

**City of Philadelphia  
Pennsylvania**

***Comprehensive  
Annual***



***Financial Report***

**Fiscal Year Ended  
June 30, 2003**

**Office of the Director of Finance**

**City of Philadelphia  
Pennsylvania**

**Comprehensive Annual  
Financial Report**

**Fiscal Year Ended  
June 30, 2003**

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**CITY OF PHILADELPHIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2003**

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**Organizational Chart**

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

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

JANICE D. DAVIS  
Secretary of Financial Oversight  
& Director of Finance

December 31, 2003

To the Honorable Mayor, Members of City Council and Citizens of the City of Philadelphia:

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2003 is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

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

## **PROFILE OF THE GOVERNMENT**

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 129 square miles along the Delaware River, serves a population in excess of 1.4 million, and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties. Since 1951 the City has been governed largely under the 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. The Charter provides for a strong mayoral form of government with the Mayor and members of the City Council elected every four years. The mayor is prohibited from serving more than two consecutive terms.

This report includes all the funds of the City as well as the funds of the Philadelphia Municipal Authority and the Pennsylvania Intergovernmental Cooperation Authority. It also incorporates the discretely

presented statements of the Philadelphia Gas Works, Philadelphia Housing Development Corporation, the Philadelphia Parking Authority, the Pennsylvania Convention Center Authority, Penn's Landing Corporation, the Philadelphia Housing Authority, the School District of Philadelphia, the Redevelopment Authority of Philadelphia, Community Behavioral Health, Inc., the Community College of Philadelphia and the Philadelphia Authority for Industrial Development. A component unit was considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for the entity or that the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements (Exhibit XIII)*.

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 two airports that service the entire Delaware Valley region.

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 Generally Accepted Accounting Principles in the United States of America. 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 1. Activities of the General Fund and certain City Related Special Revenue Funds and the City Capital Improvement Fund 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 for the Capital Improvement Fund. 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 and appropriations that have not been expended or encumbered at year-end are lapsed.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in this report is best understood when you consider the environment in which the City of Philadelphia operates.

### **Local Economy**

Philadelphia's employment for 2002 remained relatively stable. Employment in Philadelphia's service sector, including health care, education, hospitality, and other services, increased by 6.9 percent from 1997 to 2002. This sector's growth, reflected by added jobs in all years, has been key to stabilizing the local economy and will continue to play a large role in Philadelphia's future. In the early 1990s the City focused on capitalizing on its existing, yet underdeveloped, hospitality and tourism assets as a means of replacing some of the manufacturing jobs lost in previous decades.

One sector of the economy that shows great promise is the "knowledge industry," also referred to as the "new economy" or "knowledge economy." In the knowledge industry, which relies on the supply of new college graduates, companies apply new and 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.

Philadelphia's competitive advantages as a business location are based on its size, location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City of Philadelphia, the fifth-largest city in the U.S. with the third biggest downtown population, is at the

center of the sixth largest metropolitan region. This size provides high demand from consumers – the fourth-largest retail sales market in the nation – as well as a diverse network of business suppliers and complementary industries. Furthermore, this major market is at the center of a densely populated, affluent region along the Atlantic Coast, a region which stretches from Boston through New York and Philadelphia to Baltimore and Washington, D.C. Philadelphia is in a key position to access these regional markets due to the transportation infrastructure centered within the city, including Philadelphia International Airport, Amtrak's Northeast Corridor service, major interstate highway access, and regional SEPTA service. As a major urban center with a rich historical legacy, Philadelphia is increasingly gaining national recognition for its cultural and recreational advantages. The many tourism assets of the region – overwhelmingly concentrated in Philadelphia itself – include Independence National Historical Park, the Philadelphia Art Museum, the Franklin Institute, and many other museums and historical sites. Recent developments such as the construction of the stunning Kimmel Center for the Performing Arts and the Center City restaurant and retail revitalization are increasingly drawing national attention. The development of two new first class sports facilities, as well as continued access and development along the city's Delaware and Schuylkill River waterfronts, will add to this concentration.

Yet Philadelphia remains uniquely affordable when compared to its peers. The National Association of Realtors Affordability Index ranks the Philadelphia region as the 22nd most affordable housing market out of 180 sampled in the U.S. According to a study by The Reinvestment Fund, a household with median income can afford a home in 79 percent of the region, with this proportion even higher within the city limits.

### **Long Term Financial Planning**

The City is participating in the recently formed Knowledge Industry Partnership (KIP) – a broad-based coalition of Greater Philadelphia civic, business, governmental, and higher education leaders working together to maximize the impact of the region's knowledge industry on Philadelphia's competitive future. Among other things, KIP, will attract, engage and retain students in the Philadelphia region.

The city is in the midst of another substantial enhancement of its tourism assets, as destinations that opened in 2003 include the National Constitution Center and Lincoln Financial Field, the new Eagles stadium. The new Phillies stadium is set to open in 2004, these new facilities reflect Philadelphia's position as a world class city.

The Neighborhood Transformation Initiative (NTI) is a strategy to preserve and rebuild Philadelphia neighborhoods. Under NTI, the City is marshaling a variety of resources to:

- remove blighting conditions,
- stimulate investment in housing, and
- improve the delivery of community development programs and services.

NTI emphasizes the extensive use of:

- community planning;
- promoting a balance of affordable and market-rate housing development;
- cooperation of all operating departments;
- involvement of private sector partners; and
- delivery of appropriate services to all neighborhoods.

### **Cash Management**

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the US Treasury, repurchase agreements and commercial paper. The Pension Trust Fund's investment portfolio also includes stocks, corporate bonds, real estate and other items.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent, the Federal Reserve Bank, or a financial institution's trust department in the City's name.



## **Risk Management**

The City and several of its component units are self-insured for fire damage, casualty losses, public liability, Worker's Compensation, and Unemployment Compensation. Liabilities arising in these areas are liquidated with available resources of the respective operating funds. The Airport, the Philadelphia Gas Works and the remaining component units are principally insured through insurance carriers.

## **Pension and Other Postemployment Benefits**

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

The **Deferred Retirement Option Plan** (DROP) was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

## **AWARDS AND ACKNOWLEDGEMENTS**

For the twenty third consecutive year, 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, 2002. 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. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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. Each member of the office has my sincere appreciation for their valuable contributions.

Respectfully submitted,

Janice D. Davis (Signed)  
Secretary of Financial Oversight & 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, 2002

