				
Cash on Deposit and on Hand	82,649	30	82,679	310,248
Equity in Pooled Cash and Investments	-	-	-	40,022
Equity in Treasurer's Account	731,802	195,634	927,436	-
Investments	109,377	-	109,377	112,841
Due from Component Units	69,246	-	69,246	-
Due from Primary Government	-	-	-	69,617
Amounts Held by Fiscal Agent	56,965	-	56,965	109,544
Notes Receivable - Net	-	-	-	34,324
Accounts Receivable - Net	337,269	153,729	490,998	335,973
Interest and Dividends Receivable	1,440	-	1,440	20,438
Due from Other Governments - Net	457,737	1,910	459,647	113,670
Inventories	16,808	30,508	47,316	118,398
Other Assets	4,295	-	4,295	215,406
Deferred Outflow - Derivative Instruments	100,025	44,204	144,229	-
Restricted Assets:				
Cash and Cash Equivalents	-	241,769	241,769	211,148
Other Assets	-	862,766	862,766	310,368
Capital Assets:				
Land and Other Non-Depreciated Assets	876,752	707,217	1,583,969	319,888
Other Capital Assets (Net of Depreciation)	1,323,569	2,999,321	4,322,890	3,213,653
Total Capital Assets, Net	2,200,320	3,706,538	5,906,858	3,533,541
Total Assets	4,167,934	5,237,088	9,405,022	5,535,538
Liabilities				
Notes Payable	-	-	-	123,100
Vouchers Payable	45,203	8,654	53,857	67,414
Accounts Payable	196,434	100,366	296,800	142,076
Salaries and Wages Payable	54,126	5,456	59,582	63,513
Accrued Expenses	43,027	25,410	68,437	293,837
Due to Agency Funds	826	-	826	-
Due to Primary Government	-	-	-	43,500
Due to Component Units	49,043	-	49,043	-
Funds Held in Escrow	42,310	2,095	44,405	13,198
Due to Other Governments	-	-	-	32,786
Deferred Revenue	247,400	42,020	289,420	150,259
Overpayment of Taxes	110,814	-	110,814	8,601
Other Current Liabilities	-	-	-	119,723
Derivative Instrument Liability	101,363	44,204	145,567	22,087
Non-Current Liabilities:				
Due within one year	364,382	173,234	537,616	325,365
Due in more than one year	4,685,478	3,098,122	7,783,600	4,903,520
Total Liabilities	5,940,406	3,499,561	9,439,967	6,308,979
Net Assets				
Invested in Capital Assets, Net of Related Debt	83,919	887,768	971,687	(14,634)
Restricted For:				
Capital Projects	128,484	177,682	306,166	4,757
Debt Service	81,846	248,236	330,082	235,012
Behavioral Health	230,681	-	230,681	18,375
Neighborhood Revitalization	51,565	-	51,565	-
Stadium Financing	500	-	500	-
Central Library Project	2,331	-	2,331	-
Cultural & Commercial Corridor Project	15,273	-	15,273	-
Grant Programs	56,323	-	56,323	41,827
Rate Stabilization	-	165,907	165,907	-
Libraries & Parks:				
Expendable	3,027	-	3,027	-
Non-Expendable	2,414	-	2,414	-
Educational Programs	-	-	-	6,305
Other	49,382	-	49,382	286
Unrestricted(Deficit)	(2,478,217)	257,934	(2,220,283)	(1,065,369)
Total Net Assets	(1,772,472)	1,737,527	(34,945)	(773,441)

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, 2012

Exhibit II

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
			Operating	Capital	Primary Government			
		Charges for	Grants and	Grants and	Governmental	Business Type	Component	
Functions	Expenses	Services	Contributions	Contributions	Activities	Activities	Units	
Primary Government:								
Governmental Activities:								
Economic Development	96,534	1,101	16,620	779	(78,034)	(78,034)		
Transportation:								
Streets & Highways	115,626	5,234	52,875	36,886	(20,631)	(20,631)		
Mass Transit	73,955	1,348	359	-	(72,248)	(72,248)		
Judiciary and Law Enforcement:								
Police	1,094,157	5,578	14,230	-	(1,074,349)	(1,074,349)		
Prisons	336,743	875	480	-	(335,388)	(335,388)		
Courts	326,209	60,680	58,104	-	(207,425)	(207,425)		
Conservation of Health:								
Emergency Medical Services	48,414	27,451	583	-	(20,380)	(20,380)		
Health Services	1,500,067	14,807	1,250,299	-	(234,961)	(234,961)		
Housing and Neighborhood Development	137,673	28,590	97,324	-	(11,759)	(11,759)		
Cultural and Recreational:								
Recreation	97,288	2,218	8,946	1,321	(84,803)	(84,803)		
Parks	8,973	4,761	792	4,184	764	764		
Libraries and Museums	80,826	1,164	9,718	-	(69,944)	(69,944)		
Improvements to General Welfare:								
Social Services	675,457	5,151	465,441	-	(204,865)	(204,865)		
Education	74,339	-	-	-	(74,339)	(74,339)		
Inspections and Demolitions	26,494	49,965	181	-	23,652	23,652		
Service to Property:								
Sanitation	153,209	15,919	2,488	-	(134,802)	(134,802)		
Fire	292,228	284	1,599	-	(290,345)	(290,345)		
General Management and Support	678,394	139,709	122,026	-	(416,659)	(416,659)		
Interest on Long Term Debt	112,115	281	-	-	(111,834)	(111,834)		
Total Governmental Activities	5,928,702	365,116	2,102,065	43,170	(3,418,351)	(3,418,351)		
Business Type Activities:								
Water and Sewer	490,818	598,320	3,481	-	-	110,983	110,983	
Aviation	343,083	263,165	-	88,984	-	9,066	9,066	
Industrial and Commercial Development	-	412	-	2,690	-	3,102	3,102	
Total Business Type Activities	833,901	861,897	3,481	91,674	-	123,151	123,151	
Total Primary Government	6,762,603	1,227,013	2,105,546	134,844	(3,418,351)	123,151	(3,295,200)	
Component Units:								
Gas Operations	735,322	757,668	12,959	-			35,305	
Housing	63,299	2,413	68,238	-			7,352	
Parking	225,676	230,269	-	-			4,593	
Education	3,024,935	35,965	930,552	-			(2,058,418)	
Health	794,588	-	794,588	-			-	
Economic Development	193,205	34,277	157,261	-			(1,667)	
Total Component Units	5,037,025	1,060,592	1,963,598	-			(2,012,835)	
General Revenues:								
Taxes:								
Property Taxes					500,759	-	500,759	
Wage & Earnings Taxes					1,551,738	-	1,551,738	
Business Taxes					399,249	-	399,249	
Other Taxes					663,637	-	663,637	
Grants & Contributions Not Restricted to Specific Programs					223,172	2,856	226,028	
Unrestricted Interest & Investment Earnings					33,304	8,991	42,295	
Miscellaneous					-	-	-	
Special Items					-	-	-	
Transfers					27,460	(27,460)	-	
Total General Revenues, Special Items and Transfers					3,399,319	(15,613)	3,383,706	
Change in Net Assets					(19,032)	107,538	88,506	
Net Assets - July 1, 2011								
Adjustment					-	-	-	
Net Assets Adjusted - July 1, 2011					(1,753,440)	1,629,989	(123,451)	
Net Assets - June 30, 2012								
					(1,772,472)	1,737,527	(34,945)	

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2012

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	10,090	-	104	72,455	82,649
Equity in Treasurer's Account	299,406	220,330	33,325	178,741	731,802
Investments	-	-	-	109,377	109,377
Due from Other Funds	7,531	-	-	460	7,991
Due from Component Units	69,246	-	-	-	69,246
Amounts Held by Fiscal Agent	18,104	-	38,861	-	56,965
Taxes Receivable	586,447	-	-	12,682	599,129
Accounts Receivable	361,520	-	1,187	9,340	372,047
Due from Other Governmental Units	127,622	60,941	232,071	37,103	457,737
Allowance for Doubtful Accounts	(634,381)	-	-	(2,087)	(636,468)
Interest and Dividends Receivable	63	1,321	-	55	1,439
Other Assets	-	-	-	568	568
Total Assets	<u>845,648</u>	<u>282,592</u>	<u>305,548</u>	<u>418,694</u>	<u>1,852,482</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Vouchers Payable	23,078	304	14,656	7,165	45,203
Accounts Payable	41,208	7,042	102,766	45,417	196,433
Salaries and Wages Payable	50,475	-	3,339	312	54,126
Due to Other Funds	800	-	-	8,017	8,817
Due to Component Units	-	44,565	3,376	1,102	49,043
Funds Held in Escrow	39,256	-	-	3,054	42,310
Deferred Revenue	491,407	-	275,364	32,263	799,034
Overpayment of Taxes	110,814	-	-	-	110,814
Total Liabilities	<u>757,038</u>	<u>51,911</u>	<u>399,501</u>	<u>97,330</u>	<u>1,305,780</u>
Fund Balances:					
Nonspendable	-	-	-	2,614	2,614
Restricted	18,104	230,681	81,129	320,145	650,059
Committed	-	-	-	5,090	5,090
Assigned	70,506	-	-	-	70,506
Unassigned	-	-	(175,082)	(6,485)	(181,567)
Total Fund Balances	<u>88,610</u>	<u>230,681</u>	<u>(93,953)</u>	<u>321,364</u>	<u>546,702</u>
Total Liabilities and Fund Balances	<u>845,648</u>	<u>282,592</u>	<u>305,548</u>	<u>418,694</u>	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,200,320
b. Unearned Receivables are deferred in the funds	551,634
c. Long Term Liabilities, including bonds payable are not reported in the funds	(5,049,860)
d. Derivatives are not reported in the funds	(1,338)
e. Other	(19,930)

Net Assets of Governmental Activities (1,772,472)

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, 2012

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Tax Revenue	2,562,434	-	-	550,073	3,112,507
Locally Generated Non-Tax Revenue	256,654	812	40,589	38,429	336,484
Revenue from Other Governments	413,199	799,872	904,883	108,206	2,226,160
Other Revenues	17,319	-	-	10,153	27,472
Total Revenues	3,249,606	800,684	945,472	706,861	5,702,623
<u>Expenditures</u>					
Current Operating:					
Economic Development	27,302	-	17,642	43,914	88,858
Transportation:					
Streets & Highways	49,455	-	1,217	24,900	75,572
Mass Transit	67,315	-	359	-	67,674
Judiciary and Law Enforcement:					
Police	1,006,333	-	13,689	-	1,020,022
Prisons	316,147	-	695	1,388	318,230
Courts	262,890	-	49,439	-	312,329
Conservation of Health:					
Emergency Medical Services	46,095	-	563	-	46,658
Health Services	146,781	820,120	390,450	135,330	1,492,681
Housing and Neighborhood Development	2,665	-	64,390	66,746	133,801
Cultural and Recreational:					
Recreation	77,246	-	8,676	-	85,922
Parks	36	-	792	5,246	6,074
Libraries and Museums	61,938	-	9,754	236	71,928
Improvements to General Welfare:					
Social Services	187,897	-	486,398	-	674,295
Education	74,339	-	-	-	74,339
Inspections and Demolitions	26,540	-	5,682	-	32,222
Service to Property:					
Sanitation	143,734	-	2,488	-	146,222
Fire	266,617	-	1,174	-	267,791
General Management and Support	553,795	-	19,349	46,005	619,149
Capital Outlay	-	-	-	201,984	201,984
Debt Service:					
Principal	-	-	-	103,107	103,107
Interest	-	-	-	105,220	105,220
Bond Issuance Cost	1,090	-	-	549	1,639
Total Expenditures	3,318,215	820,120	1,072,757	734,625	5,945,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,609)	(19,436)	(127,285)	(27,764)	(243,094)
<u>Other Financing Sources (Uses)</u>					
Issuance of Debt	-	-	-	12,605	12,605
Issuance of Refunding Bonds	91,305	-	-	21,295	112,600
Bond Issuance Premium	12,387	-	-	4,200	16,587
Bond Defeasance	(102,602)	-	-	(24,670)	(127,272)
Transfers In	333,694	-	1,552	265,531	600,777
Transfers Out	(153,665)	-	(32,130)	(387,522)	(573,317)
Total Other Financing Sources (Uses)	181,119	-	(30,578)	(108,561)	41,980
Net Change in Fund Balance	112,510	(19,436)	(157,863)	(136,325)	(201,114)
Fund Balance - July 1, 2011	(23,900)	250,117	63,910	457,689	747,816
Fund Balance - June 30, 2012	88,610	230,681	(93,953)	321,364	546,702

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, 2012

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	(201,114)
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 (189,782) exceeded depreciation (133,723) in the current period.....	56,059
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	166,538
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (219,395) exceeded proceeds (131).....	219,264
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.....	(147,072)
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.....	(112,707)
Change in Net Assets of governmental activities.....	<u>(19,032)</u>

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

City of Philadelphia
Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

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	80,624	111,235	3,775	195,634
Due from Other Governments	519	1,391	-	1,910
Accounts Receivable	260,095	14,144	1,972	276,211
Allowance for Doubtful Accounts	(121,212)	(1,270)	-	(122,482)
Inventories	13,456	2,964	14,088	30,508
Total Current Assets	233,512	128,464	19,835	381,811
Deferred Outflow - Derivative Instruments	12,018	32,186	-	44,204
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	477,997	384,769	-	862,766
Amounts Held by Fiscal Agent	-	341	-	341
Sinking Funds and Reserves	152,570	63,419	-	215,989
Grants for Capital Purposes	-	17,389	-	17,389
Receivables	1,393	6,657	-	8,050
Total Restricted Assets	631,960	472,575	-	1,104,535
Capital Assets:				
Land	5,919	120,293	-	126,212
Infrastructure	2,087,956	886,622	-	2,974,578
Construction in Progress	314,162	266,843	-	581,005
Buildings and Equipment	1,572,818	1,832,433	-	3,405,251
Less: Accumulated Depreciation	(2,042,854)	(1,337,654)	-	(3,380,508)
Total Capital Assets, Net	1,938,001	1,768,537	-	3,706,538
Total Non-Current Assets	2,569,961	2,241,112	-	4,811,073
Total Assets	2,815,491	2,401,762	19,835	5,237,088
Liabilities				
Current Liabilities:				
Vouchers Payable	6,871	1,783	-	8,654
Accounts Payable	12,304	13,541	-	25,845
Salaries and Wages Payable	3,947	1,509	-	5,456
Construction Contracts Payable	25,299	49,222	-	74,521
Accrued Expenses	21,470	3,940	-	25,410
Funds Held in Escrow	2,095	-	-	2,095
Deferred Revenue	6,626	35,394	-	42,020
Bonds Payable-Current	121,769	51,465	-	173,234
Total Current Liabilities	200,381	156,854	-	357,235
Derivative Instrument Liability	12,018	32,186	-	44,204
Net Pension Liability	11,801	15,659	-	27,460
Non-Current Liabilities:				
Bonds Payable	1,698,122	1,331,605	-	3,029,727
Other Non-Current Liabilities	27,849	13,086	-	40,935
Total Non-Current Liabilities	1,725,971	1,344,691	-	3,070,662
Total Liabilities	1,950,171	1,549,390	-	3,499,561
Net Assets				
Invested in Capital Assets, Net of Related Debt	243,997	643,771	-	887,768
Restricted For:				
Capital Projects	120,608	57,074	-	177,682
Debt Service	152,569	95,667	-	248,236
Rate Stabilization	165,907	-	-	165,907
Unrestricted	182,239	55,860	19,835	257,934
Total Net Assets	865,320	852,372	19,835	1,737,527

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

City of Philadelphia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

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	591,571	78,331	-	669,902
Rentals and Concessions	-	179,203	-	179,203
Operating Grants	3,481	-	-	3,481
Miscellaneous Operating Revenues	6,749	5,631	412	12,792
Total Operating Revenues	601,801	263,165	412	865,378
Operating Expenses:				
Personal Services	105,448	60,503	-	165,951
Purchase of Services	73,962	81,734	-	155,696
Materials and Supplies	37,050	6,729	-	43,779
Employee Benefits	83,706	45,030	-	128,736
Indemnities and Taxes	663	1,899	-	2,562
Depreciation	92,113	100,593	-	192,706
Total Operating Expenses	392,942	296,488	-	689,430
Operating Income (Loss)	208,859	(33,323)	412	175,948
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	479	2,377	-	2,856
Passenger Facility Charges	-	59,742	-	59,742
Interest Income	3,334	5,655	2	8,991
Net Pension Obligation	(11,259)	(5,556)	-	(16,815)
Debt Service - Interest	(85,374)	(40,631)	-	(126,005)
Other Revenue (Expenses)	(1,243)	(408)	-	(1,651)
Total Non-Operating Revenues (Expenses)	(94,063)	21,179	2	(72,882)
Income (Loss) Before Contributions & Transfers	114,796	(12,144)	414	103,066
Transfers In/(Out)	(27,460)	-	-	(27,460)
Capital Contributions	-	29,242	2,690	31,932
Change in Net Assets	87,336	17,098	3,104	107,538
Net Assets - July 1, 2011	777,984	835,274	16,731	1,629,989
Net Assets - June 30, 2012	865,320	852,372	19,835	1,737,527

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, 2012

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	587,703	263,178	-	850,881
Payments to Suppliers	(108,742)	(85,992)	-	(194,734)
Payments to Employees	(194,763)	(101,137)	-	(295,900)
Internal Activity-Payments to Other Funds	-	(6,635)	-	(6,635)
Claims Paid	(3,047)	-	-	(3,047)
Other Receipts (Payments)	-	947	412	1,359
Net Cash Provided (Used)	<u>281,151</u>	<u>70,361</u>	<u>412</u>	<u>351,924</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	3,481	2,377	-	5,858
Operating Subsidies and Transfers from Other Funds	(27,460)	-	-	(27,460)
Net Cash Provided (Used)	<u>(23,979)</u>	<u>2,377</u>	<u>-</u>	<u>(21,602)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	168,227	243,623	-	411,850
Capital Grants & Contributions Received	479	25,721	-	26,200
Acquisition and Construction of Capital Assets	(136,123)	(126,814)	-	(262,937)
Interest Paid on Debt Instruments	(82,555)	(49,843)	-	(132,398)
Principal Paid on Debt Instruments	(109,868)	(307,840)	-	(417,708)
Passenger Facility Charges	-	59,938	-	59,938
Net Cash Provided (Used)	<u>(159,840)</u>	<u>(155,215)</u>	<u>-</u>	<u>(315,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	10,271	-	10,271
Interest and Dividends on Investments	(6,077)	6,261	5	189
Net Cash Provided (Used)	<u>(6,077)</u>	<u>16,532</u>	<u>5</u>	<u>10,460</u>
Net Increase (Decrease) in Cash and Cash Equivalents	91,255	(65,945)	417	25,727
Cash and Cash Equivalents, July 1 (including \$406.4 mil for Water & Sewer and \$442.3 mil for Aviation reported in restricted accounts)	<u>467,396</u>	<u>562,290</u>	<u>3,358</u>	<u>1,033,044</u>
Cash and Cash Equivalents, June 30 (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>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	208,859	(33,323)	412	175,948
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	92,113	100,593	-	192,706
Changes in Assets and Liabilities:				
Receivables, Net	(12,028)	2,290	-	(9,738)
Deferred Revenue	(3,137)	(1,483)	-	(4,620)
Inventories	(264)	101	-	(163)
Accounts and Other Payables	3,469	2,183	-	5,652
Accrued Expenses	(7,861)	-	-	(7,861)
Net Cash Provided by Operating Activities	<u>281,151</u>	<u>70,361</u>	<u>412</u>	<u>351,924</u>

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

City of Philadelphia
Statement of Net Assets
Fiduciary Funds
June 30, 2012

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	-	104,934
Equity in Treasurer's Account	4,349,076	42,235
Investments	-	9,676
Securities Lending Collective Investment Pool	416,484	-
Allowance for Unrealized Loss	(1,860)	-
Accounts Receivable	3,052	-
Due from Brokers for Securities Sold	248,114	-
Interest and Dividends Receivable	19,437	-
Due from Other Governmental Units	2,442	-
Due from Other Funds	-	826
	<hr/>	<hr/>
Total Assets	5,036,745	157,671
	<hr/>	<hr/>
<u>Liabilities</u>		
Vouchers Payable	9	3,132
Accounts Payable	4,829	-
Salaries and Wages Payable	57	-
Payroll Taxes Payable	-	14,589
Funds Held in Escrow	9	139,950
Due on Return of Securities Loaned	416,484	-
Due to Brokers for Securities Purchased	256,284	-
Accrued Expenses	13,523	-
Deferred Revenue	2,004	-
Other Liabilities	456	-
	<hr/>	<hr/>
Total Liabilities	693,655	157,671
	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	<u>4,343,090</u>	<u>-</u>

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

City of Philadelphia
Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	579,833
Employees' Contributions	<u>50,014</u>
Total Contributions	<u>629,847</u>
Investment Income:	
Interest and Dividends	98,967
Net Decline in Fair Value of Investments	(68,527)
(Less) Investments Expenses	(15,438)
Securities Lending Revenue	2,076
Securities Lending Unrealized Loss	(1,860)
(Less) Securities Lending Expenses	<u>(852)</u>
Net Investment Gain	14,366
Total Additions	<u>644,213</u>
<u>Deductions</u>	
Pension Benefits	746,028
Refunds of Members' Contributions	6,500
Administrative Expenses Paid	1,007
Other Operating Expenses	<u>15,246</u>
Total Deductions	<u>768,781</u>
Change in Net Assets	(124,568)
Net Assets - July 1, 2011	<u>4,467,658</u>
Net Assets - June 30, 2012	<u><u>4,343,090</u></u>

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

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2012

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	105,386	71,113	92,441	529	11,664	23,336	5,779	-	310,248
Equity in Pooled Cash and Investments	-	-	-	40,022	-	-	-	-	40,022
Investments	-	-	75,705	-	37,136	-	-	-	112,841
Due from Primary Government	-	5,024	-	-	-	64,593	-	-	69,617
Amounts Held by Fiscal Agent	-	-	-	109,544	-	-	-	-	109,544
Notes Receivable	-	34,208	-	-	-	116	-	-	34,324
Taxes Receivable	-	-	-	180,665	-	-	-	-	180,665
Accounts Receivable-Net	98,925	1,149	1,091	10,340	6,707	-	5,622	31,474	155,308
Interest and Dividends Receivable	-	19,989	249	150	50	-	-	-	20,438
Due from Other Governments	-	203	-	65,487	2,609	-	-	45,371	113,670
Inventories	85,993	28,787	-	3,618	-	-	-	-	118,398
Other Assets	181,121	341	2,251	29,213	1,137	747	512	84	215,406
Restricted Assets:									
Cash and Cash Equivalents	-	10,563	-	177,549	-	-	-	23,036	211,148
Other Assets	236,966	25,114	-	18,375	4,234	-	-	25,679	310,368
Capital Assets:									
Land and Other Non-Depreciated Assets	46,149	-	-	198,078	46,367	-	1,898	11,416	319,888
Other Capital Assets (Net of Depreciation)	1,064,929	852	15,980	1,760,693	133,117	1,526	7,816	64,613	3,213,653
Total Capital Assets	1,111,078	852	15,980	1,958,771	179,484	1,526	9,714	76,029	3,533,541
Total Assets	1,819,469	197,343	367,824	2,594,263	243,021	90,318	21,627	201,673	5,535,538
Liabilities									
Notes Payable	-	21,894	10,985	-	90,221	-	-	-	123,100
Vouchers Payable	55,893	-	-	-	11,521	-	-	-	67,414
Accounts Payable	-	3,212	15,371	114,408	-	2,800	2,306	3,979	142,076
Salaries and Wages Payable	5,095	-	-	50,106	2,876	5,436	-	-	63,513
Accrued Expenses	217,065	3,968	776	-	1,298	70,266	464	-	293,837
Funds Held in Escrow	-	12,451	-	-	123	-	-	624	13,198
Due to Other Governments	-	-	14,745	3,462	2,419	-	-	12,160	32,786
Due to Primary Government	-	1,500	30,773	-	-	-	-	11,227	43,500
Deferred Revenue	11,161	37,914	2,033	18,844	2,568	7,900	7,535	62,304	150,259
Overpayment of Taxes	-	-	-	8,601	-	-	-	-	8,601
Other Current Liabilities	-	-	-	115,772	-	3,916	35	-	119,723
Derivative Instrument Liability	-	-	-	22,087	-	-	-	-	22,087
Non-Current Liabilities:									
Due within one year	48,513	3,748	10,520	260,442	2,142	-	-	-	325,365
Due in more than one year	1,172,002	34,005	177,909	3,437,147	35,263	-	2,354	44,840	4,903,520
Total Liabilities	1,509,729	118,692	263,112	4,030,869	148,431	90,318	12,694	135,134	6,308,979
Net Assets									
Invested in Capital Assets,	15,869	219	58,683	(208,522)	86,331	-	-	32,786	(14,634)
Net of Related Debt									
Restricted For:									
Capital Projects	-	-	-	-	4,757	-	-	-	4,757
Debt Service	114,634	8,423	2,411	109,544	-	-	-	-	235,012
Behavioral Health	-	-	-	18,375	-	-	-	-	18,375
Educational Programs	-	-	-	6,305	-	-	-	-	6,305
Grant Programs	-	-	-	-	6,761	-	-	35,066	41,827
Other	-	-	-	286	-	-	-	-	286
Unrestricted	179,237	70,009	43,618	(1,362,594)	(3,259)	-	8,933	(1,313)	(1,065,369)
Total Net Assets	309,740	78,651	104,712	(1,438,606)	94,590	-	8,933	66,539	(773,441)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2011. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2011. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2012.

