NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:
Non-Insured Bonds: Moody's: "A2"
S&P: "BBB"
Fitch: "A-"
Insured Bonds: Moody's: "Aa3"
S&P: "AA+"
See "Ratings" herein

In the opinion of Co-Bond Counsel, interest on the 2011 Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS" herein. In addition, interest on the 2011 Bonds will not be treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the individual and corporate alternative minimum taxes; however, under the Code, such interest may be subject to certain other taxes affecting corporate holders of the 2011 Bonds. Under the existing laws of the Commonwealth of Pennsylvania, interest on the 2011 Bonds will be free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2011 Bonds or the interest thereon. For a more complete discussion, see "TAX MATTERS" herein.

$253,720,000
CITY OF PHILADELPHIA, PENNSYLVANIA
General Obligation Bonds, Series 2011

Dated: Date of Delivery **Due: As shown on the inside front cover**

The $253,720,000 aggregate principal amount of General Obligation Bonds, Series 2011 (the "2011 Bonds") of The City of Philadelphia, Pennsylvania (the "City") will be issued as fixed rate obligations in registered form in the denomination of $5,000 and any integral multiple thereof ("Authorized Denominations"). Interest on the 2011 Bonds is payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2011. The 2011 Bonds will mature on the dates and in the amounts, and bear interest from the date of delivery at the rates, all as shown on the inside front cover. Payments of principal of and interest on the 2011 Bonds will be made by U.S. Bank National Association, as Fiscal Agent, as described herein under "The 2011 Bonds."

The 2011 Bonds are being issued for the purpose of (a) currently refunding a portion of the City's (i) outstanding General Obligation Refunding Bonds, Series 1998 and (ii) outstanding General Obligation Bonds, Series 2001, (b) funding a portion of the City's capital program, and (c) paying costs relating to the issuance of the 2011 Bonds.

The 2011 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2011 Bonds. Purchases of beneficial ownership interests in the 2011 Bonds will be made in book-entry only form in Authorized Denominations. Principal of and interest on the 2011 Bonds is payable directly to Cede & Co. for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. Purchasers of the 2011 Bonds will not receive certificates representing their ownership interest in the 2011 Bonds purchased. See "The 2011 Bonds -Book-Entry System" herein.

The 2011 Bonds are general obligations of the City, and the full faith, credit and taxing power of the City are pledged for the payment thereof.

The scheduled payment of principal of and interest on the 2011 Bonds maturing on August 1, 2016 (3.250% and 5.000% interest rates), August 1, 2020 (4.250%, 4.500% and 5.000% interest rates), August 1, 2023 and August 1, 2026 (collectively, the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY MUNICIPAL

THE 2011 BONDS ARE SUBJECT TO MANDATORY AND OPTIONAL REDEMPTION PRIOR TO MATURITY AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to making an informed investment decision regarding the 2011 Bonds.

The 2011 Bonds are offered when, as and if issued by the City, subject to the approval of the legality of the issuance of the 2011 Bonds by Cozen O'Connor and Grant & Lebowitz, LLC, Co-Bond Counsel, both of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and for the Underwriters by Dilworth Paxson LLP, Philadelphia, Pennsylvania and Gonzalez Saggio & Harlan LLP, New York, New York. It is anticipated that the 2011 Bonds will be available for book-entry delivery to DTC in New York, New York on or about April 19, 2011.

J.P. Morgan

Citi **Loop Capital Markets**

Janney Montgomery Scott **Jefferies & Company** **PNC Capital Markets** **Ramirez & Co., Inc.**

Dated: April 7, 2011

$253,720,000
CITY OF PHILADELPHIA, PENNSYLVANIA
General Obligation Bonds, Series 2011

MATURITY SCHEDULE

$156,420,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP*
2011	$14,365,000	2.000%	1.110%	100.250	717813ML0
2012	6,665,000	2.000%	1.650%	100.441	717813MM8
2012	16,070,000	4.000%	1.650%	102.969	717813NC9
2013	195,000	2.000%	2.150%	99.666	717813MN6
2013	13,675,000	4.000%	2.150%	104.098	717813ND7
2014	12,510,000	5.000%	2.590%	107.535	717813NE5
2015	1,650,000	3.000%	3.120%	99.519	717813MP1
2015	8,985,000	5.000%	3.120%	107.478	717813NF2
2016**	3,410,000	3.250%	3.400%	99.276	717813MQ9
2016**	9,510,000	5.000%	3.400%	107.672	717813NG0
2017	525,000	3.750%	3.970%	98.782	717813MR7
2017	11,165,000	5.250%	3.970%	107.050	717813NH8
2018	1,385,000	4.100%	4.310%	98.693	717813MS5
2018	10,920,000	5.250%	4.310%	105.815	717813NJ4
2019	2,295,000	4.500%	4.620%	99.175	717813MT3
2019	9,820,000	5.250%	4.620%	104.288	717813NK1
2020**	7,360,000	4.250%	4.610%	97.299	717813NN5
2020**	3,405,000	4.500%	4.610%	99.170	717813MU0
2020**	1,920,000	5.000%	4.610%	102.911	717813NL9
2021	2,190,000	4.875%	5.010%	98.917	717813MV8
2021†	820,000	5.250%	5.010%	101.756	717813NM7
2022	3,165,000	5.000%	5.090%	99.226	717813MW6
2023**	3,325,000	5.000%	5.050%	99.538	717813MX4
2024	3,500,000	5.250%	5.330%	99.236	717813MY2
2025	3,695,000	5.375%	5.450%	99.253	717813MZ9
2026**	3,895,000	5.250%	5.320%	99.265	717813NA3

$23,235,000 5.875% Term Bonds due August 1, 2031, Price 98.764, CUSIP No. 717813NB1*

$31,280,000 6.00% Term Bonds due August 1, 2036, Price 98.505, CUSIP No. 717813MJ5*

$42,785,000 6.50% Term Bonds due August 1, 2041†, Price 102.081, CUSIP No. 717813MK2*

** Insured by Assured Guaranty Municipal Corp.

† Price/Yield to first optional call date.

THE CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR
HONORABLE MICHAEL A. NUTTER

MAYOR'S CHIEF OF STAFF
CLARENCE D. ARMBRISTER

MAYOR'S CABINET

Richard Negrin, Esquire................Deputy Mayor for Administration and Coordination/Managing Director
Rob Dubow..Director of Finance
Shelley R. Smith..City Solicitor
Rina Cutler..Deputy Mayor of Transportation and Utilities
Everett A. Gillison..Deputy Mayor for Public Safety
Alan Greenberger..Deputy Mayor for Planning and Economic Development and Commerce Director
Donald F. Schwarz, M.D. ....Deputy Mayor for Health and Opportunity and Health Commissioner
Michael DiBerardinis..Parks and Recreation Commissioner
Desiree Peterkin-Bell..Director of Communications
Thomas Jones..Acting Chief Information Officer
Katherine Gajewski..Director of Sustainability
Terry Gillen..Director of Federal Affairs
Melanie Johnson..City Representative
Amy L. Kurland..Inspector General
Joan L. Markman..Chief Integrity Officer
Lewis Rosman..Director, Legislative and Government Affairs
Lori A. Shorr, Ph.D...Chief Education Officer
Gary Steuer..Chief Cultural Officer
David G. Wilson..First Deputy Managing Director
Suzanne Biemiller..Director of Policy and Planning

City Treasurer
Nancy E. Winkler

City Controller
Alan L. Butkovitz

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2011 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement among The City of Philadelphia, Pennsylvania (the "City"), the Underwriters and the purchasers or owners of any offered 2011 Bonds. The information set forth herein has been obtained from sources that the Underwriters believe to be reliable, but it is not guaranteed as to its accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and the opinions expressed herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the operation or financial condition of the City since the date hereof or the date as of which particular information is given, if earlier.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the 2011 Bonds or the advisability of investing in the 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and Appendix E—Specimen Municipal Bond Insurance Policy.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of taxes and other revenue collected by the City include, among others, changes in economic conditions and various other events, conditions and circumstances, many of which are beyond the control of the City. Such forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Upon issuance, the 2011 Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the City (subject to the limitations set forth herein), will have passed upon the accuracy or adequacy of this Official Statement.

No quotations from or summaries or explanations of provision of law and documents herein purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the securities described herein. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, list of officials, this page and the Appendices attached hereto are part of this Official Statement.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND THE INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES AND THE INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2011 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE 2011 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE OFFERED 2011 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

relating to

$253,720,000
CITY OF PHILADELPHIA, PENNSYLVANIA
General Obligation Bonds, Series 2011

INTRODUCTION

This Official Statement, including the cover page and Appendices hereto, provides information with respect to the issuance by The City of Philadelphia, Pennsylvania (the "City") of $253,720,000 aggregate principal amount of its General Obligation Bonds, Series 2011 (the "2011 Bonds"). This introduction is a brief description of certain matters set forth in this Official Statement and is qualified by reference to the entire Official Statement, including the Appendices hereto.

Reference should be made to the material under the caption "THE 2011 BONDS" for a description of the 2011 Bonds, including the book-entry system applicable thereto. Appendix A provides information regarding the City, including relevant statutory provisions, financial information, litigation information, the relationship with the Pennsylvania Intergovernmental Cooperation Authority ("PICA"), a summary of the City's Five Year Plan covering fiscal years 2011 through 2015 approved by PICA, as well as socio-economic and demographic information about the City. Appendix B contains the Audited Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2010. Certain other information contained herein is for periods prior to or subsequent to June 30, 2010. As a result, certain of the information in Appendix B is, at times, at variance with corresponding information concerning the City in Appendix A. Appendix C contains the proposed form of opinion of Co-Bond Counsel with regard to the 2011 Bonds. Appendix D contains the form of Continuing Disclosure Agreement with respect to the 2011 Bonds. Appendix E contains a specimen of the municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. with respect to certain of the 2011 Bonds.

Certain factors that may affect an investment decision concerning the 2011 Bonds are described throughout this Official Statement. Persons considering a purchase of the 2011 Bonds should read this Official Statement, including the cover page and Appendices, which are an integral part hereof, in its entirety. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward looking statements" may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward looking statements are numbers and other information from adopted and proposed budgets of the City, including the City's Nineteenth Five Year Plan. Accordingly, no assurance is given that any projected future results will be achieved.

The City's Comprehensive Annual Financial Report and other information about the City can be found at the City's website ("City Website"), www.phila.gov/investor. The "Terms of Use" statement of the City Website, incorporated herein by this reference, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2011 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

The quotations from and summaries and explanations of the Constitution and laws of the Commonwealth of Pennsylvania (the "Commonwealth") and ordinances and resolutions of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all descriptions and summaries of the 2011 Bonds are qualified in their entirety by reference to the definitive form of the 2011 Bonds. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Bond Committee Resolution (as defined herein).

THE 2011 BONDS

General

The 2011 Bonds will be dated the date of their original issuance and delivery and will bear interest at fixed rates and mature on such dates as set forth on the inside cover page of this Official Statement. Interest on the 2011 Bonds will be payable on each February 1 and August 1, commencing August 1, 2011 (each, an "Interest Payment Date"). Interest on the 2011 Bonds shall be computed on the basis of a 360-day year, consisting of twelve (12) thirty (30) day months.

Any interest on a 2011 Bond which is due and payable but is not punctually paid or duly provided for on a Interest Payment Date shall cease to be payable to the person in whose name such 2011 Bond is registered on the bond register ("Registered Owner") on the relevant Record Date (defined below) and such defaulted interest will be paid to the person in whose name such 2011 Bond is registered in the bond register at the close of business on a special record date which shall be fixed by U.S. Bank National Association, Philadelphia, Pennsylvania, a national banking association formed under the laws of the United States of America (the "Fiscal Agent"). The Fiscal Agent shall cause notice of the date and amount of the proposed payment of defaulted interest and the special record date therefor to be mailed to each Registered Owner of a 2011 Bond, at its respective address appearing in the bond register, not less than ten (10) days prior to the special record date. The full text of the 2011 Bonds is included in the resolution adopted by the Mayor, City Controller and City Solicitor or a majority of them (the "Bond Committee") on April 7, 2011 (the "Bond Committee Resolution"), a copy of which is on file with the Fiscal Agent. See "THE 2011 BONDS — Authorization."

The 2011 Bonds will be issued as registered bonds in the denomination of $5,000 and any integral multiple thereof ("Authorized Denominations"). The 2011 Bonds are subject to redemption prior to maturity, as described herein. See "THE 2011 BONDS — Redemption Provisions."

Interest on the 2011 Bonds will be paid by check or draft of the Fiscal Agent. The Fiscal Agent will pay such interest by check mailed to the person in whose name the 2011 Bonds are registered on the registration books of the City maintained by the Fiscal Agent, as bond registrar, at the address appearing thereon at the close of business on the fifteenth (15th) day immediately preceding each Interest Payment Date (the "Record Date"). Interest is payable by wire transfer upon receipt by the Fiscal Agent at least two (2) business days prior to the applicable Record Date of the written request of registered owners of $1,000,000 or more of 2011 Bonds. The principal of the 2011 Bonds will be payable at the designated corporate trust office of the Fiscal Agent, currently located at 50 South 16th Street, Philadelphia, Pennsylvania, upon presentation and surrender of the 2011 Bonds. While the 2011 Bonds are issued and registered in book-entry-only form, interest and principal shall be payable in the manner described under the heading "THE 2011 BONDS — Book-Entry System" herein.

Redemption Provisions

Optional Redemption

The 2011 Bonds (except for the 2011 Bonds maturing on August 1, 2031), or portions thereof in integral multiples of $5,000, maturing on or after August 1, 2021, are subject to redemption prior to maturity at the option of the City, on and after August 1, 2020, either as a whole at any time or in part at any time and from time to time (and if in part, in such order of maturity and interest rate as the City may direct and within a maturity and interest rate by lot) in each case upon payment of the principal amount of the 2011 Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

The 2011 Bonds maturing on August 1, 2031, or portions thereof in integral multiples of $5,000, are subject to redemption prior to maturity at the option of the City on and after August 1, 2016, either as a whole at any time or in part at any time and from time to time (and if in part by lot) in each case upon payment of the principal amount of the 2011 Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

Each notice of optional redemption of 2011 Bonds shall be conditional and of no effect unless there are on deposit with the Fiscal Agent, as of the redemption date, sufficient funds to effect any such proposed redemption in full.

Mandatory Redemption

The 2011 Bonds maturing on August 1, 2031, August 1, 2036 and August 1, 2041, are subject to mandatory redemption prior to maturity (to the extent that such 2011 Bonds of such maturity in the principal amount otherwise required to be redeemed have not been previously purchased or optionally redeemed by the City), in part, in direct order of maturity, as selected by lot within a maturity by the Fiscal Agent, upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption, on August 1 of the following years in the following principal amounts:

2011 Bonds Maturing August 1, 2031		2011 Bonds Maturing August 1, 2036	
Year	Amount	Year	Amount
2027	$4,120,000	2032	$5,530,000
2028	4,365,000	2033	5,870,000
2029	4,630,000	2034	6,235,000
2030	4,910,000	2035	6,620,000
2031*	5,210,000	2036*	7,025,000

2011 Bonds Maturing August 1, 2041

Year	Amount
2037	$7,480,000
2038	7,985,000
2039	8,520,000
2040	9,095,000
2041*	9,705,000

*Stated maturity

In the event a portion, but not all, of the 2011 Bonds maturing on a particular date are redeemed pursuant to optional redemption or purchased by the City and presented to the Fiscal Agent for cancellation, then the principal amount of any remaining mandatory sinking fund redemptions or the final maturity applicable to such 2011 Bonds shall be reduced (subject to the ability to effect future redemptions of the 2011 Bonds in Authorized Denominations) in such amounts as specified by the City.

In the case of a 2011 Bond in a denomination larger than the minimum authorized denomination, a portion of such 2011 Bond may be redeemed, provided that the remaining portion of such 2011 Bond shall be in an authorized denomination.

Effect of Call for Redemption.

On the date designated for redemption by notice given as herein described, the 2011 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2011 Bonds on such date plus accrued interest, if any, to such date. If, on the date fixed for redemption, moneys for payment of the redemption price and accrued interest are held by the Fiscal Agent as provided in the Bond Committee Resolution, interest on such 2011 Bonds shall cease to accrue, and such 2011 Bonds so called for redemption shall cease to be entitled to any benefit or security under the Bond Committee Resolution except the right of Registered Owners thereof to receive payment from such moneys held by the Fiscal Agent.

Notice of Redemption.

Notice of redemption identifying the 2011 Bonds to be redeemed shall be mailed by first class mail, postage prepaid, to the Registered Owners of the 2011 Bonds selected for redemption by the Fiscal Agent not less than thirty (30) nor more than forty-five (45) days prior to the date set for redemption. Such notice shall be mailed to the respective addresses of the Registered Owners of the 2011 Bonds to be redeemed as the same shall appear in the Bond Register. Such notice shall be given in the name of the City, shall identify the 2011 Bonds to be redeemed by certificate number, unless all of the 2011 Bonds are being redeemed whereupon certificate numbers need not be identified, CUSIP number, date of issue, interest rate, maturity date and any other identifying information (and in the case of a partial redemption of any 2011 Bonds, the respective principal amount thereof to be redeemed and the numbers, including CUSIP number, if applicable, of the 2011 Bonds, or portions thereof, to be redeemed which may, if appropriate, be expressed in designated blocks of numbers), shall specify the redemption date, the redemption price and the Fiscal Agent's name and address, and shall state that on the redemption date, the 2011 Bonds called for redemption will be payable at the designated corporate trust office of the Fiscal Agent and that, from the date of redemption, interest will cease to accrue; provided, however, that the Registered Owners of all 2011 Bonds to be redeemed may file written waivers of notice with the Fiscal Agent and, if so waived, such 2011 Bonds may be redeemed without the requirement of written notice.

A second notice of redemption shall be mailed in the manner provided above to any Registered Owner who has not tendered the 2011 Bonds that have been called for redemption within sixty (60) days after the applicable redemption date.

Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not received by the Registered Owner. Deposit of any notice in the United States mail shall constitute constructive receipt by the Registered Owner. Failure to so mail any such notice to a Registered Owner or any defect therein shall not affect the validity of the proceedings for such redemption as to any other Registered Owner to whom proper notice has been mailed.

Each notice of redemption with respect to an optional redemption pursuant to the provisions above shall specify that, to the extent that funds on deposit with the Fiscal Agent as of the redemption date are insufficient to provide funds to effect any such proposed redemption, then such call for redemption shall be of no effect.

Transfer and Exchange

2011 Bonds may be surrendered for registration of transfer or for exchange to the Fiscal Agent, as bond registrar, duly endorsed, or accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the bond registrar and executed by the Registered Owner or the Registered Owner's attorney-in-fact. The bond registrar is required to execute and deliver to and in the name of the designated transferee one or more new fully registered 2011 Bonds, as applicable, of the same maturity and stated interest rate, in Authorized Denominations and of the same aggregate principal amount as the 2011 Bonds so surrendered. The City and the bond registrar are not required to issue, transfer or exchange (i) any 2011 Bond during a period beginning at the opening of business fifteen (15) days before the day of the selection of 2011 Bonds to be redeemed and ending at the close of business on the day on which any notice of redemption is given, or (ii) any 2011 Bond which is selected for redemption in whole or in part. No service charge will be made for redemption in whole or in part. No service charge will be made for any transfer or exchange, except that the Registered Owner requesting the transfer or exchange shall be required to pay any tax or governmental charge payable in connection herewith. When the book-entry system is in effect, transfers of Beneficial Owners' interests in the 2011 Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. See "Book-Entry System" hereinafter.

Constitutional Debt Limit

General obligation debt of the City is of two types: (i) debt (herein called "Tax-Supported") which is subject to the limitation of the Constitution of the Commonwealth (the aggregate limit on such debt equals 13.5% of the average annual assessed value of taxable real property in the City during the ten (10) years immediately preceding the year in which debt is incurred (of which no more than 3% may be non-electoral debt)); and (ii) debt (herein called "Self-Supporting") which, having been incurred for revenue producing facilities reasonably expected to yield revenue in excess of operating expenses sufficient to pay the interest and sinking fund charges thereon, is excluded from the computation of debt for the purposes of the constitutional debt limit. The amount of such Self-Supporting general obligation debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-Supporting debt is general obligation debt of the City and ranks equally in all respects with tax-supported general obligation debt, the only distinction being that it is not used in the calculation of the constitutional debt limit and revenues are expected to be generated by the facilities in amounts sufficient to cover their debt service. Self-Supporting debt, however, is not secured by a lien on any particular revenues. Approximately $1,600,000 principal amount of the 2011 Bonds will constitute Self-Supporting debt, and the balance will be Tax-Supported debt. The issuance of the 2011 Bonds will not cause the City's indebtedness to exceed the constitutional debt limit. See "DEBT OF THE CITY" in Appendix A herein.

As of April 1, 2011: (i) the constitutional debt limitation for tax-supported general obligation debt was approximately $1,574,704,000 (based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a ten (10) year rolling average); (ii) the City's total amount of authorized general obligation debt was $1,845,534,000, which includes approximately $355,968,000 of Self-Supporting debt and the legally authorized deductions shown below, which do not count against the constitutional debt limit; (iii) $1,477,468,000 of general obligation debt subject to the constitutional debt limit was authorized, and of this authorized amount, $1,247,080,000 was issued and outstanding; (iv) a balance of $598,454,000 remained authorized and unissued; and (v) after legally authorized deductions for appropriations of approximately $12,098,000 for fiscal year 2011 maturing serial bonds, there remained a balance of $97,236,000 available for future authorization and issuance.

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Currently, the City issues revenue bonds to support the Division of Aviation, the Water Department and the Philadelphia Gas Works. Bonds so issued are excluded for purposes of the calculation of the constitutional debt limit. See "Security" herein.

Authorization

Under Article 9, Section 12 of the Constitution of the Commonwealth and the Acts of General Assembly of the Commonwealth of June 25, 1919, P.L. 581, as amended and June 11, 1941, P.L. 113, amended December 8, 1985, P.L. 324 (together, the "Act"), the City is authorized to issue bonds to refund bonds previously issued to secure indebtedness of the City and to issue bonds to fund the City's capital program. Pursuant to the Act, the Council of the City enacted an Ordinance (Bill No. 100654) on November 18, 2010 (the "Refunding Ordinance") authorizing borrowings by the issuance and sale of bonds (including the 2011 Bonds) for the purpose of refunding all or a portion of the 1998 Bonds and the 2001 Bonds (hereinafter defined) (the "Refunding Project").

The Refunding Ordinance, which was signed by the Mayor on November 22, 2010, authorizes the Mayor, City Controller and the City Solicitor, or a majority of them (the "Bond Committee"), to issue and sell on behalf of the City up to $320,000,000 aggregate principal amount (exclusive of costs of issuance of the 2011 Bonds issued for the Refunding Project, including, but not limited to, underwriters' discount, costs of liquidity and/or credit enhancement, original issue discount or redemption premiums, if any, on the 1998 Bonds and the 2001 Bonds being refunded or similar items) of general obligation bonds of the City in one or more series, for the purpose of refunding all or a portion of the 1998 Bonds, the 2001 Bonds and certain other general obligation bonds.

Pursuant to the Act, the Council of the City enacted Ordinance (Bill No. 070670) on October 4, 2007, which was signed by the Mayor on October 5, 2007 and consented to by a vote of the electors at an election held on November 6, 2007 (the "2007 Ordinance"), Ordinance (Bill No. 080543) on September 18, 2008, which was signed by the Mayor on September 24, 2008 and consented to by a vote of the electors at an election held on November 4, 2008 (the "2008 Ordinance"), and Ordinance (Bill No. 100004) on March 11, 2010, which was signed by the Mayor on March 17, 2010 and consented to by a vote of the electors held on May 18, 2010 (the "2010 Ordinance" and, together with the 2007 Ordinance and the 2008 Ordinance, the "New Money Ordinances") for the purpose of funding a portion of the City's capital program (the "New Money Project").

The 2007 Ordinance authorized the issuance of up to $55,090,000 to fund a portion of the City's capital program, of which $19,785,000 remains unissued; the 2008 Ordinance authorized the issuance of up to $53,840,000 to fund a portion of the City's capital program, none of which has been issued, and the 2010 Ordinance authorized the issuance of up to $65,525,000 to fund a portion of the City's capital program, none of which has been issued. The New Money Ordinances authorize the Bond Committee to issue and sell on behalf of the City bonds, up to the amount authorized in such New Money Ordinances, for the purpose of funding a portion of the City's capital program. The Refunding Ordinance, the 2010 Ordinance, Resolution No. 080907 adopted by City Council on November 20, 2008 and Resolution No. 100763, adopted by City Council on November 4, 2010, authorized the Bond Committee to sell the 2011 Bonds at a private negotiated sale. Following the issuance of the 2011 Bonds, none of the amounts authorized by the New Money Ordinances will remain unissued.

By the Bond Committee Resolution adopted on April 7, 2011 (the "Bond Committee Resolution"), the Bond Committee authorized the issuance of $253,720,000 principal amount of the 2011 Bonds and determined the terms of the 2011 Bonds, including the interest rates, maturity dates and redemption provisions.

Book-Entry System

The Depository Trust Company ("DTC"), New York, New York, is the securities depository for the 2011 Bonds. The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. The City, Underwriters and the Fiscal Agent make no representation as to the accuracy of such information.

DTC will act as securities depository for the 2011 Bonds. The 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity (and interest rate, if applicable) of the 2011 Bonds, each in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provision of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of 2011 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2011 Bonds, except in the event that use of the book-entry system for the 2011 Bonds is discontinued.

To facilitate subsequent transfers, all 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2011 Bonds may wish to ascertain that the nominee holding the 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2011 Bonds within a maturity and bearing the same interest rate are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity and interest rate to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the 2011 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2011 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

NEITHER THE CITY NOR THE FISCAL AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE FISCAL AGENT AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE AND BOND

COMMITTEE RESOLUTION TO BE GIVEN TO THE OWNER OF THE 2011 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Security

The 2011 Bonds are general obligations of the City payable from taxes and other general revenues of the City. The full faith, credit and taxing power of the City are irrevocably pledged for the prompt and full payment, when due, of the principal of and interest and premium, if any, on the 2011 Bonds and all other general obligation debt of the City. See "DEBT OF THE CITY" in Appendix A. The City is also empowered by statute to issue revenue bonds and, as of March 31, 2011 had outstanding $1,864,132,000 aggregate principal amount of Water and Wastewater Revenue Bonds, $1,228,335,000 aggregate principal amount of Gas Works Revenue Bonds, and $1,470,385,000 aggregate principal amount of Airport Revenue Bonds. Such revenue bonds are secured by a pledge of the revenues of the City's water and sewer system, revenues of the Philadelphia Gas Works and revenues of the City's airport system, respectively, constituting a first lien on such revenues. The City also issued certain general obligation bonds to fund water and sewer and airport facilities which have been determined to be Self-Supporting. Subject to such priority in application of revenues as is required by law for such revenue bonds and to covenants made with respect to revenue bonds, and excluding grants in aid, trust funds and sinking funds designated for application to specific purposes, all revenues and funds of the City support its general obligation debt, including the 2011 Bonds. See Appendix A for information regarding the City and Appendix B for the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

Remedies of Bondholders

Should a Registered Owner fail to receive payment of principal and interest when due and payable, a suit may be brought by such Registered Owner against the City to seek a judgment for the unpaid amount.

No writ of execution may be issued on such judgment against the real or personal property of the City, but under the Act of April 15, 1834, P.L. 537, Section 6, a judgment creditor may cause the court to issue a writ commanding the City Treasurer to cause the judgment to be paid out of any unappropriated monies of the City, and if there be no such monies, out of the first monies that shall be received for the account of the General Fund of the City. This statute was repealed by the Act of April 28, 1978, P.L. 202, effective June 27, 1980 (the "Judiciary Act Repealer Act"), which provides that general rules of the Supreme Court of Pennsylvania were to be substituted for the practice and procedure set forth in the repealed statute. Since no rules have been issued in substitution of the repealed statute, the Judiciary Act Repealer Act provides that the repealed statute shall continue in full force and effect, as part of the common law of the Commonwealth, until general rules are promulgated. Furthermore, the 1951 Philadelphia Home Rule Charter (the "Home Rule Charter") requires that, if any obligations of the City are not paid or provided for within the fiscal year in which such obligations are payable, the annual operating budget ordinance for the following fiscal year shall provide for discharging the resulting deficit.

The rights and remedies of bondholders could be limited by the provisions of Chapter 9 of the United States Bankruptcy Code, which permits, under prescribed circumstances, a public agency or instrumentality of a state to file a petition for relief, in the nature of an adjustment in the repayment of debts, in a bankruptcy court of the United States, other reorganization and insolvency proceedings, and general principles of equity, whether asserted in a proceeding at law or in equity.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6, approved June 5, 1991 (the "PICA Act"), prohibits the City from filing a petition for relief under Chapter 9 of the United States Bankruptcy Code as long as the Pennsylvania Intergovernmental

Cooperation Authority ("PICA") has outstanding any bonds issued pursuant to the PICA Act. As of March 31, 2011, PICA had $533,945,000 aggregate principal amount of bonds outstanding. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the United States Bankruptcy Code were invoked, such provisions could limit the enforcement of bondholders' rights and remedies. See "PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY" in Appendix A herein.

PLAN OF FINANCE AND SOURCES AND USES OF FUNDS

The City will use a portion of the proceeds of the 2011 Bonds, together with other available funds of the City, to (a) currently refund (i) certain of the City's outstanding General Obligation Refunding Bonds as set forth below (such refunded bonds referred to herein as the "Refunded 1998 Bonds") and (ii) certain of the City's outstanding General Obligation Bonds, Series 2001 as set forth below (such refunded bonds referred to herein as the "Refunded 2001 Bonds"), (b) fund a portion of the City's capital program, and (c) pay costs relating to the issuance of the 2011 Bonds.

Refunded 1998 Bonds

Date of Issue: December 30, 1998

Principal Amount to be Refunded	Maturity Date	Interest Rate	Redemption Date	Redemption Price
$12,975,000	May 15, 2012	5.125%	May 15, 2011	100%
13,640,000	May 15, 2013	5.125%	May 15, 2011	100%
10,260,000	May 15, 2014	5.125%	May 15, 2011	100%
10,785,000	May 15, 2015	5.125%	May 15, 2011	100%
8,900,000	May 15, 2016	4.750%	May 15, 2011	100%
29,310,000	May 15, 2020*	4.750%	May 15, 2011	100%

*Partial redemption; $10,715,000 principal amount to remain outstanding.

Refunded 2001 Bonds

Date of Issue: January 17, 2001

Principal Amount to be Refunded	Maturity Date	Interest Rate	Redemption Date	Redemption Price
$2,675,000	September 15, 2012	4.400%	April 19, 2011	100%
4,455,000	September 15, 2012	5.250%	April 19, 2011	100%
1,900,000	September 15, 2013	4.500%	April 19, 2011	100%
1,785,000	September 15, 2016	4.750%	April 19, 2011	100%
10,140,000	September 15, 2019	4.850%	April 19, 2011	100%
10,635,000	September 15, 2020	4.900%	April 19, 2011	100%

A portion of the proceeds of the 2011 Bonds will be applied, on the date of issuance of the 2011 Bonds, to the payment of the redemption price of and accrued interest on the Refunded 2001 Bonds. A portion of the proceeds of the 2011 Bonds, together with certain available City funds will be deposited in escrow with U.S. Bank National Association, as escrow agent, and invested in certain United States treasury securities, and applied to pay the redemption price and accrued interest on the Refunded 1998 Bonds on May 15, 2011.

Set forth below is a summary of the estimated sources and uses of funds for the 2011 Bonds.

Sources	
Principal Amount	$253,720,000
Net Original Issue Premium	5,045,689
Transfer of Other Available Funds of the City	2,128,775
TOTAL	$260,894,464
Uses	
Refunding Refunded 1998 Bonds and Refunded 2001 Bonds	$119,733,727
Capital Program	139,059,234
Costs of Issuance*	2,101,503
TOTAL	$260,894,464

*Includes legal fees, underwriters' discount, bond insurance premium, printing costs, rating agency fees, fiscal agent fees, financial advisor fees, and other closing costs and expenses.

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FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth below is the schedule of the City's fiscal year debt service payments on tax-supported bonds, including the 2011 Bonds, in each fiscal year of the City ending June 30.

City of Philadelphia
Fiscal Year Debt Service Payments
(amounts in millions of USD)

Period Ending June 30	Debt Service on the 2011 Bonds	Current Annual General Obligation Debt Service[(1)(2)(3)]	Aggregate General Obligation Debt Service
2011	-	100.72	100.72
2012	24.27	84.93	109.20
2013	34.89	82.09	116.98
2014	25.36	91.59	116.95
2015	23.41	93.59	117.00
2016	20.97	91.90	112.87
2017	22.71	90.06	112.77
2018	20.89	91.67	112.56
2019	20.88	91.57	112.45
2020	20.07	91.98	112.05
2021	20.05	80.67	100.72
2022	10.02	91.45	101.47
2023	10.02	91.20	101.22
2024	10.02	91.02	101.04
2025	10.02	90.78	100.79
2026	10.02	83.29	93.31
2027	10.02	83.00	93.02
2028	10.02	83.40	93.42
2029	10.02	53.72	63.74
2030	10.02	66.56	76.58
2031	10.02	66.67	76.68
2032	10.02	66.74	76.76
2033	10.02	27.84	37.86
2034	10.02	13.05	23.07
2035	10.02	13.05	23.07
2036	10.02	13.05	23.07
2037	10.02	13.05	23.07
2038	10.02	13.05	23.07
2039	10.02	13.05	23.07
2040	10.02	0.00	10.02
2041	10.02	0.00	10.02
2042	10.02	0.00	10.02
TOTALS[(4)]	443.91	1,964.75	2,408.66

(1) For outstanding bonds as of June 30, 2010; amounts include Tax-Supported and Self-Supporting debt.
(2) Assumes an interest rate of 3.829% for the 2009B Bonds.
(3) Excludes debt service on the Refunded 1998 Bonds and the Refunded 2001 Bonds.
(4) Totals may not add due to rounding.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the 2011 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the 2011 Bonds maturing on August 1, 2016 (3.250% and 5.000% interest rates), August 1, 2020 (4.250%, 4.500% and 5.000% interest rates), August 1, 2023 and August 1, 2026 (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA+” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM’s counterparty credit and financial strength rating from “AAA” (negative outlook) to “AA+” (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On December 18, 2009, Moody’s issued a press release stating that it had affirmed the “Aa3” insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody’s comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011.

Capitalization of AGM

At December 31, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,578,146,678 and its total net unearned premium reserve was approximately $2,298,456,380, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the 2011 Bonds or the advisability of investing in the 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

UNDERWRITING

The 2011 Bonds are being purchased by J.P.Morgan Securities LLC ("JPMS") and the other firms listed on the front cover page of the Official Statement (collectively, the "Underwriters"), at a purchase price of $257,569,779.03, which reflects the par amount of the 2011 Bonds, plus net original issue premium of $5,045,689.00, less an underwriters' discount of $1,195,909.97.

The initial public offering prices of the 2011 Bonds may be changed from time to time by the Underwriters without notice. The Underwriters may offer and sell the 2011 Bonds to certain dealers (including dealers depositing 2011 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the offering prices set forth on the cover page hereof. The purchase contract for the 2011 Bonds provides that the Underwriters' obligation to purchase the 2011 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2011 Bonds if any 2011 Bonds are purchased.

JPMS, one of the Underwriters of the 2011 Bonds has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2011 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2011 Bonds that such firm sells.

Citigroup Inc., the parent company of Citigroup Global Markets Inc., an underwriter of the 2011 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 Bonds.

LEGALITY FOR INVESTMENT

Under the Pennsylvania Probate, Estates and Fiduciaries Code, the 2011 Bonds are authorized investments for fiduciaries, as defined in that code, within the Commonwealth of Pennsylvania. The 2011 Bonds are legal investments for Pennsylvania savings banks, banks, trust companies and insurance companies and are acceptable as security for deposits of funds of the Commonwealth.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Group ("S&P") are expected to assign long-term municipal bond ratings of "Aa3" (negative outlook) and "AA+" (stable outlook), respectively, to the Insured Bonds based upon the issuance of the Policy.

Moody's, S&P and Fitch Ratings have assigned to the 2011 Bonds the City's general obligation bond ratings of "A2" (stable outlook), "BBB" (positive outlook) and "A-" (stable outlook), respectively.

Such credit ratings reflect only the view of each such credit rating agency. An explanation of the significance of such credit ratings may be obtained from the applicable credit rating agency.

A rating is not a recommendation to buy, sell or hold securities. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. Neither the City nor the Underwriters have undertaken any responsibility to assure the maintenance of any rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2011 Bonds. See "CONTINUING DISCLOSURE" herein and Appendix D. Any such downward change in or withdrawal of such credit rating may have an adverse effect on the marketability or market price of the 2011 Bonds.

TAX MATTERS

Federal Tax Exemption

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the 2011 Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the 2011 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the City subsequent to the issuance and delivery of the 2011 Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The City has covenanted to comply with such requirements.

In the opinion of Co-Bond Counsel, interest on the 2011 Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Co-Bond Counsel is subject to the condition that the City complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the 2011 Bonds in order that interest thereon continues to be excluded from gross income. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the 2011 Bonds to be includable in gross income retroactive to the date of issuance of the 2011 Bonds. Interest on the 2011 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the 2011 Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax.

In addition to the matters addressed above, prospective purchasers of the 2011 Bonds should be aware that ownership of the 2011 Bonds may result in collateral tax consequences to certain taxpayers, including, but not limited to, foreign corporations, certain S corporations, recipients of social security and railroad retirement benefits, financial institutions and property or casualty insurance companies. Co-Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the 2011 Bonds or the receipt of interest thereon.

Original Issue Discount

Certain of the 2011 Bonds have been sold with original issue discount (the "Discount Bonds") which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Discount Bonds. For each maturity of Discount Bonds, original issue discount is the excess of the stated redemption price at maturity over the initial offering price as shown on the inside cover hereof. Such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the tax basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. Purchasers of any Discount Bonds, whether at the time of the initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and tax treatment of original issue discount.

Original Issue Premium

Certain of the 2011 Bonds have been sold with original issue premium (the "Premium Bonds"). An amount equal to the excess of the initial public offering price of a Premium Bond as shown on the inside cover hereof over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles. The amount of amortized bond premium (i) reduces the holder's basis in the Premium Bond for purposes of determining gain or loss for federal income tax purposes upon the sale or other disposition of the Premium Bond and (ii) is not allowed as a deduction for federal income tax purposes to the holder. Purchasers of any Premium Bonds, whether at the time of the initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium.

State Tax Exemption

In the opinion of Co-Bond Counsel, under the existing laws of the Commonwealth, the interest on the 2011 Bonds is free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2011 Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange or other disposition of the 2011 Bonds are subject to state and local taxation within the Commonwealth.

This summary is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. **Prospective purchasers should consult their tax advisors about the consequences of purchasing or holding the 2011 Bonds.**

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2011 Bonds are subject to the approval of the legality of the issuance of the 2011 Bonds by Cozen O'Connor and Grant & Lebowitz, LLC, both of Philadelphia, Pennsylvania, Co-Bond Counsel. The proposed form of opinion of Co-Bond Counsel is included herein as Appendix C. Certain legal matters will be passed upon for the City by the Office of the City Solicitor and for the Underwriters by Dilworth Paxson LLP, Philadelphia, Pennsylvania and Gonzalez Saggio & Harlan LLP, New York, New York.

The various legal opinions to be delivered concurrently with the delivery of the 2011 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO LITIGATION OPINION

Upon delivery of the 2011 Bonds, the City Solicitor shall furnish an opinion, in form satisfactory to Co-Bond Counsel, to the effect, among other things, that, except for litigation which in the opinion of the Office of the City Solicitor is without merit and except as disclosed in the Official Statement, there is no litigation or other legal proceeding pending in any court or, to the best of its knowledge, threatened in writing to restrain or enjoin the issuance or delivery of the 2011 Bonds or challenging the validity of the proceedings of the City with respect to the authorization, issuance, sale and provision for payment of the 2011 Bonds or in any way contesting the validity or enforceability of the 2011 Bonds.

FINANCIAL ADVISORS

Public Financial Management, Inc. of Philadelphia, Pennsylvania and Acacia Financial Group, Inc. of Marlton, New Jersey are acting as co-financial advisors (the "Financial Advisors") to the City in connection with the issuance of the 2011 Bonds. The Financial Advisors have assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2011 Bonds. They have received and reviewed but have not independently verified information in this Official Statement for accuracy or completeness (except, as to each Financial Advisor, the information in this section). Investors should not draw any conclusions as to the suitability of the 2011 Bonds from, or base any investment decisions upon, the fact that the Financial Advisors have advised the City with respect to the 2011 Bonds. The Financial Advisors' fees for this issue are contingent upon the sale and issuance of the 2011 Bonds.

The Financial Advisors are financial advisory and consulting organizations and not organizations engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

CERTAIN RELATIONSHIPS

Dilworth Paxson LLP, co-counsel to the Underwriters, provides legal services to the City in matters unrelated to the 2011 Bonds. A member of Cozen O'Connor, Co-Bond Counsel, sits on the Board of Directors of Assured Guaranty, Ltd., the parent of AGM.

CONTINUING DISCLOSURE

In order to enable the Underwriters to comply with the requirements of Rule l5c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will enter into a Continuing Disclosure Agreement with Digital Assurance Certification, L.L.C., as dissemination agent for the benefit of the Registered Owners (as defined in such agreement) from time to time of the 2011 Bonds, to be dated the date of original delivery and payment for the 2011 Bonds, the form of which is annexed hereto as Appendix D. The City is currently in compliance with all of its existing continuing disclosure obligations.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the 2011 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there is no change in the affairs of the City since the date hereof.

The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with the foregoing statements.

The City makes no representations or warranties to investors as to the accuracy or timeliness of any other information available on its website, nor any hyperlinks referenced therein.

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The City has authorized the execution and distribution of this Official Statement. This Official Statement has been duly executed and delivered by the following officers, constituting a majority of the Bond Committee, on behalf of the City of Philadelphia.

CITY OF PHILADELPHIA

By: /s/ Michael A. Nutter
Name: Michael A. Nutter
Title: Mayor

By: /s/ Alan L. Butkovitz
Name: Alan L. Butkovitz
Title: City Controller

By: /s/ Shelley R. Smith
Name: Shelley R. Smith
Title: City Solicitor

Approved:

By: /s/ Rob Dubow
Name: Rob Dubow
Title: Director of Finance

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APPENDIX A

Information Regarding The City of Philadelphia

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APPENDIX A

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City was incorporated in 1789 by an Act of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854, the General Assembly of the Commonwealth, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly of the Commonwealth (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, now also provides for the governance of The School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as currently in effect, there are two principal governmental entities in the City of Philadelphia: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

The court system in the City, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Government Services

Municipal services provided by the City include: police and fire protection; health care; certain welfare programs; construction and maintenance of local streets, highways, and bridges; trash collection, disposal and recycling; provision for recreational programs and facilities; maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); the acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities; and maintenance of a prison system. The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City.

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City.

The Philadelphia Industrial Development Corporation ("PIDC") and its affiliate, the Philadelphia Authority for Industrial Development ("PAID"), coordinate the City's efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones. Of the thirty members of the board of PIDC, seven are City officers or officials (the Mayor, the Director of Commerce, the President of City Council or a designee, the Chairman of the City Planning Commission, the City Solicitor, the Managing Director, and the Director of Finance), fifteen are nominated jointly by the President of the Greater Philadelphia Chamber of Commerce and the Director of Commerce, and eight are nominated by the President of the Greater Philadelphia Chamber of Commerce. The board of PAID is appointed by the Mayor.

The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include, without limitation, the construction and leasing of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings. The PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

The Redevelopment Authority of the City of Philadelphia (the "Redevelopment Authority") and the Philadelphia Housing Authority develop and/or administer low and moderate income rental units and housing in the City. The Redevelopment Authority, supported by Federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas. The Redevelopment Authority is governed by a five-member board appointed by the Mayor and must submit its budgets to the City for review and approval. The Philadelphia Housing Authority is normally governed by a five-member board with two members appointed by the Mayor, two appointed by the City Controller and a tenant member elected by the other members; however, on March 5, 2011, the board resigned to allow the U.S. Department of Housing and Urban Development to take over control of the Philadelphia Housing Authority for approximately a year, as a result of an ongoing federal investigation.

The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority have been expanded to permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

The Philadelphia Parking Authority is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations. The members of the Philadelphia Parking Authority's board are appointed by the Governor of Pennsylvania, with certain nominations from the General Assembly of the Commonwealth.

The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region. Currently, two of the fifteen members of SEPTA's board are appointed by the Mayor and confirmed by City Council.

The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to almost 1,000,000 square feet of saleable space with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom in the East and the ability to host large tradeshows or two major conventions simultaneously. Of the fifteen members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center.

School District

The School District was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City's Comprehensive Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, both the City and the School District are governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to Section 691(c) of the Public School Code of 1949, as amended (the "School Code"), effective December 22, 2001. During a period of distress under Section 691(c) of the School Code, all of the powers and duties of the Board of Education granted under the School Code or any other law are suspended and all of such powers and duties are vested in the School Reform Commission (the "School Reform Commission") provided for under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission shall not interfere with the regular selection of the members of the Board of Education. During the tenure of the School Reform Commission, the Board of Education will perform those duties delegated to it by the School Reform Commission. As of the date hereof, the School Reform Commission has not delegated any duties to the Board. Two of the five members of the School Reform Commission are appointed by the Mayor and three by the Governor of Pennsylvania.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. 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 of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

The PICA Act provides that, upon request by the City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures 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 non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place; and PICA is required to certify non-compliance with an approved five-year plan if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "PICA Bonds" below. Under the PICA Act, the City is required to make quarterly financial reports to PICA, as further described under "Quarterly Reporting to PICA" below.

Five-Year Plans of the City

The PICA Act requires the City to annually develop a five-year financial plan and obtain PICA's approval of it. The original five-year plan, which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992. In each subsequent year, the City updated the previous year's five-year plan, each of which was adopted by City Council, signed by the Mayor and approved by PICA.

The City's Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan"), covering Fiscal Years 2010-2014, included a one percent City Sales Tax increase through Fiscal Year 2014 and a partial deferral of the City's pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($80 million) to be paid back in full by Fiscal Year 2014, as permitted under Act 44 of 2009 of the General Assembly of the Commonwealth ("Act 44"). In addition to the deferrals, the City changed the amortization period from 20 years to 30 years and lowered the interest rate assumption from 8.75 percent to 8.25 percent.[*] At PICA's request, the Eighteenth Five-Year Plan was revised to include at least $25 million in additional savings or recurring revenues in each year of the Eighteenth Five-Year Plan. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009, subject to the enactment of the legislation authorizing the increase in the City's sales tax and change in the City's pension fund payments. The Commonwealth enacted such legislation on September 18, 2009.

The Mayor presented the Nineteenth Five-Year Plan (the "Nineteenth Five-Year Plan") to City Council on March 4, 2010. City Council approved the Fiscal Year 2011 Budget on May 20, 2010, and the Mayor signed it on June 1, 2010. The Nineteenth Five-Year Plan was approved by PICA on August 10, 2010. The Nineteenth Five-Year Plan includes a temporary 9.9 percent Real Estate Tax increase through Fiscal Year 2012, which is estimated to generate $94.4 million in Fiscal Year 2011.

The Mayor presented the Twentieth Five-Year Plan (the "Twentieth Five-Year Plan") to City Council on March 3, 2011. City Council is in the process of reviewing the Fiscal Year 2012 Operating Budget and Twentieth Five-Year Plan. The proposed Fiscal Year 2012 Operating Budget conforms to the Twentieth Five-Year Plan.

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[*] On October 28, 2010, the City's Board of Pensions and Retirement voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%. This is reflected in subsequent five-year plans.

Quarterly Reporting to PICA

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the PICA Act, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than one percent of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95 percent of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

PICA may not take any action with respect to the City for variances if the City (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current Five-Year Plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current Five-Year Plan; and (iv) submits monthly supplemental reports as required by the PICA Act. PICA last declared a variance in February 2009. It has since been removed and there are no current variances.

PICA Bonds

PICA has previously issued eleven series of bonds. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes, but may refund bonds previously issued by it. Two series of bonds remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 issued in the original aggregate principal amount of $354,925,000, having a final stated maturity date of June 15, 2023 and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 in the original principal amount of $206,960,000, having a final stated maturity date of June 15, 2022. As of the close of business on March 31, 2011, the principal amount of PICA bonds outstanding was $533,945,000.

The proceeds of the previous series of bonds issued by PICA were used (a) to make grants to the City to fund General Fund deficits of the City, to fund the costs of certain capital projects undertaken by the City, to provide other financial assistance to the City to enhance productivity in the operation of City government, and to defease certain general obligation bonds of the City, (b) to refund other bonds of PICA and (c) to pay costs of issuance.

The PICA Act authorized the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the adoption of the first Five-Year Plan, the City reduced the wage, earnings, and net profits tax on City residents by 1.5 percent and enacted a PICA Tax of 1.5 percent tax on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA. The PICA Tax, collected by the City's Department of Revenue, is deposited in the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing the rate of the PICA Tax while any bonds secured by the PICA Tax are outstanding. PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established pursuant to the PICA Act exclusively for the benefit of the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, but are subject to withholding if PICA certifies the City's non-compliance with the then-current five-year plan.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 2001 through 2010 and the current estimate for Fiscal Year 2011 are set forth below.

Table 1
Summary of PICA Tax Remitted to PICA by the State Treasurer
and Net Taxes Remitted to the City

(Amounts In Millions of USD)

Year	PICA Tax	PICA Annual Debt Service and Investment Expenses	Net taxes remitted to the City*
2001	$273.60	$107.00	$166.60
2002	$278.00	$107.30	$170.70
2003	$281.50	$79.20	$202.30
2004	$285.00	$78.90	$206.10
2005	$300.20	$85.90	$214.30
2006	$309.90	$87.10	$222.80
2007	$327.90	$86.00	$241.90
2008	$341.80	$86.40	$255.40
2009	$348.50	$86.40	$262.10
2010	$343.30	$68.90	$274.40
2011 (Current Estimate)	$345.50	$66.50	$279.00

*Does not include additional one-time grants to the City from PICA reserves in certain years.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report and Notes therein.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City of Philadelphia contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2010 (the "Fiscal Year 2010 Comprehensive Annual Financial Report").

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2010 Comprehensive Annual Financial Report.

Principal Operations

The major operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 12 minor governmental funds. The two major governmental funds and three of the minor governmental funds are financed solely through grants from the Commonwealth and Federal government. The City's Debt Service Fund and Capital Projects Fund are also included with the minor governmental funds. The Fiscal Year 2012 Operating Budget proposed by the Mayor moves the activities of the Department of Human Services from the General Fund to the Grants Revenue Fund.

Fund Accounting

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 can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

<u>Governmental Funds</u>. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. The financial information presented for the governmental funds is useful in evaluating the City's short term financing requirements.

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2010), presents data 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 twenty funds are combined into a single aggregated presentation.

<u>Proprietary Funds</u>. 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 that are a type of proprietary funds - airport, water and wastewater operations, and industrial land bank.

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2010), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Basis of Accounting and Measurement Focus

Governmental funds account for their activities 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 in the case of full 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.

Revenue that is considered to be program revenue includes: (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; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as 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. These resources are restricted to providing managed behavioral health care to residents of the City.

- 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.

The City also 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 require the principal to remain intact, while only the earnings may be used for the programs.

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 accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on the following major Proprietary Funds:

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

- The Aviation Fund accounts for the activities of the City's airports.

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

Legal Compliance

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the 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, ten Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Wage Tax Reduction, Acute Care Hospital Assessment and Housing Trust Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have councilmanic approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next fiscal year.

Schedules prepared on the legally enacted basis differ from the GAAP basis 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.

Budget Procedure

At least ninety days before the end of the Fiscal Year the operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. If the Mayor disapproves the bill, he must return it to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives it. If the Mayor does not return the ordinance within the time required, it becomes law without his approval. If City Council passes the bill by a vote of two-thirds of all of its members within seven days after the bill has been returned with the Mayor's disapproval, it becomes law without his approval. The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 21 for a summary of the City's capital improvement program for the Fiscal Years 2011 through 2016.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from funds that City Council appropriates, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

Awards

For the thirtieth consecutive year, the Government Finance Officers Association of the United States and Canada 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, 2009. 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.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the following procedures:

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the Home Rule Charter, the City Treasurer is the City Official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional money managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to Revenue Bonds for Water and Sewer and the Airport are directly deposited and held separately in trust. A Fiscal Agent manages these cash balances per the related bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy. In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with Federal or State reporting.

Investment guidelines for the City are embodied in legislation approved by City Council appearing in the Philadelphia City Code, Chapter 19-202. In furtherance of the City, State, and Federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that first went into effect in August 1994 and most recently was revised in January 2011. The Policy supplements other legal requirements and establishes a comprehensive investment policy for the overall administration and effective management of all monetary funds (except the Municipal Pension Fund and PGW Retirement Reserve Fund).

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States, all of investment grade rating or better.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 5% of the total portfolio.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 3% of the total portfolio per issuer.

The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered money market mutual funds with the balance of funds invested by the City or money managers in accordance with the Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and the Deputy City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, PGW and PMA. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy.

The Policy expressly forbids the use of any derivative investment product as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to: structured notes, floating rate or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

General Fund Cash Flow

Because the receipts of General Fund revenues lag behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; and (2) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

The City issued $285 million of Tax and Revenue Anticipation Notes in July 2010. These notes will be repaid on June 30, 2011. The Twentieth Five-Year Plan projects Tax and Revenue Anticipation Notes in the amount of $250 million to be issued in Fiscal Year 2012.