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

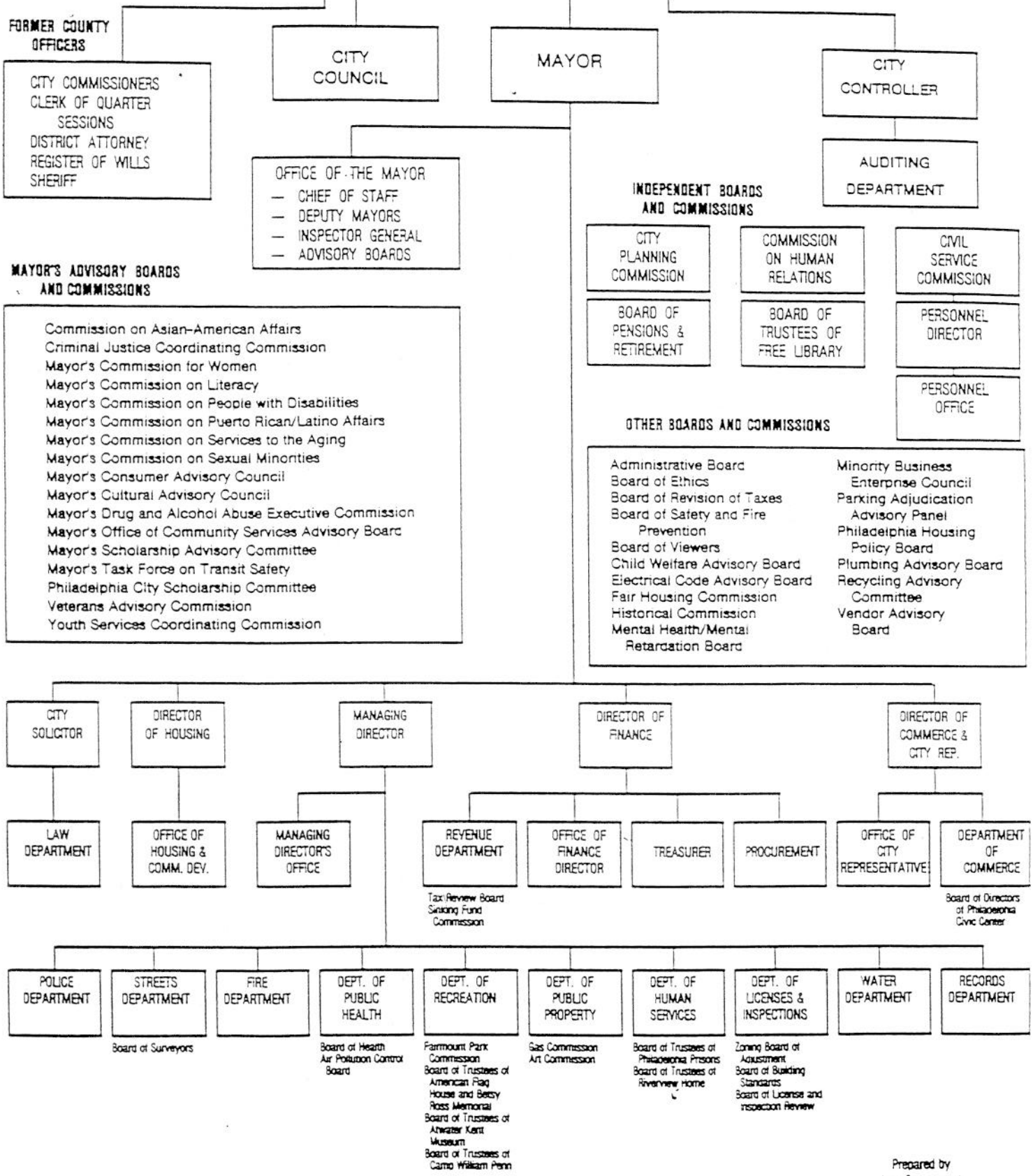


President

Executive Director

# ORGANIZATION OF PHILADELPHIA'S CITY GOVERNMENT

**VOTERS**



Prepared by  
Law Department  
Designed and Composed by  
Department of Records  
May 1992

**CITY OF PHILADELPHIA**  
**Listing of Principal Officials**  
**June 30, 2003**

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**Elected Officials**

Mayor .....John F. Street

**City Council**

Council President, 2nd District.....Anna Cibotti Verna  
 Councilperson, 1st District.....Frank DiCicco  
 Councilperson, 3rd District.....Jannie L. Blackwell  
 Councilperson, 4th District .....Michael A. Nutter  
 Councilperson, 5th District .....Darrell L. Clarke  
 Councilperson, 6th District .....Joan L. Krajewski  
 Councilperson, 7th District .....Rick Mariano  
 Councilperson, 8th District .....Donna Reed Miller  
 Councilperson, 9th District .....Marian B. Tasco  
 Councilperson, 10th District.....Brian J. O'Neill  
 Councilperson-at-Large .....David Cohen  
 Councilperson-at-Large .....W. Wilson Goode, Jr.  
 Councilperson-at-Large .....James F. Kenney  
 Councilperson-at-Large .....Angel Ortiz  
 Councilperson-at-Large .....Blondell Reynolds Brown  
 Councilperson-at-Large .....Frank Rizzo  
 Councilperson-at-Large .....Vacant

District Attorney .....Lynne M. Abraham

City Controller .....Jonathan A. Saidel

**City Commissioners**

Chairperson.....Margaret M. Tartaglione  
 Commissioner .....Joseph Duda  
 Commissioner .....Vacant

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

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

Sheriff .....John Green

**First Judicial District of Pennsylvania**

President Judge Court of Common Pleas.....Federica A. Massiah-Jackson  
 President Judge Municipal Court.....Louis J. Prezenza  
 President Judge Traffic Court.....Francis Kelly

**Appointed City Officials**

Chief of Staff.....Joyce Wilkerson  
 Secretary of Financial Oversight and Director of Finance.....Janice D. Davis  
 Managing Director .....Phillip R. Goldsmith  
 City Representative and Director of Commerce.....James Cuorato  
 City Solicitor .....Nelson Diaz  
 Secretary of External Affairs.....George R. Burrell, Jr.  
 Secretary of Education.....Debra A. Kahn  
 Chief Information Officer.....Dianah Neff  
 City Planning Commissioner .....Maxine Griffith  
 Director of Housing.....Deborah McColloch  
 City Treasurer .....Corey Kemp  
 Revenue Commissioner .....Nancy A. Kammerdeiner  
 Procurement Commissioner .....William Gamble  
 Secretary of Public Safety.....Sylvester Johnson  
 Streets Commissioner .....William Johnson  
 Fire Commissioner .....Harold B. Hairston  
 Health Commissioner .....John Domzalski  
 Recreation Commissioner.....Victor Richard III  
 Public Property Commissioner .....Andres Perez, Jr.  
 Human Services Commissioner .....Alba Martinez  
 Licenses and Inspections Commissioner .....Edward J. McLaughlin  
 Water Commissioner .....Kumar Kishinchand  
 Records Commissioner .....Joan T. Decker  
 Personnel Director.....Lynda Orfanelli



# **FINANCIAL SECTION**

**Independent Auditor's Report**

**Management's Discussion and Analysis**

**Basic Financial Statements**

**Required Supplementary Information**

**Other Supplementary Information**



# CITY OF PHILADELPHIA

OFFICE OF THE CITY CONTROLLER  
12<sup>th</sup> Floor, Municipal Services Bldg.  
1401 John F. Kennedy Boulevard  
Philadelphia, Pennsylvania 19102-1679  
(215) 686-6680 FAX (215) 686-3832

JONATHAN A. SAIDEL  
City Controller

ALBERT F. SCAPEROTTO  
Deputy City Controller

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2003, 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 F-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Pennsylvania Intergovernmental Cooperation Authority, Penn's Landing Corporation, Pennsylvania Convention Center Authority, Philadelphia Parking Authority, Community Behavioral Health, and the Philadelphia Gas Works discussed in Note I-1, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2003 on our consideration of the City of Philadelphia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 11 through 25, and the major funds budgetary comparison schedules, the pension plans-schedule of funding progress, and the related notes to required supplementary information, on pages 100 through 104 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. The management's discussion and analysis, the major funds budgetary comparison schedules, the pension plans-schedule of funding progress and the related notes to required supplementary information have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia's basic financial statements. The introductory section, combining non-major fund statements, individual fund schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund statements and individual fund schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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.

December 31, 2003

  
ALBERT F. SCAPEROTTO, CPA  
Deputy City Controller

  
JONATHAN A. SAIDEL, CPA  
City Controller



# City of Philadelphia, Pennsylvania

## Management's Discussion and Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2003 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. Amounts are presented in thousands of dollars, unless otherwise indicated.

### Financial Highlights

- At the end of the current fiscal year, the City of Philadelphia's *net assets* were \$1,367,453 resulting from an excess of its assets over its liabilities, however, its *unrestricted net assets* showed a deficit of \$466,561. 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 \$287,477, however, the city reported a prior period adjustment of \$1,148,116 which created an overall increase to the total net assets of \$860,639 over the amount reported last year. The prior period adjustment resulted from a net pension asset reported in the governmental activities of the city as calculated by the city's actuary in accordance with the Governmental Accounting Standards Board (GASB) statement 27. Additional explanation is provided in note III - 14 to the financial statements. During fiscal year 2003, the governmental activities of the city experienced a decrease of \$301,121, while the business type activities had an increase of \$13,644.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$660,215, a decrease of \$324,607 from last year. The *unreserved fund balance* of the governmental funds ended the fiscal year with a deficit of \$36,409. This deficit was primarily caused by a one time revenue reduction of \$99,254 resulting from a change in tax payer filing requirements for the city's business privilege tax.
- The overall unreserved fund balance of the city's general fund ended the fiscal year with a deficit of \$7,925. This deficit was comprised of a positive \$91,329 and the special one time revenue reduction of \$99,254 previously mentioned. Overall, the unreserved fund balance of the general fund decreased from last year by \$146,950 principally due to the tax filing change. General fund revenues for the current fiscal year were \$2,874,444 as compared to \$2,691,007 for the prior year (an increase of approximately 7%), while expenditures amounted to \$3,105,773 compared to \$2,859,439 for last year (an increase of approximately 9%).
- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a positive fund balance of \$91,329, as compared to \$139,025 last year.