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

Functions	Net (Expense) Revenue and Changes in Net Assets												
	Program Revenues			Changes in Net Assets									
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations													
Gas Works	735,322	757,668	12,959	-	35,305								35,305
Housing													
Redevelopment Authority	63,299	2,413	68,238	-		7,352							7,352
Parking													
Parking Authority	225,676	230,269	-	-			4,593				-		4,593
Education													
School District	2,862,971	3,957	865,838					(1,993,176)					(1,993,176)
Community College	161,964	32,008	64,714	-					(65,242)				(65,242)
Total	3,024,935	35,965	930,552	-									
Health													
Community Behavioral Health	794,588	-	794,588	-							-		-
Economic Development													
Convention Center Authority	-	-	-	-									-
Delaware River Waterfront Corp.	12,877	7,489	5,174	-							(214)		(214)
Authority for Ind. Development	180,328	26,788	152,087	-								(1,453)	(1,453)
Total	193,205	34,277	157,261	-									
Total Component Units	5,037,025	1,060,592	1,963,598	-									(2,012,835)
General Revenues:													
Property Taxes					-	-	-	658,540	-	-	-	-	658,540
Other Taxes					-	-	-	195,848	-	-	-	-	195,848
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,058,288	59,966	-	-	(307)	1,117,947
Unrestricted Interest & Investment Earnings					-	945	2,419	4,170	1,118	-	45	-	8,697
Miscellaneous					-	-	-	-	4,067	-	-	-	4,067
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	7,790	7,790
Total General Revenue ,Special Items and Transfers					-	945	2,419	1,916,846	65,151	-	45	7,483	1,992,889
Change in Net Assets					35,305	8,297	7,012	(76,330)	(91)	-	(169)	6,030	(19,946)
Net Assets - July 1, 2011					274,435	70,354	97,700	(1,353,885)	94,681	-	9,102	60,509	(747,104)
Adjustment					-	-	-	(6,391)	-	-	-	-	(6,391)
Net Assets Adjusted - July 1, 2011					274,435	70,354	97,700	(1,360,276)	94,681	-	9,102	60,509	(753,495)
Net Assets - June 30, 2012					309,740	78,651	104,712	(1,436,606)	94,590	-	8,933	66,539	(773,441)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2011. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2011. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2012.

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



Notes to the Financial Statements
FYE 06/30/2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

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

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

A. BLENDED COMPONENT UNITS

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

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

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

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports on the following fiduciary funds:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.

- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports the following major proprietary funds:

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation fund is charges for the use of the airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. COMPONENT UNITS

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

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

4. DEPOSITS AND INVESTMENTS

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

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

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

From February to early June, deposits of the City significantly exceeded the amounts reported at 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 Assets but not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

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

B. COMPONENT UNITS

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

- **PGW** inventory consists primarily of fuel stock and gases which are stated at average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **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 large project.

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

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

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

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory 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 30.55% 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 \$9.432 on each \$100 assessment; \$5.309 for the SDP and \$4.123 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED REVENUES

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

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

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

11. COMPENSATED ABSENCES

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

12. CLAIMS AND JUDGMENTS

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

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submit-

ted 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 \$404.2 million and \$404.2 million respectively. All of the collateralized securities were held in the City's name except for \$60.5 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, 2012 the City's Investments consisted of:

(amounts in thousands of USD)

<u>Classifications</u>	<u>Fair Value</u>	<u>% of Total</u>
Corporate Equities	1,745,706	27.29%
Corporate Bonds	900,314	14.07%
U.S. Government Agency Securities	863,478	13.50%
Miscellaneous - Limited Partnership	739,073	11.55%
U.S. Government Securities	720,264	11.26%
Other Bonds and Investments	421,599	6.59%
Mutual Funds	361,789	5.66%
Commercial Paper	309,068	4.83%
Short-Term Investment Pools	257,360	4.02%
Collateralized Mortgage Obligations	52,973	0.83%
Financial Agreement	21,047	0.33%
Certificate of Deposit	5,000	0.08%
Grand Total	<u>6,397,670</u>	<u>100.00%</u>

City excluding Pension Trust Funds

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

(amount in thousands of USD)

<u>Classifications</u>	Less than		More than
	<u>1 Year</u>	<u>1 - 3 Years</u>	<u>3 Years</u>
U.S. Government Securities	8,500	509,417	0
Corporate Bonds	13,310	283,226	0
U.S. Government Agency Securities	43,468	698,736	0
Commerical Papers	94,541	214,527	0
Total	159,819	1,705,906	0

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (11.26%) or US Government Agency obligations (13.50%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (4.83%) 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, 15.8% 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.

Municipal Pension Fund

Credit Risk: Credit Risk: Currently, the Municipal Pension Fund owns approximately 57.6% of all investments and is invested primarily in equity securities (44%). 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, 56% had Standard & Poor ratings of AAA to A; and 60% had Moody's rating of AAA to A1.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the JP Morgan Chase Bank Index Fund exceeding 5% of the total investment (6.6%). The fair value of the investment in the JP Morgan Chase Bank Fund was \$205.7 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 40% of the total investment in equities.

Municipal Pension Fund

Equity Securities subject to Foreign Currency Risk

(thousands of USD)

<u>Currency</u>	<u>Fair Value</u>	
Euro Currency	135,856	22.14%
Japanese Yen	87,656	14.28%
Pound Sterling	97,963	15.96%
Australian Dollar	22,324	3.64%
All Others	269,861	43.98%
	<u>613,660</u>	<u>100.00%</u>

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

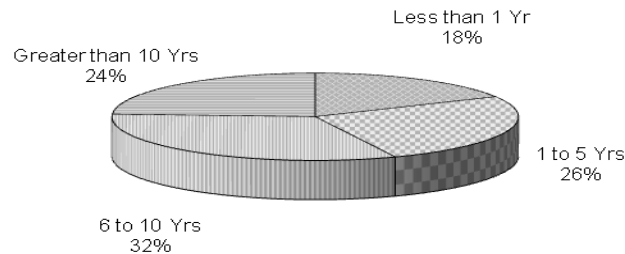
(thousands of USD)

<u>Currency</u>	<u>Fair Value</u>
Currency	Euro Currency 5,104
Currency	Japanese Yen (676)
Currency	All Others 4,291
Fixed Income	Euro 27,200
Fixed Income	Pound Sterling 37,378
Fixed Income	Mexican Peso 11,712
Fixed Income	All Others 183,313
Real Estate and Private Equity	Euro 42,726
	<u>311,048</u>

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

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

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.75% of all investments and is primarily invested in equity securities (63%). 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	10,447	-	-	-	-
U.S. Government Agency Securities	-	3,096	4,892	1,030	490
U.S. Government Securities	2,117	5,828	3,612	6,357	3,205
MTG Pass Thrus	-	-	-	292	2,719
Municipal Securities	-	-	810	1,003	1,581
Asset Backed Securities	-	-	185	5,543	30,484
Corporate bonds	2,794	9,224	12,615	37,377	10,305
	<u>15,358</u>	<u>18,148</u>	<u>22,114</u>	<u>51,602</u>	<u>48,784</u>

Blended Component Units

A. PICA

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

At June 30, 2012 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 \$91 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)
Insured	3,691
Uninsured and uncollateralized	87,318
Total:	<u>91,009</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, 2012, 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, 2012</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	3,806	Investment	3,412	358,540

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, 2012, the 2003 Basis Cap had a positive fair value of \$773,069. This means that **PICA** would receive this amount to terminate the 2003 basis cap. As of June 30, 2012, the 1999 Basis Cap had a positive fair value of \$2,638,778. This means that PICA would receive this amount to terminate the 1999 basis cap.

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	40,514	40,514
U.S. Treasury & Agency obligation	4,400	4,399
U.S. Treasury bonds & notes	2,501	2,506
Certificates of Deposit	100	100
Corporate bond & debts	372	378
	<u>47,887</u>	<u>47,897</u>

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the Authority's name at June 30, 2012.

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, 2012 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 \$405,598 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, 2012, **PAID's** basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands)

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2012</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	935	Investment	(4,750)	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 provides for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio.

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

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

As of June 30, 2012, the notional amount on the portion of the swap that was not amended was \$193.5 million.

Fair Value: As of June 30, 2012, the swap had a negative fair value of (\$4.8 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2012, **PAID** is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

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

b. School District of Philadelphia Basis Swaps

The School District on November 21, 2006 entered into two qualified interest rate management agreement basis swaps initially related to its 2003 Bonds and subsequently its General Obligation Refunding Bonds, Series B of 2004 and Series C of 2004 for the purpose of managing interest costs. The School District refunded the Series B and C of 2004 Bonds through the issuance of General Obligation Refunding Bonds, Series A, B, C and D of 2008 (the "Series 2008 Bonds"). Simultaneously with the issuance of the Series 2008 Bonds, the School District related the existing qualified interest rate management agreements to the Series 2008 Bonds. This did not have an impact or cause a change of any kind to the existing swap documents, other than as described above, and only adjusted the related subseries.

In connection with the basis swap agreements, the School District received an upfront cash payment of \$10 million.

As of June 30, 2012, the School District's basis swaps are considered to be investment derivative instruments with the following maturities (amounts in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment Derivative Instruments	\$ (22,087)				\$ (22,087)

Interest rate risk - The School District's two pay variable interest rate basis swaps have a total notional amount of \$500,000,000. The School District makes payments to the counterparty based on the SIFMA swap index and receives 67% of LIBOR plus .2788%. The basis swaps were executed November 30, 2006 and mature May 15, 2033. At June 30, 2012, the fair value of the swaps is \$(22,086,780). The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Credit risk - As of June 30, 2012, the School District was not exposed to credit risk on any of its outstanding basis swaps because the swaps had negative fair values of \$22,086,780. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The notional amounts and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2012 are as follows:

Initial Notional	Bank Counterparty	Credit Rating		
		Moody's	S&P	Fitch
\$150,000,000	Wells Fargo	Aa3	AA-	AA-
\$350,000,000	JP Morgan Chase Bank	Aa3	A+	A+

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

Termination risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the 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 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced \$1.9 million in unrealized losses from securities transactions during the year and had no credit risk exposure at June 30.

- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **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 and **PAID's** Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **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				
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	800	800
Non major Special Revenue Funds	7,531	-	-	487	8,018
Non major Debt Service Funds	-	-	-	-	-
Total	7,531	-	-	1,287	8,818

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:

	Receivables Due to:				
	General	Aviation	CBH	PRA	Timing Difference
Payables Due From:					
Behavioral Health	-	-	44,565	-	-
Grants Revenue	-	-	-	3,377	-
Non-major Funds	-	-	-	1,102	-
PPA	9,283	23,708	-	-	(2,218)
PAID	50,691	-	-	-	(39,464)
PRA	-	-	-	-	1,500
PGW	16,500	-	-	-	(16,500)
School District of Phila	4,000	-	-	-	(4,000)
Timing Difference	(11,227)	(23,708)	20,028	545	-
Total	69,247	-	64,593	5,024	(60,682)

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	762	17	-	779
Fine Arts	1	-	-	1
Construction In Process	47	53	(4)	96
Total capital assets not being depreciated	810	70	(4)	876
<u>Capital assets being depreciated:</u>				
Buildings	1,848	33	-	1,881
Other Improvements	304	9	-	313
Equipment	462	14	(16)	460
Infrastructure	1,342	66	-	1,408
Transit	292	-	-	292
Total capital assets being depreciated	4,248	122	(16)	4,354
<u>Less accumulated depreciation for:</u>				
Buildings	(1,144)	(58)	-	(1,202)
Other Improvements	(208)	(9)	-	(217)
Equipment	(370)	(25)	13	(382)
Infrastructure	(978)	(35)	-	(1,013)
Transit	(211)	(5)	-	(216)
Total accumulated depreciation	(2,911)	(132)	13	(3,030)
Total capital assets being depreciated, net	1,337	(10)	(3)	1,324
Governmental activities capital assets, net	2,147	60	(7)	2,200

	(Amounts In Millions of USD)			
Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	124	2	-	126
Intangible Assets	2	-	(2)	-
Construction In Process	406	278	(102)	582
Total capital assets not being depreciated	532	280	(104)	708
<u>Capital assets being depreciated:</u>				
Buildings	2,982	57	-	3,039
Other Improvements	241	3	-	244
Equipment	117	23	(18)	122
Intangible Assets	11	1	-	12
Infrastructure	2,926	43	(6)	2,963
Total capital assets being depreciated	6,277	127	(24)	6,380
<u>Less accumulated depreciation for:</u>				
Buildings	(1,414)	(92)	-	(1,506)
Other Improvements	(110)	(13)	-	(123)
Equipment	(93)	(6)	1	(98)
Intangible Assets	(4)	(1)	-	(5)
Infrastructure	(1,575)	(81)	7	(1,649)
Total accumulated depreciation	(3,196)	(193)	8	(3,381)
Total capital assets being depreciated, net	3,081	(66)	(16)	2,999
Business-type activities capital assets, net	3,613	214	(120)	3,707

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	37
Mass Transit	6
Judiciary and Law Enforcement:	
Police	9
Prisons	6
Conservation of Health:	
Health Services	2
Cultural and Recreational:	
Recreation	11
Parks	10
Libraries and Museums	10
Improvements to General Welfare:	
Social Services	1
Service to Property:	
Fire	6
General Management & Support	<u>31</u>
Total Governmental Activities	<u><u>132</u></u>
<u>Business Type Activities:</u>	
Water and Sewer	92
Aviation	<u>101</u>
Total Business Type Activities	<u><u>193</u></u>

B. DISCRETELY PRESENTED COMPONENT UNITS

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

	(Amounts In Millions of USD)			
Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	132	-	-	132
Art	8	-	-	8
Construction In Process	101	-	(43)	58
Total capital assets not being depreciated	241	-	(43)	198
<u>Capital assets being depreciated:</u>				
Buildings	1,690	63	-	1,753
Other Improvements	1,146	39	-	1,185
Intangible Assets	44	2	-	46
Equipment	293	24	(46)	271
Infrastructure	1	-	-	1
Total capital assets being depreciated	3,174	129	(46)	3,257
<u>Less accumulated depreciation for:</u>				
Buildings	(578)	(31)	-	(609)
Other Improvements	(615)	(56)	-	(671)
Intangible Property	(32)	(2)	-	(34)
Equipment	(197)	(28)	44	(181)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,423)	(117)	44	(1,496)
Total capital assets being depreciated, net	1,751	12	(2)	1,761
Capital assets, net	1,992	12	(45)	1,959
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	36	3	-	39
Fine Arts	3	20	(32)	(9)
Construction In Process	98	73	(100)	71
Total capital assets not being depreciated	137	96	(132)	101
<u>Capital assets being depreciated:</u>				
Buildings	610	37	-	647
Other Improvements	38	4	(17)	25
Equipment	403	42	(4)	441
Infrastructure	1,443	51	(12)	1,482
Total capital assets being depreciated	2,494	134	(33)	2,595
<u>Less accumulated depreciation for:</u>				
Buildings	(252)	(17)	-	(269)
Other Improvements	(34)	(3)	9	(28)
Equipment	(124)	(29)	4	(149)
Infrastructure	(645)	(33)	4	(674)
Total accumulated depreciation	(1,055)	(82)	17	(1,120)
Total capital assets being depreciated, net	1,437	52	(16)	1,475
Capital assets, net	1,574	148	(148)	1,576

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed \$150 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. There were no notes outstanding at year-end (August 31, 2011).

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 \$90.2 million. The loans have interest rates ranging from 2.50% 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>
2013	\$ 8,257,274
2014	7,789,962
2015	5,557,893
2016	5,518,993
2017	5,491,851
2018-2022	27,115,000
2023-2027	25,035,000
2028	5,455,000
Total	<u>\$ 90,220,973</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, 2012 was \$10,986,436 subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 5,092,722
2014	4,012,974
2015	484,569
2016	504,512
2017	525,584
2018-2022	<u>366,075</u>
Total	<u>\$ 10,986,436</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, 2012 the statutory limit for the City is \$1.6 billion, the General Obligation Debt net of deductions authorized by law is \$1.5 billion, leaving a legal debt borrowing capacity of \$79.8 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)					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activity					
Bonds Payable					
Term Bonds	844.2	6.3	(41.8)	808.7	43.6
Refunding Bonds	831.6	21.3	(31.1)	821.8	31.7
Serial Bonds	447.5	6.3	(55.1)	398.7	39.6
Add: Bond Premium	100.8	16.1	(9.1)	107.8	-
Less: Deferred Amounts					
Unamortized Issuance Expenses	(55.2)	(1.4)	3.0	(53.6)	-
Unamortized Discount and Loss	(47.2)	(0.6)	3.9	(43.9)	-
Total Bonds Payable	2,121.7	48.0	(130.2)	2,039.5	114.9
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,407.3	62.0	(90.0)	1,379.3	95.0
Neighborhood Transformation	246.0	91.3	(109.7)	227.6	7.5
One Parkway	45.1	-	(1.6)	43.5	2.1
Sports Stadia	331.5	-	(5.9)	325.6	11.4
Library	8.6	-	(0.4)	8.2	0.5
Cultural Corridor Bonds	122.8	-	(3.4)	119.4	3.6
Arbitrage	-	-	-	-	-
Indemnity Claims	47.3	37.5	(33.2)	51.6	17.5
Worker's Compensation Claims	275.3	61.4	(57.3)	279.4	35.0
Termination Compensation Payable	201.2	28.9	(20.4)	209.7	28.9
Net Pension Obligation	69.4	147.0	-	216.4	-
OPEB Obligation	79.5	29.5	-	109.0	36.3
Leases	51.7	-	(11.1)	40.6	11.7
Governmental Activity Long-term Liabilities	5,007.4	505.6	(463.2)	5,049.8	364.4

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

(Amounts In Millions of USD)

		Interest							
		<u>Rates</u>				<u>Principal</u>	<u>Due Dates</u>		
Governmental Funds:									
City	2.00	%	to	7.125	%	1,326.1	Fiscal	2013	to 2042
PMA	2.00	%	to	7.50	%	250.2	Fiscal	2013	to 2039
PICA	3.00	%	to	5.00	%	<u>452.9</u>	Fiscal	2013	to 2023
						<u>2,029.2</u>			

- In May 2012, the City issued General Obligation Refunding Bonds, Series 2012A in the amount of \$21.3 million. The bonds have a fixed interest rate of 5% and mature on September 15, 2014 (\$1.4 million); September 15, 2019 (\$9.9 million); and, September 15, 2021 (\$10.0 million). Proceeds will be used to currently refund Series 1998 General Obligation Refunding Bonds maturing on May 15, 2020 in the amount of \$10.7 million; currently refund Series 2001 General Obligation Bonds maturing on September 15, 2021 in the amount of \$11.1 million; advance refund Series 2003A General Obligation Bonds maturing on February 15, 2015 in the amount of \$2.4 million; and, pay the costs of issuing the 2012 bonds. Proceeds of the 2012 bonds will be applied, on the date of issuance, to the payment of the redemption price of the 1998 and 2001 bonds which are being optionally redeemed on such date.
- In May 2012, **PMA** issued \$12.6 million of City Agreement Revenue Bonds, Series 2012 for the Government Building Energy Conservation Project. The bonds consist of: \$6.4 million of Tax-Exempt Bonds, Series 2012A, and \$6.3 million of Federally Taxable Qualified Energy Conservation Bonds Series 2012B. Interest will be paid semi-annually on March 15 and September 15 commencing on September 15, 2012. The Series 2012A serial bonds will mature on March 15, 2022, and the Series 2012B term bonds mature on March 15, 2024 (\$2.1 million) and March 15, 2028 (\$4.2 million). Proceeds will be used to finance the evaluation and implementation of energy conservation and efficiency measures at four (4) properties owned or leased, and operated by the city (City Hall, Criminal Justice Center, Municipal Services Building and One Parkway Building).
- Effective August 4, 2011 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 \$101.8 million for principal and unpaid interest on the 2009B bonds and will expire on August 4, 2014, 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 September 2011 to reduce costs associated with the Deferred Retirement Option Plan (DROP), City Council amended the options for retirement benefits. Options include, but are not limited to: changing eligibility requirements and the interest credited to Deferred Retirement Option Plan accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of their regular monthly pension; and making conforming amendments to other provisions; under certain terms and conditions.
- As of June 30, 2012, **PMA's** Statement of Net Assets disclosed \$15.7 million of accretion to its bond principal payments for fiscal years 2013-2015. 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 \$267.0 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	48.5	68.2	22.7	14.1	43.6	22.5
2014	50.7	66.1	25.1	12.5	45.6	20.4
2015	52.5	63.4	26.6	11.0	47.7	18.1
2016	52.0	60.8	20.6	9.6	49.9	15.8
2017	54.6	58.2	21.6	8.6	52.2	13.3
2018-2022	290.2	246.6	50.5	30.3	191.9	32.7
2023-2027	320.5	168.9	19.8	24.1	22.0	1.1
2028-2032	296.7	90.5	21.5	17.7	-	-
2033-2037	93.3	36.8	27.9	10.2	-	-
2038-2042	67.1	9.1	13.9	1.4	-	-
Totals	1,326.1	868.6	250.2	139.5	452.9	123.9

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

(Amounts In Millions of USD)

Lease & Service Agreements												
Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	90.3	34.4	7.6	10.9	2.1	2.0	11.5	13.8	0.5	0.3	3.6	5.6
2014	85.8	40.2	7.6	10.9	2.1	2.0	12.0	13.3	0.5	0.3	3.8	5.4
2015	84.6	46.4	7.9	10.6	2.3	1.8	12.4	12.7	0.5	0.3	3.9	5.3
2016	82.1	52.7	8.3	10.2	2.4	1.7	13.0	12.0	0.6	0.3	4.1	5.1
2017	76.9	57.9	8.7	9.8	2.5	1.6	13.6	11.3	0.6	0.3	4.4	4.8
2018-2022	316.5	356.9	50.7	41.9	14.2	6.3	76.9	45.3	3.2	0.9	25.5	20.7
2023-2027	304.2	370.6	66.1	28.0	17.9	2.6	94.8	27.9	2.3	0.2	32.7	13.5
2028-2032	338.9	29.3	70.7	9.1	-	-	91.4	7.4	-	-	41.4	4.8
Totals	1,379.3	988.4	227.6	131.4	43.5	18.0	325.6	143.7	8.2	2.6	119.4	65.2

(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)

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Business-Type Activity					
Bonds Payable					
General Obligation Bonds	1.0	-	(1.0)	-	-
Revenue Bonds	3,254.3	462.4	(468.7)	3,248.0	173.2
Add: Bond Premium	9.9	6.3	-	16.2	-
Less: Deferred Amounts					
Unamortized Discounts and Loss	(75.2)	-	14.0	(61.2)	-
Total Bonds Payable	3,190.0	468.7	(455.7)	3,203.0	173.2
Indemnity Claims	10.2	1.1	(4.3)	7.0	-
Worker's Compensation Claims	20.7	4.1	(7.0)	17.8	-
Termination Compensation Payable	15.0	3.4	(2.6)	15.8	-
Net Pension Obligation	10.6	16.9	-	27.5	-
Arbitrage	0.3	-	-	0.3	-
Business-type Activity Long-term Liabilities	3,246.8	494.2	(469.6)	3,271.4	173.2

The Enterprise Funds have no debt that is classified on their respective balance sheets as General Obligation debt payable as of June 30, 2012.

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

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

(Amounts In Millions of USD)

	<u>Interest</u>				<u>Principal</u>			<u>Due Dates</u>		
	<u>Rates</u>									
Water Fund	0.17 %	to	6.25 %	1,881.1	Fiscal	2013	to	2041		
Aviation Fund	2.00 %	to	5.375 %	1,366.9	Fiscal	2013	to	2040		
Total Revenue Debt Payable				3,248.0						

- In November 2011, the City issued Water and Wastewater Revenue Bonds Series 2011A in the amount of \$135.0 million, and Water and Wastewater Revenue Refunding Bonds Series 2011B in the amount of \$49.9 million. Serial bonds were issued in the amount of \$49.9 million with interest rates ranging from 4.0% to 5.0%, and have a maturity date of 2026. Term bonds were issued in the following amounts (1) \$2.6 million with an interest rate of 4.5% and mature in 2036; (2) \$50.2 million with an interest rate of 5.0% and mature in 2036; (3) \$82.2 million with an interest rate of 5.0% and mature in 2041. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water and wastewater system, advance refunding of a portion of the 2001A and 2007A bonds, fund capitalized interest, the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

- In December 2011, the City issued Airport Revenue Bond Series 2011 in the amount of \$233.8 million. The Series 2011A bonds (AMT) were issued as serial bonds in the amount of \$199.0 million with interest rates ranging from 2% to 5% and mature in 2028. The Series 2011B bonds were issued as serial bonds in the amount of \$34.8 million, with interest rates ranging from 2% to 5% and mature in 2031. The plan is to: (i) refund a portion of the International Terminal Bonds; (ii) refund all of the City's outstanding Airport Revenue Bonds, Series 2001B; and (iii) pay the issuance costs of the bonds. The proceeds from the 2011A bonds will be used to refund the entire principal amount of \$149.3 million for the Airport Revenue Bond, Series 2001A. In addition, the 2011B bonds will be used to refund a portion of the Airport Revenue Bond Series 1998B (currently outstanding aggregate principal amount of \$57.1 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 2012, PENNVEST drawdowns totaled \$43.7 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 6/30/2012</u>	<u>Amt Rec'd Yes/No</u>	<u>Purpose</u>
Oct. 2009	2009B	42,886,030	42,339,199	22,827,986	Yes	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	35,666,542	Yes	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	64,380,070	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	8,111,482	Yes	Green Infrastructure Project
Totals:		<u>214,913,486</u>	<u>214,385,181</u>	<u>130,986,080</u>		

- Effective September 1, 2011 the city remarketed the Water and Wastewater Revenue Bonds, Variable Rate Series 1997B (\$70.1 million), and entered into an irrevocable, direct-pay letter of credit (LOC) with TD Bank, N.A. The U.S. Bank National Association, as fiscal agent, will be entitled to draw up to an amount equal to the principal of and 48 day's accrued interest to pay the principal or redemption price of and interest on the 1997B bonds when due. The LOC will expire on September 1, 2015 unless earlier terminated or extended. Unless the LOC is extended or replaced, the 1997B bonds will be subject to mandatory tender for purchase prior to the termination of the LOC. The LOC will constitute both a Credit Facility and Liquidity Facility, and TD Bank a Credit Provider and Liquidity Provider for the 1997B bonds.
- Effective December 23, 2011 the city delivered Letters of Credit (LOC) from TD Bank and the Royal Bank of Canada (RBC) to the U.S. Bank National Association (fiscal agent) to provide credit enhancement and liquidity support for the Airport Revenue Refunding Bonds, Series 2005C bonds. With the delivery of each LOC, the 2005C bonds will become subject to mandatory tender for purchase. Each LOC constitutes both a Credit Facility and Liquidity Facility and the banks will be both Credit Provider's and Liquidity Provider's under the agreement. TD Bank issued a LOC effective December 23 2011 with a stated expiration date of December 23, 2016 unless extended or terminated, to pay the principal of, interest on and purchase price of the 2005 C-1 bonds (currently outstanding principal of \$81.3 million) from the proceeds of an irrevocable direct pay letter of credit. In addition, the RBC issued a LOC effective December 23, 2011 with a stated expiration date of December 23, 2014 unless extended or terminated, to pay the principal of, interest on and purchase price of the 2005 C-2 bonds (currently outstanding principal of \$81.3 million) from the proceeds of an irrevocable direct pay letter of credit.