DISCUSSION OF FINANCIAL OPERATIONS

Impact of Economic Downturn

Since October of 2008, the City has implemented significant actions to balance the budget and its five-year plans, including reducing overtime costs, reducing General Fund full and part time employee headcount by 1,600 (from June 30, 2008 to December 31, 2010), implementing a temporary five year sales tax increase and a 9.9% property tax increase in Fiscal Year 2011, pension funding changes, freezing wage and business privilege tax reductions until Fiscal Year 2014, increasing fees, and instituting spending cuts throughout the government. During this period of time, the City has improved its public safety results due to important changes in policing and has maintained delivery of its services.

The City undertook these measures as a result of the impact of the national and global recession. Beginning in August 2008, the City began to experience adverse budgetary performance for Fiscal Year 2009 as a result of the recession. In November 2008, the City projected a $1 billion gap over the five year period of the Seventeenth Five-Year Plan, and the City took a series of measures to close the projected gap for Fiscal Year 2009 and over the period of the Seventeenth Five-Year Plan. However, the economy deteriorated further and revenues declined at a greater pace than had been projected, leaving the City with a Fiscal Year 2009 operating deficit of $286.8 million resulting in a deficit of $236.8 million after prior year net adjustments of $41.8 million. Tax receipts continued to display weakness in Fiscal Year 2010, increasing the projected gap for both Fiscal Year 2010 and the period of the Eighteenth Five-Year Plan. In total during the six year period Fiscal Years 2009-2014, the projected shortfall reached $2.4 billion. The actions taken by the City, described above, are currently anticipated to close these projected gaps. The December 31, 2010 Quarterly City Manager's report projects an increase in ending fund balance on the legally enacted basis for Fiscal Year 2011.

Fiscal Year 2010 Budget

The City's Fiscal Year 2010 budget was presented to City Council on March 19, 2009, was approved by City Council on May 21, 2009, and signed by the Mayor on May 27, 2009. The budget projected estimated revenues of $3.815 billion, obligations of $3.694 billion and an ending fund balance of $85.3 million after discharging the Fiscal Year 2009 fund balance deficit on the legally enacted basis. The budget included a temporary one percent City Sales Tax increase which was estimated to yield $97 million in Fiscal Year 2010 increasing to an estimated $121 million in Fiscal Year 2014. The Sales Tax increase became effective on October 8, 2009. With the delay in Commonwealth approval of the temporary Sales Tax increase, reduced child welfare funding, revisions to the pension amortization schedule and other reductions and delays in implementation of revenue initiatives, the City revised the Fiscal Year 2010 budget and Eighteenth Five-Year Plan and submitted the revision to PICA on September 1, 2009. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009. Such revised Eighteenth Five-Year Plan was based upon Fiscal Year 2010 estimated projected revenues of $3.789 billion, obligations of $3.727 billion and an ending funds balance on the legally enacted basis of negative $51.7 million.

Fiscal Year 2010 Results

For Fiscal Year 2010, the City had revenues of $3.654 billion, obligations of $3.653 billion and an ending fund balance on the legally enacted basis of negative $114 million. The decrease in such ending fund balance from the projection used in the revised Eighteenth Five-Year Plan was the result of the delayed reimbursement of Department of Human Services costs from the federal and state governments.

Fiscal Year 2011 Budget

The City's Fiscal Year 2011 budget was presented to City Council on March 4, 2010, was approved by City Council on May 20, 2010, and signed by the Mayor on June 1, 2010. The budget projects estimated revenues of $3.909 billion, obligations of $3.853 billion, an operating surplus of $80.5 million and an ending fund balance of $42.6 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. The budget includes a 9.9 percent Real Estate Tax increase which is estimated to yield $86 million. The Nineteenth Five-Year Plan was approved by PICA on August 10, 2010.

Fiscal Year 2011 Current Estimate

The December 31, 2010 Quarterly City Manager's report adjusted Fiscal Year 2011 revenues upwards by $84.3 million, which is largely due to anticipated receipts of prior year Department of Human Services reimbursements of $51.1 million and higher than anticipated collections for Wage Tax, Business Privilege Tax and Sales Tax, which are being partially off-set by lower than projected tax collections for

Real Estate Tax and Real Estate Transfer Tax. The revised estimate of obligations includes $42.2 million in higher than projected obligations including increased employee benefit costs of $15 million, snow removal costs of $8.8 million and higher overtime costs for the Police and Fire Departments of $2.4 million and $2.2 million, respectively. The revised estimate projects revenues for Fiscal Year 2011 of $3.933 billion, obligations of $3.830 billion, an operating surplus of $103.1 million, and an ending fund balance of $13.5 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis.

As presented in this Appendix A, unless otherwise noted, current estimates for Fiscal Year 2011 are based on the December 31, 2010 Quarterly City Manager's report.

Fiscal Year 2012 Proposed Budget

The City's Fiscal Year 2012 budget was presented to City Council on March 3, 2011. The proposed Fiscal Year 2012 budget conforms to the Twentieth Five-Year Plan. The process and required timing for the approval of the budget is described under "CITY FINANCIAL PROCEDURES - Budget Procedure" herein.

For the past several years, the financial position of the City's general fund has been distorted by the timing of the receipt of reimbursements from the Commonwealth for the Department of Human Services. For a variety of reasons, those reimbursements have not been received in the same year as the costs were incurred. As a result, the costs are reflected in the City's fund balances, but the reimbursements are not, leading to fund balances that are distorted and artificially low. In some years, the late receipt of reimbursements has led to changes of tens of millions of dollars in the City's fund balance.

The Fiscal Year 2012 proposed budget moves reimbursed costs and corresponding revenues for services provided by the Department of Human Services of approximately $495.1 million to the grants fund. If this change is adopted in the final Fiscal Year 2012 budget, the City's general fund balances will better reflect the City's financial condition.

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Table 2
General Fund
Summary of Operations
(Legal Basis) (Amounts In Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Current Estimate 2011
Revenues						
Real Property Taxes[(1)]	395.8	397.5	402.8	400.1	402.2	488.7
Wage and Earnings Tax	1,111.2	1,167.4	1,184.8	1,117.0	1,114.2	1,149.9
Net Profits Tax	14.6	15.3	12.5	12.2	14.5	17.1
Business Privilege Tax	415.5	436.4	398.8	386.0	364.7	360.8
Sales Tax[(2)]	127.8	132.6	137.3	128.2	207.1	247.5
Other Taxes[(3)]	304.1	286.7	260.3	209.3	213.9	217.5
Total Taxes	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,481.5
Locally Generated Non-Tax Revenue	235.9	247.9	265.8	256.3	229.4	274.8
Revenue from Other Governments	924.5	1,032.9	1,033.4	993.4	1,076.4	1,125.0
Receipts from Other City Funds	24.9	27.4	27.2	135.4	31.9	52.2
Total Revenue	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,933.5
Obligations/Appropriations						
Personnel Services	1,250.2	1,327.6	1,390.7	1,406.3	1,358.5	1,362.7
Purchase of Services	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,150.0
Materials, Supplies and Equipment	82.1	89.1	92.1	82.7	68.7	79.1
Employee Benefits	760.2	890.3	983.0	973.2	831.4	979.9
Indemnities, Contributions and Grants	110.9	119.0	120.9	130.0	128.0	109.4
City Debt Service	82.9	89.1	87.2	100.9	105.5	121.4
Other	38.6	31.2	32.3	22.7	26.0	0.0
Payments to Other City Funds	35.4	38.7	24.8	25.3	24.2	27.9
Total Obligations/Appropriations	3,426.0	3,736.6	3,919.8	3,915.3	3,653.7	3,830.4
Operating Surplus (Deficit) for the Year	128.2	7.5	(197.0)	(277.4)	0.6	103.1
Net Adjustments – Prior Year	30.1	35.9	18.6	20.7	22.6	24.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	96.2	254.5	297.9	119.5	(137.2)	(114.0)
Cumulative Adjusted Year End Fund Balance (Deficit)	254.5	297.9	119.5	(137.2)	(114.0)	13.5

(1) Current Estimate 2011 reflects a 9.9 percent increase.
(2) Reflects one percent increase effective October 8, 2009.
(3) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
Figures may not add up due to rounding.

Table 3
Principal Operating Funds (Debt Related)
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Current Estimate 2011
Revenues						
General Fund	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,933.5
Water Fund[1]	490.3	519.7	589.7	543.5	546.7	592.5
Aviation Fund[2]	271.5	268.6	287.9	294.1	290.2	296.2
Other Operating Funds[3]	41.9	44.9	113.2	49.5	50.1	49.8
Total Revenue	4,358.0	4,577.3	4,713.6	4,525.0	4,541.3	4,872.0
Obligations/Appropriations						
Personnel Services	1,412.9	1,498.2	1,568.9	1,579.0	1,523.6	1,536.9
Purchase of Services	1,233.5	1,328.5	1,441.4	1,369.2	1,312.8	1,398.5
Materials, Supplies and Equipment	136.2	145.9	151.1	140.7	128.9	144.5
Employee Benefits	845.3	990.1	1,095.8	1,091.4	932.8	1,101.5
Indemnities, Contributions and Taxes	116.5	122.6	127.1	135.9	134.4	121.0
Debt Service[4]	337.6	348.8	346.7	384.8	397.8	437.6
Other	38.6	31.2	32.3	22.7	26.0	0.0
Payments to Other City Funds	119.4	144.9	154.7	88.1	96.6	126.9
Total Obligations/Appropriations	4,240.0	4,610.2	4,917.9	4,811.8	4,552.9	4,866.9
Operating Surplus (Deficit) for the Year	118.0	(32.8)	(204.3)	(286.8)	(11.6)	5.1
Net Adjustments Prior Year	60.6	69.6	51.0	41.8	58.1	53.6
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.9	311.5	348.3	236.8	(50.0)	(3.4)
Cumulative Adjusted Year End Fund Balance (Deficit)	311.5	348.3	195.0	(50.0)	(3.4)	55.3

(1) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was $4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount was $4,401,000. For Fiscal Year 2006, 2007 and 2008, the transferred amount was $4,994,000. For Fiscal Year 2009, the transferred amount was $4,185,463. For Fiscal Year 2010 the transfer amount was $2,303,986, and the current estimate for Fiscal Year 2011 is $3,004,000.

(2) Airport revenues are not available for other City purposes.

(3) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(4) Excludes PICA bonds.

Figures may not add up due to rounding.

REVENUES OF THE CITY

General

In 1932, the General Assembly of the Commonwealth adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the real property tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax.

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 8 for revenues by major source for Fiscal Years 2001-2011 and Table 9 for General Fund tax revenues for Fiscal Years 2006-2011. The following description does not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 2000 through 2010 are contained in the Fiscal Year 2010 Comprehensive Annual Financial Report.

Wage, Earnings, and Net Profits Taxes. These taxes are levied on the wages, earnings, and net profits of all residents of the City and all non-residents employed within the City. In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5 percent and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5 percent on City residents. See "PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY—Source of Payment of PICA Bonds." The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 2001-2011, and the annual wage and earnings tax receipts in Fiscal Years 2001-2010 and the current estimate for Fiscal Year 2011.

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Table 4
Summary of Wage and Earning Tax Rates and Receipts

Fiscal Year	Resident Wage and Earnings Tax Rates[1]	Non-Resident Wage and Earnings Tax Rates	Annual Wage and Earnings Tax Receipts (including PICA Tax) (Amounts in Millions of USD)
2001	4.5635%	3.9672%	$ 1,332.6
2002	4.5385	3.9462	1,297.3
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.3310	3.8197	1,387.5
2006	4.3010	3.7716	1,435.6
2007	4.2600	3.7557	1,510.6
2008	4.2190	3.7242	1,527.5
2009[2]	3.9800 (July 1)	3.5392 (July 1)	1,477.8
	3.9300 (January 1)	3.5000 (January 1)	
2010	3.9296	3.4997	1,472.0
2011	3.9280	3.4985	1,512.5 (Current Estimate)

(1) Includes PICA Tax.
(2) There were two rate decreases during Fiscal Year 2009.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from the Fiscal Year 2008 level of 4.2190 percent for residents and 3.7242 percent for non-residents to 3.60 percent for residents and 3.25 percent for non-residents by Fiscal Year 2013. These reduced rates include rate reductions funded through tax reduction funding provided by the Commonwealth from gaming proceeds. In Fiscal Year 2009 there were two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth Five-Year Plan suspended City-funded rate reductions until Fiscal Year 2014, and the proposed Twentieth Five-Year Plan continues to suspend the City-funded rate reductions until Fiscal Year 2014.

Business Privilege Tax. In May 1984, the City enacted an ordinance substituting the Business Privilege Tax for the Mercantile License Tax. The Business Privilege Tax has been levied since January 1985 on every entity engaging in business in the City.

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25 mills on annual receipts not to exceed 6.5 percent of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5 percent, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302 percent of net income or 4.302 mills on gross taxable receipts.

Non-regulated industry manufacturers can opt for a lower 5.395 percent rate on receipts from sales after deducting the applicable cost of goods. Non-regulated wholesalers may choose a gross receipts tax on wholesale transactions at a lower rate of 7.55 percent after deducting applicable product and labor costs. Non-regulated retailers have the option of choosing the lower rate of 2.1 percent on receipts from retail sales after deducting applicable product and labor costs.

All persons subject to both the Business Privilege Tax and the Net Profits Tax are entitled to apply a credit of 60 percent of their Business Privilege Tax liability against what is due on the Net Profits Tax, which credit may be carried back or forward for up to three years.

The tax rates for tax years 2002-2011 are set forth below.

Table 5
Summary of Business Privilege Tax Rates

Tax Year	Business Privilege
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.665 mills
2007	1.540 mills
2008	1.415 mills
2009	1.415 mills
2010	1.415 mills
2011	1.415 mills

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills. In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the gross receipts portion of the Business Privilege Tax for each of the Fiscal Years 2009-2013. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth Five-Year Plan suspended future City rate reductions until Fiscal Year 2014, and the proposed Twentieth Five-Year Plan continues to suspend the City-funded rate reductions until Fiscal Year 2014.

All business activity is also assessed a one-time $300 licensing fee administered by the Department of Licenses and Inspections.

Real Property Taxes. A real estate tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City's boundaries. From Fiscal Year 2003 through Fiscal Year 2007 the City's portion of the rate was 34.74 mills and the School District's portion was 47.90 mills. In Fiscal Year 2008, City Council shifted 1.69 mills of City tax to the School District. In Fiscal Year 2008, the City's portion of the rate became 33.05 mills and the School District's portion became 49.59 mills. In Fiscal Year 2011, the Real Estate Tax rate was increased 9.9 percent through Fiscal Year 2012 with the City's portion of the rate increasing to 41.23 mills and the School District's portion remaining the same at 49.59 mills.

Sales and Use Tax. In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a one percent sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The Fiscal Year 2010 budget assumed an increase to 2 percent from the then-current one percent rate. The General Assembly of the Commonwealth enacted legislation authorizing this increase effective October 8, 2009. The Eighteenth Five-Year Plan and the Nineteenth Five-Year Plan assume this temporary increase will sunset on June 30, 2014, and the proposed Twentieth Five-Year Plan also assumes the temporary increase will sunset on June 30, 2014.

The table below sets forth the City Sales Tax collected in Fiscal Years 2001 through 2010 and the current estimate for Fiscal Year 2011.

Table 6
Summary of City Sales Tax Collections
(Amounts In Millions of USD)

Fiscal Year	City Sales Tax Collections
2001	$ 111.3
2002	108.1
2003	108.0
2004	108.0
2005	119.9
2006	127.8
2007	132.6
2008	137.3
2009	128.0
2010	207.1
2011 (Current Estimate)	247.5

Other Taxes. The City also collects real property transfer taxes, parking lot taxes, and other miscellaneous taxes such as the Amusement Tax.

Other Locally Generated Non-Tax Revenues. These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue from Other Governments. The City's Fiscal Year 2010 General Fund received 29.5 percent of General Fund revenues from other governmental jurisdictions, including: (1) $580.8 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $140.3 million from the Federal government; and (3) $78.6 million from other governments, in which revenues are primarily rental and payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $275.8 million are included in "Revenue from Other Governments."

The City's Fiscal Year 2011 General Fund current estimate projects that approximately 28.6 percent of General Fund revenues will be received from other governmental jurisdictions, including: (1) $576.6 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $209.5 million from the Federal government; and (3) $55.7 million from other governments, in which revenues are primarily rentals and payments from the PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $279.2 million are included in "Revenue from Other Governments."

These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied and then, in a limited amount and upon satisfaction of certain other conditions.

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) $4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the $4,994,000 amount was reduced to $4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to $4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was $4,401,000; for Fiscal Years 2006 through 2008, the transferred amount was $4,994,000. In Fiscal Years 2009 and 2010, the transferred amounts were $4,185,463 and $2,303,986, respectively. In Fiscal Year 2011, the current estimate is $3,004,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of $18,000,000 to the City's General Fund. For Fiscal Year 2005, the City agreed to forgo the $18,000,000 payment, and for Fiscal Years 2006, 2007, 2008, 2009 and 2010, the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Nineteenth Five-Year Plan assumes that the $18,000,000 payment will be made in each of Fiscal Years 2011 through 2015 and that the City will grant back such payment to PGW in each such Fiscal Year. The Fiscal Year 2011 grant back may be set off by the $16.3 million payment from PGW to the City. See also "EXPENDITURES OF THE CITY -- Fiscal Year 2011 PGW Payment to City." The City's proposed Twentieth Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund but discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016.

Philadelphia Parking Authority

The Philadelphia Parking Authority ("PPA") was established by City ordinance pursuant to the Pennsylvania Parking Authority Law, P.L. 458, No. 208 (June 5, 1947). Various statutes, ordinances, and contracts authorized PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at Philadelphia International

Airport (the “Airport” or “PHL”), and to administer the City’s on-street parking program through an Agreement of Cooperation (“Agreement of Cooperation”) with the City.

PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the “Lease Agreement”). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA’s bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of rental payments in Fiscal Years 2006 through 2010 that totaled $30,186,642, $33,184,918, $33,570,037, $31,239,909 and $23,732,623, respectively. The Fiscal Year 2011 current estimate is projected to be $26,000,000.

One component of the operating expenses is PPA’s administrative costs. In 1999, at the request of the Federal Aviation Administration (“FAA”), PPA and the City entered into a letter agreement (the “FAA Letter Agreement”) which contained a formula for calculating PPA’s administrative costs and capped such administrative costs at 28 percent of PPA’s total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement. According to PPA’s audited financial statements, as filed with the City, PPA has been in compliance with the FAA Letter Agreement since its execution.

Assessment and Collection of Real and Personal Property Taxes

Historically, the Board of the Revision of Taxes (the “BRT”) was responsible for both the property assessment and property appeals functions for the City. The BRT consists of a seven-member panel that is appointed by the Judges of the First Judicial District of Pennsylvania. On December 17, 2009, City Council passed legislation that would disband the BRT and replace it with separate offices for assessments and appeals, subject to the approval of City voters. In the May 10, 2010, primary election voters approved the separation of the assessment and appeals functions. On June 16, 2010 a new Chief Assessment Officer, Rich McKeithen, was appointed by the Mayor and approved by City Council on June 17, 2010 to lead the new Office of Property Assessment.

According to the legislation, the BRT would cease to exist at the end of September 2010 and the changes described above would take effect; however, the Pennsylvania Supreme Court ruled on September 20, 2010 that the City could not abolish the existing appeals board because only the General Assembly of the Commonwealth has the authority to do so. Therefore, the BRT remains in place as the property appeals board; however, the separation of the property assessment function from the property appeals function proceeds as per the original legislation.

Beginning on October 1, 2010, the new Office of Property Assessment was formally created to conduct the annual assessment of all real estate located within the City. The Office of Property Assessment has begun the work to conduct a complete reassessment of the approximately 577,000 parcels in the City. Completion of the reassessment is a major priority for the Mayor’s administration and is expected to be finalized in 2012. In the interim, there is a moratorium on all routine property assessments – exceptions to the moratorium include newly constructed properties, improved properties and consolidated or subdivided properties.

According to the existing appeals mechanism, the BRT has the authority to increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After all changes in property assessments, and after all assessment appeals, assessments are certified and the results provided to the Department of Revenue.

Real estate taxes, if paid by February 28, are discounted by one percent. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5 percent per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15 percent tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5 percent per month until the real estate tax is fully paid. Commencing in February of the second year, an additional one percent per month penalty is assessed for a maximum of seven months. See the Fiscal Year 2010 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

Table 7
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2001 through 2010
as of June 30, 2010
(Amounts In Millions of USD)

		Collected within the Year of the Levy			Total Collections to Date	
Calendar Year of Levy[1]	Taxes Levied for the Year	Amount	Percentage of Levy	Collected in Subsequent Years	Amount[2]	Percentage of Levy
2001	356.6	326.7	91.6%	25.8	352.5	98.9%
2002	368.2	340.4	92.4%	26.0	366.4	99.5%
2003	359.4	326.8	90.9%	26.8	353.6	98.4%
2004	372.5	340.9	91.5%	25.3	366.2	98.3%
2005	373.5	350.3	93.8%	20.8	371.1	99.4%
2006	385.6	339.6	88.1%	21.1	360.7	93.5%
2007	391.7	347.5	88.7%	20.3	367.8	93.9%
2008	390.2	346.4	88.8%	18.9	365.3	93.6%
2009	396.5	315.4[3]	79.6%	29.7	345.1	87.0%
2010	405.8	353.7[3]	87.2%	N/A	353.7	87.2%

[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, 2010.

[3] Includes collections through June 30, 2010. It is estimated that approximately 91% of the amount levied for 2010 will be collected within the year of levy.

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Table 8
Summary of Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 2001-2011 (Legal Basis)
(Amounts in Millions of USD)

Fiscal Year	Real Property Taxes[1]	Wage Earnings & Net Profits Taxes[1]	Business Privilege Tax[1]	Sales and Use Tax[1]	Other Taxes[2]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Govts	Revenue from Other City Funds	Total Revenues
2001	363.4	1,059.0[3]	314.0[3]	111.3	130.0[3]	1,977.7	285.8	175.7	251.3	2,690.5	781.7	90.5	3,562.7
2002	376.8	1,019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1 [4]	4,713.6
2009	400.1	1,129.2	386.0	128.2	209.3	2,252.8	484.5	291.3	258.3	3,286.9	1,025.4	212.7 [5]	4,525.0
2010	402.2	1,128.7	364.7	207.1[6]	213.9	2,316.6	516.4	290.2	224.5	3,347.7	1,110.7[7]	82.7	4,541.3
2011 (Current Estimate)	488.7[8]	1,167.0	360.8	247.5	217.5	2,481.5	540.1	292.6	274.8	3,589.0	1,159.5	123.5	4,872.0

(1) See Table 7 in the Fiscal Year 2010 Comprehensive Annual Financial Report for Tax Rates.
(2) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(3) Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in Fiscal Year 2001. (Wage Tax, $50.4 million; Business Privilege, $5.2 million; Other Taxes, $4.3 million).
(4) In Fiscal Year 2008, there was an increase of $73 million in payment from Water Fund to Water Residual Fund.
(5) In Fiscal Year 2009, there was an $86 million payment from the Wage Tax Reduction Fund.
(6) Reflects one percent increase effective October 8, 2009.
(7) In Fiscal Year 2010, the Wage Tax Reduction payment is shown in the Revenue from Other Governments column.
(8) Reflects a Real Estate Property Tax increase of 9.9 percent.
Figures may not add up due to rounding.

Table 9
General Fund Tax Revenues[1]
Fiscal Years 2006-2011
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Current Estimate 2011
Real Property Taxes						
Current	354.1	367.2	366.5	365.6	364.3	451.2[4]
Prior	41.7	30.3	36.3	34.4	37.9	37.5
Total	395.8	397.5	402.8	400.0	402.2	488.7
Wage And Earnings Tax[2]						
Current	1,104.0	1,162.4	1,176.5	1,105.9	1,102.3	1,137.9
Prior	7.2	5.1	8.3	11.1	11.9	12.0
Total	1,111.2	1,167.5	1,184.8	1,117.0	1,114.2	1,149.9
Business Taxes						
Business Privilege						
Current	390.5	401.9	376.1	367.1	329.3	340.8
Prior	25.0	34.5	22.7	18.9	35.4	20.0
Subtotal Business Privilege	415.5	436.4	398.8	386.0	364.7	360.8
Net Profits Tax						
Current	11.8	10.9	9.1	9.5	12.1	14.6
Prior	2.8	4.3	3.4	2.7	2.4	2.5
Subtotal Net Profits Tax	14.6	15.3	12.5	12.2	14.5	17.1
Total Business Taxes	430.1	451.6	411.3	398.2	379.2	377.9
Other Taxes						
Sales and Use Tax	127.8	132.6	137.3	128.3	207.1[3]	247.5
Amusement Tax	17.0	16.4	18.0	21.4	21.8	21.1
Real Property Transfer Tax	236.4	217.3	184.0	115.1	119.2	119.8
Parking Taxes	48.4	50.3	55.5	70.4	70.5	72.5
Other Taxes	2.3	2.6	2.8	2.4	2.4	4.1
Subtotal Other Taxes	431.9	419.2	397.6	337.6	421.0	465.0
TOTAL TAXES	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,481.5

(1) See Table 7 in the Fiscal Year 2010 Comprehensive Annual Financial Report for Tax Rates.
(2) Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96 percent to 3.46 percent and levied the PICA Tax at a rate of 1.50 percent, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.
(3) Effective October 8, 2009, there was a one percent increase to the City Sales tax.
(4) Reflects a Real Estate Property Tax increase of 9.9 percent.
Figures may not add up due to rounding.

Table 10
Principal Property Tax Payers
2011 and 2002
(Amounts in Millions of USD)

	2011		2002	
Taxpayer	Assessment*	Percentage of Total Assessments	Assessment*	Percentage of Total Assessments
Franklin Mills Associates	57.6	0.47	48.1	0.49
Phila Liberty Place E LP	54.4	0.44	64.3	0.61
Nine Penn Center Associates	54.1	0.44	52.0	0.53
HUB Properties Trust	43.8	0.36	59.5	0.61
Brandywine Operating Partners	40.6	0.33	-	-
PRU 1901 Market LLC	35.2	0.29	32.3	0.33
Maguire/Thomas	33.9	0.28	32.0	0.33
Commerce Square Partners	33.3	0.27	32.3	0.33
Phila Shipyard Development Corp	30.3	0.25	-	-
Philadelphia Market Street	28.8	0.23	30.4	0.31
Total	412.0	3.36	350.9	3.54
Total Taxable Assessments **	12,295.0		9,953.3	

*Assessment Values rounded to the nearest $100,000 and only include the largest assessed property for each taxpayer -- additional properties owned by the same taxpayer are not included.
** Total Taxable Assessment as of March 14, 2011.
Source: City of Philadelphia, Board of Revision of Taxes.

Table 11
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2011
(Amounts in Millions of USD)

Location	2011 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Thru Tax Year
1701 John F Kennedy Blvd.	181.5	58.1	2.9	55.2	2017
1001 N Delaware Ave	150.9	48.3	12.8	35.5	2020
2929L Arch St.	117.0	37.4	0	37.4	2015
1500 Spring Garden St.	54.8	17.5	2.9	14.6	2020
2201 Park Towne Pl.	48.0	15.4	13.5	1.9	2012
3401 Chestnut St.	35.3	11.3	0.7	10.6	2017
1327-39 Chestnut St.	35.0	11.2	10.9	0.3	2016
4000 Monument Rd.	31.8	10.2	6.2	4	2017
1601 N 15th St.	31.5	10.1	0.2	9.9	2017
200 W Washington Sq.	30.6	9.8	0.7	9.1	2014

Source: City of Philadelphia, Board of Revision of Taxes.

EXPENDITURES OF THE CITY

The major City expenditures are for personal services, employee benefits, purchase of services (including payments to SEPTA), and debt service.

Personal Services (Personnel)

As of June 30, 2010, the City employed 26,863 full-time employees with the salaries of 22,297 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

Additional operating funds for employing personnel are contributed by other governments, primarily for categorical grants, as well as for the conduct of the community development program. These activities are not undertaken if funding is not received.

The following table sets forth the number of filled full-time positions of the City as of the dates indicated.

Table 12
Filled, Full Time Positions - All Operating Funds
as of June 30 (Actual)

	2006	2007	2008	2009	2010	2011*
General Fund						
Police	7,287	7,424	7,367	7,443	7,378	7,470
Streets	1,858	1,814	1,839	1,724	1,693	1,783
Fire	2,270	2,399	2,326	2,252	2,187	2,327
Health	662	664	665	662	662	742
Courts	1,936	1,928	1,970	1,889	1,756	1,776
Prisons	2,225	2,176	2,131	2,294	2,254	2,360
Human Services	1,703	1,721	1,784	1,743	1,751	1,828
All Other	4,878	4,941	5,029	4,905	4,616	5,010
Total General Fund	22,819	23,067	23,111	22,912	22,297	23,296
Other Funds	4,616	4,598	4,642	4,570	4,566	5,358
Total - All Funds	27,435	27,665	27,753	27,482	26,863	28,654

* Adopted budget includes vacant positions.

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("IAFF Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. All contract expiration dates are June 30 unless otherwise noted.

On July 10, 2008, an arbitration panel awarded a one-year contract to the FOP effective July 1, 2008. The award called for a 2 percent wage increase effective July 1, 2008, a 2 percent wage increase effective January 1, 2009 and a one percent increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,303 per member to $1,165 per member. The contract expired June 30, 2009.

On December 18, 2009, an arbitration panel awarded a five-year contract to the FOP effective July 1, 2009 which calls for no raise the first year, a 3 percent wage increase and one percent stress differential increase effective July 1, 2010, a 3 percent wage increase effective July 1, 2011, and reopeners on wages in Fiscal Year 2013 and 2014. The award also includes higher employee co-pays in the police medical plan, reduced City contributions to the union's healthcare fund in Fiscal Year 2010, self insurance for employee health benefits and a requirement that new employees choose between a 20 percent increase in pension contributions over the amount current employees pay or entering a 401(k) type retirement plan for the first time.

On October 17, 2008, an arbitration panel awarded a one-year contract to the IAFF Local 22 effective July 1, 2008. The award called for a 2 percent wage increase effective July 1, 2008, a 2 percent wage increase effective January 1, 2009, and a one percent increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,444 per member to $1,270 per member. The contract expired on June 30, 2009.

On October 15, 2010, an arbitration panel awarded a four year contract to the IAFF Local 22 effective July 1, 2009 which calls for no raise the first year, a 3 percent wage increase effective July 1, 2010, a 3 percent wage increase effective July 1, 2011, and a 3 percent wage increase effective July 1, 2012. The award also includes a change from purchase of health insurance to self-insurance as of January 1, 2011, higher employee co-pays in the Fire medical plan, the union's healthcare fund will be responsible for the first $5 million in self-insurance costs, and a requirement that new employees choose between a 20 percent increase in pension contributions over the amount current employees pay or entering a 401(k) type retirement plan for the first time. The City is appealing the award other than such pension requirement (which is currently being implemented).

The City reached a one year agreement with District Council 33 and District Council 47, which was effective July 1, 2008. The agreement called for a lump sum bonus of $1,100 per member. The agreement also called for no increase in the current per member per month health benefit payment. The contract expired June 30, 2009. Negotiations are currently underway with District Councils 33 and 47.

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The following table presents employee wage increases for the Fiscal Years 1998 through 2011.

Table 13
Employee Wage Increases
Fiscal Years 2006-2011

Fiscal Year	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
2006	2.0%	2.0%	3.0%	3.0%
2007	3.0%(1)	3.0%(1)	3.0%	3.0%
2008	4.0%(2)	4.0%(2)	4.0%	4.0%
2009	No increase(3)	No increase(3)	4.0%(4)	4.0%(4)
2010	(5)	(5)	0.0%(6)	0.0%(7)
2011	(5)	(5)	3.0%(6)	3.0%(7)

(1) Third year of a four year contract: 3 percent effective July 1, 2006.
(2) Fourth year of a four year contract: 4 percent effective July 1, 2007.
(3) Cash bonus of $1,100 paid 15 days after ratification.
(4) One year contract: 2 percent effective July 1, 2008 and 2 percent effective January 1, 2009.
(5) Contract expired on June 30, 2009, negotiations are currently underway.
(6) Five year contract: 0 percent effective July 1, 2009, 3 percent effective July 1, 2010, 3 percent effective July 1, 2011, and re-openers on wages in Fiscal Years 2013 and 2014.
(7) Four year contract: 0 percent effective July 1, 2009, 3 percent effective July 1, 2010, 3 percent effective July 1, 2011, 3 percent effective July 1, 2012. The contract award is currently being appealed by the City.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2006 through 2011 are shown in the following table.

Table 14
General Fund Employee Benefit Expenditures
Fiscal Years 2006-2011
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Current Estimate 2011
Pension Contribution(1)	346.5	436.8	430.8	459.0	346.7	492.5
Health/Medical/Dental	291.8	331.5	421.0	377.0	349.7	345.0
Social Security	60.8	64.1	69.7	68.8	65.2	70.2
Other	61.1	57.9	61.5	68.4	69.5	72.2
Total	760.2	890.3	983.0	973.2	831.4	979.9

(1) The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999.

Municipal Pension Fund (Related to All Funds)

The Board of Pensions and Retirement (the "Pension Board") is charged under the Philadelphia Home Rule Charter with the creation and maintenance of an actuarially sound retirement system providing benefits for all City employees. The Pension Board, pursuant to the Home Rule Charter, is composed of the Director of Finance, who serves as chairperson, the Managing Director, the City Solicitor, the Personnel Director, the City Controller and four members who are elected by the Civil Service employees of the City of Philadelphia. The elected members serve a four-year term of office.

The Pension Board formally approves all benefit applications, but its major role is that of "trustee," to ensure that the retirement system remains actuarially and financially sound for the benefit of current and future benefit recipients. The Pension Board, with the assistance of its professional consultants, develops the policies and strategies which enable the Pension Board to successfully execute its fiduciary obligations.

Court decisions have interpreted the requirement to maintain a retirement system, described above, to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

A. Accrued actuarially determined normal costs; and

B. Amortization of the unfunded actuarial accrued liability ("UAAL").

Prior to July 1, 2009, the amortization of the UAAL was determined in accordance with the provisions of the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, 1984 ("Act 205"), as amended from time to time. Any increases or decrease in unfunded liabilities were amortized according to Act 205; however, effective for the July 1, 2009 valuation, which defines the City's contribution obligation for the Fiscal Year ending on June 30, 2010, and subsequent valuations, which define the City's contribution obligation in subsequent fiscal years, and as further described below, the unfunded liability may be amortized over a fixed 30 year period as a level dollar amount pursuant to Act 44.

Based on the City's actuarial report as of July 1, 2010, the UAAL was $4.936 billion which equals a funding ratio of 47 percent and a UAAL as a percentage of covered payroll of 347.3 percent, each based on actuarial assets of $4.381 billion. The market value of the assets in the Municipal Pension Fund was $3.651 billion as of July 1, 2010, and the funding ratio based on such market value was 39 percent. As of February 28, 2011, the market value of assets in the Municipal Pension Fund was $3.775 billion.

As part of Act 44, which provided for a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline, the City adopted the fresh start amortization alternative of 30 years (previously 20 years) and lowered the assumed rate of interest for funding valuation purposes from 8.75 percent to 8.25 percent.[†] Additionally, the legislation allowed the City to defer a portion of its pension payment in the amount of $150 million in Fiscal Year 2010 and $80 million in Fiscal Year 2011 to be paid back (including interest) over a four-year period ending in Fiscal Year 2014. The change in amortization period and the partial deferral were approved by the Pennsylvania General Assembly.

A schedule of funding progress as of June 30, 2010, a comparative schedule of operations of the City's Municipal Pension Fund for Fiscal Years 2001 through 2010, the City's annual pension cost and net pension obligation for Fiscal Years 2008, 2009 and 2010, and the actuarial valuation method for determining the City's contributions (subject to the changes described above), among other items, are contained in the Fiscal Year 2010 Comprehensive Annual Financial Report, attached here as Appendix B.

[†] On October 28, 2010, the Pension Board voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, non-uniformed employees may receive up to 80 percent of their average final compensation depending upon their years of credited service. Generally, uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100 percent of their average final compensation depending upon their years of credited service. City employees participate in arrangements set forth under one of two municipal pensions programs know as Plan 67 or Plan 87 (except as described for certain police employees below), depending, primarily, on such employee's date of hire. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60) for non-uniformed employees and also for Plan 67 (age 45) and Plan 87 (age 50) for uniformed employees.

Police employees hired on or after January 1, 2010 will have the option to participate in a defined benefit plan with a different benefit calculation formula and eligibility and vesting rules and a defined contribution plan with eligibility for City matching contributions, or enter Plan 87 but with an increased employee contribution rate of 6.0% instead of 5.0%.

Other Post-Employment Benefits

The City 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 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 (other than police) and is self insured for nonunion employees and union police employees.

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 Governmental Accounting Standards Board 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.

For Fiscal Year 2010, the City's ARC was $93.6 million and it contributed $71.7 million for OPEB expense; its net OPEB obligation for Fiscal Year 2010 was $43.3 million.

Further information on the City's annual OPEB expense and net OPEB obligation for Fiscal Years 2008, 2009 and 2010 and the funded status of the OPEB benefits is contained in the Fiscal Year 2010 Comprehensive Annual Financial Report, attached here as Appendix B.

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Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2004 through 2011.

Table 15
Purchase of Service in the General Fund
Fiscal Years 2006-2011
(Amounts in Millions of USD)

	Actual					Current Estimate
	2006	2007	2008	2009	2010	2011
Human Services(1)	467.9	495.3	515.3	499.0	465.5	466.4
Public Health	61.1	65.5	65.1	67.9	64.7	69.3
Public Property(2)	137.6	156.3	139.5	142.6	136.2	138.9
Streets(3)	54.8	58.3	58.4	51.0	55.8	51.2
Sinking Fund - Lease Debt(4)	77.0	84.3	85.1	86.1	79.9	89.6
Legal Services(5)	33.6	35.4	37.3	37.3	35.9	36.6
First Judicial District	24.4	24.8	25.6	23.6	23.7	22.2
Licenses & Inspections(6)	11.5	11.4	11.9	9.6	8.2	7.1
Supportive Housing (7)	28.6	31.3	33.9	32.3	31.7	30.2
Prisons	82.8	87.5	93.6	110.7	106.4	108.0
All Other(8)	86.4	101.5	123.0	114.1	103.4	130.5
Total	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,150.0

(1) Includes payments for care of dependent and delinquent children.
(2) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Managing Director – Division of Technology ("DOT"). Services purchased for DOT appear in the table under the category "All Other."
(3) Includes solid waste disposal costs.
(4) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(5) Includes payments to the Defender Association to provide legal representation for indigents.
(6) Includes payments for demolition in Fiscal Year 2006 through Fiscal Year 2011.
(7) Includes homeless shelter and boarding home payments.
(8) Includes payment for Convention Center Subsidy and Vehicle leasing.
Figures may not add up due to rounding.

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual $20 million beginning in Fiscal Year 2002. In Fiscal Year 2008, the Mayor and City Council agreed to provide an additional $2 million, bringing the total contribution to $37 million. In Fiscal Year 2010, the City made a $38.5 million contribution, and the Fiscal Year 2011 budget includes a $38.6 million contribution.

Annual Payments to PGW

In order to assist PGW, (i) the City agreed to forgo the $18 million annual payment in Fiscal Year 2004, (ii) for Fiscal Years 2005, 2006, 2007, 2008, 2009 and 2010 the City made a grant to PGW equal to the annual payment received from PGW in such fiscal years, and (iii) the City's Nineteenth Five-Year Plan contemplates that in each of the Fiscal Years 2011 through 2015, the City will make a grant to PGW equal to the annual payment received from PGW in such Fiscal Years. The Fiscal Year 2011 grant back may be setoff by the $16.3 million payment from PGW to the City. See also "Fiscal Year 2011 PGW Payment to City." The City's proposed Twentieth Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund but discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016.

Fiscal Year 2011 PGW Payment to City

PGW has agreed to make a payment of $16,300,000 to the City in the City's Fiscal Year 2011. The City and PGW have agreed that such payment will be made prior to June 30, 2011: (1) from interest and profits on certain reserves for outstanding bonds in excess of the applicable reserve requirement, to which the City is entitled to pursuant to the Revenue Bond Act of 1972; and (2) from the sale of surplus City-owned real property currently occupied by PGW which will become available due to the consolidation of certain PGW operations. The terms of any real estate sale must be approved by the City administration, the Gas Commission and City Council. PGW has agreed to make the balance of the payment (net of Sinking Fund Reserve earnings and profits) from its available funds if the property sale is not completed prior to June 15, 2011, or if the property sale proceeds are not sufficient to cover the full payment. The City has the right to obtain such payment from PGW in any lawful manner, including set-off against payments the City would have otherwise made to PGW. The obligation of PGW to make the payment to the City is subject and subordinate to the pledge and application of Gas Works Revenues and Project Revenues, as such terms are respectively defined in the ordinances adopted in 1998 and 1975, pursuant to which PGW's bonds are issued, secured and outstanding. See also "REVENUES FROM CITY-OWNED SYSTEMS".

City Payments to SEPTA

The City made operating subsidy payments to SEPTA in Fiscal Years 2008, 2009 and 2010 of $61.3 million, $62.9 million and $64.2 million, respectively. The Fiscal Year 2011 budget projects operating subsidy payments to SEPTA of $65.9 million. The Nineteenth Five-Year Plan provides that the City's contribution to SEPTA would increase to $72.9 million by Fiscal Year 2015. The proposed Twentieth Five-Year Plan would increase the City's contribution to SEPTA to $74.8 million by Fiscal Year 2016.

DEBT OF THE CITY

The Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of said City shall not exceed 13.5 percent of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but said City shall not increase its indebtedness to an amount exceeding 3.0 percent upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." It has been judicially determined that bond authorizations once approved by the voters will not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

As of April 1, 2011, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,574,704,000. This amount is based upon a formula of 13.5 percent of the assessed value of taxable real estate within the City on a 10 year rolling average. The total amount of debt outstanding applicable to the debt limit was $1,477,468,000, leaving a legal debt margin of $97,236,000. The calculation of the legal debt margin is as follows:

Table 16
General Obligation Bonded Debt
(in thousands)

	Prior to issuance	Pro Forma[(1)]
Authorized, issued and outstanding	$1,247,080	$1,383,239
Authorized and unissued	598,454	459,304
Total	1,845,534	1,842,543
Less: Self-supporting debt	(355,968)	(355,826)
Less: Serial bonds maturing within a year	(12,098)	(12,098)
Total amount of authorized debt applicable to debt limit	1,477,468	1,474,619
Legal debt limit	1,574,704	1,574,704
Legal debt margin	$ 97,236	$ 100,085

(1) Reflects issuing the 2011 Bonds and refunding the Refunded 1998 Bonds and the Refunded 2001 Bonds.

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Currently, the City issues revenue bonds to support the Division of Aviation, the Water Department and PGW. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $285 million of Tax and Revenue Anticipation Notes on July 28, 2010. These notes will be repaid on June 30, 2011. The Twentieth Five-Year Plan projects tax and revenue anticipation notes in the amount of $250 million to be issued in Fiscal Year 2012.

Long-Term Debt

Table 17 presents a synopsis of the bonded debt of the City and its component units as of February 28, 2011. In addition, for tables setting forth a ten-year historical summary of tax-supported debt of the City and School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2010, see the Fiscal Year 2010 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding on March 31, 2011, approximately 17 percent is scheduled to mature within 5 years and approximately 39 percent is scheduled to mature within 10 years.

Table 17
Bonded Debt
City of Philadelphia and Component Units
as of March 31, 2011
(Amounts in thousands)
(unaudited)

Tax-supported bonds		
General Obligation[1]		$ 1,247,080
PICA		533,945
Subtotal: Tax-supported bonds		1,781,025
Other Long-Term Debt-Related Obligations		
Philadelphia Municipal Authority		
Municipal Services Building	$ 32,032	
Criminal Justice Center	135,850	
Juvenile Justice Center	97,850	265,732
Philadelphia Authority for Industrial Development		
Pension Bonds	1,472,355	
Stadiums	331,480	
Library	9,110	
Cultural and Commercial Corridor	122,860	
One Parkway	45,115	1,980,920
Parking Authority		15,365
Redevelopment Authority		252,770
Subtotal: Tax-supported bonds and other Long-Term Debt-Related Obligations		4,295,812
Revenue bonds		
Water Fund		1,864,132
Aviation Fund		1,470,385
Gas Works		1,228,335
Subtotal: Revenue bonds		4,562,852
Grand total		$ 8,858,664

Source: Office of Director of Finance.

(1) Does not reflect issuing the 2011 Bonds and refunding the Refunded 1998 Bonds and the Refunded 2001 Bonds. See Table 16.

Table 18
City of Philadelphia
Annual Debt Service on City-Related Long-Term Debt
(amounts in millions of USD)

	Tax Supported Bonds[1]			Other Long-Term Obligations[2]			Total		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	37.71	63.01	100.72	114.23	83.79	198.02	151.94	146.80	298.74
2012	41.76	67.44	109.20	75.71	131.72	207.44	117.47	199.16	316.63
2013	48.54	68.44	116.98	82.53	138.44	220.97	131.06	206.88	337.95
2014	50.74	66.22	116.95	82.74	139.47	222.21	133.47	205.69	339.16
2015	53.45	63.55	117.00	84.00	143.07	227.07	137.45	206.62	344.07
2016	52.01	60.86	112.87	83.92	139.50	223.42	135.93	200.36	336.29
2017	54.57	58.20	112.77	84.11	139.33	223.44	138.67	197.54	336.21
2018	57.21	55.35	112.56	89.56	138.73	228.29	146.77	194.08	340.85
2019	60.12	52.34	112.45	74.57	138.17	212.74	134.68	190.51	325.19
2020	62.56	49.50	112.05	64.12	138.01	202.13	126.68	187.50	314.18
2021	54.36	46.37	100.72	64.28	137.88	202.16	118.64	184.25	302.89
2022	57.89	43.58	101.47	64.62	137.58	202.20	122.50	181.16	303.66
2023	60.70	40.52	101.22	65.12	137.11	202.23	125.82	177.62	303.44
2024	63.80	37.24	101.04	65.76	136.51	202.26	129.56	173.75	303.30
2025	67.00	33.79	100.79	66.73	135.57	202.30	133.73	169.37	303.10
2026	62.93	30.38	93.31	80.13	121.38	201.51	143.06	151.76	294.82
2027	66.02	27.00	93.02	158.97	43.77	202.74	224.99	70.77	295.76
2028	69.82	23.61	93.42	164.13	34.54	198.67	233.95	58.15	292.10
2029	42.84	20.90	63.74	277.50	17.61	295.11	320.34	38.51	358.85
2030	58.20	18.39	76.58	53.73	7.81	61.53	111.92	26.20	138.12
2031	61.32	15.37	76.68	56.27	5.32	61.58	117.58	20.69	138.27
2032	64.58	12.18	76.76	13.63	3.21	16.84	78.21	15.39	93.60
2033	28.16	9.70	37.86	4.90	2.71	7.61	33.06	12.42	45.47
2034	14.70	8.38	23.07	5.22	2.39	7.61	19.91	10.77	30.68
2035	15.71	7.36	23.07	5.56	2.06	7.61	21.27	9.42	30.68
2036	16.80	6.28	23.07	5.92	1.69	7.61	22.71	7.97	30.68
2037	17.96	5.12	23.07	6.30	1.31	7.61	24.26	6.43	30.68
2038	19.22	3.85	23.07	6.71	0.90	7.61	25.93	4.75	30.68
2039	20.59	2.48	23.07	7.15	0.46	7.61	27.74	2.95	30.68
2040	8.52	1.50	10.02	0.00	0.00	0.00	8.52	1.50	10.02
2041	9.10	0.93	10.02	0.00	0.00	0.00	9.10	0.93	10.02
2042	9.71	0.32	10.02	0.00	0.00	0.00	9.71	0.32	10.02
TOTAL	1,408.51	1,000.15	2,408.66	2,008.08	2,260.06	4,268.14	3,416.59	3,260.22	6,676.80

[1] Includes General Obligation bonds. Reflects issuing the 2011 Bonds and refunding the Refunded 1998 Bonds and the Refunded 2001 Bonds.
[2] Includes PAID, PMA, Philadelphia Parking Authority, and Redevelopment Authority bonds with principal and interest on a cash flow basis in the fiscal year paid.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown on Table 17. The City budgets all other long-term debt-related obligations as a single budget item with the exception of the Parking Authority which has a budget of $1,336,700 for fiscal year 2012.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act, each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50 percent of the annual capital expenses of CCP, which includes debt service. The remaining 50 percent is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The total payment to CCP in Fiscal Year 2008 was $24,467,924. The amount paid in Fiscal Year 2009 and Fiscal Year 2010 was $26,467,924 each year. The amount payable in Fiscal Year 2011 is $25,409,207. The budgeted amount for Fiscal Year 2012 is $25,409,207. This amount represents the portion of operating costs (less student tuition and the Commonwealth payment) and up to half of the annual capital expenses for the year.

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Swap Information

The City has entered into various swaps related to its outstanding General Fund supported bonds as detailed in the following table:

Table 19
Summary of Swap Information
for General Fund Supported Bonds
as of March 31, 2011

City Entity	City GO	City Lease - PAID	City Lease - PAID	City Lease - PAID
Related Bond Series	2009B[1]	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$193,520,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap[2]	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value[3]	($6,771,377)	($4,877,806)	($23,748,877)	($7,913,568)

(1) On July 23, 2009, the City terminated a portion of the swap in the amount of $213,505,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of $15,450,000.

(2) PAID receives annual fixed payments of $1,216,500 from July 1, 2004 through July 1, 2013. As the result of an amendment on July 14, 2006, $104,965,000 of the total notional was restructured as a constant maturity swap (the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from October 1, 2006 to October 1, 2020). The constant maturity swap was terminated in December 2009. The City received a termination payment of $3,049,000.

(3) Fair values are as of March 31, 2011, and are shown from the City's perspective and include accrued interest.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, Water and the Airport, see the Fiscal Year 2010 Comprehensive Annual Financial Report. In addition, PICA has entered into swaps which are detailed in the Fiscal Year 2010 Comprehensive Annual Financial Report.

Letter of Credit and Liquidity Agreements

The City has entered into various letter of credit and standby agreements related to its General Fund supported bonds:

Table 20
Summary of Letter of Credit and Standby Agreements
for General Fund Supported Bonds
as of March 31, 2011

Variable Rate Bond Series	Amount Outstanding	Provider	Expiration Date
General Obligation Bonds, Series 2009B	$ 100,000,000	Wells Fargo Bank	8/12/2011
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B	289,675,000	JP Morgan/ Bank of New York	6/1/2011

The City is in the process of renewing or replacing the letters of credit and standby agreements listed above. With respect to the PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B, the City anticipates renewing or replacing the current standby agreements and remarketing the bonds and/or refunding the bonds by the June 1, 2011 expiration date.

Recent and Upcoming Financings

The following is a list of financings that the City has entered into since the close of Fiscal Year 2010:

In July 2010, the City issued the Tax and Revenue Anticipation Notes, Series A of 2010-2011 in the principal amount of $285 million.

The City, together with the Water Department, issued $185 million of new money water and wastewater bonds for capital projects. This transaction closed August 5, 2010.

The City, along with PGW, issued $150 million of Ninth Series Gas Works Revenue Bonds. This transaction closed August 26, 2010.

The City, in conjunction with the Philadelphia International Airport, issued $625 million of Airport Revenue Bonds and Airport Revenue Refunding Bonds. This transaction closed on November 15, 2010.

The City has entered into a $28,000,000 lease agreement with the PMA for the purpose of purchasing certain city vehicles. The lease payments are subject to annual appropriation by the City. This transaction closed in March 2011.

The City anticipates issuing tax and revenue anticipation notes in the amount of $250 million in Fiscal Year 2012.

The City is continually monitoring refunding opportunities for its outstanding debt and may undertake certain refundings depending on market conditions.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2011-2016 contemplates a total budget of $7,960,188,000 of which $2,133,504,000 is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2011-2016 on May 20, 2010.