### Overview of the Financial Statements

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

- Government-wide financial statements which provide both long-term and short-term information about the city's overall financial condition.
- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the city.
- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

# City of Philadelphia, Pennsylvania

## Management's Discussion and Analysis

**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 eleven distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, Gas Works, Housing Authority, Housing Development Corporation, Parking Authority, Penn's Landing Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

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

- **Governmental funds.** The governmental funds are used to account for the financial activity of the city's basic services, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of 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 are useful in evaluating the city's short term financing requirements.

# City of Philadelphia, Pennsylvania Management's Discussion and Analysis

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 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 seventeen funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

- **Proprietary funds.** The proprietary funds are used to account for the financial activity of the city's operations for which customers are charged a user fee; they provide both a long and short term view of financial information. The city maintains three enterprise funds which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.
- **Fiduciary funds.** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate *statements of fiduciary net assets* and *changes in fiduciary net assets*. They are not reflected in the government-wide financial statements because the assets are not available to support the city's operations.

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

<u>Summary of the City of Philadelphia's Government-wide and Fund Financial Statements</u>				
	<u>Government-wide Statements</u>	<u>Fund Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<b>Scope</b>	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, such as the airport and water/waste water system	Activities for which the city is trustee for someone else's assets, such as the employees' pension plan
<b>Required Financial Statements</b>	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
<b>Accounting basis/ measurement focus</b>	Accrual accounting Economic resources	Modified accrual accounting Current financial resources	Accrual accounting Economic resources	Accrual accounting Economic resources
<b>Type of asset and liability information</b>	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
<b>Type of inflow and outflow information</b>	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

# City of Philadelphia, Pennsylvania

## Management's Discussion and Analysis

**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 and demographic data are presented in the statistical section. This information is located immediately after the supplementary information.

### Government-wide Financial Analysis

**Net assets.** As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's assets exceeded its liabilities by \$1,367,453.

Capital assets (land, buildings, roads, bridges and equipment) less any outstanding debt issued to acquire these assets comprises a large portion of the City of Philadelphia's net assets, \$765,068. 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, \$1,068,946, are subject to external restrictions as to how they may be used. The remaining component of net assets is the unrestricted net assets which ended the fiscal year with a deficit of \$466,561. Both the governmental and business-type activities reported negative *unrestricted net assets* of \$453,822 and \$12,739 respectively. These deficits will have to be funded from future revenues.

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

City of Philadelphia's Net Assets										
	Governmental Activities			%	Business-type Activities			%	Total	
	2003	2002	Change		2003	2002	Change		Primary Government	
								2003	2002	Change
Current and other assets	2,770,128	1,845,675	50.1%	1,020,044	1,252,549	-18.6%		3,790,172	3,098,224	22.3%
Capital assets	<u>2,341,928</u>	<u>2,257,976</u>	3.7%	<u>3,061,088</u>	<u>2,879,717</u>	6.3%		<u>5,403,016</u>	<u>5,137,693</u>	5.2%
<b>Total assets</b>	<b>5,112,056</b>	<b>4,103,651</b>	24.6%	<b>4,081,132</b>	<b>4,132,266</b>	-1.2%		<b>9,193,188</b>	<b>8,235,917</b>	11.6%
Long-term liabilities outstanding	4,186,412	4,264,055	-1.8%	2,800,675	2,885,484	-2.9%		6,987,087	7,149,539	-2.3%
Other liabilities	<u>666,207</u>	<u>427,154</u>	56.0%	<u>172,441</u>	<u>152,410</u>	13.1%		<u>838,648</u>	<u>579,564</u>	44.7%
<b>Total liabilities</b>	<b>4,852,619</b>	<b>4,691,209</b>	3.4%	<b>2,973,116</b>	<b>3,037,894</b>	-2.1%		<b>7,825,735</b>	<b>7,729,103</b>	1.3%
Net assets:										
Invested in capital assets,										
net of related debt	286,411	280,921	2.0%	478,657	199,087	140.4%		765,068	480,008	59.4%
Restricted	426,848	427,022	-0.0%	642,098	1,001,596	-35.9%		1,068,946	1,428,618	-25.2%
Unrestricted	<u>(453,822)</u>	<u>(1,295,501)</u>	65.0%	<u>(12,739)</u>	<u>(106,311)</u>	88.0%		<u>(466,561)</u>	<u>(1,401,812)</u>	66.7%
<b>Total net assets</b>	<b>259,437</b>	<b>(587,558)</b>	144.2%	<b>1,108,016</b>	<b>1,094,372</b>	1.2%		<b>1,367,453</b>	<b>506,814</b>	169.8%

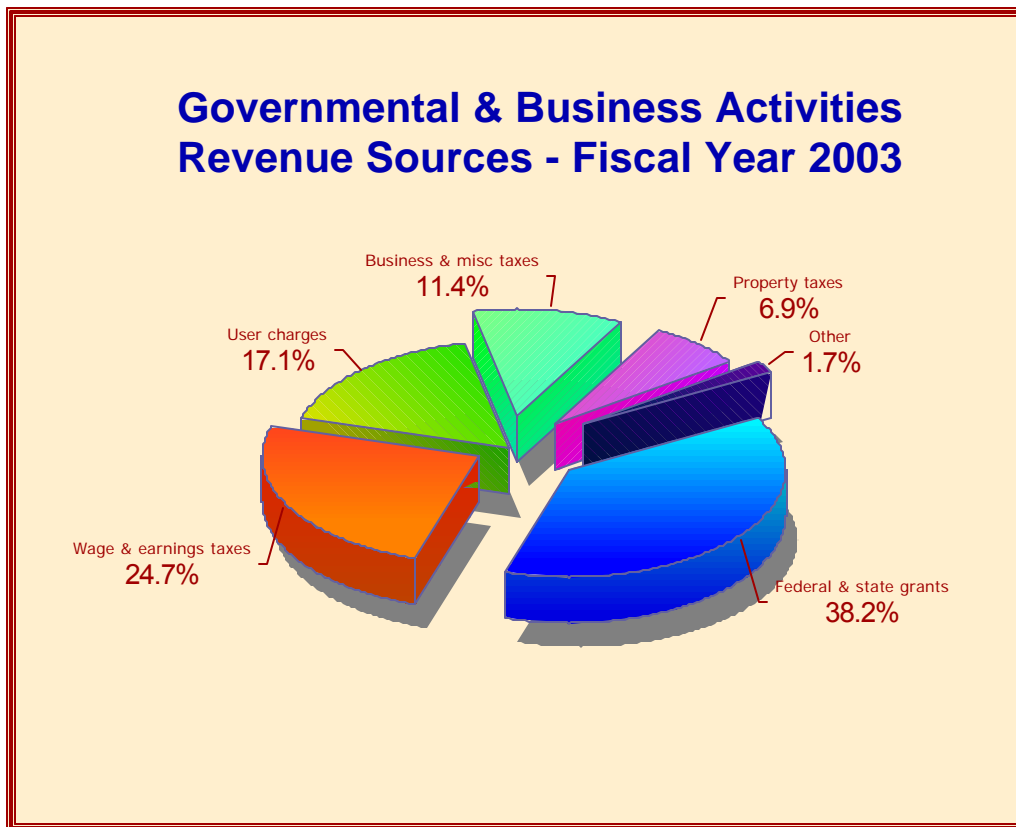
# City of Philadelphia, Pennsylvania Management's Discussion and Analysis

**Changes in net assets.** The total cost of all city services and programs this year was \$5,457,893. These expenses cover a wide range of services, of which approximately 59% are related to the health, welfare and safety of the general public.

The city's total revenues, transfers and special items this year amounted to \$5,170,416 which fell short of total costs by \$287,477. Approximately 32% of all revenue came from property, wage and earnings taxes. State, Federal and local grants account for another 38%, with the remainder of the revenue coming from user charges, fines, fees and various other sources.