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

<u>Fiscal</u> <u>Year</u>	<u>Water Fund</u>		<u>Aviation Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	121.8	83.1	51.5	67.8
2014	129.0	76.4	59.2	65.2
2015	127.0	70.4	62.4	62.0
2016	132.1	65.6	60.2	58.6
2017	116.9	58.7	63.5	55.4
2018-2022	343.2	235.9	324.8	228.3
2023-2027	284.1	177.8	369.0	145.8
2028-2032	328.7	115.0	181.9	71.4
2033-2037	199.5	50.6	143.6	33.6
2038-2042	98.8	11.9	50.8	5.2
Totals	<u>1,881.1</u>	<u>945.4</u>	<u>1,366.9</u>	<u>793.3</u>

(3) Defeased Debt

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

(Amounts In Millions of USD)

Governmental Funds:

General Obligation Bonds	2.4
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Enterprise Funds:

Water Fund Revenue Bonds	<u>222.9</u>
	<u>225.3</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 \$173.0 million in Tax Revenue Anticipation Notes by June 2012 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, 2011	-
Additions	173.0
Deletions	<u>(173.0)</u>
Balance June 30, 2012	<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, 2012, the Aviation Fund and the Water Fund had recorded liabilities of \$0.2 million and \$0.1 million, respectively.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

<u>Changes in Fair Value</u>			<u>Fair Value at June 30, 2012</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	(17,552)	Debt	(27,016)	100,000
	Deferred Outflow	(26,758)	Debt	(52,202)	217,275
	Deferred Outflow	(8,917)	Debt	(17,395)	72,400
<u>Business Type Activities:</u>					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(6,130)	Debt	(32,186)	155,900
	Deferred Outflow	501	Debt	(12,018)	82,445

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2012, along with the credit rating of the associated counterparty.

(amounts in thousands)

<u>Agency</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aa3/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	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	155,900	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	82,445	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 23, 2009, the City terminated approximately \$213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of \$15.5 million to RBC.

Terms: The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2012, 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, 2012, the swap had a negative fair value of (\$27.02 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2012, 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, 2012, 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	(0.18000)	%
Net interest rate swap payments		3.64900	%
Variable Rate bond coupon payments	Weekly reset	0.16000	%
Synthetic interest rate on bonds		3.80900	%

Swap payments and associated debt: As of June 30, 2012, 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>		<u>Interest Rate</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	<u>Total Interest</u>
2013	\$ -	\$ 160,000	\$ 3,649,000	\$ 3,809,000
2014	-	160,000	3,649,000	3,809,000
2015	-	160,000	3,649,000	3,809,000
2016	-	160,000	3,649,000	3,809,000
2017	-	160,000	3,649,000	3,809,000
2018-2022	-	800,000	18,245,000	19,045,000
2023-2027	-	800,000	18,245,000	19,045,000
2028	100,000,000	443,392	10,112,109	10,555,501
Total:	\$ 100,000,000	\$ 2,843,392	\$ 64,847,109	\$ 67,690,501

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 (\$289.7 million). One swap, with a notional amount of \$217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of \$72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule. As of June 30, 2012, 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, 2012, the swap with JP Morgan Chase Bank had a negative fair value of (\$52.2 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of (\$17.4 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2012, **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, 2012, 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	(0.18000) %
Net interest rate swap payments		3.79130 %
	Weighted Average Weekly	
Variable Rate bond coupon payments	resets	0.55283 %
Synthetic interest rate on bonds		4.34413 %

As of June 30, 2012, 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	(0.18000) %
Net interest rate swap payments		3.79130 %
Variable Rate bond coupon payments	Weekly resets	0.15000 %
Synthetic interest rate on bonds		3.94130 %

Swap payments and associated debt: As of June 30, 2012, 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		
2013	\$ -	\$ 1,201,559	\$ 8,247,784	\$	9,449,342
2014	-	1,201,559	8,247,784		9,449,342
2015	-	1,201,559	8,247,784		9,449,342
2016	12,990,000	1,201,559	8,247,784		9,449,342
2017	13,550,000	976,832	7,755,294		8,732,125
2018-2022	62,345,000	1,920,901	31,145,719		33,066,620
2023-2027	65,495,000	776,633	19,629,645		20,406,278
2028-2031	63,165,000	241,815	6,111,955		6,353,770
Total:	\$ 217,545,000	\$ 8,722,417	\$ 97,633,749	\$	106,356,161

Swap payments and associated debt: As of June 30, 2012, 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		
2013	\$ -	\$ 108,195	\$ 2,734,665	\$	2,842,860
2014	-	108,195	2,734,665		2,842,860
2015	-	108,195	2,734,665		2,842,860
2016	-	108,195	2,734,665		2,842,860
2017	-	108,195	2,734,665		2,842,860
2018-2022	14,575,000	520,133	13,146,522		13,666,655
2023-2027	29,285,000	347,505	8,783,305		9,130,810
2028-2031	28,270,000	108,225	2,735,423		2,843,648
Total:	\$ 72,130,000	\$ 1,516,838	\$ 38,338,575	\$	39,855,413

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, 2012, the swap had a notional amount of \$155.9 million and the associated variable-rate bonds had a \$155.9 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, 2012, the swap had a negative fair value of (\$32.2 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, 2012, 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 rela-

tionship 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, 2012, the rates were:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed	5.17750 %
Variable rate payment from JP Morgan under swap	SIFMA	(0.18000) %
Net interest rate swap payments		4.99750 %
Variable Rate bond coupon payments	Weekly resets	0.16000 %
Synthetic interest rate on bonds		5.15750 %

Swap payments and associated debt: As of June 30, 2012, 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>	
2013	\$ 7,500,000	\$ 249,440	\$ 7,791,103	\$ 8,040,543	
2014	8,200,000	237,440	7,416,290	7,653,730	
2015	9,000,000	224,320	7,006,495	7,230,815	
2016	9,800,000	209,920	6,556,720	6,766,640	
2017	10,700,000	194,240	6,066,965	6,261,205	
2018-2022	64,600,000	690,560	21,569,210	22,259,770	
2023-2025	46,100,000	148,960	4,652,673	4,801,633	
Total:	<u>\$ 155,900,000</u>	<u>\$ 1,954,880</u>	<u>\$ 61,059,456</u>	<u>\$ 63,014,336</u>	

d. City of Philadelphia, 2005 Water & Sewer Swap

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

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

As of June 30, 2012, the swap had a notional amount of \$82.4 million and the associated variable-rate bond had an \$82.4 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2012, the swap had a negative fair value of (\$12.0 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2012 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, the City is exposed to (i) basis risk, as reflected by the relationship between the variable-rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 30, 2012, 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	(0.16834) %
Net interest rate swap payments		4.36166 %
Variable Rate bond coupon payments	Weekly resets	0.22000 %
Synthetic interest rate on bonds		4.58166 %

Swap payments and associated debt: As of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

<u>Fiscal Year Ending</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>		<u>Total Interest</u>
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>		
2013	\$ 450,000	\$ 181,379	\$ 3,595,972	\$	3,777,351
2014	14,820,000	180,389	3,576,344		3,756,733
2015	15,535,000	147,785	2,929,946		3,077,731
2016	16,315,000	113,608	2,252,362		2,365,970
2017	17,145,000	77,715	1,540,757		1,618,472
2018-2019	18,180,000	40,359	800,147		840,506
Total:	\$ <u>82,445,000</u>	\$ <u>741,235</u>	\$ <u>14,695,528</u>	\$	<u>15,436,763</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 \$1.4 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of \$1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced

the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments. The fiscal year 2012 Pension Funding Bonds liability of \$1,379.3 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 2012 NTI Service Agreement liability of \$227.6 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

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

In 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 2012, the Sports Stadium Financing Agreement liability of \$325.6 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 2012 the liability of \$119.4 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

On June 6, 2000 PICA entered into 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.

(12) Net Pension Liability

Net Pension Liabilities at June 30, 2011 was \$69.4 million and \$10.6 million for the Governmental and Business Type Activities, respectively. The increase in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2012 of \$147 million resulted in Net Pension Liabilities of \$216.4 million. During FY 2012, the Business Type Activities' NPO increased by \$16.9 million resulting in a Net Pension Liability of \$27.5 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 \$3,038.5 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2013 to 2040. The following schedule reflects the changes in long-term liabilities for the School District:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable	2,980.9	254.4	(91.1)	3,144.2	114.2
Add: Bond Premium	108.0	4.7	(11.8)	100.9	7.8
Less: Bond Refunding Losses	(182.3)	(7.0)	22.0	(167.3)	(13.2)
Less: Bond Discounts	(10.6)	(0.3)	0.6	(10.3)	(0.5)
Total Bonds Payable	<u>2,896.0</u>	<u>251.8</u>	<u>(80.3)</u>	<u>3,067.5</u>	<u>108.3</u>
Termination Compensation Payable	306.6	6.2	(59.3)	253.5	31.5
Severance Payable	188.5	1.1	(22.7)	166.9	13.7
Interfund Loan	9.1	-	(2.0)	7.1	-
Other Liabilities	117.7	67.1	(48.3)	136.5	37.8
Incurred But Not Reported (IBNR) Payable	13.5	-	(1.5)	12.0	12.0
Deferred Reimbursement	45.3	-	-	45.3	45.3
DHS Liability	-	4.0	-	4.0	0.5
OPEB Liability	-	0.1	-	0.1	0.1
Arbitrage Liability	3.7	-	(3.4)	0.3	0.3
Early Retirement Incentive	28.6	-	(17.2)	11.4	10.9
Total	<u>3,609.0</u>	<u>330.3</u>	<u>(234.7)</u>	<u>3,704.6</u>	<u>260.4</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	114.2	143.7
2014	112.9	137.4
2015	109.7	133.4
2016	116.2	128.4
2017	119.9	123.3
2018-2022	642.3	534.4
2023-2027	694.5	395.4
2028-2032	754.2	249.8
2033-2037	401.3	70.8
2038-2040	79.0	7.9
Totals	<u>3,144.2</u>	<u>1,924.5</u>

Refunding Bonds:

On December 20, 2011, the School District issued General Obligation Refunding Bonds Series C of 2011 in the aggregate amount of \$41,185,000 to refund General Obligation Refunding Notes, Series A of 2011 with a net premium of \$3.6 million. Bond proceeds of \$266,700 were utilized for underwriting fees, and other issuance costs.

Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded notes. The net proceeds were used by the escrow agent to purchase State Local Government Securities of \$44.5 million which were used to retire the General Obligation Refunding Notes, Series A of 2011.

On December 20, 2011, the School District issued General Obligation Refunding Bonds Series D of 2011 in the aggregate amount of \$16,330,000 with net premiums of \$0.7 million to refund certain maturities of the outstanding General Obligation Refunding Notes, Series B of 2011. Bond proceeds of \$116,900 were utilized for underwriting fees, and other issuance costs.

Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds. The net proceeds were used by the escrow agent to purchase State Local Government Securities of \$16.9 million which were used to retire the General Obligation Refunding Notes, Series B of 2011.

The cash flow required to service the new debt for the restructuring is \$10.0 million more than the cash flow required to service the old debt. This restructuring was done to provide debt service savings of \$61.1 million in Fiscal Year 2012. The final maturity was identical to the original maturity schedule. In addition, there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$0.4 million to the School District.

For accounting purposes, the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 3.7 million. This difference is being amortized through the operations in the District-wide statements until the year 2022.

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

	Interest Rates				Principal		Due Dates		
PGW	2.00 %	to	6.80 %		1,195.8	Fiscal	2012	to	2040
PPA	3.00 %	to	5.25 %		177.6	Fiscal	2013	to	2029
PRA	4.55 %	to	4.75 %		16.1	Fiscal	2013	to	2028
Total Revenue Debt Payable					<u>1,389.5</u>				

In May 2012 the city made an agreement with JP Morgan Chase Bank and National Association to issue a new direct pay letter of credit for the benefit of the Gas Works Variable Rate Demand Revenue Bonds, Fifth Series A-2 (1998 General Ordinance) pursuant to a Letter of Credit and Reimbursement Agreement dated as of June 1, 2012 in the amount of 30 million dollars. The Letter of Credit will expire December 31, 2014 unless terminated earlier or extended.

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
2012	48.5	55.0	-	-	-	-
2013	48.0	53.3	10.5	8.6	-	0.8
2014	50.0	50.9	11.0	8.1	-	0.8
2015	51.3	48.3	11.4	7.5	-	0.8
2016	49.2	45.6	12.0	7.0	0.2	0.8
2017-2021	253.7	191.3	80.7	28.3	1.7	4.0
2022-2026	270.1	130.6	43.6	6.5	4.5	2.8
2027-2031	223.9	72.9	8.4	0.8	9.7	0.6
2032-2036	141.5	30.3	-	-	-	-
2037-2041	59.6	6.1	-	-	-	-
Totals	<u>1,195.8</u>	<u>684.3</u>	<u>177.6</u>	<u>66.8</u>	<u>16.1</u>	<u>10.6</u>

(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 †	70.0
School District of Philadelphia	<u>648.9</u>
Total	<u>718.9</u>

† - Gas Works amounts are presented as of August 31, 2011

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 \$74.9 million at August 31, 2011, bearing interest on face value from 0.0% to 6.7%.

As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding 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, 2012, \$635.6 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 in 2018. As of June 30, 2012, \$9.7 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZABs Bond Series 2007C and 2007D of \$13.5 million and \$28.2 million, respectively, were issued December 28, 2007, and are due December 28, 2022 and 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 a scheduled payment of the defeased debt in 2022. As of June 30, 2012, \$3.6 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, 2012, the arbitrage rebate calculation indicates a liability totaling \$286,173 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. The School District has restricted this amount under the fund balance of the Capital Projects Fund. In addition, a contingent liability has been accounted for in the governmental activities column of the government-wide statement of net assets. This amount is required to be paid when the remaining project funds are expended. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2012. Per IRS regulations, a payment of \$3,144,929.38 was made on January 23, 2012 which is within 60 days of the fifth anniversary of issuance.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective – In January 2006, the City entered into a fixed rate payer, floating rate receiver swap to create a synthetic fixed rate for the Sixth Series Bonds. The variable rate/swap structure was used as a means to increase the City's savings, when compared with fixed-rate refunding bonds at the time of issuance. The swaps are hedging interest rate risk.

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

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

The 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.

As of August 31, 2011, the swaps had a notional amount of \$255,000,000 and the associated variable rate debt had a \$255,000,000 principal amount, broken down by series as follows:

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

The final maturity date for all swaps is on August 1, 2031.

Fair value – As of August 31, 2011, the swaps had a combined negative fair value for all series of \$51,671,000. The fair values of the interest rate swaps were estimated using the zero coupon method. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

Risks – As of August 31, 2011, 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 Aa3/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, 2011 and 2010 is as follows (thousands of dollars):

	Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2010	\$ 52,217	25,906
Change in fair value through August 31, 2011	(546)	(546)
Balance August 31, 2011	<u>\$ 51,671</u>	<u>25,360</u>
	Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2009	\$ 27,555	1,244
Change in fair value through August 20, 2010	24,662	24,662
Balance August 31, 2010	<u>\$ 52,217</u>	<u>25,906</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, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows (amounts in thousands; debit (credit)):

	<u>Change in Fair Value</u>	<u>Fair Value at June 30, 2012</u>			
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<u>Governmental Activities</u>					
Investment derivatives:					
Pays-variable	Investment				
Interest rate swaps	revenue	\$ 4,170	Investment	\$ (22,087)	\$ 500,000
				<u>\$ (22,087)</u>	

As of June 30, 2012, 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. The basis swaps produced net positive receipts of \$1,492,086.

Hedging Derivatives

Objectives and Terms

The School District did not have any hedging derivative instruments outstanding at June 30, 2012 due to the maturity and retirement of the bonds during Fiscal Year 2012 for the pay-fixed interest rate swaps. The pay-fixed interest rate swap that matured on September 1, 2011 is listed below.

<u>Type</u>	<u>Objective</u>	<u>Notional</u>	<u>Effective</u>	<u>Maturity</u>	<u>Terms</u>	<u>Credit Rating</u>
		<u>Amount</u>	<u>Date</u>	<u>Date</u>		<u>Moody's/S&P/Fitch</u>
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	\$ 2,150	6/29/2004	9/1/2011	Pay 3.24%, receive 58.5% of LIBOR + .27%	A2/A/A+

When this swap-related variable rate debt matured on September 1, 2011, the net swap payments for the year ended June 30, 2012 were as follows:

<u>Year Ending June 30</u>	<u>Variable Rate Bonds</u>		<u>Change</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest (1)</u>	<u>In Fair Value</u>	
2012	2,150,000	(844)	33,231	2,182,387

(1) Actual interest earned exceeded interest payments

Discussion of Risks:

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

As of June 30, 2012, the School District was no longer exposed to credit risk because all of its pay-fixed interest rate swaps either matured or were terminated. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. Fair values are estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

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

Interest rate risk - The School District is no longer exposed to interest rate risk on its interest rate swaps since they matured.

Basis risk - The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by the School District on a series of related variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty on the related swap. The School District no longer bears basis risk on its fixed-to-floating swaps since they matured.

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

Other Risks - The School District is no longer exposed to any rollover risk, market-access risk, or foreign currency risk.

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	6,390	27,030	3,619
Additional Rentals	-	148,058	180
Sublease	12,646	-	1,446
Total Rental Income	<u>19,036</u>	<u>175,088</u>	<u>5,245</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	
2013	4,208	14,495	3,733
2014	4,288	7,496	3,044
2015	4,319	7,413	2,661
2016	4,411	6,682	2,477
2017	4,506	6,196	1,503
2018-2022	24,042	25,921	3,117
2023-2027	26,826	15,973	1,751
2028-2032	30,007	12,066	1,039
2033-2037	33,641	5,877	717
2038-2042	-	-	717
2043-2047	-	-	717
2048-2052	-	-	717
2053-2057	-	-	717
2058-2062	-	-	717
2063-2067	-	-	717
2068-2072	-	-	717
2073-2077	-	-	717
2078-2082	-	-	717
2083-2087	-	-	630
2088-2092	-	-	249
Total	<u>136,248</u>	<u>102,119</u>	<u>27,374</u>

B. CITY AS LESSEE

1) OPERATING LEASES

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

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	170,424	27,945	15,624
Additional	-	-	68
Sublease	489	-	1,446
Total Rental Expense	<u>170,913</u>	<u>27,945</u>	<u>17,138</u>

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

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2013	31,269	516	13,520
2014	26,635	97	9,355
2015	25,057	49	5,024
2016	24,228	-	4,747
2017	22,023	-	2,312
2018-2022	94,425	-	3,376
2023-2027	39,993	-	-
2028-2032	18,488	-	-
2033-2037	18,277	-	-
Total	<u>300,395</u>	<u>662</u>	<u>38,334</u>

2) CAPITAL LEASES

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

Fiscal Year Ending June 30	(Amounts In Thousands of USD)	Component Units
2013		2,142
2014		2,036
2015		1,457
2016		1,242
2017		1,052
2018-2022		3,059
2023		249
Future Minimum Rental Payments		<u>11,237</u>
Interest Portion of Payments		<u>(1,190)</u>
Obligation Under Capital Leases		<u>10,047</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, 2012, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

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

10. FUND BALANCE PRESENTATION

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which became effective during FY2011. 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:

1. **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 (\$.2M) and Permanent Funds (\$2.4M) were non-spendable.
2. **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 \$18.1M at June 30, 2012. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health (\$230.7M); Grants Revenue (\$81.1M); County Liquid Fuels (\$2.6M); Special Gasoline Tax (\$20.6M); Hotel Room Rental Tax (\$10.3M); Car Rental Tax (\$6.4M); Housing Trust (\$10.5M); Acute Care Hospital Assessment (\$9.5M); Departmental (\$5.7M); Municipal Authority Administrative (\$.3M); PICA Administrative (\$40.2M). The entire fund balances of the Debt Service (\$82.4M) and Capital Improvement (\$128.5M) funds were restricted. The Permanent Fund had a restricted fund balance of \$3M at June 30, 2012.
3. **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 (\$4.2M) and Departmental (\$.9M).
4. **Assigned Fund Balance** — Includes amounts that are constrained by management's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Director of Finance, or other authorized department heads. The General fund reported an assigned fund balance of \$70.5M at June 30, 2012 that was arrived at by netting a negative \$11.1 million unassigned fund balance against encumbrances of \$81.6 million.
5. **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 negative \$11.1 million unassigned fund balance at June 30, 2012. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of \$175.1M and the Community Development fund had a negative fund balance of \$6.5M at June 30, 2012.

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

Table below presents a more detailed breakdown of the City's fund balances at June 30, 2012:

(Amounts In Thousands of USD)				
	HealthChoices			
	General	Behavioral	Grants	Other
	Fund	Health	Revenue	Governmental
	Fund	Fund	Fund	Funds
<u>Nonspendable:</u>				
Permanent Fund (Principal)	0	0	0	2,614
Subtotal Nonspendable:	0	0	0	2,614
<u>Restricted for:</u>				
Neighborhood Revitalization	0	0	51,564	0
Economic Development	0	0	0	10,301
Public Safety Emergency Phone System	0	0	29,565	0
Streets & Highways	0	0	0	23,166
Housing & Neighborhood Dev	0	0	0	10,529
Health Services	0	0	0	9,471
Behavioral Health	0	230,681	0	0
Parks & Recreation	0	0	0	355
Libraries & Museums	0	0	0	108
Intergovernmental Financing (PICA)	0	0	0	21,662
Intergovernmentally Financed Programs	0	0	0	18,880
Central Library Project	2,331	0	0	0
Stadium Financing	500	0	0	6,436
Cultural & Commercial Corridor Project	15,273	0	0	0
Debt Service Reserve	0	0	0	82,446
Capital Projects	0	0	0	128,484
Trust Purposes	0	0	0	8,307
Subtotal Restricted	18,104	230,681	81,129	320,145
<u>Committed, reported in:</u>				
Social Services	0	0	0	34
Prisons	0	0	0	4,200
Parks & Recreation	0	0	0	856
Subtotal Committed	0	0	0	5,090
<u>Assigned, reported in:</u>				
General Fund	70,506	0	0	0
Subtotal Assigned:	70,506	0	0	0
<u>Unassigned Fund Balance:</u>	0	0	(175,082)	(6,485)
Total Fund Balances	88,610	230,681	(93,953)	321,364

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				
		Governmental				
		Special	Debt	Capital		
		Revenue	Service	Improvement	Total	
<u>Transfers From:</u>	<u>General</u>	<u>PMA</u>	<u>Revenue</u>	<u>Service</u>	<u>Improvement</u>	<u>Total</u>
General	-	-	12,609	140,027	1,029	153,665
Grants	29,936	-	2,167	-	28	32,131
Non major Special Revenue Funds	302,672	-	-	63,736	9,114	375,522
City Capital Improvement	-	12,000	-	-	-	12,000
Water Fund	1,086	1,928	24,445	-	-	27,459
Total	333,694	13,928	39,221	203,763	10,171	600,777

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

(Amounts in Millions of USD)

Bonds Payable	2,039.5
Service Agreements	2,103.6
Employee Related Obligations	598.1
Indemnities	51.6
Arbitrage	-
Leases	40.6
Net Pension Obligation	216.4
Total Adjustment	5,049.8

13. PRIOR PERIOD ADJUSTMENTS

COMPONENT UNITS

- The **SDP** net assets beginning balances were decreased by \$6,391,188. This decrease was a result of adjustments for capital assets and deferred charges. Capital asset beginning balances were decreased by \$7,270,311. This adjustment involved a correction of Capital Asset Balances for an understatement of \$1,579,332 in accumulated depreciation for buildings and \$5,690,979 in accumulated depreciation for improvements. The net asset balance for deferred charges was increased by \$879,123. This adjustment consisted of an understatement of \$901,851 for the beginning refunding charge balance and an overstatement of \$22,728 for beginning bond issuance cost balance.
- In addition, the **SDP** processed two reclassifications that netted to zero. The first was a reclassification of \$44,078,437 of improvement assets and \$32,371,675 of related accumulated depreciation to the intangible asset classification due to GASB 51 requirements. The second reclassification involved specific identification of \$48,663,069 of construction in progress assets to \$16,747,089 of building assets and \$31,915,980 of improvement asset.