Table 21
Fiscal Years 2011-2016
Capital Improvement Program
(Amounts in Thousands of USD)

City Funds – Tax Supported	2011	2012	2013	2014	2015	2016	2011-2016
Carried-forward Loans	220,108	0	0	0	0	0	220,108
Operating Revenue	21,929	14,029	10,329	9,529	6,029	6,029	67,874
New Loans	102,581	100,323	105,781	82,951	82,105	81,814	555,555
Pre-financed Loans	1,202	1,000	1,000	1,000	1,000	1,000	6,202
PICA Pre-financed Loans	32,602	0	0	0	0	0	32,602
Tax-supported Subtotal	378,422	115,352	117,110	93,480	89,134	88,843	882,341
City Funds – Self-Sustaining							
Carried-forward Loans	731,981	0	0	0	0	0	731,981
Operating	154,828	41,353	41,743	44,134	46,525	48,916	377,499
New Loans	436,094	439,916	514,533	666,160	861,507	898,653	3,816,863
Self-Sustaining Subtotal	1,322,903	481,269	556,276	710,294	908,032	947,569	4,926,343
Revolving Funds	18,000	0	0	0	0	0	18,000
Other Than City Funds							
Carried-Forward Other Government	12,043	0	0	0	0	0	12,043
Other Governments Off Budget	832	894	919	977	956	964	5,542
Other Governments	8,345	0	0	0	0	0	8,345
Carried-Forward State	63,316	0	0	0	0	0	63,316
State Off Budget	107,718	118,773	121,872	121,053	122,166	119,540	711,122
State	16,912	6,959	4,332	5,188	5,377	5,777	44,545
Carried-Forward Private	17,826	0	0	0	0	0	17,826
Private	74,370	26,020	25,020	25,020	25,020	25,020	200,470
Carried-Forward Federal	236,511	0	0	0	0	0	236,511
Federal Off Budget	31,723	43,271	53,129	62,400	84,096	97,664	372,283
Federal	164,447	65,994	59,138	63,816	55,828	52,278	461,501
Other Than City Funds Subtotal	734,043	261,911	264,410	278,454	293,443	301,243	2,133,504
TOTAL	2,453,368	858,532	937,796	1,082,228	1,290,609	1,337,655	7,960,188

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LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Division of Aviation, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues and only secondarily from the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a $500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the $500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was $30.2 million for Fiscal Year 2001, $30.0 million for Fiscal Year 2002, $24.1 million for Fiscal Year 2003, $24.5 million for Fiscal Year 2004, $27.5 million for Fiscal Year 2005, $23.0 million for Fiscal Year 2006, $26.6 million for Fiscal Year 2007, $29.8 million for Fiscal Year 2008, $34.5 million for Fiscal Year 2009 and $32.7 million for Fiscal Year 2010. Estimates of settlements and judgments from the General Fund are $42 million, $34.5 million, $34.5 million, $34.5 million and $34.5 million for Fiscal Years 2011 through 2015, respectively (based on the Nineteenth Five-Year Plan). In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2010, payments for claims arising from labor settlements in the General Fund were $1.4 million of which $1.38 million were paid from the Indemnities account, and $13,000 from the Operating budgets of the affected departments. For Fiscal Year 2009, payments for claims arising from labor settlements in the General Fund were $1.74 million of which $1.7 million was paid from the Indemnities account, and $40,000 from the operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $29.3 million per year over the five years from Fiscal Year 2006 through Fiscal Year 2010.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; civil rights claims; and a pay dispute with former and current paramedics. The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in this paragraph are not currently predictable.

Various claims in addition to the lawsuits described in the preceding paragraph have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2003 which resulted from these claims and lawsuits was $3.9 million, $2.9 million for Fiscal Year 2004, $2.4 million for Fiscal Year 2005 $4.2 million for Fiscal Year 2006, $2.5 million in Fiscal Year 2007, $4.6 million in Fiscal Year 2008, $5.0 million in Fiscal Year 2009 and $4.8 million in Fiscal Year 2010. The Water Fund's budget for Fiscal Year 2011 contain an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is for only $5.0 million in Fiscal Year 2011. The Water Fund is the first source of payment for any of the claims against the Water Department.

In addition, various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The aggregate loss for Fiscal Year 2008 which resulted from these claims and lawsuits was $1.3 million and $430,000 for Fiscal Year 2009. The aggregate loss for Fiscal Year 2010 was $881,600. The Indemnities budgets for Aviation Fund claims for each of Fiscal Year 2010 and Fiscal Year 2011 contain an appropriation in the amount of $2.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is only $889,819 in Fiscal Year 2011. The Division of Aviation is the first source of payment for any of the claims against the Division of Aviation.

ELECTED AND APPOINTED OFFICIALS

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards ("GAGAS") established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of March 1, 2011, the Office of the City Controller had 114 employees, including 68 auditors, 24 of whom were certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Home Rule Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical

Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to PICA on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Deputy Mayor for Planning and Economic Development and Director of Commerce (the "Director of Commerce") and the City Representative (the "City Representative"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City, its inhabitants and for the marketing and promotion of the image of the City.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel. The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution; the collection of revenues through the Department of Revenue; and the oversight of pension administration as Chairperson of the Board of Pensions and Retirement. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Nutter, his chief of staff, his cabinet, as defined in the City Charter, the City Controller and the City Treasurer:

Michael A. Nutter, Mayor, was sworn in as the City's 98th Mayor on January 7, 2008. He won the Democratic nomination in a five-way primary election. Elected to Philadelphia City Council in 1992, the Mayor represented the City's Fourth Councilmanic District for nearly fifteen years. During his time in City Council, he engineered groundbreaking ethics reform legislation, led successful efforts to pass a citywide smoking ban, worked to lower taxes for Philadelphians and to reform the City's tax structure, and labored to increase the number of Philadelphia police officers patrolling the streets and to create a Police Advisory Board to provide a forum for discussion between citizens and the Police Department. Mayor Nutter received his B.A. from the Wharton School of Business at the University of Pennsylvania in 1979.

Alan L. Butkovitz is serving his second term as the City's elected City Controller, an office independent of the Mayor. Prior to his election as City Controller, Mr. Butkovitz served 15 years in the Pennsylvania House of Representatives, representing the 174th Legislative District in Northeast

Philadelphia where he served on the Veterans Affairs and Urban Affairs Committees as well as committees on Aging and Older Adults, Children and Youth and Insurance. Mr. Butkovitz was widely praised for leading the bi-partisan investigation into violence in Philadelphia public schools. He authored legislation creating the Office of the Safe Schools Advocate, the first of its kind in the nation. Mr. Butkovitz was born and raised in the City. He is an attorney and received his Juris Doctor degree from Temple University Law School in 1976 and a bachelor's degree from Temple University in 1973.

Clarence D. Armbrister, Chief of Staff, was appointed on January 7, 2008. Prior to his appointment, Mr. Armbrister was Executive Vice President and Chief Operating Officer of Temple University. Mr. Armbrister began his career at Temple in April 2003 when he was named Senior Vice President. He was elevated to the position of Executive Vice President and Chief Operating Officer in January 2007. Prior to joining Temple, Mr. Armbrister was a Director in the UBS Financial Services Municipal Securities Group in the City and had served as Managing Director of the School District of Philadelphia, Treasurer of the City of Philadelphia, and was a partner in the law firm of Saul Ewing LLP. Mr. Armbrister holds a J.D. from the University of Michigan Law School and a B.A. degree in political science and economics from the University of Pennsylvania.

Richard Negrin, Deputy Mayor for Administration and Coordination and Managing Director, was appointed in July 2010. This Cabinet position has direct management responsibility over the City's key infrastructure departments and coordinates across all City government to provide oversight and support to ensure optimal performance. In December 2009, Mr. Negrin was appointed by Mayor Nutter to serve as Executive Director of the Board of Revision of Taxes to provide strong leadership and to revitalize, restructure and reform the embattled agency. From November 2006 through December 2009, Mr. Negrin served as Vice-Chair of the independent Philadelphia Board of Ethics which helped to change the culture of government by providing guidance, education and training on ethics rules to the entire City workforce as well as to promote greater transparency in government by overseeing financial disclosures by City officials and having oversight related to campaign finance limits and disclosures. Prior to joining the City, Mr. Negrin was Vice President, Associate General Counsel, and a member of the Executive Leadership Council of ARAMARK Corporation. Prior to joining ARAMARK, Mr. Negrin was a litigator with the law firm of Morgan, Lewis & Bockius LLP and was a prosecutor in the Major Trials Unit of the Philadelphia District Attorney's Office. Mr. Negrin is a graduate of Rutgers University School of Law, where he was the recipient of the Richard L. Barbour, Jr. Memorial Award. He received his Bachelor's degree in political science from Wagner College where he received the Pre-Law Prize for academic excellence. During college, Mr. Negrin was a consensus football all-American and served as captain of the football team, helping to lead them to the small college National Championship in 1987. After college, Mr. Negrin played briefly in the National Football League, signing contracts with the Cleveland Browns in 1988 and the New York Jets in 1989.

Rob Dubow, Director of Finance, was appointed on January 7, 2008. The Director of Finance is the Chief Financial Officer of the City. Prior to his appointment, Mr. Dubow was the Executive Director of PICA. He served as Chief Financial Officer of the Commonwealth from 2004 to 2005. From 2000 to 2004, he served as Budget Director for the City, where he had also been a Deputy Budget Director and Assistant Budget Director. Before working for the City, Mr. Dubow was a Senior Financial Analyst for PICA. He also served as a Research Associate at the Pennsylvania Economy League and was a reporter for the Associated Press. Mr. Dubow earned a Masters in Business Administration degree from the Wharton School of Business and a Bachelor of Arts degree from the University of Pennsylvania.

Shelley R. Smith, City Solicitor, was appointed on January 7, 2008. The City Solicitor of the City of Philadelphia is the City's chief legal officer, the head of the City's Law Department, and a member of the Mayor's Cabinet. Prior to her appointment, Ms. Smith was the Associate General Counsel for Regulatory Affairs - East at Exelon Corporation. Prior to joining Exelon, Ms. Smith was with Ballard

Spahr as Of Counsel in the Labor, Employment & Immigration Group. Ms. Smith also spent more than a decade with the City's Law Department where she was trial attorney and supervisor in the Civil Rights Unit, Chief of the Affirmative Litigation and Labor and Employment Units, and, finally, Chair of the Corporate and Tax Group.

Alan Greenberger, Deputy Mayor for Planning and Economic Development and Director of Commerce, was appointed on June 30, 2009. Mr. Greenberger is also the Executive Director of the City Planning Commission where he chairs the Philadelphia Zoning Code Commission. A native of New York City, he moved to the City in 1974 to join Mitchell/Giurgola Architects. He became an associate of Mitchell/Giurgola in 1980, moved to Australia to join Mitchell/Giurgola & Thorpe, architects for the Australian Parliament House, and rejoined Mitchell/Giurgola in the City as a partner in 1986. In 1990, he and several partners at M/G changed the name of the firm to MGA Partners, where he practiced through 2008. He has been the lead designer on numerous MGA projects including the Department of State National Foreign Affairs Training Center, the West Chester University School of Music and Performing Arts Center, America on Wheels Museum, Lehigh University Linderman Library Renovation, Mann Center for the Performing Arts Master Plan and Pavilions, and the Centennial District Master Plan.

Melanie Johnson, City Representative, was appointed on January 7, 2008. The City Representative will promote and give wide publicity to items of interest reflecting the accomplishments of the City and its inhabitants and the growth and development of its commerce and industry. Ms. Johnson had served as the Director of Communications for the Nutter for Mayor Campaign since August of 2006. Prior experience includes her time as Press Secretary to Former Mayor Ed Rendell, Director of Communication for Multicultural Affairs Congress at Philadelphia Convention and Visitors Bureau, and Senior Account Executive at Beach Advertising.

Nancy E. Winkler, City Treasurer, was appointed City Treasurer effective January 31, 2011. Her responsibilities include oversight of all activities related to the issuance of debt by the City, managing the investment of approximately $2.0 billion of operating and bond funds as well as managing the City's depository banking. Prior to her tenure with the City, Ms. Winkler worked for over twenty-eight years with Public Financial Management (the PFM Group), from 1990 to 2011 as Managing Director, with responsibility to manage the firm's municipal, state and authority practices in New York and Maryland. Ms. Winkler's experience includes advising state and municipal entities, revenue bond issuers, colleges and not-for-profit entities on municipal bond issuance, debt restructuring, and various strategies to manage their debt portfolio. Ms. Winkler holds a B.A. in American Studies and Economics from Georgetown University, where she was a George F. Baker Scholar. She has served as a member of the Executive Committee of the New York State Citizen's Budget Commission for many years.

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ADDITIONAL INFORMATION

Current City Practices

It is the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2010 was deposited with the MSRB on February 25, 2010, through the MSRB's Electronic Municipal Market Access (EMMA) system. The CAFR is prepared by the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2010. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. The CAFR is also available online at www.phila.gov/investor, the City's website ("City Website" or "Website"). The City also expects to provide financial and other information from time to time to Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

The foregoing statement as to filing or furnishing of additional information reflects the City's current practices, but is not a contractual obligation to the holders of the City's bonds or notes.

The City Website contains information in addition to that set forth in the CAFR. The "Terms of Use" statement of the City Website, incorporated herein by this reference, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2011 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

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CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.526 million according to the U.S. Census Bureau, 2010 Population Estimates. The City is in the heart of the eleven-county Philadelphia–Camden–Wilmington metropolitan statistical area with approximately six million residents. Air, rail, highway, and water routes provide easy access to the City.

The City, the fifth largest in the United States, is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest retail market with over 2,500 retail stores in Center City Philadelphia.

Quality of Life

The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, the Constitution Center, the Kimmel Center, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, and the Rodin Museum. The South Philadelphia sports complex, currently consisting of Lincoln Financial Field, Citizens Bank Park and the Wells Fargo Center, is home to the Philadelphia 76ers, Flyers, Phillies and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which spans 8,000 acres and includes Pennypack Park and the country's first zoo.

The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

The City has the second largest concentration of students on the East Coast with eighty degree granting institutions of higher education and a total enrollment of over 300,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

Hospitals and Medical Centers

The City also has major research facilities, including those located at its universities, the medical schools, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia has recently completed the construction of a new $400 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A Comprehensive Cancer Center is also located at the University of Pennsylvania.

The following table presents data regarding hospitals and medical centers in the City. Due to mergers, consolidations and closures that have occurred or may occur in the future, this table is accurate only as of its publication date.

Table 22
Hospitals and Medical Centers
as of June 2010

Institution Name	Total Beds
Albert Einstein Medical Center	511
Aria Health System[1]	477
Belmont Center for Comprehensive Treatment	147
Chestnut Hill Hospital	119
Department of Veterans Affairs Medical Center-Philadelphia	142
Fairmount Behavioral Health System	185
Fox Chase Cancer Center	100
Friends Hospital	192
Girard Medical Center/Continuing Care Hospital of Philadelphia	51
Hahnemann University Hospital	510
Hospital of the University of Pennsylvania	782
Jeanes Hospital	176
Kensington Hospital	35
Magee Rehabilitation Hospital	96
Mercy Hospital of Philadelphia	180
Methodist Hospital Division - TJUH	165
Nazareth Hospital	195
Penn Presbyterian Medical Center	223
Pennsylvania Hospital	435
Roxborough Memorial Hospital	141
Shriners Hospitals for Children - Philadelphia	39
St. Christopher's Hospital for Children	175
St. Joseph's Hospital	146
Temple University Hospital[2]	745
The Children's Hospital of Philadelphia	456
Thomas Jefferson University Hospital	678

[1] Aria Health System includes data for all three divisions - Frankford, Torresdale and Bucks County.
[2] Temple includes data for Episcopal Hospital.
Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report, June 2010.

Children's Hospital Expansion. The Children's Hospital of Philadelphia ("CHOP") is expanding its research facilities in West Philadelphia. The $400 million Colket Research Building was completed in the Fall of 2009 and it has opened. CHOP is currently completing design on the $500 million Ambulatory Care Facility, which is expected to begin construction in late 2011 and be opened in late 2013. In addition to this major development, CHOP has purchased the JFK Building on the banks of the Schuylkill River just south of South Street. Administrative offices and research laboratories will be housed in this new space. CHOP is currently reviewing design concepts for the JFK Building.

University of Pennsylvania. A major new $302 million cancer research and treatment center, the Center for Advanced Medicine, opened in October 2008. The West Tower of the Center of Advanced Medicine was completed in 2010 at a cost of $370 million.

The Fox Chase Cancer Center. The Fox Chase Cancer Center (the "Center") is a non-profit institution that is endeavoring to expand its campus in the northeast section of the City. The area of expansion is called Burholme Park and it is adjacent to the main campus. The Center's 25-year Master Plan is over $1 billion, providing over 2.7 million sq. ft. of space dedicated to research and patient care. While Fox Chase continues to work out details of the expansion into Burholme Park, they are currently designing a new 25,000 sq. ft. comparative research facility to enhance and expand the capabilities of the Center's current research efforts on the main campus. In 2009, Fox Chase opened the $100 million Robert Young Research Pavilion that is currently occupied by the women's cancer treatment center, a research center and will soon house the Cancer Genome Institute. The Fox Chase Cancer Center and the Institute for Individualized Health, together, have formed a partnership to create the Cancer Genome Institute. When it opens, the Institute will be the largest cancer genome sequencing effort in the United States. The Institute will perform highly collaborative research to understand the complex molecular underpinnings of cancer, and then apply those discoveries at the point of care.

Demographics

During the ten-year period between 2000 and 2010, the population of the City increased from 1,517,550 to 1,526,006. During the same period, the population of the Commonwealth increased by 3.4 percent.

Table 23
Population
City, Pennsylvania & Nation

	1990	2000	2010	% Change 1990-2000	% Change 2000-2010
Philadelphia	1,585,577	1,517,550	1,526,006	-4.3%	0.9%
Pennsylvania	11,881,643	12,281,054	12,702,379	3.4%	3.4%
United States	248,709,873	281,421,906	308,745,538	13.2%	9.7%

Source: U.S. Census Bureau, 2010 Population Estimates, Census 2000, 1990 Census.

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Table 24
Population Age Distribution

Philadelphia County

Age	1990	% of Total	2000	% of Total	2007 – 2009[1]	% of Total
0-24	563,816	35.6	551,308	36.3	529,490	34.4
25-44	490,224	30.9	444,774	29.3	461,068	30.0
45-64	290,803	18.3	307,746	20.2	355,484	23.1
65-84	217,913	13.7	186,383	12.3	162,531	10.6
85 & up	22,801	1.4	27,339	1.8	30,653	2.0
Total	1,585,577	100	1,517,550	100	1,539,226	100.0

Pennsylvania

Age	1990	% of Total	2000	% of Total	2007 – 2009[1]	% of Total
0-24	4,021,585	33.8	4,016,670	32.6	4,003,759	31.9
25-44	3,657,323	30.8	3,508,562	28.6	3,207,408	25.5
45-64	2,373,629	20	2,836,657	23.1	3,427,763	27.3
65-84	1,657,270	13.9	1,681,598	13.7	1,628,092	13.0
85 & up	171,836	1.4	237,567	1.9	297,534	2.4
Total	11,881,643	100	12,281,054	100	12,564,556	100.0

United States

Age	1990	% of Total	2000	% of Total	2007 – 2009[1]	% of Total
0-24	90,342,198	36.3	99,437,266	35.3	104,507,545	34.3
25-44	80,754,835	32.5	85,040,251	30.2	83,150,108	27.3
45-64	46,371,009	18.6	61,952,636	22	77,943,353	25.6
65-84	28,161,666	11.3	30,752,166	11	33,370,213	11.0
85 & up	3,080,165	1.2	4,239,587	1.5	5,349,246	1.8
Total	248,709,873	100	281,421,906	100	304,320,465	100

(1) 2007-2009 American Community Survey 3 year estimates.
Source: U.S. Dept. of Commerce, Bureau of the Census.

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The Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major business and personal service center with strengths in insurance, law, finance, health, education, and utilities.

The cost of living in the City is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

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Table 25
Office Rental Rates in Cities Throughout the United States (In $ Per Square Foot)

	May 2006	November 2006	May 2007	May 2008	November 2008	May 2009	November 2009	May 2010	November 2010
Atlanta	20.08	20.56	20.16	21.76	21.23	21.29	21.03	23.25	22.50
Chicago	23.77	22.97	22.44	24.75	24.78	24.56	24.82	23.95	23.70
Dallas	17.43	16.47	17.20	22.96	23.72	23.71	23.12	22.72	22.16
Denver	19.03	20.37	22.17	27.15	27.55	26.53	25.96	25.07	24.65
Houston	19.15	19.52	21.53	28.92	26.83	24.91	26.35	27.00	27.35
Los Angeles	23.12	22.59	23.74	30.52	30.51	29.92	28.72	28.74	28.80
New York	55.15	62.07	69.44	103.43	98.08	68.63	68.93	64.51	66.59
Philadelphia	22.42	22.96	22.60	24.35	25.26	25.24	24.09	25.36	25.91
Phoenix	24.29	26.19	27.32	29.14	29.17	28.23	26.72	26.89	25.70
Portland	21.58	22.41	23.00	25.85	27.62	26.99	26.65	26.33	25.86
San Francisco	30.62	31.11	35.81	49.71	48.57	39.40	33.94	33.17	33.97
St. Louis	21.12	21.75	21.21	22.82	22.42	22.78	22.51	22.58	22.55
Tampa	20.54	21.13	22.46	25.30	26.22	26.36	26.39	25.63	25.25
Washington, D.C.	42.74	43.58	44.00	51.05	51.26	51.77	51.74	51.75	53.03

Source: CB Richard Ellis, Global Market Rents Report; Global MarketView: Office Occupancy Costs Report.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables 26 and 27, respectively.

The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service economy. The City's and region's economies are diversified, with strong representation in the health care, government, and education sectors but without the domination of any single employer or industry.

In March 2000, PAID assumed ownership of more than 1,200 acres at the site of the former Philadelphia Navy Shipyard, Naval Station, Naval Hospital and Defense Supply Center and began implementing an aggressive redevelopment campaign. To date, at least 115 companies and three Navy operations have leased or purchased in excess of 5.5 million square feet of facilities at the complex, now known as The Navy Yard. The Navy has retained more than 2 million square feet of facilities. Together, the private and Navy facilities employ more than 8,000 people. The Navy Yard's long-term development plans call for more than 10 million square feet of developed industrial and commercial space and employment ranging between 15,000-25,000.

Table 26
Labor Force Data Annual Average
Based on Residency (not seasonally adjusted)

	2003	2004	2005	2006	2007	2008	2009	2010	2011(3)
Philadelphia (000)(1)									
Labor Force	622.6	618.3	619.0	617.2	619.1	629.5	629.9	647.4	647.0
Employment	575.7	573.1	577.5	579.2	581.9	585.0	566.6	577.0	577.3
Unemployment	46.9	45.2	41.6	38.0	37.2	44.5	63.3	70.4	69.7
Unemployment Rate (%)	7.5	7.3	6.7	6.2	6.0	7.1	10.0	10.9	10.8
Philadelphia PMSA (000)(2)									
Labor Force	2,879.2	2,888.6	2,9196	2,949.2.	2,948.3	2,986.2	2,997.6	2,982.1	N/A
Employment	2,722.4	2,741.7	2,781.9	2,817.4	2,822.3	2,826.3	2,749.7	2,712.3	N/A
Unemployment	156.8	146.9	137.7	131.8	126.1	159.9	248.0	269.7	N/A
Unemployment Rate (%)	5.4	5.1	4.7	4.5	4.3	5.4	8.3	9.0	N/A
Pennsylvania (000)									
Labor Force	6,145.0	6,197.0	6,270.0	6,308.0	6,329.0	6,439.0	6,383.0	6,340.0	6,304.0
Employment	5,796.0	5,860.0	5,958.0	6,021.0	6,054.0	6,096.0	5,870.0	5,791.0	5,795
Unemployment	349.0	337.0	312.0	287.0	275.0	343.0	514.0	549.0	510.0
Unemployment Rate (%)	5.7	5.4	5.0	4.5	4.3	5.3	8.0	8.7	8.1
United States (000,000)									
Labor Force	146.5	147.4	149.3	151.4	153.1	154.3	154.1	153.9	152.6
Employment	137.7	139.3	141.7	144.4	146.0	145.4	139.9	139.1	138.1
Unemployment	8.8	8.1	7.6	7.0	7.1	8.9	14.3	14.8	14.5
Unemployment Rate (%)	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6	9.5

(1) Philadelphia County
(2) The Philadelphia PMSA includes Philadelphia-Camden-Wilmington, PA, NJ, DE, MD Metro Stat Area.
(3) As of January 2011.
Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2011.

Table 27
Philadelphia County
Total Monthly Employment and Monthly Unemployment Rates
Based on Residency (Seasonally Adjusted)
2004 – 2010

	Total Employment in 000's							Unemployment Rate Percent						
Month	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
January	573.7	574.8	574.9	578.9	583.4	577.8	580.4	7.5	6.9	6.1	6.0	6.4	8.7	10.7
February	573.4	573.5	576.3	579.8	582.0	575.6	577.5	7.3	7.2	6.4	5.8	6.4	9.2	10.8
March	572.0	572.2	576.4	579.2	582.7	572.4	577.4	7.7	6.9	6.2	5.7	6.6	9.2	10.8
April	572.4	574.4	576.4	576.2	586.0	572.1	578.6	7.4	6.8	6.4	6.0	6.5	9.3	11.0
May	569.7	576.2	576.5	575.4	584.4	569.2	579.4	7.5	6.7	6.2	6.0	6.8	9.6	10.7
June	570.7	574.7	577.7	578.3	583.3	567.3	577.4	7.6	6.6	6.2	6.0	6.9	10.0	10.8
July	573.6	577.2	575.6	579.4	582.4	565.3	574.1	7.4	6.4	6.3	6.1	7.1	10.2	10.9
August	572.8	575.8	577.0	578.9	582.6	563.2	577.5	7.3	6.5	6.2	6.0	7.5	10.5	10.8
September	573.4	576.6	576.8	579.2	582.0	560.7	577.4	7.2	6.7	6.1	6.1	7.5	10.8	10.8
October	574.0	576.0	577.8	578.6	582.2	559.2	574.7	7.1	6.5	5.9	6.2	7.8	11.0	11.0
November	575.3	575.7	577.2	581.8	579.1	559.0	574.6	7.0	6.8	6.1	6.1	8.0	11.0	11.3
December	576.5	578.8	578.5	580.4	578.3	557.9	575.2	6.9	6.4	5.9	6.3	8.4	11.1	10.9

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, December 2010 (monthly) Seasonally Adjusted Labor Force, Philadelphia County.

Table 28
Philadelphia City
Non-Farm Payroll Employment[1]
(Amounts in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Non-Farm	683.5	671.3	657.9	660.3	662.5	662.7	663.3	651.0	656.8
Natural Resources, Construction & Mining	12.9	12.3	11.4	12.0	12.4	11.9	12.1	10.0	10.0
Manufacturing	37.7	34.0	32.6	31.2	29.9	28.5	27.8	25.9	24.8
Trade, Transportation & Utilities	98.5	95.8	90.9	90.0	88.5	87.8	87.6	85.2	86.8
Information	17.0	15.9	13.6	13.2	12.8	12.6	12.5	12.6	12.3
Financial Activities	52.3	50.7	49.0	48.2	47.7	47.1	46.5	44.9	42.8
Professional & Business Services	82.9	80.9	80.3	82.4	84.2	85.8	85.3	80.1	81.3
Education & Health Services	181.0	185.3	184.1	186.8	192.2	197.1	201.6	204.8	207.5
Leisure & Hospitality	54.2	52.9	54.6	56.6	58.0	58.0	57.9	56.9	58.4
Other Services	29.9	29.0	28.5	28.5	28.2	28.0	27.8	26.6	26.5
Government	117.1	114.7	113.0	111.4	108.6	105.9	104.3	105.7	106.3

[1] Includes persons employed within the City, without regard to residency.
Source: Bureau of Labor Statistics, November 2010.

Table 29
Principal Employers in Philadelphia
as of June 30, 2010
(Listed Alphabetically)

Albert Einstein Medical
Children's Hospital of Philadelphia
City of Philadelphia
School District of Philadelphia
Southeastern Pennsylvania Transportation Authority
Temple University
Thomas Jefferson University Hospitals
United States Postal Service
University of Pennsylvania
University of Pennsylvania Hospital

Source: Philadelphia Department of Revenue.

Table 30
Fortune 500
Largest Corporations
With Headquarters in Philadelphia

(Amounts In Millions of USD)

Corporation	Type of Industry	Ranking	Revenues
Comcast	Telecommunications	59	35,756.0
Sunoco	Petroleum Refining	78	29,630.0
Cigna	Health Care/Insurance	129	18,414.0
ARAMARK	Diversified Outsourcing Services	189	12,297.9
Crown Holdings	Metal Products	289	7,938.0

Source: Fortune Magazine website, May 2010.

Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States.

Table 31
Consumer Price Indices and Median Household Effective Buying Income

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
CPLLl United States [(1)]	172.2	179.9	184.0	188.9	195.3	201.6	207.3	215.3	214.5	218.1
CPL U Philadelphia PMSA[(1)]	176.5	184.9	188.8	196.5	204.2	212.1	216.7	224.1	225.1	228.0
Buying Income[(2)]										
Philadelphia	$31,621	$29,995	$28,015	$28,150	$29,269	$30,748	$31,292	$30,746	$31,110	N/A
Philadelphia Metro Area[(3)]	$47,152	$43,800	$41,820	$42,852	$44,060	$45,395	$46,413	$46,900	$47,580	N/A
United States	$37,233	$38,365	$38,035	$38,201	$39,324	$39,324	$40,710	$41,792	$42,303	N/A

(1) Source: Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.
(2) Source: Sales & Marketing Management's 2009 Survey of Buying Power.
(3) Statistic is a measure of the Philadelphia, Camden & Wilmington Metropolitan Area.

Table 32
Number of Households by Income Range in Philadelphia County

	Number of Households[(1)]			Percentage of Households[(1)]		
Income	1990	2000	November 2007-2009[(2)]	1990	2000	2007-2009[(2)]
Under $ 9,999	136,335	109,237	82,818	22.6	18.5	14.5
$10,000-14,999	59,331	49,035	48,093	9.9	8.3	8.4
$15,000-24,999	108,405	89,059	76,005	18.1	15.0	13.3
$25,000-49,999	190,237	171,215	148,851	31.7	29.0	26.1
$50,000 and over	106,432	171,737	213,845	17.6	29.1	37.5
Total	600,740	590,283	569,612	100.0	100.0	100.0

(1) A household includes all the persons who occupy a housing unit.
(2) 2007-2009 American Community Survey 3 year estimates.
Source: U.S. Department of Commerce, Bureau of the Census.

Table 33
Number of Households by Income Range in United States

Income	Number of Households (000's) 1990	2000	2007 - 2009[(1)]	Percentage of Households 1990	2000	2007 - 2009[(1)]
Under $9,999	14,214	10,067	8,347	15.5	9.5	7.4
$10,000-14,999	8,133	6,657	6,313	8.8	6.3	5.6
$15,000-24,999	16,124	13,536	12,281	17.5	12.8	10.9
$25,000-49,999	31,003	30,965	28,141	33.7	29.3	24.9
$50,000 and over	22,519	44,312	58,022	24.5	42.1	51.3
Total	91,994	105,537	113,104	100.0%	100.0%	100.0%

(1) 2007-2009 American Community Survey 3 year estimates.
Source: U.S. Department of Commerce, Economics and Statistics Administration, 2000 Census of Population.
Figures may not add up due to rounding.

Retail Sales

The following table reflects taxable sales for the City from Fiscal Years 1997 to 2010.

Table 34
Taxable Retail Sales 1997-2010
(Amounts in Thousands of USD)

Fiscal Year	Taxable Sales
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100
2002	10,980,914
2003	10,933,524
2004	11,172,231
2005	12,001,439
2006	12,839,137
2007	13,643,582
2008	13,704,958
2009	13,211,446
2010	13,050,202

Source: Figures determined by dividing the City's local sales tax reported by the Pennsylvania Department of Revenue by the applicable local sales tax rate.

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to the airport and to the surrounding counties. A high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Philadelphia International Airport in 1985. The line places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center, which opened in June 1993. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I 95; the Vine Street Expressway (I 676), running east-to-west through the Central Business District between I 76 and I 95; and the "Blue Route" (I 476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I 95 and thereby feeds into the Schuylkill Expressway (I 76) and thus into Center City Philadelphia.

The City operates PHL and Northeast Philadelphia Airport ("PNE") through its Division of Aviation. PHL is situated over 2,300 acres of land and is located approximately 7.2 miles from Center City Philadelphia. It is adjacent to Interstate 95 and is served by a SEPTA commuter rail line with direct service to Center City Philadelphia. PHL serves residents of and visitors to a broad geographic area that includes portions of four states: Pennsylvania, New Jersey, Delaware and Maryland. In 2010, PHL handled approximately 30.8 million passengers, including 4.1 international passengers. PHL is served by 30 different airlines and handles 625 daily departures to 121 cities, including 57 non-stop flights to 37 international destinations. PNE, a smaller reliever airport, is located on 1,150 acres situated within the City limits, 10 miles northeast of Center City Philadelphia. PNE provides for general aviation, air taxi, corporate, and occasional military use. The airport currently has no scheduled commercial service.

Water and Wastewater Systems

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 58 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 480,000 retail customer accounts through 3,137 miles of mains, three water treatment plants, 15 pumping stations and provides fire protection through more than 25,000 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of retail customer accounts is approximately 479,000. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 21 pumping stations, and approximately 3,657 miles of sewers. Based on its current NPDES discharge permit, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,400 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits. The City significantly reduced its waste disposal costs over the last decade. The current disposal contract, which began July 1, 2005, continues this trend. With three one-year City options, the contract can be extended through Fiscal Year 2012. Disposal rates escalate at a relatively low rate of approximately three percent per year over the contract term, and multiple vendors maximize operational flexibility and efficiencies.

Housing

The table below shows details related to Philadelphia County and the Commonwealth's housing markets:

Table 35
Characteristics of Housing Units

	1990	2000	2007-2009[1]
Total Housing Units			
Philadelphia County	674,899	661,958	661,575
Pennsylvania	4,938,140	5,249,750	5,518,558
Percent Owner-Occupied			
Philadelphia County	62.0%	59.3%	56.8%
Pennsylvania	70.6%	71.3%	71.5%
Median Value of Owner-Occupied Housing			
Philadelphia County	$49,400	$59,700	$128,900
Pennsylvania	$69,700	$97,000	$152,300
Number/Average Persons per Housing Unit			
Philadelphia County	2.56	2.65	2.60
Pennsylvania	2.72	2.62	2.46

(1) 2007-2009 American Community Survey 3 year estimates.
Source: U.S. Department of Commerce, Bureau of the Census.

Promoting Economic Development

Mission

The goal of the City's economic development strategy is to create, maintain, and develop: (1) jobs by fostering an improved business environment; (2) increases in population; and (3) enhanced quality of life within the City—all in order to grow the City's tax base.

Background

In 2009, despite a slowing national economy, the City aggressively launched several programs aimed at improving economic development. By reorienting its economic development priorities toward promoting transparency and accountability in government services to businesses and individuals, the City will strive to become the business location of choice. This new business climate, combined with recent cultural additions, neighborhood reinvestment and a renewed sense of civic pride, will further the City's position as a world-class city.

Philadelphia's Competitive Advantages

The City's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key green industries. The City is the fifth-largest city in the nation (2010 U.S. Census Data) with the third largest downtown population and is at the center of the sixth largest metropolitan region. The Philadelphia region includes the fourth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries.

Accessibility

The City is in a key position to access regional and international markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the port. The capacity of the City's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent lower than the national metropolitan average. Recent analysis has shown that employees also benefit: Commuters to suburban firms, nearly all of whom drive to work, spend over $6,200 per year in vehicle expenses. By contrast, 70 percent of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just $2,292. In addition, 37 percent of downtown residents walk to work, the highest percentage of any major American city. Another 1.6 percent of Philadelphia commuters use bicycles to get to work. This is the highest percentage of biking commuters in the U.S., which is nearly three times the national average (2008 American Community Survey, http://blog.bicyclecoalition.org/2009/).

Culture

As a major urban center with a rich historical legacy, the City is increasingly gaining national recognition for its cultural and recreational advantages, which include the many tourism assets concentrated within city limits. Landmarks such as Independence National Historical Park, the Philadelphia Art Museum, and the Kimmel Center for the Performing Arts, as well as recent developments, such as the opening of the newly completed National Museum of American Jewish History and the construction of the Barnes Foundation Museum, are increasingly drawing national attention. The development of new first-class sports facilities, as well as continued access and development along the City's Delaware and Schuylkill River waterfronts, adds to this array.

Affordability

The City remains affordable when compared to its peers, as reflected in the chart below. The City's cost of living provides a competitive advantage over neighboring cities. In 2008, Forbes Magazine listed the City among the twenty best cities for young professionals to live, noting that college graduates are increasingly choosing the City over traditionally higher priced northeastern markets like Boston and New York.

Table 36
Cost of Living
2010 (First Quarter)[1]

Index	Philadelphia, PA	Washington-Arlington – Arlington, DC-VA	Boston, MA	New York (Manhattan), NY	National Average
Composite (100%)	126.5	137.9	131.1	218.0	100.0

(1) The Council for Community and Economic Research determines "Cost of Living" by weighing various living expenses including: cost of groceries, housing, utilities, transportation and health. The national average cost for each index area is set at "100," and the indices for each place are then calculated based upon their relation to that average.
Source: Council for Community and Economic Research ACCRA Cost of Living Index.

Educational Attainment

The City captures a significant portion of the region's educational employment and enrollment because of its major colleges and universities. The City houses 40 percent of all students during their studies. The Philadelphia region currently retains a stronger share of its graduates than previously, with 71% retained in 2010 versus 64% in 2004. Also, among students not from the area, 48% stayed in the region in 2010 while only 29% stayed in 2004. On average, the region's workforce over age 25 is better educated (with four-year college degrees) than those in other metropolitan areas across the U.S. (32 percent, compared to 27 percent). Meanwhile, the City consistently ranks among the lowest educational attainment rates in the nation, with only 23.2 percent of its population having obtained a four-year college degree (American Community Survey data, 2009), a gain of 2.5 points over 2006. To continue this trend, the Nutter administration has made it a priority to leverage the City's relationships with local universities and industry partners aimed at encouraging recent college graduates to maintain permanent residence and employment within the city.

Real Estate Market

Despite challenges in the national economy, the City's central business district (the "CBD"), which encompasses 43.7 million rentable square feet, shows stable office market conditions when compared with other major metropolitan markets. The strength of the market is driven by the continued expansion of the city's major healthcare and educational institutions, which are less likely to be impacted by the slowdown, and the growth of Comcast Corporation. Recent developments in the financial services market offer both retention risks and attraction opportunities for the City. Significant downsizing among law firms and other professional services businesses pose the greatest challenge to the office market.

The Center City office market has seen positive results in most recent years, with approximately 1 million square feet of net absorption in 2006, 992,000 square feet in 2007 and 876,000 square feet of positive net absorption in 2008. Unfortunately, the economic slowdown has begun to have an effect, dropping the Class A net absorption rate for 2010 to approximately negative 304,910 square feet. The CBD boasted a direct vacancy rate of under 9% for six quarters in a row as of the first quarter of 2009, but this rate rose to 10.5% by the end of 2009. The direct vacancy rate for 2010 was 14.2%, still well below the national average, which climbed to 16.4% in the fourth quarter of 2010. Despite these downturns, CBD shows signs of economic recovery and confidence is returning to the market. In 2010, the Comcast Corporation renewed and expanded their offices in 90,000 square feet of space outside their flagship building, Janney Montgomery Scott began construction on a data center on Market East and is currently negotiating a new lease for its corporate headquarters in Center City, and i-Many, a contract performance management company, relocated their offices from New Jersey to Center City. 2011 continues to present significant opportunities for the CBD as it takes further steps towards stabilization.

A positive sign of recovery is reflected in accelerating rental activity in the CBD, which in the first quarter of 2010 showed a 67% increase over the first quarter of 2009 activity. As a result of building owners making substantial capital investments and a high demand for 'trophy' locations, Class A asking rental rates in the CBD have risen from $25.85 in 2006 to an annual average of $27.73 per square foot in 2010. A concerted attraction and retention campaign involving the combined efforts of the City, PIDC, the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth has helped to sustain these positive trends.

Amidst the national slowdown in real estate, the City's single-family property market remains consistent but is showing some signs of strain due to threats of increased foreclosures and a stagnant buyers market. However, the rental real estate market continues to be positioned favorably. Unburdened by a glut of speculative multifamily projects outstripping tenant demand, the City has maintained a low apartment vacancy rate and has fared well when compared to other regions.

Major Industry Sectors

When compared to the average sector concentration in Pennsylvania counties, the City has a higher concentration of employment in six sectors, as noted in the chart below.

Table 37
Philadelphia Industry Concentrations
Compared to Pennsylvania

Industry	Pennsylvania	Philadelphia County
Education and Health Services	0.52	2.23
Financial Activities	0.80	1.24
Other Services	0.93	1.07
Professional and Business Services	0.75	1.33
Leisure and Hospitality	0.95	1.05
Information	0.94	1.06
Trade, Transportation, and Utilities	1.54	0.69
Manufacturing	2.54	0.39
Construction	2.35	0.43
Unclassified	0.50	0.02
Natural Resources and Mining	0.55	0.00

Source: Bureau of Labor Statistics, 2008 Location Quotient, Quarterly Census of Employment and Wages Data. Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

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

Knowledge Industry: Poised for Growth

The sector of the City's economy which has remained most insulated from the current recession has been Education and Health Services, capturing an 11.5 percent growth rate since 2003. The City, in its strategic plan for economic development and job growth, has identified the "Eds and Meds," along with Professional and Business Services, and Leisure and Hospitality, as targeted growth sectors that will drive the City's recovery process and position it for continued long-term growth.

The Education sector not only provides stable support to the local economy, but also generates a steady supply of potential "Knowledge Industry" workers. In the knowledge industry, which relies on the supply of new college graduates, companies apply emerging technologies to deliver high-quality, knowledge-based services. The knowledge industry includes sectors as diverse as financial services, engineering, health care, insurance, law, life sciences, printing, publishing, and academia. In a 2009 report published by the Milken Institute, the Greater Philadelphia region's life sciences industry earned the number one ranking of the study's "current impact" category by directly employing 94,400 workers and generating $7.7 billion in direct revenue in 2008. These advantages equip the City and the region to continue to build its knowledge industries.

While the City has a strong core of knowledge-based industries, the City must capitalize on these advantages to ensure future growth and dynamism. Within the knowledge economy is another sector of great importance to the City and the region, the life sciences, which includes health care, research, biotechnology, and pharmaceuticals. The City is capitalizing on the region's opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites now foster incubator opportunities, including the Philadelphia Navy Yard, the Science Center in West Philadelphia, and the west bank of the Schuylkill River bordered by the University of Pennsylvania, Children's Hospital of Pennsylvania and Drexel University.

The City's economy enjoys a large market share of for-profit creative industry companies which are technology-driven, known as businesses representing the "creative economy." A subset of the knowledge industry, the sector includes architecture, communications, design and merchandising, digital media, engineering, fashion design, graphic arts, information technology, interior and industrial design, marketing, music, film and video production, multimedia design, photography, planning product design and software development. The City supports several initiatives with the goal of increasing employment in this sector and fostering population growth in the City as a result. The City's population has increased 0.6% since 2000 according to the U.S. Census Bureau's 2010 figures. The City's official population is now recorded as 1,526,006.

Philadelphia International Airport

PHL is situated over 2,300 acres of land located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles southwest of Center City Philadelphia. PHL has four runways and seven terminal buildings and is served by 30 different airlines and handles 625 daily departures to 121 cities, including 57 non-stop flights to 37 international destinations. Currently, PHL accounts for over 141,000 jobs within the region and has a regional economic impact of $14.4 billion annually.

In calendar year 2010, PHL served 30.8 million passengers, including 4.1 million international travelers. PHL is ranked the ninth busiest airport in the nation and eleventh busiest in the world for aircraft operations (take-offs and landings). Since 2001, PHL has added two new terminals, one regional and one international, to its complex. This terminal development, along with other terminal expansion, has more than doubled the size of the Airport terminal complex from 1.4 million to 3.1 million square feet and expanded the number of boarding gates by 94% from 65 to 126. Demand for air travel, spurred by low-fare competition with the entrance of Southwest Airlines into PHL in 2004, increased passenger traffic from 24.9 million in 2000 to 30.8 million in 2010. In addition, PHL serves as a key-connecting hub for US Airways.

Airport system capital improvements have been financed primarily through Federal and Commonwealth grants-in-aid, Passenger Facility Charge (PFC) revenues, general obligation bonds and Airport Revenue Bonds. The City currently has $1,470,385,000 of Airport Revenue Bonds outstanding. No general obligation bonds of the City issued to finance capital improvements to the Airport System are currently outstanding or contemplated. In November 2010, the City completed the sale of its Series 2010A Airport Revenue Bonds and 2010B, C, D Airport Revenue Refunding Bonds totaling approximately $625 million in principal amount. The 2010A Airport Revenue Bonds financed several new capital projects, including expansion of the commuter terminal, Terminal B/C expansion design, taxiway design and construction, runway resurfacing, and infrastructure and terminal improvements. The 2010B, 2010C and 2010D Airport Revenue Bonds refunded the City's Series 1997B Airport Revenue Bonds, a portion of the 1998A Airport Revenue Bonds, and a portion of the 1998B Airport Revenue Bonds respectively.

PHL recently culminated a 10-year planning process and a 7-year environmental review process in January 2011 with the Federal Aviation Administration (the "FAA") issuing the Record of Decision approving the Airport's Capacity Enhancement Program (the "CEP"). Receipt of this final document enables PHL to proceed with the next steps required to expand and make critically needed improvements. The preferred alternative, as selected by the FAA, known as "Alternative A," provides for a new runway, which will allow independent simultaneous aircraft operations in all weather conditions, to significantly reduce delays; two runway extensions (one of which will provide the necessary runway length to accommodate non-stop, long haul flights to reach around the world); enlarging and reconfiguring the existing terminal complex; relocating several off-airport facilities; developing a centralized ground transportation center; constructing an automated people mover for transport of passengers between terminals; and additional parking facilities that would also interface with the existing SEPTA rail line. The cost of the CEP is estimated to be $6.4 billion in 2010 dollars and the total period for the phased construction would be approximately 13 calendar years, or between 2013 and 2025. The funding of this longer-term capital program will require the issuance of additional airport revenue bonds.

PHL's current Use and Lease Agreement with its signatory airlines will expire on June 30, 2011. PHL is finalizing a two (2) year extension to the existing Use and Lease Agreement under the same terms and conditions, which will require City Council approval and include a set level of funding for a capital improvement program to begin implementation of projects related to the CEP.

Philadelphia Industrial Development Corporation

PIDC is a private, not-for-profit Pennsylvania corporation, founded in 1958 as a joint venture between the City and the Greater Philadelphia Chamber of Commerce, with the mission of implementing the City's economic development initiatives. PIDC is governed by a 30-member Board of Directors appointed by the Mayor and the President of the Greater Philadelphia Chamber of Commerce. PIDC provides financing programs and real estate services to business and not-for-profit corporations throughout the City as well as coordinates workforce development and developer assistance programs offered by the City and the Commonwealth. PIDC manages the PAID, which serves as a conduit for the issuance of tax-exempt debt and other economic development initiatives. PIDC also is responsible for the redevelopment of the former Philadelphia Naval Shipyard and Naval Station, now collectively known as The Navy Yard, described further below under "The Navy Yard."

Financing Programs

PIDC offers a variety of financing programs, including direct loans, grants and tax-exempt financing, designed to encourage economic growth in the City.

PIDC Loan Programs: Largely funded by federal, state, and local government sources, PIDC loan programs generally offer subordinated financing and below-market interest rates. Eligible uses of PIDC loans include infrastructure costs, land acquisition, building construction, machinery/equipment purchase, or working capital. During 2010, PIDC settled 70 loan transactions and provided in excess of $50 million of funding to projects valued at approximately $416 million.

PIDC and PAID Grant Programs: PIDC and PAID administer a number of federal, state and local grant programs, mostly targeted to non-profit organizations. The Commonwealth's Redevelopment Assistance Capital Program and the City's Cultural and Commercial Corridors grant program are important sources of capital funding to local cultural institutions, health-care organizations, universities and community development corporations. During 2010, 85 grant transactions totaling $167.3 million were closed through PIDC and PAID.

PAID Tax-Exempt Programs: PAID issues, as a conduit, tax-exempt bonds for qualified manufacturing and not-for-profit organizations. PAID is also a conduit for taxable issues. During calendar year 2010, PAID settled 10 tax-exempt financings for approximately $120 million for project costs totaling $147.5 million.

Real Estate Services

On behalf of the City, PIDC is responsible for managing the City’s industrial land inventory by acquiring, improving and selling industrial and commercial land throughout the City. Over the years, PIDC has successfully acquired, improved and sold more than 2,800 acres of such land in 18 industrial parks in the City.

- Industrial Land: PIDC’s parcels are competitively priced, zoned and ready for development, and fully improved with roads and utilities. Many of these sites are located in established Northeast, West, and Southwest Philadelphia industrial parks with excellent access to transportation and workforce. The other industrial sites are situated in redeveloping commercial neighborhood corridors.

  Most of PIDC’s properties are in designated incentive areas, which include specific entitlements to tax abatements, low interest loans and other benefits. Of particular note are the Keystone Opportunity Zones (KOZs), which abate business taxes for varying terms.

  PIDC is seeking opportunities to replenish the City’s inventory of industrial land by purchasing distressed or underutilized industrially-zoned sites to improve and sell on behalf of the City. PIDC closed 2 land sales, totaling 31.5 acres in the third quarter of 2010. This level of activity is consistent with 2008 and 2009 levels and represents the impact of the overall slowdown in the national and regional economy. PIDC recently settled on the acquisition of a 20-acre cleared industrially-zoned site which it will begin to market for private development. PIDC is negotiating four additional acquisitions of industrially-zoned sites, which if successful, will settle in 2011.

  In September 2010, PIDC published the Industrial Land and Marketing Strategy, along with the City Commerce Department and the City Planning Commission, which provides a comprehensive review of the City’s industrial land inventory, and develops a new industrial land policy to serve as a guide for the nature, location and scale of industrial land acquisition and development for the foreseeable future.

- Public Property Sales: In 2005, PIDC entered into an agreement with the City's Department of Public Property to market the City's surplus real estate. PIDC completed five transactions in 2010 totaling $1,993,800 in sales. Since this effort began, PIDC has completed the sale of 34 properties resulting in approximately $17 million for the City's General Fund. PIDC recently issued an RFP for redevelopment of the existing City-owned Family Court property located at 1801 Vine Street. As this is still an active facility, settlement on this transaction is not expected for another two to three years.
- Developer Selection: PIDC also manages developer selection and sales of key real estate assets in the City utilizing conventional RFQ/RFP methodology. Currently, PIDC is managing two RFQ/RFP processes for sites located on the Avenue of the Arts (South Broad Street) that are likely to settle in the next year.

The Navy Yard

During the past decade, the United States Department of Defense has downsized significantly in the Philadelphia area, resulting in substantial excess real estate in the City. PIDC is responsible for converting the former military property at The Navy Yard to civilian use. The Navy Yard, the largest former Defense Department asset with 1,200 acres and 6.5 million square feet of existing industrial and office space, is located on the Delaware River at the south end of Broad Street,.

Since the ownership transfer in March 2000, PIDC has been responsible for planning, operations and development of this massive property. Initial development emphasis was on infrastructure and $25 million was invested on upgrading roads and utilities systems. The development of the Aker Philadelphia Shipyard, a $300 million state-of-the-art facility, was funded by federal, state, and local sources. To-date more than 115 companies and three Navy operations occupy in excess of 5.5 million square feet of space and employ more than 8,000 people.

In September 2004, PIDC and the City released an updated Navy Yard Master Plan, which focuses on mixed use development on 400 acres east of Broad Street and envisions over $2 billion of private investment in office, research, retail, residential, and recreational projects. To date, major progress was achieved in implementation of the Master Plan:

- Industrial Anchors: The Navy Yard continues to be a vital industrial and manufacturing center, with the Aker Philadelphia Shipyard as a major anchor. Aker employs in excess of 600 persons in its commercial shipbuilding operation and has completed $2 billion worth of ship orders. During February of 2011, the Commonwealth announced the investment of $42 million (subject to various conditions) to allow Aker to compete for future orders of commercial ships.

  There are also a number of supplier and related industrial and manufacturing companies located at The Navy Yard. The US Navy also retains significant industrial facilities to support its foundry and propeller shop with nearly 800 employees. Building on the skilled workforce and range of industrial supplier companies located at The Navy Yard, Philadelphia Ship Repair and Rhoads Industries each lease a dry-dock, pier and related facilities to support commercial and military ship repair activity. Tasty Baking Company's new 350,000 SF bakery and distribution center at The Navy Yard became fully operational in 2010. This facility, along with an additional 200,000 square feet of speculative flex and industrial space, is being developed in the Navy Yard Commerce Center by Liberty Property Trust and Synterra Partners.

- Navy Yard Corporate Center: In 2003, PIDC selected a team led by Liberty Property Trust and Synterra Partners to develop 72 acres with 1.4 million square feet of Class A office space. Liberty/Synterra has developed three buildings, all of which are fully leased: (i) a 77,000-square-foot, multi-tenant speculative building, (ii) a 47,000 square foot build-to-suit headquarters for Unique Industries and (iii) a 95,000 square foot office building completed in the second quarter of 2009. PIDC and Liberty/Synterra are in pre-development for the next phase of speculative office construction.

- Additional Corporate Office Activity: The Navy Yard's shift from a federal, industrial property to a private sector business park is underscored with the headquarter relocations by Vitetta Architects and Engineers, Unique Industries, and Barthco International. In 2006, Urban Outfitters ("Urban"), a major retailer of clothing, furnishings and accessories completed its $115 million corporate campus, an award-winning historic conversion of approximately 300,000 square feet of former industrial facilities. Urban has grown their headquarters workforce to more than 1,200 employees since relocating to The Navy Yard and completed work on a $20 million, 50,000 square feet expansion in June 2010. Urban exercised their options on additional space with the announcement of expansion plans which will add an additional 1,000 employees once completed in three (3) years. In 2011, the pharmaceutical company GlaxoSmithKline announced the relocation of its operations and 1,300 employees from Center City Philadelphia to The Navy Yard. The brand new, 205,000 square foot, Class A office space facility represents $80 million dollars of private investment. The relocation of GlaxoSmithKline is currently anticipated to occur between fourth quarter 2012 and first quarter 2013.

- Research and Development: In addition to the development of general corporate office facilities, The Navy Yard has established an important market segment in technology and R&D activity. This activity is anchored by the Naval Ship Systems Engineering Station, an 1,800 person federal research lab that houses the Navy's premier research organization focusing on power, energy, fuel cells, propulsion, IT and systems integration. In order to complement and expand this research base, the Commonwealth designated the Navy Yard as a Keystone Innovation Zone (KIZ), providing access to a variety of state incentives for technology development. The KIZ team led by PIDC includes the U.S. Navy, Penn State University, the Delaware Valley Industrial Resource Center (DVIRC), the City of Philadelphia and the Ben Franklin Technology Partners of Southeastern Pennsylvania.