Overall, net assets for the city decreased by \$287,477. Approximately one third of this decrease is attributable to the unusual one time reduction of revenue resulting from a change in the tax payer filing requirements for the city's business privilege tax. A reduction in wage and earnings tax collections as well as lower interest earnings on sinking fund investments in the water fund also contributed to the decline in net assets. At the same time, increased costs for public safety and employees' medical insurance also contributed to the decline.

The following graphs show the revenue sources and functional expenses of the city in more detail.



# City of Philadelphia, Pennsylvania Management's Discussion and Analysis



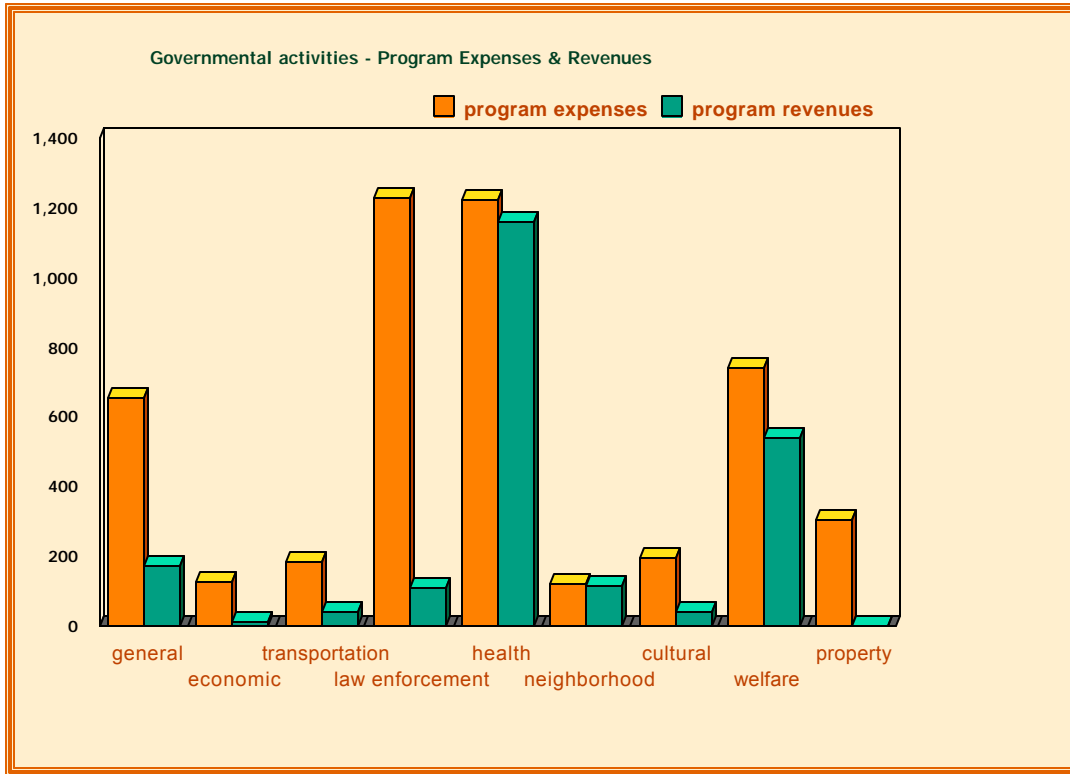
## Governmental Activities

The \$287,477 decline in the city's overall net assets was attributable to the governmental activities of the city which experienced a \$301,121 decline. Some of the key reasons for the decline have already been discussed. In summary, they are:

- The unusual change in filing requirements for the business privilege tax
- A decrease in the city wage tax due to the planned rate reduction designed to stimulate the economy
- An increase in spending for police, the prisons and the court system
- An increase in the level of care for the city's adult homeless and indigent population
- Expansion of the after school and other related children's initiatives

These increased costs were offset to some degree by an increase in grant revenue primarily from federal and state agencies.

# City of Philadelphia, Pennsylvania Management's Discussion and Analysis



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.

	Program Costs			Program Revenues			Net Cost		
	2003	2002	% Change	2003	2002	% Change	2003	2002	% Change
	General Welfare	742,816	712,700	4.2%	539,369	472,998	14.0%	203,447	239,702
Judiciary & Law Enforcement	1,232,409	1,141,742	7.9%	111,492	117,976	-5.5%	1,120,917	1,023,766	9.5%
Public Health	1,225,483	1,173,407	4.4%	1,159,989	1,112,329	4.3%	65,494	61,078	7.2%
General Governmental	655,015	691,436	-5.3%	176,146	178,604	-1.4%	478,869	512,832	-6.6%
Services to Property	305,080	282,150	8.1%	3,429	4,429	-22.6%	301,651	277,721	8.6%
Housing, Economic & Cultural	637,506	613,865	3.9%	217,029	244,133	-11.1%	420,477	369,732	13.7%
	<b>4,798,310</b>	<b>4,615,300</b>	4.0%	<b>2,207,454</b>	<b>2,130,469</b>	3.6%	<b>2,590,856</b>	<b>2,484,831</b>	4.3%

The cost of all governmental activities this year was \$4,798,310, however the amount that taxpayers paid for these programs through tax payments was only \$2,266,257. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$1,924,452, while those who benefited from the programs paid \$283,002 through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$118,594.

The following chart 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, Pennsylvania Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total		% Change
	2003	2002	2003	2002	2003	2002	
<b>Revenues:</b>							
Program revenues:							
Charges for services	283,002	276,338	617,176	555,338	900,178	831,676	8.2%
Operating grants and contributions	1,907,178	1,834,217	8,911	11,010	1,916,089	1,845,227	3.8%
Capital grants and contributions	17,274	19,914	17,778	23,763	35,052	43,677	-19.7%
General revenues:							
Wage and earnings taxes	1,301,912	1,271,195	-	-	1,301,912	1,271,195	2.4%
Property taxes	362,683	351,724	-	-	362,683	351,724	3.1%
Other taxes	601,662	594,038	-	-	601,662	594,038	1.3%
Unrestricted grants and contributions	61,098	61,098	-	-	61,098	61,098	0.0%
Other	57,496	35,198	33,500	45,394	90,996	80,592	12.9%
<b>Total revenues</b>	<b>4,592,305</b>	<b>4,443,722</b>	<b>677,365</b>	<b>635,505</b>	<b>5,269,670</b>	<b>5,079,227</b>	<b>3.7%</b>
<b>Expenses:</b>							
Economic development	127,896	97,289	-	-	127,896	97,289	31.5%
Transportation	185,685	196,176	-	-	185,685	196,176	-5.3%
Judiciary & law enforcement	1,232,409	1,141,742	-	-	1,232,409	1,141,742	7.9%
Conservation of health	1,225,483	1,173,407	-	-	1,225,483	1,173,407	4.4%
Housing & neighborhood development	125,188	124,800	-	-	125,188	124,800	0.3%
Cultural & recreational improvement of the general welfare	198,737	195,600	-	-	198,737	195,600	1.6%
Services to taxpayer property	742,816	712,700	-	-	742,816	712,700	4.2%
General management	305,080	282,150	-	-	305,080	282,150	8.1%
Interest on long term debt	524,806	521,764	-	-	524,806	521,764	0.6%
Water & waste water	130,209	169,672	-	-	130,209	169,672	-23.3%
Airport	-	-	412,907	427,691	412,907	427,691	-3.5%
Industrial land bank	-	-	244,451	197,876	244,451	197,876	23.5%
	-	-	2,225	3,790	2,225	3,790	-41.3%
<b>Total expenses</b>	<b>4,798,310</b>	<b>4,615,300</b>	<b>659,583</b>	<b>629,357</b>	<b>5,457,893</b>	<b>5,244,657</b>	<b>4.1%</b>
Increase (decrease) in net assets before transfers & special items	(206,005)	(171,578)	17,782	6,148	(188,223)	(165,430)	
Special items	(99,254)	-	-	-	(99,254)	-	
Transfers	4,138	4,138	(4,138)	(6,938)	-	(2,800)	100.0%
Increase (decrease) in net assets	<b>(301,121)</b>	<b>(167,440)</b>	<b>13,644</b>	<b>(790)</b>	<b>(287,477)</b>	<b>(168,230)</b>	
Net Assets - Beginning of the Period	(587,558)	(420,118)	1,094,372	1,095,162	506,814	675,044	-24.9%
Adjustment	1,148,116	-	-	-	1,148,116	-	
Net Assets Adjusted - Begin of Period	560,558	(420,118)	1,094,372	1,095,162	1,654,930	675,044	145.2%
Net Assets - End of the Period	<b>259,437</b>	<b>(587,558)</b>	<b>1,108,016</b>	<b>1,094,372</b>	<b>1,367,453</b>	<b>506,814</b>	<b>169.8%</b>