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports \$1,213.7 million of restricted net assets, of which \$59.9 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	306,166	-
Debt Service	330,082	-
Behavioral Health	230,681	-
Neighborhood Revitalization	51,565	-
Stadium Financing	500	-
Central Library Project	2,331	-
CCC Project	15,273	-
Grant Programs	56,323	10,529
Rate Stabilization	165,907	-
Libraries & Parks:		
Expendable	3,027	-
Non-Expendable	2,414	-
Other	49,382	49,374
Total	1,213,651	59,903

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year end of \$94.0 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 \$6.5 million.

16. ADVANCE SERVICE CHARGE

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

During the current fiscal year 353 disconnection permits were issued resulting in a refund or final credit of approximately \$201,674 and 2,530 new connection permits were issued resulting in additional advance service charges of approximately \$894,865.

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, 2011 was as follows:

Retirees and beneficiaries currently receiving benefits	36,354
Terminated members entitled to benefits but not yet receiving them	1,324
Active members	26,671
Total Members	<u>64,349</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 3¾% 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 \$706.3 million or 50.9% of the covered payroll of \$1,387.1 million. The City's actual contribution was \$539.5 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 <u>June 30</u>	Annual Pension <u>Cost</u>	Percentage <u>Contributed</u>	Net Pension <u>Obligation</u>
2010	597.0	52.36%	(171.6)
2011	721.7	65.14%	80.0
2012	719.6	77.22%	243.9

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2011. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 8.10%
- projected annual salary increases based on new age based scale
- payroll growth rate is 3.5%
- 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
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
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%

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)	722,491
Interest on Net Pension Obligation (NPO)	6,521
Adjustment to ARC	(9,435)
Annual Pension Cost	719,577
Contributions Made	(555,690)
Increase in NPO	163,887
NPO at beginning of year	80,011
NPO at end of year	243,898
Interest Rate	8.15%
15 Year amortization Factor (EOY)	8.48%

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 ar-

rangements 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, 2012:

List of Derivatives Aggregated by Investment Type

<u>Changes in Fair Value</u>			<u>Fair Value at June 30, 2012</u>		
<u>Classification</u>	<u>Amount</u>		<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Investment Derivatives					
Forward Currency Contracts	Net appreciation/(depreciation) in investments	\$ 2,362,305	Accrued expenses and other liabilities	\$ (293,483)	\$ 469,518,219
Futures	Net appreciation/(depreciation) in investments	(3,341,717)	Accrued interest and other receivables	125,230	117
Swaps	Net appreciation/(depreciation) in investments	331,407	Accrued expenses and other liabilities	(284,636)	9,363,000
Grand Totals		<u>\$(648,005)</u>		<u>\$(452,889)</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 (44%). 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, 56% had Standard & Poors ratings of AAA to A and 60% had Moody's rating of AAA to A1.

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 re-

quire 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, 2012, was \$125,230. 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 (\$578,119) of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$452,889.

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, 2012 the Fund entered into interest rate swaps. Under the receive fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest Swaps this year. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases. The 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 Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan. Investments are valued as described in Footnote I.4.

(2) Gas Works Plan

a. Plan Description

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

- 1.25% of the first \$6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over \$6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants, or
- 2% of total earnings received during the period of credited service plus 22.5% of the first \$1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

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

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

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,232
Current Employees	1,653
Total Members	<u>3,885</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 \$22.6 million (approximately 21% of covered payroll) were made to the PGW Plan during the year.

Beneficiary payments in FY 2011 were made from operating funds. Instead, the Company set up a receivable to draw the FY 2010 funds of \$11.1 million in FY 2011, which is recorded in other current assets and deferred debits on the balance sheet. The withdrawals from the pension assets in FY 2010 of \$15.4 million were utilized to meet beneficiary payment obligations.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2010 the most recent actuarial valuation is as follows (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
09/01/2010	\$381,975	\$533,630	\$151,655	71.6%	\$106,125	142.9%
09/01/2009	\$355,499	\$519,773	\$164,274	68.4%	\$106,003	155.0%
09/01/2008	\$430,390	\$495,155	\$64,765	86.9%	\$107,918	60.0%
09/01/2007	\$416,183	\$482,380	\$66,197	86.3%	\$105,596	62.7%

Amortization Method	Level percent open
Remaining Amortization Period	20 years

PGW's annual pension cost for the current year of \$22.6 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 8.25%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

(Amounts in Millions of USD)

Fiscal Year Ended <u>August 31</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2011	22.6	100%
2010	24.6	100%
2009	15.4	100%

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.

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 2012, the City paid \$76.3 million for retiree healthcare.

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

City of Philadelphia OPEB

	(Amounts in Thousands of USD)
Annual required contribution	105,369
Interest on net OPEB obligation	3,577
Adjustment to ARC	(3,064)
Annual OPEB cost	105,882
Payments made	(76,344)
Increase/(Decrease) in net OPEB Obligation	29,538
Net OPEB obligation - beginning of year	79,481
Net OPEB obligation - end of year	109,019

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, 2012 was as follows:

(amounts in thousands USD)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2012	\$ 105,369	72%	\$ 109,019
6/30/2011	\$ 101,713	64%	\$ 79,481
6/30/2010	\$ 93,844	76%	\$ 43,301

Funded Status and Funding Progress: As of July 1, 2011, 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 \$1.2 billion. The covered annual payroll was \$ 1.469 billion and the ratio of the UAAL to the covered payroll was 82.5 percent.

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

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

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

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

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of 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** of Philadelphia, 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), and 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 District has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each biennial actuarial valuation date, up to 30 years, 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:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2010	\$659,317	100%	\$0
2011	673,167	100%	0
2012	810,749	83.9%	130,344

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 provides certain health care and life insurance benefits for approximately 2,002 retired employees and their dependents. PGW recognizes the cost of providing these benefits by charging the annual insurance premiums to expense.

Funding Policy: PGW pays 100% of premiums for basic medical, hospitalization, and prescription drugs incurred by retirees and their dependents. The company also pays a portion of the premium for life insurance for each eligible retiree. PGW currently provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis. Additionally, in FY2011 the company began funding an OPEB Trust. Total expenses incurred for health care amounted to \$42.3 million, of which approximately 47.2% relates to retirees and their dependents. Total premiums for group life insurance amounted to \$1.98 million of which approximately 77.8% relates to retirees.

Actuarial Valuation and Assumptions: PGW engaged an actuarial consulting firm to provide an actuarial valuation of its OPEB obligations as of August 31, 2011. The actuarial valuations involve estimates of the value of reported amounts and the assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations, and new estimates are made about the future. The calculations were based on the types of benefits provided under the terms of the substantive plan at the time of the valuation.

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

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

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

The report utilized an 8.0% discount rate for purposes of developing the liabilities and ARC on the Plan for FY 2011. This rate is based on the expected return of investments of the OPEB Trust.

	Healthcare cost trend rates			
	Medical (pre-65)	Medical (post-65)	Prescription	Dental
Year:				
1	11.0%	9.0%	9.0%	4.5%
2	10.0	8.0	8.0	4.5
3	9.0	7.0	7.0	4.5
4	8.0	6.0	6.0	4.5
5	7.0	5.0	5.0	4.5
6	6.5	4.5	4.5	4.5
7	6.0	4.5	4.5	4.5
8	5.5	4.5	4.5	4.5
9	5.0	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.

Annual OPEB Cost and Net OPEB Obligation: In FY2011 **PGW** paid retiree benefits in the amount of \$41.7 million, which consisted of \$21.8 million in healthcare expenses and \$1.4 million in life insurance expenses and \$18.5 million contributed to the OPEB trust. The difference between the ARC and the expenses paid resulted in an increase in the OPEB liability of \$3.97 million. As of August 2011, the actuarial accrued liability for benefits was \$485.72 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 457.7%

The following table shows the calculation of **PGW's** OPEB liability for FY2011. 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	46,622
Interest on net OPEB obligation	8,438
Adj to annual required contribution	(9,369)
Annual OPEB cost	45,691
Payments made	(41,719)
Increase/(Decrease) in net OPEB obligation	3,972
Net OPEB obligation - beginning of year	105,476
Net OPEB obligation - end of year	109,448

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2011 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
8/31/2011	\$ 45,691	91.31%	\$ 109,448
8/31/2010	48,975	44.32%	105,476
8/31/2009	46,009	43.59%	78,207

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 2012 this transfer amounted to \$295.2 million.

5. RELATED PARTY TRANSACTIONS

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

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of \$66.4 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled \$112.6 million during the year) to the following organizations:

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

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, 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 \$355.8 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, 2010 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2010	309.3	156.5	(94.5)	371.3
Fiscal 2011	371.3	82.0	(99.8)	353.5
Fiscal 2012	353.5	102.1	(99.8)	355.8

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 \$5.8 million for Unemployment Compensation claims and \$62.2 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$297.2 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$395.6 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 \$270.4 million (discounted) and \$359.5 million (undiscounted).

During the last four (4) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The **SDP** is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. Workers' Compensation is covered by excess insurance over a \$5.0 million self-insured retention. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities was \$199.8 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, 2011 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2011	157.0	253.6	(225.8)	184.8
Fiscal 2012	184.8	283.0	(268.0)	199.8

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 \$45.4 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 transac-

tion 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 \$354.1 million. Of this amount, \$24.8 million is charged to current operations of the Enterprise Funds. The remaining \$329.3 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 \$68.3 million to the General Fund and \$6.9 million to the Enterprise Funds.

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

- **Waterfront Renaissance Associates (WRA) v. City, et. al., E. D. Pa. No. 07 cv 1045**

WRA, proposed developer of a "World Trade Center" project at 400-456 Christopher Columbus Boulevard, sued the City, City Council, City Planning Commission, Brian Abernathy (then legislative aide to Councilman DiCicco), and certain civic associations and their officers. In short, WRA alleged that the zoning overlay amendment to the Old City Residential Area Special District Controls, through a 65 foot maximum height restriction, effectively prevented or rendered impossible completion of its project.

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

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

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

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

The City moved to dismiss WRA's constitutional claims on mootness grounds on the basis that adoption of an amendment to the City's zoning laws removed the challenged height restriction from WRA's property. WRA also moved to supplement its Complaint to add new claims concerning the Central Delaware Riverfront Ordinance (CDRO). WRA requested another six months of fact discovery followed by new dates for completion of expert discovery, filing of dispositive motions, and ultimately scheduling of trial if necessary.

The Court granted the motion to dismiss and dismissed WRA's constitutional claims relating to the height restriction. As part of its ruling, the Court allowed WRA to file an amended claim to add a facial claim against the Central Delaware Riverfront Ordinance, and to supplement its existing state law claims to include allegations pertaining to the CDRO.

WRA filed its Third Amended Complaint. The City filed a motion for summary judgment seeking dismissal of WRA's remaining claims, and WRA filed motion for summary judgment on its supplemental claim against CDRO.

The Court granted the City's motion and entered summary judgment for City on Plaintiff's remaining claims and Plaintiffs have appealed. The Third Circuit affirmed in January 2013. The case is over, unless plaintiffs seek U.S. Supreme Court review.

- **In re: Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area): CCP Phila. Co., Consolidated Case No. 091104734**

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") was the record title holder of the property. The City deposited in Court in April 2006 estimated just compensation in the amount of \$7,714,000. November Term, 2003, No. 2285 (C.C.P. Phila.).

In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation ("Eastwick Development") petitioned the Court for appointment of a Board of Viewers and the Court appointed a Board of View to ascertain and award just compensation. Eastwick 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. BV #3421. 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. BV #3421.

The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. CCP Phila. Co., No. 0911-02397. 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. CCP Phila. Co., No. 0911-04734. 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 in the total sum 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, at a recent status conference, ordered the case to remain in deferred status through December 31, 2012 to allow for implementation of the settlement.

The parties agreed to extend the Effective Date of the settlement to June 30, 2013. 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. v. Ernest Bock & Sons, Inc et al v. City et al., CCP Phila. No. 091103117**

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 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. 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 DDI from the case pursuant to a voluntary discontinuance of claims against DDI.

The parties 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.

The Court agreed with the City and Bock that the case cannot be tried until at least the baggage handling system has 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. The Court, on August 28, 2012, after an on-the-record conference, granted the Motions for Extraordinary Relief over G&T's opposition. As a result, The Court has reopened discovery to conclude in March 2013 and rescheduled trial to begin in September 2013, although it is expected that these dates will be extended.

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. These Motions have not yet been decided.

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, the testing conformed to the applicable standards, and ISAT demonstrated that the BHS fails to meet the contract standards. This Motion is currently pending.

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. 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 pur-

suant to the terms of the contract between the City and Bock. Bock and G&T responded and the Motion is currently pending.

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 (due to judge's availability). On January 28, 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.

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 v. John Green et al, CCP Phila. Co., No. 1103-01141**
O'Hara, et al. v. City et al., CCP Phila. Co., No. 1105-00387

Two sets of plaintiffs, Michelle Pingitore and Joseph 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, Joseph O'Hara and Finn Land Corporation, the sole remaining named plaintiffs, claim that they are owed a total of approximately \$15,000 in excess proceeds from the sheriff's sale of two properties. O'Hara and Finn Land Corporation assert claims in unjust enrichment, equitable conversion, fraudulent concealment, violation of the Pennsylvania Constitution, mandamus, and restitution, and seek an award of damages to the plaintiffs and the class of the excess proceeds due them, interest, attorney fees and costs and all such other relief that the Court deems proper. The alleged basis for the liability asserted by the plaintiffs are that Sheriff failed to inform plaintiffs of excess sale proceeds and that the Sheriff failed to distribute the proceeds. Plaintiffs claim that these failures violate a mandatory duty to prepare a schedule of proposed distribution of proceeds and to distribute in accordance with the schedule under Pa. R.C.P. 3136. The Court allowed the State Treasurer to intervene in the consolidated lawsuit, but also denied preliminary objections filed by Treasurer. Defendants have filed answers and have conducted class discovery. At this stage, it is unclear whether the class will be certified, the number of class members entitled to relief, whether if certified the plaintiffs will succeed on the merits and the City will be found liable and finally whether plaintiffs will recover from City monetary damages in excess of \$8,000,000. The City intends to contest class certification, liability and damages vigorously. The City's lawyers reasonably believe that the plaintiffs are not likely to succeed on their claims or for the amount of damages sought and that the City's defenses have merit. The class certification hearing/oral argument took place on February 13, 2013. We reasonably anticipate that the Court's decision will be issued within the next several weeks.

- **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. It is now in the process of selecting a preferred remedy and proposed cleanup plan. Once EPA issues the proposed cleanup plan it will announce a public comment period and then 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 viable remedial alternatives currently being considered by EPA range from 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.

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

The police union, the Fraternal Order of Police, has filed a grievance against the City protesting the conditions at police facilities, including district stations, the Police Academy, 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. About two more days of hearings will be held, briefs will be submitted before the arbitrator reaches a decision.

- **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-appealed, seeking higher market values in all of those cases. Roughly 1400 of those cases now have been resolved at a total estimated cost of \$6.3 million. We believe a prudent yet reasonable (as opposed to worst case) estimate if the City were to lose the remaining 600 cases would be around \$8 million for both the City and the School District.

- **Gerald S. Kaufman Corp. v. City of Philadelphia et al.**

An action has been filed in Commonwealth Court on behalf of the owners of approximately 1,240 parcels of real property in the City (the "Taxpayers") and purportedly as a class action on behalf of all property owners in the City against the City, among others, challenging the Pennsylvania and federal constitutionality of Act 131, which, among other things, suspended the use of CLR in tax assessment appeals in Philadelphia for 2013; and delayed the implementation of the Actual Value Initiative by one year. The City believes the action is not appropriately filed in the Commonwealth Court and has moved to transfer it to Common Pleas Court. The Taxpayers also have filed objections with the State Tax Equalization Board to that Board's determination that Philadelphia's CLR applicable in 2013 is 30.6%. If Taxpayers were both to persuade the Board to lower the Common Level Ratio and to succeed in getting Act 131 invalidated, the impact on real estate tax revenue could be complex and dramatic, but highly uncertain. We do not anticipate that Taxpayers will be successful.

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

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 approximately \$6.6 million. Prejudgment interest (at 6%) and attorneys' fees raises the total potential liability to about \$8.4 million.

Alternatively, the plaintiffs' attorneys have proposed a settlement, which would have the City create a fund in the amount of about \$7,113,292, which is 85% of full value of back pay plus interest plus fees claimed by

class. Full value of back pay plus interest plus fees is now about \$8,368,579. All components of settlement (back pay, interest, attorney's fees, costs, and incentive awards) will be paid out of the fund. Defendants' liability will be limited to the value of the fund plus whatever costs the City incurs in carrying out administrative functions of processing claims and disbursing the funds. In addition, the settlement calls for the City Commissioners to increase the pay for the election workers to the amount they claim they are entitled to under the City's minimum wage ordinance (increase pay for Judges of Election to \$163.13 (Ordinance Minimum Wage times 15 hours), and raise pay of all other election workers to \$152.32 (Ordinance Minimum Wage times 14 hours)). This would increase the City's cost for payment of the election workers in all future city-wide elections by approximately \$492,418 per election. We have not yet responded to this proposal, either by rejecting it outright or making a counter-proposal.

It is likely that the legal issues in this case will be decided via cross-motions for summary judgment, rather than at trial. The plaintiffs have filed a motion for summary judgment, to which the City has responded, opposing the motion. We are finalizing the City's motion for summary judgment; it will be filed early next week. The Court of Common Pleas has set a trial date of June 3, 2013, in the event the case is not decided on the parties' cross motions for summary judgment. If the assigned judge rules in favor of the plaintiffs, the City will likely appeal the ruling. The City's attorneys believe that an appeal to Commonwealth Court has a reasonable chance of success.

- **Richard Lawrence v. City of Philadelphia, et al., No. 06-345 (E.D.Pa.) (J. Paul Diamond)**

Plaintiff's suit is brought under the Fair Labor Standards Act. Lawrence and a class of proposed opt-in plaintiffs were Philadelphia firefighters or fire service paramedics. The gravamen of the complaint is that "the City violated the FLSA by failing to pay [Plaintiffs] their overtime in a timely manner as a result of the City's over-time processing policy and practice." The case has been in stay for an extended period time (several years) until the resolution of a long standing related matter. The instant case recently became active again and the assigned Judge ruled on class certification in an Order dated January 15, 2013. After substantial briefing on the issue, the Judge granted in part Lawrence's Motion for Conditional Certification. The class has been identified as all those who were firefighters and/or paramedics of ranks up to and including Captain between October 1, 2007, and September 1, 2009. Potential opt-in plaintiffs have until May 10, 2013, to opt in to the lawsuit.

The City's lawyers believe that the likelihood of an unfavorable outcome in this case is reasonably possible as to some of the damages sought. However, the City has meritorious defenses and intends to vigorously defend against plaintiff's claims. Nevertheless, it is not clear at this time what range of damages will be available.

- **Keystone**

Keystone seeks a refund of approximately \$6 million in overpaid business privilege taxes. Keystone filed its refund request after the expiration of the statute of limitations, but claims an equitable exception to the statute based on a re-statement of their income issued by the IRS after the expiration of the City's statute of limitations. The Tax Revision Board disagreed, finding no exception to the statute of limitation for refunds, but instead granted them a credit, though in an indeterminate amount. The City has appealed from the grant of the credit. Keystone has appealed from the denial of the refund. Common Pleas affirmed in December 2012 and both parties have appealed to Commonwealth Court.

2) Guaranteed Debt

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

(Amounts In Thousands of USD)

Philadelphia Authority for Industrial Development	1,190
HUD Section 108 Loans	120,165
Philadelphia Parking Authority	14,820
Total:	<u>136,175</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, 2011, which accounted for \$975.9 million for all open program years as of December 10, 2012. Of this amount, \$522.0 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2011 due to timing differences in audit requirements, \$26.9 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2011 and prior and \$427.0 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 \$248.1 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 \$120.2 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. 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 fifty-six (256) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$2.3 million.

Of those, two hundred forty-four (244) 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 nine (109) unfavorable outcomes are deemed probable and one hundred and seven (107) are considered reasonably possible, in the aggregate of \$0.7 million and \$0.6 million respectively.

There are six (6) lawsuits pending against the School District asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the School District, unfavorable outcomes of five (5) are deemed probable and reasonably possible in the aggregate amounts of approximately \$0.14 million and \$0.52 million respectively.

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 \$0.2 million and \$0.07 million respectively.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$20.1 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 \$0.5 million and \$2.1 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 \$2.5 million and \$2.2 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 enrollment. In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40 million through fiscal year 1999, and subsequently reduced by half, to approximately \$20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student enrollment figures, an audit of reported enrollment in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional \$20 million for the alleged over-reporting of enrollment during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing.

The Commonwealth of Pennsylvania'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 in the amount of \$40 million.

Federal Audit - The School District is the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from the NSF covering the period from July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning \$3,346,652 in costs incurred under the two awards. The NSF Cost Analysis and Audit Resolution branch requested additional information and documentation from the School District to aid in its determination of whether to seek repayment of any funds from the School District based upon the auditor's final conclusions. On April 14, 2009, NSF issued its decision eliminating \$834,406 from the recommended disallowance, leaving \$2,512,246 that NSF would seek to recover. On November 30, 2012, NSF sent a letter demanding payment in the amount of \$2,512,246. The School District requested a review of the debt. By letter dated January 25, 2013, NSF denied the School District's request. The School District will review its legal options, including filing suit against NSF in federal court. In the opinion of outside counsel, the loss to the School District is probable.

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 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. A final report was issued by the OIG on January 15, 2010. The final report questioned \$138.8 million of costs with \$121.1 million considered inadequately supported with documentation and \$17.7 million considered unallowable costs. On March 30, 2011, the Pennsylvania Department of Education (PDE) received a program determination letter (March PDL) from the U.S. Department of Education (USDE) seeking a recovery of approximately \$9.9 million based on finding 2 and portions of findings 4 and 5 of the OIG final audit report on the School District. PDE filed an application for review of the PDL on May 20, 2011. The Office of Administrative Law Judges accepted jurisdiction of the case on August 10, 2011. On September 7, 2011 PDE and the Department filed a joint motion to stay the proceedings to pursue settlement negotiations.

USDE's counsel stipulated that \$2.8 million is barred by the statute of limitations, leaving a balance of \$7.2 million. To extinguish this remaining liability, in late April 2012, the School District submitted documentation for equitable offset for non federal expenditures by Philadelphia for the Education Assistance Program and Bullying Prevention program. On June 8, 2012, counsel advised USDE's counsel that unless the School District heard back from them on the equitable offset documentation by July 1, 2012, the School District would ask the Administrative Law Judge (ALJ) to reinstate the briefing schedule. On August 1, 2012, the tribunal granted PDE's motion to reinstate the briefing schedule. PDE filed its initial brief on September 28, 2012. USDE's counsel filed its brief on October 27, 2012. PDE then filed the reply brief on November 21, 2012. The Administrative Law Judge (ALJ) may issue the decision entirely on the basis of the briefs, or may schedule an evidentiary hearing or oral argument. To date, no oral argument or evidentiary hearing has been requested or scheduled. Once the initial decision is rendered by the ALJ, either party may request a review of that initial decision by the Secretary. The Secretary may affirm, remand or set aside the ALJ decision. The Secretary's final decision may be appealed to the U.S. Court of Appeals for the Third Circuit.

On September 29, 2011, USDE issued a second PDL ("September PDL") seeking a recovery of approximately \$2.5 million based on finding 1. The September PDL was not timely appealed by PDE. However, the September PDL invited PDE to present evidence of the amount barred by the statute of limitations. With regard to the September PDL, PDE and the School District have assembled documentation demonstrating the application of the statute of limitations. USDE will then review the documentation and indicate what costs USDE agrees are barred by the statute of limitations.

In August 2012, a third PDL was issued ("August PDL"). The August PDL addressed portions of findings 4 and 5, but did not seek a recovery of funds.

On December 19, 2012, USDE, by Program Review letter, requested the School District provide additional documentation in support of questioned expenditures, totaling \$341,693, charged to the GEAR UP grant. The School District is gathering these materials to provide to USDE by January 30, 2013. To date, USDE has not issued a formal determination regarding these expenditures.

Therefore, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the School District or whether such repayments could have a material adverse effect on the financial condition of the School District. In the opinion of the outside counsel, with regard to the March PDL and the September PDL, the likelihood of a recovery by the U.S. Government in the amount of \$9.6 million is remote.