- Green Technology: In 2009, PIDC established the Navy Yard Clean Energy Campus as the identity of Navy Yard R&D activity. Early initiatives of the Clean Energy Campus have resulted in Penn State establishing a Navy Yard location for its graduate level engineering program; the relocation of Ben Franklin Technology Partners' Corporate Office to The Navy Yard; the development of the Building 100 Innovation Center by Ben Franklin, DVIRC and PIDC to house early stage technology companies focused on power and energy related research; and a cadre of 12 related companies with offices at The Navy Yard.

  PIDC and its Navy Yard Clean Energy Campus partners also continue to pursue significant federal funding for research, education and commercialization facilities. The Navy has commenced development on a new, $20 million energy test center. The Pennsylvania State University was recently awarded $10 million in grants from the Department of Energy ("DOE") to establish regional, Mid Atlantic Centers at The Navy Yard for Solar Training and Resources, Clean Energy Applications and Smart Grid Development. These activities commenced in 2011. PIDC, the Pennsylvania State University and nearly 100 partners have been awarded a $130 million grant from the Department of Energy to study new technology around energy efficient buildings at The Navy Yard.

In 2009, significant private investments in the Clean Energy Campus were announced. The first was the development of a 7-acre, 1.5 mega watt solar array to be developed by a partnership of Conergy and Exelon Power Generation. This facility is expected to be under construction in 2011. The second project is the development of a 350,000 square feet, $400 million thin film, solar panel manufacturing facility by Heliospehra USA. This facility is proposed for a start of construction during 2011.

- Life Sciences: The Navy Yard also supports a significant and growing life sciences community. In 2004, AppTec Laboratory Services, a Minneapolis based provider of contract testing and manufacturing services to the pharmaceutical sector, developed a new, 75,000 square feet office and lab facility at The Navy Yard. AppTec, which started with 40 employees, was subsequently acquired by WuXi Pharmaceuticals and now the resultant firm employs 150 persons at The Navy Yard. This facility was recently acquired by Charles River Laboratories, North America's largest contract manufacturing operation. Phoenix IP Ventures, an intellectual property Merchant Bank focused in the life sciences area, established its corporate headquarters at The Navy Yard.

Additional Projects under Construction

The following table lists additional projects currently under construction in the City for the City/Public sector.

Table 38
Projects under Construction

Project	Estimated Cost
City Hall Exterior Renovation Project	$90,000,000
Robin Hood Dell Restoration	$5,500,000
Emergency Standby Generators	$4,600,000
Philadelphia Industrial Correctional Center Security Upgrade Project	$2,100,000
Fire Point Source Capture	$11,000,000
Waterworks Esplanade Bulkhead Reconstruction	$1,100,000
New Youth Study Center	$93,000,000
Fire Department - New Engine 38	$7,000.000
The Police SWAT/Bomb Squad/K9 Facility	$10,500,000

Source: Office of Budget and Program Evaluation.

APPENDIX B

Comprehensive Annual Financial Report of The City of Philadelphia for the Year Ended June 30, 2010

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City of Philadelphia
PENNSYLVANIA

Independence Hall

Comprehensive Annual Report
Fiscal Year Ended June 30, 2010

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City of Philadelphia
PENNSYLVANIA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Michael J. Kauffman
Accounting Director

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Cover photo courtesy of B. Kirst, Greater Philadelphia Tourism Marketing Corp.

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

ROB DUBOW
Director of Finance

February 22, 2011

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, 2010 is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 129 square miles along the Delaware River, serves a population in excess of 1.5 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 (10) from districts and seven (7) from the City at large, elected every four years. Minority representation is assured by the requirement that no more than five (5) candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Redevelopment Authority of Philadelphia's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Pennsylvania Convention Center Authority's, 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 to the suburbs, 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. While fewer people live and work here than in previous decades, social needs continue to grow just as the cost of providing services are rising considerably.

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. These factors create an ongoing challenge to fund those public services required by a growing segment of our population with a revenue base that is unduly burdensome on the City and regional economy.

These challenges are only heightened in the current environment of a severe economic recession, which officially began in December 2007, and from which the nation and City are only beginning to emerge. The recession – the longest recession in the post WWII period – has been characterized by high unemployment, tight credit, decreased consumer spending and significant job loss. The erosion of the financial markets has in turn generated significant fiscal strain across the economy.

State and local governments have and continue to face large budget shortfalls primarily as a result of depressed tax collections and pension fund market losses. The City of Philadelphia had, at the close of fiscal year 2010, a negative fund balance of $114 million. This negative fund balance occurred despite the City having solved for a $1.7 billion shortfall over FY2010-FY2015 and a $1.04 billion shortfall over FY2009-FY2014.

In response to projected deficits, the City implemented significant expenditure reductions and efficiency savings, improved delinquent tax collections and temporarily suspended scheduled wage and business tax rate reductions. In addition, the City implemented workforce reductions through layoffs and by leaving positions vacant. Exempt employees earning $50,000 or above were subject to five furlough days each year for two years and some executive staff took up to 10% paycuts. The City also implemented temporary sales and property tax increases.

As a result of these efforts, by the end of the current fiscal year 2011, the city is projecting a modest surplus of $29.6 million.

While the recession officially ended in June 2009, unemployment remains high and many economists anticipate a slow and long recovery. 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 increases, increases in total compensation and declining unemployment rates up until the impact of the recession in the last two years.

Calendar Year	Population	Personal Income *(thousands of USD)*	Per Capita Personal Income *(USD)*	Unemployment Rate
2005	1,517,628	44,933,858	29,608	6.7%
2006	1,520,251	47,550,937	31,278	6.2%
2007	1,530,031	50,052,562	32,713	6.0%
2008	1,540,351	52,549,456	34,115	7.1%
2009	1,547,297	55,170,909	35,656	10.0%

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 two 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. Between fiscal year 2000 and fiscal year 2010 employee health benefits costs rose 119% and pension costs increased 109%, whereas total City revenues only increased 32%.

In order to address the challenges these long term structural costs present, the City is seeking changes to its health and pension benefits by reducing the cost to the City, implementing efficiency savings and seeking increased employee contributions and risk sharing. Some of these changes are already being made to the City-administered programs and those related to the Fraternal Order of Police (FOP) as a result of the December 18, 2009 Act 111 arbitration award. Additionally, the City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the International Association of Fire Fighters (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. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009.

Despite the immediate economic challenges facing the City, some planned initiatives must take place if the City is to be positioned for economic recovery in the long run. Some of those initiatives include:

- **Greenworks Philadelphia.** The City is committed to becoming the greenest city in the U.S. by 2015. In order to achieve that goal the City has created a detailed work plan and begun implementation of Greenworks Philadelphia, which outlines those goals and initiatives the City will engage in to limit its environmental footprint and capitalize on its competitive advantages in the emerging green economy.

- **Healthy Philadelphia Initiative.** The City's Department of Public Health in conjunction with other City agencies, non profit organizations and academic institutions will implement a multi year plan for combating obesity by making healthy foods available to Philadelphians, decreasing the availability and consumption of non healthy foods and promoting physical activity in daily life.

- **PhillyGoes2College.** Improving educational outcomes is necessary in order to improve the overall well being of Philadelphia residents. As a way of increasing access to higher education the City has opened a new PhillyGoes2College office to assist residents to and through college as well as help them find scholarships to finance their education.

- **Investments in Technology.** Despite the significant budget cuts departments have endured over the course of the past two and a half years, the City is devoting resources to long-needed technology investments across government. These investments will help streamline operations and reduce costs in the long-term.

- **Jobs and Workforce Development.** Through Way to Work Philadelphia! The City and its partners leveraged federal stimulus dollars to provide wage subsidies for 14,000 part- and full-time jobs in Philadelphia - jobs for people who may otherwise have been unemployed. In addition, the City continues to work in partnership with economic development stakeholders to build work-readiness skills to youth ages 14-21, through paid summer job placements. In 2010 the program provided over 12,000 summer job opportunities.

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, 2009. This was the thirtieth 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

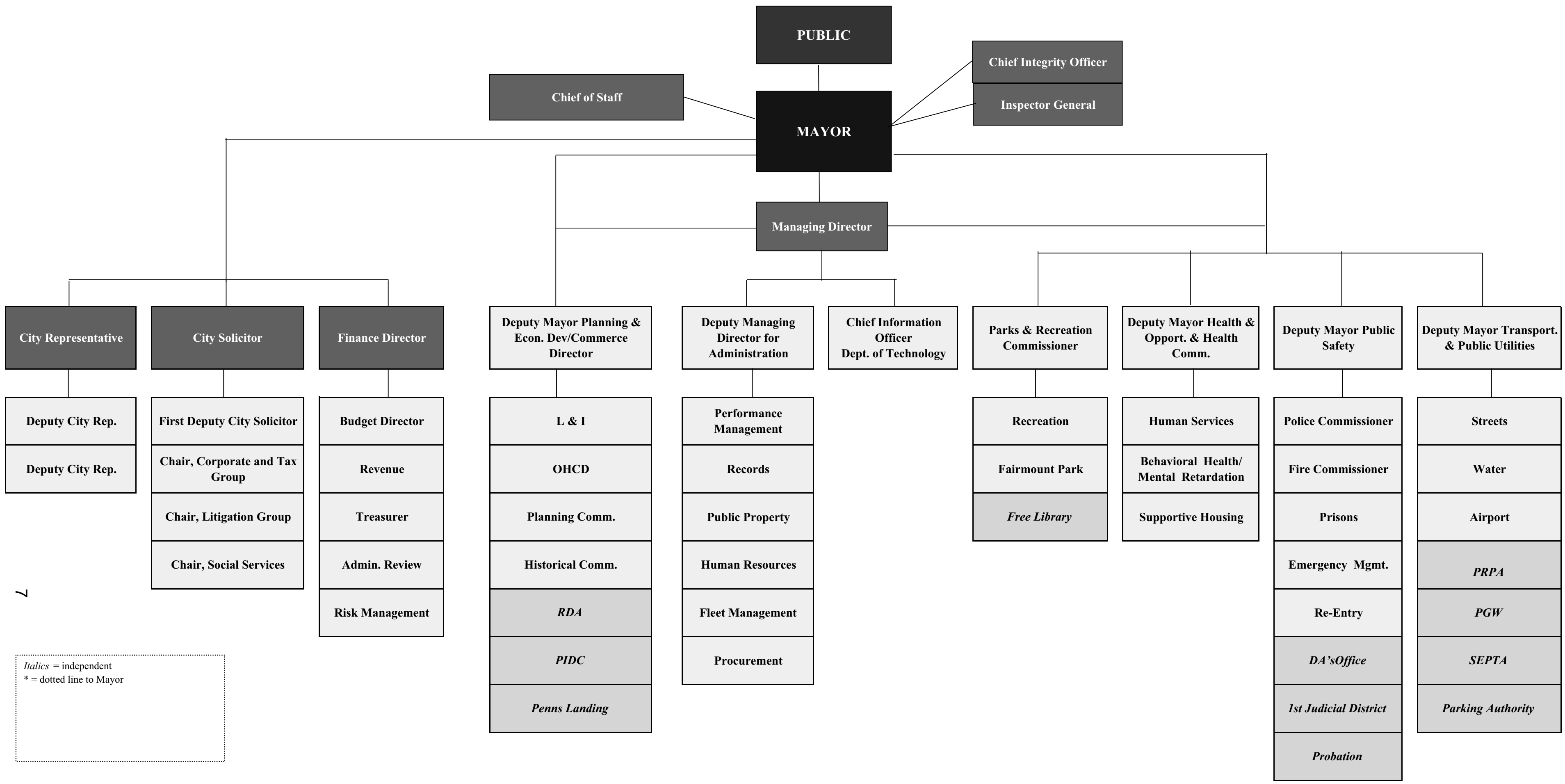
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director


PUBLIC
MAYOR
Chief of Staff
Chief Integrity Officer
Inspector General
Managing Director
City Representative
Deputy City Rep.
Deputy City Rep.
City Solicitor
First Deputy City Solicitor
Chair, Corporate and Tax Group
Chair, Litigation Group
Chair, Social Services
Finance Director
Budget Director
Revenue
Treasurer
Admin. Review
Risk Management
Deputy Mayor Planning & Econ. Dev/Commerce Director
L & I
OHCD
Planning Comm.
Historical Comm.
RDA
PIDC
Penns Landing
Deputy Managing Director for Administration
Performance Management
Records
Public Property
Human Resources
Fleet Management
Procurement
Chief Information Officer Dept. of Technology
Parks & Recreation Commissioner
Recreation
Fairmount Park
Free Library
Deputy Mayor Health & Opport. & Health Comm.
Human Services
Behavioral Health/ Mental Retardation
Supportive Housing
Deputy Mayor Public Safety
Police Commissioner
Fire Commissioner
Prisons
Emergency Mgmt.
Re-Entry
DA'sOffice
1st Judicial District
Probation
Deputy Mayor Transport. & Public Utilities
Streets
Water
Airport
PRPA
PGW
SEPTA
Parking Authority
Italics = independent
* = dotted line to Mayor

Elected Officials

Mayor	Michael A. Nutter
City Council	
President, 2nd District	Anna Cibotti Verna
1st District	Frank DiCicco
3rd District	Jannie L. Blackwell
4th District	Curtis Jones, Jr.
5th District	Darrell L. Clarke
6th District	Joan L. Krajewski
7th District	Maria D. Quinones-Sanchez
8th District	Donna Reed Miller
9th District	Marian B. Tasco
10th District	Brian J. O'Neill
At-Large	Blondell Reynolds Brown
At-Large	W. Wilson Goode, Jr.
At-Large	William K. Greenlee
At-Large	Jack Kelly
At-Large	James F. Kenney
At-Large	Bill Green
At-Large	Frank Rizzo
District Attorney	Seth Williams
City Controller	Alan Butkovitz
City Commissioners	
Chairwoman	Margaret M. Tartaglione
Commissioner	Anthony Clark
Commissioner	Joseph Duda
Register of Wills	Ronald R. Donatucci
Sheriff	John Green
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	Thomasine Tynes

Appointed Officials

Managing Director	Camille Cates Barnett, Ph.D.
Director of Finance	Rob Dubow
City Solicitor	Shelley A. Smith
City Representative	Melanie Johnson
Chief of Staff	Clarence Armbrister
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Senior Advisor to the Mayor	Pauline Abernathy
Chief Information Officer	Allan Frank
Deputy Mayor for Economic Development	Alan Greenberger
City Treasurer	Rebecca Rhynhart
Revenue Commissioner	Keith Richardson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Joan Schlotterbeck
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Anne Marie Ambrose
Licenses and Inspections Commissioner	Fran Burns
Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D'Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Carl P. Coin
Director of Aviation	Mark Gale
Director of the Office of Labor Relations	Joseph Tolan

CITY OF PHILADELPHIA

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

ALAN BUTKOVITZ
City Controller

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, 2010, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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'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 previously 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, 2010, 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.

As discussed in Note III.7.A.(6) to the financial statements, in 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 management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits-schedule of funding progress, and the related notes to required supplementary information, on pages 122 through 126, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia's basic financial statements. The accompanying Introductory Section, Other Supplementary Information, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2010 financial information listed as Other Supplementary Information in the table of contents, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Philadelphia's basic financial statements for the year ended June 30, 2009, which are not presented with the accompanying financial statements. In our report dated February 18, 2010, we expressed unqualified opinions on the respective 2009 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. In our opinion, the 2009 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations, on pages 151 through 155, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole. The Introductory Section and Statistical Section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Gerald V. Micciulla

February 22, 2011

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, 2010 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 $197.7 million resulting from an excess of its liabilities over its assets. Its *unrestricted net assets* showed a deficit of $2,164.7 million. This deficiency will have to be funded from resources generated in future years.

- During the current fiscal year the city's total net assets decreased by $436.6 million. The governmental activities of the city experienced a decrease of $483.4 million, while the business type activities had an increase of $46.8 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $541.9 million, a decrease of $117.5 million from last year. Primarily, this was due to Other Governmental funds which experienced a decrease in Fund Balance of $86.5 million. The *unreserved fund balance* of the governmental funds ended the fiscal year with a deficit of $44.7 million, an increase of $30.6 million from last year.

- The overall unreserved fund balance of the city's General fund ended the fiscal year with a deficit of $251.8 million, an increase from last year of $22.7 million. This is due to a decrease in expenditures of $360.4 million, a 5.1% decrease over the previous year.

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a deficit fund balance of $114.0 million, as compared to a deficit of $137.2 million last year. This increase of $23.2 million was due to cost containment efforts which created an operating surplus of $0.6 million and the cancellations of prior year obligations further increased the fund balance.

Overview of the Financial Statements

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

- <u>Government-wide financial statements</u> which provide both long-term and short-term information about the city's overall financial condition.
- <u>Fund financial statements</u> which provide a more detailed look at major individual portions, or funds, of the city.
- <u>Notes to the financial statements</u> which explain some of the information contained in the financial statements and provide more detailed data.
- <u>Other supplementary information</u> 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 nine distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, 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

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

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

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

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

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

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

Government-wide Financial Analysis

Net assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets by $197.7 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, $772.5 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, $1,194.4 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 $2,164.6 million. The governmental activities reported negative *unrestricted net assets* of $2,421.9 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of $257.3 million.

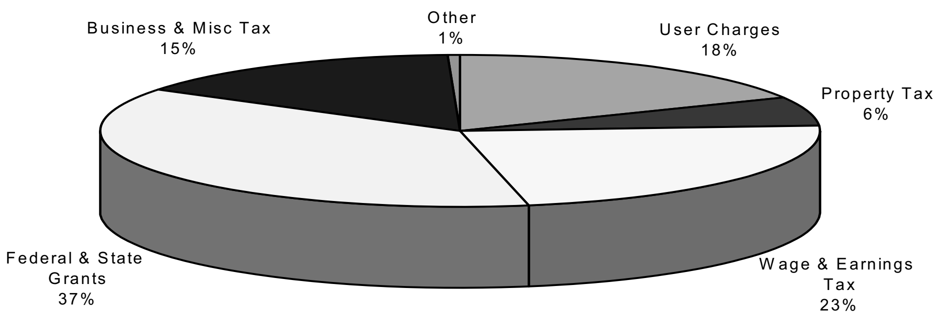
Following is a comparative summary of the city's assets, liabilities and net assets:

City of Philadelphia's Net Assets

(millions of USD)

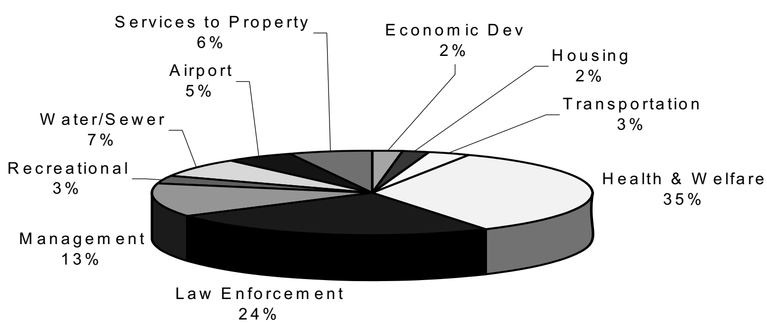
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2010	2009	Change	2010	2009	Change	2010	2009	Change
Current and other assets	1,914.9	2,206.1	-13.20%	1,181.4	1,298.6	-9.03%	3,096.3	3,504.7	-11.65%
Capital assets	2,151.3	2,157.1	-0.27%	3,493.5	3,322.8	5.14%	5,644.8	5,479.9	3.01%
Total assets	**4,066.2**	**4,363.2**	-6.81%	**4,674.9**	**4,621.4**	1.16%	**8,741.1**	**8,984.6**	-2.71%
Long-term liabilities	4,891.1	4,816.4	1.55%	2,832.6	2,940.4	-3.67%	7,723.7	7,756.8	-0.43%
Other liabilities	951.2	839.5	13.31%	263.9	149.5	76.52%	1,215.1	989.0	22.86%
Total liabilities	**5,842.3**	**5,655.9**	3.30%	**3,096.5**	**3,089.9**	0.21%	**8,938.8**	**8,745.8**	2.21%
Net assets:									
Invested in capital assets,									
net of related debt	(59.3)	(5.8)	-922.41%	831.8	750.6	10.82%	772.5	744.8	3.72%
Restricted	705.1	833.8	-15.44%	489.3	511.1	-4.27%	1,194.4	1,344.9	-11.19%
Unrestricted	(2,421.9)	(2,120.6)	-14.21%	257.3	269.8	-4.63%	(2,164.6)	(1,850.8)	-16.95%
Total net assets	**(1,776.1)**	**(1,292.6)**	-37.41%	**1,578.4**	**1,531.5**	3.06%	**(197.7)**	**238.9**	-182.75%

Changes in net assets. The city's total revenues this year, $6,330.0 million, fell short of total costs of $6,730.2 million by $400.2 million. Approximately 29% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 37%, 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 65% are related to the health, welfare and safety of the general public.



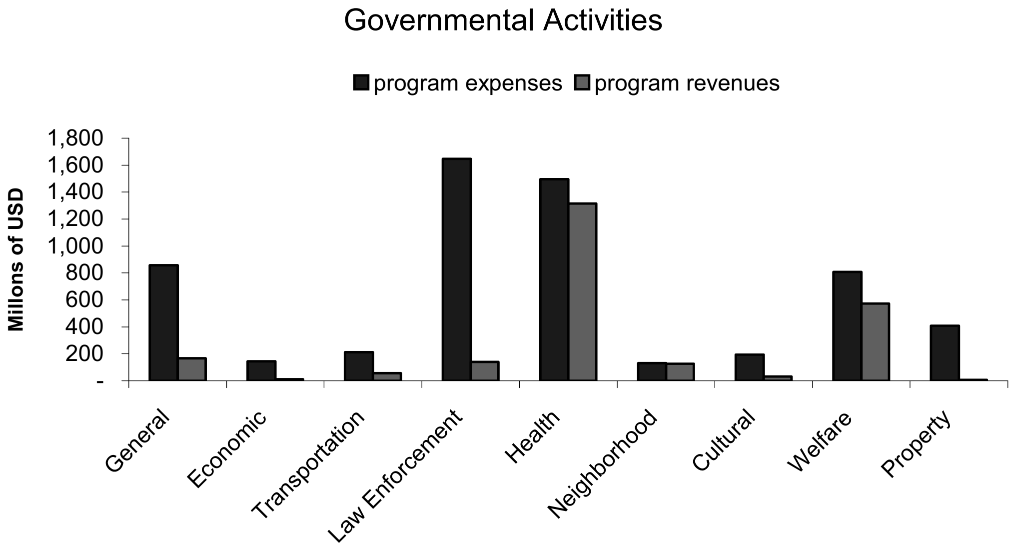
Overall, net assets for the city decreased by $436.6 million. Total revenues decreased by $234.5 million, total expenses decreased by $360.4 million over last year. This resulted in the Change in Net Assets being $125.9 million higher than in the previous year. Net assets were also decreased by $36.4 million largely due to implementation of GASB 53 (47.2 million) and increased for implementation of GASB 51 (10.8 million) not previously recognized. Tax receipts increased by $95.4 million largely attributable to increased real estate transfer tax collections. Grants & Contribution increased by $63.6 million.

Expense decreases included $243.9 million for Health Services, $43.6 million for General Welfare, $17.8 million for Housing & Neighborhood Development, and $39.7 for Interest on Long Term Debt.



Governmental Activities

The governmental activities of the City resulted in a $483.5 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 2010	Program Costs 2009	% Change	Program Revenues 2010	Program Revenues 2009	% Change	Net Cost 2010	Net Cost 2009	% Change
General Welfare	807.6	851.2	-5.1%	572.8	617.1	-7.2%	234.8	234.1	0.3%
Judiciary & Law Enforcement	1,646.3	1,643.4	0.2%	139.6	127.8	9.2%	1,506.7	1,515.6	-0.6%
Public Health	1,494.5	1,738.4	-14.0%	1,314.1	1,530.0	-14.1%	180.4	208.4	-13.4%
General Governmental	858.2	898.7	-4.5%	166.1	269.4	-38.3%	692.1	629.3	10.0%
Services to Property	408.7	416.4	-1.8%	6.5	17.6	-63.1%	402.2	398.8	0.9%
Housing, Economic & Cultural	682.3	682.6	0.0%	224.3	244.5	-8.3%	458.0	438.1	4.5%
	5,897.6	**6,230.7**	-5.3%	**2,423.4**	**2,806.4**	-13.6%	**3,474.2**	**3,424.3**	1.5%

The cost of all governmental activities this year was $5,897.6 million; the amount that taxpayers paid for these programs through tax payments was $2,812.7 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,097.3 million while those who benefited from the programs paid $326.1 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 $196.9 million. After prior year adjustments of -$47.2 million, the difference of $1,339.8 million will have to be funded from future resources.

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

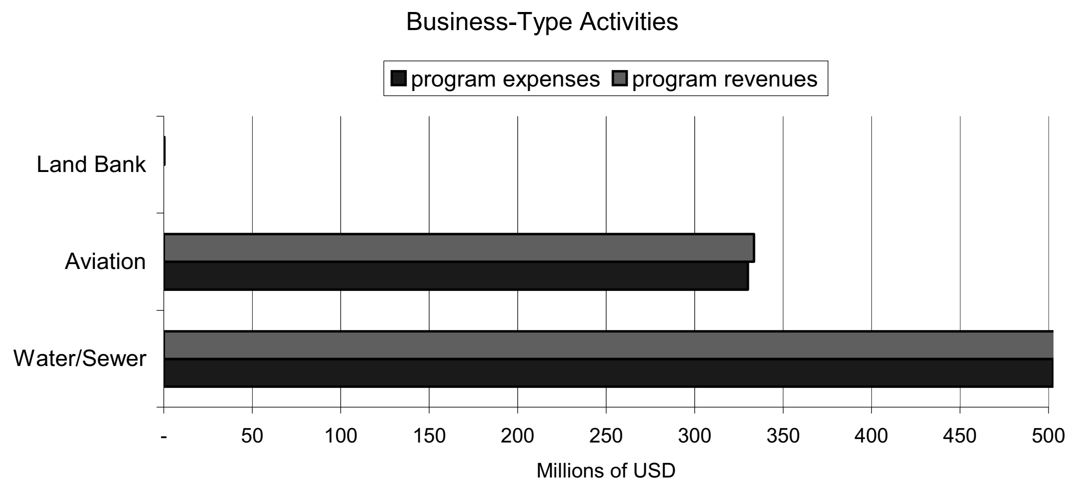
City of Philadelphia-Net Assets

(millions of USD)	Governmental Activities 2010	Governmental Activities 2009	Business-type Activities 2010	Business-type Activities 2009	Total 2010	Total 2009	% Change
Revenues:							
Program revenues:							
Charges for services	326.1	333.4	792.6	751.9	1,118.7	1,085.3	3.1%
Operating grants and contributions	2,050.4	2,438.1	6.1	2.6	2,056.5	2,440.7	-15.7%
Capital grants and contributions	46.9	35.0	90.5	109.4	137.4	144.4	-4.8%
General revenues:							
Wage and earnings taxes	1,448.5	1,465.5	-	-	1,448.5	1,465.5	-1.2%
Property taxes	400.8	409.2	-	-	400.8	409.2	-2.1%
Other taxes	963.4	842.6	-	-	963.4	842.6	14.3%
Unrestricted grants and contributions	171.4	107.8	-	-	171.4	107.8	59.0%
Unrestricted Interest	25.5	46.1	7.7	22.9	33.3	69.0	-51.8%
Total revenues	**5,433.0**	**5,677.7**	**896.9**	**886.8**	**6,330.0**	**6,564.5**	-3.6%
Expenses:							
Economic development	145.0	116.0	-	-	145.0	116.0	25.0%
Transportation	212.1	209.6	-	-	212.1	209.6	1.2%
Judiciary & law enforcement	1,646.3	1,643.4	-	-	1,646.3	1,643.4	0.2%
Conservation of health	1,494.5	1,738.4	-	-	1,494.5	1,738.4	-14.0%
Housing & neighborhood development	131.3	149.1	-	-	131.3	149.1	-11.9%
Cultural & recreational	193.9	207.9	-	-	193.9	207.9	-6.7%
Improvement of the general welfare	807.6	851.2	-	-	807.6	851.2	-5.1%
Services to taxpayer property	408.7	416.4	-	-	408.7	416.4	-1.8%
General management	683.4	684.2	-	-	683.4	684.2	-0.1%
Interest on long term debt	174.9	214.6	-	-	174.9	214.6	-18.5%
Water & waste water	-	-	502.4	530.7	502.4	530.7	-5.3%
Airport	-	-	330.1	326.2	330.1	326.2	1.2%
Industrial land bank	-	-	0.1	3.0	0.1	3.0	-96.7%
Total expenses	**5,897.7**	**6,230.8**	**832.6**	**859.9**	**6,730.3**	**7,090.7**	-5.1%
Increase (decrease) in net assets before transfers & special items	(464.7)	(553.1)	64.3	26.9	(400.3)	(526.2)	
Transfers	28.3	4.2	(28.3)	(4.2)	-	-	
Increase (decrease) in Net Assets	**(436.3)**	**(548.9)**	**36.0**	**22.7**	**(400.3)**	**(526.2)**	
Net Assets - Beginning	(1,292.6)	(719.7)	1,531.5	1,502.1	238.9	782.4	-69.5%
Adjustment	(47.2)	(24.1)	10.8	6.8	(36.4)	(17.3)	
Net Assets - End	**(1,776.1)**	**(1,292.7)**	**1,578.3**	**1,531.6**	**(197.8)**	**238.9**	-182.8%

Business-type Activities

Business-type activities caused the city's net assets to increase by $46.8 million. This increase was comprised of an increase in net assets for water/wastewater of $39.3 million, an increase to aviation of $7.3 million and an increase for industrial & commercial development operations of $0.2 million. Some of the key reasons for these changes are:

- Increased airport rental concession income and an increase in passenger facility charges resulting from an increase in airline passenger traffic.
- Recording an intangible asset in the Aviation Fund
- Decreased employee benefits costs in the Water Fund, due to deferral of pension costs.

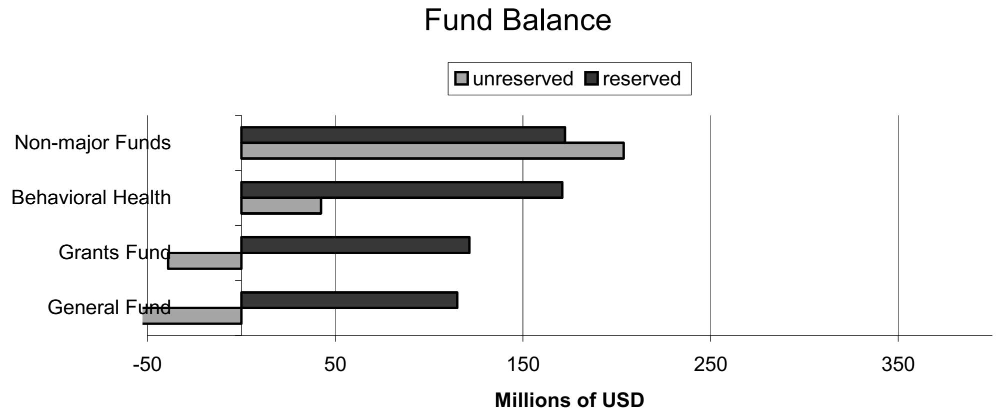


Financial Analysis of the Government's Funds

***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 $541.9 million a decrease of $117.5 million over last year. Of the total fund balance, $586.5 million represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: contracts for goods and services ($141.1 million); revitalize neighborhoods ($73.1 million); pay debt service ($78.5 million); support programs funded by independent agencies ($44.2 million); fund a portion of the city's managed care programs ($171.0 million); fund a portion of new sports stadiums ($0.6 million); fund the 9-1-1 emergency phone system ($40.4 million); fund a portion of the central library renovation project ($2.3million), cultural and commercial corridor project ($30.7million); and trusts ($4.6 million). The difference between the combined fund balance and reserved fund balance is a deficit of $44.7 million which constitutes *unreserved fund balance,* this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported an *unreserved fund balance deficit* of $251.8 million at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were -7.0% and -3.81%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund decreased by $54.6 million during the current fiscal year. This decrease was due to an excess of expenditures over revenues and other financing uses for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- A decrease of $57 million in Transfers In from PICA to the city during the current year.

Expenditures:

- Expenditures for Economic Development increased by 26.8 million for the year.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $213.4 million of which $171.0 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $30.1 million.

The Grants Revenue fund has a total fund balance in the amount of $82.4 million which is comprised of a positive reserved fund balance of $121.4 million (earmarked for neighborhood revitalization and emergency telephone system programs) and a deficit unreserved fund balance of $39.0 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $6.4 million during the current fiscal year due primarily to increases in health & housing and neighborhood development expenditures.

Proprietary funds. The city's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net assets* of the proprietary funds increased by $46.8 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had a decrease of $39.3 million, airport operations which experienced an increase of $7.3 million, while industrial & commercial development operations experienced an increase of $0.2 million.

The proprietary funds reported an *unrestricted nets assets* surplus of $257.3 million, comprised of $168.5 million for the water and waste water operations, $70.7 million for the airport and $18.1 million for the industrial & commercial development activities. These unrestricted net assets represent an overall decrease of $12.5 million over the previous year, comprised of a decrease of $5.7 million for the water and waste water operations, a decrease of $7.0 million for the airport and an increase of $0.2 million for the Land Bank. The change in the water unrestricted is the result of a decrease in interest earnings.

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)
2010	(114.0)	(23.2)
2009	(137.2)	(256.7)
2008	119.5	(178.4)
2007	297.9	43.4
2006	254.5	158.3

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:

- $18.0 million for Division of Technology contracted services
- $ 6.8 million for Police Department payroll
- $11.2 million for Streets Department contracted services

The general fund's budgetary unreserved fund balance deficit of $114.0 million differs from the general fund's fund financial statement deficit of $251.8 million by $137.8 million due to business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to $5.6 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Infrastructure improvements of $18.9 million for streets, highways and bridges and $124.1 million for the water and waste water systems.
- Central Library renovations in the amount of $10.1 million.
- City Hall exterior renovations in the amount of $5.4 million.
- Surveillance camera video system $9.5 million.
- Robin Hood Dell East improvements totaling $4.2 million.
- Airport terminal and airfield improvements in the amount of $163.3 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental activities		Inc	Business-type activities		Inc	Total		Inc
	2010	2009	(Dec)	2010	2009	(Dec)	2010	2009	(Dec)
Land	757.0	754.0	3.0	107.0	94.4	12.6	864.0	848.4	15.6
Buildings	725.0	738.9	(13.9)	1,672.0	1,581.7	90.3	2,397.0	2,320.6	76.4
Improvements other than buildings	97.3	95.3	2.0	124.0	122.2	1.8	221.3	217.5	3.8
Machinery & equipment	97.0	205.3	(108.3)	25.0	28.6	(3.6)	122.0	233.9	(111.9)
Infrastructure	450.0	353.5	96.5	1,242.5	1,196.2	46.3	1,692.5	1,549.7	142.8
Construction in progress	25.0	10.1	14.9	323.0	299.7	23.3	348.0	309.8	38.2
Total	**2,151.3**	**2,157.1**	**(5.8)**	**3,493.5**	**3,322.8**	**170.7**	**5,644.8**	**5,479.9**	**164.9**

The city's governmental activities experienced an overall decrease in capital assets of $5.8 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year.

More detailed information about the city's capital assets can be found in notes I.6 & III.5 to the financial statements.

Long-term debt. At year end the city had $7.7 billion in long term debt outstanding. Of this amount, $4.8 billion represents bonds outstanding (comprised of $2.0 billion of debt backed by the full faith and credit of the city, and $2.8 billion of debt secured solely by specific revenue sources) while $2.9 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

	Governmental activities		Business-type activities		Total	
(millions of USD)	2010	2009	2010	2009	2010	2009
Bonds Outstanding:						
General obligation bonds	2,071.0	2,078.9	2.2	3.4	2,073.2	2,082.3
Revenue bonds	-	-	2,788.8	2,899.1	2,788.8	2,899.1
Total Bonds Outstanding	**2,071.0**	**2,078.9**	**2,791.0**	**2,902.5**	**4,862.0**	**4,981.4**
Other Long Term Obligations:						
Service agreements	2,200.1	2,232.4	-	-	2,200.1	2,232.4
Employee related obligations	540.0	466.3	34.2	31.7	574.2	498.0
Indemnities	47.7	37.6	4.7	4.4	52.4	42.0
Leases	31.1	-	-	-	31.1	-
Other	1.2	1.2	2.7	1.8	3.9	3.0
Total Other Long Term Obligations	**2,820.1**	**2,737.5**	**41.6**	**37.9**	**2,861.7**	**2,775.4**
Total Long Term Debt Outstanding	**4,891.1**	**4,816.4**	**2,832.6**	**2,940.4**	**7,723.7**	**7,756.8**

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 $275.0 million in Tax and Revenue Anticipation Notes by June 2010 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In August 2009, the City issued general obligation refunding bonds Series 2009A and 2009B in the amount of $237.0 million and 100.0 million, respectively. The Series 2009A are fixed rate refunding bonds with interest rates ranging from 4.25% to 5.5% and mature in 2031. The Series 2009B are multi-modal refunding bonds and will bear interest at a weekly rate subject to conversion to a daily mode, term rate mode or fixed rate mode at the direction of the City. The bonds were issued for the purpose of refunding the 2007B general obligation bonds and for the payment of costs relating to the issuance of the 2009 general obligation bonds including the termination payment of a related swap.

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	A1	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 *July 1, 2010* the legal debt limit was $1,523.4 million. There is $1,407.0 million of outstanding tax supported debt leaving a legal debt margin of $116.4 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 2011 fiscal year:

- Philadelphia entered FY11 with a negative fund balance of $114.0 million despite having solved for a $1.7 billion shortfall in the five year plan over FY2010-FY2015.

- The City suspended its planned wage and business tax reductions between FY10 and FY14 due to projected revenue shortfalls over the five-year 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.

- The country entered its most recent recession in December 2007. It is 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

City of Philadelphia
PENNSYLVANIA

Basic Financial Statements

City of Philadelphia **Exhibit I**

Statement of Net Assets

June 30, 2010

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	114,382	30	114,412	283,289
Equity in Pooled Cash and Investments	-	-	-	96,448
Equity in Treasurer's Account	576,794	192,851	769,645	-
Investments	114,623	-	114,623	131,117
Due from Component Units	8,479	-	8,479	-
Due from Primary Government	-	-	-	84,050
Amounts Held by Fiscal Agent	89,619	-	89,619	75,850
Notes Receivable - Net	-	-	-	37,516
Accounts Receivable - Net	317,503	149,960	467,463	284,353
Interest and Dividends Receivable	1,581	-	1,581	19,145
Due from Other Governments - Net	469,770	1,256	471,026	252,618
Inventories	16,431	27,396	43,827	150,858
Other Assets	3,283	-	3,283	306,704
Deferred Outflow - Derivative Instruments	46,700	60,821	107,521	71,622
Restricted Assets:				
Cash and Cash Equivalents	-	205,568	205,568	315,104
Other Assets	-	526,098	526,098	280,509
Net Pension Asset	155,804	17,371	173,175	-
Capital Assets:				
Land and Other Non-Depreciated Assets	782,163	428,599	1,210,762	1,033,079
Other Capital Assets (Net of Depreciation)	1,369,112	3,064,921	4,434,033	3,097,457
Total Capital Assets, Net	2,151,275	3,493,520	5,644,795	4,130,536
Total Assets	4,066,244	4,674,871	8,741,115	6,519,719
Liabilities				
Notes Payable	-	-	-	149,627
Vouchers Payable	131,017	29,948	160,965	59,770
Accounts Payable	193,198	94,385	287,583	183,091
Salaries and Wages Payable	87,046	6,707	93,753	66,876
Accrued Expenses	66,893	35,245	102,138	253,144
Due to Agency Funds	767	-	767	-
Due to Primary Government	-	-	-	38,648
Due to Component Units	56,411	-	56,411	-
Funds Held in Escrow	15,572	-	15,572	15,104
Due to Other Governments	1	-	1	26,975
Deferred Revenue	232,420	36,781	269,201	160,138
Overpayment of Taxes	108,247	-	108,247	9,358
Other Current Liabilities	-	-	-	70,767
Derivative Instrument Liability	59,558	60,821	120,379	111,227
Non-Current Liabilities:				
Due within one year	281,064	148,717	429,781	272,946
Due in more than one year	4,610,113	2,683,901	7,294,014	5,085,234
Total Liabilities	5,842,307	3,096,505	8,938,812	6,502,905
Net Assets				
Invested in Capital Assets, Net of Related Debt	(59,331)	831,787	772,456	130,013
Restricted For:				
Capital Projects	190,167	127,296	317,463	8,488
Debt Service	78,754	216,323	295,077	199,326
Behavioral Health	213,469	-	213,469	-
Intergovernmental Finance	7,932	-	7,932	-
Neighborhood Revitalization	73,065	-	73,065	-
Stadium Financing	623	-	623	-
Central Library Project	2,329	-	2,329	-
Cultural & Commercial Corridor Project	30,753	-	30,753	-
Grant Programs	63,817	-	63,817	39,266
Rate Stabilization	-	145,693	145,693	-
Libraries & Parks:				
Expendable	2,768	-	2,768	-
Non-Expendable	1,931	-	1,931	-
Educational Programs	-	-	-	10,989
Other	39,582	-	39,582	691,149
Unrestricted(Deficit)	(2,421,922)	257,267	(2,164,655)	(1,062,417)
Total Net Assets	(1,776,063)	1,578,366	(197,697)	16,814

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

City of Philadelphia **Exhibit II**

Statement of Activities

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	145,007	66	6,617	4,493	(133,831)		(133,831)	
Transportation:								
Streets & Highways	129,360	4,396	15,757	36,129	(73,078)		(73,078)	
Mass Transit	82,708	475	197	-	(82,036)		(82,036)	
Judiciary and Law Enforcement:								
Police	990,505	3,334	21,040	-	(966,131)		(966,131)	
Prisons	343,813	523	457	-	(342,833)		(342,833)	
Courts	312,008	53,398	60,834	-	(197,776)		(197,776)	
Conservation of Health:								
Emergency Medical Services	47,800	36,779	(845)	-	(11,866)		(11,866)	
Health Services	1,446,746	16,169	1,261,987	-	(168,590)		(168,590)	
Housing and Neighborhood Development	131,254	20,786	104,842	-	(5,626)		(5,626)	
Cultural and Recreational:								
Recreation	77,045	(81)	12,019	5,386	(59,721)		(59,721)	
Parks	37,859	915	9	340	(36,595)		(36,595)	
Libraries and Museums	79,017	867	10,575	550	(67,025)		(67,025)	
Improvements to General Welfare:								
Social Services	718,795	14,380	514,185	-	(190,230)		(190,230)	
Education	65,379	-	-	-	(65,379)		(65,379)	
Inspections and Demolitions	23,412	43,911	359	-	20,858		20,858	
Service to Property:								
Sanitation	142,738	1,969	3,463	-	(137,306)		(137,306)	
Fire	265,980	301	722	-	(264,957)		(264,957)	
General Management and Support	683,265	127,895	38,220	-	(517,150)		(517,150)	
Interest on Long Term Debt	174,901	9	-	-	(174,892)		(174,892)	
Total Governmental Activities	5,897,591	326,092	2,050,438	46,898	(3,474,163)		(3,474,163)	
Business Type Activities:								
Water and Sewer	502,504	552,350	3,048	-	-	52,894	52,894	
Aviation	330,073	239,963	3,091	90,494	-	3,475	3,475	
Industrial and Commercial Development	59	287	-	-	-	228	228	
Total Business Type Activities	832,636	792,600	6,139	90,494	-	56,597	56,597	
Total Primary Government	6,730,227	1,118,692	2,056,577	137,392	(3,474,163)	56,597	(3,417,566)	
Component Units:								
Gas Operations	924,470	919,768	21,913	-				17,211
Housing	73,183	1,072	81,563	-				9,452
Parking	205,874	212,985	-	-				7,111
Education	3,128,118	40,216	1,136,518	92				(1,951,292)
Health	758,324	-	758,049	-				(275)
Economic Development	204,578	45,041	419,353	196,267				456,083
Total Component Units	5,294,547	1,219,082	2,417,396	196,359				(1,461,710)
General Revenues:								
Taxes:								
Property Taxes					400,805	-	400,805	608,377
Wage & Earnings Taxes					1,448,463	-	1,448,463	-
Business Taxes					385,161	-	385,161	-
Other Taxes					578,273	-	578,273	176,178
Grants & Contributions Not Restricted to Specific Programs					171,400	-	171,400	1,145,046
Unrestricted Interest & Investment Earnings					25,540	7,715	33,255	9,824
Miscellaneous					-	-	-	2,452
Special Items					-	-	-	744
Transfers					28,315	(28,315)	-	28,884
Total General Revenues, Special Items and Transfers					3,037,957	(20,600)	3,017,357	1,971,505
Change in Net Assets					(436,206)	35,997	(400,209)	509,795
Net Assets - July 1, 2009					(1,292,646)	1,531,538	238,892	(448,063)
Adjustment					(47,211)	10,831	(36,380)	(44,918)
Net Assets Adjusted - July 1, 2009					(1,339,857)	1,542,369	202,512	(492,981)
Net Assets - June 30, 2010					(1,776,063)	1,578,366	(197,697)	16,814

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

City of Philadelphia

Exhibit III

Balance Sheet
Governmental Funds
June 30, 2010

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	9,987	-	75	104,320	114,382
Equity in Treasurer's Account	12,694	201,462	156,176	206,462	576,794
Investments	-	-	-	114,617	114,617
Due from Other Funds	17,077	-	-	-	17,077
Due from Component Units	8,479	-	-	-	8,479
Amounts Held by Fiscal Agent	33,705	-	55,914	-	89,619
Taxes Receivable	575,121	-	-	7,405	582,526
Accounts Receivable	371,904	-	2,228	6,355	380,487
Due from Other Governmental Units	295,292	66,082	76,030	32,366	469,770
Allowance for Doubtful Accounts	(647,012)	-	-	(803)	(647,815)
Interest and Dividends Receivable	161	1,279	1	140	1,581
Other Assets	-	-	-	446	446
Total Assets	677,408	268,823	290,424	471,308	1,707,963
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	97,938	2,122	18,429	12,528	131,017
Accounts Payable	91,425	6,235	58,211	37,326	193,197
Salaries and Wages Payable	83,838	-	2,777	431	87,046
Due to Other Funds	761	-	-	17,083	17,844
Due to Component Units	-	46,997	9,342	72	56,411
Funds Held in Escrow	10,047	-	37	5,488	15,572
Due to Other Governmental Units	1	-	-	-	1
Deferred Revenue	415,401	-	119,215	22,138	556,754
Overpayment of Taxes	108,247	-	-	-	108,247
Total Liabilities	807,658	55,354	208,011	95,066	1,166,089
Fund Balances:					
Reserved for:					
Encumbrances	87,892	-	-	53,202	141,094
Neighborhood Revitalization	-	-	73,065	-	73,065
Behavioral Health	-	170,995	-	-	170,995
Intergovernmental Financing	-	-	-	36,151	36,151
Intergovernmentally Financed Programs	-	-	7,932	-	7,932
Public Safety Emergency Phone System	-	-	40,426	-	40,426
Debt Service	-	-	-	78,542	78,542
Trust Purposes	-	-	-	4,617	4,617
Central Library Project	2,329	-	-	-	2,329
Stadium Financing	623	-	-	-	623
Cultural & Commercial Corridor Project	30,753	-	-	-	30,753
Unreserved, reported in:					
General Fund	(251,847)	-	-	-	(251,847)
Special Revenue Funds	-	42,474	(39,010)	48,126	51,590
Debt Service Funds	-	-	-	600	600
Capital Projects Funds	-	-	-	152,236	152,236
Permanent Funds	-	-	-	2,768	2,768
Total Fund Balances	(130,250)	213,469	82,413	376,242	541,874
Total Liabilities and Fund Balances	677,408	268,823	290,424	471,308	

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	2,151,275
b. Unearned Receivables are deferred in the funds	324,334
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,891,177)
d. Net Pension Asset is not reported in the funds	155,804
e. Derivatives are not reported in the funds	(12,858)
f. Other	(45,315)
Net Assets of Governmental Activities	(1,776,063)

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

City of Philadelphia **Exhibit IV**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,316,271	-	-	496,002	2,812,273
Locally Generated Non-Tax Revenue	229,566	1,954	38,956	32,253	302,729
Revenue from Other Governments	785,904	825,185	590,471	121,859	2,323,419
Other Revenues	16,379	-	-	16,768	33,147
Total Revenues	3,348,120	827,139	629,427	666,882	5,471,568
Expenditures					
Current Operating:					
Economic Development	93,445	-	7,092	34,574	135,111
Transportation:					
Streets & Highways	61,961	-	556	28,612	91,129
Mass Transit	64,975	-	197	-	65,172
Judiciary and Law Enforcement:			-		
Police	869,488	-	13,242	-	882,730
Prisons	313,713	-	484	968	315,165
Courts	236,887	-	51,163	-	288,050
Conservation of Health:					
Emergency Medical Services	44,008	-	1,000	-	45,008
Health Services	151,186	797,002	386,949	101,360	1,436,497
Housing and Neighborhood Development	2,854	-	60,756	67,592	131,202
Cultural and Recreational:					
Recreation	50,714	-	7,721	-	58,435
Parks	20,441	-	55	6,451	26,947
Libraries and Museums	58,352	-	10,309	128	68,789
Improvements to General Welfare:					
Social Services	645,206	-	54,492	-	699,698
Education	65,008	-	371	-	65,379
Inspections and Demolitions	27,338	-	-	-	27,338
Service to Property:					
Sanitation	127,098	-	3,463	-	130,561
Fire	237,204	-	417	-	237,621
General Management and Support	511,953	-	14,223	88,791	614,967
Capital Outlay	-	-	-	148,852	148,852
Debt Service:					
Principal	-	-	-	89,709	89,709
Interest	-	-	-	96,740	96,740
Bond Issuance Cost	-	-	-	23,505	23,505
Total Expenditures	3,581,831	797,002	612,490	687,282	5,678,605
Excess (Deficiency) of Revenues Over (Under) Expenditures	(233,711)	30,137	16,937	(20,400)	(207,037)
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	206,960	206,960
Issuance of Refunding Debt	-	-	-	337,025	337,025
Bond Issuance Premium	-	-	-	24,253	24,253
Bond Issuance Discount	-	-	-	(1,003)	(1,003)
Bond Defeasance	-	-	-	(504,044)	(504,044)
Transfers In	316,359	-	-	241,697	558,056
Transfers Out	(137,340)	-	(23,389)	(369,012)	(529,741)
Total Other Financing Sources (Uses)	179,019	-	(23,389)	(64,124)	91,506
Net Change in Fund Balance	(54,692)	30,137	(6,452)	(84,524)	(115,531)
Fund Balance - July 1, 2009	(75,558)	183,332	88,865	462,735	659,374
Adjustment	-	-	-	(1,969)	(1,969)
Fund Balance Adjusted - July 1, 2009	(75,558)	183,332	88,865	460,766	657,405
Fund Balance - June 30, 2010	(130,250)	213,469	82,413	376,242	541,874

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

City of Philadelphia

Exhibit V

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, 2010

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds..	(115,531)
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 outlays (137,422) exceeded depreciation (136,565) in the current period..	857
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..	(32,193)
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (67,132) exceeded repayments (177,478)...	110,346
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..	(254,207)
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......	(145,477)
Change in Net Assets of governmental activities...	(436,206)

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

City of Philadelphia **Exhibit VI**
Statement of Fund Net Assets
Proprietary Funds
June 30, 2010

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
Assets	Water and Sewer	Aviation	Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	69,795	118,364	4,692	192,851
Due from Other Governments	373	883	-	1,256
Accounts Receivable	225,170	14,870	1,975	242,015
Allowance for Doubtful Accounts	(90,980)	(1,075)	-	(92,055)
Inventories	12,913	3,085	11,398	27,396
Total Current Assets	217,301	136,127	18,065	371,493
Deferred Outflow - Derivative Instruments	29,227	31,594	-	60,821
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	290,282	235,816	-	526,098
Amounts Held by Fiscal Agent	-	30,806	-	30,806
Sinking Funds and Reserves	117,852	35,013	-	152,865
Grants for Capital Purposes	-	14,070	-	14,070
Receivables	898	6,929	-	7,827
Total Restricted Assets	409,032	322,634	-	731,666
Net Pension Asset	17,371	-	-	17,371
Capital Assets:				
Land	5,919	100,819	-	106,738
Infrastructure	1,983,922	586,508	-	2,570,430
Construction in Progress	204,591	117,270	-	321,861
Buildings and Equipment	1,497,507	2,013,978	-	3,511,485
Less: Accumulated Depreciation	(1,880,592)	(1,136,402)	-	(3,016,994)
Total Capital Assets, Net	1,811,347	1,682,173	-	3,493,520
Total Non-Current Assets	2,237,750	2,004,807	-	4,242,557
Total Assets	2,484,278	2,172,528	18,065	4,674,871
Liabilities				
Current Liabilities:				
Vouchers Payable	25,043	4,905	-	29,948
Accounts Payable	8,388	11,541	-	19,929
Salaries and Wages Payable	3,641	3,066	-	6,707
Construction Contracts Payable	33,113	41,343	-	74,456
Accrued Expenses	19,292	15,953	-	35,245
Deferred Revenue	8,016	28,765	-	36,781
Bonds Payable-Current	102,862	45,855	-	148,717
Total Current Liabilities	200,355	151,428	-	351,783
Derivative Instrument Liability	29,227	31,594	-	60,821
Non-Current Liabilities:				
Bonds Payable	1,555,568	1,186,845	-	2,742,413
Unamortized Discount and Loss	(81,322)	(18,768)	-	(100,090)
Other Non-Current Liabilities	25,256	16,322	-	41,578
Total Non-Current Liabilities	1,499,502	1,184,399	-	2,683,901
Total Liabilities	1,729,084	1,367,421	-	3,096,505
Net Assets				
Invested in Capital Assets, Net of Related Debt	225,589	606,198	-	831,787
Restricted For:				
Capital Projects	97,580	29,716	-	127,296
Debt Service	117,852	98,471	-	216,323
Rate Stabilization	145,693	-	-	145,693
Unrestricted	168,480	70,722	18,065	257,267
Total Net Assets	755,194	805,107	18,065	1,578,366