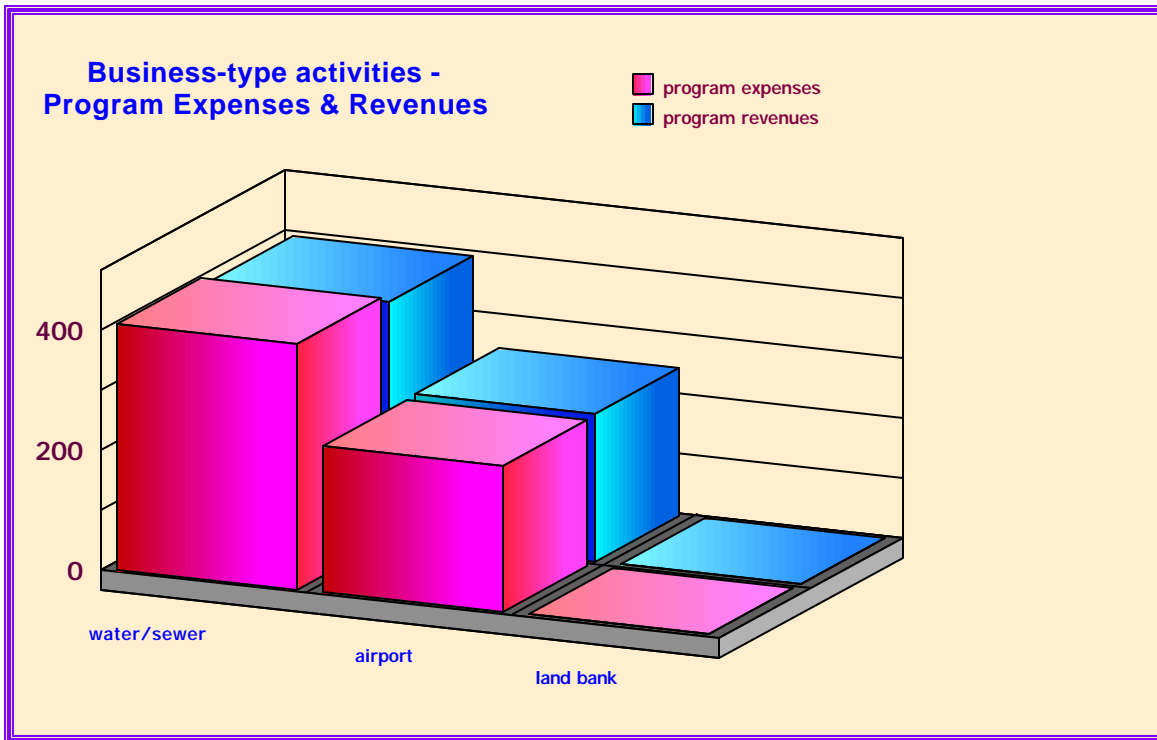
## Business-type Activities

Business-type activities caused the city's net assets to increase by \$13,644. This increase was comprised of a decline in the amount of \$994 and \$374 for the water/wastewater and industrial & commercial development operations respectively, while the airport experienced an increase of \$15,012. Some of the key reasons for these changes are:

- Increased costs to meet new and higher standards of water and waste water treatment plants.
- Increased spending to maintain the vast infrastructure of the water and waste water systems;
- Lower interest earnings on sinking fund and other related investments;
- Increased airline revenues and airport rental concession income resulting from an increase in airline passenger traffic.



# City of Philadelphia, Pennsylvania Management's Discussion and Analysis



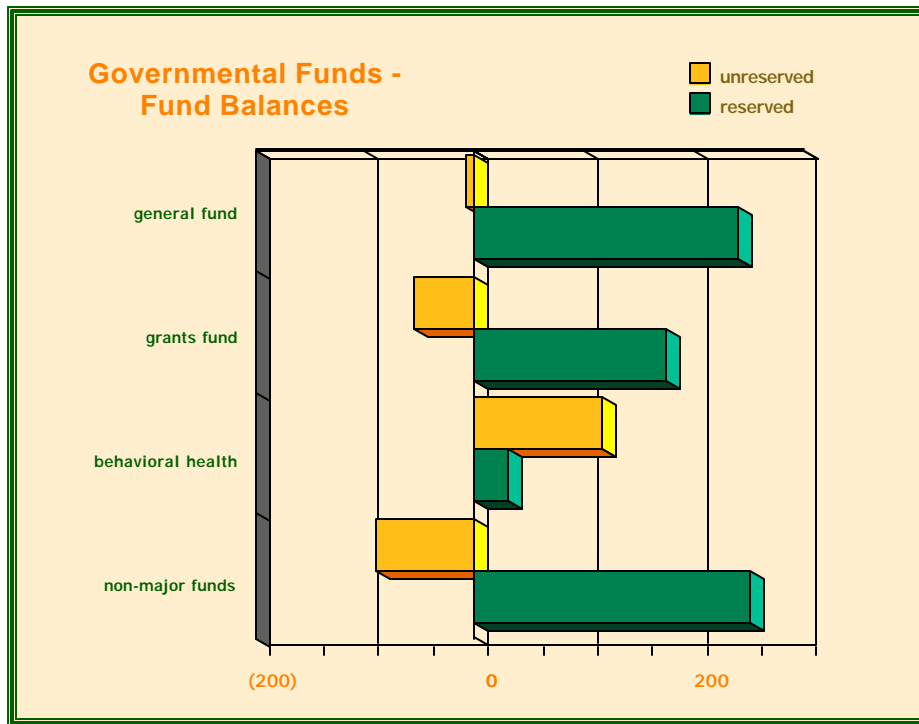
## Financial Analysis of the Government's Funds

**Governmental funds.** The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of spendable 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 \$660,215 - a decrease of \$324,607 from last year. Of the total fund balance, \$696,624 represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: liquidate purchase orders and contracts of the prior period (\$195,488); revitalize neighborhoods (\$139,133); pay debt service (\$91,661); support programs funded by independent agencies (\$81,825); fund a portion of the city's managed care programs (\$30,800); fund a portion of new sports stadiums (\$102,757); and, a variety of other restricted purposes (\$54,960). The difference between the combined fund balance and reserved fund balance is a negative \$36,409 which constitutes *unreserved fund balance*. This deficit will have to be funded from future revenues.

The general fund, the primary operating fund of the city, reported a deficit *unreserved fund balance* of \$7,925 at the end of the fiscal year. This deficit was primarily due to the unusual and infrequent event in the change to taxpayer filing requirements for the city's business privilege tax. This change resulted in a one time reduction of revenue in the amount of \$99,254. 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 (excluding the effects of the unusual business privilege tax adjustment) were 3% and 11%, respectively.

## City of Philadelphia, Pennsylvania Management's Discussion and Analysis



Overall, the total fund balance (reserved and unreserved) of the general fund decreased by \$243,539 during the current fiscal year. This decrease was primarily due to the \$99,254 change in the business privilege tax filing requirements previously described, as well as an excess of expenditures over revenues and other financing sources in the amount of \$144,285 for the fiscal year. Some of the key factors contributing to this change are:

- Increased Revenues:
  - An overall increase of \$149,166 in revenue collected from state and federal agencies. This increase is in part due to increased revenue collection efforts and in part due to increased reimbursements for child welfare programs.
- Increased Expenditures:
  - A \$31,000 increase in the level of care for the city's homeless adults and children and youth
  - An \$11,570 increase for correctional facility costs due to an agreement with a neighboring county to assist in the housing of Philadelphia's inmates
  - An increase in employee medical benefit costs in the amount of \$39,083 resulting from city labor contracts
  - An increase of \$25,031 resulting from the full implementation and expansion of the After School Program as well as other related children's initiatives
  - Additional debt service payments in the amount of \$27,706 for the two new sports stadiums and the neighborhood transformation initiative bond issues
  - Increased police overtime in the amount of \$22,866 related to operation safe streets which is an administrative public safety and quality of life initiative targeting street corner drug sales and improving the quality of life in city neighborhoods.