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

Pursuant to resolutions of the School Reform Commission, the School District implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan (collectively, the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees resigning or retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees resigning or retiring on and after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who resign or retire during or after the calendar year in which they attain age 55. Based on the advice of legal counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to Federal income tax, FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax when contributed to the 403(b) Plan. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Federal income tax, 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 contribution of termination pay to the 403(b) and 457(b) Plans, 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 in fact following the policy [relating to the employer contribution of termination pay to the 403(b) Plan] as it was revised in 2005, [and] therefore no Federal employment tax liability exists." The School District management believes that if it were finally determined that any liability for State or City taxes (including interest and penalties) relating to these plans existed at June 30, 2012, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2012.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

- 1) Effective October 1, 2012, the city offered an employee compensation package to employees in the following classes: exempts, non-represented and DC 47 - Local 2186 offering a 2.5% wage increase and reinstatement of steps and longevity. In addition, medical co-payments will be increased for HMO plan participants while the Point of Service plan will no longer be offered. The wage increase and reinstatement of steps and longevity have been approved by the Civil Service Commission. An ordinance has been sent to City Council that would do the following: (1) mandate all new hires in the covered groups (exempts, non-reps and Local 2186, courts and elected officials) go into Plan 10; (2) give existing employees a window to elect to move from their current plan to Plan 10; (3) increase the employee contribution to pension for current employees in Plan 87 from 30% of normal cost to 50% of normal cost; (4) increase the employee contribution to pension for current employees in Plan 67 to the greater of 6% or 50% of the normal cost; and (5) implement the pension changes in the interest arbitration awards for Local 810 (Courts) and Local 159 (Prisons). Plan 10 is a hybrid pension combining the defined benefit and combined contribution components.
- 2) Through January 11, 2013 drawdowns totaling \$14.4 million represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for: Water Treatment Plant (\$3.08 million); Sewer Piping Replacement (\$6.5 million); Water Main Replacement (\$4.7 million); Green Infrastructure (\$.1 million).
- 3) In December 2012 the city issued \$127 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2012-2013 to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses if 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, 2013.
- 4) 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 Bonds, Series 2001A and Series 2001B maturing after November 1, 2012 and pay the costs of issuance related to the Bonds.
- 5) The City is in the process of completing the Actual Valuation (AVI) which involves reassessing every property in the City and setting assessed values at market rates to create a fair assessment system upon which to base property taxation. This will be the City's first full reassessment in decades and will ensure that every property owner has fair, accurate and understandable assessments. As properties are now assessed at only a fraction (32%) of their actual value, and assessments have often not kept up with changes in value, this process will result in substantial increases in properties' assessed values. The Administration proposes several changes to ensure that property owners tax burdens will not be significantly impacted. The Administration proposes to reduce millage rate when AVI is complete. The new rate will generate at least the amount of revenues needed to meet the property tax revenue projections in the Five Year Plan and will capture the net increase in property values that occurred during the years when the city was not doing comprehensive reassessments.
- 6) In May 2012, City Council introduced Ordinance #120177 and Resolution #120188 that would require a ballot referendum that will appear on the November ballot, which would amend the Charter to allow City Council to establish an independent ratemaking body to be responsible for fixing and regulating rates and charges for water and sewer services; and establish open and transparent processes and procedures for fixing and regulating said rates and charges. This Ordinance was enacted and the Resolution was adopted in May 2012, and the referendum question was included on the ballot for consideration by the voters in November 2012. The amendment of the Charter was approved by referendum and City Council is now authorized to adopt an ordinance to implement a new ratemaking agency. Prospective rates established by a new rate-making agency would be subject to the Act and the covenants and requirements of the General Ordinance, including the Rate Covenant. Any revisions to the rate process are planned for future rate proceedings applicable to Fiscal Year 2016 and future years.
- 7) DC 47 filed a grievance challenging the City's failure to provide step increases and longevity pay increases after the collective bargaining agreement expired, while negotiations over a new agreement continue. The arbitrator denied the grievance, Common Pleas affirmed, and DC 47 has appealed to Commonwealth Court. The Commonwealth Court affirmed the Common Pleas Court and, so far, no action has been taken.

B. COMPONENT UNITS

- 1) 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 (\$106.9 million) and April 1, 2014 (\$124.3 million). PAID issued the bonds at the request of the City of Philadelphia and the proceeds will be used to finance the repayment of the city's minimum municipal funding obligation deferred under 53 P.S. section 895.1002 in the amount of \$230 million and payment of the costs of issuance of the Bonds.
- 2) In December 2012, PAID issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of 299.8 million. The Series 2012 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 plan is to (i) refund outstanding Pension Funding Bonds Series 1999B, (ii) fund capitalized interest on the Bonds through April 15, 2020, (iii) make a deposit to the City Retirement System and (iv) pay the cost of issuance of the Bonds.
- 3) In August 2012, Philadelphia Gas Works deposited funds into an escrow account to defease a portion of their outstanding bonds. The amounts deposited into the escrow account will be held as cash or used to purchase U.S. Government obligations which would mature on the payment dates of the bonds being defeased. The total escrow cost came to \$20.9 million. The principal payments that were defeased and their related bond issues are listed below:

- \$3,090,000 of Fourth series principal maturing on August 1, 2013.
- \$2,865,000 of Fifth Series A-1 principal due on September 1, 2012.
- \$6,105,000 of Seventh Series principal maturing on October 1, 2012.
- \$5,315,000 of Eighth Series principal maturing on August 1, 2013.
- \$2,855,000 of Ninth Series principal maturing on August 1, 2013.

4) Tax and Revenue Anticipation Notes

On July 3, 2012 the School District issued annual tax and revenue anticipation notes for cyclical cash flow purposes for Fiscal Year 2013 in the aggregate principal amount of \$500.0 million (the "FY 2013 Notes"). The FY2013 Notes mature on June 28, 2013.

5) Tax Bills for Fiscal Year 2013

On June 30, 2012, City Council enacted Ordinance (Bill No.) 120175-AA and on July 5, 2012, the Commonwealth enacted Act 131 both of which provide that assessed values for tax year 2011 are to be used for determining real estate and use and occupancy tax bills for tax year 2013, using a predetermined ratio of 32%.

6) Five-Year Financial Plan

On September 10, 2012, the School Reform Commission approved a five-year financial plan ("Financial Plan") designed to bring the School District's Operating Budget into structural balance over the five-year period. The Financial Plan assumes a borrowing of \$300 million in Fiscal Year 2013 to provide revenues to balance the Fiscal Year 2013 budget.

7) School Lease Revenue Bonds

On November 28, 2012, the State Public School Building Authority (SPSBA) issued \$264,995,000 aggregate principal amount of fixed rate school lease revenue bonds for the benefit of the School District. The bonds mature in serial installments over a 20-year period. The proceeds, including a premium of \$36,908,311, are to be used to fund District operations in FY2013 as well as pay the costs of issuance. It is expected that a portion of the proceeds will be available to fund certain operating expenses in FY2014.

8) Actual Value Initiative ("AVI")

The City has begun the work of reassessing approximately 577,000 parcels to more nearly approximate the market values of such properties for assessing taxes in Fiscal Year 2014, and thereafter.

On October 24, 2012, Act 160 was enacted by the Commonwealth at the City's request, to permit downward adjustments to the School District millage rates in the face of higher assessments which would have been otherwise prohibited by state law absent the amendment contained in Act 160. Act 160 provides, among other things, that for the year in which the City first certifies the total assessed value of all real property in the City at its full market value (the "reassessment year") and the two years thereafter, the rate of any real estate based tax authorized by City Council for the School District would be set to yield an amount equal to or greater than the highest yield of the taxes authorized by City Council during any of the three full preceding years prior to the reassessment year.

Act 160 also limits the amount of millage that the School District may levy directly through legislative authorization by the General Assembly (currently at 16.75 mills) once the full value assessments are in use. In the third and fourth years following the reassessment year, the rate of any real estate based tax authorized by City Council to be levied by the School District shall not be less than the rate authorized in the immediately preceding year.



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, 2012

Exhibit XIV

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>				
Tax Revenue	2,539,452	2,537,147	2,570,445	33,298
Locally Generated Non-Tax Revenue	259,959	251,544	256,694	5,150
Revenue from Other Governments	651,800	704,879	715,873	10,994
Revenue from Other Funds	51,510	53,028	48,341	(4,687)
Total Revenues	3,502,721	3,546,598	3,591,353	44,755
<u>Expenditures and Encumbrances</u>				
Personal Services	1,330,088	1,328,959	1,318,984	9,975
Pension Contributions	554,431	547,804	547,804	-
Other Employee Benefits	468,272	518,353	518,446	(93)
Sub-Total Employee Compensation	2,352,791	2,395,116	2,385,234	9,882
Purchase of Services	758,994	764,214	760,819	3,395
Materials and Supplies	64,864	68,916	68,588	328
Equipment	14,096	11,445	11,329	116
Contributions, Indemnities and Taxes	117,544	118,365	118,048	317
Debt Service	130,739	111,524	111,334	190
Payments to Other Funds	27,066	29,550	29,523	27
Advances, Subsidies, Miscellaneous	4,000	-	-	-
Total Expenditures and Encumbrances	3,470,094	3,499,130	3,484,875	14,255
Operating Surplus (Deficit) for the Year	32,627	47,468	106,478	59,010
Fund Balance Available for Appropriation, July 1, 2011	3,454	92	92	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	24,500	24,500	40,265	15,765
Revenue Adjustments - Net	-	-	(76)	(76)
Prior Period Adjustments	-	-	(5)	(5)
Other Adjustments	-	(1,850)	-	1,850
Adjusted Fund Balance, July 1, 2011	27,954	22,742	40,276	17,534
Fund Balance Available for Appropriation, June 30, 2012	60,581	70,210	146,754	76,544

* 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, 2012

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	5,000	1,500	812	(688)
Revenue from Other Governments	<u>840,154</u>	<u>822,980</u>	<u>799,872</u>	<u>(23,108)</u>
Total Revenues	845,154	824,480	800,684	(23,796)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(15,828)	(15,828)
Increase in Financed Reserves	<u>-</u>	<u>-</u>	<u>(1,653)</u>	<u>(1,653)</u>
Total Revenues and Other Sources	<u>845,154</u>	<u>824,480</u>	<u>783,203</u>	<u>(41,277)</u>
<u>Expenditures and Encumbrances</u>				
Purchase of Services	917,828	917,023	825,356	91,667
Equipment	100	100	-	100
Payments to Other Funds	<u>1,226</u>	<u>2,031</u>	<u>2,030</u>	<u>1</u>
Total Expenditures and Encumbrances	<u>919,154</u>	<u>919,154</u>	<u>827,386</u>	<u>91,768</u>
Operating Surplus (Deficit) for the Year	<u>(74,000)</u>	<u>(94,674)</u>	<u>(44,183)</u>	<u>50,491</u>
Fund Balance Available for Appropriation, July 1, 2011	-	46,252	46,252	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	23,095	23,095
Other Adjustments	<u>74,000</u>	<u>10,748</u>	<u>-</u>	<u>(10,748)</u>
Adjusted Fund Balance, July 1, 2011	<u>74,000</u>	<u>57,000</u>	<u>69,347</u>	<u>12,347</u>
Fund Balance Available for Appropriation, June 30, 2012	<u>-</u>	<u>(37,674)</u>	<u>25,164</u>	<u>62,838</u>

* 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, 2012

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	74,761	77,951	42,676	(35,275)
Revenue from Other Governments	1,458,407	1,232,808	834,007	(398,801)
Total Revenues	1,533,168	1,310,759	876,683	(434,076)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(6,543)	(6,543)
Decrease in Financed Reserves	-	-	17,050	17,050
Total Revenues and Other Sources	1,533,168	1,310,759	887,190	(423,569)
<u>Expenditures and Encumbrances</u>				
Personal Services	172,316	196,993	145,159	51,834
Pension Contributions	19,903	34,044	27,231	6,813
Other Employee Benefits	56,330	44,062	30,964	13,098
Sub-Total Employee Compensation	248,549	275,099	203,354	71,745
Purchase of Services	1,092,486	1,067,218	816,265	250,953
Materials and Supplies	38,474	22,128	13,755	8,373
Equipment	-	15,559	4,846	10,713
Contributions, Indemnities and Taxes	-	10	10	-
Payments to Other Funds	33,658	40,016	33,940	6,076
Advances, Subsidies, Miscellaneous	120,001	79,601	-	79,601
Total Expenditures and Encumbrances	1,533,168	1,499,631	1,072,170	427,461
Operating Surplus (Deficit) for the Year	-	(188,872)	(184,980)	3,892
Fund Balance Available for Appropriation, July 1, 2011	-	(34,270)	(34,270)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	52,631	52,631
Revenue Adjustments - Net	-	-	(8,463)	(8,463)
Prior Period Adjustments	-	34,270	-	(34,270)
Adjusted Fund Balance, July 1, 2011	-	-	9,898	9,898
Fund Balance Available for Appropriation, June 30, 2012	-	(188,872)	(175,082)	13,790

* Refer to the notes to required supplementary information.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll (b - a) / c</u>
<u>City of Philadelphia Municipal Pension Plan</u>						
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
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%
<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%
<hr/>						
<u>Philadelphia Gas Works Pension Plan</u>						
09/01/2005	383.5	450.8	67.3	85.07%	102.5	65.66%
09/01/2006	411.9	474.3	62.4	86.84%	106.0	58.87%
09/01/2007	416.2	482.4	66.2	86.28%	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%

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	3,591,352	800,684	876,683
Transfers	(333,694)	-	-
Program Income	-	-	69,479
Adjustments applicable to Prior Years Activity	-	-	(5)
Change in Amount Held by Fiscal Agent	285	-	-
Change in BPT Adjustment	(8,261)	-	-
Other	(76)	-	(685)
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,249,606</u>	<u>800,684</u>	<u>945,472</u>
<u>Expenditures and Encumbrances</u>			
Budgetary Comparison Schedule	3,484,874	827,386	1,072,170
Transfers	(153,665)	-	(32,130)
Bond Issuance Costs	1,090	-	-
Expenditures applicable to Prior Years Budgets	41,144	(6,467)	31,886
Program Income	-	-	69,479
Other	5	-	9,326
Change in Amount Held by Fiscal Agent	3,966	-	-
Current Year Encumbrances	(59,199)	(799)	(77,974)
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,318,215</u>	<u>820,120</u>	<u>1,072,757</u>

**Other
Supplementary
Information**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

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

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

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

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

CAPITAL IMPROVEMENT FUNDS

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

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

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

PERMANENT FUNDS

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

LIBRARIES & PARKS - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

Amounts in thousands of USD

	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	-	-	-	-	-	-	-	-	-	-	5,513	405	32,186	38,104
Equity in Treasurer's Account	3,149	22,428	7,165	-	5,929	11,612	10,294	34	4,747	-	1,438	-	-	66,796
Investments	-	-	-	-	-	-	-	-	-	-	1,034	100	8,172	9,306
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	460	-	-	460
Taxes Receivable	-	-	5,189	-	511	-	2,317	-	-	-	-	-	4,665	12,682
Accounts Receivable	-	-	-	3,193	-	-	-	-	-	-	-	6,147	-	9,340
Due from Other Governmental Units	-	-	-	6,040	-	-	-	-	-	-	-	-	-	6,040
Allowance for Doubtful Accounts	-	-	(266)	-	(5)	-	(1,816)	-	-	-	-	-	-	(2,087)
Interest and Dividends Receivable	-	-	-	-	1	-	-	-	-	-	-	-	8	9
Other Assets	-	-	-	-	-	-	-	-	-	-	547	-	20	567
Total Assets	3,149	22,428	12,088	9,233	6,436	11,612	10,795	34	4,747	-	8,992	6,652	45,051	141,217
Liabilities and Fund Balances														
Liabilities:														
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	212	-	805	-	197	66	-	-	-	147	-	-	1,500
Accounts Payable	570	1,629	1,787	4,934	-	313	1,186	-	73	-	896	6,346	124	17,785
Salaries and Wages Payable	-	-	-	142	-	-	64	-	-	-	-	-	25	231
Due to Other Funds	-	-	-	2,864	-	-	-	-	27	-	388	-	4,666	7,945
Due to Component Units	-	-	-	529	-	573	-	-	-	-	-	-	-	1,102
Funds Held in Escrow	-	-	-	-	-	-	-	-	447	-	762	-	-	1,209
Deferred Revenue	-	-	-	6,444	-	-	8	-	-	-	-	-	-	6,452
Total Liabilities	570	1,841	1,787	15,718	-	1,083	1,324	-	547	-	2,193	6,346	4,815	36,224
Fund Balances:														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,579	20,587	10,301	-	6,436	10,529	9,471	-	-	-	5,743	306	40,236	106,188
Committed	-	-	-	-	-	-	-	34	4,200	-	856	-	-	5,090
Unassigned	-	-	-	(6,485)	-	-	-	-	-	-	-	-	-	(6,485)
Total Fund Balances	2,579	20,587	10,301	(6,485)	6,436	10,529	9,471	34	4,200	-	6,799	306	40,236	104,993
Total Liabilities and Fund Balances	3,149	22,428	12,088	9,233	6,436	11,612	10,795	34	4,747	-	8,992	6,652	45,051	141,217

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2012

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	-	-	31,520	31,520	-	-	-	2,831	72,455
Equity in Treasurer's Account	1,322	-	-	1,322	110,623	-	110,623	-	178,741
Investments	-	11	49,588	49,599	-	47,777	47,777	2,695	109,377
Due from Other Funds	-	-	-	-	-	-	-	-	460
Taxes Receivable	-	-	-	-	-	-	-	-	12,682
Accounts Receivable	-	-	-	-	-	-	-	-	9,340
Due from Other Governmental Units	-	-	-	-	31,063	-	31,063	-	37,103
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(2,087)
Interest and Dividends Receivable	-	-	5	5	33	8	41	-	55
Other Assets	-	-	-	-	-	-	-	1	568
Total Assets	1,322	11	81,113	82,446	141,719	47,785	189,504	5,527	418,694
Liabilities and Fund Balances									
Liabilities:									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	5,665	-	5,665	-	7,165
Accounts Payable	-	-	-	-	22,177	5,441	27,618	14	45,417
Salaries and Wages Payable	-	-	-	-	81	-	81	-	312
Due to Other Funds	-	-	-	-	-	-	-	72	8,017
Due to Component Units	-	-	-	-	-	-	-	-	1,102
Funds Held in Escrow	-	-	-	-	1,845	-	1,845	-	3,054
Deferred Revenue	-	-	-	-	25,811	-	25,811	-	32,263
Total Liabilities	-	-	-	-	55,579	5,441	61,020	86	97,330
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	2,414	2,614
Restricted	1,322	11	81,113	82,446	86,140	42,344	128,484	3,027	320,145
Committed	-	-	-	-	-	-	-	-	5,090
Unassigned	-	-	-	-	-	-	-	-	(6,485)
Total Fund Balances	1,322	11	81,113	82,446	86,140	42,344	128,484	5,441	321,364
Total Liabilities and Fund Balances	1,322	11	81,113	82,446	141,719	47,785	189,504	5,527	418,694

Schedule II

	Total	
	550,073	
	32,422	
	73,119	
	9,164	
	664,778	
	43,914	
	24,900	
	1,388	
	135,330	
	66,746	
	5,149	
	182	
	45,995	
	-	
	-	
	-	
	-	
	-	
	37,669	
	(375,522)	
	(337,853)	
	3,321	
	101,672	
	-	
	101,672	
	104,993	

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, 2012

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, 2012											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		
Revenues											
Tax Revenue	-	-	-	-	-	-	-	-	-	550,073	
Locally Generated Non-Tax Revenue	-	715	3,489	4,204	-	1,705	1,705	98	98	38,429	
Revenue from Other Governments	-	-	-	-	35,087	-	35,087	-	-	108,206	
Other Revenues	-	-	-	-	989	-	989	-	-	10,153	
Total Revenues	-	715	3,489	4,204	36,076	1,705	37,781	98	98	706,861	
Expenditures											
Current Operating:											
Economic Development	-	-	-	-	-	-	-	-	-	43,914	
Transportation:											
Streets & Highways	-	-	-	-	-	-	-	-	-	24,900	
Judiciary and Law Enforcement:											
Prisons	-	-	-	-	-	-	-	-	-	1,388	
Conservation of Health:											
Health Services	-	-	-	-	-	-	-	-	-	135,330	
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	-	66,746	
Cultural and Recreational:											
Parks & Recreation	-	-	-	-	-	-	-	-	-	5,246	
Libraries and Museums	-	-	-	-	-	-	-	-	-	236	
Improvements to General Welfare:											
Service to Property:											
General Management and Support	-	-	-	-	133,554	68,430	10	-	-	46,005	
Capital Outlay											
Debt Service:											
Principal	40,745	20,587	41,775	103,107	-	-	-	-	-	103,107	
Interest	67,134	13,477	24,609	105,220	-	-	-	-	-	105,220	
Bond Issuance Cost	381	-	-	381	-	168	168	-	-	549	
Total Expenditures	108,260	34,064	66,384	208,708	133,554	68,608	202,162	151	151	734,625	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(108,260)	(33,349)	(62,895)	(204,504)	(97,478)	(66,903)	(164,381)	(53)	(53)	(27,764)	
Other Financing Sources (Uses)											
Issuance of Debt	-	-	-	-	-	-	-	-	-	12,605	
Issuance of Refunding Bonds	21,295	-	-	21,295	-	12,605	12,605	-	-	21,295	
Bond Issuance Premium	3,758	-	-	3,758	-	442	442	-	-	4,200	
Bond Defeasance	(24,670)	-	-	(24,670)	-	-	-	-	-	(24,670)	
Transfers In	106,678	33,349	63,736	203,763	10,170	13,929	24,099	-	-	265,531	
Transfers Out	-	-	-	-	(12,000)	-	(12,000)	-	-	(387,522)	
Total Other Financing Sources (Uses)	107,061	33,349	63,736	204,146	(1,830)	26,976	25,146	-	-	(108,561)	
Net Change in Fund Balances	(1,199)	-	841	(358)	(99,308)	(39,927)	(139,235)	(53)	(53)	(136,325)	
Fund Balance - July 1, 2011	2,521	11	80,272	82,804	185,448	82,271	267,719	5,494	5,494	457,689	
Adjustment	-	-	-	-	-	-	-	-	-	-	
Fund Balance Adjusted - July 1, 2011	2,521	11	80,272	82,804	185,448	82,271	267,719	5,494	5,494	457,689	
Fund Balance - June 30, 2012	1,322	11	81,113	82,446	86,140	42,344	128,484	5,441	5,441	321,364	

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2012

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Assets</u>			
Equity in Treasurer's Account	430,004	3,919,072	4,349,076
Securities Lending Collective Investment Pool	9,476	407,008	416,484
Allowance for Unrealized Loss	-	(1,860)	(1,860)
Accounts Receivable	-	3,052	3,052
Due from Brokers for Securities Sold	4,819	243,295	248,114
Interest and Dividends Receivable	1,569	17,868	19,437
Due from Other Governmental Units	-	2,442	2,442
	<hr/>	<hr/>	<hr/>
Total Assets	445,868	4,590,877	5,036,745
<u>Liabilities</u>			
Vouchers Payable	-	9	9
Accounts Payable	514	4,315	4,829
Salaries and Wages Payable	-	57	57
Funds Held in Escrow	-	9	9
Due on Return of Securities Loaned	9,476	407,008	416,484
Due to Brokers for Securities Purchased	4,306	251,978	256,284
Accrued Expenses	11,299	2,224	13,523
Deferred Revenue	-	2,004	2,004
Other Liabilities	-	456	456
	<hr/>	<hr/>	<hr/>
Total Liabilities	25,595	668,060	693,655
	<hr/>	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	420,273	3,922,817	4,343,090

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2012

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Additions</u>			
Contributions:			
Employer's Contributions	23,802	556,031	579,833
Employees' Contributions	<u>35</u>	<u>49,979</u>	<u>50,014</u>
Total Contributions	<u>23,837</u>	<u>606,010</u>	<u>629,847</u>
Investment Income:			
Interest and Dividends	12,799	86,168	98,967
Net Decline in Fair Value of Investments	(10,807)	(57,720)	(68,527)
(Less) Investments Expenses	(2,147)	(13,291)	(15,438)
Securities Lending Revenue	-	2,076	2,076
Securities Lending Unrealized Loss	-	(1,860)	(1,860)
(Less) Securities Lending Expenses	<u>-</u>	<u>(852)</u>	<u>(852)</u>
Net Investment Gain (Loss)	<u>(155)</u>	<u>14,521</u>	<u>14,366</u>
Miscellaneous Operating Revenues	-	-	-
Total Additions	<u>23,682</u>	<u>620,531</u>	<u>644,213</u>
<u>Deductions</u>			
Pension Benefits	39,844	706,184	746,028
Refunds of Members' Contributions	-	6,500	6,500
Administrative Expenses Paid	1,007	-	1,007
Other Operating Expenses	<u>-</u>	<u>15,246</u>	<u>15,246</u>
Total Deductions	<u>40,851</u>	<u>727,930</u>	<u>768,781</u>
Change in Net Assets	(17,169)	(107,399)	(124,568)
Net Assets - July 1, 2011	<u>437,442</u>	<u>4,030,216</u>	<u>4,467,658</u>
Net Assets - June 30, 2012	<u><u>420,273</u></u>	<u><u>3,922,817</u></u>	<u><u>4,343,090</u></u>

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2012

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	-	-	104,934	104,934
Equity in Treasurer's Account	17,494	24,741	-	42,235
Investments	-	-	9,676	9,676
Due from Other Funds	-	-	826	826
	<u>-</u>	<u>-</u>	<u>826</u>	<u>826</u>
Total Assets	<u>17,494</u>	<u>24,741</u>	<u>115,436</u>	<u>157,671</u>
<u>Liabilities</u>				
Vouchers Payable	3,042	90	-	3,132
Payroll Taxes Payable	-	14,589	-	14,589
Funds Held in Escrow	14,452	10,062	115,436	139,950
	<u>14,452</u>	<u>10,062</u>	<u>115,436</u>	<u>139,950</u>
Total Liabilities	<u>17,494</u>	<u>24,741</u>	<u>115,436</u>	<u>157,671</u>
Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2012