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

City of Philadelphia **Exhibit VII**

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

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	546,361	74,670	-	621,031
Rentals and Concessions	-	161,375	-	161,375
Miscellaneous Operating Revenues	5,989	3,918	287	10,194
Total Operating Revenues	552,350	239,963	287	792,600
Operating Expenses:				
Personal Services	106,120	59,674	-	165,794
Purchase of Services	68,613	74,975	59	143,647
Materials and Supplies	35,429	6,235	-	41,664
Employee Benefits	71,634	34,031	-	105,665
Indemnities and Taxes	5,126	1,449	-	6,575
Depreciation	86,490	89,012	-	175,502
Total Operating Expenses	373,412	265,376	59	638,847
Operating Income (Loss)	178,938	(25,413)	228	153,753
Non-Operating Revenues (Expenses):				
Operating Grants	3,048	3,091	-	6,139
Passenger Facility Charges	-	61,195	-	61,195
Interest Income	6,015	1,694	6	7,715
Net Pension Obligation	(20,506)	(9,698)	-	(30,204)
Debt Service - Interest	(103,619)	(53,211)	-	(156,830)
Other Revenue (Expenses)	(4,967)	(1,788)	-	(6,755)
Total Non-Operating Revenues (Expenses)	(120,029)	1,283	6	(118,740)
Income (Loss) Before Contributions & Transfers	58,909	(24,130)	234	35,013
Transfers In/(Out)	(28,315)	-	-	(28,315)
Capital Contributions	-	29,299	-	29,299
Change in Net Assets	30,594	5,169	234	35,997
Net Assets - July 1, 2009	715,896	797,811	17,831	1,531,538
Adjustment	8,704	2,127	-	10,831
Net Assets Adjusted - July 1, 2009	724,600	799,938	17,831	1,542,369
Net Assets - June 30, 2010	755,194	805,107	18,065	1,578,366

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

City of Philadelphia **Exhibit VIII**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

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	535,572	249,341	-	784,913
Payments to Suppliers	(89,110)	(77,075)	(59)	(166,244)
Payments to Employees	(175,309)	(89,346)	-	(264,655)
Internal Activity-Payments to Other Funds	-	(5,674)	-	(5,674)
Claims Paid	(4,915)	-	-	(4,915)
Other Receipts (Payments)	-	903	287	1,190
Net Cash Provided (Used)	266,238	78,149	228	344,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	3,048	3,091	-	6,139
Operating Subsidies and Transfers from Other Funds	(28,315)	-	-	(28,315)
Net Cash Provided (Used)	(25,267)	3,091	-	(22,176)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	13,431	-	-	13,431
Contributions Received	-	28,759	-	28,759
Acquisition and Construction of Capital Assets	(136,316)	(160,865)	-	(297,181)
Interest Paid on Debt Instruments	(96,799)	(68,317)	-	(165,116)
Principal Paid on Debt Instruments	(99,919)	(38,510)	-	(138,429)
Passenger Facility Charges	-	61,698	-	61,698
Net Cash Provided (Used)	(319,603)	(177,235)	-	(496,838)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	11,790	-	11,790
Interest and Dividends on Investments	4,560	2,955	5	7,520
Net Cash Provided (Used)	4,560	14,745	5	19,310
Net Increase (Decrease) in Cash and Cash Equivalents	(74,072)	(81,250)	233	(155,089)
Cash and Cash Equivalents, July 1 (including $377.7 mil for Water & Sewer and $364.1 mil for Aviation reported in restricted accounts)	434,179	466,236	4,459	904,874
Cash and Cash Equivalents, June 30 (including $290.3 mil for Water & Sewer and $266.6 mil for Aviation reported in restricted accounts)	360,107	384,986	4,692	749,785
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	178,938	(25,413)	228	153,753
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	86,490	89,012	-	175,502
Changes in Assets and Liabilities:				
Receivables, Net	(16,434)	(2,650)	-	(19,084)
Deferred Revenue	538	13,374	-	13,912
Inventories	(113)	(122)	-	(235)
Accounts and Other Payables	16,819	3,948	-	20,767
Net Cash Provided by Operating Activities	266,238	78,149	228	344,615

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

City of Philadelphia **Exhibit IX**
Statement of Net Assets
Fiduciary Funds
June 30, 2010

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	136,315
Equity in Treasurer's Account	3,845,732	48,302
Investments	-	8,780
Securities Lending Collective Investment Pool	440,491	-
Allowance for Unrealized Loss	(3,899)	-
Accounts Receivable	4,334	-
Due from Brokers for Securities Sold	869,400	-
Interest and Dividends Receivable	11,668	-
Due from Other Governmental Units	4,777	-
Due from Other Funds	-	767
Total Assets	5,172,503	194,164
Liabilities		
Vouchers Payable	36	1,227
Accounts Payable	3,867	-
Salaries and Wages Payable	158	-
Payroll Taxes Payable	-	3,147
Funds Held in Escrow	365	189,790
Due on Return of Securities Loaned	446,772	-
Due to Brokers for Securities Purchased	847,061	-
Accrued Expenses	1,734	-
Deferred Revenue	2,071	-
Other Liabilities	513	-
Total Liabilities	1,302,577	194,164
Net Assets Held in Trust for Pension Benefits	3,869,926	-

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

City of Philadelphia

Exhibit X

Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	335,655
Employees' Contributions	51,570
Total Contributions	387,225
Investment Income:	
Interest and Dividends	80,391
Net Gain in Fair Value of Investments	438,432
(Less) Investments Expenses	(18,509)
Securities Lending Revenue	2,927
Securities Lending Unrealized Loss	(3,899)
(Less) Securities Lending Expenses	(1,063)
Net Investment Gain	498,279
Miscellaneous Operating Revenues	712
Total Additions	886,216
Deductions	
Personal Services	3,815
Purchase of Services	1,952
Materials and Supplies	76
Employee Benefits	2,111
Pension Benefits	715,471
Refunds of Members' Contributions	4,520
Indemnities	-
Other Operating Expenses	120
Total Deductions	728,065
Change in Net Assets	158,151
Net Assets - July 1, 2009	3,711,775
Net Assets - June 30, 2010	3,869,926

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

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2010

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*	Pennsylvania Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets										
Cash on Deposit and on Hand	13,744	82,199	67,297	761	11,411	31,363	59,180	7,816	9,518	283,289
Equity in Pooled Cash and Investments	-	-	-	96,448	-	-	-	-	-	96,448
Investments	-	-	90,800	-	40,129		-	188	-	131,117
Due from Primary Government	-	22,606	-	-	-	59,569	1,875	-	-	84,050
Amounts Held by Fiscal Agent	6	-	-	75,844	-	-	-	-	-	75,850
Notes Receivable	-	37,483	-	-	33	-	-	-	-	37,516
Taxes Receivable	-	-	-	144,857	-	-	-	-	-	144,857
Accounts Receivable-Net	105,496	1,072	944	3,881	5,809	543	1,107	1,817	18,827	139,496
Interest and Dividends Receivable	-	17,052	292	503	53	-	1,245	-	-	19,145
Due from Other Governments	-	164	-	104,311	2,327	-	122,000	-	23,816	252,618
Inventories	125,023	22,590	-	3,245	-	-	-	-	-	150,858
Other Assets	139,541	451	4,293	160,098	1,242	461	477	141	-	306,704
Deferred Outflow - Derivative Instruments	-	-	-	71,622	-	-	-	-	-	71,622
Restricted Assets:										
Cash and Cash Equivalents	-	10,462	-	287,678	-	-	-	-	16,964	315,104
Other Assets	175,534	29,281	-	-	49,281	-	-	-	26,413	280,509
Capital Assets:										
Land and Other Non-Depreciated Assets	36,548	-	15,980	451,993	60,152	-	458,715	4,850	4,841	1,033,079
Other Capital Assets (Net of Depreciation)	1,039,919	40	196,745	1,497,036	73,928	744	197,115	5,832	86,098	3,097,457
Total Capital Assets	1,076,467	40	212,725	1,949,029	134,080	744	655,830	10,682	90,939	4,130,536
Total Assets	1,635,811	223,400	376,351	2,898,277	244,365	92,680	841,714	20,644	186,477	6,519,719
Liabilities										
Notes Payable	-	21,670	23,407	-	104,550	-	-	-	-	149,627
Vouchers Payable	46,205	-	-	-	13,565	-	-	-	-	59,770
Accounts Payable	-	10,257	15,497	114,403	-	1,146	27,286	1,865	12,637	183,091
Salaries and Wages Payable	3,719	-	-	52,931	4,872	5,079	275	-	-	66,876
Accrued Expenses	161,458	11,670	832	-	1,607	77,055		522	-	253,144
Funds Held in Escrow	-	13,789	-	-	101	-	-	-	1,214	15,104
Due to Other Governments	-	-	8,989	3,127	2,699	-		-	12,160	26,975
Due to Primary Government	-	1,500	34,111	-	-	-	2,275	-	762	38,648
Deferred Revenue	14,427	53,365	2,733	26,306	2,503	9,400	3,015	6,444	41,945	160,138
Overpayment of Taxes	-	-	-	9,358	-	-	-	-	-	9,358
Other Current Liabilities	-	-	-	70,723	-	-	-	44	-	70,767
Derivative Instrument Liability	-	-	-	111,227	-	-	-	-	-	111,227
Non-Current Liabilities:										
Due within one year	46,045	1,455	7,435	216,397	1,614	-	-	-	-	272,946
Due in more than one year	1,120,338	34,816	189,783	3,544,730	20,936	-	122,000	2,392	50,239	5,085,234
Total Liabilities	1,392,192	148,522	282,787	4,149,202	152,447	92,680	154,851	11,267	118,957	6,502,905
Net Assets										
Invested in Capital Assets, Net of Related Debt	1,019	40	51,444	(24,418)	69,278	-	-	-	32,650	130,013
Restricted For:										
Capital Projects	-	-	6,233	-	2,255		-	-	-	8,488
Debt Service	112,820	9,695	-	76,811	-	-	-	-	-	199,326
Educational Programs	-	-	-	6,315	4,674	-	-	-	-	10,989
Grant Programs	-	-	-	-	-	-	-	-	39,266	39,266
Other	-	-	-	4,286	-	-	686,863	-	-	691,149
Unrestricted	129,780	65,143	35,887	(1,313,919)	15,711	-	-	9,377	(4,396)	(1,062,417)
Total Net Assets	243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2009. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2009. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2010.

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

City of Philadelphia **Exhibit XII**
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	924,470	919,768	21,913	-	17,211									17,211
Housing														
Redevelopment Authority	73,183	1,072	81,563	-		9,452								9,452
Parking														
Parking Authority	205,874	212,985	-	-			7,111							7,111
Education														
School District	2,982,470	8,958	1,078,223	92				(1,895,197)						(1,895,197)
Community College	145,648	31,258	58,295	-					(56,095)					(56,095)
Total	3,128,118	40,216	1,136,518	92										
Health														
Community Behavioral Health	758,324	-	758,049							(275)				(275)
Economic Development														
Convention Center Authority	90,712	8,420	376,423	196,267							490,398			490,398
Delaware River Waterfront Corp.	10,152	6,661	3,129	-								(362)		(362)
Authority for Ind. Development	103,714	29,960	39,801	-									(33,953)	(33,953)
Total	204,578	45,041	419,353	196,267										
Total Component Units	5,294,547	1,219,082	2,417,396	196,359										(1,461,710)
General Revenues:														
Property Taxes					-	-	-	608,377	-	-	-	-	-	608,377
Other Taxes					-	-	-	176,178	-	-	-	-	-	176,178
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,083,371	61,675	-	-	-	-	1,145,046
Unrestricted Interest & Investment Earnings					-	1,481	3,218	2,261	2,209	275	238	40	102	9,824
Miscellaneous					-	-	-	-	2,452		-	-	-	2,452
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	(8)	-	-	-	-	752	744
Transfers					-	-	-	-	-	-	-	-	28,884	28,884
Total General Revenue ,Special items and Transfers					-	1,481	3,218	1,870,179	66,336	275	238	40	29,738	1,971,505
Change in Net Assets					17,211	10,933	10,329	(25,018)	10,241	-	490,636	(322)	(4,215)	509,795
Net Assets - July 1, 2009					226,408	66,921	83,235	(1,183,966)	81,678	-	196,227	9,699	71,735	(448,063)
Adjustment					-	(2,976)	-	(41,941)	(1)		-	-	-	(44,918)
Net Assets Adjusted - July 1, 2009					226,408	63,945	83,235	(1,225,907)	81,677	-	196,227	9,699	71,735	(492,981)
Net Assets - June 30, 2010					243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2010. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2009. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2010.

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

City of Philadelphia
PENNSYLVANIA

Notes to the Financial Statements
FYE 06/30/2010

Table of Contents

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.

Pennsylvania Convention Center Authority (PCCA) – 1101 Arch St., Philadelphia, PA 19107
PCCA was established to develop, promote and operate a convention center facility in the Philadelphia metropolitan area. Under a Lease & Service agreement, the City is obligated to pay an annual service fee sufficient to cover the debt service on PCCA's outstanding bonded debt. A voting majority of PCCA's governing board is not appointed by the City; however, PCCA meets the criteria of fiscal dependency and the significance of the City's relationship with PCCA is such that exclusion from the City's financial report would be misleading. Beginning FY2011 PCCA will become a component unit of the Commonwealth of Pennsylvania and all information will be removed from the City's CAFR.

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104
PPA was established by the City to coordinate a system of parking facilities and on-street parking on behalf of the City. Its fiscal year ends on March 31. The City has guaranteed debt payments for PPA. A voting majority of PPA's governing board is not appointed by the City however, the significance of the City's relationship with PPA is such that exclusion from the City's financial report would be misleading.

Redevelopment Authority of the City of Philadelphia (RDA) – 1234 Market St., Philadelphia, PA 19107
RDA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval.

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130
SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents. A voting majority of the SDP governing board is not appointed by the City, however, the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107
CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102
PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for funding PAID's debt service.

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122
PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

C. AUDIT RESPONSIBILITY

The financial statements of the above component units, except for the **SDP**, as well as the financial statements of the Municipal Pension Fund, the Gas Works Retirement Reserve Fund and the Fairmount Park Commission Departmental and Permanent Funds have been audited by auditors other than the Office of the Controller of the City of Philadelphia. The table below indicates the percentage of certain financial information that was subject to audit by those other auditors:

	Governmental Activities	Business-type Activities	Aggregate Discretely Presented Component Units	Major Funds	Aggregate Remaining Fund Information
Total Assets	8%	0%	56%	0%	92%
Total Revenues	7%	0%	49%	0%	67%

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports *on the following fiduciary funds:*

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.
- The Escrow Fund accounts for funds held in escrow for various purposes.
- The Employees Health & Welfare Fund accounts for funds deducted from employees' salaries for payment to various organizations.
- The Departmental Custodial Accounts account for funds held in custody by various City Departments.

The City reports the following major proprietary funds:

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

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

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

B. COMPONENT UNITS

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

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

4. DEPOSITS AND INVESTMENTS

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

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

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

From February to early June, deposits of the City significantly exceeded the amounts reported at year end. This was due to cyclical tax collections (billings for taxes are mailed in January and payable in March).

5. INVENTORIES

A. PRIMARY GOVERNMENT

Supplies of governmental funds are recorded as expenditures when purchased rather than capitalized as inventory. Accordingly, inventories for governmental funds are shown on the Statement of Net Assets but not on the Governmental Funds Balance Sheet. Inventories of proprietary funds are valued at moving average cost except for the following:

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

B. COMPONENT UNITS

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

- **PGW** inventory consists primarily of fuel stock and gases which are stated at average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **RDA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems), are reported in the applicable governmental or business-type activities columns in the *government wide* financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

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

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

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

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

8. INSURANCE

The City, except for the Airport and certain other properties, is self-insured for most fire and casualty losses to its structures and equipment and provides statutory worker's compensation, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE AND PAYABLES

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 un-collectibles. The real estate tax receivable allowance is equal to 39.7% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are $8.264 on each $100 assessment; $4.959 for the SDP and $3.305 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 **RDA** 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.

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

11. COMPENSATED ABSENCES

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

12. CLAIMS AND JUDGMENTS

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

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City’s balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were $303.4 million and $303.4 million respectively. All of the collateralized securities were held in the City’s name except for $119.8 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, 2010 the City’s Investments consisted of:

(amounts in thousands of USD)	Fair Value	% of Total
U.S. Government Securities	331,266	5.6%
U.S. Government Agency Securities	863,722	14.6%
Corporate Bonds	403,927	6.8%
Corporate Equity	2,971,209	50.2%
Commercial Paper	176,660	3.0%
Collateralized Mortgage Obligations	71,161	1.2%
Other Bonds and Investments	210,457	3.6%
Short Term Investment Pools	333,248	5.6%
Real Estate	8,677	0.1%
Financial Agreements	542,432	9.2%
Certificates of Deposit	10,000	0.2%
	5,922,759	

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

(amounts in thousands of USD)		**Fair Value**	
Maturity :	Less than 1 year	1-3 years	More than 3 years
U.S. Government Securities	217,850	12,747	-
U. S. Government Agency Securities	557,482	133,706	-
Corporate Bonds	8,551	4,367	-
Corporate Equity	65,042	30,989	-
Commercial Paper	175,108	1,552	-
Repurchase Agreements	10,659	-	-
Other Asset Backed	106,071	33,518	-
Short Term Investment Pools	228,792	-	-
Financial Agreements	45,734	-	-
Certificates of Deposit	10,000	-	-
	1,425,289	216,879	-

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (5.6%) or US Government Agency obligations (14.6%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (3%) 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, 88.0% 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.

Derivative Investment Instrument

As of June 30, 2010, **PAID's** basis swap was considered to be an investment derivative instrument.

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	202	Investment	(9,100)	193,520

a. Philadelphia Authority for Industrial Development Basis Swap

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** are computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amended effective date 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, 2010, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2010, the swap had a negative fair value of ($9.1 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2010, **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.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 67.4% of all investments and is invested primarily in equity securities (68.2%). 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, 44**%** had Standard & Poor ratings of AAA to A; 50% had ratings of BBB+ to B; and, 6% had ratings of CCC+ to CC. Moody's ratings for the same issues were: 54**%** had ratings of Aaa to A1; 38% had ratings of Baa1 to Ba1; and, 8% had ratings of Caa1 to Ca.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Lehman Aggregated Pooled Index Fund exceeding 5**%** of the total investment (7.3%). The fair value of the investment in the Lehman Aggregated Pooled Index Fund was $252.2 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 22.8% of the total investment in equities.

Municipal Pension Fund
Equity Securities subject to Foreign Currency Risk
(thousands of USD)

Currency	Fair Value	
Euro Currency	105,606	19.78%
Japanese Yen	76,186	14.27%
Pound Sterling	76,197	14.27%
Australian Dollar	27,259	5.11%
All others	248,625	46.57%
	533,873	

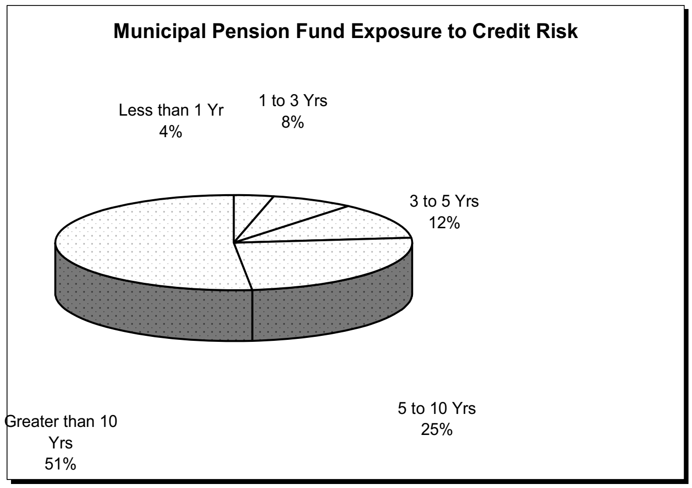
Fixed Income Securities and Other Investments subject to Foreign Currency Risk

	Currency	Fair Value (thousands of USD)	Maturities
Currency	Euro	10,518	
Currency	Japanese Yen	833	
Currency	All others	9,983	
Government Issues	Canadian Dollar	5,397	
Government Issues	All others	80,960	June 1, 2011
Limited Partnership Units	Euro	28,373	March 7, 2036
Real Estate Investment Trusts	Pounds Sterling	244	
Real Estate Investment Trusts	All others	1,199	
		137,507	

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

At June 30, the Pension Fund has no credit risk exposure to borrowers because the amounts the Pension Fund owes the borrowers exceed the amounts the borrowers owe to the Pension Fund. The agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent), or fail to pay income distributions on them. All open securities loans can be terminated on demand by either the Pension Fund or the borrower. All term securities loans can be terminated with five days notice by either the Pension Fund or the borrower. Cash collateral is invested in accordance with the investment guidelines of the Pension Fund. The Pension Fund cannot pledge or sell collateral securities received unless the borrower defaults.

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



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.44% of all investments and is primarily invested in equity securities (55.9%). 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:

(thousands of USD)	Maturity length				
Investment Type	less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	more than 10 yrs
Short-Term Investment Pools	6,932	-	-	-	-
U.S. Government Agency Securities	289	2,144	-	1,983	428
U.S. Government Securities	-	7,475	15,356	10,934	4,014
MTG Pass Thrus	-	2,872	1,919	2,069	630
Collateralized Mortgage Obligations	-	-	-	-	-
Municipal Securities	-	175	-	198	1,054
Asset Backed Securities	297	1,532	1,460	727	12,728
Corporate bonds	2,806	12,216	7,657	13,395	6,584
	10,324	26,413	26,392	29,307	25,438

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, 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 $ 99.0 million. Statement balances were insured or collateralized as follows:

(thousands of USD)	
Insured	4,143
Uninsured and uncollateralized	94,923
	99,066

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds. **PICA** has $30,458,127 of other investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in **PICA**'s name.

B. PHILADELPHIA MUNICIPAL AUTHORITY

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

(thousands of USD)	Fair Value	Cost
Money Market Funds	78,162	78,162
U S Government Securities	415	415
Certificates of Deposit	100	100
	78,677	78,677

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.

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, the Authority's investment in U.S. government securities were rated AAA by S&P and the Authority's investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of $415,719 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.

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 $3.8 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 **RDA**) have issued debt that, in accordance with GASB Interpretation #2, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID'**s Sports Stadium Financing Lease Revenue Bonds Series A & B of 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 **RDA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

Aviation Fund - cash and investment balances related to the net proceeds of **PAID**'s Airport Revenue Bonds, Series 1998A and 2001A. The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for airport related capital improvements.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

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

(Amounts in Thousands of USD)	Interfund Receivables Due to:				
		Non major Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	761	761
Non major Special Revenue Funds	17,077	-	-	6	17,083
Non major Debt Service Funds	-	-	-	-	-
Total	17,077	-	-	767	17,844

B. COMPONENT UNITS

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

(Amounts in Thousands of USD)	*Receivables Due to:*							
	General	Airport	PCCA	CBH	RDA	FPC	Timing Difference	Total
Payables Due From:								
Behavioral Health	-	-	-	46,997	-	-	-	46,997
Grants Revenue	-	-	-	-	9,343	-	-	9,343
Non-major Funds	-	-	-	-	2,070	72	-	2,142
PGW	-	-	-	-	-	-	-	-
PPA	8,479	20,396	-	-	-	-	5,236	34,111
PCCA	2,275	-	-	-	-	-	-	2,275
PAID	762	-	-	-	-	-	-	762
Timing Difference	(3,037)	(20,396)	1,875	12,572	11,393	-	-	2,407
Total	8,479	-	1,875	59,569	22,806	72	5,236	98,037

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	753	3	-	756
Fine Arts	1	-	-	1
Construction In Process	10	17	(2)	25
Total capital assets not being depreciated	764	20	(2)	782
Capital assets being depreciated:				
Buildings	1,767	44	-	1,811
Other Improvements	287	10	(1)	296
Equipment	472	22	(30)	464
Infrastructure	1,252	51	-	1,303
Transit	292	-	-	292
Total capital assets being depreciated	4,070	127	(31)	4,166
Less accumulated depreciation for:				
Buildings	(1,028)	(58)	-	(1,086)
Other Improvements	(191)	(8)	-	(199)
Equipment	(363)	(14)	10	(367)
Infrastructure	(899)	(43)	-	(942)
Transit	(196)	(7)	-	(203)
Total accumulated depreciation	(2,677)	(130)	10	(2,797)
Total capital assets being depreciated, net	1,393	(3)	(21)	1,369
Governmental activities capital assets, net	2,157	17	(23)	2,151

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	94	10	-	105
Intangible Assets	2	-	-	2
Construction In Process	300	317	(295)	322
Total capital assets not being depreciated	397	327	(295)	429
Capital assets being depreciated:				
Buildings	2,965	182	(12)	3,135
Other Improvements	248	13	-	261
Equipment	113	21	(19)	115
Intangible Assets	9	1	-	10
Infrastructure	2,460	108	(7)	2,561
Total capital assets being depreciated	5,795	325	(38)	6,082
Less accumulated depreciation for:				
Buildings	(1,379)	(92)	8	(1,463)
Other Improvements	(127)	(10)	-	(137)
Equipment	(85)	(7)	2	(90)
Intangible Assets	(2)	(1)	-	(3)
Infrastructure	(1,265)	(66)	7	(1,324)
Total accumulated depreciation	(2,858)	(175)	16	(3,017)
Total capital assets being depreciated, net	2,937	150	(22)	3,065
Business-type activities capital assets, net	3,334	477	(317)	3,494

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

(Amounts in Thousands of USD)

Governmental Activities:	
Economic Development	3,262
Transportation:	
Streets & Highways	35,182
Mass Transit	17,383
Judiciary and Law Enforcement:	
Police	8,190
Prisons	6,325
Courts	510
Conservation of Health:	
Health Services	2,424
Housing and Neighborhood Development	7
Cultural and Recreational:	
Recreation	10,836
Parks	9,554
Libraries and Museums	3,028
Improvements to General Welfare:	
Social Services	1,664
Inspections and Demolitions	108
Service to Property:	
Fire	6,156
General Management & Support	31,922
Total Governmental Activities	136,551
Business Type Activities:	
Water and Sewer	86,490
Aviation	89,339
Total Business Type Activities	175,829

B. DISCRETELY PRESENTED COMPONENT UNITS

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

(Amounts In Millions of USD)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	119	-	-	119
Art	8		-	8
Construction In Process	388	105	(167)	326
Total capital assets not being depreciated	515	105	(167)	453
Capital assets being depreciated:				
Buildings	1,392	15	102	1,509
Other Improvements	975	5	65	1,045
Equipment	267	32	(16)	283
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,635	52	151	2,838
Less accumulated depreciation for:				
Buildings	(531)	(26)	-	(557)
Other Improvements	(551)	(49)	-	(600)
Equipment	(174)	(25)	15	(184)
Infrastructure	(1)	-	-	(1)
Total accumulated depreciation	(1,257)	(100)	15	(1,342)
Total capital assets being depreciated, net	1,378	(48)	166	1,496
Capital assets, net	1,893	57	(1)	1,949
Business-type Activities:				
Capital assets not being depreciated:				
Land	34	(1)	-	34
Fine Arts	5	-	-	5
Construction In Process	234	369	(71)	532
Total capital assets not being depreciated	273	369	(71)	571
Capital assets being depreciated:				
Buildings	901	21	(17)	905
Other Improvements	36	3	-	39
Equipment	372	31	(4)	399
Infrastructure	1,337	72	(1)	1,408
Total capital assets being depreciated	2,646	127	(22)	2,751
Less accumulated depreciation for:				
Buildings	(352)	(22)	2	(372)
Other Improvements	(31)	(2)	(2)	(35)
Equipment	(105)	(17)	3	(119)
Infrastructure	(585)	(32)	3	(614)
Total accumulated depreciation	(1,073)	(73)	6	(1,140)
Total capital assets being depreciated, net	1,573	54	(16)	1,611
Capital assets, net	1,846	423	(87)	2,182

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 $200 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, 2009).

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year-end of $21.7 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 8%. Aggregate minimum principal payments on these notes are as follows:

Fiscal Year	Amount
2011	$ 3,200,304
2012	2,000,000
2013	-
2014	-
2015	-
2016-2020	4,922,956
2021-2025	8,597,000
2026-2030	1,000,000
2031-2035	-
2036-2040	1,950,000
Total	$ 21,670,260

In February 2010, **CCP** borrowed $1.4 million under a loan agreement with the State Public School Building Authority. The loan has a fixed annual interest rate of 2.50% and will be repaid over a five-year period through 2015. The loan proceeds are being used to fund the completion of three capital projects at the college.

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 $104.6 million. The loans have interest rates ranging from 3.00% 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:

Period	Amount
2010 to 2011	$ 7,451,221
2011 to 2012	7,744,495
2012 to 2013	8,066,215
2013 to 2014	7,633,038
2014 to 2015	5,355,031
2016 to 2020	26,475,000
2021 to 2025	26,365,000
2026 to 2030	15,460,000
Total	$ 104,550,000

During fiscal year 2010, **PPA** borrowed $11.0 million. The loan will be repaid over a five year period and has a fixed interest rate of 4.377%. The monies will be used for the installation and costs of multi-space parking meters that are being placed in the Center City and University City Districts of the City of Philadelphia.

PPA, in prior years, borrowed a total of $17.9 million in the form of bank notes ranging in maturity from 12-16 years and in interest rates from 4.06 to 6.5%. The proceed of these notes were used to finance various capital projects, the acquisition of capital assets, building improvements and the development of a records department.

The total outstanding principle balance of the notes payable at March 31, 2010 was $23.4 million subject to the following repayment schedule:

Fiscal Year	Amount
2011	$ 6,130,496
2012	5,729,430
2013	5,093,237
2014	4,279,044
2015	878,403
2016-2020	1,296,360
Total	$ 23,406,970

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, 2010 the statutory limit for the City is $1.5 billion, the General Obligation Debt net of deductions authorized by law is $1.4 billion, leaving a legal debt borrowing capacity of $116.4 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund.

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

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable					
Term Bonds	809.9	207.0	(230.8)	786.1	39.2
Refunding Bonds	811.8	337.0	(329.5)	819.3	16.4
Serial Bonds	486.6	-	(33.5)	453.1	35.7
Less Deferred Amounts					
Unamortized Bond Premium	60.6	48.8	(4.8)	104.6	-
Unamortized Issuance Expenses	(36.3)	(7.1)	2.2	(41.2)	-
Unamortized Discount and Loss	(53.8)	(1.0)	3.9	(50.9)	-
Total Bonds Payable	2,078.8	584.7	(592.5)	2,071.0	91.3
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,443.8	55.5	(71.0)	1,428.3	80.2
Neighborhood Transformation	259.3	-	(6.5)	252.8	6.9
One Parkway	48.2	-	(1.5)	46.7	1.6
Sports Stadia	342.0	-	(4.9)	337.1	5.6
Library	9.6	-	(0.5)	9.1	0.5
Cultural Corridor Bonds	129.5	-	(3.4)	126.1	3.3
Arbitrage	1.2	-	-	1.2	-
Indemnity Claims	37.6	43.6	(33.5)	47.7	15.6
Worker's Compensation Claims	251.8	99.9	(51.9)	299.8	37.6
Termination Compensation Payable	193.4	20.1	(16.6)	196.9	16.6
OPEB Obligation	21.2	22.1	-	43.3	14.4
Leases	-	31.1	-	31.1	7.4
Governmental Activity Long-term Liabilities	4,816.4	857.0	(782.3)	4,891.1	281.0

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

(Amounts In Millions of USD)

	Interest Rates					Principal	Due Dates			
Governmental Funds:										
City	4.00	%	to	7.125	%	1,270.0	Fiscal	2011	to	2039
PMA	2.00	%	to	7.50	%	254.6	Fiscal	2011	to	2039
PICA	2.50	%	to	5.00	%	533.9	Fiscal	2011	to	2023
						2,058.5				

- In May 2010, **PICA** issued Series 2010 Special Tax Revenue Refunding Bonds in the amount of $207.0 million. The serial bonds have interest rates ranging from 4.0% to 5.0% and mature in 2022. The proceeds from the sale of the bonds were used to (1) provide for the current refunding of **PICA's** Series 2008 A & B Special Tax Revenue Bonds, (2) pay the costs of terminating an interest rate swap transaction relating to the Series 2008 A & B bonds and (3) pay the costs of issuing the Series 2010 bonds. The cash flows required by the new bonds is $61,000. less than the cash flow required by the refunded bonds. The economic gain on the refunding (the adjusted present value of the decrease in cash out flows) is $1.6 million.

- In August 2009, the City issued General Obligation Refunding Bonds Series 2009A and 2009B in the amounts of $237.0 million and $100.0 million respectively. The Series 2009A bonds are fixed-rate refunding bonds with interest rates ranging from 4.25% to 5.5% and mature in 2031. The Series 2009B bonds are multi-modal refunding bonds and will bear interest at a weekly rate subject to conversion to a daily mode, term rate mode, or fixed rate mode at the direction of the City and upon satisfaction of certain conditions described in the Board Committee Resolution. The bonds were issued simultaneously for the purpose of refunding the City's outstanding series 2007B general obligation multi-modal refunding bonds and for the payment of the costs relating to the issuance of the 2009 bonds, including the termination payment of $15.5 million due with respect to a portion of a related swap. There was no gain or loss because the reacquisition price equaled the carrying amount of the old debt.

The City has General Obligation Bonds authorized and un-issued at year-end of $188.2 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2011	36.5	65.2	15.6	19.3	39.2	27.3
2012	39.4	63.3	17.1	18.7	41.8	24.6
2013	46.6	61.2	18.0	18.4	43.7	22.6
2014	49.0	58.8	19.2	17.2	45.6	20.4
2015	51.7	56.1	20.1	16.3	47.7	18.1
2016-2020	276.9	240.0	82.6	35.2	226.7	54.5
2021-2025	288.7	167.3	13.3	24.8	89.2	8.3
2026-2030	279.1	90.9	18.0	20.1	-	-
2031-2035	156.7	30.6	24.6	13.4	-	-
2036-2040	45.4	6.8	26.1	4.4	-	-
Totals	1,270.0	840.2	254.6	187.8	533.9	175.8

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

(Amounts In Millions of USD)

	Lease & Service Agreements											
Fiscal	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	80.2	34.5	6.9	13.0	1.6	2.2	5.6	13.7	0.5	0.4	3.3	5.9
2012	80.4	39.3	7.2	12.7	1.6	2.1	5.9	13.4	0.5	0.3	3.4	5.8
2013	79.6	45.1	7.6	12.3	2.1	2.0	11.5	13.0	0.5	0.3	3.6	5.6
2014	75.6	50.5	8.0	11.9	2.1	1.9	12.0	12.4	0.5	0.3	3.8	5.4
2015	74.4	56.6	8.4	11.5	2.2	1.9	12.4	11.8	0.5	0.3	3.9	5.3
2016-2020	317.1	356.5	49.4	50.3	13.0	7.5	70.8	50.7	3.0	1.2	23.0	23.1
2021-2025	227.6	445.9	64.0	35.7	16.4	4.1	87.2	35.1	3.6	0.5	29.6	16.6
2026-2030	493.4	145.5	82.2	17.5	7.7	0.6	107.4	15.8	-	-	37.8	8.4
2031-2035	-	-	19.0	1.0	-	-	24.3	0.5	-	-	17.7	0.8
Totals	1,428.3	1,173.9	252.7	165.9	46.7	22.3	337.1	166.4	9.1	3.3	126.1	76.9

(2) Business Type Debt Payable

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity					
Bonds Payable					
General Obligation Bonds	3.4	-	(1.2)	2.2	1.2
Revenue Bonds	2,986.3	409.9	(507.3)	2,888.9	147.5
Less Deferred Amounts					
Unamortized Discounts and Loss	(87.2)	(12.9)	-	(100.1)	-
Total Bonds Payable	2,902.5	397.0	(508.5)	2,791.0	148.7
Indemnity Claims	4.4	5.9	(5.6)	4.7	-
Worker's Compensation Claims	15.5	7.1	(3.5)	19.1	-
Termination Compensation Payable	16.2	1.8	(2.9)	15.1	-
Net Pension Obligation	-	1.6	-	1.6	-
Arbitrage	1.8	-	(0.7)	1.1	-
Business-type Activity Long-term Liabilities	2,940.4	413.4	(521.2)	2,832.6	148.7

In addition, the Enterprise Funds have debt that is classified on their respective balance sheets as General Obligation debt payable which is summarized in the following schedule:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Enterprise Funds			
Water Fund	1.00 %	2.2	Fiscal 2011 to 2012
		2.2	

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

The debt service through maturity for Business-type General Obligation Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest
2011	1.2	-
2012	1.0	-
Totals	2.2	-

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Water Fund	0.23 % to 7.00 %	1,656.2	Fiscal 2011 to 2036
Aviation Fund	3.00 % to 5.75 %	1,232.7	Fiscal 2011 to 2037
Total Revenue Debt Payable		2,888.9	

- In April 2009, the City of Philadelphia Water Department received notice that the Pennsylvania State Infrastructure Investment Authority ("Pennvest") had approved funding for three water and sewer applications totaling $184.9 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximun Loan Amount	Estimated Project Costs	Amt Requested thru 6/30/2010	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	33,195,803	3,039,859	No	water plant improvements
Oct. 2009	2009C	57,268,193	50,423,484	13,430,973	Yes	water main replacements
Mar. 2010	2009D	84,759,263	82,462,284	8,474,575	No	sewer projects
	Totals:	184,913,486	166,081,571	24,945,407		

- In April 2010, the City issued Water & Wastewater Refunding Bonds Series 2010A in the amount of $396.5 million. The bonds are serial bonds with interest rates ranging from 2% through 5% and mature in 2019. The proceeds of the bonds were used to (1) refund the Series 2003 Water & Wastewater Revenue Bonds issued in the amount of $370.0 million, (2) fund a payment to terminate a 2003 swap, (3) fund the required deposit into the Debt Reserve Account of the sinking fund and (4) pay bond issuance costs. The cash flows required by the new bonds is $16.2 million more than the cash flow required by the refunded bonds. The economic loss on the refunding (the adjusted present value of these reduced cash flows) was $19.1 million. The early extinguishment of debt resulted in an accounting loss of approx. $2.1 million, representing the difference between the reacquisition price of $396.5 million and the amount of debt extinguished of $370.0 million (less $2.1 million unamortized discount). The resulting loss will be amortized over the life of the refunded bonds at a rate of $226,142 annually through June 2019.

- In July 2009, the outstanding balance of $83.7 million of Water & Wastewater Revenue Refunding Bonds, Variable Rate Series 2005B was remarketed under an irrevocable direct pay letter of credit (LOC) from Bank of America. The LOC replaced a bond insurance policy from Financial Security Assurance, Inc. (FSA) and a liquidity facility for the 2005B Bonds provided by DEPFA Bank. The LOC will constitute both a credit facility and liquidity facility and Bank of America, N.A. a creditor provider and liquidity provider for the 2005B Bonds. The bonds continue to have a weekly interest rate, maturing in 2018.

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

(Amounts In Millions of USD)

Fiscal	Water Fund		Aviation Fund	
Year	Principal	Interest	Principal	Interest
2011	101.6	78.1	45.8	63.3
2012	108.9	70.6	48.6	60.5
2013	117.3	65.4	51.5	57.5
2014	123.8	59.5	54.5	54.6
2015	130.2	53.4	57.7	51.4
2016-2020	404.6	194.4	283.7	208.3
2021-2025	204.0	131.9	326.8	133.2
2026-2030	244.8	84.1	257.1	57.2
2031-2035	194.5	26.8	85.1	18.1
2036-2040	26.5	1.0	21.9	1.6
Totals	1,656.2	765.2	1,232.7	705.7

(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	195.7
Enterprise Funds:	
Water Fund Revenue Bonds	170.9
	366.6

(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 $275.0 million in Tax Revenue Anticipation Notes by June 2010 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, 2009	-
Additions	275.0
Deletions	(275.0)
Balance June 30, 2010	-

(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, 2010, the General Fund, Aviation Fund and the Water Fund had recorded liabilities of $1.2 million, $1.0 million and $.07 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, 2010, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	5,993	Debt	(10,600)	100,000
	Deferred Outflow	(12,465)	Debt	(27,100)	217,275
	Deferred Outflow	(4,154)	Debt	(9,000)	72,400
Investment Derivatives:					
Basis Caps	Investment Revenue	3,125	Investment	(2,191)	301,495
	Investment Revenue	1,208	Investment	(1,566)	119,750
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	(3,014)	Debt	(31,594)	168,600
	Deferred Outflow	(1,662)	Debt	(14,133)	83,275
	Deferred Outflow	(8,185)	Debt	(15,094)	90,000

As of June 30, 2010, the City determined that the Basis Caps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. They are therefore reported within the investment revenue classification.

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty.

(amounts in thousands)

Agency	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
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	Aaa/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	Aa1/AA-
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	A2/A
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	168,600	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa1/AA-
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	83,275	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	A3/A
Water (e)	Pay Fixed Interest Rate Swap	Forward starting Swaps	90,000	8/1/2010	1/1/2037	City pays 4.52275%; receives SIFMA Municipal Swap Index	Aa2/AA

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 as of August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2010, 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, 2010, the swap had a negative fair value of ($ 10.6 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2010, 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, 2010, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable payment from RBC under swap	SIFMA	(0.25000)	%
Net interest rate swap payments		3.57900	%
Variable Rate bond coupon payments	Weekly resets	0.28000	%
Synthetic interest rate on bonds		3.859	%

Swap payments and associated debt: As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2011	$ -	$ 280,000	$ 3,579,000	$ 3,859,000
2012	-	280,000	3,579,000	3,859,000
2013	-	280,000	3,579,000	3,859,000
2014	-	280,000	3,579,000	3,859,000
2015	-	280,000	3,579,000	3,859,000
2016 - 2020	-	1,400,000	17,895,000	19,295,000
2021 - 2025	-	1,400,000	17,895,000	19,295,000
2026 - 2030	63,885,000	1,183,252	15,124,496	16,307,748
2031 - 2032	36,115,000	152,684	1,951,629	2,104,313
Total:	100,000,000	5,535,936	70,761,125	76,297,061

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

Objective: In December, 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, 2010, 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, 2010, the swap with JP Morgan Chase Bank had a negative fair value of ($27.1 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of ($9.0 million). This means that **PAID** would have to pay these amounts to terminate the swaps.
Risks: As of June 30, 2010, **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, 2010, the rates were:

Terms	Rates	
Fixed payment to Merrill Lynch under Swap	Fixed	3.97130 %
Variable payment from Merrill Lynch under Swap	SIFMA	(0.25000) %
Net interest rate swap payments		3.72130 %
Variable Rate bond coupon payments	Weekly resets	0.27000 %
Synthetic interest rate on bonds		3.9913 %

Swap payments and associated debt: As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swaps Net	Total Interest
2011	$ -	$ 782,123	$ 10,779,676	$ 11,561,799
2012	-	782,123	10,779,676	11,561,799
2013	-	782,123	10,779,676	11,561,799
2014	-	782,123	10,779,676	11,561,799
2015	-	782,123	10,779,676	11,561,799
2016 - 2020	70,750,000	3,544,520	48,852,668	52,397,188
2021 - 2025	87,190,000	2,504,304	34,515,802	37,020,106
2026 - 2030	107,425,000	1,222,533	16,849,674	18,072,207
2031	24,310,000	65,637	904,648	970,285
Total:	289,675,000	11,247,609	155,021,172	166,268,781

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, 2010, the swap had a notional amount of $168.6 million and the associated variable-rate bonds had a $168.6 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, 2010, the swap had a negative fair value of ($31.6 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, 2010, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2010, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to JPMorgan under swap	Fixed	5.64975	%
Variable payment from JPMorgan under swap	SIFMA	(0.25000)	%
Net interest rate swap payments		5.39975	%
Variable Rate bond coupon payments	Weekly resets	0.22	%
Synthetic interest rate on bonds		5.61975	%

Swap payments and associated debt: As of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows.

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2011	$ 6,000,000	$ 370,920	$ 9,103,976	$ 9,474,896
2012	6,700,000	357,720	8,779,991	9,137,711
2013	7,500,000	342,980	8,418,208	8,761,188
2014	8,200,000	326,480	8,013,227	8,339,707
2015	9,000,000	308,440	7,570,447	7,878,887
2016 - 2020	57,100,000	1,209,340	29,682,418	30,891,758
2021 - 2025	74,100,000	500,720	12,289,828	12,790,548
Total:	168,600,000	3,416,600	83,858,095	87,274,695

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, 2010, the swap had a notional amount of $83.3 million and the associated variable-rate bond had an $83.3 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, 2010, the swap had a negative fair value of ($ 14.1 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2010 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, 2010, rates were as follows:

Terms	Rates	
Fixed payment to Citigroup under swap	Fixed	4.53000 %
Variable payment from Citigroup under swap	68.5% of one month LIBOR	(0.23868) %
Net interest rate swap payments		4.29132 %
Variable Rate bond coupon payments	Weekly resets	0.21 %
Synthetic interest rate on bonds		4.50132 %

Swap payments and associated debt: As of June 30, 2010, 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:

June 30	Principal	Interest	Swaps Net	Total Interest
2011	405,000	174,878	3,573,597	3,748,475
2012	425,000	174,027	3,556,217	3,730,244
2013	450,000	173,135	3,537,979	3,711,114
2014	14,820,000	172,190	3,518,668	3,690,858
2015	15,535,000	141,068	2,882,694	3,023,762
2016 - 2020	51,640,000	221,151	4,519,189	4,740,340
Total:	83,275,000	1,056,449	21,588,344	22,644,793

e. City of Philadelphia Forward-Starting Water & Wastewater Swap

Objective: In February, 2007, the City entered into two forward starting swaps to take advantage of the current low interest rate environment in advance of the issuance of water and wastewater revenue bonds expected to be issued by the City in 2008. The notional amount was evenly split between two counterparties, Merrill Lynch Capital Services, Inc. and Wachovia Bank, N.A. On June 30, 2010, the swap with Merrill Lynch was terminated. The City paid a termination payment of $15.2 million to Merrill Lynch. The swap with Wachovia was subsequently terminated on July 27, 2010.

Terms: The swap confirmation was amended in December 2007, to move the swap start date from February 2008 to February 2009, as the bond issuance had been delayed. In February 2009, the swap confirmation was amended again to move the swap start date from February 2009 to August 2010, as the bond issuance had been delayed. The termination date is January 2037. The swap was priced based on an amortizing notional schedule with a $90 million initial notional amount. Under the swap, the City would pay a fixed rate of 4.52275% and will receive a variable rate equal to the SIFMA Municipal Swap Index.

Fair value: As of June 30, 2010, the swap had a negative fair value of ($15.1 million). This means that the Water and Sewer Department would have to pay this amount to terminate the swap.

Risk: As of June 30, 2010, 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. 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 swap included additional termination events based on credit ratings. The swap may be terminated by the City if Wachovia fails to have a rating of at least Baa2 or higher or BBB or higher, or by Wachovia if the City fails to have a rating of at least Baa2 or higher or BBB or higher.

f. PICA Series 1993A, 1996 & 1999 Swaption

Objective of the swaptions: During the fiscal year ended June 30, 2002, **PICA** (the Authority) entered into three swaption agreements with JP Morgan Chase Bank (JP Morgan). JP Morgan paid the Authority upfront premium payments totaling $26.2 million ($10.7 million for the 1993A issuance, $5.8 million for the 1996 issuance and $9.7 million for the 1999 issuance). These swaption agreements were entered into in order to affect a synthetic refunding of the Authority's 1993A, 1996, and 1999 bond issuances at some point in the future (generally, the first call date for each bond issuance). The premium payments, which were recorded as deferred revenue in fiscal year 2002, represented the risk-adjusted, present value savings of a refunding at the specified call date without issuing refunding bonds at the time the swaption agreements were executed. The swaptions give the counterparty the option to require the Authority enter into pay-fixed, receive-variable interest rate swaps. If the options were exercised, the Authority would then expect to issue variable-rate refunding bonds.

Terms: The premium payments were based on a notional amount representing the outstanding bonds for each issuance, and at the time any of the related swap agreements are to take effect the notional amounts will represent the outstanding bonds at that time. The counterparty has the option to exercise the agreements at the first call date of each related bond issuance and the related swap will commence on that same date. The fixed swap rates (ranging from approximately 5.0 – 5.5%) were set at rates that, when added to an assumption for remarketing and liquidity costs, would approximate the coupons of the "refunded" bonds. The swap's variable payment would be a predetermined percentage (ranging form 62% - 67%) of the London Interbank Offered Rate ("LIBOR"). Both the Authority and the counterparty had the ability to terminate the swaptions, with monetary consequences, before the interest rate swaps were set to begin.

In May 2010, concurrent with the Authority's Series 2010 Refunding Bond issuance, the $10,720,000 (1993A) and $5,815,000 (1996) swap agreements were terminated. As such, the revenue from this premium, previously deferred, was recognized as income in the statement of activities. In connection with the termination of this agreement, PICA paid a termination fee to a counterparty of $39,678,000, which is included in investment expenses.

g. PICA Series of 2003 and 1999 Basis Cap Agreements

In June 203 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 reaction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above.

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 BMA for the month divided by the one-month LIBOR, less 70%, multiplied the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above.

Fair Value

Derivative instruments are summarized as follows:

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Investment Derivatives:					
Basis Caps	Investment Revenue	(4,334)	Investment	(3,758)	490,050

h. City of Philadelphia 2003 Water & Sewer Swap

Objective: In December 2002, the City entered into a swaption that provided the City's Water and Sewer Department with an up-front payment of $25.0 million. The original notional amount was $381.3 million. As a synthetic refunding of all or a portion of its 1993 Bonds, this payment approximated the present value savings, as of December 2002 of a refunding on March 18 2003, based upon interest rates in effect at the time. The swaption gave Citigroup (formerly Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts. On April 8, 2010, the City terminated the swap and refunded the underlying bonds to fixed rate. The City paid a swap termination payment of $48.8 million to Citigroup.

(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.

(8) Neighborhood Transformation Initiative Service Agreement

In Fiscal 2002, **RDA** issued $142.6 million in City of Philadelphia Neighborhood Transformation Initiative (NTI) Bonds. These bonds were issued to finance a portion of the initiative undertaken by the Authority and the City to revitalize, renew and redevelop blighted areas of the City. The bonds are obligations of **RDA**. The City entered into a service agreement with **RDA**, agreeing to make yearly payments equal to the debt service on the bonds. **RDA** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2; **RDA** treats this as conduit debt and therefore does not include these transactions on its financial statements.

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

In March, 2005, **RDA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of $25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of $ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for $81.3 million and mature through 2031. The fiscal year 2010 NTI Service Agreement liability of $252.7 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 2010, the

Sports Stadium Financing Agreement liability of $337.1 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal 2010 the liability of $126.2 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 two debt service reserve forward delivery agreements, one of which began on August 1, 2003 and expired on June 15, 2010 whereby **PICA** received a premium of $4,450,000 on December 1, 2002 and one of which began on June 15, 2010 and expires on June 15, 2023, whereby **PICA** received a premium of $1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for the 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 the respective agreements.

(12) Other Long Term Debt

In July 2009, the City entered into a four-year Lease Purchase Agreement with PNC Equipment Finance, LLC, for $31.1 million, in connection with the purchase and installation of certain equipment and related software to upgrade the City's 800 MHz trunked radio communications system to an ASTRO 25 Internet Protocol based system. The total outstanding balance at June 2010 is $31.1 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total $2,994.4 million in principal, with interest rates from 1.5% to 6.765 % and have due dates from 2011 to 2040 The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	2,825.2	598.7	(429.5)	2,994.4	84.0
Add: Bond Premium	79.0	35.4	(5.3)	109.1	7.9
Less: Bond Discounts	(11.4)	(0.1)	0.5	(11.0)	(0.6)
Total Bonds Payable	2,892.8	634.0	(434.3)	3,092.5	91.3
Termination Compensation Payable	295.6	24.0	(28.1)	291.5	27.3
Severance Payable	168.9	27.5	(11.7)	184.7	8.9
Other Liabilities	144.1	29.2	(35.9)	137.4	37.9
Lease Purchase Agreements	-	-	-	-	-
Deferred Reimbursement	56.0	-	(5.3)	50.7	50.7
Arbitrage Liability	4.3	-	(0.2)	4.1	0.1
Early Retirement Incentive	0.4	-	(0.2)	0.2	0.2
Total	3,562.1	714.7	(515.7)	3,761.1	216.4

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

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2011	75.9	130.6
2012	89.0	125.5
2013	93.6	121.2
2014	95.8	117.2
2015	85.3	113.7
2016-2020	501.7	499.9
2021-2025	487.2	378.7
2026-2030	451.6	263.4
2031-2035	592.0	127.5
2036-2040	156.6	23.5
Totals	2,628.8	1,901.3

- On April 6, 2010, the School District issued Series A of 2010 and Series B of 2010 fixed rate general obligation bonds in the aggregate amount of $249.3 million for the Capital Improvement Program. Bond proceeds of $1.9 million were utilized for underwriting fees, and other bond issuance costs. The Series B bonds were designated as federally taxable Build America Bonds, in accord with The American Recovery and Reinvestment Act of 2009. The School District is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series B Bonds on each interest payment date. The eligibility of this federal subsidy begins during fiscal year 2011.
- On April 6, 2010, the School District issued Series C of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $300.0 million to refund certain maturities of the outstanding Series A, B, C, and D of 2008, terminate the related Swap Agreements, and pay the associated swap termination payments. Bond proceeds of $1.9 million were utilized for underwriting fees, and other issuance costs.