## City of Philadelphia, Pennsylvania Management's Discussion and Analysis

The health choices behavioral health fund ended the fiscal year with a total fund balance of \$146,889 of which \$30,800 is reserved for a contractually required equity reserve and reinvestment initiatives. The unreserved portion of \$116,089 is available to be used to pay ongoing expenses of the managed care program. The total fund balance increased during the fiscal year by \$50,172 primarily due to increased monthly patient capitation rates granted by the Commonwealth of Pennsylvania.

The grants revenue fund has a total fund balance in the amount of \$118,822 which is comprised of a positive reserved fund balance of \$174,132 (earmarked for neighborhood revitalization, productivity and emergency telephone system programs) and a deficit unreserved fund balance of \$55,310. 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 slight decrease of \$2,183 during the current fiscal year.

**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 \$13,644 during the current fiscal year. This overall increase is attributable to the airport operations which experienced an increase of \$15,012, while the water/wastewater system and industrial & commercial development operations experienced decreases of \$994 and \$374, respectively.

The *unrestricted nets assets* of the proprietary funds reported a deficit of \$12,739, comprised of a negative \$68,975 for the water and waste water operations, and positive balances of \$28,272 for the airport and \$27,964 for the industrial & commercial development activities. These unrestricted net assets represent an overall increase of \$93,572 over the previous year, comprised of increases of \$80,003 for the water and waste water operations and \$13,943 for the airport. The land bank experienced a slight decrease of \$374 accounting for the difference. Factors attributing to these changes have already been addressed in the discussion of the city's business-type activities.

### General Fund Budgetary Highlights

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

- \$50,450 for Police Department overtime for the "Safe Streets" program which targets drug dealers whose activities are taking place on the street corners of residential neighborhoods;
- \$20,016 for higher than anticipated costs associated with the professional care of individuals, including the homeless and people in correctional facilities;
- \$19,039 for increased costs associated with employees' medical benefit payments.

The general fund's budgetary unreserved fund balance of \$91,329 differs from that which was reported in the fund financial statements for the general fund by \$99,254 due to the business privilege tax change previously mentioned, which had no effect on budgeted cash receipts.

# City of Philadelphia, Pennsylvania Management's Discussion and Analysis

## 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 \$5,403,016, 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 \$26,948 for streets and \$40,433 for the water and waste water systems
- City Hall complex exterior renovations in the amount of \$7,053
- Construction of a new police forensic laboratory for \$8,192
- Recreational facility improvements in the amount of \$11,260
- Construction of a new women's detention facility for \$24,253
- Construction of a new 800 MHz communication system for \$14,905
- Airport terminal and airfield improvements in the amount of \$26,374

City of Philadelphia's Capital Assets (net of depreciation)									
	Governmental activities			Business-type activities			Total		
	2003	2002	Inc (Dec)	2003	2002	Inc (Dec)	2003	2002	Inc (Dec)
Land	683,155	616,610	66,545	80,337	77,898	2,439	763,492	694,508	68,984
Buildings	848,845	816,117	32,728	1,663,675	1,166,111	497,564	2,512,520	1,982,228	530,292
Improvements other than buildings	99,931	101,492	(1,561)	48,814	45,591	3,223	148,745	147,083	1,662
Machinery & equipment	254,476	259,817	(5,341)	24,179	30,149	(5,970)	278,655	289,966	(11,311)
Infrastructure	447,788	454,955	(7,167)	1,076,263	1,042,827	33,436	1,524,051	1,497,782	26,269
Construction in progress	7,733	8,985	(1,252)	167,820	517,141	(349,321)	175,553	526,126	(350,573)
<b>Total</b>	<b>2,341,928</b>	<b>2,257,976</b>	<b>83,952</b>	<b>3,061,088</b>	<b>2,879,717</b>	<b>181,371</b>	<b>5,403,016</b>	<b>5,137,693</b>	<b>265,323</b>

The city's governmental activities experienced an overall increase in capital assets of \$83,952 (net of accumulated depreciation) during the current fiscal year. This increase was comprised of increases to land and buildings in the amounts of \$66,545 and \$32,728, respectively, along with decreases to improvements (\$1,561), equipment (\$5,341), infrastructure (\$7,167) and construction in progress (\$1,252). The decreases, except for the construction in progress, are a result of normal depreciation costs for the fiscal year. The increase to land resulted from an updated engineering survey of land beneath city owned streets and acquisition of additional land for the new stadiums. The increase to buildings was, in part, a result of:

- The construction of a new women's detention facility - \$24,253:
  - ◆ This women's facility was needed to address overcrowding and court ordered consent decrees. Without this facility, the Philadelphia prison system would be forced into a "three inmate per cell" basis causing court imposed overcrowding fines.
- Significant improvements made to the police department's forensic building - \$8,192:
  - ◆ The new state of the art forensic laboratory will provide properly sized, modern accommodations for the city's scientific services and mobile crime units. The facility will enable the city to meet American Society of Crime Laboratory Directors (ASCLD) accreditation standards, which the current facility does not.
- Major improvements made to city hall - \$7,053:
  - ◆ The structural integrity of city hall was being undermined by the deterioration of its roof, gutters, flashing, masonry elements and ornamental iron cresting. The improvements made have stabilized the exterior structure and will help to prevent further deterioration.

More detailed information about the city's capital assets can be found in the notes to the financial statements.

## City of Philadelphia, Pennsylvania Management's Discussion and Analysis

**Long-term debt.** At year end the city had \$6,987,087 in long term debt outstanding. Of this amount, \$4,694,288 represents bonds outstanding (comprised of \$1,918,741 of debt backed by the full faith and credit of the city, and \$2,775,547 of debt secured solely by specific revenue sources) while \$2,292,799 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	
	2003	2002	2003	2002	2003	2002
Bonds Outstanding:						
General obligation bonds	1,903,291	2,007,673	15,450	19,200	1,918,741	2,026,873
Revenue bonds	-	-	2,775,547	2,853,186	2,775,547	2,853,186
<b>Total Bonds Outstanding</b>	<b>1,903,291</b>	<b>2,007,673</b>	<b>2,790,997</b>	<b>2,872,386</b>	<b>4,694,288</b>	<b>4,880,059</b>
Other Long Term Obligations:						
Service agreements	1,930,425	1,951,172	-	-	1,930,425	1,951,172
Employee related obligations	317,971	263,215	6,839	4,155	324,810	267,370
Indemnities	34,725	41,995	50	50	34,775	42,045
Other	-	-	2,789	8,893	2,789	8,893
<b>Total Other Long Term Obligations</b>	<b>2,283,121</b>	<b>2,256,382</b>	<b>9,678</b>	<b>13,098</b>	<b>2,292,799</b>	<b>2,269,480</b>
<b>Total Long Term Debt Outstanding</b>	<b>4,186,412</b>	<b>4,264,055</b>	<b>2,800,675</b>	<b>2,885,484</b>	<b>6,987,087</b>	<b>7,149,539</b>

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

- \$381,275 water and wastewater revenue bonds were issued which refunded the principal and interest of a 1993 series revenue bond issuance;
- \$22,935 principal and \$25,647 interest on water and wastewater revenue bonds were defeased utilizing available money from the city's water residual fund;
- The city entered into an interest rate swap with a counterparty for approximately \$467,000 water and wastewater revenue bonds callable on March 18, 2003 and May 4, 2005. The counterparty paid the city an upfront premium of \$28,990 for the right, not the obligation, to swap interest rates. The interest rate swap represents savings of 5.5% of the refunded par amount of the bonds.
- The Pennsylvania Intergovernmental Cooperation Authority (PICA) issued \$165,550 in tax revenue bonds which will mature through 2023. The interest rate is based upon payments due by PICA under a swap agreement. The proceeds of the bonds were used to (1) refund \$163,185 of PICA's series 1993A special tax revenue bonds outstanding as of June 16, 2003 and maturing on the 15th of June from 2004 through 2023, and (2) to pay the costs associated with the issuance of the bonds.