Schedule VI

Amounts in thousands of USD

	Balance 7-1-2011	Additions	Deductions	Balance 6-30-2012
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	30,744	394,056	407,306	17,494
<u>Liabilities</u>				
Funds Held in Escrow	30,742	394,056	410,346	14,452
Vouchers Payable	2	26,345	23,305	3,042
Total Liabilities	30,744	420,401	433,651	17,494
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	14,921	866,555	856,735	24,741
<u>Liabilities</u>				
Vouchers Payable	604	10,751	11,265	90
Accounts Payable	246	-	246	-
Payroll Taxes Payable	3,234	767,982	756,627	14,589
Funds Held in Escrow	10,837	119,871	120,646	10,062
Total Liabilities	14,921	898,604	888,784	24,741
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	136,099	152,495	183,660	104,934
Investments	11,910	9,676	11,910	9,676
Due from Other Funds	866	-	40	826
Total Assets	148,875	162,171	195,610	115,436
<u>Liabilities</u>				
Funds Held in Escrow	148,875	162,171	195,610	115,436
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	136,099	152,495	183,660	104,934
Equity in Treasurer's Account	45,665	1,260,611	1,264,041	42,235
Investments	11,910	9,676	11,910	9,676
Due from Other Funds	866	-	40	826
Total Assets	194,540	1,422,782	1,459,651	157,671
<u>Liabilities</u>				
Vouchers Payable	606	37,096	34,570	3,132
Accounts Payable	246	-	246	-
Payroll Taxes Payable	3,234	767,982	756,627	14,589
Funds Held in Escrow	190,454	676,098	726,602	139,950
Total Liabilities	194,540	1,481,176	1,518,045	157,671

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2012

Schedule VII

Amounts in USD

General Obligation Bonds:

Term Bonds

Original Authorization	Date of Issuance	Issued	Fiscal 2012 Outstanding	Maturities	Interest Rates	FY 2013 Debt Service Requirements Interest	Principal
97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5	26,599	-
7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5	361,126	-
11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5	551,222	-
10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5	506,553	-
113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,865,987	-
30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,141,244	-
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		270,745,000	270,745,000			17,475,612	-
Refunding Issues							
188,910,000	12/20/2007	188,910,000	170,290,000	08/2012 to 08/2019	5.00 to 5.25	8,369,338	10,770,000
195,170,000	5/01/2008	195,170,000	192,985,000	12/2012 to 12/2032	4.00 to 5.25	10,022,537	100,000
237,025,000	8/13/2009	237,025,000	237,025,000	08/2019 to 08/2031	4.25 to 5.50	12,030,260	-
100,000,000	8/13/2009	100,000,000	100,000,000	08/2027 to 08/2031	variable	3,829,000	-
114,570,000	4/19/2011	114,570,000	100,205,000	08/2012 to 08/2020	2.00 to 5.25	4,069,323	20,795,000
21,295,000	5/8/2012	21,295,000	21,295,000	9/2014 to 9/2021	5	907,995	-
Total Refunding Bonds		856,970,000	821,800,000			39,228,453	31,665,000
Serial Bonds							
99,400,449 ¹	07/27/2006	3,472,002	3,013,251	8/2012 to 8/2029	4.50 to 5.125	146,790	106,085
12,165,000	12/02/2003	12,165,000	3,324,694	02/2013 to 02/2014	5.25	174,547	1,662,955
84,972,482	12/02/2003	37,835,000	10,340,306	02/2013 to 02/2014	5.25	542,866	5,172,045
¹	07/27/2006	47,137,482	40,909,278	8/2012 to 8/2029	4.50 to 5.125	1,992,891	1,440,256
71,950,563 ¹	07/27/2006	71,950,563	62,443,846	8/2012 to 8/2029	4.50 to 5.125	3,041,945	2,198,405
66,119,963 ¹	07/27/2006	66,119,963	57,383,625	8/2012 to 8/2029	4.50 to 5.125	2,795,437	2,020,254
16,086,110 ¹	01/06/2009	16,086,110	11,236,303	7/2012 to 7/2018	4.50 to 6	561,412	1,831,451
4,378,890 ¹	01/06/2009	4,378,890	3,058,697	7/2012 to 7/2018	4.50 to 6	152,825	498,549
5,950,427 ¹	04/19/2011	5,950,427	5,950,427	8/2012 to 8/2026	4.00 to 5.375	292,637	275,838
16,192,628 ¹	04/19/2011	16,192,628	16,192,628	8/2012 to 8/2026	4.00 to 5.375	796,338	750,626
19,706,945 ¹	04/19/2011	19,706,945	19,706,945	8/2012 to 8/2026	4.00 to 5.375	969,169	913,536
Total Serial Bonds		300,995,000	233,560,000			11,466,857	16,870,000
Total General Obligation Bonds		1,428,710,000	1,326,105,000			68,170,922	48,535,000

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2012

Schedule VII

Amounts in USD

Revenue Bonds:

Water and Sewer Revenue Bonds:		Original Authorization	Date of Issuance	Issued	Fiscal 2012 Outstanding	Maturities	Interest Rates	FY 2013 Debt Service Requirements	Principal
								Interest	
Series 1995	221,630,000	04/15/1995	221,630,000	13,550,000	08/2012 to 08/2018	6.25	423,438	13,550,000	
Series 1997 B	100,000,000 ²	11/25/1997	100,000,000	70,100,000	08/2012 to 08/2027	Variable rates	114,191	3,100,000	
Series 1998	135,185,000	12/25/1998	135,185,000	108,335,000	12/2012 to 12/2014	5.25	4,788,919	34,235,000	
Series 1999 A	6,700,000	N.A.	6,700,000	564,623	07/2012 to 04/2019	2.73	14,460	76,205	
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	90,445,000	11/2012 to 11/2028	3.8 to 5.50	4,385,100	8,030,000	
Series 2005 A	250,000,000	05/04/2005	250,000,000	225,595,000	07/2012 to 07/2035	3.00 to 5.25	11,248,663	5,015,000	
Series 2005 B	86,105,000 ²	05/04/2005	86,105,000	82,445,000	08/2012 to 08/2018	Variable rates	3,724,566	450,000	
Series 2007 A	191,440,000	05/09/2007	191,440,000	152,865,000	8/2012 to 8/2027	4.5 to 5	7,150,700	7,730,000	
Series 2007 B	153,595,000	05/09/2007	153,595,000	140,000,000	11/2012 to 11/2031	4.00 to 5.00	6,941,875	225,000	
Series 2009 A	325,000,000	05/21/2009	140,000,000	152,680,000	01/2017 to 01/2033	4.00 to 5.75	7,294,037	-	
Series 2010C		08/05/2010	185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	9,022,250	-	
Series 2010A	396,460,000	4/15/2010	396,460,000	343,645,000	06/2013 to 6/2019	3.00 to 5.00	16,409,385	44,860,000	
Series 2009B	42,886,030	10/14/2009	22,827,986	22,827,986	07/2013 to 07/2033	1.193	269,315	761,427	
Series 2009C	57,288,193	10/14/2009	35,666,542	35,666,542	07/2013 to 07/2033	1.193	416,834	1,588,578	
Series 2009D	84,759,263	3/31/2010	64,380,070	64,380,070	07/2013 to 07/2033	1.193	759,529	2,147,395	
Series 2010B	30,000,000	2/16/2011	8,111,482	8,111,482	07/2014 to 07/2034	1.193	96,770	-	
Series 2011A	135,000,000	11/16/2011	135,000,000	135,000,000	1/2036 to 1/2041	4.5 to 5	7,579,125	-	
Series 2011B	49,855,000	11/16/2011	49,855,000	49,855,000	11/2016 to 11/2026	4.5 to 5	2,460,500	-	
Total Water Revenue Bonds	2,551,803,486		2,467,876,080	1,881,065,704			83,099,657	121,768,605	

Aviation Revenue Bonds:

Series 1998 B	443,700,000	07/01/1998	443,700,000	5,000	07/2028	5.125	256	-	
Series 2005 C	189,500,000 ²	06/02/2005	189,500,000	155,900,000	06/2013 to 06/2025	Variable rates	8,071,726	7,500,000	
Series 2005 A	124,985,000	08/04/2005	117,605,000	114,900,000	06/2013 to 06/2035	4.20 to 5.50	5,475,455	2,840,000	
Series 2007 A	172,470,000	08/16/2008	172,470,000	166,000,000	06/2013 to 06/2037	5	8,300,000	3,480,000	
Series 2007 B	82,915,000	08/16/2008	82,915,000	66,660,000	06/2013 to 06/2027	5	3,333,000	3,595,000	
Series 2009 A	45,715,000	04/14/2009	45,715,000	42,350,000	06/2013 to 06/2029	3.00 to 5.375	1,993,666	1,755,000	
Series 2010A	273,065,000	11/15/2010	273,065,000	273,065,000	06/2013 to 06/2040	2.00 to 5.25	13,599,613	5,000	
Series 2010B	24,395,000	11/15/2010	24,395,000	15,175,000	06/2013 to 06/2015	5.00	758,750	4,815,000	
Series 2010C	54,730,000	11/15/2010	54,730,000	47,945,000	06/2013 to 06/2018	5.00	2,397,250	7,050,000	
Series 2010D	272,475,000	11/15/2010	272,475,000	259,035,000	06/2013 to 06/2028	4.00 to 5.25	12,941,850	13,450,000	
Series 2011A	199,040,000	12/14/2011	199,040,000	192,975,000	06/2013 to 06/2028	4.00 to 5.00	9,535,406	5,775,000	
Series 2011B	34,790,000	12/14/2011	34,790,000	32,920,000	06/2013 to 06/2031	2.00 to 5.00	1,391,019	1,200,000	
Total Aviation Revenue Bonds	1,917,780,000		1,910,400,000	1,366,920,000			67,797,991	51,465,000	
Total Revenue Bonds	4,469,583,486		4,378,276,080	3,247,985,704			150,897,648	173,233,605	
Total All Bonds	6,091,183,486		5,806,986,080	4,574,090,704 ³			219,068,570	221,768,605	

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		Revenue Bonds	Total
General Fund Types:			
General Fund	1,326,105,000	-	1,326,105,000
Proprietary Fund Types:			
Water Fund	-	1,881,065,704	1,881,065,704
Aviation Fund	-	1,366,920,000	1,366,920,000
Total Proprietary Funds	-	3,247,985,704	3,247,985,704
Total All Funds	1,326,105,000	3,247,985,704	4,574,090,704

City of Philadelphia
 Budgetary Comparison Schedule
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2012

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	567,080	563,661	560,312	(3,349)
Revenue from Other Governments	3,000	2,600	3,192	592
Revenue from Other Funds	70,160	57,675	28,985	(28,690)
Total Revenues	640,240	623,936	592,489	(31,447)
<u>Expenditures and Encumbrances</u>				
Personal Services	113,259	113,259	100,907	12,352
Pension Contributions	52,672	52,809	48,613	4,196
Other Employee Benefits	43,130	42,993	38,395	4,598
Sub-Total Employee Compensation	209,061	209,061	187,915	21,146
Purchase of Services	144,339	144,339	129,135	15,204
Materials and Supplies	46,993	45,740	42,726	3,014
Equipment	5,263	6,516	3,187	3,329
Contributions, Indemnities and Taxes	6,603	6,603	3,047	3,556
Debt Service	196,177	196,177	192,423	3,754
Payments to Other Funds	51,804	51,804	54,858	(3,054)
Total Expenditures and Encumbrances	660,240	660,240	613,291	46,949
Operating Surplus (Deficit) for the Year	(20,000)	(36,304)	(20,802)	15,502
Fund Balance Available for Appropriation, July 1, 2011	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	20,000	20,000	20,802	802
Adjusted Fund Balance, July 1, 2011	20,000	20,000	20,802	802
Fund Balance Available for Appropriation, June 30, 2012	-	(16,304)	-	16,304

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2012

Schedule IX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	-	123	123
Revenue from Other Funds	<u>22,893</u>	<u>23,108</u>	<u>18,390</u>	<u>(4,718)</u>
Total Revenues	22,893	23,108	18,513	(4,595)
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>32,538</u>	<u>32,538</u>	<u>8,782</u>	<u>23,756</u>
Total Expenditures and Encumbrances	<u>32,538</u>	<u>32,538</u>	<u>8,782</u>	<u>23,756</u>
Operating Surplus (Deficit) for the Year	<u>(9,645)</u>	<u>(9,430)</u>	<u>9,731</u>	<u>19,161</u>
Fund Balance Available for Appropriation, July 1, 2011	15,383	34,913	34,913	-
Fund Balance Available for Appropriation, June 30, 2012	<u>5,738</u>	<u>25,483</u>	<u>44,644</u>	<u>19,161</u>

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2012

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>5,186</u>	<u>236</u>
Total Revenues	<u>4,950</u>	<u>4,950</u>	<u>5,186</u>	<u>236</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	861	856	5
Materials and Supplies	256	256	255	1
Equipment	80	80	78	2
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>4,942</u>	<u>8</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>244</u>	<u>244</u>
Fund Balance Available for Appropriation, July 1, 2011	2,013	2,035	2,035	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>25</u>	<u>25</u>	<u>73</u>	<u>48</u>
Adjusted Fund Balance, July 1, 2011	<u>2,038</u>	<u>2,060</u>	<u>2,108</u>	<u>48</u>
Fund Balance Available for Appropriation, June 30, 2012	<u>2,038</u>	<u>2,060</u>	<u>2,352</u>	<u>292</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Special Gasoline Tax Fund
 For the Fiscal Year Ended June 30, 2012

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	32	20	3	(17)
Revenue from Other Governments	<u>23,673</u>	<u>24,579</u>	<u>24,601</u>	<u>22</u>
Total Revenues	23,705	24,599	24,604	5
<u>Expenditures and Encumbrances</u>				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,458	15,185	15,185	-
Materials and Supplies	3,801	3,468	3,445	23
Equipment	590	1,196	1,196	-
Contributions, Indemnities and Taxes	<u>15</u>	<u>15</u>	<u>15</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>23,864</u>	<u>23,864</u>	<u>23,841</u>	<u>23</u>
Operating Surplus (Deficit) for the Year	<u>(159)</u>	<u>735</u>	<u>763</u>	<u>28</u>
Fund Balance Available for Appropriation, July 1, 2011	14,074	15,575	15,575	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>150</u>	<u>150</u>	<u>169</u>	<u>19</u>
Adjusted Fund Balance, July 1, 2011	<u>14,224</u>	<u>15,725</u>	<u>15,744</u>	<u>19</u>
Fund Balance Available for Appropriation, June 30, 2012	<u>14,065</u>	<u>16,460</u>	<u>16,507</u>	<u>47</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2012

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	42,500	47,000	47,651	651
Locally Generated Non-Tax Revenue	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Total Revenues	42,502	47,002	47,653	651
<u>Expenditures and Encumbrances</u>				
Contributions, Indemnities and Taxes	<u>42,502</u>	<u>47,002</u>	<u>46,863</u>	<u>139</u>
Total Expenditures and Encumbrances	<u>42,502</u>	<u>47,002</u>	<u>46,863</u>	<u>139</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>790</u>	<u>790</u>
Fund Balance Available for Appropriation, July 1, 2011	<u>5,218</u>	<u>6,562</u>	<u>6,562</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2012	<u><u>5,218</u></u>	<u><u>6,562</u></u>	<u><u>7,352</u></u>	<u><u>790</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Aviation Operating Fund
 For the Fiscal Year Ended June 30, 2012

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	381,134	293,482	293,763	281
Revenue from Other Governments	3,000	4,493	4,493	-
Revenue from Other Funds	<u>2,000</u>	<u>2,059</u>	<u>947</u>	<u>(1,112)</u>
Total Revenues	386,134	300,034	299,203	(831)
<u>Expenditures and Encumbrances</u>				
Personal Services	65,561	65,561	57,719	7,842
Pension Contributions	25,595	25,777	25,440	337
Other Employee Benefits	<u>17,264</u>	<u>18,082</u>	<u>16,271</u>	<u>1,811</u>
Sub-Total Employee Compensation	108,420	109,420	99,430	9,990
Purchase of Services	115,274	115,274	95,429	19,845
Materials and Supplies	8,757	8,957	7,836	1,121
Equipment	9,290	9,090	1,337	7,753
Contributions, Indemnities and Taxes	5,167	5,167	1,899	3,268
Debt Service	130,853	129,853	103,178	26,675
Payments to Other Funds	<u>21,373</u>	<u>21,373</u>	<u>20,135</u>	<u>1,238</u>
Total Expenditures and Encumbrances	<u>399,134</u>	<u>399,134</u>	<u>329,244</u>	<u>69,890</u>
Operating Surplus (Deficit) for the Year	<u>(13,000)</u>	<u>(99,100)</u>	<u>(30,041)</u>	<u>69,059</u>
Fund Balance Available for Appropriation, July 1, 2011	10,341	80,140	80,140	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>15,000</u>	<u>10,000</u>	<u>14,581</u>	<u>4,581</u>
Adjusted Fund Balance, July 1, 2011	<u>25,341</u>	<u>90,140</u>	<u>94,721</u>	<u>4,581</u>
Fund Balance Available for Appropriation, June 30, 2012	<u><u>12,341</u></u>	<u><u>(8,960)</u></u>	<u><u>64,680</u></u>	<u><u>73,640</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2012

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	12,477	12,227
Revenue from Other Governments	107,762	87,207	35,955	(51,252)
Total Revenues	108,012	87,457	48,432	(39,025)
<u>Other Sources</u>				
Decrease in Financed Reserves	-	-	1,029	1,029
Total Revenues and Other Sources	108,012	87,457	49,461	(37,996)
<u>Expenditures and Encumbrances</u>				
Personal Services	7,525	7,525	4,718	2,807
Pension Contributions	2,608	3,085	1,838	1,247
Other Employee Benefits	2,381	1,904	1,214	690
Sub-Total Employee Compensation	12,514	12,514	7,770	4,744
Purchase of Services	74,928	74,928	53,578	21,350
Materials and Supplies	206	245	169	76
Equipment	334	295	74	221
Payments to Other Funds	30	30	25	5
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	108,012	108,012	61,616	46,396
Operating Surplus (Deficit) for the Year	-	(20,555)	(12,155)	8,400
Fund Balance Available for Appropriation, July 1, 2011	-	(4,045)	(4,045)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	9,715	9,715
Prior Period Adjustments	-	4,045	-	(4,045)
Adjusted Fund Balance, July 1, 2011	-	-	5,670	5,670
Fund Balance Available for Appropriation, June 30, 2012	-	(20,555)	(6,485)	14,070

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2012

Schedule XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	5,000	5,200	5,166	(34)
Locally Generated Non-Tax Revenue	<u>5</u>	<u>3</u>	<u>7</u>	<u>4</u>
Total Revenues	5,005	5,203	5,173	(30)
<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>5</u>	<u>203</u>	<u>173</u>	<u>(30)</u>
Fund Balance Available for Appropriation, July 1, 2011	<u>5,211</u>	<u>6,263</u>	<u>6,263</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2012	<u>5,216</u>	<u>6,466</u>	<u>6,436</u>	<u>(30)</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Housing Trust Fund
 For the Fiscal Year Ended June 30, 2012

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	7,905	8,385	8,569	184
Revenue from Other Funds	-	-	-	-
Total Revenues	7,905	8,385	8,569	184
<u>Expenditures and Encumbrances</u>				
Personal Services	600	600	413	187
Purchase of Services	15,400	15,400	14,862	538
Total Expenditures and Encumbrances	16,000	16,000	15,275	725
Operating Surplus (Deficit) for the Year	(8,095)	(7,615)	(6,706)	909
Fund Balance Available for Appropriation, July 1, 2011	4,249	7,099	7,100	1
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	6,000	4,000	1,535	(2,465)
Adjusted Fund Balance, July 1, 2011	10,249	11,099	8,635	(2,464)
Fund Balance Available for Appropriation, June 30, 2012	2,154	3,484	1,929	(1,554)

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2012

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	402,486	405,329	1,205	(404,124)
Revenue from Other Governments	267,483	280,640	40,700	(239,940)
Revenue from Other Funds	-	-	4,340	4,340
Total Revenues	669,969	685,969	46,245	(639,724)
<u>Other Sources (Uses)</u>				
Increase in Unreimbursed Commitments	-	-	4,920	4,920
Total Revenues and Other Sources	669,969	685,969	51,165	(634,804)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	669,969	685,969	149,807	536,162
Operating Surplus (Deficit) for the Year	-	-	(98,642)	(98,642)
Fund Balance Available for Appropriation, July 1, 2011	-	-	128,626	128,626
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	1,091	1,091
Revenue Adjustments - Net	-	-	218	218
Adjusted Fund Balance, July 1, 2011	-	-	129,935	129,935
Fund Balance Available for Appropriation, June 30, 2012	-	-	31,293	31,293

City of Philadelphia
 Budgetary Comparison Schedule
 Acute Care Hospital Assessment Fund
 For the Fiscal Year Ended June 30, 2012

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Tax Revenue	<u>142,000</u>	<u>142,000</u>	<u>139,531</u>	<u>(2,469)</u>
Total Revenues	<u>142,000</u>	<u>142,000</u>	<u>139,531</u>	<u>(2,469)</u>
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>(74)</u>	<u>(74)</u>
Total Revenues and Other Sources	<u>142,000</u>	<u>142,000</u>	<u>139,457</u>	<u>(2,543)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	<u>4,110</u>	<u>4,110</u>	<u>2,508</u>	<u>1,602</u>
Pension Contributions	<u>116</u>	<u>116</u>	<u>110</u>	<u>6</u>
Other Employee Benefits	<u>71</u>	<u>71</u>	<u>64</u>	<u>7</u>
Sub-Total Employee Compensation	<u>4,297</u>	<u>4,297</u>	<u>2,682</u>	<u>1,615</u>
Purchase of Services	<u>137,548</u>	<u>137,548</u>	<u>132,574</u>	<u>4,974</u>
Equipment	<u>5</u>	<u>5</u>	<u>-</u>	<u>5</u>
Payments to Other Funds	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>145,350</u>	<u>145,350</u>	<u>138,756</u>	<u>6,594</u>
Operating Surplus (Deficit) for the Year	<u>(3,350)</u>	<u>(3,350)</u>	<u>701</u>	<u>4,051</u>
Fund Balance Available for Appropriation, July 1, 2011	<u>5,435</u>	<u>8,770</u>	<u>8,770</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2012	<u>2,085</u>	<u>5,420</u>	<u>9,471</u>	<u>4,051</u>

City of Philadelphia
Budgetary Comparison Schedule
Parks & Recreation Program Facilities Fund
For the Fiscal Year Ended June 30, 2012

Schedule XIX

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	<u>136</u>	<u>136</u>	<u>-</u>	<u>(136)</u>
Total Revenues	136	136	-	(136)
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>136</u>	<u>136</u>	<u>-</u>	<u>136</u>
Total Expenditures and Encumbrances	<u>136</u>	<u>136</u>	<u>-</u>	<u>136</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, July 1, 2011	-	-	-	-
Fund Balance Available for Appropriation, June 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2012 (with comparative actual amounts for the Fiscal Year Ended June 30, 2011)

Schedule XX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2012 Actual	Positive (Negative)	FY 2011 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	449,243	463,456	464,420	964	454,747	9,673
Prior Years	37,500	35,000	36,301	1,301	27,978	8,323
Total Real Property Tax	486,743	498,456	500,721	2,265	482,725	17,996
Wage and Earnings Taxes:						
Current	1,176,577	1,158,428	1,192,221	33,793	1,127,455	64,766
Prior Years	12,000	10,000	4,102	(5,898)	6,862	(2,760)
Total Wage and Earnings Taxes	1,188,577	1,168,428	1,196,323	27,895	1,134,317	62,006
Business Taxes:						
Business Privilege Taxes:						
Current	349,320	356,370	370,189	13,819	334,996	35,193
Prior Years	20,000	35,000	19,197	(15,803)	41,950	(22,753)
Total Business Privilege Tax	369,320	391,370	389,386	(1,984)	376,946	12,440
Net Profits Tax:						
Current	14,968	9,552	12,193	2,641	5,740	6,453
Prior Years	2,500	2,500	2,928	428	3,086	(158)
Total Net Profits Tax	17,468	12,052	15,121	3,069	8,826	6,295
Total Business Taxes	386,788	403,422	404,507	1,085	385,772	18,735
Other Taxes:						
Sales Tax	256,450	250,175	253,523	3,348	244,585	8,938
Amusement Tax	21,631	21,631	21,911	280	20,767	1,144
Real Property Transfer Tax	120,852	118,352	119,364	1,012	116,644	2,720
Parking Lot Tax	74,305	73,305	70,930	(2,375)	71,596	(666)
Smokeless Tobacco	1,000	628	628	-	286	342
Miscellaneous Taxes	3,106	2,750	2,538	(212)	2,454	84
Total Other Taxes	477,344	466,841	468,894	2,053	456,332	12,562
Total Taxes	2,539,452	2,537,147	2,570,445	33,298	2,459,146	111,299
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,333	5,507	5,507	-	4,357	1,150
Licenses and Permits	46,839	49,868	47,993	(1,875)	46,295	1,698
Fines, Forfeits, Penalties, Confiscated						
Money and Property	21,180	21,726	21,716	(10)	25,790	(4,074)
Interest Income	10,526	7,565	7,727	162	5,300	2,427
Service Charges and Fees	128,040	116,609	120,762	4,153	124,553	(3,791)
Other	48,041	50,269	52,989	2,720	73,732	(20,743)
Total Locally Generated Non-Tax Revenue	259,959	251,544	256,694	5,150	280,027	(23,333)
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	99,338	93,730	96,998	3,268	170,094	(73,096)
Commonwealth of Pennsylvania:						
Grants and Other Payments	494,741	533,938	536,806	2,868	833,676	(296,870)
Other Governmental Units	57,721	77,211	82,069	4,858	62,731	19,338
Total Revenue from Other Governments	651,800	704,879	715,873	10,994	1,066,501	(350,628)
Revenue from Other Funds						
	51,510	53,028	48,341	(4,687)	54,620	(6,279)
Total Revenues	3,502,721	3,546,598	3,591,353	44,755	3,860,294	(268,941)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2012 (with comparative actual amounts for the Fiscal Year Ended June 30, 2011)