  Securities for the issues 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 (SLG) of $303.8 million which were used to retire the subseries A-3, B-4, C-1, C-2, and D-1 of 2008.
- On April 6, 2010, the School District issued Series D of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $49.4 million to refund certain maturities of the outstanding Series of A of 1999. Bond proceeds of $0.3 million 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 (SLG) **of** $52.6 million which were used to retire the Series of A of 1999.

  For accounting purposes, these advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $52.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2023.

  An analysis was completed to determine the cash flow difference between the old debt and new debt. This analysis indicates a cash flow of $10.1 million less over the life of the issue than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of $9.7 million to the School District.

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
PCCA	2.567 % to 6.532 %	281.1	Fiscal 2011 to 2039
PPA	3.000 % to 5.250 %	193.0	Fiscal 2011 to 2029
PGW	3.850 % to 6.800 %	1,138.1	Fiscal 2012 to 2038
RDA	4.550 % to 4.750 %	18.4	Fiscal 2017 to 2028
Total Revenue Debt Payable		1,630.6	

- On June 3, 2009, the Mayor signed a bill into law authorizing the City to issue revenue bonds. The bill signed by the Mayor constituted the Ninth Supplemental Ordinance to the General Gas Works Revenue Bond Ordinance of 1998 (the 1998 General Ordinance). This ordinance authorizes the City to issue revenue bonds for the following purposes: (a) to pay the cost of refunding or redeeming all or a portion of the outstanding Gas Works Revenue Bonds, Sixth Series (1998 Ordinance) and other Project Costs; (b) authorizing the City to obtain credit enhancement and liquidity for all or a portion of the Eighth Series Bonds, enter into or amend one or more Qualified Swap Agreements or to relate all or a portion of an existing Qualified Swap Agreement to all or a portion of a different series of outstanding Gas Works Revenue Bonds, and authorizing covenants and actions in order that the Eighth Series Bonds shall not be arbitrage bonds; and (c) making certain determinations and covenants relating to Gas Works Revenues and payment of interest and principal.

- On August 20, 2009, the Company issued $313,285,000 of Eighth Series Bonds for the purpose of refunding the outstanding Sixth Series Bonds previously issued under the 1998 Ordinance, paying the costs of terminating a portion of the Swap Agreement, and issuing the bonds and any required deposits to the Sinking Fund Reserve established under the 1998 General Ordinance. The Eighth Series Bonds consist of $58,285,000 of serial bonds with an interest rate that ranges from 4.0% to 5.25% and have maturity dates through 2017. The Eighth Series Bonds also consist of four serial bonds totaling $255,000,000 that have variable rates set through a weekly reset mode, are paid monthly, and are secured with a letter of credit which expires August 19, 2011. These bonds mature at various dates from 2017 to 2031. The loss on refunding the Sixth Series Bonds and issuing the Eighth Series Bonds of $55,344,000, including $26,311,000 related to the elimination of the deferred outflow of resources upon termination of the Sixth Series hedging relationship was deferred and will be amortized over the life of the Eighth Series Bonds.

Interest rates and maturities of the outstanding Revenue Bonds are detailed as follows (thousands of dollars):

Description	Interest rates	Maturity date (fiscal year)	Balance outstanding August 31, 2009	Balance outstanding August 31, 2008
Series 11C	6.80%	2012	$ 21,882	20,379
1st Series A	4.50% – 5.50%	2026	84,995	95,815
1st Series C	3.85% – 5.00%	2014	8,615	10,115
16th Series	4.00% – 5.50%	2015	16,915	25,905
2nd Series	4.63% – 5.38%	2012	8,370	10,905
3rd Series	4.25% – 5.50%	2012	8,515	11,105
4th Series	4.00% – 5.25%	2032	92,585	95,125
17th Series	4.00% – 5.38%	2026	140,225	148,875
5th Series	4.00% – 5.25%	2034	120,000	120,000
5th Series A-2	Variable	2035	30,000	30,000

Description	Interest rates	Maturity date (fiscal year)	Balance outstanding August 31, 2009	Balance outstanding August 31, 2008
18th Series	5.00% – 5.25%	2021	50,470	52,580
6th Series	Variable	2031	—	311,615
19th Series	5.00%	2024	14,450	14,450
7th Series	4.00% – 5.00%	2038	196,955	200,000
7th Series Refunding	5.00%	2029	30,900	30,900
8th Series A	4.00% – 5.25%	2017	58,285	—
8th Series B	Variable	2031	105,000	—
8th Series C	Variable	2031	50,000	—
8th Series D	Variable	2031	50,000	—
8th Series E	Variable	2031	50,000	—
			$ 1,138,162	1,177,769

- In April 2010, **PCCA** issued $281.1 million in revenue bonds through Pennsylvania Economic Development Finance Authority ("PEDFA") for the Convention Center Project. The Series 2010A bonds were issued in the amount of $32.3 million and are tax-exempt serial bonds with interest rates ranging from 4.0% to 5.0%, maturing in 2015. The Series 2010B bonds are federally taxable Build America Bonds. Serial bonds were issued in the amount of $53.3 million and have interest rates ranging from 2.567% to 5.5019% and mature in 2023. Term bonds were issued in the amount of (1) $27.6 million with an interest rate of 6.412% and mature in 2030; (2) $167.9 million with an interest rate of 6.532% and mature in 2039. The proceeds of the bonds, together with other available funds will be used to finance the acquisition of the existing Pennsylvania Convention Center (PCC) in Pennsylvania, finance a portion of the costs of construction, installing and equipping the expansion of PCC, funding of the debt service reserve fund and payment of bonds issuance costs.

- In December 2009, **PPA** issued $131.1 million Series of 2009 Airport Parking Revenue Bonds with interest rates ranging from 3.00% to 5.25% for the purpose of refunding $135.1 million of outstanding Series 1999 Airport Revenue Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.8 million. This difference is being charged to operations through 2030. **PPA** completed the refunding to reduce its total debt service payments over the next 20 years by $15.3 million and to obtain an economic gain (difference between present values of the old and new debt service payments) of $5.1 million.

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

(Amounts in Millions of USD)

Fiscal Year	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	4.6	19.3	7.4	9.4	46.0	43.1	-	0.9
2012	9.7	16.5	8.0	9.1	46.6	40.9	-	0.9
2013	9.4	16.1	10.5	8.6	42.9	39.2	-	0.9
2014	9.2	15.9	11.0	8.1	45.1	37.5	-	0.9
2015	8.7	15.4	11.4	7.5	47.2	35.3	-	0.9
2016-2020	25.9	72.5	65.2	28.6	234.1	140.0	2.2	4.0
2021-2025	18.0	65.7	63.3	11.9	247.4	93.6	4.3	3.7
2026-2030	27.6	62.2	16.2	2.1	229.8	57.1	11.9	1.8
2031-2035	78.9	45.5	-	-	122.4	27.6	-	-
2036-2040	89.0	14.8	-	-	76.6	5.1	-	-
2041-2045	-	-	-	-	-	-	-	-
Totals	281.0	343.9	193.0	85.3	1,138.1	519.4	18.4	14.0

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2009
‡ - Parking Authority amounts are presented as of its fiscal year ended March 31, 2010

(3) Defeased Debt

At year end, defeased bonds are outstanding from the following Component Units of the City as shown below:

(Amounts In Millions of USD)

Pennsylvania Convention Center Authority	356.9
Philadelphia Gas Works †	175.4
Community College of Philadelphia	29.5
School District of Philadelphia	1,108.7
Total	1,670.5

† - Gas Works amounts are presented as of August 31, 2009

- In April 2010, the Lease and Service Agreement ("LSA") between the City of Philadelphia (the City) and the Pennsylvania Convention Center Authority **(PCCA)** was terminated concurrent with the defeasance of the Series 2005 bonds. With the termination of LSA, the City, Commonwealth of Pennsylvania (Commonwealth) and **PCCA** entered into an Operating Agreement which requires the Commonwealth to fund **PCCA's** net operating deficits, reserve fund requirements and debt service related to the expansion project and defeasance of the **PCCA** bonds. The City is required to pay an annual $15.0 million service fee and to remit **PCCA's** portion of hotel tax receipts to the Commonwealth. In FY2010, the initial year of the Operating Agreement, the City was obligated to pay the lease and service fee through the end of the month in which the bonds were defeased (April 2010) and a pro-rated portion of the $15.0 million service fee. The Commonwealth was obligated to pay **PCCA's** net operating deficit and reserve requirements less hotel tax revenues for the remaining months of the fiscal year (May & June 2010), in addition to a one-time payment of the pro-rated portion of the debt service already paid by the City in that fiscal year.

- During FY 2009 **PGW** issued $313,285,000 of Eighth Series Bonds during FY 2009. The Eighth Series A fixed rate bonds were issued in the amount of $58,285,000 and the Eighth Series B, Eighth Series C, Eighth Series D and the Eighth Series E variable rates bonds were issued in the amounts of $105,000,000,

$50,000,000, $50,000,000 and $50,000,000, respectively. The proceeds of the sale were utilized to currently refund Sixth Series variable rate bonds in the amount of $311,615,000. The refunding of this existing debt resulted in an accounting loss of $29,033,000. This loss is being deferred and amortized as interest expense over the life of the new bond.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. Rebate-able arbitrage earnings occur when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceeds the bond yield paid to investors. As of June 30, 2010, the arbitrage rebate calculation for **SDP** indicated a liability for 98% of the total in 2011 (based on current market conditions which could change when actually due and payable) totaling $4.3 million.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective and Terms – In January 2006, the City entered into a swap to create a synthetic fixed rate for the Sixth Series 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 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 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 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. Separate trade confirmations with the same terms as the original swap were executed with the counterparty for the Eighth Series C through E.

As of August 31, 2009, the swap 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 is on August 1, 2031.

Fair value – As of August 31, 2009, the swaps had a combined negative fair value for all series of $27,555,000. 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, 2009, 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 swaps' fair value. The swaps include an additional termination event 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 FSA, as long as FSA is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed.

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. In addition, after September 1, 2011, the City would be 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 swap on the financial statements for the year ended August 31, 2009 is as follows (thousands of dollars):

		Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2008	$	13,790	13,790
Change in fair value through August 20, 2009 (refunding of Sixth Series Bonds)		16,771	16,771
Termination of a portion of swap		(4,250)	(4,250)
Termination of hedge upon refunding Sixth Series Bonds		—	(26,311)
Change in fair value from initiation of hedge related to Eighth Series Bonds to year end		1,244	1,244
Balance August 31, 2009	$	27,555	1,244

The interest rate swap liability is included in other liabilities and deferred credits, and the deferred outflow of resources is included in other assets and deferred debits on the balance sheet.

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, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows (amounts in thousands; debit (credit)):

	Change in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Cash flow hedges:					
Pay-fixed interest rate Swaps	Deferred outflow	$ (16,818)	Debt	$ (71,622)	$ 362,675
Investment derivatives:					
Pays-variable interest rate swaps	Investment revenue	$ 2,261	Investment	$ (39,605)	$ 500,000
				$ (111,227)	

As of June 30, 2010, 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.

Objective and Terms:

The following table displays the objective and terms of the School District's hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating Moody's/S&P/Fitch
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-1 Bonds	$60,000	6/29/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-2 Bonds	$54,200	6/29/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series B-3 Bonds	$64,900	6/19/2004	9/1/2030	Pay 3.767%, receive 58.5% of LIBOR + .27%	Aa2/AA/AA-
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series A-1 Bonds	$95,000	6/29/2004	9/1/2030	Pay 3.815%, receive 58.5% of LIBOR + .27%	A2/A/A
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series A-2 Bonds	$78,475	6/29/2004	9/1/2030	Pay 3.761%, receive 58.5% of LIBOR + .27%	Aa3/A/A+
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	$10,100	6/29/2004	9/1/2011	Pay 3.24%, receive 58.5% of LIBOR + .27%	A2/A/A+

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 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, 2010, the School District was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values of $71.6 million. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment 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 exposed to interest rate risk on its interest rate swaps. Should the LIBOR interest rates fall, the School District's net payment increases. As the fair values of the swaps become positive, the School District would be exposed to interest rate risk in the amount of the derivatives' fair value.

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 bears basis risk on each of its fixed-to-floating swaps since the School District receives a percentage of LIBOR to offset the actual variable bond rate the School District pays on its bonds. The School District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the School District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the 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 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 not exposed to any rollover risk, market-access risk, or foreign currency risk.

Terminated Hedges

in addition to the interest rate swaps listed above, the School District had also previously entered into similar agreements related to its Series A-3, B-4, C-1, and D-1 2008 Bonds. On March 9, 2010, the School District executed four confirmations, each effective on April 6, 2010, providing for the termination of the Tax-Exempt Advance Refunding Agreements with (1) Morgan Stanley Capital Services Inc. ("Morgan Stanley") relating to the 2008 Bonds Sub-series C-1 in the current notional amount of $91,000,000 and (ii) Goldman Sachs Bank USA ("Goldman") relating to the 2008 Bonds Sub-series A-3 in the current notional amount of $80,000,000, the 2008 Bonds Sub-series B-4 in the current notional amount of $70,000,000 and the 2008 Bonds Sub-series D-1 in the current notional amount of $58,875,000 (collectively, the "Terminated 2008 Swap Agreements"). On April 6, 2010, the School District made termination payments to the counterparties of the Terminated 2008 Swap Agreements in the aggregate amount of $26,569,000. Such termination payments were funded with a portion of the proceeds of the School District's General Obligation Refunding Bonds, Series C of 2010, which were issued to refund the 2008 Bonds related to the Terminated 2008 Swap Agreements.

Swap payments and associated debt

Using rates as of June 30, 2010, debt service requirements on the School District's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

	Variable Rate Bonds		Interest Rate	
Year Ending June 30	Principle	Interest(1)	Swap, Net(2)	Total
2011	$ 8,055	$16,181	$12,447	$36,683
2012	2,260	16,014	12,304	30,578
2013	110	15,985	12,275	28,370
2014	115	15,980	12,275	28,370
2015	120	15,974	12,275	28,369
2016-2020	640	79,789	61,374	141,803
2021-2025	104,005	71,222	55,918	231,145
2026-2030	217,985	32,604	27,339	277,928
2031-2035	32,330	364	607	33,301
	365,620	264,113	206,814	836,547

(1) Based on assumed interest rate of 4.5% at year end June 30th.
(2) Variable rate receipts based on LIBOR rate plus basis point at year end June 30th.

c. School District of Philadelphia General Obligation and Refunding Bonds

General Obligation Bonds:

On April 6, 2010, the School District issued Series A of 2010 and Series B of 2010 fixed rate general obligation bonds in the aggregate amount of $249.3 million for the Capital Improvement Program. Bond proceeds of $1.9 million were utilized for underwriting fees, and other bond issuance costs. The Series B bonds were designated as federally taxable Build America Bonds, in accord with The American Recovery and Reinvestment Act of 2009. The School District is entitled to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on the Series B Bonds on each interest payment date. The eligibility of this federal subsidy begins during fiscal year 2011.

Refunding Bonds:

(1) On April 6, 2010, the School District issued Series C of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $300.0 million to refund certain maturities of the outstanding Series A, B, C, and D of 2008, terminate the related Swap Agreements, and pay the associated swap termination payments. Bond proceeds of $1.9 million were utilized for underwriting fees, and other issuance costs.

Securities for the issues 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 (SLG) of $303.8 million which were used to retire the subseries A-3, B-4, C-1, C-2, and D-1 of 2008.

(2) On April 6, 2010, the School District issued Series D of 2010 fixed rate general obligation bonds (GOB) in the aggregate amount of $49.4 million to refund certain maturities of the outstanding Series of A of 1999. Bond proceeds of $0.3 million 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 (SLG) of $52.6 million which were used to retire the Series of A of 1999.

(3) For accounting purposes, these advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $52.0 million. This difference is being amortized through the operations in the District-wide statements until the year 2023.

(4) An analysis was completed to determine the cash flow difference between the old debt and new debt. This analysis indicates a cash flow of $10.1 million less over the life of the issue than the cash flow required to service the old debt. In addition, there was an economic loss (difference between the present value of the debt service payments on the old and new debt) of $9.7 million to the School District.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	5,990	25,821	3,650
Additional Rentals	-	144,485	170
Sublease	10,998	-	411
Total Rental Income	16,988	170,306	4,231

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

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2011	4,082	15,680	5,134
2012	4,173	13,561	4,083
2013	4,266	13,365	2,946
2014	4,363	7,044	2,324
2015	4,462	7,016	1,888
2016-2020	23,897	29,769	5,557
2021-2025	26,844	16,151	2,599
2026-2030	30,245	11,922	1,634
2031-2035	34,172	6,640	871
2036-2040	-	-	944
2041-2045	-	-	944
2046-2050	-	-	808
2051-2055	-	-	808
2056-2060	-	-	808
2061-2065	-	-	808
2066-2070	-	-	808
2071-2075	-	-	808
2076-2080	-	-	808
2081-2085	-	-	772
2086-2090	-	-	571
Total	136,504	121,148	35,923

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	134,411	21,718	13,861
Additional	-	-	73
Sublease	463	-	-
Total Rental Expense	134,874	21,718	13,934

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

(Amounts In Thousands of USD)

	Primary Government		Component Units
Fiscal Year Ending June 30	Governmental Funds	Proprietary Funds	
2011	31,170	775	13,354
2012	30,958	758	11,197
2013	29,143	481	8,954
2014	24,882	93	9,011
2015	24,101	47	5,376
2016-2020	93,456	-	7,973
2021-2025	32,131	-	-
2026-2030	17,895	-	-
2031-2035	17,449	-	-
2036-2040	-	-	-
2041-2045	-	-	-
Total	301,185	2,154	55,865

2) CAPITAL LEASES

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

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Component Units
2011	1,615
2012	1,301
2013	991
2014	900
2015	670
2016 -2020	2,813
2021 -2025	1,247
Future Minimum Rental Payments	9,537
Interest Portion of Payments	(1,932)
Obligation Under Capital Leases	7,606

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, 2010, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASBS #32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements**.**

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of 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 RESERVATIONS

The City has reserved portions of several funds' Fund Balances. Following is a description of all such reservations followed by a summary of the major funds at year end for the Primary Government:

Reserved for Encumbrances - An account used to segregate a portion of Fund Balance for expenditure upon vendor performance

Reserved for Intergovernmental Financed Programs - An account used to segregate a portion of Fund Balance legally restricted to programs to improve the City's financial status.

Reserved for Behavioral Health - An account used to segregate a portion of Fund Balance that is required to be held in reserve to ensure adequate funding for costs of managed behavioral health care.

Reserved for Stadium Financing- An account used to segregate a portion of Fund Balance that represents amounts that were restricted for debt service for Stadium Financing.

Reserved for Neighborhood Revitalization - An account used to segregate a portion of Fund Balance for the purpose of revitalizing various neighborhoods in the City of Philadelphia.

Reserved for Public Safety Emergency Phone System - An account used to segregate a portion of Fund Balance legally restricted for the improvement of the emergency phone system.

Reserved for Central Library Project - An account used to segregate a portion of Fund Balance for the amount held by the fiscal agent for the purpose of renovating the central library.

Reserved for Cultural and Commercial Corridor Financing: An account used to segregate a portion of fund balance for the amount held by the fiscal agent for the purpose of funding cultural and commercial corridor improvements.

(Amounts In Millions of USD)	General Fund	Health Choices Behavioral Health Fund	Grants Revenue Fund	Total
Reserved Fund Balance:				
Reserved for Encumbrances	87.9	-	-	87.9
Reserved for Neighborhood Revitalization	-	-	73.1	73.1
Reserved for Behavioral Health	-	171.0	-	171.0
Reserved for Intergov Financed Programs	-	-	7.9	7.9
Reserved for Emergency Phone System	-	-	40.4	40.4
Reserved for Central Library Project	2.3	-	-	2.3
Reserved for Stadium Financing	0.6			0.6
Reserved for CCC Project	30.8	-	-	30.8
Total Reserved Fund Balance	121.6	171.0	121.4	414.0

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:				
(Amounts in Thousands of USD)	**Governmental**	**Non major Governmental**			
Transfers From:	**General**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General	-	298	134,734	1,039	136,071
Grants	13,262	-	954	9,173	23,389
Non major Special Revenue Funds	300,793	-	59,913	9,575	370,281
Water Fund	2,304	-	26,011	-	28,315
Total	316,359	298	221,612	19,787	558,056

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government 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	2,071.0
Service Agreements	2,200.1
Employee Related Obligations	540.1
Indemnities	47.7
Arbitrage	1.2
Leases	31.1
Total Adjustment	4,891.2

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- The Water Fund's Net Assets beginning balance was increased by $8.7 million representing the net effect of corrections made to Capital Assets accounts in the amount of $1.8 million and an increase of $6.9 million for the capitalization of the Water billing system to record Intangible Assets.

- The Aviation Fund's Net Assets beginning balance was increased by $2.1 million representing the net effect of corrections made to Capital Assets accounts to record Intangible Assets.

- **PICA's** July 1, 2009 net assets beginning balance was decreased by ($2.0) million. The re-statement was the result of fees recognized as income in a prior year rather than being deferred. Fees received from debt service forward delivery agreements should be amortized over the term of the agreement and reported as investment income as they become recognized. In addition, the cumulative effect of adopting GASB 53 was an increase of $45.2 million to the July 1, 2009 deficit in net assets.

B. COMPONENT UNITS

- District-wide net assets beginning balances were decreased by $41,940,887. This adjustment involved Capital Assets and Derivative Instruments. For Capital Assets, this adjustment involved correction for an understatement of accumulated depreciation of Buildings and Improvements in the amount of $22,126 and $53,380, respectively. Also a reclassification was made between Buildings and Improvements in the amount of $2,212,600. In addition, the School District implemented Governmental Accounting Standard Board Statement No. 53 which required an adjustment of the beginning net asset balance of $41,865,381 to reflect deferred outflows under the investment derivative for variable interest rate swaps that did not meet hedging instrument effectiveness criteria at June 30, 2009.

- The RDA decreased its net assets beginning balance at June 30, 2008 by $2,976,772 as a result of closing inactive projects

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports $1,194.5 million of restricted net assets, of which $54.7 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	317,463	-
Debt Service	295,077	-
Behavioral Health	213,469	-
Intergovernmental Finance	7,932	-
Neighborhood Revitalization	73,065	-
Stadium Financing	623	-
Central Library Project	2,329	-
CCC Project	30,753	-
Grant Programs	63,817	15,242
Rate Stabilization	145,693	-
Libraries & Parks:		
Expendable	2,768	-
Non-Expendable	1,931	-
Education Programs	-	
Other	39,582	39,418
Total	1,194,502	54,660

15. FUND DEFICITS

- The General Fund has a Fund Balance Deficit at year end of $130.3 million
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of $4.0 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 334 disconnection permits were issued resulting in a refund or final credit of approximately $329,500 and 960 new connection permits were issued resulting in additional advance service charges of approximately $338,200.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. One blended component unit, **PICA**, and three discretely presented component units - the **SDP, PCCA**, and **CCP** - participate in state administered cost-sharing multiple employer plans. In addition, one discretely presented component unit - **RDA** – maintains its own single employer defined benefit plans.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). The plan maintained by the City's component unit is the Redevelopment Authority of the City of Philadelphia Retirement Plan (RDA Plan).

Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

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.

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, 2009 was as follows:

Retirees and beneficiaries currently receiving benefits	35,694
Terminated members entitled to benefits but not yet receiving them	1,336
Active members	28,632
Total Members	65,662

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 of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries (the Dombrowski suit) is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:

☐ non active member's benefit modifications (10 years)
☐ experience gains and losses (15 years)
☐ changes in actuarial assumptions (20 years)
☐ active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $566.0 million or 40.0% of the covered payroll of $1,423.0 million. The City's actual contribution was $297.4 million. The City's contribution did not meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2010 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 8.75% to 8.25% assuming a partial deferral of the pension payments in fiscal years 2010 and 2011 of $150 million and $90 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.

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

(Millions of USD)

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2008	561.0	76.10%	(559.5)
2009	559.0	81.47%	(456.0)
2010	597.0	52.36%	(171.6)

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2009. 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 8.25%
- projected annual salary increases of 5% (including inflation)
- annual inflation of 2.75%
- 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.

(Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%

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:

(Thousands of USD)

Annual Required Contribution (ARC)	581,123
Interest on Net Pension Obligation (NPO)	(39,899)
Adjustment to ARC	55,744
Annual Pension Cost	596,968
Contributions Made	(312,556)
Increase in NPO	284,412
NPO at beginning of year	(455,988)
NPO at end of year	(171,576)
Interest Rate	8.75%
15 Year amortization Factor (EOY)	8.18%

e. Derivative Instruments

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

The City of Philadelphia Municipal Pension Fund (Pension Fund) enters into a variety of financial contracts which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Pension Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, 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 used 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, 2010.

Derivative Instruments

List of Derivatives Aggregated by Investment Type

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Credit Default Swaps Bought	Investment Revenue	$ 7,637.27	Swaps	$ 45,630.00	$ 507,000.00
Credit Default Swaps Written	Investment Revenue	1,461,516.94	Swaps	(280,318.98)	4,344,485.53
FX Forwards	Investment Revenue	2,911,239.94	Long Term Instruments	6,454,533.77	0.00
Index Futures Long	Investment Revenue	23,238,058.28	Futures	(3,080,040.90)	152,030.00
Pay Fixed Interest Rate Swaps	Investment Revenue	(423,746.11)	Swaps	(423,746.11)	5,407,000.00
Receive Fixed Interest Rate Swaps	Investment Revenue	14,315.48	Swaps	0.00	0.00
Rights	Investment Revenue	71,224.69	Common Stock	167,463.12	816,539.00
TBA Transactions Long	Investment Revenue	567,276.44	Long Term Instruments	50,564.32	8,700,000.00
Total Return Swaps Bond	Investment Revenue	69,728.42	Swaps	0.00	0.00
Warrents	Investment Revenue	17,296.33	Common Stock	12,614,381.98	12,287,869.00
Grand Totals		$ 27,934,547.68		$ 15,548,467.20	

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 following tables show the details of counter parties and their rating information as follows:

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

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Royal Bank of Scotland PLC	33%	A+	AA-	Aa3
UBS AG	32%	A+	A+	Aa3
Citibank N.A.	20%	A+	A+	A1
Barclays Bank PLC Wholesale	6%	AA-	AA-	Aa3
HSBC Bank USA	2%	AA	AA	Aa3
UBS AG London	2%	A+	A+	Aa3
HSBC Bank PLC	1%	AA	AA	Aa3
JPMorgan Chase Bank N.A.	1%	AA-	AA-	Aa1
Morgan Stanley & Co. International PLC	1%	A	A	A2
BNP Paribas SA	0%	AA	AA-	Aa2
Credit Suisse London Branch (GFX)	0%	A+	A-	Aa1
Brown Brothers Harriman + Co	0%	NR	A+	NR
Deutsche Bank AG London	0%	A+	A-	Aa3
State Street Bank London	0%	A+	A+	A1
Bank of America Securities LLC	0%	A	A+	A2
Royal Bank of Canada (UK)	0%	A-	AA	Aaa
Societe Generrale	0%	A+	A+	Aa2
Goldman Sachs + Co.	0%	A	A+	A1
Goldman Sachs International	0%	A	A+	A1
JPMorgan Securities Inc.	0%	A+	AA-	Aa3
Westpac Banking Corporation	0%	AA	AA	Aa1
Morgan Stanley Capital Services Inc.	0%	A	A	A2

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

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

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2010, was $27.9 million. 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 $2.6 million of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of $25.4 million.

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, 2010 the Pension Fund entered into interest rate swaps. Under the receive fixed interest rate type swap agreements, the Pension Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. The total received fixed interest rate Swaps were $14,315.48. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Pension 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 Pension Fund's net payment on the swap increases. The pay fixed interest rate Swaps were ($423,746.11).

The following table show the interest rate swaps including reference rates and interest rate risk disclosure for June 30, 2010.

Asset ID	Asset Description	Fair Value	Notional
Pay Fixed Interest Rate Swaps			
OWP158397	OWP158397 IRS USD R V 03MLIBOR/ OWP158397 IRS USD P F .00000	$ (35,445.39)	$ 460,000.00
OWP158470	OWP158470 IRS USD R V 03MLIBOR/ OWP158470 IRS USD P F .00000	(48,464.78)	590,000.00
OWP158538	OWP158538 IRS USD R V 03MLIBOR/ OWP158538 IRS USD P F .00000	(90,705.24)	1,140,000.00
OWP158611	OWP158611 IRS USD R V 03MLIBOR/ OWP158611 IRS USD P F .00000	(92,038.52)	1,197,000.00
OWP159155	OWP159155 IRS USD R V 03MLIBOR/ OWP159155 IRS USD P F .00000	(37,576.84)	460,000.00
OWP159478	OWP159478 IRS USD R V 04MLIBOR/ OWP159478 IRS USD P F .00000	(119,515.34)	1,560,000.00
Total Pay Fixed Interest Rate Swaps:		$ (423,746.11)	5,407,000.00

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make a delivery of a specific financial instrument at a predetermined date and price. Gains and losses on future 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 Pension 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 Pension Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2010 of $23.2 million represent a restriction on the amount of assets available as of year-end for other purposes.

Forward contracts: The Pension 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. At June 30, 2010, the FX Forwards had a fair value of $2.9 million.

Termination risk: The Pension 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 Pension Fund is exposed to termination risk on its receive-fixed interest rate swap. The Pension 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. The total credit default swaps bought at fair market value were $7,637.27 and the total credit default swaps written were $1.5 million.

Rollover Risk: The Pension 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, it the counterparty exercises its option, the Pension 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 $71,224.69 and warrants that were $17,296.33.

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	3,885

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 $15.2 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Historically, payments to beneficiaries of the **PGW** Plan are made by the Fund and not from the assets of the Plan. During the year, payments to beneficiaries exceeded the Fund's actuarially computed pension contribution and a withdrawal of $16.8 million from the pension assets was necessary to meet beneficiary payment obligations.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2009 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded/ (Over Funded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
09/01/2009	$355,499	$519,773	$164,274	68.4%	$108,474	151.4%

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

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d. Annual Pension Cost

PGW's annual pension cost for the current year was $15,425,000 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.

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

(Amounts in Millions of USD)

Fiscal Year Ended August 31	Annual Required Contribution	Percentage Contributed
2007	15.2	100%
2008	14.3	100%
2009	15.4	100%

e. Summary of Significant Accounting Policies

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

(3) Component Unit - Redevelopment Authority Plan

a. Plan Description

The **RDA** contributes to the Redevelopment Authority of the City of Philadelphia Retirement Plan (the Plan) which is a single-employer defined benefit pension plan. **RDA** does not issue separate financial statements for its pension plan.

Substantially all full time **RDA** employees are eligible to participate in the Plan after six months of service. Benefits vest after five years of service. **RDA** employees who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final monthly salary multiplied by the number of months of credited service up to 20 years plus 2% of final monthly compensation multiplied by months of credited service in excess of 20 years up to a maximum of 35 years. The Plan also provides death and disability benefits which are determined in a manner similar to the retirement benefits.

b. Funding Policy

The plan's funding policy provides for actuarially determined periodic employer contributions which account for benefits that increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the **RDA's** employee group as a whole has tended to remain level as a percentage of annual covered payroll. **RDA** employees are required to contribute 6% of their salary to the Plan. The **RDA** is required to contribute the remaining amounts necessary to fund the Plan as defined under Act 205 of the Commonwealth of Pennsylvania Code.

c. Annual Pension Cost

The contribution for the Plan for Fiscal 2010 of $1.8 million (approximately 46% of covered payroll, representing normal cost) was determined in accordance with actuarially determined requirements computed through the actuarial valuation performed as of January 1, of each respective year using the aggregate cost method. The **RDA** contributed $1,564,208 and the employees contributed $251,917 (approximately 7% of current covered payroll).

Significant actuarial assumptions include a 7.75% rate of return on investment assets, projected salary increases of 6% per year (4% for merit and promotion, 2% for inflation) and no post-retirement benefit increases.

The actuarial value of assets was determined based on contractual value, which approximated fair value. As of the latest actuarial valuations, performed as of January 1, 2010 the actuarial accrued liability was $50.3 million and the actuarial value of assets was $43.1 million. The Unfunded Actuarial Accrued Liability (UAAL) over the actuarial value of asset is $7.2 million. The UAAL is being amortized over the average lifetime of active plan participants. The portion of the UAAL arising from actuarial gains and losses is amortized over a 15-year period.

The Net Pension (Benefit) Obligation as of June 30, 2010 is as follows:

	Amounts in Thousands
Annual Required Contribution	1,508.2
Interest On Net Pension Obligation	49.0
Adjustment to Annual Required Contribution	718.2
Annual Pension Cost	2,275.5
Contributions Made	(1,564.2)
Increase In Net Pension Obligation	711.3
Net Pension Obligation - Beginning of Year	183.9
Net Pension Obligation - End of Year	895.2

The **RDA's** actuarially required contributions and percentage contributed for the last three years are summarized below:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2008	896.1	101%	(606.2)
2009	2,467.3	100%	183.9
2010	1,478.3	100%	895.2

d. Funding Status and Funding Progress

The funding status of the pension plan as of January 1, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal Cost Method	Unfunded Actuarial Accrued Liqbility (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	(b - a) / c
01/01/2010	$43,112	$50,278	$7,166	85.75%	$3,532	202.89%
01/01/2009	$34,850	$50,256	$15,406	69.34%	$3,384	455.26%
01/01/2008	$48,014	$49,915	$1,901	96.19%	$3,364	56.51%

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liability. The information about the Plan's funded status and funded progress disclosed above has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funded progress of the Plan.

B. MULTIPLE EMPLOYERS PLANS

One of the City's blended component units and three of its discretely presented component units participate in two defined benefit plans (PSERS and SERS) and one, **CCP,** participates in two defined contribution plans (TIAA-CREF and Fidelity Investments) as described below.

The payroll for **CCP** employees covered by any of the four multiple employer plans was $60.4 million and the total payroll was $73.5 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately $5.1 million representing 8.53% of covered payroll. **CCP** employees contributed approximately $4.4 million.

1) Public School Employee Retirement System (PSERS)

a) Plan Description

School Districts and Community Colleges in the Commonwealth of Pennsylvania participate in the State administered Public School Employees Retirement System (PSERS) which is a cost-sharing multiple-employer defined benefit plan. PSERS provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. Authority to establish and amend benefit provisions rests in the Public School Employees' Retirement Code (the Code).

PSERS issues a comprehensive annual financial report which includes financial statements and required supplementary information for the plan. A copy of the report can be obtained by writing to:

Public School Employees' Retirement System
PO Box 125
Harrisburg, PA 17108-0125

b) Funding Policy

Contribution policy is established by the Code and requires contributions from active members, employers and the Commonwealth. Most active members contribute at 5.25% of qualifying compensation. Members joining the PSERS on or after July 22, 1983 contribute at 6.25% (class TC) or 7.50% (class TD). The employer rate is actuarially determined. The rate for fiscal year 2010 was 4.78%, and is composed of a pension contribution rate of 4.00% for pension benefits and .78% for health insurance premium assistance. The **SDP's** contributions for the last three years are as follows:

(Amounts in Millions of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	78.2	100%
2009	58.4	100%
2010	58.4	100%

2) State Employees Retirement System (SERS)

a) Plan Description

PICA and **PCCA** employees and certain **CCP** employees are eligible to participate in the Pennsylvania State Employees Retirement System (SERS) which is a cost sharing multiple employer plan. The SERS provides pension, death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees, who retire at age 60 after 3 years of service or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. The general annual benefit is 2% to 2.5% of the member's highest three year average salary times years of service. The General Assembly has the authority to establish and amend benefits of the SERS. Ad hoc cost-of-living adjustments are provided at the discretion of the General Assembly.

b) Funding Policy

The SERS funding policy is set by the SERS Board. Active members are required to contribute periodically at statutory rates, generally 5 to 6.25% of gross pay. The amount is recorded in an individually identified account that accumulates interest at 4% per year as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Employer contributions are an actuarially determined percentage of payroll such that they, along with employee contributions and an actuarially determined investment rate of return, are adequate to accumulate assets to pay benefits when due.

In May 2001, the **PCCA** initiated Act 2001-9 which created a new Class AA membership, changed the vesting requirements of all members from 10 to 5 years, increased the member contribution rate from 5% to 6.25% and increased the benefit formula to 2.5% of final average salary. New members are automatically enrolled as Class AA. However, election for current members at the time of enactment was voluntary. Contributions of the **PCCA** for the last three years were as follows:

(Amounts in Thousands of USD)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	172.7	100%
2009	191.9	100%
2010	163.5	100%

PICA has not been required to contribute over the past three years.

According to the retirement code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate. During the year and as of year end, the SERS did not hold securities issued by the City or other related parties.

The SERS issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to:

State Employees' Retirement Board
Commonwealth of Pennsylvania
30 North Third Street
Harrisburg, PA 17108-1147

3) Teacher's Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments

a) Plan Description

Community College employees are also eligible to participate in the Teacher's Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is a defined contribution plan and, as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one year waiting period. Part-time faculty may participate after earning four (4) seniority units, as defined in the Collective Bargaining Agreement. College policy and collective bargaining agreements require that both the employee and the college contribute amounts, as set forth below, based on the employees earnings.

The **CCP c**ontributions for each employee (and interest allocated to the employee's account), are fully vested. Death benefits in the amount of the full present value of accumulation are provided to the beneficiary of participants who die prior to retirement. There are a variety of payments available. The **CCP** has 1,170 employees participating in this plan.

b) Funding Policy

The employer's contribution requirement for full-time faculty and administrators and other staff is 10% of the base contract amount. For visiting lecturers, the rate is 5% of the base contract. For part-time faculty, the rate is 5% of all earnings. For all employees, the employee's contribution requirement is 5% of base salary.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. 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 2010, the City paid $71.7 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)
Annual required contribution	93,602
Interest on net OPEB obligation	1,057
Adjustment to ARC	(815)
Annual OPEB cost	93,844
Payments made	(71,693)
Increase/(Decrease) in net OPEB Obligation	22,151
Net OPEB obligation - beginning of year	21,150
Net OPEB obligation - end of year	43,301

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, 2010 was as follows:

amounts in thousands USD

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2010	$	93,844	76%	$	43,301
6/30/2009	$	98,733	82%	$	21,150
6/30/2008	$	83,373	96%	$	3,668

Funded Status and Funding Progress: As of July 1, 2009, 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 $1.1 billion. The covered annual payroll was $ 1.463 billion and the ratio of the UAAL to the covered payroll was 79.0 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 post-employment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. In adopting the requirements of GASB Statement No. 45, during the year ended June, 2008, **SDP** recognizes the costs of post-employment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands of the **SDP'**s future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2008.

Plan description: **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Disabled employees' eligibility is determined by the insurance company providing the coverage. An un-audited copy of the life insurance benefit plan can be obtained by writing to the School District of Philadelphia, 440 North Broad Street, Philadelphia, PA. 19130; Attention: Benefits Management.

Funding Policy: **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, 2008, the effective date of the bi-annual OPEB valuation is below. There have been no significant changes in the number covered or the type of coverage since that date.

Active	Number of Employees	Average Age
Represented	16,308	45.5
Non-Represented	1,223	48.6
Retirees	8,918	76.2
Disabled	135	58.2
	26,584	56.0

Annual OPEB Cost and Net OPEB Obligation: The **SDP's** annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by the Entry Age Normal Cost Method. 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, which under GASB Statement No. 45 may be amortized over no more than 30 years. The following table shows the elements of **SDP's** annual OPEB cost for the year, the amount paid in behalf of the plan, and changes in **SDP's** net OPEB obligation to the plan for the year ended June 30, 2009.

	(USD)
Annual required contribution	659,317
Interest on net OPEB obligation	-
Annual OPEB cost/(expense)	659,317
Payments made	(659,317)
Increase/(Decrease) in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	-

The schedule of funding progress presents the results of Other Post-employment Benefits (OPEB) valuation as of July 1, 2008 for the fiscal year ending June 30, 2008. Looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Actuarial Unfunded/ AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
06/30/2010	$0	$14,533,000	$14,533,000	0.0%	N/A	N/A
06/30/2008	$0	$13,862,000	$13,862,000	0.0%	N/A	N/A

Note: As of June 30, 2010, the plan is not funded and therefore there are no assets. Payroll is assumed to increase at an average rate of 4.00% per year. (N/A = not applicable – life insurance benefit is not based upon payroll)

SDP's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Paid		Net OPEB Obligation
6/30/2010	$	659,317	100%	$	-
6/30/2009	$	640,650	100%	$	-
6/30/2008	$	591,379	100%	$	-

Basis of Accounting: As defined by GASB #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. **SDP's** policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement #45.

Funded Status and Funding Progress: As of June 30, 2010, the most recent (initial) actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability of $14.5 million and the actuarial value of assets was $0, resulting in an unfunded actuarial liability (UAAL) of $14.5 million.

Active	$	3,411,000
Inactive		11,122,000.0
Total	$	14,533,000

Actuarial Methods and Assumptions: The actuarial assumptions used in the June 30, 2008 OPEB actuarial valuations are those specific to the OPEB valuations:

- Investment return (discount rate) not fully funded: 4.00%
- Mortality for healthy and disabled participants: The Uninsured Pensioner 1994 Mortality Table (UP94) projected for 10 years, with an age set back one year for males and females.
- Payroll increases: Payroll is assumed to increase at an average rate of 4.00% per year.
- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first 5 years of service withdrawal rates were assumed ranging from 24.49% to 10.88%.
- After 5 years of service retirement rates ranged from 11.31% at age 55 through 100% at ages 70 and above.
- Disability incidents were as follows:

		Percentage	
Attained		Disability Incidence	
Age	Withdrawal	Male	Female
25	24.75%	0.016%	0.027%
30	18.01%	0.016%	0.027%
35	10.98%	0.067%	0.053%
40	7.91%	0.120%	0.087%
45	6.71%	0.120%	0.120%
50	4.03%	0.187%	0.167%
55	3.81%	0.287%	0.320%
60	6.40%	0.387%	0.320%
65	13.63%	0.067%	0.107%

- Accelerated death benefit: This benefit was assumed as an immaterial value.

Philadelphia Gas Works (PGW) OPEB

Plan description: **PGW** provides certain health care and life insurance benefits for approximately 1,936 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. Total expenses incurred for health care amounted to $37.1 million, of which approximately 50.7% relates to retirees and their dependents. Total premiums for group life insurance amounted to $1.8 million of which approximately 76.0% 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, 2009. The actuarial valuations involve estimates of the value 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

Healthcare costs trend rates

Year	Medical	Prescription	Dental
1	9.0%	9.0%	4.5%
2	8.0%	8.0%	4.5%
3	7.0%	7.0%	4.5%
4	6.0%	6.0%	4.5%
5	5.0%	5.0%	4.5%
6	4.5%	4.5%	4.5%
7	4.5%	4.5%	4.5%
8	4.5%	4.5%	4.5%
9	4.5%	4.5%	4.5%
10 & beyond	4.5%	4.5%	4.5%

- Benefit Assumption – the initial per capita dost 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, election (participation rates), and coverage levels.

Annual OPEB Cost and Net OPEB Obligation: In FY2009 PGW paid retiree benefits in the amount of $20.1 million, which consisted of $18.8 million in healthcare expenses and $1.3 million in life insurance expenses. The difference between the ARC and the expenses paid resulted in an increase in the OPEB liability of $26.0 million. As of August 2009, the actuarial accrued liability for benefits was $635.8 million, all of which was unfunded and the ratio of the unfunded actuarial accrued liability to the covered payroll was 589.1%

The following table shows the calculation of **PGW's** OPEB liability for FY2009. This amount has been recorded in other liabilities and deferred credits and has been expensed in FY2009.

	(Amounts in Thousands)
Annual required contribution	46,795
Interest on net OPEB obligation	2,613
Adj to annual required contribution	(3,399)
Annual OPEB cost	46,009
Payments made	(20,057)
Increase/(Decrease) in net OPEB obligation	25,952
Net OPEB obligation - beginning of year	52,255
Net OPEB obligation - end of year	78,207

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2009 and the preceding years is as follows:

(Amounts in Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
6/30/2009	$ 46,009	43.59%	$ 78,207
6/30/2008	44,114	41.44%	52,255
6/30/2007	45,237	41.60%	26,421

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.

Redevelopment Authority (RDA) OPEB

Plan description: **RDA** self-administers its single-employer, retiree medical and life insurance defined benefits plan. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of RDA. Eligibility begins upon the earlier of age 50 and five years of credited service or the attainment of age 55. Retirees and spouses receive medical benefits for a minimum of five years. If the employee had over 20 years of service at the time of retirement, the benefit will continue for an additional five years but not beyond age 65. Retirees only are eligible for basic life insurance coverage for five years after their retirement.

Funding Policy: *Starting* in FY2008 **RDA's** financial statements reflect the accrual of expenses in accordance with GASB Statement #45. Formerly, **RDA** accounted for, and financed expenses on a pay-as-you-go basis. For the year ended June 30, 2010, $533,791 was actually paid on behalf of a total of 47 retirees.

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

Annual OPEB Cost and Net OPEB Obligation: **RDAs'** OPEB expenses are calculated based on the annual required contribution of the employer (ARC). The ARC and related information was actuarially determined using the entry age normal cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of June 30, 2010, is included in the OPEB liability in **RDA's** Statement of Net Assets.

The following table shows the components of the **RDA's** annual OPEB cost for the year, the amount actually contributed to the plan, and changes in **RDA's** net OPEB obligation to the Retiree Health Plan:

RDA OPEB	(USD)
Normal Cost	413,287
UAAL Amortization	528,294
Adjustment to ARC	(9,609)
Total Annual OPEB Cost	931,972
Contributions Made (pay-as-you-go expds)	(533,791)
Increase in net OPEB obligation	398,181
Net OPEB obligation - beginning of year	638,415
Net OPEB obligation - end of year	1,036,596

RDA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the changes in RDA's net OPEB obligation to the Retiree Health Plan for fiscal year 2010 were as follows:

amounts in thousands USD

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2010	$	931,972	57%	$	1,036,596
6/30/2009	$	898,531	69%	$	629,265
6/30/2008	$	820,597	56%	$	363,179

Funded Status and Funding Progress: As of June 30, 2010, the actuarial accrued liability for benefits was $7.9 million, all of which was unfunded. Actuarial value of assets was $0, resulting in a UAAL of $7.9 million.

The projections of future benefit payments for an ongoing plan's ongoing obligation involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. 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 benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The 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.
Assumptions include a retirement rate of 100% at the age of 56, mortality rates RP-2000 Combined Mortality Table, and a payroll growth rate with projected salary increases of 6.00% per year. The healthcare claims costs were determined based on premium information supplied by the RDA, with pre 65 premiums being adjusted to reflect retiree-specific experience and a standard turnover assumption was based on GASB 45 paragraph 35b. .Healthcare costs are expected to increase at the following rates:

Year	Trend
2010	9.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014+	5.0%

Based on the historical and expected returns of **RDA's** short-term investment portfolio, a discount rate of 5% was used. The amortization cost for the initial UAAL is a level dollar amount for a period of 30 years. The remaining amortization period at June 30, 2010, was 27 years.

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 2010 this transfer amounted to $274.5 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 $64.2 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $119.6 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, Worker's Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was $371.3 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2009 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2009	261.1	144.4	(96.2)	309.3
Fiscal 2010	309.3	156.5	(94.5)	371.3

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were $6.0 million for Unemployment Compensation claims and $55.4 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $318.9 million discounted at 3.5%. On an undiscounted basis, these liabilities total $443.4 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total $292.1 million (discounted) and $329.6 million (undiscounted).

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

B. COMPONENT UNITS

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 $157.0 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, 2009 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2009	153.8	52.7	(40.9)	165.6
Fiscal 2010	165.6	34.1	(42.7)	157.0

The **SDP** Weekly Indemnity, Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. The cost of Weekly Indemnity coverage is shared equally by **SDP** and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were $11.9 million for Weekly Indemnity, $3.7 million for Unemployment Compensation claims and $30.1 million for Workers' Compensation claims. Amounts collected in excess of claims incurred for **SDP's** Weekly Indemnity Plan are included in **SDP's** General Fund as a Reservation of Fund Balance.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for those components using third party carriers. None of the losses of any of the Component Units have been settled with the purchase of annuity contracts.

7. COMMITMENTS

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 $90.5 million.

- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization. **SDP** owes the Commonwealth $56.0 million. Of that amount, the Commonwealth has agreed to continue to defer amounts due from prior years totaling $45.3 million for reimbursement of advanced funds provided for special education transportation costs through fiscal year 2011. Of the $16.7 million incurred in 2008, $5.3 million was still outstanding at June 30th 2010 and has been deferred by the Commonwealth for reimbursement for fiscal year 2011.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a $500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately $371.3 million. Of this amount, $23.8 million is charged to current operations of the Enterprise Funds. The remaining $347.5 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 $91.8 million to the General Fund and $6.2 million to the Enterprise Funds.

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

- *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 Recreation Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe that 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 anticipates completing the Remedial Investigation for the Clearview Landfill by the end of 2010 and completing the Feasibility study in 2011. After completing the Feasibility Study, EPA will issue a Record of Decision. The city denies any liability for Clearview, Folcroft and Folcroft Annex. Insufficient information is available to the City at this time to assess whether the potential loss or exposure to the City in the event of an unfavorable outcome would exceed the reporting threshold.

- *McKenna et al v. City of Philadelphia* – Plaintiffs, three former police officers alleged retaliation in violation of Title VII of the Civil Rights Act of 1964. They secured a jury verdict in May 2008 in the aggregate amount of $10 million, which was reduced to $1.5 million by the district court, based primarily on a statutory damages cap. The district court denied both sides' post-judgment motions, and both sides are appealing. Plaintiffs also seek substantial attorneys' fees, as the prevailing parties.

- *Waterfront Renaissance Associates (WRA) v. City, et. Al., E.D. Pa. No.07 cv 1045* - WRA, proposed developer of a "Work Trade Center" project at 400-456 Christopher Columbus Boulevard, sued the City, City Council, City Planning Commission, Brian Abernathy (then legislative aid 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 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 and alleging that the Ordinance delegates 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 the Philadelphia zoning code. The Court denied the City's Motion to Dismiss Count XV of the Second Amended Complaint.

In the wake of that ruling, Plaintiffs have asked the Court to reopen fact discovery for seventy-five days so that Plaintiffs' can engage in further discovery related to the allegations of that claim. The City opposed that motion. The City also recently moved to dismiss WRA's constitutional claims on mootness grounds on the basis that a recent amendment to the City's zoning laws removed the height restriction from WRA's property. The Court received briefing and supplemental briefing on the mootness issue and will decide that issue. If the Court dismisses WRA's constitutional claims on mootness grounds, then WRA's motion to reopen discovery will likely be moot as well, at least as it applies to those claims.

WRA also has recently moved to supplement its Compliant to add new claims concerning the Central Delaware Riverfront Ordinance. The City opposed the motion contending the new claims are not an appropriate addition to the lawsuit. In the event the Court permits the new claims, WRA has asked for 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 City intends to mount vigorous defenses to defeat the claims. The City's lawyers reasonably believe that the plaintiffs are not likely to succeed on their claims or in the damage amount sought against the City and that City defenses have merit.

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- *Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area):* in November 2003, the City condemned certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Redevelopment Authority of the City of Philadelphia ("RDA") was the record title holder of the property. The City deposited in court in April 2006 estimated just compensation in the amount of $7,714,000. November Term, 2003, No. 2285 (C.C.P. Phila.). In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation, 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 alleged they owned or held equitable interest in and certain development rights to the condemned property. After a view of the premises and a hearing in July 2009, the Board 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 fees), subject to credit for the $7,714,000 already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of $3,298,200, and accruing thereafter until payment at the rate of 4.25% per year through 2009, and at rates not yet fixed for subsequent years. BV #3421.

  The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded. The Court scheduled a case management conference for the cases in February 2010.

  The City vigorously contests the award. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of 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 City's Aviation Fund.

- *G&T Conveyor Co., Inc. v. Ernest Bock & Sons, Inc et al v. City et al., CCP Phila. No. 091103117:* G&T has commenced and pursued a civil action for declaratory and monetary relief against Bock, and Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland (("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about $1.3 million in damages for work performed but unpaid by Bock; and for nearly $7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

  Bock had successfully bid to perform general contractor work on the Airport 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 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 Compliant, 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" compliant 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.

City filed preliminary objections to the Third Party Complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer, City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and bonding companies for indemnity. City also has filed a compliant joining the designer of the project, Daroff Design Inc. and asserting claims for contractual and common law indemnification and/or contribution.

The parties have engaged in voluminous document discovery and exchanges and have commenced with depositions. Under Case Management Order, fact discovery is scheduled to close in July 2011 an trial date is set for November 2011. The City intends to mount vigorous defenses to defeat the 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.

- *Brett Mandel et al v. The City of Phila., CCP Phila. Co., No. 1101-03848*: A total of 18 taxpayers have brought suit against the City in the Court of Common Pleas for the First Judicial District, challenging the City's system for the assessment of real estate taxes for itself and the School District of Philadelphia under the Uniformity Clause of the Pennsylvania Constitution, the First Class County Assessment Law, 72 P.S. §§ 5341.1-5341.21, and the Equal Protection Clause of the United States Constitution.