# City of Philadelphia, Pennsylvania Management's Discussion and Analysis

As of the close of the current fiscal year, the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

<b>City of Philadelphia's Bond Ratings</b> General Obligation and Revenue Bonds			
	<b>Moody's Investors Service</b>	<b>Standard &amp; Poors Corporation</b>	<b>Fitch IBCA</b>
General obligation bonds	Baa1	BBB	A-
Water and sewer revenue bonds	A3	A-	A-
Aviation revenue bonds	A3	A	A

The City of Philadelphia is limited by state statute 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, 2003, the date on which the calculation was performed, the legal debt limit was \$1,261,346. There is \$1,159,129 of outstanding tax supported debt leaving a legal debt margin of \$102,217.

Additional information about the city's long-term debt can be found in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors have all been considered in preparing the City of Philadelphia's budget for the 2004 fiscal year:

- Continuation of the wage and business tax reduction program which began in fiscal year 1995.
- An inflation rate of 2.5%.
- The city's employment levels will remain static relative to national levels.
- Implementation of the Neighborhood Transformation Initiative which will require resources for the reduction of neighborhood blight such as cleaning and maintaining vacant lots, improving neighborhood streetscapes and promoting neighborhood stability and home ownership.
- Continuation of Operation Safe Streets which is a public safety and quality of life initiative with the objective of eliminating open-air street corner drug sales, disrupting the drug trade market, discouraging drug customers from purchasing narcotics in Philadelphia and improving the quality of life in the city's neighborhoods.
- Replacing 50% of the employees who will be retiring under the Deferred Retirement Option Program (DROP).
- Formation of Administrative Service Centers to centralize similar administrative functions across clusters of city departments which will eliminate redundant positions and facilitate the efficient deployment of existing work force.

## **City of Philadelphia, Pennsylvania Management's Discussion and Analysis**

Fiscal year 2004 marks the final year of a three year rate adjustment for water and waste water charges. Residential rates are expected to rise by an average of 1.6%. Commercial rates will typically rise an average of 10% to 20% depending on the size of the meter and the water usage. The larger percentage increase in the commercial sector is primarily due to reallocation of storm water costs based on actual land use in Philadelphia and the higher amount of storm water run-off from commercial properties.

The fiscal year 2004 operating budget for the aviation fund reflects increased costs for new terminal facilities and additional security related functions. The airport's budget is funded primarily with airline rates and charges, to the extent not otherwise funded by non-airline rentals, concession fees and user charges. For fiscal year 2004, the airline revenue requirement (the sum total of all airline terminal rentals, landing fees and other charges) will increase by approximately 1.8%, from \$108,600 in fiscal year 2003 to \$110,600 in fiscal year 2004.

### **Requests for information**

This financial report is designed to provide a general overview of the City of Philadelphia's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director, 1401 John F. Kennedy Boulevard, Philadelphia, PA, 19102.





**BASIC  
FINANCIAL  
STATEMENTS**

**CITY OF PHILADELPHIA  
STATEMENT OF NET ASSETS**

**June 30, 2003**

(Amounts in thousands of USD)

**Exhibit I**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>Assets</b>				
Cash on Deposit and on Hand	66,968	-	66,968	465,632
Equity in Treasurer's Account	468,906	102,937	571,843	-
Investments	127,143	-	127,143	269,859
Due from Component Units	66,033	-	66,033	-
Due from Primary Government	-	-	-	26,424
Amounts Held by Fiscal Agent	217,004	-	217,004	42
Notes Receivable - Net	13,875	-	13,875	101,085
Accounts Receivable - Net	238,461	85,518	323,979	257,739
Interest and Dividends Receivable	1,391	-	1,391	9,650
Due from Other Governments - Net	460,412	8,420	468,832	88,821
Inventories	14,470	34,876	49,346	115,970
Other Assets	2,222	-	2,222	98,822
Restricted Assets:				
Cash and Cash Equivalents	-	550,551	550,551	205,990
Other Assets	-	237,742	237,742	217,121
Net Pension Asset	1,093,243	-	1,093,243	-
Capital Assets (Net of Accumulated Depreciation)	2,341,928	3,061,088	5,403,016	3,667,379
<b>Total Assets</b>	<b>5,112,056</b>	<b>4,081,132</b>	<b>9,193,188</b>	<b>5,524,534</b>
<b>Liabilities</b>				
Notes Payable	-	-	-	87,450
Vouchers Payable	50,018	7,745	57,763	33,968
Accounts Payable	153,579	84,296	237,875	110,915
Salaries and Wages Payable	50,488	5,700	56,188	29,699
Accrued Expenses	46,151	48,568	94,719	98,525
Due to Primary Government	-	-	-	84,431
Due to Component Units	29,607	-	29,607	-
Funds Held in Escrow	22,694	-	22,694	9,623
Due to Other Governments	1,254	-	1,254	16,838
Deferred Revenue	202,394	26,132	228,526	94,530
Overpayment of Taxes	99,179	-	99,179	-
Other Current Liabilities	10,843	-	10,843	54,582
Non-Current Liabilities:				
Due within one year	175,347	105,344	280,691	201,525
Due in more than one year	4,011,065	2,695,331	6,706,396	3,712,604
<b>Total Liabilities</b>	<b>4,852,619</b>	<b>2,973,116</b>	<b>7,825,735</b>	<b>4,534,690</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	286,411	478,657	765,068	985,655
Restricted For:				
Capital Projects	-	193,749	193,749	46,468
Debt Service	91,661	292,208	383,869	169,725
Behavioral Health	146,889	-	146,889	-
Intergovernmental Finance	28,745	-	28,745	-
Neighborhood Revitalization	139,133	-	139,133	-
Grant Programs	6,624	-	6,624	26,235
Rate Stabilization	-	156,141	156,141	-
Libraries & Parks:				
Expendable	3,092	-	3,092	-
Non-Expendable	3,706	-	3,706	-
Educational Programs	-	-	-	29,911
Other	6,998	-	6,998	137,774
Unrestricted(Deficit)	(453,822)	(12,739)	(466,561)	(405,924)
<b>Total Net Assets</b>	<b>259,437</b>	<b>1,108,016</b>	<b>1,367,453</b>	<b>989,844</b>