Schedule XX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2012 Actual	Positive (Negative)	FY 2011 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	15,049	15,049	13,758	1,291	13,772	(14)
Mayor's Office:						
Mayor's Office	3,787	3,764	3,514	250	3,598	(84)
Scholarships	200	200	196	4	200	(4)
Mural Arts Program	1,060	1,060	996	64	961	35
Labor Relations	552	552	517	35	457	60
MDO Office of Technology	63,944	63,248	63,272	(24)	61,348	1,924
Office of Property Assessment	11,741	9,741	7,967	1,774	5,730	2,237
Transportation	480	514	498	16	419	79
Law	13,119	15,122	14,501	621	17,114	(2,613)
Board of Ethics	810	810	683	127	681	2
Youth Commission	96	96	42	54	78	(36)
Inspector General	1,281	1,281	1,239	42	1,171	68
City Planning Commission	2,257	2,257	2,209	48	2,248	(39)
Commission on Human Relations	2,039	2,039	1,830	209	1,942	(112)
Zoning Code Commisssion	225	225	216	9	465	(249)
Arts & Culture	2,670	2,670	2,662	8	2,550	112
Board of Revision of Taxes	723	759	576	183	1,893	(1,317)
Total General Government	120,033	119,387	114,676	4,711	114,627	49
Operation of Service Departments						
Housing	3,020	4,213	4,213	-	2,251	1,962
Managing Director	22,972	23,066	21,732	1,334	15,954	5,778
Police	550,686	568,921	568,922	(1)	551,450	17,472
Streets	121,353	123,661	123,523	138	131,004	(7,481)
Fire	190,032	195,583	195,532	51	198,042	(2,510)
Public Health	110,426	107,782	107,770	12	108,923	(1,153)
Office-Behavioral Health/Mental Retardation	14,272	14,272	14,240	32	14,272	(32)
Parks and Recreation	46,326	48,381	47,344	1,037	47,084	260
Atwater Kent Museum	269	268	266	2	267	(1)
Public Property	168,833	170,496	169,143	1,353	171,142	(1,999)
Department of Human Services	111,935	103,581	103,761	(180)	543,584	(439,823)
Philadelphia Prisons	227,173	232,237	232,232	5	232,219	13
Office of Supportive Housing	36,466	38,502	38,384	118	36,368	2,016
Office of Fleet Management	53,652	56,645	55,944	701	52,173	3,771
Licenses and Inspections	21,781	22,022	21,429	593	18,381	3,048
Board of L & I Review	156	156	124	32	136	(12)
Board of Building Standards	72	72	58	14	61	(3)
Zoning Board of Adjustment	363	375	366	9	330	36
Records	4,009	4,009	3,841	168	3,982	(141)
Philadelphia Historical Commission	388	388	359	29	377	(18)
Art Museum	2,300	2,315	2,315	-	2,350	(35)
Philadelphia Free Library	33,863	33,994	33,399	595	32,549	850
Total Operations of Service Departments	1,720,347	1,750,939	1,744,897	6,042	2,162,899	(418,002)
Financial Management						
Office of Director of Finance	9,685	12,547	12,469	78	10,431	2,038
Department of Revenue	19,900	19,929	18,850	1,079	14,160	4,690
Sinking Fund Commission	223,906	201,236	201,046	190	197,918	3,128
Procurement	4,152	4,664	4,461	203	4,819	(358)
City Treasurer	905	905	825	80	761	64
Audit of City Operations	7,556	7,556	7,289	267	7,840	(551)
Total Financial Management	266,104	246,837	244,940	1,897	235,929	9,011

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2012 (with comparative actual amounts for the Fiscal Year Ended June 30, 2011)

Schedule XX

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2012 Actual	Positive (Negative)	FY 2011 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,022,703	1,066,156	1,066,251	(95)	968,957	97,294
PGW Rental Reimbursement	-	-	-	-	1,700	(1,700)
Community College of Philadelphia	25,409	25,409	25,409	-	25,409	-
Legal Services	37,566	37,066	37,066	-	36,616	450
Hero Award	25	28	28	-	35	(7)
Refunds	250	-	-	-	-	-
Indemnities	33,120	14	14	-	-	14
Office of Risk Management	3,018	2,926	2,925	1	4,079	(1,154)
Witness Fees	172	141	140	1	84	56
Contribution to School District	48,930	48,930	48,930	-	38,600	10,330
Total City-Wide Under Director of Finance	1,171,193	1,180,670	1,180,763	(93)	1,075,480	105,283
Promotion and Public Relations						
City Representative	908	908	879	29	904	(25)
Commerce	18,647	18,647	18,361	286	18,323	38
Total Promotion and Public Relations	19,555	19,555	19,240	315	19,227	13
Personnel						
Civic Service Commission	170	170	167	3	168	(1)
Personnel Director	5,228	5,228	4,945	283	4,591	354
Total Personnel	5,398	5,398	5,112	286	4,759	353
Administration of Justice						
Register of Wills	3,399	3,399	3,312	87	3,239	73
District Attorney	31,055	31,310	30,888	422	30,505	383
Sheriff	13,089	15,463	15,462	1	14,230	1,232
First Judicial District	109,275	115,581	115,562	19	115,412	150
Total Administration of Justice	156,818	165,753	165,224	529	163,386	1,838
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,542	1,412	1,412	-	-	1,412
Conduct of Elections						
City Commissioners	9,104	9,179	8,611	568	8,987	(376)
Total Obligations	3,470,094	3,499,130	3,484,875	14,255	3,785,294	(300,419)
Operating Surplus (Deficit) for the Year	32,627	47,468	106,478	59,010	75,000	31,478

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund
For the Fiscal Year Ended June 30, 2012 (with comparative actual amounts for the Fiscal Year Ended June 30, 2011)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2012 Actual	Positive (Negative)	FY 2011 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	473,606	471,594	474,478	2,884	462,404	12,074
Sales and Charges - Prior Years	42,666	42,538	34,224	(8,314)	26,883	7,341
Fire Service Connections	1,844	1,910	2,097	187	1,846	251
Surcharges	5,604	5,578	5,110	(468)	5,481	(371)
Fines and Penalties	870	735	838	103	769	69
Miscellaneous Charges	1,131	1,201	1,223	22	1,101	122
Charges to Other Municipalities	34,800	34,000	35,160	1,160	32,020	3,140
Licenses and Permits	2,185	2,201	2,398	197	2,232	166
Interest Income	850	850	246	(604)	1,530	(1,284)
Fleet Management - Sale of Vehicles & Equipment	195	185	108	(77)	92	16
Contributions from Sinking Fund Reserve	-	-	1,086	1,086	-	1,086
Reimbursement of Expenditures	173	153	438	285	88	350
Repair Loan Program	2,410	1,980	2,489	509	2,237	252
Other	746	736	417	(319)	780	(363)
Total Locally Generated Non-Tax Revenue	567,080	563,661	560,312	(3,349)	537,463	22,849
<u>Revenue from Other Governments</u>						
State	500	100	327	227	27	300
Federal	2,500	2,500	2,865	365	2,842	23
Total Revenue from Other Governments	3,000	2,600	3,192	592	2,869	323
<u>Revenue from Other Funds</u>	70,160	57,675	28,985	(28,690)	27,138	1,847
Total Revenues	640,240	623,936	592,489	(31,447)	567,470	25,019
<u>Obligations</u>						
Mayor's Office of Information Services	16,862	16,862	11,530	5,332	10,910	620
Public Property	3,739	3,739	3,726	13	2,500	1,226
Office of Fleet Management	8,510	8,510	7,603	907	8,255	(652)
Water Department	313,635	316,682	292,887	23,795	281,214	11,673
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	52,672	52,809	48,613	4,196	-	48,613
Other Employee Benefits	43,130	42,993	38,395	4,598	42,169	(3,774)
Contributions, Indemnities and Taxes	6,500	3,453	-	3,453	42,279	(42,279)
Department of Revenue	15,851	15,851	13,933	1,918	13,579	354
Sinking Fund Commission	196,176	196,176	193,509	2,667	185,543	7,966
Procurement Department	69	69	46	23	69	(23)
Law	3,040	3,040	2,993	47	3,177	(184)
Mayor's Office of Transportation	56	56	56	-	-	56
Total Obligations	660,240	660,240	613,291	46,949	589,695	23,596
Operating Surplus (Deficit) for the Year	(20,000)	(36,304)	(20,802)	15,502	(22,225)	1,423

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2012 (with comparative actual amounts for the Fiscal Year Ended June 30, 2011)

Schedule XXII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2012 Actual	Positive (Negative)	FY 2011 Actual	Increase (Decrease)
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Concessions	25,000	35,284	35,284	-	32,010	3,274
Space Rentals	142,389	97,488	97,483	(5)	104,585	(7,102)
Landing Fees	75,000	57,740	57,669	(71)	60,421	(2,752)
Parking	27,000	25,035	25,035	-	28,009	(2,974)
Car Rentals	22,000	18,273	18,274	1	17,862	412
Interest Earnings	1,200	600	666	66	352	314
Sale of Utilities	6,500	4,113	4,119	6	3,365	754
Passenger Facility Charge	35,000	31,573	31,573	-	32,353	(780)
Overseas Terminal Facility Charges	-	13	13	-	8	5
International Terminal Charge	28,000	16,274	16,349	75	17,700	(1,351)
Other	19,045	7,089	7,298	209	6,054	1,244
Total Locally Generated Non-Tax Revenue	381,134	293,482	293,763	281	302,719	(8,956)
<u>Revenue from Other Governments</u>						
State	-	-	-	-	102	(102)
Federal	3,000	4,493	4,493	-	1,333	3,160
Total Revenue from Other Governments	3,000	4,493	4,493	-	1,435	3,058
<u>Revenue from Other Funds</u>	2,000	2,059	947	(1,112)	653	294
Total Revenue	386,134	300,034	299,203	(831)	304,807	(5,604)
<u>Obligations</u>						
Mayor's Office of Information Services	6,295	6,295	5,684	611	5,987	(303)
Police	14,148	14,429	13,738	691	13,218	520
Fire	6,203	6,203	5,641	562	5,437	204
Public Property	26,900	26,900	26,894	6	18,400	8,494
Office of Fleet Management	8,109	8,109	3,255	4,854	3,532	(277)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	25,595	25,777	25,441	336	21,683	3,758
Other Employee Benefits	17,264	18,082	16,271	1,811	17,979	(1,708)
Purchase of Services	4,146	4,146	2,641	1,505	2,469	172
Contributions, Indemnities and Taxes	2,512	1,148	-	1,148	-	-
Sinking Fund Commission	130,853	129,853	103,178	26,675	102,448	730
Commerce	155,144	156,227	124,759	31,468	114,241	10,518
Law	1,878	1,878	1,686	192	1,658	28
Mayor's Office of Transportation	87	87	56	31	-	56
Total Obligations	399,134	399,134	329,244	69,890	307,052	22,192
Operating Surplus (Deficit) for the Year	(13,000)	(99,100)	(30,041)	69,059	(2,245)	(27,796)

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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Revenue Capacity

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Debt Capacity

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Demographic & Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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Operating Information

These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

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City of Philadelphia
Net Assets by Component
For the Fiscal Years 2003 Through 2012

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

Governmental Activities

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Invested in Capital Assets, Net of Related Debt	286.4	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)	83.9
Restricted	426.8	484.1	516.5	471.5	689.7	641.0	833.8	705.1	789.5	621.8
Unrestricted	(453.8)	(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)
Total Governmental Activities Net Assets	259.4	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)	(1,772.5)

Business-Type Activities

Invested in Capital Assets, Net of Related Debt	478.6	541.0	548.4	537.4	544.0	591.8	750.6	831.8	845.1	887.8
Restricted	642.1	504.0	472.0	551.9	635.1	644.1	511.2	489.3	550.6	591.8
Unrestricted	(12.7)	91.3	269.7	273.9	257.3	266.2	269.8	257.3	234.3	257.9
Total Business-Type Activities Net Assets	1,108.0	1,136.3	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4	1,630.0	1,737.5

Primary Government

Invested in Capital Assets, Net of Related Debt	765.0	716.0	789.7	786.0	705.4	798.2	744.8	772.5	797.6	971.7
Restricted	1,068.9	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
Unrestricted	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)	(2,220.3)
Total Primary Government Net Assets	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)	(35.0)

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2003 Through 2012

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
Economic Development	127.9	127.4	89.5	89.8	92.6	116.4	116.0	145.0	92.2	96.5
Transportation:										
Streets & Highways	99.8	109.9	119.0	116.0	116.6	117.7	119.1	129.4	136.3	115.6
Mass Transit	85.9	81.3	84.9	84.5	85.1	88.3	90.5	82.7	75.2	74.0
Judiciary and Law Enforcement:										
Police	755.2	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5	1,048.1	1,094.2
Prisons	223.4	237.1	250.2	268.7	293.2	311.4	339.1	343.8	340.4	336.7
Courts	253.8	277.2	284.9	287.1	304.1	321.6	318.7	312.0	315.0	326.2
Conservation of Health:										
Emergency Medical Services	29.0	30.6	34.2	35.6	36.0	37.2	36.9	47.8	53.3	48.4
Health Services	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7	1,524.6	1,500.1
Housing and Neighborhood Development	125.2	119.0	123.0	149.5	111.2	142.1	149.1	131.3	126.1	137.7
Cultural and Recreational										
Recreation	109.5	118.4	68.3	73.3	73.4	86.2	77.3	77.0	98.7	97.3
Parks	26.2	32.6	30.2	32.6	32.6	37.7	37.9	37.9	14.0	9.0
Libraries and Museums	63.0	67.5	80.7	68.6	90.3	87.0	92.8	79.0	75.7	80.8
Improvements to General Welfare:										
Social Services	641.5	691.2	697.6	702.0	765.5	794.1	756.3	718.8	718.4	675.5
Education	57.1	58.6	61.6	59.9	64.0	65.5	67.2	65.4	64.0	74.3
Inspections and Demolitions	44.3	81.3	79.0	55.3	64.3	47.3	27.8	23.4	30.1	26.5
Service to Property:										
Sanitation	114.8	121.0	126.0	128.8	134.4	138.0	137.8	142.7	143.0	153.2
Fire	190.2	215.4	229.6	236.1	285.3	284.8	278.6	266.0	285.9	292.2
General Management and Support	524.8	576.9	574.8	574.8	568.7	683.3	684.1	683.3	561.0	678.4
Interest on Long Term Debt	130.2	98.3	138.2	136.9	149.5	95.1	214.6	174.9	136.3	112.1
Total Governmental Activities Expenses	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,897.6	5,838.3	5,928.7
Business-Type Activities:										
Water and Sewer	412.9	416.9	442.3	455.4	476.2	504.3	530.8	520.2	520.2	490.8
Aviation	244.5	261.0	269.5	303.1	314.3	323.1	326.2	330.1	336.0	343.1
Industrial and Commercial Development	2.2	2.5	4.7	2.1	3.7	2.1	3.0	0.1	1.9	-
Total Business-Type Activities Expenses	659.6	680.4	716.5	760.6	794.2	829.5	860.0	832.7	858.1	833.9
Total Primary Government Expenses	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,730.3	6,696.4	6,762.6
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	0.2	6.9	0.1	-	-	-	0.3	0.1	-	1.1
Transportation:										
Streets & Highways	1.1	1.5	1.9	2.2	3.5	3.9	2.8	4.4	5.1	5.2
Mass Transit	0.6	0.5	0.5	0.6	0.6	0.5	0.4	0.5	0.6	1.3
Judiciary and Law Enforcement:										
Police	2.2	2.4	2.2	7.2	1.7	4.3	5.0	3.3	3.5	5.5
Prisons	0.4	0.5	0.4	0.4	0.3	0.3	0.4	0.5	0.5	0.9
Courts	50.9	52.5	48.4	51.5	51.5	52.7	51.8	53.4	45.6	60.6
Conservation of Health:										
Emergency Medical Services	20.1	20.7	23.1	25.0	27.7	27.6	37.5	36.8	34.7	27.5
Health Services	10.2	11.6	13.5	12.6	12.6	15.3	14.4	16.2	16.7	14.8
Housing and Neighborhood Development	18.9	12.0	10.0	22.3	45.2	25.2	31.3	20.8	23.1	28.6
Cultural and Recreational:										
Recreation	14.3	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)	2.8	2.2
Parks	1.9	1.7	0.9	0.5	0.5	1.5	0.6	0.9	5.0	4.8
Libraries and Museums	0.3	0.4	0.5	0.9	0.9	0.8	1.3	0.9	1.8	1.2
Improvements to General Welfare:										
Social Services	8.8	6.9	7.6	7.4	7.3	6.4	7.6	14.4	6.8	5.2
Education	-	-	-	-	-	-	1.1	-	-	-
Inspections and Demolitions	0.5	0.8	0.7	0.7	44.4	44.9	40.3	43.9	45.5	50.0
Service to Property:										
Sanitation	1.8	2.0	2.1	1.8	-	3.1	2.9	2.0	11.6	15.9
Fire	0.1	0.1	0.5	0.4	0.7	0.2	0.7	0.3	0.5	0.3
General Management and Support	150.7	138.2	130.8	179.1	107.5	110.6	131.9	127.9	136.6	139.7
Interest on Long Term Debt	-	-	-	-	-	-	-	-	9.2	0.3
Operating Grants and Contributions	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4	2,223.5	2,102.1
Capital Grants and Contributions	17.3	19.6	9.1	21.4	15.8	10.0	35.0	46.9	32.1	43.2
Total Governmental Activities Program Revenues	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,423.5	2,605.2	2,510.4

City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2003 Through 2012

Table 2

Amounts in millions of USD

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities:										
Charges for Services:										
Water and Sewer	385.4	401.6	450.6	470.8	493.6	503.3	499.7	552.4	558.5	598.3
Aviation	230.5	251.9	278.4	295.0	309.2	303.2	251.7	240.0	258.1	263.2
Industrial and Commercial Development	1.2	1.2	1.1	1.2	1.5	1.5	0.5	0.3	0.5	0.4
Operating Grants and Contributions	8.9	4.8	2.0	2.5	2.8	5.4	2.6	6.1	4.8	3.5
Capital Grants and Contributions	17.8	21.0	20.7	25.3	22.4	36.6	109.4	90.5	105.9	91.6
Total Business-Type Activities Program Revenues	643.8	680.5	752.8	794.8	829.5	850.0	863.9	889.3	927.8	957.0
Total Primary Government Revenues	2,851.3	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
Net (Expense)/Revenue										
Governmental Activities	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)	(3,418.3)
Business-Type Activities	(15.8)	0.1	36.3	34.2	35.3	20.5	3.9	56.6	69.7	123.1
Total Primary Government Net Expense	(2,606.6)	(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)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property Taxes	362.7	374.4	381.8	386.3	399.2	401.3	409.2	400.8	506.6	500.8
Wage & Earnings Taxes	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5	1,504.6	1,551.7
Business Taxes	306.9	319.2	367.9	430.2	453.7	414.5	407.6	385.2	364.2	399.2
Other Taxes	294.7	342.1	406.4	457.7	460.3	457.0	435.0	578.3	645.8	663.6
Unrestricted Grants & Contributions	61.2	47.1	84.3	81.7	104.1	104.7	107.8	171.4	173.8	223.2
Interest & Investment Earnings	57.5	26.0	32.9	60.2	81.8	65.3	46.1	25.5	35.8	33.3
Special Items	(99.3)	-	-	-	-	-	-	-	-	-
Transfers	4.1	-	4.4	5.0	4.9	4.9	4.2	28.3	24.9	27.5
Total Governmental Activities	2,289.7	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
Business-Type Activities:										
Interest & Investment Earnings	33.5	6.6	15.8	43.8	45.7	48.7	22.9	7.7	6.9	9.0
Unrestricted Grants & Contributions	-	-	-	-	-	-	-	-	-	2.9
Transfers	(4.1)	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)	(27.5)
Total Business-Type Activities	29.4	6.6	11.4	38.9	40.8	43.8	18.7	(20.6)	(18.0)	(15.6)
Total Primary Government	2,319.1	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
Change in Net Assets										
Governmental Activities	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6	(19.0)
Business-Type Activities	13.6	6.7	47.7	73.1	76.1	64.3	22.6	36.0	51.7	107.5
Total Primary Government	(287.5)	(300.7)	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3	88.5

**City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2012**

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

General Fund

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	102.8	18.7	4.3	6.0	6.0	6.4	0.1	1.7	0.6	0.3	0.5	0.5
Cultural & Commercial Corridor Project	-	-	-	-	-	143.3	122.5	89.8	30.8	19.2	15.3	15.3
Long Term Loan	45.0	45.0	45.0	45.0	45.0	45.0	22.5	-	-	-	-	-
Committed to:	-	-	-	-	-	-	-	-	-	-	-	-
Encumbrances	93.1	88.5	141.5	132.4	135.6	102.8	108.8	102.8	-	-	-	-
General Fund	-	-	-	-	-	-	-	-	87.9	-	-	-
Assigned to:	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned:	(7.9)	(148.1)	(36.4)	111.2	152.7	152.7	(24.3)	(274.6)	(251.8)	(45.7)	70.5	-
Total General Fund:	233.0	4.1	154.3	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)	88.6		

All Other Governmental Funds

Non-spendable:	-	-	-	-	-	-	-	-	-	-	-	-
Permanent Fund (Principal)	-	-	-	-	-	-	-	-	-	-	-	-
Restricted for:	-	-	-	-	-	-	-	-	-	-	-	-
Behavioral Health	30.8	36.9	61.5	196.0	192.9	177.8	188.7	171.0	250.1	230.7	230.7	230.7
Neighborhood Revitalization	139.1	87.4	173.6	130.1	99.9	77.8	74.6	73.1	61.3	51.6	51.6	51.6
Public Safety Emergency Phone System	6.3	8.4	6.8	16.7	21.7	28.7	38.8	40.4	36.9	29.6	29.6	29.6
Economic Development	-	-	-	-	-	-	-	-	6.6	10.3	10.3	10.3
Intergovernmental Financing	28.7	30.6	31.7	26.8	24.5	18.6	12.1	7.9	21.1	21.7	21.7	21.7
Intergovernmentally Financed Pgms	-	-	-	-	-	-	-	-	24.5	18.9	18.9	18.9
Streets & Highways	0.9	2.2	2.8	4.0	7.5	12.8	16.8	16.8	18.3	23.2	23.2	23.2
Housing & Neighborhood Development	-	-	-	-	-	-	-	-	10.5	10.5	10.5	10.5
Health Services	-	-	-	-	-	-	-	-	8.8	9.5	9.5	9.5
Debt Service	93.3	88.3	88.1	84.3	92.3	80.9	79.1	76.6	82.8	82.4	82.4	82.4
Capital Improvements	-	80.9	-	-	103.0	21.0	196.1	152.2	267.7	128.5	128.5	128.5
Trust Purposes	6.8	7.1	7.4	7.8	8.9	8.3	6.4	4.7	8.1	8.3	8.3	8.3
Parks & Recreation	-	-	-	-	-	-	-	-	0.3	0.4	0.4	0.4
Libraries & Museums	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Stadium Financing	-	-	-	-	-	-	-	-	6.3	6.4	6.4	6.4
Committed to:	-	-	-	-	-	-	-	-	-	-	-	-
Capital Improvements	101.5	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	6.1	5.7	6.5	4.9	5.2	5.7	5.6	7.9	-	-	-	-
Trust Purposes	3.4	5.0	5.6	6.9	9.2	9.1	8.0	7.7	-	-	-	-
Intergovernmental Financing	53.1	44.9	43.6	50.1	53.3	52.2	62.6	36.2	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-	-	-
Prisons	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Recreation	-	-	-	-	-	-	-	-	3.6	4.2	0.9	0.9
Assigned to:	-	-	-	-	-	-	-	-	-	-	-	-
Behavioral Health	-	144.0	134.7	-	28.4	40.5	-	42.5	-	-	-	-
PICA Rebate Fund	3.2	3.9	5.7	6.5	7.0	7.4	8.0	7.5	-	-	-	-
PMA	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	-	-	-	-
Unassigned:	-	-	-	-	-	-	-	-	-	-	-	-
Community Behavioral Health	116.1	-	-	(24.8)	-	-	(5.4)	-	-	-	-	-
Housing & Neighborhood Dev	(8.8)	(6.6)	(8.0)	(5.5)	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)	(6.5)	(6.5)	(6.5)
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Grants Revenue Fund	(55.3)	(53.9)	(43.3)	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)	(175.1)	(175.1)	(175.1)
Capital Improvement	(98.1)	-	(6.3)	(67.1)	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	427.2	562.6	587.1	471.3	696.3	594.2	734.9	672.1	771.7	458.1		

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.