  Plaintiffs' requested remedies include: (1) a declaration that the City's tax assessment system violates these provisions, and an order requiring the City to implement new assessment policies and procedures that will ensure uniformity; (2) a declaration that the City's 2011 and 2012 real estate tax increase is unconstitutional, and an order requiring the City to refund any revenues received pursuant to that increase; (3) an order prohibiting the City from enforcing any property tax liens and, relatedly, prohibiting the City from proceeding with any Sheriff's sales premised upon unpaid property taxes; and (4) an award of attorneys' fees.

  The City has not yet responded to the complaint, but expects to contest the case vigorously. Plaintiffs' first requested form of relief -- the order requiring the implementation of new assessment policies and procedures -- does not appear to be substantially different from the City's already existing plans for reforming assessment practices, but it is too early to tell whether a settlement will be possible.

  Regarding the other requested forms of relief, Plaintiffs' claims could cost the City well over $100 million if successful, but we have strong defenses to these assertions.

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	3,360
Philadelphia Parking Authority	15,885
	19,245

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, 2010, which amounted to $523.3 million for all open program years as of December 17, 2010. Of this amount, $483.4 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2010 due to timing differences in audit requirements, $28.0 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2009 and prior and $11.8 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 $199.6 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 $114.9 million.

B. COMPONENT UNITS

1) Claims and Litigation

- ***Special Education and Civil Rights Claims –*** There are three hundred seventy-four (374) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of $4.3 million.

  Of those, three-hundred fifty-seven (357) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, two hundred twelve (212) unfavorable outcomes are deemed probable and a hundred (100) are considered reasonably possible in the aggregate amounts of approximately $1.3 million and $0.4 million respectively.

  There are twelve (12) 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 ten (10) are deemed reasonably possible in the aggregate amounts of approximately $0.3 million.

  There are three (3) 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 $0.12 million and $0.06 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 $14.4 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 $1.1 million and $0.2 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 $2.0 million and $3.3 million, respectively, arising from personal injury and property damage claims and lawsuits.

- ***Education Audits -*** The School District receives basic education subsidies from the Commonwealth based primarily on student enrollment. In July of 1995, the Pennsylvania Department of Education ("PDE") notified the School District that the results of an audit conducted by the Auditor General for the fiscal years ending in 1991, 1992 and 1993 indicated School District over-reporting of student enrollment in Fiscal Year 1991, the year established by the Commonwealth as the base for all subsidies through Fiscal Year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately $40.0 million through Fiscal Year 1999 and, subsequently, reduced by half to $20.0 million based on additional reviews and documentation. On May 13, 1999, the School District of Philadelphia appealed the entire finding to the Secretary of Education. The matter remains pending.

  As a result of a subsequent audit of school years 1994-95 through 1996-97, PDE claimed that an additional $20.0 million during the audit period was due from the School District for alleged over-reporting of enrollment. The District denied the claim and produced documentation. Both matters remain pending. Though discussions with state representatives regarding relief from this potential liability are ongoing, no final determination of forgiveness has been made to date. However, there still remains a reasonably possible loss in this category in the total amount of $40.0 million.

- ***Federal Audit*** - The School District was the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from 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 federal funds expended under the awards. On April 14, 2009, the NSF OIG issued its decision to allow $834,406 and disallow the remaining $2,512,246 which NSF would seek to recover. In the opinion of the General Counsel of the School District unfavorable outcomes are deemed reasonably possible for $757,296 of the total. NSF has not initiated any proceedings to recover funds from the School District.

  The U.S. Department of Education ("DOE") Office of Inspector General ("OIG") conducted an audit from May 2007 to May 2009 of significant federal grants which the School District received for fiscal year 2006. A final audit report was issued by the OIG in January 2010. The report questioned $138.8 million of costs which included $121.1 million considered inadequately supported with documentation and $17.7 million considered unallowable costs. The matter is not resolved at this time as the OIG is not an enforcement or decision making authority within DOE. There are several levels of resolution within DOE – the School District will be able to discuss the findings with the DOE program officials, and then request a hearing before an Administrative Law Judge. The final agency decision will be made by the Secretary of Education and that decision can then be appealed to federal court. Therefore, in the opinion of the General Counsel of the School District, 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.

- 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 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 retiring 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 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 FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. No taxing authorities have challenged the tax treatment accorded these termination payments, and the School District has no reason to believe that any such challenge, if brought, would be successful. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. Furthermore, on June 30, 2008, the School District submitted an initial request for a Private Letter Ruling ("PLR") from the Internal Revenue Service to further confirm the School District's determination. The School District is seeking this PLR without prejudice to the School District's position that no such ruling is necessary under these circumstances. School District management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2010, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2010.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1) In October 2010, the City issued Airport Revenue Bond Series 2010 in the amount of $624.7 million. The Series 2010 A bonds (Non-AMT) were issued as serial and term bonds. Insured serial bonds were issued in the amount of $16.5 million with interest rates ranging from 3% to 4.5% and mature in 2035 and uninsured serial bonds were issued in the amount of $113.0 million, with interest rates ranging from 2% to 5.250% and mature in 2030. Insured term bonds were issued in the amounts of $25 million, and $48 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Uninsured term bonds were issued in amounts of $37.8 million and 32.8 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Series 2010B (Non-AMT) for $24.4 million and 2010C (AMT) for $54.7 million were uninsured and issued as serial bonds and will mature in 2015 and 2018 respectively. The series 2010B and 2010C bonds have interest rates ranging from 2% to 5%. The insured 2010D (AMT) serial bonds were issued in the amount of $1.9 million with interest rates ranging from 4% to 4.5% and mature in 2024. The uninsured 2010D serial bonds were issued in the amount of $270.7 million with interest rates ranging from 2% to 5.25% and mature in 2028. The proceeds from the bonds together with other available funds will be used to (1) pay or reimburse for the costs of the 2010 Project, (2) provide for capitalized interest on the 2010A bonds during construction of the 2010 Project, (3) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (4) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (5) currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; (6) fund a deposit to the Parity Sinking Fund Reserve Account; and (7) pay the costs of issuance of the 2010 bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the Philadelphia Authority for Industrial Development (PAID) Airport Revenue Bonds, Series 1998A and together with the 1998B bond sometimes hereinafter referred to, collectively as the International Terminal Bonds.

2) In July 2010, the City issued $285.0 million of Tax and Revenue Anticipation Notes (TRAN) to supplement the receipts of the General Fund of the City for the purpose of paying general expenses of the City prior to the receipt of taxes and other revenues to be received in the current fiscal year. The proceeds will be invested until needed and repaid by June 30, 2011.

3) In July 2010, the City issued Water & Wastewater Revenue Bonds Series 2010 C in the amount of $185.0 million. Serial bonds were issued in the amount of $116.8 million with interest rates ranging from 3.0% to 5.0%, and have a maturity date of 2030. Term bonds were issued in the following amounts (1) $5.2 million with an interest rate of 4.750% and mature in 2035; (2) $24.6 million with an interest rate of 5.0% and mature in 2035; (3) $38.4 million with an interest rate of 5.0% and mature in 2040. 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 & wastewater system, fund payments to terminate a portion of the 2007 swap agreement ($15 million), fund the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

4) In July 2010, the City of Philadelphia Water Department received approval for funding of "green infrastructure" projects from the Pennsylvania State Infrastructure Financing Authority ("Pennvest"). The maximum amount of the loan, as well as, the estimated project costs are $30.0 million. No project draws have been requested to date.

B. COMPONENT UNITS

1) In August 2010 **PGW** issued Gas Works Revenue Bonds (1998 Ordinance) Ninth Series Uninsured Serial bonds in the amount of $14.2 million with interest rates ranging from 2.0% to 5.0%, bonds mature starting in 2011 with the last on maturing in 2015. Insured serial bonds were issued in the amount of

$38.9 million, with interest rates ranging from 3.0% to 5.0% and mature in 2025. Uninsured term bonds were issued in the amounts of $27.1 million and $69.8 million, have interest rates of 5.0% and 5.25%, and mature in 2030 and 2040 respectively. The proceeds from the bonds will be used to fund Gas Works capital projects and various bond issuance costs.

2) In July 2010, the **SDP** issued $425.0 million in Tax and Revenue Anticipation Notes, Series A 2010-2011. The proceeds from the notes are for cash flow purposes and will be invested until needed and repaid by June 30, 2011.

3) On December 8, 2010 the School Reform Commission authorized the restructuring of certain portions of the School District's debt through a refunding and terminated $355.4 million of its remaining interest rate management agreements known as swaps to reduce its exposure to hedged debt and to provide debt service savings. The par amount of Series E of 2010 is $125,880,000 and advance refunded a portion of the School District's Series D of 2005 and the Series A of 2010 Bonds and currently refunded a portion of the Series 2002A, 2005B, 2008A-1, A-2 and A-4, and 2008B-1, B-2, B-3 and B-5 General Obligation Bonds. The Series E bonds converted $52.5 million of variable rate debt to a fixed rate mode and issued bonds to cover the costs of terminating the qualified interest rate management agreements of $63 million and the costs of issuance.

   Simultaneously with the issuance of the Series E Bonds, the School District issued the Series F and G General Obligation Refunding Bonds in the total aggregate amount of $300,000,000. The Series F Bonds of $150,000,000 are enhanced by a three-year letter of credit issued by Barclays Bank, plc and the Series G Bonds of $150,000,000 are enhanced by a three-year letter of credit issued by Wells Fargo Bank, National Association. The Series F and G Bonds are in the variable rate mode and will reset weekly.

   Both bond issues closed on January 3, 2011.

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia
Exhibit XIV

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Tax Revenue	2,339,328	2,334,647	2,316,641	(18,006)
Locally Generated Non-Tax Revenue	275,972	247,290	229,359	(17,931)
Revenue from Other Governments	1,171,136	1,168,941	1,076,381	(92,560)
Revenue from Other Funds	28,134	33,003	31,945	(1,058)
Total Revenues	3,814,570	3,783,881	3,654,326	(129,555)
Expenditures and Encumbrances				
Personal Services	1,358,423	1,378,758	1,358,456	20,302
Pension Contributions	332,175	346,730	346,730	-
Other Employee Benefits	480,600	488,753	484,670	4,083
Sub-Total Employee Compensation	2,171,198	2,214,241	2,189,856	24,385
Purchase of Services	1,149,555	1,169,864	1,111,393	58,471
Materials and Supplies	65,603	66,174	59,894	6,280
Equipment	12,719	15,438	8,800	6,638
Contributions, Indemnities and Taxes	117,875	128,105	128,042	63
Debt Service	121,867	108,867	105,513	3,354
Payments to Other Funds	30,012	30,012	26,056	3,956
Advances, Subsidies, Miscellaneous	25,000	25,000	24,172	828
Total Expenditures and Encumbrances	3,693,829	3,757,701	3,653,726	103,975
Operating Surplus (Deficit) for the Year	120,741	26,180	600	(25,580)
Fund Balance Available for Appropriation, July 1, 2009	(59,979)	(137,187)	(137,188)	(1)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	22,154	(2,346)
Prior Period Adjustments	-	-	406	406
Adjusted Fund Balance, July 1, 2009	(35,479)	(112,687)	(114,628)	(1,941)
Fund Balance Available for Appropriation, June 30, 2010	85,262	(86,507)	(114,028)	(27,521)

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XV**
Required Supplementary Information
Budgetary Comparison Schedule
HealthChoices Behavioral Health Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	10,000	4,959	1,954	(3,005)
Revenue from Other Governments	840,638	789,391	825,185	35,794
Total Revenues	850,638	794,350	827,139	32,789
Other Sources				
Increase in Unreimbursed Committments	-	-	2,698	2,698
Decrease in Financed Reserves	-	-	17,716	17,716
Total Revenues and Other Sources	850,638	794,350	847,553	53,203
Expenditures and Encumbrances				
Purchase of Services	897,959	897,959	805,031	92,928
Equipment	100	100	-	100
Payments to Other Funds	1,580	1,580	919	661
Total Expenditures and Encumbrances	899,639	899,639	805,950	93,689
Operating Surplus (Deficit) for the Year	(49,001)	(105,289)	41,603	146,892
Fund Balance Available for Appropriation, July 1, 2009	-	(5,379)	(5,379)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,250	6,250
Funding for Future Obligations	-	5,379	-	(5,379)
Other Adjustments	49,001	54,000	-	(54,000)
Adjusted Fund Balance, July 1, 2009	49,001	54,000	871	(53,129)
Fund Balance Available for Appropriation, June 30, 2010	-	(51,289)	42,474	93,763

* Refer to the notes to required supplementary information.

City of Philadelphia **Exhibit XVI**

Required Supplementary Information

Budgetary Comparison Schedule

Grants Revenue Fund

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	60,437	75,016	38,956	(36,060)
Revenue from Other Governments	1,327,486	748,867	533,277	(215,590)
Total Revenues	1,387,923	823,883	572,233	(251,650)
Other Sources				
Increase in Unreimbursed Committments	-	-	37,343	37,343
Decrease in Financed Reserves	-	-	4,154	4,154
Total Revenues and Other Sources	1,387,923	823,883	613,730	(210,153)
Expenditures and Encumbrances				
Personal Services	108,481	113,983	82,731	31,252
Pension Contributions	10,329	12,378	9,625	2,753
Other Employee Benefits	17,014	22,173	15,788	6,385
Sub-Total Employee Compensation	135,824	148,534	108,144	40,390
Purchase of Services	889,774	950,823	494,447	456,376
Materials and Supplies	17,534	22,760	14,717	8,043
Equipment	19,896	14,808	4,275	10,533
Contributions, Indemnities and Taxes	-	210	210	-
Payments to Other Funds	24,895	31,886	22,551	9,335
Advances, Subsidies, Miscellaneous	300,000	149,529	-	149,529
Total Expenditures and Encumbrances	1,387,923	1,318,550	644,344	674,206
Operating Surplus (Deficit) for the Year	-	(494,667)	(30,614)	464,053
Fund Balance Available for Appropriation, July 1, 2009	-	(36,712)	(36,712)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	43,177	43,177
Revenue Adjustments - Net	-	-	(14,861)	(14,861)
Other Adjustments	-	36,712	-	(36,712)
Adjusted Fund Balance, July 1, 2009	-	-	(8,396)	(8,396)
Fund Balance Available for Appropriation, June 30, 2010	-	(494,667)	(39,010)	455,657

* Refer to the notes to required supplementary information.

Pension Plans and Other Post Employment Benefits - Schedule of Funding Progress Amounts in millions of USD

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
07/01/2004	4,333.1	7,247.7	2,914.6	59.79%	1,266.0	230.22%
07/01/2005	4,159.5	7,851.5	3,692.0	52.98%	1,270.7	290.55%
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
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%
City of Philadelphia Other Post Employment Benefits						
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%
Philadelphia Gas Works Pension Plan						
09/01/2003	356.0	427.0	71.0	83.37%	101.2	70.16%
09/01/2004	366.8	436.3	69.5	84.07%	102.5	67.80%
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%	103.0	64.27%
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%	108.5	151.43%

Amounts in thousands of USD

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
Revenues			
Budgetary Comparison Schedule	3,654,326	827,139	572,233
Transfers	(316,359)	-	-
Program Income	-	-	72,055
Adjustments applicable to Prior Years Activity	-	-	115
Change in Amount Held by Fiscal Agent	288	-	-
Change in BPT Adjustment	(452)	-	-
Other	10,317	-	(14,976)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,348,120	827,139	629,427
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,653,726	805,950	644,344
Transfers	(137,340)	-	(23,389)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	51,808	(9,264)	9,193
Program Income	-	-	72,055
Other	10,316	-	-
Change in Amount Held by Fiscal Agent	62,817	-	-
Current Year Encumbrances	(59,496)	316	(89,713)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,581,831	797,002	612,490

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to specific purposes.

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

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

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

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

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

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

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 Fairmount Park.

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used for the purpose of accumulating resources for the payment of principal on general obligation term bonds and to function as a conduit for the debt service payments to fiscal agents.

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

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

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

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of the major capital facilities other than those financed by proprietary fund operations.

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

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

PERMANENT FUNDS

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

LIBRARIES & PARKS - Established to account for trust of the Free Library and Fairmount Park.

City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

Schedule I

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	4,736	416	49,864	55,016
Equity in Treasurer's Account	2,167	19,431	6,006	-	4,737	17,998	11,315	39	3,800	-	247	-	-	65,740
Investments	-	-	-	-	-	-	-	-	-	-	858	100	-	958
Taxes Receivable	-	-	5,459	-	678	-	-	-	-	-	-	-	1,268	7,405
Accounts Receivable	-	-	-	2,381	-	-	-	-	-	-	-	3,969	-	6,350
Due from Other Governmental Units	-	-	-	13,230	-	-	-	-	-	-	-	-	-	13,230
Allowance for Doubtful Accounts	-	-	(704)	-	(99)	-	-	-	-	-	-	-	-	(803)
Interest and Dividends Receivable	-	-	-	-	3	11	-	-	-	-	-	-	12	26
Other Assets	-	-	-	-	-	-	-	-	-	-	415	-	31	446
Total Assets	2,167	19,431	10,761	15,611	5,319	18,009	11,315	39	3,800	-	6,256	4,485	51,175	148,368
Liabilities and Fund Balances														
Liabilities:														
Vouchers Payable	3	668	-	2,887	-	1,860	81	1	215	-	118	-	-	5,833
Accounts Payable	-	4,143	4,075	2,685	-	907	440	-	-	-	851	4,255	106	17,462
Salaries and Wages Payable	-	-	-	250	-	-	-	-	-	-	-	-	109	359
Due to Other Funds	-	-	-	9,790	-	-	-	-	6	-	-	-	7,287	17,083
Due to Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funds Held in Escrow	-	-	-	-	-	-	-	-	448	-	765	-	-	1,213
Deferred Revenue	-	-	152	4,019	13	-	-	-	-	-	-	-	-	4,184
Total Liabilities	3	4,811	4,227	19,631	13	2,767	521	1	669	-	1,734	4,255	7,502	46,134
Fund Balances:														
Reserved for:														
Encumbrances	176	537	1,316	-	-	12,523	-	-	645	-	74	-	-	15,271
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	-	-	36,151	36,151
Debt Service Principal & Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	2,486	-	200	-	-	2,686
Unreserved:														
Designated for Trust Purposes	-	-	-	-	-	-	-	38	-	-	4,248	-	-	4,286
Undesignated	1,988	14,083	5,218	(4,020)	5,306	2,719	10,794	-	-	-	-	230	7,522	43,840
Total Fund Balances	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234
Total Liabilities and Fund Balances	2,167	19,431	10,761	15,611	5,319	18,009	11,315	39	3,800	-	6,256	4,485	51,175	148,368

City of Philadelphia **Schedule I**

Combining Balance Sheet

Non-Major Governmental Funds(Continued)

June 30, 2010

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	-	-	49,202	49,202	-	-	-	102	104,320
Equity in Treasurer's Account	1,502	-	-	1,502	139,220	-	139,220	-	206,462
Investments	-	11	30,394	30,405	-	78,566	78,566	4,688	114,617
Taxes Receivable	-	-	-	-	-	-	-	-	7,405
Accounts Receivable	-	-	-	-	-	4	4	1	6,355
Due from Other Governmental Units	-	-	-	-	19,136	-	19,136	-	32,366
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(803)
Interest and Dividends Receivable	-	-	3	3	111	-	111	-	140
Other Assets	-	-	-	-	-	-	-	-	446
Total Assets	1,502	11	79,599	81,112	158,467	78,570	237,037	4,791	471,308
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	6,695	-	6,695	-	12,528
Accounts Payable	-	-	-	-	18,366	1,498	19,864	-	37,326
Salaries and Wages Payable	-	-	-	-	52	-	52	20	431
Due to Other Funds	-	-		-	-	-	-	-	17,083
Due to Component Units	-	-	-	-	-	-	-	72	72
Funds Held in Escrow	-	-	-	-	4,275	-	4,275	-	5,488
Deferred Revenue	-	-	1,970	1,970	15,984	-	15,984	-	22,138
Total Liabilities	-	-	1,970	1,970	45,372	1,498	46,870	92	95,066
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	37,931	-	37,931	-	53,202
Intergovernmental Financing	-	-	-	-	-	-	-	-	36,151
Debt Service Principal & Interest	1,502	11	77,029	78,542	-	-	-	-	78,542
Trust Purposes	-	-	-	-	-	-	-	1,931	4,617
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	2,768	7,054
Undesignated	-	-	600	600	75,164	77,072	152,236	-	196,676
Total Fund Balances	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242
Total Liabilities and Fund Balances	1,502	11	79,599	81,112	158,467	78,570	237,037	4,791	471,308

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2010

Schedule II

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	40,513	-	4,674	-	108,154	-	-	-	-	-	342,661	496,002
Locally Generated Non-Tax Revenue	-	32	595	12,434	5	8,030	-	-	1,627	377	4,238	2,726	235	30,299
Revenue from Other Governments	4,724	23,861	-	44,835	-	-	-	-	-	-	-	-	-	73,420
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	4,724	23,893	41,108	57,269	4,679	8,030	108,154	-	1,627	377	4,238	2,726	342,896	599,721
Expenditures														
Current Operating:														
Economic Development	-	-	34,574	-	-	-	-	-	-	-	-	-	-	34,574
Transportation:														
Streets & Highways	4,314	24,298	-	-	-	-	-	-	-	-	-	-	-	28,612
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	968	-	-	-	-	968
Conservation of Health:														
Health Services	-	-	-	-	-	-	101,360	-	-	-	-	-	-	101,360
Housing and Neighborhood Development	-	-	-	56,246	-	11,346	-	-	-	-	-	-	-	67,592
Cultural and Recreational:														
Parks	-	-	-	-	-	-	-	-	-	-	4,280	-	-	4,280
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	128	-	-	128
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	-	5,000	-	-	60	618	377	391	39,322	864	46,632
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,314	24,298	34,574	56,246	5,000	11,346	101,360	60	1,586	377	4,799	39,322	864	284,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	410	(405)	6,534	1,023	(321)	(3,316)	6,794	(60)	41	-	(561)	(36,596)	342,032	315,575
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	298	36,614	-	36,912
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	(368,964)	(368,964)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	298	36,614	(368,964)	(332,052)
Net Change in Fund Balances	410	(405)	6,534	1,023	(321)	(3,316)	6,794	(60)	41	-	(263)	18	(26,932)	(16,477)
Fund Balance - July 1, 2009	1,754	15,025	-	(5,043)	5,627	18,558	4,000	98	3,090	-	4,785	212	70,605	118,711
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2009	1,754	15,025	-	(5,043)	5,627	18,558	4,000	98	3,090	-	4,785	212	70,605	118,711
Fund Balance - June 30, 2010	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234

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, 2010

Schedule II

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	-	-	-	-	-	-	-	-	496,002
Locally Generated Non-Tax Revenue	129	-	1,263	1,392	-	66	66	496	32,253
Revenue from Other Governments	-	-	-	-	48,439	-	48,439	-	121,859
Other Revenues	-	-	4,450	4,450	12,318	-	12,318	-	16,768
Total Revenues	129	-	5,713	5,842	60,757	66	60,823	496	666,882
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	34,574
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	28,612
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	968
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	101,360
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	67,592
Cultural and Recreational:									
Parks	-	-	-	-	-	-	-	2,171	6,451
Libraries and Museums	-	-	-	-	-	-	-	-	128
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-	-	42,035	42,035	-	124	124	-	88,791
Capital Outlay	-	-	-	-	137,913	10,939	148,852	-	148,852
Debt Service:									
Principal	34,485	15,008	40,216	89,709	-	-	-	-	89,709
Interest	62,047	13,888	20,805	96,740	-	-	-	-	96,740
Bond Issuance Cost	22,517	-	988	23,505	-	-	-	-	23,505
Total Expenditures	119,049	28,896	104,044	251,989	137,913	11,063	148,976	2,171	687,282
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,920)	(28,896)	(98,331)	(246,147)	(77,156)	(10,997)	(88,153)	(1,675)	(20,400)
Other Financing Sources (Uses)									
Issuance of Debt	-	-	206,960	206,960	-	-	-	-	206,960
Issuance of Refunding Bonds	337,025	-	-	337,025	-	-	-	-	337,025
Bond Issuance Premium	-	-	24,253	24,253	-	-	-	-	24,253
Bond Issuance Discount	(1,003)	-	-	(1,003)	-	-	-	-	(1,003)
Bond Defeasance	(313,505)	-	(190,539)	(504,044)	-	-	-	-	(504,044)
Transfers In	96,191	28,896	59,912	184,999	19,786	-	19,786	-	241,697
Transfers Out	-	-	-	-	-	-	-	(48)	(369,012)
Total Other Financing Sources (Uses)	118,708	28,896	100,586	248,190	19,786	-	19,786	(48)	(64,124)
Net Change in Fund Balances	(212)	-	2,255	2,043	(57,370)	(10,997)	(68,367)	(1,723)	(84,524)
Fund Balance - July 1, 2009	1,714	11	77,343	79,068	170,465	88,069	258,534	6,422	462,735
Adjustment	-	-	(1,969)	(1,969)	-	-	-	-	(1,969)
Fund Balance Adjusted - July 1, 2009	1,714	11	75,374	77,099	170,465	88,069	258,534	6,422	460,766
Fund Balance - June 30, 2010	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242

City of Philadelphia

Schedule III

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2010

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	373,825	3,471,907	3,845,732
Securities Lending Collective Investment Pool	-	440,491	440,491
Allowance for Unrealized Loss	-	(3,899)	(3,899)
Accounts Receivable	-	4,334	4,334
Due from Brokers for Securities Sold	2,445	866,955	869,400
Interest and Dividends Receivable	1,236	10,432	11,668
Due from Other Governmental Units	-	4,777	4,777
Total Assets	377,506	4,794,997	5,172,503
Liabilities			
Vouchers Payable	-	36	36
Accounts Payable	566	3,301	3,867
Salaries and Wages Payable	-	158	158
Funds Held in Escrow	-	365	365
Due on Return of Securities Loaned	6,281	440,491	446,772
Due to Brokers for Securities Purchased	2,335	844,726	847,061
Accrued Expenses	-	1,734	1,734
Deferred Revenue	-	2,071	2,071
Other Liabilities	-	513	513
Total Liabilities	9,182	1,293,395	1,302,577
Net Assets Held in Trust for Pension Benefits	368,324	3,501,602	3,869,926

City of Philadelphia

Schedule IV

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	23,099	312,556	335,655
Employees' Contributions	-	51,570	51,570
Total Contributions	23,099	364,126	387,225
Investment Income:			
Interest and Dividends	9,853	70,538	80,391
Net Gain in Fair Value of Investments	37,189	401,243	438,432
(Less) Investments Expenses	(2,520)	(15,989)	(18,509)
Securities Lending Revenue	75	2,852	2,927
Securities Lending Unrealized Loss	-	(3,899)	(3,899)
(Less) Securities Lending Expenses	(30)	(1,033)	(1,063)
Net Investment Gain	44,567	453,712	498,279
Miscellaneous Operating Revenues	-	712	712
Total Additions	67,666	818,550	886,216
Deductions			
Personal Services	-	3,815	3,815
Purchase of Services	-	1,952	1,952
Materials and Supplies	-	76	76
Employee Benefits	-	2,111	2,111
Pension Benefits	35,349	680,122	715,471
Refunds of Members' Contributions	-	4,520	4,520
Other Operating Expenses	-	120	120
Total Deductions	35,349	692,716	728,065
Change in Net Assets	32,317	125,834	158,151
Net Assets - July 1, 2009	336,007	3,375,768	3,711,775
Net Assets - June 30, 2010	368,324	3,501,602	3,869,926

City of Philadelphia **Schedule V**
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2010

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	136,315	136,315
Equity in Treasurer's Account	34,032	14,270	-	48,302
Investments	-	-	8,780	8,780
Due from Other Funds	-	-	767	767
Total Assets	34,032	14,270	145,862	194,164
Liabilities				
Vouchers Payable	37	1,190	-	1,227
Payroll Taxes Payable	-	3,147	-	3,147
Funds Held in Escrow	33,995	9,933	145,862	189,790
Total Liabilities	34,032	14,270	145,862	194,164
Net Assets	-	-	-	-

City of Philadelphia
Schedule VI
Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Balance 7-1-2009	Additions	Deductions	Balance 6-30-2010
Escrow Fund				
Assets				
Equity in Treasurer's Account	7,200	383,448	356,616	34,032
Liabilities				
Funds Held in Escrow	7,056	383,448	356,509	33,995
Vouchers Payable	144	1,336	1,443	37
Total Liabilities	7,200	384,784	357,952	34,032
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	14,712	823,657	824,099	14,270
Liabilities				
Vouchers Payable	393	7,983	7,186	1,190
Payroll Taxes Payable	5,247	737,423	739,523	3,147
Funds Held in Escrow	9,072	86,233	85,372	9,933
Total Liabilities	14,712	831,639	832,081	14,270
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	130,990	156,285	150,960	136,315
Investments	12,254	6,168	9,642	8,780
Due from Other Funds	811	-	44	767
Total Assets	144,055	162,453	160,646	145,862
Liabilities				
Funds Held in Escrow	144,055	162,453	160,646	145,862
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	130,990	156,285	150,960	136,315
Equity in Treasurer's Account	21,912	1,207,105	1,180,715	48,302
Investments	12,254	6,168	9,642	8,780
Due from Other Funds	811	-	44	767
Total Assets	165,967	1,369,558	1,341,361	194,164
Liabilities				
Vouchers Payable	537	9,319	8,629	1,227
Payroll Taxes Payable	5,247	737,423	739,523	3,147
Funds Held in Escrow	160,183	632,134	602,527	189,790
Total Liabilities	165,967	1,378,876	1,350,679	194,164

City of Philadelphia

Schedule VII

City Related Schedule of Bonded Debt Outstanding
June 30, 2010

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2010 Outstanding	Maturities	Interest Rates	FY 2011 Debt Service Requirements Interest	FY 2011 Debt Service Requirements Principal
General Obligation Bonds:								
Term Bonds	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5.00	26,599	-
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5.00	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5.00	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5.00	506,553	-
	113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,865,987	-
	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	-
Total Term Bonds	270,406,553		173,445,000	173,445,000			11,452,731	-
Refunding Issues	178,240,000	12/01/1998	178,240,000	108,925,000	05/2011 to 05/2020	4.75 to 5.125	5,398,938	12,340,000
	188,910,000	12/20/2007	188,910,000	179,285,000	08/2010 to 08/2019	4.50 to 5.25	8,988,338	4,000,000
	195,170,000	5/01/2008	195,170,000	194,090,000	12/2010 to 12/2032	4.00 to 5.25	10,067,337	70,000
	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	3.829	3,829,000	-
Total Refunding Bonds	899,345,000		899,345,000	819,325,000			40,313,873	16,410,000
Serial Bonds	20,000,000	NA	20,000,000	2,228,054	07/2010 to 06/2013	1.00	16,744	1,210,238
	50,781,553	01/01/2001	50,781,553	19,393,976	09/2010 to 09/2021	4.2 to 5.50	889,241	2,244,689
	99,400,449	01/01/2001	95,928,447	36,636,024	09/2010 to 09/2021	4.2 to 5.50	1,679,814	4,240,311
	[1]	07/27/2006	3,472,002	3,210,607	8/2010 to 8/2029	4.50 to 5.125	156,639	96,240
	12,165,000	12/02/2003	12,165,000	6,829,430	02/2011 to 02/2015	5 to 5.25	351,215	1,515,759
	84,972,482	12/02/2003	37,835,000	21,240,570	02/2011 to 02/2015	5 to 5.25	1,092,334	4,714,241
	[1]	07/27/2006	47,137,482	43,588,680	8/2010 to 8/2029	4.50 to 5.125	2,126,602	1,306,599
	71,950,563 [1]	07/27/2006	71,950,563	66,533,679	8/2010 to 8/2029	4.50 to 5.125	3,246,041	1,994,389
	66,119,953 [1]	07/27/2006	66,119,953	61,142,034	8/2010 to 8/2029	4.50 to 5.125	2,982,994	1,832,772
	16,086,110 [1]	01/06/2009	16,086,110	14,679,116	7/2010 to 7/2018	4.00 to 6.00	706,612	1,686,035
	4,378,890 [1]	01/06/2009	4,378,890	3,995,884	7/2010 to 7/2018	4.00 to 6.00	192,351	458,965
Total Serial Bonds	425,855,000		425,855,000	279,478,054			13,440,587	21,300,238
Total General Obligation Bonds	1,595,606,553		1,498,645,000	1,272,248,054			65,207,191	37,710,238
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
Series 1993	1,157,585,000	08/01/1993	1,010,025,000	73,685,000	06/2011	7.00	5,157,950	73,685,000
Series 1995	221,630,000	04/15/1995	221,630,000	38,240,000	08/2010 to 08/2018	6.25	2,016,250	11,960,000
Series 1997 B	100,000,000 [2]	11/25/1997	100,000,000	75,800,000	08/2010 to 08/2027	Variable rates	168,499	2,800,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
Series 1999 A	6,700,000	N.A.	6,700,000	710,940	07/2010 to 04/2019	2.73	18,503	72,162
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	137,875,000	11/2011 to 11/2028	3.8 to 5.50	7,069,482	-
Series 2005 A	250,000,000	05/04/2005	250,000,000	235,000,000	07/2010 to 07/2035	3.30 to 5.25	11,682,438	4,610,000
Series 2005 B	86,105,000 [2]	05/04/2005	86,105,000	83,275,000	08/2010 to 08/2018	Variable rates	3,763,184	405,000
Series 2007 A	191,440,000	11/16/2006	191,440,000	179,845,000	8/2010 to 8/2027	4.00 to 5.00	8,553,000	4,665,000
Series 2007 B	153,595,000	11/16/2006	153,595,000	153,110,000	11/2010 to 11/2031	4.00 to 5.00	6,959,375	210,000
Series 2009 A	325,000,000	05/21/2009	140,000,000	140,000,000	01/2017 to 01/2033	4.00 to 5.75	7,294,037	-
Pennvest Series 2009	214,913,486	06/16/2010	13,430,973	13,430,973	07/2013 to 07/2033	1.193	153,555	-
Series 2010A	396,460,000	4/15/2010	396,460,000	390,045,000	06/2011 to 6/2019	2.00 to 5.00	18,159,385	3,245,000
Total Water Revenue Bonds	3,524,533,486		2,990,490,973	1,656,201,913			78,092,871	101,652,162

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2010

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2010 Outstanding	Maturities	Interest Rates	FY 2011 Debt Service Requirements Interest	FY 2011 Debt Service Requirements Principal
Aviation Revenue Bonds:								
Series 1997 A	222,265,000	07/01/1997	222,265,000	26,130,000	06/2011 .to 06/2027	5.125 to 5.75	1,382,575	4,695,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	65,540,000	06/2011 to 06/2018	5.375 to 5.5	3,546,588	6,770,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	366,610,000	07/2010 to 07/2028	5.00 to 5.375	18,488,561	11,805,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	159,555,000	07/2010 to 07/2028	5.125 to 5.50	8,385,982	5,000,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	34,560,000	06/2011 to 06/2031	5.00 to 5.50	1,823,744	935,000
Series 2005 C	189,500,000 [2]	06/02/2005	189,500,000	168,600,000	06/2011 to 06/2025	Variable rates	9,525,476	6,000,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	120,185,000	06/2011 to 06/2035	4.20 to 5.50	5,739,705	2,580,000
Series 2007 A	172,470,000	08/16/2007	172,470,000	172,470,000	06/2011 to 06/2037	5	8,623,500	3,155,000
Series 2007 B	82,915,000	08/16/2007	82,915,000	73,345,000	06/2011 to 06/2027	5	3,667,250	3,260,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	45,705,000	06/2011 to 06/2029	3.00 to 5.375	2,094,316	1,655,000
Total Aviation Revenue Bonds	1,632,755,000		1,632,755,000	1,232,700,000			63,277,697	45,855,000
Total Revenue Bonds	5,157,288,486		4,623,245,973	2,888,901,913			141,370,568	147,507,162
Total All Bonds	6,752,895,039		6,121,890,973	4,161,149,967 [4]			206,577,759	185,217,400

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	1,270,020,000	-	1,270,020,000
Proprietary Fund Types:			
Water Fund	2,228,054	1,656,201,913	1,658,429,967
Aviation Fund	-	1,232,700,000	1,232,700,000
Total Proprietary Funds	2,228,054	2,888,901,913	2,891,129,967
Total All Funds	1,272,248,054	2,888,901,913	4,161,149,967

City of Philadelphia
Schedule VIII

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	528,141	513,029	516,378	3,349
Revenue from Other Governments	4,000	3,000	2,631	(369)
Revenue from Other Funds	81,469	58,696	27,734	(30,962)
Total Revenues	613,610	574,725	546,743	(27,982)
Expenditures and Encumbrances				
Personal Services	111,393	111,417	101,754	9,663
Pension Contributions	39,986	38,686	27,493	11,193
Other Employee Benefits	40,420	41,720	39,974	1,746
Sub-Total Employee Compensation	191,799	191,823	169,221	22,602
Purchase of Services	123,152	123,127	106,002	17,125
Materials and Supplies	53,025	53,038	41,991	11,047
Equipment	6,320	6,308	2,435	3,873
Contributions, Indemnities and Taxes	6,513	6,513	4,897	1,616
Debt Service	200,123	200,123	196,917	3,206
Payments to Other Funds	49,678	49,678	47,987	1,691
Total Expenditures and Encumbrances	630,610	630,610	569,450	61,160
Operating Surplus (Deficit) for the Year	(17,000)	(55,885)	(22,707)	33,178
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	17,000	22,707	5,707
Adjusted Fund Balance, July 1, 2009	17,000	17,000	22,707	5,707
Fund Balance Available for Appropriation, June 30, 2010	-	(38,885)	-	38,885

City of Philadelphia **Schedule IX**

Budgetary Comparison Schedule

Water Residual Fund

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	-	1,900	253	(1,647)
Revenue from Other Funds	19,250	19,250	21,224	1,974
Total Revenues	19,250	21,150	21,477	327
Expenditures and Encumbrances				
Payments to Other Funds	19,250	19,250	18,772	478
Total Expenditures and Encumbrances	19,250	19,250	18,772	478
Operating Surplus (Deficit) for the Year	-	1,900	2,705	805
Fund Balance Available for Appropriation, July 1, 2009	1,231	18,184	18,184	-
Fund Balance Available for Appropriation, June 30, 2010	1,231	20,084	20,889	805

City of Philadelphia **Schedule X**
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	9	3	-	(3)
Revenue from Other Governments	5,049	4,715	4,724	9
Total Revenues	5,058	4,718	4,724	6
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	856	205	651
Materials and Supplies	260	265	264	1
Equipment	80	76	-	76
Payments to Other Funds	15	19	19	-
Total Expenditures and Encumbrances	4,950	4,950	4,222	728
Operating Surplus (Deficit) for the Year	108	(232)	502	734
Fund Balance Available for Appropriation, July 1, 2009	825	1,416	1,416	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	50	50	70	20
Adjusted Fund Balance, July 1, 2009	875	1,466	1,486	20
Fund Balance Available for Appropriation, June 30, 2010	983	1,234	1,988	754

City of Philadelphia **Schedule XI**

Budgetary Comparison Schedule

Special Gasoline Tax Fund

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	120	15	32	17
Revenue from Other Governments	24,761	23,701	23,861	160
Total Revenues	24,881	23,716	23,893	177
Expenditures and Encumbrances				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,648	16,279	15,263	1,016
Materials and Supplies	3,595	3,554	3,543	11
Equipment	590	-	-	-
Contributions, Indemnities and Taxes	31	31	15	16
Total Expenditures and Encumbrances	23,864	23,864	22,821	1,043
Operating Surplus (Deficit) for the Year	1,017	(148)	1,072	1,220
Fund Balance Available for Appropriation, July 1, 2009	12,034	12,507	12,507	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	120	120	504	384
Adjusted Fund Balance, July 1, 2009	12,154	12,627	13,011	384
Fund Balance Available for Appropriation, June 30, 2010	13,171	12,479	14,083	1,604

City of Philadelphia **Schedule XII**

Budgetary Comparison Schedule

Hotel Room Rental Tax Fund

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	39,500	40,900	40,512	(388)
Locally Generated Non-Tax Revenue	30	82	596	514
Total Revenues	39,530	40,982	41,108	126
Expenditures and Encumbrances				
Personal Services	80	80	80	-
Contributions, Indemnities and Taxes	39,450	39,450	35,810	3,640
Total Expenditures and Encumbrances	39,530	39,530	35,890	3,640
Operating Surplus (Deficit) for the Year	-	1,452	5,218	3,766
Fund Balance Available for Appropriation, July 1, 2009	-	-	-	-
Fund Balance Available for Appropriation, June 30, 2010	-	1,452	5,218	3,766

City of Philadelphia **Schedule XIII**

Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	355,000	293,740	285,016	(8,724)
Revenue from Other Governments	7,800	2,000	3,091	1,091
Revenue from Other Funds	2,000	1,000	2,063	1,063
Total Revenues	364,800	296,740	290,170	(6,570)
Expenditures and Encumbrances				
Personal Services	66,066	66,066	56,628	9,438
Pension Contributions	20,978	20,978	14,946	6,032
Other Employee Benefits	19,305	19,305	17,993	1,312
Sub-Total Employee Compensation	106,349	106,349	89,567	16,782
Purchase of Services	110,515	110,515	79,954	30,561
Materials and Supplies	8,526	8,526	8,135	391
Equipment	12,846	12,846	3,835	9,011
Contributions, Indemnities and Taxes	6,032	6,032	1,449	4,583
Debt Service	107,650	107,650	95,343	12,307
Payments to Other Funds	24,627	24,627	5,674	18,953
Total Expenditures and Encumbrances	376,545	376,545	283,957	92,588
Operating Surplus (Deficit) for the Year	(11,745)	(79,805)	6,213	86,018
Fund Balance Available for Appropriation, July 1, 2009	57,183	55,128	55,128	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	15,000	15,000	12,281	(2,719)
Adjusted Fund Balance, July 1, 2009	72,183	70,128	67,409	(2,719)
Fund Balance Available for Appropriation, June 30, 2010	60,438	(9,677)	73,622	83,299

City of Philadelphia

Schedule XIV

Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	500	500	12,434	11,934
Revenue from Other Governments	127,470	107,470	39,517	(67,953)
Total Revenues	127,970	107,970	51,951	(56,019)
Other Sources				
Decrease in Unreimbursed Committments	-	-	(16,301)	(16,301)
Total Revenues and Other Sources	127,970	107,970	35,650	(72,320)
Expenditures and Encumbrances				
Personal Services	7,416	7,416	5,205	2,211
Pension Contributions	2,880	2,901	1,204	1,697
Other Employee Benefits	2,002	1,981	1,349	632
Sub-Total Employee Compensation	12,298	12,298	7,758	4,540
Purchase of Services	95,032	94,950	50,139	44,811
Materials and Supplies	400	352	263	89
Equipment	210	340	241	99
Payments to Other Funds	30	30	26	4
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	127,970	127,970	58,427	69,543
Operating Surplus (Deficit) for the Year	-	(20,000)	(22,777)	(2,777)
Fund Balance Available for Appropriation, July 1, 2009	-	(5,043)	(5,043)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	23,800	23,800
Prior Period Adjustments	-	5,043	-	(5,043)
Adjusted Fund Balance, July 1, 2009	-	-	18,757	18,757
Fund Balance Available for Appropriation, June 30, 2010	-	(20,000)	(4,020)	15,980

City of Philadelphia **Schedule XV**

Budgetary Comparison Schedule

Car Rental Tax Fund

For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	4,500	4,700	4,674	(26)
Locally Generated Non-Tax Revenue	100	25	5	(20)
Total Revenues	4,600	4,725	4,679	(46)
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	5,000	-
Total Expenditures and Encumbrances	5,000	5,000	5,000	-
Operating Surplus (Deficit) for the Year	(400)	(275)	(321)	(46)
Fund Balance Available for Appropriation, July 1, 2009	5,342	5,627	5,627	-
Fund Balance Available for Appropriation, June 30, 2010	4,942	5,352	5,306	(46)

City of Philadelphia

Schedule XVI

Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	10,000	9,100	8,030	(1,070)
Revenue from Other Funds	1,500	-	-	-
Total Revenues	11,500	9,100	8,030	(1,070)
Expenditures and Encumbrances				
Personal Services	600	600	413	187
Purchase of Services	16,800	22,300	18,488	3,812
Total Expenditures and Encumbrances	17,400	22,900	18,901	3,999
Operating Surplus (Deficit) for the Year	(5,900)	(13,800)	(10,871)	2,929
Fund Balance Available for Appropriation, July 1, 2009	900	7,144	7,144	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	5,000	4,000	6,446	2,446
Adjusted Fund Balance, July 1, 2009	5,900	11,144	13,590	2,446
Fund Balance Available for Appropriation, June 30, 2010	-	(2,656)	2,719	5,375

City of Philadelphia

Schedule XVII

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	397,216	397,216	12,443	(384,773)
Revenue from Other Governments	337,014	345,414	58,013	(287,401)
Revenue from Other Funds	-	-	10,087	10,087
Total Revenues	734,230	742,630	80,543	(662,087)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	3,181	3,181
Total Revenues and Other Sources	734,230	742,630	83,724	(658,906)
Expenditures and Encumbrances				
Capital Outlay	734,230	742,630	125,138	617,492
Operating Surplus (Deficit) for the Year	-	-	(41,414)	(41,414)
Fund Balance Available for Appropriation, July 1, 2009	-	-	107,986	107,986
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	8,435	8,435
Revenue Adjustments - Net	-	-	157	157
Adjusted Fund Balance, July 1, 2009	-	-	116,578	116,578
Fund Balance Available for Appropriation, June 30, 2010	-	-	75,164	75,164

City of Philadelphia **Schedule XVIII**
Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2010

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Tax Revenue	126,500	124,430	108,154	(16,276)
Total Revenues	126,500	124,430	108,154	(16,276)
Other Sources				
Increase in Unreimbursed Committments	-	-	10	10
Total Revenues and Other Sources	126,500	124,430	108,164	(16,266)
Expenditures and Encumbrances				
Personal Services	5,845	5,845	-	5,845
Pension Contributions	1,039	1,039	-	1,039
Other Employee Benefits	1,006	1,006	-	1,006
Sub-Total Employee Compensation	7,890	7,890	-	7,890
Purchase of Services	117,705	117,705	101,370	16,335
Materials and Supplies	900	240	-	240
Equipment	5	665	-	665
Total Expenditures and Encumbrances	126,500	126,500	101,370	25,130
Operating Surplus (Deficit) for the Year	-	(2,070)	6,794	8,864
Fund Balance Available for Appropriation, July 1, 2009	-	-	4,000	4,000
Adjusted Fund Balance, July 1, 2009	-	-	4,000	4,000
Fund Balance Available for Appropriation, June 30, 2010	-	(2,070)	10,794	12,864

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	378,242	371,420	364,313	(7,107)	365,637	(1,324)
Prior Years	42,000	42,000	37,874	(4,126)	34,420	3,454
Total Real Property Tax	420,242	413,420	402,187	(11,233)	400,057	2,130
Wage and Earnings Taxes:						
Current	1,133,993	1,092,993	1,102,285	9,292	1,105,871	(3,586)
Prior Years	12,000	24,000	11,918	(12,082)	11,170	748
Total Wage and Earnings Taxes	1,145,993	1,116,993	1,114,203	(2,790)	1,117,041	(2,838)
Business Taxes:						
Business Privilege Taxes:						
Current	323,688	349,638	329,275	(20,363)	367,074	(37,799)
Prior Years	25,000	27,000	35,428	8,428	18,916	16,512
Total Business Privilege Tax	348,688	376,638	364,703	(11,935)	385,990	(21,287)
Net Profits Tax:						
Current	8,381	8,381	12,058	3,677	9,472	2,586
Prior Years	4,000	6,000	2,448	(3,552)	2,727	(279)
Total Net Profits Tax	12,381	14,381	14,506	125	12,199	2,307
Total Business Taxes	361,069	391,019	379,209	(11,810)	398,189	(18,980)
Other Taxes:						
Sales Tax	234,660	199,801	207,113	7,312	128,233	78,880
Amusement Tax	18,894	20,894	21,850	956	21,379	471
Real Property Transfer Tax	84,745	118,745	119,236	491	115,133	4,103
Parking Lot Tax	70,725	70,725	70,453	(272)	70,380	73
Miscellaneous Taxes	3,000	3,050	2,390	(660)	2,406	(16)
Total Other Taxes	412,024	413,215	421,042	7,827	337,531	83,511
Total Taxes	2,339,328	2,334,647	2,316,641	(18,006)	2,252,818	63,823
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	5,943	5,073	4,696	(377)	7,378	(2,682)
Licenses and Permits	49,564	39,917	43,346	3,429	39,286	4,060
Fines, Forfeits, Penalties, Confiscated Money and Property	22,672	20,997	17,727	(3,270)	17,665	62
Interest Income	13,375	12,776	8,264	(4,512)	15,815	(7,551)
Service Charges and Fees	133,328	126,017	113,972	(12,045)	100,118	13,854
Other	51,090	42,510	41,354	(1,156)	76,027	(34,673)
Total Locally Generated Non-Tax Revenue	275,972	247,290	229,359	(17,931)	256,289	(26,930)
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	202,801	192,170	140,347	(51,823)	128,655	11,692
Commonwealth of Pennsylvania:						
Grants and Other Payments	595,678	635,110	605,896	(29,214)	519,487	86,409
Other Governmental Units	372,657	341,661	330,138	(11,523)	345,294	(15,156)
Total Revenue from Other Governments	1,171,136	1,168,941	1,076,381	(92,560)	993,436	82,945
Revenue from Other Funds	28,134	33,003	31,945	(1,058)	135,338	(103,393)
Total Revenues	3,814,570	3,783,881	3,654,326	(129,555)	3,637,881	16,445

City of Philadelphia

Schedule XIX

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	16,049	16,139	13,464	2,675	14,696	(1,232)
Mayor's Office:						
Mayor's Office	4,359	5,022	4,263	759	9,435	(5,172)
Scholarships	200	200	193	7	200	(7)
Mural Arts Program	1,000	1,000	973	27	763	210
Labor Relations	485	539	523	16	535	(12)
MDO Office of Technology	21,744	42,733	38,521	4,212	36,397	2,124
Capital Program Office	-	-	-	-	3,020	(3,020)
Mayor's Office of Community Services	-	30	30	-	8	22
Transportation	500	500	482	18	411	71
Law	20,768	20,844	17,965	2,879	19,260	(1,295)
Board of Ethics	810	810	706	104	763	(57)
Youth Commission	100	100	85	15	51	34
Inspector General	1,310	1,310	1,146	164	-	1,146
City Planning Commission	2,728	2,904	2,904	-	3,054	(150)
Commission on Human Relations	2,084	2,084	1,983	101	2,076	(93)
Zoning Code Commisssion	500	500	468	32	382	86
Arts & Culture	3,935	3,949	3,943	6	-	3,943
Board of Revision of Taxes	7,816	7,816	7,463	353	8,789	(1,326)
Total General Government	84,388	106,480	95,112	11,368	99,840	(4,728)
Operation of Service Departments						
Housing	2,800	2,800	2,800	-	4,000	(1,200)
Managing Director	18,787	18,891	16,576	2,315	20,143	(3,567)
Police	522,478	541,956	541,606	350	544,120	(2,514)
Streets	117,124	139,031	134,903	4,128	140,411	(5,508)
Fire	188,656	190,698	190,051	647	191,222	(1,171)
Public Health	116,937	117,035	111,198	5,837	116,409	(5,211)
Office-Behavioral Health/Mental Retardation	14,272	14,272	14,239	33	14,260	(21)
Recreation	33,619	34,716	33,699	1,017	37,987	(4,288)
Fairmount Park Commission	12,590	13,337	13,251	86	14,876	(1,625)
Atwater Kent Museum	249	298	298	-	276	22
Camp William Penn	100	100	100	-	98	2
Public Property	177,712	167,629	164,793	2,836	169,732	(4,939)
Department of Human Services	590,878	592,522	562,731	29,791	600,655	(37,924)
Philadelphia Prisons	248,835	246,592	240,571	6,021	242,698	(2,127)
Office of Supportive Housing	38,474	38,478	38,387	91	39,437	(1,050)
Office of Fleet Management	52,254	52,839	47,331	5,508	54,601	(7,270)
Licenses and Inspections	24,103	24,975	23,069	1,906	26,783	(3,714)
Board of L & I Review	156	156	127	29	207	(80)
Board of Building Standards	72	72	61	11	91	(30)
Zoning Board of Adjustment	378	378	311	67	359	(48)
Records	5,335	5,361	5,195	166	6,873	(1,678)
Philadelphia Historical Commission	413	437	387	50	377	10
Art Museum	2,300	2,343	2,343	-	3,000	(657)
Philadelphia Free Library	32,968	33,239	32,752	487	37,533	(4,781)
Total Operations of Service Departments	2,201,490	2,238,155	2,176,779	61,376	2,266,148	(89,369)
Financial Management						
Office of Director of Finance	35,953	40,326	11,176	29,150	19,830	(8,654)
Department of Revenue	16,415	19,035	16,420	2,615	17,038	(618)
Sinking Fund Commission	215,531	202,531	185,464	17,067	186,963	(1,499)
Procurement	3,775	4,397	4,397	-	4,866	(469)
City Treasurer	751	751	648	103	632	16
Audit of City Operations	7,425	7,545	7,408	137	7,885	(477)
Total Financial Management	279,850	274,585	225,513	49,072	237,214	(11,701)

City of Philadelphia

Schedule XIX

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	789,250	811,848	831,698	(19,850)	973,223	(141,525)
PGW Rental Reimbursement	18,000	18,000	18,000	-	18,000	-
Community College of Philadelphia	26,468	26,468	26,468	-	26,468	-
Legal Services	35,941	35,941	35,941	-	37,339	(1,398)
Hero Award	25	43	43	-	35	8
Refunds	250	8	1	7	-	1
Indemnities	24,501	39	1	38	31	(30)
Office of Risk Management	2,312	2,175	2,891	(716)	-	2,891
Witness Fees	172	172	104	68	117	(13)
Contribution to School District	38,540	38,540	38,540	-	38,490	50
Total City-Wide Under Director of Finance	935,459	933,234	953,687	(20,453)	1,093,703	(140,016)
Promotion and Public Relations						
City Representative	1,137	1,137	906	231	4,648	(3,742)
Commerce	28,554	28,554	27,321	1,233	27,761	(440)
	29,691	29,691	28,227	1,464	32,409	(4,182)
Personnel						
Civic Service Commission	170	170	154	16	165	(11)
Personnel Director	4,568	4,573	4,052	521	4,523	(471)
Total Personnel	4,738	4,743	4,206	537	4,688	(482)
Administration of Justice						
Clerk of Quarter Sessions	4,915	4,915	4,510	405	4,968	(458)
Register of Wills	3,399	3,399	3,209	190	3,598	(389)
District Attorney	28,942	30,151	30,153	(2)	30,882	(729)
Sheriff	13,067	15,785	15,785	-	15,706	79
First Judicial District	97,754	105,746	105,746	-	114,971	(9,225)
Total Administration of Justice	148,077	159,996	159,403	593	170,125	(10,722)
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,342	1,599	1,599	-	1,444	155
Conduct of Elections						
City Commissioners	8,794	9,218	9,200	18	9,717	(517)
Total Obligations	3,693,829	3,757,701	3,653,726	103,975	3,915,288	(261,562)
Operating Surplus (Deficit) for the Year	120,741	26,180	600	(25,580)	(277,407)	278,007

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Water Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	425,795	421,350	429,760	8,410	414,381	15,379
Sales and Charges - Prior Years	43,008	38,257	31,431	(6,826)	11,273	20,158
Fire Service Connections	1,920	925	1,593	668	1,370	223
Surcharges	4,942	5,013	4,576	(437)	4,484	92
Fines and Penalties	1,038	1,002	1,206	204	824	382
Miscellaneous Charges	1,376	946	1,645	699	976	669
Charges to Other Municipalities	31,551	31,551	37,357	5,806	28,982	8,375
Licenses and Permits	2,000	2,024	2,226	202	2,208	18
Interest Income	9,181	5,720	851	(4,869)	10,050	(9,199)
Fleet Management - Sale of Vehicles & Equipment	195	245	287	42	295	(8)
Contributions from Sinking Fund Reserve	2,782	2,718	2,648	(70)	7,059	(4,411)
Reimbursement of Expenditures	193	218	59	(159)	94	(35)
Repair Loan Program	2,644	2,340	2,116	(224)	2,120	(4)
Other	1,516	720	623	(97)	422	201
Total Locally Generated Non-Tax Revenue	528,141	513,029	516,378	3,349	484,538	31,840
Revenue from Other Governments						
State	2,000	1,000	726	(274)	401	325
Federal	2,000	2,000	1,905	(95)	273	1,632
Total Revenue from Other Governments	4,000	3,000	2,631	(369)	674	1,957
Revenue from Other Funds	81,469	58,696	27,734	(30,962)	58,263	(30,529)
Total Revenues	613,610	574,725	546,743	(27,982)	543,475	3,268
Obligations						
Mayor's Office of Information Services	1,730	2,649	1,907	742	2,372	(465)
Managing Director	-	-	-	-	-	-
Public Property	4,533	3,614	3,614	-	3,613	1
Police Department	-	-	-	-	-	-
Office of Fleet Management	8,543	8,543	7,211	1,332	7,189	22
Water Department	303,228	308,125	271,671	36,454	266,273	5,398
Office of the Director of Finance	-	-	-	-	108	(108)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	39,986	38,686	27,494	11,192	38,364	(10,870)
Other Employee Benefits	40,420	41,720	39,974	1,746	39,346	628
Contributions, Indemnities and Taxes	6,500	1,603	-	1,603	-	-
Department of Revenue	22,157	22,157	17,678	4,479	17,540	138
Sinking Fund Commission	200,123	200,123	196,717	3,406	184,253	12,464
Procurement Department	69	69	69	-	66	3
Law	3,321	3,321	3,115	206	3,071	44
Total Obligations	630,610	630,610	569,450	61,160	562,195	7,255
Operating Surplus (Deficit) for the Year	(17,000)	(55,885)	(22,707)	33,178	(18,720)	(3,987)

City of Philadelphia **Schedule XXI**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Aviation Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2010 (with comparative actual amounts for the Fiscal Year Ended June 30, 2009)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2010 Actual	Positive (Negative)	FY 2009 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	32,000	20,000	27,442	7,442	26,422	1,020
Space Rentals	117,270	102,500	103,250	750	101,474	1,776
Landing Fees	65,700	53,000	50,218	(2,782)	49,708	510
Parking	36,000	26,000	23,733	(2,267)	31,240	(7,507)
Car Rentals	25,000	18,000	16,743	(1,257)	18,629	(1,886)
Interest Earnings	2,000	2,000	326	(1,674)	2,163	(1,837)
Sale of Utilities	5,000	4,000	3,850	(150)	4,505	(655)
Passenger Facility Charge	33,000	33,000	33,133	133	32,925	208
Overseas Terminal Facility Charges	-	-	10	10	11	(1)
International Terminal Charge	24,000	20,000	19,755	(245)	19,733	22
Other	15,030	15,240	6,557	(8,683)	4,472	2,085
Total Locally Generated Non-Tax Revenue	355,000	293,740	285,017	(8,723)	291,282	(6,265)
Revenue from Other Governments						
State	1,300	-	194	194	-	194
Federal	6,500	2,000	2,896	896	1,934	962
Total Revenue from Other Governments	7,800	2,000	3,090	1,090	1,934	1,156
Revenue from Other Funds	2,000	1,000	2,063	1,063	887	1,176
Total Revenue	364,800	296,740	290,170	(6,570)	294,103	(3,933)
Obligations						
Mayor's Office of Information Services	-	694	393	301	434	(41)
Police	13,543	13,553	13,029	524	13,069	(40)
Fire	6,203	6,203	5,109	1,094	5,478	(369)
Public Property	27,594	26,900	13,900	13,000	17,000	(3,100)
Office of Fleet Management	8,134	8,134	5,287	2,847	4,504	783
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	20,978	20,978	14,946	6,032	20,852	(5,906)
Other Employee Benefits	19,305	19,305	17,993	1,312	18,656	(663)
Purchase of Services	4,146	4,146	2,732	1,414	2,851	(119)
Contributions, Indemnities and Taxes	2,512	1,630	-	1,630	-	-
Sinking Fund Commission	107,650	107,650	95,343	12,307	99,676	(4,333)
Procurement	-	-	-	-	42	(42)
Commerce	164,576	165,448	113,665	51,783	118,196	(4,531)
Law	1,904	1,904	1,560	344	1,721	(161)
Total Obligations	376,545	376,545	283,957	92,588	302,479	(18,522)
Operating Surplus (Deficit) for the Year	(11,745)	(79,805)	6,213	86,018	(8,376)	14,589

City of Philadelphia
PENNSYLVANIA

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.