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2012

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax Revenue	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1	2,781.8	2,705.2	2,812.3	2,985.0	3,112.5
Locally Generated Non-Tax Revenue	339.8	280.0	265.2	354.5	381.7	349.7	349.3	302.7	370.6	336.5
Revenue from Other Governments	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6	2,468.4	2,564.9	2,323.4	2,366.4	2,226.1
Other Revenues	17.3	18.5	16.7	15.3	17.1	17.9	49.6	33.1	25.8	27.5
Total Revenues	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5	5,617.8	5,669.0	5,471.5	5,757.8	5,702.6
Expenditures										
Current Operating:										
Economic Development	170.4	157.0	92.7	81.5	85.5	112.3	107.0	135.1	82.6	88.9
Transportation:										
Streets & Highways	78.1	75.9	77.7	78.8	89.2	89.7	89.9	91.1	87.4	75.6
Mass Transit	57.5	52.9	56.6	56.7	58.1	61.7	63.7	65.2	67.1	67.7
Judiciary and Law Enforcement:										
Police	727.3	752.0	770.9	798.0	860.2	951.9	933.9	882.7	955.9	1,020.0
Prisons	214.3	224.5	241.3	256.6	278.1	298.2	326.9	315.2	315.9	318.2
Courts	246.5	267.8	276.9	278.2	292.3	311.1	310.5	288.1	294.9	312.3
Conservation of Health:										
Emergency Medical Services	28.4	29.7	33.3	34.8	34.9	36.0	36.2	45.0	50.7	46.7
Health Services	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8	1,567.6	1,695.0	1,436.5	1,514.8	1,492.7
Housing and Neighborhood Development										
Cultural and Recreational:	120.7	119.0	122.9	147.9	109.2	141.9	148.4	131.2	126.1	133.8
Recreation	94.0	65.7	58.3	59.8	62.2	74.3	65.1	58.4	82.9	85.9
Parks	24.2	23.8	23.7	23.4	26.3	28.9	31.8	26.9	5.8	6.1
Libraries and Museums	64.4	61.1	68.2	70.2	83.2	84.2	81.0	68.8	68.7	71.9
Improvements to General Welfare:										
Social Services	636.1	683.4	689.1	695.9	756.7	778.2	743.1	699.7	701.8	674.3
Education	57.1	58.6	61.5	59.9	64.0	65.5	67.2	65.4	64.0	74.3
Inspections and Demolitions	46.6	83.6	81.2	59.8	63.0	46.3	33.1	27.3	34.8	32.2
Service to Property:										
Sanitation	111.5	117.8	122.0	125.6	129.5	132.9	134.6	130.6	133.9	146.2
Fire	188.0	203.0	217.8	225.8	267.6	276.4	266.9	237.6	258.1	267.8
General Management and Support	450.9	472.4	477.1	537.5	563.7	618.4	693.8	615.0	568.5	619.1
Capital Outlay	162.2	126.0	103.1	97.9	92.3	105.8	126.9	148.9	134.9	202.0
Debt Service:										
Principal	106.8	105.7	95.8	86.2	91.5	94.1	87.6	89.7	91.4	103.2
Interest	112.3	101.6	101.0	99.9	103.4	100.0	105.7	96.7	105.6	105.2
Bond Issuance Cost	-	9.2	3.9	-	5.0	24.2	8.5	23.5	2.2	1.6
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,890.0	4,961.0	5,046.1	5,282.1	5,552.7	5,999.6	6,156.8	5,678.6	5,748.0	5,945.7
Excess of Revenues Over (Under) Expenditures	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)	(487.8)	(207.1)	9.8	(243.1)
Other Financing Sources (Uses)										
Issuance of Debt	165.5	487.7	157.3	10.0	353.1	1,303.8	262.9	207.0	139.1	12.6
Issuance of Refunding Debt	-	-	-	-	-	-	354.9	337.0	114.6	112.6
Bond Issuance Premium	-	4.8	-	-	13.8	31.1	26.7	24.3	5.0	16.6
Proceeds from Lease & Service Agreements	-	10.9	-	-	-	-	(3.1)	(1.0)	28.1	-
Bond Refinance	(165.4)	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)	(127.3)
Transfers In	449.4	442.9	581.4	433.1	460.1	465.2	574.5	558.1	583.1	600.8
Transfers Out	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)	(570.3)	(529.7)	(568.1)	(573.3)
Total Other Financing Sources (Uses)	4.3	270.3	161.7	15.0	371.9	26.2	318.7	91.7	194.2	42.0
Special Items										
Business Privilege Tax Adjustment	(99.3)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(324.6)	(90.9)	174.7	34.4	399.7	(355.6)	(169.1)	(115.4)	204.0	(201.1)
Debt Service as a Percentage of Non-capital Expenditures	4.7%	4.3%	4.0%	3.6%	3.6%	3.3%	3.2%	3.4%	3.5%	3.6%

¹ Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. \$157.9 million of these estimated tax payments were deferred in the general fund in FY2012 because the underlying events had not occurred.

City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2003 through 2012

Table 5

Amounts in millions of USD

	<u>2003</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>
Additions:										
Contributions:										
Employee Contributions	52.5	50.5	49.3	48.9	49.2	51.7	54.0	51.6	52.7	50.0
Employer's:										
City of Philadelphia	174.6	196.6	290.6	321.3	419.2	412.4	440.0	297.4	455.8	539.8
Quasi-Governmental Agencies	5.2	6.2	8.6	10.4	13.1	14.5	15.4	15.1	14.2	16.2
<u>Total Employer's Contributions</u>	<u>179.8</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>Total Contributions</u>	<u>232.3</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>
Interest & Dividends	74.4	68.4	74.6	65.1	80.3	97.1	75.6	70.5	79.5	86.2
Net Gain (Decline) in Fair Value of Investments	(3.9)	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2	618.5	(57.7)
(Less) Investment Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(13.3)
Net Securities Lending Revenue	1.0	0.8	0.9	0.7	1.1	7.4	5.7	1.9	1.5	2.1
Securities Lending Unrealized Loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.9)
(Less) Securities Lending Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)
Net Investment Income (Loss)	71.5	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6	699.5	14.5
Miscellaneous Operating Revenue	2.4	1.3	0.4	2.1	2.1	1.1	1.0	0.7	1.4	0.0
<u>Total Additions</u>	<u>306.2</u>	<u>850.4</u>	<u>730.6</u>	<u>834.9</u>	<u>1,249.7</u>	<u>262.2</u>	<u>(353.9)</u>	<u>818.4</u>	<u>1,223.7</u>	<u>620.5</u>
Deductions:										
Pension Benefits	462.3	657.5	590.6	608.6	655.8	725.7	681.1	680.1	681.9	706.2
Refunds to Members	4.9	4.1	4.6	4.8	4.5	4.2	4.8	4.5	5.1	6.5
Administrative Costs	6.6	6.4	6.8	6.7	6.7	7.6	8.4	8.1	8.0	0.0
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.2
<u>Total Deductions</u>	<u>473.8</u>	<u>668.0</u>	<u>602.0</u>	<u>620.1</u>	<u>667.0</u>	<u>737.5</u>	<u>694.3</u>	<u>692.7</u>	<u>695.0</u>	<u>727.9</u>
Net Increase (Decrease)	(167.6)	182.4	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7	(107.4)
Net Assets: Adjusted Opening Closing	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2
<u>Closing Net Assets</u>	<u>3,790.8</u>	<u>3,973.2</u>	<u>4,101.8</u>	<u>4,316.6</u>	<u>4,899.3</u>	<u>4,424.0</u>	<u>3,375.9</u>	<u>3,501.6</u>	<u>4,030.2</u>	<u>3,922.8</u>
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%	1623.45%
Closing Net Assets	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%	18.00%
Coverage of Additions over Deductions	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%	85.25%
Investment Earnings as % of Pension Benefits	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%	2.05%

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2002 Through 2011

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}		
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	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	22,163.9	57.02%	3.92980%	16,708.3	42.98%	3.49910%	38,872.2	3.74467%
2011	22,673.5	56.95%	3.92880%	17,141.1	43.05%	3.49985%	39,814.6	3.74413%

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 2003 through 2012

Tax Classification

Wage and Earnings Tax:

^a City Residents

Non-City Residents

	<u>2003</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>
4.5000%	4.4625%	4.3310% ^b	4.3010% ^b	4.2600% ^b	4.2600% ^b	4.2190% ^b	3.9300% ^b	3.9296% ^b	3.9280% ^b	3.9280%
3.9127%	3.8801%	3.8197% ^b	3.7716% ^b	3.7557% ^b	3.7557% ^b	3.7242% ^b	3.5000% ^b	3.4997% ^b	3.4985% ^b	3.4985%

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%	3.474%	3.305%	3.305%	3.305%	4.123%	4.123%
School District of Philadelphia	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%	5.309%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%	9.432%
^e Assessment Ratio	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%	26.73%	28.05%
Effective Tax Rate	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%	2.428%	2.646%
(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 Privilege Taxes

(% on Gross Receipts)

^f (% on Net Income)

0.2400% ^c	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
6.5000% ^c	6.5000% ^c	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

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

^c **Net Profits Tax:**

^a City Residents

Non-City Residents

4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%	3.9280%	3.9280%
3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	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 2003 through 2012

<u>Tax Classification</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>8.0%</u>	<u>8.0%</u>	<u>8.0%</u>
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged.										
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	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%	6.0%	7.2%	8.2%	8.2%	8.2%
Rate of Tourism & Marketing Tax	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>
	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>7.0%</u>	<u>8.2%</u>	<u>9.2%</u>	<u>9.2%</u>	<u>9.2%</u>
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration.										

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

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

^c Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

^d Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

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

^f 60% of the Net Income portion of the Business Privilege Tax is allowed to be credited against the Net Profits Tax

City of Philadelphia
Principal Wage and Earnings Tax Remitters ¹
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

Remittance Range	2011			2002		
	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater than \$10 million	17	\$410.2	27.53%	14	\$299.3	23.63%
Between \$1 million & \$10 million	152	350.0	23.49%	115	288.2	22.76%
Between \$100,000 & \$1 million	1,542	393.7	26.42%	1,354	358.3	28.29%
Between \$10,000 & \$100,000	8,533	253.2	16.99%	8,089	237.9	18.79%
Less than \$10,000	36,527	83.1	5.57%	36,190	82.7	6.53%
Total	46,771	\$1,490.2	100.00%	45,762	\$1,266.4	100.00%

¹ Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2003 through 2012

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)
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	24.64%	49,537
2010	17,615	5,339	12,276	3.305%	28.46%	43,134	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	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

<u>Taxpayer</u>	2012			2003		
	<u>Assessment</u>	<u>Rank</u>	Percentage of Total <u>Assessments</u>	<u>Assessment</u>	<u>Rank</u>	Percentage of Total <u>Assessments</u>
Franklin Mills Associates	57.6	1	0.47	48.4	5	0.46
Phila Liberty Pla E Lp	54.4	2	0.44	64.3	1	0.61
Nine Penn Center Associates	54.1	3	0.44	54.1	4	0.51
HUB Properties Trust	43.8	4	0.36	59.5	2	0.56
Brandywine Operating Part (Bell Atlantic)	40.6	5	0.33	45.1	6	0.42
PRU 1901 Market LLC	35.2	6	0.29	32.9	7	0.31
Maguire/Thomas	33.9	7	0.27	32.0	9	0.30
Commerce Square Partners	33.3	8	0.27	32.3	8	0.30
Phila Shipyard Development Corp	30.3	9	0.25	-	0	-
Philadelphia Market Street	28.8	10	0.23	30.4	10	0.29
Two Liberty Place			-	56.0	3	0.53
	<u>412.0</u>		<u>3.34</u>	<u>455.0</u>		<u>4.28</u>
Total Taxable Assessments	<u>12,337.0</u>		<u>100.00</u>	<u>10,621.0</u>		<u>100.00</u>

¹ Source: Board of Revision of Taxes

City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2003 through 2012

Table 11

Amounts in millions of USD

Calendar Year of Levy ¹	Taxes Levied for the Year	Collected within the Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u> ²	<u>Percentage of Levy</u>
2003	359.4	326.8	90.9%	27.6	354.4	98.6%
2004	372.5	340.9	91.5%	26.3	367.2	98.6%
2005	373.5	350.3	93.8%	22.1	372.4	99.7%
2006	385.6	339.6	88.1%	23.1	362.7	94.1%
2007	391.7	347.5	88.7%	23.6	371.1	94.7%
2008	390.2	346.4	88.8%	24.9	371.3	95.2%
2009	396.5	315.4	79.6%	41.8	357.2	90.1%
2010	405.8	353.7	87.2%	32.7	386.4	95.2%
2011	509.1	440.9	86.6%	29.8	470.7	92.5%
2012	508.6	444.5 ³	87.4%	n/a	444.5	87.4%

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

² Includes collections through June 30, 2012

³ Includes collections through June 30, 2012. It is estimated that approximately 91% of the amount levied for 2012 will be collected within the year of levy.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2003 through 2012

Table 12

Amounts in millions of USD (except per capita)

Fiscal Year	Governmental Activities										Business-Type Activities									
	General Obligation Bonds	Pension 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	Total Business-Type Activities	Total Primary Government	% of Personal Income ¹	Per Capita					
2003	1,903.3	1,394.6	139.2	54.7	342.0	-	-	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	0.2	4,384.5					
2004	2,047.1	1,416.4	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,440.3					
2005	1,950.8	1,429.7	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,597.1					
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					

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

¹ See Table 17 for Personal Income and Population Amounts

City of Philadelphia
Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2003 through 2012

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
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,256.59
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

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, 2012

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>3,067.5</u>	<u>100.00%</u>	<u>3,067.5</u>
¹ City Direct Debt			<u>4,143.1</u>
Total Direct and Overlapping Debt			<u><u>7,210.6</u></u>

Note:

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

¹ Refer to Table 12

Legal Debt Margin Calculation for FY2012											
	¹ Assessed Value										12,017.1
	² Debt Limit										1,622.3
	³ Debt Applicable to Limit:										
	Tax Supported General Obligation Debt:										
	Issued & Outstanding										1,324.5
	Authorized but Unissued										218.0
	Total										<u>1,542.5</u>
	Less: Amount set aside for repayment of general obligation debt										-
	Total Net Debt Applicable to Limit										<u>1,542.5</u>
	Legal Debt Margin										<u><u>79.8</u></u>
						</					

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 2003 through 2012

Table 16

Amounts in millions of USD

No.		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Water and Sewer Revenue Bonds</u>											
1	Total Revenue and Beginning Fund Balance	454.2	421.6	463.5	504.0	536.2	597.8	527.5	566.7	589.7	613.3
2	Net Operating Expenses	250.2	262.0	277.7	284.2	303.2	334.7	342.6	334.0	357.7	375.1
3	Transfer To (From) Rate Stabilization Fund	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9	8.5
4	Net Revenues	187.2	188.4	186.4	198.2	207.0	272.9	219.6	235.4	221.1	229.7
Debt Service:											
5	Revenue Bonds Outstanding	156.1	157.0	155.4	165.2	172.7	173.8	183.0	195.7	184.3	191.4
6	General Obligation Bonds Outstanding	-	-	-	-	-	-	-	-	-	-
7	Pennvest Loan	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0
8	Total Debt Service	157.3	158.2	156.6	166.4	173.9	175.0	184.2	196.9	185.5	192.4
9	Net Revenue after Debt Service	29.9	30.2	29.8	31.8	33.1	97.9	35.4	38.5	35.6	37.3
10	Transfer to General Fund	4.1	-	4.4	5.0	5.0	5.0	4.2	2.3	-	1.1
11	Transfer to Capital Fund	16.0	16.4	16.7	16.9	16.9	16.9	17.1	17.3	18.1	18.9
12	Transfer to Residual Fund	9.8	13.8	8.7	9.9	11.2	76.0	14.1	18.9	17.5	17.3
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.57	1.20	1.20	1.20	1.20
	Coverage B (Line 4/(Line 8 + Line 11))	1.08	1.08	1.08	1.08	1.08	1.42	1.09	1.10	1.09	1.09
<u>Airport Revenue Bonds</u>											
1	Fund Balance	-	-	-	-	10.2	42.6	61.4	55.1	77.6	65.9
2	Project Revenues	168.4	183.3	185.1	200.8	211.3	250.5	255.3	246.9	260.8	269.6
3	Passenger Facility Charges	31.2	32.8	32.9	32.6	32.9	32.9	32.9	33.1	32.4	31.6
4	Total Fund Balance and Revenue	199.6	216.1	218.0	233.4	254.4	326.0	349.6	335.1	370.8	367.1
5	Net Operating Expenses	67.0	71.9	71.3	77.2	87.1	99.8	99.5	102.9	98.1	99.0
6	Interdepartmental Charges	46.1	52.2	57.6	57.9	70.6	89.1	89.0	80.7	88.6	92.7
7	Total Expenses	113.1	124.1	128.9	135.1	157.7	188.9	188.5	183.6	186.7	191.7
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	132.6	144.2	146.7	156.2	167.3	226.2	250.1	232.2	272.7	268.1
9	All Bonds (Line 4-Line 7)	86.5	92.0	89.1	98.3	96.7	137.1	161.1	151.5	184.1	175.4
Debt Service:											
10	Revenue Bonds	83.2	89.7	88.1	88.1	85.5	84.4	95.6	94.3	102.4	103.0
11	General Obligation Bonds	1.4	1.0	1.1	-	-	-	-	-	-	-
12	Total Debt Service	84.6	90.7	89.2	88.1	85.5	84.4	95.6	94.3	102.4	103.0
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.59	1.61	1.67	1.77	1.96	2.68	2.62	2.46	2.66	2.60
	Total Debt Service - Test "B" (Line 9/Line 12)	1.02	1.01	1.00	1.12	1.13	1.62	1.69	1.61	1.80	1.70

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 2002 through 2011

Table 17

Calendar Year	Population ¹	Personal Income ² (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate ³
2002	1,510,550	40,731,865	26,965	7.3%
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	1,536,471	60,035,440 ⁴	39,074	10.8%

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

⁴ Estimated using the rate of growth for the previous year

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

Table 18

Listed Alphabetically

2012	2003
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	City of Philadelphia
City of Philadelphia	First Union Services, Inc.
Comcast Corporation	School District of Philadelphia
Hospital of the University of Pennsylvania	SEPTA
School District of Philadelphia	Temple University
SEPTA	Tenet Healthsystem
Temple University	United States Postal Service
Thomas Jefferson University Hospitals	University Of Pennsylvania
University Of Pennsylvania	Verizon Corporation

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2003 through 2012

Table 19

	<u>2003</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>
Governmental Activities:										
Economic Development	9	9	6	6	6	6	23	25	27	28
Transportation:										
Streets & Highways	667	597	564	579	585	584	568	515	499	524
Mass Transit	1	1	1	1	1	1	8	7	9	13
Judiciary and Law Enforcement										
Police	8,036	7,888	7,578	7,522	7,639	7,754	7,685	7,503	7,439	7,292
Prisons	1,991	2,002	2,227	2,228	2,183	2,153	2,309	2,268	2,173	2,150
Courts	3,500	3,471	3,450	3,403	3,361	3,386	3,310	3,215	3,225	3,249
Conservation of Health:										
Emergency Medical Services	311	300	289	255	249	237	256	329	341	338
Health Services	1,236	1,210	1,163	1,133	1,148	1,140	1,163	1,135	1,139	1,143
Housing and Neighborhood Development	120	110	105	97	111	108	99	96	94	83
Cultural and Recreational										
Recreation	589	556	511	495	482	483	462	453	601	605
Parks	217	200	182	158	156	156	152	158	1	-
Libraries and Museums	829	774	726	812	816	808	723	687	682	658
Improvements to General Welfare:										
Social Services	2,218	2,220	2,196	2,140	2,164	2,232	2,107	2,079	1,989	1,924
Inspections and Demolitions	450	417	380	248	243	246	221	223	214	230
Service to Property:										
Sanitation	1,338	1,340	1,233	1,272	1,229	1,239	1,169	1,157	1,185	1,154
Fire	2,121	2,004	1,925	1,974	2,109	2,052	2,019	1,820	1,838	1,700
General Management and Support	2,494	2,369	2,253	2,347	2,331	2,414	2,393	2,276	2,225	2,454
Total Governmental Activities	26,127	25,468	24,789	24,670	24,813	24,999	24,667	23,946	23,681	23,545
Business Type Activities:										
Water and Sewer	2,415	2,342	2,326	2,239	2,229	2,291	2,256	2,196	2,116	2,228
Aviation	915	1,021	967	1,004	1,010	1,057	1,033	1,001	1,010	1,021
Total Business-Type Activities	3,330	3,363	3,293	3,243	3,239	3,348	3,289	3,197	3,126	3,249
Fiduciary Activities:										
Pension Trust	62	64	64	65	65	59	69	66	65	61
Total Primary Government	29,519	28,895	28,146	27,978	28,117	28,406	28,025	27,209	26,872	26,855

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2003 through 2012

Table 20

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	93	117	105	102	107	74	119	69	36	37
Potholes Repaired	24,182	23,179	20,862	18,203	12,721	12,326	11,976	23,049	24,406	14,451
Judiciary and Law Enforcement:										
Police										
Arrests	66,083	68,486	67,795	69,166	73,606	75,805	68,922	64,465	73,310	70,971
Calls to 911	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973	2,949,231	3,118,648
Prisons										
Average Inmate Population										
Inmate Beds (city owned)	7,631	7,738	8,141	8,613	8,796	9,133	9,554	8,806	7,935	8,240
	7,382	8,283	8,405	8,605	8,443	9,005	9,137	9,137	8,200	8,417
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	NA	NA	NA	209,654	216,606	215,305	217,505	222,882	227,147	273,557
First Responder Runs	NA	NA	NA	69,740	68,203	60,756	53,610	54,960	66,763	60,972
Health										
Patient Visits	320,833	317,184	337,770	324,014	323,121	334,139	349,078	350,695	339,032	348,472
Children Screened for Lead Poisoning	39,293	37,863	38,013	43,038	43,501	41,590	50,525	47,713	45,844	28,244
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	NA	NA	NA	2,878	2,227	1,389	1,420	1,388	2,714	1,978
Libraries										
Items borrowed	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662	7,210,217	7,503,031
Visitors to all libraries	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201	6,103,528	6,020,321
Visitors to library website	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928	6,131,726	6,886,339
Improvements to General Welfare:										
Social Services										
Children Receiving Services	26,388	28,039	28,926	28,086	28,898	25,893	35,685	31,416	28,572	28,939
Children in Placement	9,190	9,037	8,548	7,999	8,070	7,739	7,993	8,792	7,122	7,839
Emergency Shelter Beds (average)	2,109	2,412	2,539	2,781	2,677	2,747	2,689	2,617	2,520	2,987
Transitional Housing Units (new placements)	458	489	597	448	543	435	476	487	510	558
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,894	3,006	3,008	3,006	2,922	2,798	2,532	2,412	2,254	2,299
Recyclables Collected (tons per day)	175	169	157	155	179	197	288	381	441	461
Fire										
Fires Handled	NA	NA	NA	9,523	8,080	7,444	6,850	4,927	7,945	7,319
Fire Marshall Investigations	NA	NA	NA	2,734	3,153	3,097	3,031	2,726	2,711	2,387
Business Type Activities:										
Water and Sewer										
New Connections	110	106	137	207	125	295	281	704	121	125
Water Main Breaks	988	794	706	660	825	687	802	646	954	557
Avg. Daily Treated Water Delivered (x 1000 gallons)	183,700	175,600	174,100	175,800	169,400	167,000	163,660	242,900	250,000	239,200
Peak Daily Treated Water Delivered (x 1000 gallons)	208,600	201,700	210,000	207,400	179,100	170,500	167,090	272,200	282,000	254,500
Avg. Daily Water Sewage Treatment (x 1000 gallons)	478,130	476,110	478,670	430,170	463,080	411,830	417,330	468,200	410,000	443,500
Aviation										
Passengers Handled (PIA)	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899	31,225,470	30,612,150
Air Cargo Tons (PIA)	565,653	568,898	599,758	591,815	571,452	575,640	475,365	440,495	449,683	416,731
Aircraft Movements (PIA and NPA)	654,758	584,214	629,885	625,692	614,720	593,757	551,191	543,462	458,832	517,842

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 2003 through 2012

Table 21

	<u>2003</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>
Governmental Activities:										
Transportation:										
Streets & Highways										
¹ Total Miles of Streets	2,400	2,400	2,400	2,400	2,575	2,575	2,575	2,575	2,575	2,575
Streetlights	101,224	101,836	102,000	102,219	102,840	102,949	103,982	104,219	104,219	104,600
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	33	33	33	34	36	35	35	31	32
Prisons										
Major Correctional Facilities	5	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	164	165	165	171	171	171	171	153	184
Athletic Venues	1,121	1,121	1,121	1,117	1,117	919	915	914	1,148	1,102
² Neighborhood Parks and Squares	232	232	232	232	232	79	79	79	-	-
Parks										
Parks	62	62	62	62	63	63	63	63	150	177
Baseball/Softball Fields	106	106	106	106	109	77	79	79	407	404
Libraries										
Branch & Regional Libraries	55	54	53	54	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	63	64	64	64	63	63	63	68
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,169	3,169	3,169	3,169	3,133	3,137	3,145	3,236	3,164	3,172
Fire Hydrants	27,846	27,987	26,080	26,080	25,195	25,181	25,208	25,234	25,353	25,321
Treated Water Storage Capacity (x 1000 gallons)	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400	1,065,400
Sanitary Sewers (miles)	595	596	596	596	768	750	749	751	758	759
Stormwater Conduits (miles)	622	623	623	623	784	713	720	721	731	734
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	1,044,000
Aviation										
Passenger Gates (PIA)	120	120	120	120	120	120	120	120	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	2,415,000	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	42,460	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.