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

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.

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.

The City of Philadelphia implemented GASB Statement #34 in FY2002. Tables presenting government-wide information include information beginning in that year.

City of Philadelphia
Net Assets by Component
For the Fiscal Years 2003 Through 2010

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	286.4	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)
Restricted	426.8	484.1	516.5	471.5	689.7	641.0	833.8	516.1
Unrestricted	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,239.5)
Total Governmental Activities Net Assets	259.4	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,782.7)
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
Restricted	642.1	504.0	472.0	551.9	635.1	644.1	511.2	489.3
Unrestricted	(12.7)	91.3	269.7	273.9	257.3	266.2	269.8	257.3
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
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
Restricted	1,068.9	988.1	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,005.4
Unrestricted	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(1,982.2)
Total Primary Government Net Assets	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(204.3)

City of Philadelphia

Table 2

Changes in Net Assets

For the Fiscal Years 2003 Through 2010

Amounts in millions of USD

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities:								
Economic Development	127.9	127.4	89.5	89.8	92.6	116.4	116.0	145.0
Transportation:								
Streets & Highways	99.8	109.9	119.0	116.0	116.6	117.7	119.1	129.4
Mass Transit	85.9	81.3	84.9	84.5	85.1	88.3	90.5	82.7
Judiciary and Law Enforcement:								
Police	755.2	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5
Prisons	223.4	237.1	250.2	268.7	293.2	311.4	339.1	343.8
Courts	253.8	277.2	284.9	287.1	304.1	321.6	318.7	312.0
Conservation of Health:								
Emergency Medical Services	29.0	30.6	34.2	35.6	36.0	37.2	36.9	47.8
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
Housing and Neighborhood Development	125.2	119.0	123.0	149.5	111.2	142.1	149.1	131.3
Cultural and Recreational								
Recreation	109.5	118.4	68.3	73.3	73.4	86.2	77.3	77.0
Parks	26.2	32.6	30.2	28.9	32.6	36.6	37.7	37.9
Libraries and Museums	63.0	67.5	80.7	68.6	90.3	87.0	92.8	79.0
Improvements to General Welfare:								
Social Services	641.5	691.2	697.6	702.0	765.5	794.1	756.3	718.8
Education	57.1	58.6	61.6	59.9	64.0	65.5	67.2	72.0
Inspections and Demolitions	44.3	81.3	79.0	55.3	64.3	47.3	27.8	23.4
Service to Property:								
Sanitation	114.8	121.0	126.0	128.8	134.4	138.0	137.8	142.7
Fire	190.2	215.4	229.6	236.1	285.3	284.8	278.6	266.0
General Management and Support	524.8	576.9	519.9	574.8	568.7	636.9	684.1	683.3
Interest on Long Term Debt	130.2	98.3	138.2	136.9	149.5	95.1	214.6	174.9
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	5,904.2
Business-Type Activities:								
Water and Sewer	412.9	416.9	442.3	455.4	476.2	504.3	530.8	502.5
Aviation	244.5	261.0	269.5	303.1	314.3	323.1	326.2	330.1
Industrial and Commercial Development	2.2	2.5	4.7	2.1	3.7	2.1	3.0	0.1
Total Business-Type Activities Expenses	659.6	680.4	716.5	760.6	794.2	829.5	860.0	832.7
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	6,736.9
Program Revenues								
Governmental Activities:								
Charges for Services:								
Economic Development	0.2	6.9	0.1	-	-	-	0.3	0.1
Transportation:								
Streets & Highways	1.1	1.5	1.9	2.2	3.5	3.9	2.8	4.4
Mass Transit	0.6	0.5	0.5	0.6	0.6	0.5	0.4	0.5
Judiciary and Law Enforcement:								
Police	2.2	2.4	2.2	7.2	1.7	4.3	5.0	3.3
Prisons	0.4	0.5	0.4	0.4	0.3	0.3	0.4	0.5
Courts	50.9	52.5	48.4	51.5	51.5	52.7	51.8	53.4
Conservation of Health:								
Emergency Medical Services	20.1	20.7	23.1	25.0	27.7	27.6	37.5	36.8
Health Services	10.2	11.6	13.5	14.0	12.6	15.3	14.4	16.2
Housing and Neighborhood Development	18.9	12.0	10.0	22.3	45.2	25.2	31.3	20.8
Cultural and Recreational:								
Recreation	14.3	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)
Parks	1.9	1.7	0.9	0.4	0.5	1.5	0.6	0.9
Libraries and Museums	0.3	0.4	0.5	0.9	0.9	0.8	1.3	0.9
Improvements to General Welfare:								
Social Services	8.8	6.9	7.6	7.4	7.3	6.4	7.6	14.4
Education	-	-	-	-	-	-	1.1	-
Inspections and Demolitions	0.5	0.8	0.7	0.7	44.4	44.9	40.3	43.9
Service to Property:								
Sanitation	1.8	2.0	2.1	1.8	-	3.1	2.9	2.0
Fire	0.1	0.1	0.5	0.4	0.7	0.2	0.7	0.3
General Management and Support	150.7	138.2	130.8	179.1	107.5	110.6	131.9	203.0
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
Capital Grants and Contributions	17.3	19.6	9.1	21.4	15.8	10.0	35.0	46.9
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	2,498.6

For the Fiscal Years 2003 Through 2010 | Amounts in millions of USD

(full accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
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
Aviation	230.5	251.9	278.4	295.0	309.2	303.2	251.7	240.0
Industrial and Commercial Development	1.2	1.2	1.1	1.2	1.5	1.5	0.5	0.3
Operating Grants and Contributions	8.9	4.8	2.0	2.5	2.8	5.4	2.6	6.1
Capital Grants and Contributions	17.8	21.0	20.7	25.3	22.4	36.6	109.4	90.5
Total Business-Type Activities Program Revenues	643.8	680.5	752.8	794.8	829.5	850.0	863.9	889.3
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	3,387.9
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)	(3,405.6)
Business-Type Activities	(15.8)	0.1	36.3	34.2	35.3	20.5	3.9	56.6
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)	(3,349.0)
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
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
Business Taxes	306.9	319.2	367.9	430.2	453.7	414.5	407.6	385.2
Other Taxes	294.7	342.1	406.4	457.7	460.3	457.0	435.0	503.2
Unrestricted Grants & Contributions	61.2	47.1	84.3	81.7	104.1	104.7	107.8	171.4
Interest & Investment Earnings	57.5	26.0	32.9	60.2	81.8	65.3	46.1	25.5
Special Items	(99.3)	-	-	-	-	-	-	-
Transfers	4.1	-	4.4	5.0	4.9	4.9	4.2	28.3
Total Governmental Activities	2,289.7	2,454.7	2,650.7	2,846.0	3,002.5	2,972.2	2,875.4	2,962.9
Business-Type Activities:								
Interest & Investment Earnings	33.5	6.6	15.8	43.8	45.7	48.7	22.9	7.7
Transfers	(4.1)	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)
Total Business-Type Activities	29.4	6.6	11.4	38.9	40.8	43.8	18.7	(20.6)
Total Primary Government	2,319.1	2,461.3	2,662.1	2,884.9	3,043.3	3,016.0	2,894.1	2,942.3
Change in Net Assets								
Governmental Activities	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(442.7)
Business-Type Activities	13.6	6.7	47.7	73.1	76.1	64.3	22.6	36.0
Total Primary Government	(287.5)	(300.7)	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(406.7)

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2010

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	240.9	152.2	190.7	193.3	335.2	258.8	199.0	115.0
Unreserved	(7.9) [1]	(148.1)	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)
Total General Fund	233.0	4.1	154.3	304.5	487.9	234.5	(75.6)	(136.8)
All Other Governmental Funds								
Reserved	455.7	378.0	487.5	585.1	557.5	515.2	535.7	464.9
Unreserved, reported in:								
Special Revenue Funds	64.8	98.9	100.8	(52.0)	30.0	52.5	(0.9)	51.6
Debt Service funds	1.7	1.6	1.7	1.7	1.5	1.6	1.4	0.6
Capital Projects Funds	(98.1)	80.9	(6.3)	(67.1)	103.0	21.0	196.1	152.2
Permanent Funds	3.1	3.2	3.4	3.7	4.3	3.9	2.7	2.8
Total All Other Governmental Funds	427.2	562.6	587.1	471.4	696.3	594.2	735.0	672.1

[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 occured.

City of Philadelphia **Table 4**
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2010

Amounts in millions of USD

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
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
Locally Generated Non-Tax Revenue	339.8	280.0	265.2	354.5	381.7	349.7	349.3	302.7
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
Other Revenues	17.3	18.5	16.7	15.3	17.1	17.9	49.6	33.1
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
Expenditures								
Current Operating:								
Economic Development	170.4	157.0	92.7	81.5	85.5	112.3	107.0	135.1
Transportation:								
Streets & Highways	78.1	75.9	77.7	78.8	89.2	89.7	89.9	91.1
Mass Transit	57.5	52.9	56.6	56.7	58.1	61.7	63.7	65.2
Judiciary and Law Enforcement:								
Police	727.3	752.0	770.9	798.0	860.2	951.9	933.9	882.7
Prisons	214.3	224.5	241.3	256.6	278.1	298.2	326.9	315.2
Courts	246.5	267.8	276.9	278.2	292.3	311.1	310.5	288.1
Conservation of Health:								
Emergency Medical Services	28.4	29.7	33.3	34.8	34.9	36.0	36.2	45.0
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
Housing and Neighborhood Development	120.7	119.0	122.9	147.9	109.2	141.9	148.4	131.2
Cultural and Recreational:								
Recreation	94.0	65.7	58.3	59.8	62.2	74.3	65.1	58.4
Parks	24.2	23.8	23.7	23.4	26.3	28.9	31.8	26.9
Libraries and Museums	64.4	61.1	68.2	70.2	83.2	84.2	81.0	68.8
Improvements to General Welfare:								
Social Services	636.1	683.4	689.1	695.9	756.7	778.2	743.1	699.7
Education	57.1	58.6	61.5	59.9	64.0	65.5	67.2	65.4
Inspections and Demolitions	46.6	83.6	81.2	59.8	63.0	46.3	33.1	27.3
Service to Property:								
Sanitation	111.5	117.8	122.0	125.6	129.5	132.9	134.6	130.6
Fire	188.0	203.0	217.8	225.8	267.6	276.4	266.9	237.6
General Management and Support	450.9	472.4	477.1	537.5	563.7	618.4	693.8	615.0
Capital Outlay	162.2	126.0	103.1	97.9	92.3	105.8	126.9	148.9
Debt Service:								
Principal	106.8	105.7	95.8	86.2	91.5	94.1	87.6	89.7
Interest	112.3	101.6	101.0	99.9	103.4	100.0	105.7	96.7
Bond Issuance Cost	-	9.2	3.9	-	5.0	24.2	8.5	23.5
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
Excess of Revenues Over (Under) Expenditures	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)	(487.8)	(207.1)
Other Financing Sources (Uses)								
Issuance of Debt	165.5	487.7	157.3	10.0	353.1	1,303.8	262.9	207.0
Issuance of Refunding Debt	-	-	-	-	-	-	354.9	337.0
Bond Issuance Premium	-	4.8	-	-	13.8	31.1	26.7	24.3
Proceeds from Lease & Service Agreements	-	10.9	-	-	-	-	(3.1)	(1.0)
Bond Defeasance	(165.4)	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)
Transfers In	449.4	442.9	581.4	433.1	460.1	465.2	574.5	558.1
Transfers Out	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)	(570.3)	(529.7)
Total Other Financing Sources (Uses)	4.3	270.3	161.7	15.0	371.9	26.2	318.7	91.7
Special Items								
Business Privilage Tax Adjustment	(99.3) [1]	-	-	-	-	-	-	-
Net Change in Fund Balances	(324.6)	(90.9)	174.7	34.4	399.7	(355.6)	(169.1)	(115.4)
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%

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. $99.3 million of these estimated tax payments were deferred in the general fund in FY2003 because the underlying events had not occured.

City of Philadelphia

Table 5

Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2001 through 2010

Amounts in millions of USD

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additions:										
Contributions:										
Employee Contributions	49.3	50.1	52.5	50.5	49.3	48.9	49.2	51.7	54.0	51.6
Employer's:										
City of Philadelphia [1]	163.5	174.2	174.6	196.6	290.6	321.3	419.2	412.4	440.0	297.4
Quasi-Governmental Agencies	4.1	4.0	5.2	6.2	8.6	10.4	13.1	14.5	15.4	15.1
Total Employer's Contributions	167.6	178.2	179.8	202.8	299.2	331.7	432.3	426.9	455.4	312.5
Total Contributions	216.9	228.3	232.3	253.3	348.5	380.6	481.5	478.6	509.4	364.1
Interest & Dividends	133.8	109.3	74.4	68.4	74.6	65.1	80.3	97.1	75.6	70.5
Net Gain (Decline) in Fair Value of Investments	(422.8)	(359.6)	(3.9)	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2
Net Securities Lending Revenue	2.0	2.2	1.0	0.8	0.9	0.7	1.1	7.4	5.7	1.9
Net Investment Income (Loss)	(287.0)	(248.1)	71.5	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6
Miscellaneous Operating Revenue	0.6	0.7	2.4	1.3	0.4	2.1	2.1	1.1	1.0	0.7
Total Additions	(69.5)	(19.1)	306.2	850.4	730.6	834.9	1,249.7	262.2	(353.9)	818.4
Deductions:										
Pension Benefits	456.8	450.2	462.3	657.5	590.6	608.6	655.8	725.7	681.1	680.1
Refunds to Members	4.7	7.1	4.9	4.1	4.6	4.8	4.5	4.2	4.8	4.5
Administrative Costs	5.3	5.2	6.6	6.4	6.8	6.7	6.7	7.6	8.4	8.1
Total Deductions	466.8	462.5	473.8	668.0	602.0	620.1	667.0	737.5	694.3	692.7
Net Increase (Decrease)	(536.3)	(481.6)	(167.6)	182.4	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7
Net Assets: Adjusted Opening	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9
Closing	4,440.1	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
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1024.22%	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%
Closing Net Assets	10.29%	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%
Coverage of Additions over Deductions	-14.89%	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%
Investment Earnings as % of Pension Benefits	-62.83%	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%

[1] Includes $1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2000 Through 2009

Table 6

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1,2]	Taxable Income	% of Total	Direct Rate [1, 2]	Total Taxable Income	Total Direct Rate
2000	16,759.8	59.07%	4.58850%	11,611.4	40.93%	3.98920%	28,371.2	4.34323%
2001	17,478.3	59.25%	4.55100%	12,020.4	40.75%	3.95670%	29,498.7	4.30883%
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	20,942.9	57.03%	4.26000%	15,782.7	42.97%	3.75570%	36,725.6	4.04328%
2008	21,967.0	57.07%	4.09950%	16,522.2	42.93%	3.63170%	38,489.2	3.89869%
2009	21,777.4	57.33%	3.92980%	16,207.4	42.67%	3.49985%	37,984.9	3.74635%

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 2001 through 2010

Table 7

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Wage and Earnings Tax:										
[a] City Residents	4.5635%	4.5385%	4.5000%	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296%
Non-City Residents	3.9672%	3.9462%	3.9127%	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997%
Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax										
[d] **Real Property: (% on Assessed Valuation)**										
City	3.745%	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%
School District of Philadelphia	4.519%	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
[e] Assessment Ratio	30.32%	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.506%	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%
The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest If you pay your bill on or before the last day of February, you receive a 1% discount.										
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate Certain long term leases are also subject to this tax.										
Business Privilege Taxes										
(% on Gross Receipts)	0.2525%	0.2400%	0.2400% [c]	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]	0.1540% [c]	0.1415% [c]	0.1415%
[f] (% on Net Income)	6.5000%	6.5000%	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.4500% [c]	6.4500%
Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BPT Return										
[c] **Net Profits Tax:**										
[a] City Residents	4.5635%	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%
Non-City Residents	3.9672%	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%
Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.										

City of Philadelphia

Table 7

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2001 through 2010

Tax Classification	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged									
Parking Lot Tax	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	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%	6.0%	6.0%	7.2%	8.2%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%
	Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other buildin located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.									
Vehicle Rental Tax	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 2010, from July 1 through December 31, 2009 the rates were 3.930 % and 3.500%.

[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

Table 8

Principal Wage and Earnings Tax Remitters [1]

Current Calendar Year and Nine Years Ago

Amounts in millions of USD

Remittance Range	2009 # of Remitters (Employers)	2009 Total Amount Remitted	2009 Percentage of Total Remitted	2000 # of Remitters (Employers)	2000 Total Amount Remitted	2000 Percentage of Total Remitted
Greater then $10 million	13	$330.8	23.24%	11	$251.6	20.42%
Between $1 million & $10 million	150	383.5	26.95%	115	308.4	25.02%
Between $100,000 & $1 million	1,470	379.8	26.69%	1,312	347.2	28.18%
Between $10,000 & $100,000	8,292	244.5	17.18%	8,204	242.8	19.71%
Less then $10,000	36,522	84.5	5.94%	36,494	82.2	6.67%
Total	46,447	$1,423.0	100.00%	46,136	$1,232.2	100.00%

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

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2001 through 2010

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)
2001	13,254	3,513	9,741	3.745%	30.32%	32,127	25.46%	38,260
2002	13,762	3,603	10,159	3.745%	30.33%	33,495	25.18%	40,346
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	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	NA	NA

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

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

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

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

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

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

[3] Source: Board of Revison of Taxes

[4] per $1,000.00 of assessed value

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

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

Principal Property Tax Payers
Current Year and Nine Years Ago

Amounts in millions of USD

Taxpayer	2010 Assessment [1]	2010 Rank	2010 Percentage of Total Assessments	2001 Assessment [1]	2001 Rank	2001 Percentage of Total Assessments
Franklin Mills Associates	57.6	1	0.47	48.1	4	0.49
Phila Liberty Pla E Lp	54.4	2	0.44	59.2	2	0.61
Nine Penn Center Associates	54.1	3	0.44	52.0	3	0.53
HUB Properties Trust	43.8	4	0.36	-		-
Bell Atlantic	40.6	5	0.33	42.7	6	0.44
PRU 1901 Market LLC	35.2	6	0.29	31.6	9	0.32
Maguire/Thomas	33.9	7	0.28	31.6	10	0.32
Commerce Square Partners	33.3	8	0.27	31.9	8	0.33
Phila Shipyard Development Corp	30.3	9	0.25	-		-
Philadelphia Market Street	28.8	10	0.23	32.0	7	0.33
C S F Partnership	-		-	59.5	1	0.61
LP Associates	-		-	44.8	5	0.46
	412.0		3.36	433.4		4.45
Total Taxable Assessments	12,276.0		100.00	9,741.0		100.00

[1] Source: Board of Revison of Taxes

City of Philadelphia | Table 11

Real Property Taxes Levied and Collected

For the Calendar Years 2001 through 2010

Amounts in millions of USD

Calendar Year of Levy [1]	Taxes Levied for the Year	Collected within the Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount [2]	Percentage of Levy
2001	356.6	326.7	91.6%	25.8	352.5	98.9%
2002	368.2	340.4	92.4%	26.0	366.4	99.5%
2003	359.4	326.8	90.9%	26.8	353.6	98.4%
2004	372.5	340.9	91.5%	25.3	366.2	98.3%
2005	373.5	350.3	93.8%	20.8	371.1	99.4%
2006	385.6	339.6	88.1%	21.1	360.7	93.5%
2007	391.7	347.5	88.7%	20.3	367.8	93.9%
2008	390.2	346.4	88.8%	18.9	365.3	93.6%
2009	396.5	315.4 [3]	79.6%	29.7	345.1	87.0%
2010	405.8	353.7 [3]	87.2%	n/a	353.7	87.2%

[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, 2010

[3] Includes collections through June 30, 2010. It is estimated that approximately 91% of the amount levied for 2010 will be collected within the year of levy.

City of Philadelphia

Ratios of Outstanding Debt by Type

For the Fiscal Years 2001 through 2010

Table 12

Amounts in millions of USD (except per capita)

	Governmental Activities								Business-Type Activities						
Fiscal Year	General Obligation Bonds	Pension Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	% of Personal Income [1]	Per Capita
2001	2,137.6	1,296.8	-	-	-	-	-	3,434.4	24.5	1,679.5	943.0	2,647.0	6,081.4	0.2	4,016.8
2002	2,009.5	1,386.6	142.6	55.8	346.8	-	-	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	0.2	4,498.2
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	4,594.1
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

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

Ratios of General Bonded Debt Outstanding

For the Fiscal Years 2001 through 2010

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]
2001	2,137.6	9,740.8	30.32%	32,126.6	6.65%	1,411.89
2002	2,009.5	10,158.6	30.33%	33,493.6	6.00%	1,340.56
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,279.96
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,387.86
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,327.98
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,276.58
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,372.13
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,309.72
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,359.61
2010	2,085.1	12,276.3	28.46%	43,135.3	4.83%	1,347.83

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

[1] Source: Board of Revison of Taxes

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

[3] See Table 17 for Population Amounts

City of Philadelphia — Table 14

Direct and Overlapping Governmental Activities Debt

June 30, 2010

Amounts in millions of USD

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
School District of Philadelphia	3,092.5	100.00%	3,092.5
[1] **City Direct Debt**			4,271.1
Total Direct and Overlapping Debt			7,363.6

Note:

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

[1] Refer to Table 12

Legal Debt Margin Information
For the Fiscal Years 2001 through 2010

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2010

[1] Assessed Value		11,284.4
[2] Debt Limit		1,523.4
[3] Debt Applicable to Limit:		
Tax Supported General Obligation Debt:		
Issued & Outstanding		1,267.9
Authorized but Unissued		139.1
	Total	1,407.0
Less: Amount set aside for repayment of general obligation debt		-
Total Net Debt Applicable to Limit		1,407.0
Legal Debt Margin		116.4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	1,247.4	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4
Total Net Debt Applicable to Limit	1,152.7	1,163.6	1,202.2	1,159.1	1,205.5	1,185.8	1,293.4	1,329.3	1,352.3	1,407.0
Legal Debt Margin	94.7	89.6	59.1	121.2	99.3	149.8	81.3	88.7	117.1	116.4
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.41%	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%	93.74%	92.03%	92.36%

[1] Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[2] Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[3] Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia **Table 16**
Pledged-Revenue Coverage
For the Fiscal Years 2001 through 2010
Amounts in millions of USD

No.		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	380.6	390.8	454.2	421.6	463.5	504.0	536.2	597.8	527.5	566.7
2	Net Operating Expenses	242.6	242.9	250.2	262.0	277.7	284.2	303.2	334.7	342.6	334.0
3	Transfer To (From) Rate Stabilization Fund	(39.4)	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)
4	Net Revenues	177.4	174.2	187.2	188.4	186.4	198.2	207.0	272.9	219.6	235.4
	Debt Service:										
5	Revenue Bonds Outstanding	147.8	145.2	156.1	157.0	155.4	165.2	172.7	173.8	183.0	195.7
6	General Obligation Bonds Outstanding	1.3	0.6	-	-	-	-	-	-	-	
7	Pennvest Loan	1.3	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	150.4	147.4	157.3	158.2	156.6	166.4	173.9	175.0	184.2	196.9
9	Net Revenue after Debt Service	27.0	26.8	29.9	30.2	29.8	31.8	33.1	97.9	35.4	38.5
10	Transfer to General Fund	4.1	4.1	4.1	-	4.4	5.0	5.0	5.0	4.2	2.3
11	Transfer to Capital Fund	15.9	16.1	16.0	16.4	16.7	16.9	16.9	16.9	17.1	17.3
12	Transfer to Residual Fund	7.0	6.6	9.8	13.8	8.7	9.9	11.2	76.0	14.1	18.9
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.57	1.20	1.20
	Coverage B (Line 4/(Line 8 + Line 11))	1.07	1.07	1.08	1.08	1.08	1.08	1.08	1.42	1.09	1.10
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	-	-	-	10.2	42.6	61.4	55.1
2	Project Revenues	148.0	146.5	168.4	183.3	185.1	200.8	211.3	250.5	255.3	246.9
3	Passenger Facility Charges	-	16.8	31.2	32.8	32.9	32.6	32.9	32.9	32.9	33.1
4	Total Fund Balance and Revenue	148.0	163.3	199.6	216.1	218.0	233.4	254.4	326.0	349.6	335.1
5	Net Operating Expenses	59.6	56.3	67.0	71.9	71.3	77.2	87.1	99.8	99.5	102.9
6	Interdepartmental Charges	36.0	39.7	46.1	52.2	57.6	57.9	70.6	89.1	89.0	80.7
7	Total Expenses	95.6	96.0	113.1	124.1	128.9	135.1	157.7	188.9	188.5	183.6
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	88.4	107.0	132.6	144.2	146.7	156.2	167.3	226.2	250.1	232.2
9	All Bonds (Line 4-Line 7)	52.4	67.3	86.5	92.0	89.1	98.3	96.7	137.1	161.1	151.5
	Debt Service:										
10	Revenue Bonds	44.8	64.1	83.2	89.7	88.1	88.1	85.5	84.4	95.6	94.3
11	General Obligation Bonds	5.7	2.0	1.4	1.0	1.1	-	-	-	-	-
12	Total Debt Service	50.5	66.1	84.6	90.7	89.2	88.1	85.5	84.4	95.6	94.3
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.97	1.67	1.59	1.61	1.67	1.77	1.96	2.68	2.62	2.46
	Total Debt Service - Test "B" (Line 9/Line 12)	1.04	1.02	1.02	1.01	1.00	1.12	1.13	1.62	1.69	1.61

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

Table 17

Demographic and Economic Statistics

For the Calendar Years 2000 through 2009

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2000	1,513,800	37,784,373	24,960	5.6%
2001	1,512,507	38,672,501	25,568	6.1%
2002	1,510,550	40,695,588	26,941	7.3%
2003	1,510,068	42,192,576	27,941	7.5%
2004	1,514,658	43,447,002	28,684	7.3%
2005	1,517,628	44,933,858	29,608	6.7%
2006	1,520,251	47,550,937	31,278	6.2%
2007	1,530,031	50,052,562	32,713	6.0%
2008	1,540,351	52,549,456	34,115	7.1%
2009	1,547,297	55,170,909 [4]	35,656	10.0%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

[4] Estimated using the rate of growth for the previous year

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2010	2001
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	City of Philadelphia
City of Philadelphia	First Union Services, Inc.
University of Pennsylvania Hospital	School District of Philadelphia
School District of Philadelphia	SEPTA
SEPTA	Temple University
Temple University	Tenet Healthsystem
Thomas Jefferson University Hospitals	Thomas Jefferson University Hospitals
United States Postal Service	United States Postal Service
University Of Pennsylvania	University Of Pennsylvania

City of Philadelphia

Table 19

Full Time Employees by Function

For the Fiscal Years 2004 through 2010

	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:							
Economic Development	9	6	6	6	6	23	25
Transportation:							
Streets & Highways	597	564	579	585	584	568	515
Mass Transit	1	1	1	1	1	8	7
Judiciary and Law Enforcement:							
Police	7,888	7,578	7,522	7,639	7,754	7,685	7,503
Prisons	2,002	2,227	2,228	2,183	2,153	2,309	2,268
Courts	3,471	3,450	3,403	3,361	3,386	3,310	3,215
Conservation of Health:							
Emergency Medical Services	300	289	255	249	237	256	329
Health Services	1,210	1,163	1,133	1,148	1,140	1,163	1,135
Housing and Neighborhood Development	110	105	97	111	108	99	96
Cultural and Recreational:							
Recreation	556	511	495	482	483	462	453
Parks	200	182	158	156	156	152	158
Libraries and Museums	774	726	812	816	808	723	687
Improvements to General Welfare:							
Social Services	2,220	2,196	2,140	2,164	2,232	2,107	2,079
Inspections and Demolitions	417	380	248	243	246	221	223
Service to Property:							
Sanitation	1,340	1,233	1,272	1,229	1,239	1,169	1,157
Fire	2,004	1,925	1,974	2,109	2,052	2,019	1,820
General Management and Support	2,369	2,253	2,347	2,331	2,414	2,393	2,276
Total Governmental Activities	25,468	24,789	24,670	24,813	24,999	24,667	23,946
Business Type Activities:							
Water and Sewer	2,342	2,326	2,239	2,229	2,291	2,256	2,196
Aviation	1,021	967	1,004	1,010	1,057	1,033	1,001
Total Business-Type Activities	3,363	3,293	3,243	3,239	3,348	3,289	3,197
Fiduciary Activities:							
Pension Trust	64	64	65	65	59	69	66
Total Primary Government	28,895	28,146	27,978	28,117	28,406	28,025	27,209

City of Philadelphia **Table 20**
Operating Indicators by Function
For the Fiscal Years 2003 through 2010

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
Transportation:								
Streets & Highways								
Street Resurfacing (miles)	93	117	105	102	107	74	119	69
Potholes Repaired	24,182	23,179	20,862	18,203	12,721	12,326	11,976	23,049
Judiciary and Law Enforcement:								
Police								
Arrests	66,083	68,486	67,795	69,166	73,606	75,805	68,922	64,465
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
Prisons								
Average Inmate Population	7,631	7,738	8,141	8,613	8,796	9,133	9,554	8,806
Inmate Beds (city owned)	7,382	8,283	8,405	8,605	8,443	9,005	9,137	9,137
Conservation of Health:								
Emergency Medical Services								
Medic Unit Runs	NA	NA	NA	209,654	216,606	215,305	217,505	222,882
First Responder Runs	NA	NA	NA	69,740	68,203	60,756	53,610	54,960
Health								
Patient Visits	320,833	317,184	337,770	324,014	323,121	334,139	349,078	350,695
Children Screened for Lead Poisoning	39,293	37,863	38,013	43,038	43,501	41,590	50,525	47,713
Cultural and Recreational:								
Parks								
Athletic Field Permits Issued	NA	NA	NA	2,878	2,227	1,389	1,420	1,388
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
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
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
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
Children in Placement	9,190	9,037	8,548	7,999	8,070	7,739	7,993	8,792
Emergency Shelter Beds (average)	2,109	2,412	2,539	2,781	2,677	2,747	2,689	2,617
Transitional Housing Units (new placements)	458	489	597	448	543	435	476	487
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
Recyclables Collected (tons per day)	175	169	157	155	179	197	288	381
Fire								
Fires Handled	NA	NA	NA	9,523	8,080	7,444	6,850	4,927
Fire Marshall Investigations	NA	NA	NA	2,734	3,153	3,097	3,031	2,726
Business Type Activities:								
Water and Sewer								
New Connections	110	106	137	207	125	295	281	704
Water Main Breaks	988	794	706	660	825	687	802	646
Avg. Daily Treated Water Delivered (x 1000 gallons)	183,700	175,600	174,100	175,800	169,400	167,000	163,660	242,900
Peak Daily Treated Water Delivered (x 1000 gallons)	208,600	201,700	210,000	207,400	179,100	170,500	167,090	272,200
Avg. Daily Water Sewage Treatment (x 1000 gallons)	478,130	476,110	478,670	430,170	463,080	411,830	417,330	468,200
[1] **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
Air Cargo Tons (PIA)	565,653	568,898	599,758	591,815	571,452	575,640	475,365	440,495
Aircraft Movements (PIA and NPA)	654,758	584,214	629,885	625,692	614,720	593,757	551,191	543,462

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

Table 21

	2003	2004	2005	2006	2007	2008	2009	2010
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
Streetlights	101,224	101,836	102,000	102,219	102,840	102,949	103,982	104,219
Judiciary and Law Enforcement:								
Police								
Stations and Other Facilities	33	33	33	33	34	36	35	35
Prisons								
Major Correctional Facilities	5	6	6	6	6	6	6	6
Conservation of Health:								
Health Services								
Health Care Centers	9	9	9	9	9	9	9	9
Cultural and Recreational:								
Recreation								
Recreation Centers	164	164	165	165	171	171	171	171
[2] Athletic Venues	1,121	1,121	1,121	1,117	1,117	919	915	914
Neighborhood Parks and Squares	232	232	232	232	232	79	79	79
Parks								
Parks	62	62	62	62	63	63	63	63
Baseball/Softball Fields	106	106	106	106	109	77	79	79
Libraries								
Branch & Regional Libraries	55	54	53	54	54	54	54	54
Service to Property:								
Fire								
Stations and Other Facilities	63	63	63	64	64	64	63	63
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
Fire Hydrants	27,846	27,987	26,080	26,080	25,195	25,181	25,208	25,234
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
Sanitary Sewers (miles)	595	596	596	596	768	750	749	751
Stormwater Conduits (miles)	622	623	623	623	784	713	720	721
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
[3] **Aviation**								
Passenger Gates (PIA)	120	120	120	120	120	120	120	120
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
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460	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.

APPENDIX C

Proposed Form of Co-Bond Counsel Opinion

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APPENDIX C

BELOW IS THE PROPOSED FORM OF OPINION OF CO-BOND COUNSEL EXPECTED TO BE DELIVERED IN CONNECTION WITH THE ISSUANCE OF THE 2011 BONDS

April 19, 2011

RE: The City of Philadelphia, Pennsylvania
$253,720,000 General Obligation Bonds, Series 2011

TO THE PURCHASERS OF THE SERIES 2011 BONDS:

We have served as Co-Bond Counsel to The City of Philadelphia, Pennsylvania (the "City") in connection with the issuance of its $253,720,000 General Obligation Bonds, Series 2011 (the "Series 2011 Bonds"). The Series 2011 Bonds are issued under and pursuant to (i) the Constitution of the Commonwealth of Pennsylvania (the "Commonwealth"), (ii) the Act of the General Assembly of the Commonwealth, approved June 25, 1919, P.L. 581, as amended, and the Act of the General Assembly of the Commonwealth of June 11, 1941, P.L. 113, as amended by the Act of the General Assembly of the Commonwealth of December 8, 1985, P.L. 324 (together, the "Act"); (iii) (A) the Ordinance (Bill No. 100654) of the Council of the City, approved by the Mayor on November 22, 2010 (the "Refunding Ordinance"), and (B) the Ordinance (Bill No. 070670) of the Council of the City, approved by the Mayor on October 5, 2007, and consented to by vote of the electors at an election held on November 6, 2007, the Ordinance (Bill No. 080543) of the Council of the City, approved by the Mayor on September 24, 2008, and consented to by vote of the electors at an election held on November 4, 2008, and the Ordinance (Bill No. 100004) of the Council of the City, approved by the Mayor on March 17, 2010, and consented to by vote of the electors at an election held on May 18, 2010 (collectively, the "Capital Project Ordinance," and together with the Refunding Ordinance, the "Ordinance"); (iv) Resolution No. 080907 of the Council of the City adopted on November 20, 2008, and Resolution No. 100763 of the Council of the City adopted on November 4, 2010 (together, the "Sale Resolution"); and (v) a Resolution of the Bond Committee established by the Ordinance adopted April 7, 2010, with respect to the Series 2011 Bonds (the "Bond Committee Resolution"). Capitalized terms used herein but not defined shall have the meanings set forth in the Bond Committee Resolution.

The Series 2011 Bonds will bear interest at the fixed rates shown in the official statement (the "Official Statement") prepared for the Series 2011 Bonds. The Series 2011 Bonds will be issued only as fully registered bonds, initially in denominations of $5,000 and any integral multiples of $5,000 in excess thereof. The Series 2011 Bonds are subject to redemption prior to maturity as more fully described in the Official Statement.

The Series 2011 Bonds are being issued by the City to provide funds to pay the costs of refunding a portion of certain outstanding general obligation bonds of the City, to pay the costs of capital projects of the City referred to in the Capital Project Ordinance and to pay the costs associated with the issuance of the Series 2011 Bonds.

We have examined the proceedings relating to the authorization and issuance of the Series 2011 Bonds, including, among other things: (a) the Constitution of the Commonwealth and the Act; (b) certified copies of the Ordinance, the Sale Resolution and the Bond Committee Resolution; (c) certifications as to the electoral proceedings related to the Capital Project Ordinance; (d) certificates executed by the City and its Fiscal Agent for the Series 2011 Bonds as to the execution and authentication of the Series 2011 Bonds; (e) various other certificates executed by the City, including a certificate with regard to compliance with the Internal Revenue Code of 1986, as amended (the "Code"); and (f) the Form 8038-G of the City with respect to the Series 2011 Bonds. We have also examined a fully executed and authenticated Series 2011 Bond and we assume all other Series 2011 Bonds are in such form and are similarly executed and authenticated. In rendering our opinion, we have not undertaken to verify the factual matters set forth in such certificates and other proceedings by independent investigation and have relied on the covenants, warranties and representations made in such certificates and in the Ordinance and other financing documents.

We have also relied, in the opinions set forth below, upon the opinion of the City Solicitor with respect to the absence of any challenge to the corporate existence of the City, the incumbency of officers of the City and their entitlement to their offices, and other matters incident to, inter alia, the execution and delivery by the City of the Series 2011 Bonds and such other documentation as the City and its officials were required to execute and deliver in connection with the issuance of the Series 2011 Bonds.

Based upon and subject to the foregoing and the additional assumptions, qualifications and limitations set forth below, we are of the opinion that:

1. The City is authorized under the provisions of the Constitution and laws of the Commonwealth to issue the Series 2011 Bonds for the purposes therein set forth.

2. The Series 2011 Bonds have been duly authorized, executed and delivered by the City and constitute valid and binding general obligations of the City, enforceable against the City in accordance with the terms thereof, except as enforcement may be limited by bankruptcy, insolvency, moratorium and other similar laws and equitable principles affecting creditors' rights and remedies generally, and by the exercise of judicial discretion in accordance with general principles of equity.

3. The full faith, credit and taxing power of the City are pledged for the payment of the principal of and interest due on the Series 2011 Bonds, and the City has effectively covenanted in the Ordinance that it will make payments from the City's sinking fund established for the Series 2011 Bonds or any of the City's general revenues or funds at such times and in such annual amounts as shall be sufficient for the payment of all principal of and interest on the Series 2011 Bonds when due.

4. Under existing laws of the Commonwealth, the interest on the Series 2011 Bonds is free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Series 2011 Bonds or the interest thereon.

5. Interest on the Series 2011 Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Series 2011 Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with all of such requirements could cause the interest on the Series 2011 Bonds to be includable in gross income retroactive to the date of issuance of the Series 2011 Bonds. The City has covenanted to comply with all such requirements. Interest on the Series 2011 Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes; however, under the Code, to the extent that interest on the Series 2011 Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax. We express no opinion regarding other federal tax consequences relating to the Series 2011 Bonds or the receipt of interest thereon.

We express no opinion herein on the adequacy, completeness or accuracy of any official statement, placement memorandum or other disclosure document pertaining to the offering of the Series 2011 Bonds.

This opinion is given as of the date hereof and we express no opinion as to any matter not set forth in the numbered paragraphs herein. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in law which may hereafter occur.

Very truly yours,

APPENDIX D

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

CITY OF PHILADELPHIA, PENNSYLVANIA
GENERAL OBLIGATION BONDS, SERIES 2011

This Continuing Disclosure Agreement ("Disclosure Agreement") dated as of ________, 2011, is executed and delivered by and between The City of Philadelphia, Pennsylvania ("City'') and Digital Assurance Certification, L.L.C. , as dissemination agent ("Dissemination Agent") in connection with the issuance and sale by the City of $253,720,000 aggregate principal amount of its General Obligation Bonds, Series 2011 (the "2011 Bonds").

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1: **<u>Definitions</u>**

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided for unless the context clearly otherwise requires) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the financial information or operating data with respect to the City, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix A attached hereto and made a part hereof, and in accordance with the Rule (as hereafter defined). The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.

"Business Day" or "Business Days" shall mean any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law to close or a day on which the Dissemination Agent is closed.

"Disclosure Representative" shall mean the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

"EMMA" means the Electronic Municipal Market Access System operated by the MSRB.

"Fiscal Agent" shall mean U.S. Bank National Association.

"Material Event" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement dated April 7, 2011, relating to the 2011 Bonds.

"Participating Underwriters" shall mean any of the original underwriters of the 2011 Bonds required to comply with the Rule in connection with their purchase and reoffering of the 2011 Bonds.

"Registered Owner" or "Registered Owners" shall mean the person or persons in whose name a 2011 Bond is registered on the books of the City maintained by the Fiscal Agent in accordance with the

Bond Committee Resolution. For so long as the 2011 Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owner" or "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the 2011 Bonds evidencing an interest in the 2011 Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the 2011 Bonds except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

"Rule" shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such Rule may be amended from time to time.

"Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or successor thereto appointed pursuant to the Bond Committee Resolution.

All words and terms used in this Disclosure Agreement and not defined above or elsewhere herein shall have the same meanings as set forth in the Bond Committee Resolution.

Section 2: <u>Authorization and Purpose of Disclosure Agreement</u>

This Disclosure Agreement is authorized to be executed and delivered by the City in order to assist the Participating Underwriters in complying with the requirements of the Rule.

Section 3: <u>Annual Financial Information</u>

a) Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ending June 30, 2011, the Disclosure Representative shall file with the Dissemination Agent, Annual Financial Information for such fiscal year. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with the MSRB. The Annual Financial Information will be in the form of the City's Comprehensive Annual Financial Report and will contain unaudited financial statements if audited financial statements are not available.

b) As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 2011, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the audited financial statements with the MSRB.

Section 4: <u>Material Events</u>

a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the 2011 Bonds (each a "Material Event"):

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the 2011 Bonds, or other material events affecting the tax status of the 2011 Bonds;

(vii) Modifications to the rights of holders of the 2011 Bonds, if material;

(viii) Calls of the 2011 Bonds, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the 2011 Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City;

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The foregoing fourteen (14) events are quoted from the Rule. No mandatory redemption shall be deemed a Material Event.

b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB. In addition, the Dissemination Agent shall promptly file with the MSRB, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including any failure by the City or the Dissemination Agent to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof.

c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(i), (iv), (viii), (ix) notify the Disclosure Representative of the occurrence of such event and shall, within five (5) Business Days of giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not a Material Event within the meaning of the Rule.

d) The Dissemination Agent shall prepare an affidavit of filing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three (3) Business Days following the date of delivery of such notice.

e) Upon the return of any completed acknowledgment of a filing, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three (3) Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgment.

f) For the purposes of the event identified in clause (a)(xii) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 5: **<u>Amendment; Waiver</u>**

a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend the Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the parties hereto or effective unless:

(i) the amendment or waiver is made in writing and in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the City or the governmental operations conducted by the City;

(ii) the Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the 2011 Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owner of the 2011 Bonds.

b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(i), (ii), and (iii) of this Section 5.

c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with the MSRB. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner including owners of book-entry credits in the 2011 Bonds who have filed their names and addresses with the Dissemination Agent.

Section 6: **<u>Other Information; Duties of Dissemination Agent</u>**

a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the 2011 Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under any other agreement or in any other capacity.

c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners or the MSRB.

Section 7: <u>Default</u>

a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the 2011 Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the 2011 Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

b) A default under the Disclosure Agreement shall not be or be deemed to be a default under the 2011 Bonds or any other agreement related thereto and the sole remedy in the event of a failure of the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8: <u>Concerning the Dissemination Agent</u>

a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except for its own willful misconduct or negligence.

b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all of its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this paragraph shall survive termination of this Disclosure Agreement

c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any action under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit or appear in and defend suit, or do anything else in its judgment proper to be done by it as Dissemination Agent, without indemnity.

Section 9: <u>Term of Disclosure Agreement</u>

This Disclosure Agreement shall terminate (1) upon payment or provision for payment in full of the 2011 Bonds, or (2) upon repeal or rescission of Section (b)(5) of the Rule, or (3) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10: <u>Beneficiaries</u>

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the 2011 Bonds and nothing herein contained shall confer any right upon any other person.

Section 11: <u>Notices</u>

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid, or in a recognized form of overnight mail, or by telecopy with confirmation of receipt, addressed:

(a) to the Dissemination Agent at:

Digital Assurance Certification LLC
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention: Jenny Emami
Fax: (407) 515-6513

(b) to the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
1330 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947; or

Office of the City Treasurer
640 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: City Treasurer
Fax: (215) 686-3815

or such other addresses as may be designated in writing to all parties hereto.

Section 12: <u>No Personal Recourse</u>

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty otherwise.

Section 13: <u>Controlling Law</u>

This Disclosure Agreement and all matters arising out of or related to this Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

Section 14: <u>Removal and Resignation of Dissemination Agent</u>

a) The City may discharge the Dissemination Agent by notice in writing mailed postage prepaid to the Dissemination Agent; provided, however, that the City shall provide written notice to the Fiscal Agent upon the engagement or discharge of any Dissemination Agent, and shall provide the name, address and telephone number of any successor Dissemination Agent. The City shall cause any successor Dissemination Agent appointed hereunder and any further successors to execute and deliver an acknowledgement of acceptance of the designation and duties of Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

b) The Dissemination Agent may resign and thereby become discharged from its duties as such under this Disclosure Agreement by notice in writing mailed postage prepaid to the City, such resignation to become effective on the later of (i) the tenth (l0th) business day following the City's receipt or notice thereof (or at such different date and time as stated in such notice) and (ii) the City's appointment of a new Dissemination Agent hereunder or the City's notice to the Dissemination Agent and the Fiscal Agent that the City has determined to act itself in such capacity.

Section 15: <u>Filing with EMMA; Other Filings</u>.

All filings with the MSRB shall be done through EMMA in an electronic format prescribed by the MSRB and accompanied by identifying data prescribed by the MSRB, or as otherwise specified by the MSRB.

In addition to filings through EMMA, the Dissemination Agent may file any of the information necessary to be filed hereunder with such other electronic filing systems and entities as are approved by the Securities and Exchange Commission (the "SEC") by interpretative letter or "no action" letter for receipt of such information in compliance with the requirements of paragraph (b)(5) of the Rule.

Section 16: **Successors and Assigns.**

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 17: **Headings for Convenience Only**

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 18: **Counterparts**

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 19: **Entire Agreement**

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

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IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

CITY OF PHILADELPHIA, PENNSYLVANIA

By:___________________________
Name: Rob Dubow
Title: Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:___________________________
Name:
Title:

APPENDIX A

1. Commencing with the fiscal year ending June 30, 2011, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units; and

2. Commencing with the fiscal year ending June 30, 2011, to the extent such information is not contained in the CAFR, an update of the information in Appendix A of each Official Statement under the captions "DISCUSSION OF FINANCIAL OPERATIONS," "REVENUES OF THE CITY," "EXPENDITURES OF THE CITY," and "DEBT OF THE CITY."

APPENDIX E

Specimen Municipal Bond Insurance Policy

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

Form 500NY (5/90)

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CITY OF PHILADELPHIA, PENNSYLVANIA • GENERAL OBLIGATION BONDS, SERIES 2011

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