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

**CITY OF PHILADELPHIA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit II**

Programs/Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business Type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Economic Development	127,896	218	11,333	555	(115,790)		(115,790)	
Transportation:								
Streets & Highways	99,813	1,114	27,549	14,320	(56,830)		(56,830)	
Mass Transit	85,872	554	69	-	(85,249)		(85,249)	
Judiciary and Law Enforcement:								
Police	755,178	2,194	10,716	-	(742,268)		(742,268)	
Prisons	223,394	417	22	-	(222,955)		(222,955)	
Courts	253,837	50,886	47,257	-	(155,694)		(155,694)	
Conservation of Health:								
Emergency Medical Services	28,991	20,093	567	-	(8,331)		(8,331)	
Health Services	1,196,492	10,225	1,129,104	-	(57,163)		(57,163)	
Housing and Neighborhood Development	125,188	18,790	100,010	-	(6,388)		(6,388)	
Cultural and Recreational:								
Recreation	109,491	14,331	8,009	744	(86,407)		(86,407)	
Parks	26,209	1,897	4,743	1,086	(18,483)		(18,483)	
Libraries and Museums	63,037	312	11,395	-	(51,330)		(51,330)	
Improvements to General Welfare:								
Social Services	641,453	8,763	529,349	-	(103,341)		(103,341)	
Education	57,068	-	-	-	(57,068)		(57,068)	
Inspections and Demolitions	44,296	533	724	-	(43,039)		(43,039)	
Service to Property:								
Sanitation	114,831	1,837	1,442	-	(111,552)		(111,552)	
Fire	190,249	150	-	-	(190,099)		(190,099)	
General Management and Support	524,806	150,688	24,889	569	(348,660)		(348,660)	
Interest on Long Term Debt	130,209	-	-	-	(130,209)		(130,209)	
Total Governmental Activities	<u>4,798,310</u>	<u>283,002</u>	<u>1,907,178</u>	<u>17,274</u>	<u>(2,590,856)</u>		<u>(2,590,856)</u>	
<b>Business Type Activities:</b>								
Water and Sewer	412,907	385,377	8,644	-	-	(18,886)	(18,886)	
Aviation	244,451	230,545	267	17,241	-	3,602	3,602	
Industrial and Commercial Development	2,225	1,254	-	537	-	(434)	(434)	
Total Business Type Activities	<u>659,583</u>	<u>617,176</u>	<u>8,911</u>	<u>17,778</u>	<u>-</u>	<u>(15,718)</u>	<u>(15,718)</u>	
Total Primary Government	<u>5,457,893</u>	<u>900,178</u>	<u>1,916,089</u>	<u>35,052</u>	<u>(2,590,856)</u>	<u>(15,718)</u>	<u>(2,606,574)</u>	
<b>Component Units:</b>								
Gas Operations	623,886	572,228	36,669	-				(14,989)
Housing	399,832	44,861	328,069	97,504				70,602
Parking	116,038	122,932	-	-				6,894
Education	2,303,009	38,600	639,823	5,490				(1,619,096)
Health	453,156	-	452,691	-				(465)
Economic Development	152,419	32,221	103,907	-				(16,291)
Total Component Units	<u>4,048,340</u>	<u>810,842</u>	<u>1,561,159</u>	<u>102,994</u>				<u>(1,573,345)</u>
<b>General Revenues:</b>								
Taxes:								
Property Taxes					362,683	-	362,683	-
Wage & Earnings Taxes					1,301,912	-	1,301,912	-
Business Taxes					306,922	-	306,922	-
Other Taxes					294,740	-	294,740	-
Grants & Contributions Not Restricted to Specific Program					61,098	-	61,098	53,529
Unrestricted Interest & Investment Earnings					57,496	33,500	90,996	11,615
Miscellaneous					-	-	-	1,482,954
Special Items					(99,254)	-	(99,254)	12
Transfers					4,138	(4,138)	-	20,374
Total General Revenues, Special Items and Transfers					<u>2,289,735</u>	<u>29,362</u>	<u>2,319,097</u>	<u>1,568,484</u>
Change in Net Assets					(301,121)	13,644	(287,477)	(4,861)
Net Assets - July 1, 2002					(587,558)	1,094,372	506,814	1,000,418
Adjustment					1,148,116	-	1,148,116	(5,713)
Net Assets Adjusted - July 1, 2002					<u>560,558</u>	<u>1,094,372</u>	<u>1,654,930</u>	<u>994,705</u>
Net Assets - June 30, 2003					<u>259,437</u>	<u>1,108,016</u>	<u>1,367,453</u>	<u>989,844</u>

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

**CITY OF PHILADELPHIA  
BALANCE SHEET  
Governmental Funds  
June 30, 2003**

(Amounts in thousands of USD)

**Exhibit III**

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash on Deposit and on Hand	6,487	-	83	60,398	66,968
Equity in Treasurer's Account	165,713	178,882	102,249	22,062	468,906
Investments	-	-	-	127,143	127,143
Due from Other Funds	18,783	-	-	4,617	23,400
Due from Component Units	65,623	-	-	410	66,033
Amounts Held by Fiscal Agent	102,757	-	114,247	-	217,004
Notes Receivable	13,875	-	-	-	13,875
Taxes Receivable	403,905	-	-	10,353	414,258
Accounts Receivable	132,882	-	3,355	8,742	144,979
Allowance for Doubtful Accounts	(317,860)	-	-	(1,173)	(319,033)
Interest and Dividends Receivable	31	869	21	470	1,391
Due from Other Governmental Units	343,228	-	79,955	37,229	460,412
Other Assets	-	-	-	12	12
<b>Total Assets</b>	<b>935,424</b>	<b>179,751</b>	<b>299,910</b>	<b>270,263</b>	<b>1,685,348</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Vouchers Payable	33,407	73	9,537	7,001	50,018
Accounts Payable	89,788	9,324	33,112	21,355	153,579
Salaries and Wages Payable	48,179	-	1,911	398	50,488
Due to Other Funds	739	-	-	23,405	24,144
Due to Component Units	-	23,465	1,057	5,085	29,607
Funds Held in Escrow	12,391	-	6,977	3,326	22,694
Due to Other Governmental Units	497	-	-	13	510
Deferred Revenue	416,884	-	128,494	48,149	593,527
Overpayment of Taxes	99,179	-	-	-	99,179
Other Liabilities	1,387	-	-	-	1,387
<b>Total Liabilities</b>	<b>702,451</b>	<b>32,862</b>	<b>181,088</b>	<b>108,732</b>	<b>1,025,133</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Encumbrances	93,141	-	-	102,347	195,488
Neighborhood Revitalization	-	-	139,133	-	139,133
Behavioral Health	-	30,800	-	-	30,800
Intergovernmental Financing	-	-	-	53,080	53,080
Intergovernmentally Financed Programs	-	-	28,745	-	28,745
Public Safety Emergency Phone System	-	-	6,254	-	6,254
Debt Service	-	-	-	91,661	91,661
Trust Purposes	-	-	-	3,706	3,706
Long Term Loan	45,000	-	-	-	45,000
Stadium Financing	102,757	-	-	-	102,757
<b>Unreserved, reported in:</b>					
General Fund	(7,925)	-	-	-	(7,925)
Special Revenue Funds	-	116,089	(55,310)	4,050	64,829
Debt Service Funds	-	-	-	1,684	1,684
Capital Projects Funds	-	-	-	(98,089)	(98,089)
Permanent Funds	-	-	-	3,092	3,092
<b>Total Fund Balances</b>	<b>232,973</b>	<b>146,889</b>	<b>118,822</b>	<b>161,531</b>	<b>660,215</b>
<b>Total Liabilities and Fund Balances</b>	<b>935,424</b>	<b>179,751</b>	<b>299,910</b>	<b>270,263</b>	

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	2,341,928
b. Unearned Receivables are deferred in the funds	391,133
c. Long Term Liabilities are not reported in the funds	(4,195,868)
d. Net Pension Asset is not reported in the funds	1,093,243
e. Other	(31,214)

**Net Assets of Governmental Activities** 259,437

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

**CITY OF PHILADELPHIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2003**

**Exhibit IV**

(Amounts in thousands of USD)

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Tax Revenue	1,936,628	-	-	317,211	2,253,839
Locally Generated Non-Tax Revenue	249,647	3,291	36,743	50,133	339,814
Revenue from Other Governments	671,610	533,331	735,344	109,201	2,049,486
Other Revenues	16,559	-	-	688	17,247
<b>Total Revenues</b>	<b>2,874,444</b>	<b>536,622</b>	<b>772,087</b>	<b>477,233</b>	<b>4,660,386</b>
<b>Expenditures</b>					
Current Operating:					
Economic Development	130,008	-	11,330	29,027	170,365
Transportation:					
Streets & Highways	53,772	-	-	24,360	78,132
Mass Transit	57,506	-	-	-	57,506
Judiciary and Law Enforcement:					
Police	716,477	-	10,868	-	727,345
Prisons	213,150	-	-	1,125	214,275
Courts	209,205	-	37,322	-	246,527
Conservation of Health:					
Emergency Medical Services	27,890	-	567	-	28,457
Health Services	131,025	486,450	575,204	-	1,192,679
Housing and Neighborhood Development	1,452	-	41,076	78,167	120,695
Cultural and Recreational:					
Recreation	84,317	-	8,163	1,519	93,999
Parks	18,949	-	596	4,668	24,213
Libraries and Museums	52,858	-	11,395	120	64,373
Improvements to General Welfare:					
Social Services	596,370	-	39,727	-	636,097
Education	57,068	-	-	-	57,068
Inspections and Demolitions	38,730	-	7,834	-	46,564
Service to Property:					
Sanitation	110,068	-	1,441	-	111,509
Fire	187,966	-	-	-	187,966
General Management and Support	418,962	-	20,167	11,813	450,942
Capital Outlay	-	-	-	162,172	162,172
Debt Service:					
Principal	-	-	-	106,852	106,852
Interest	-	-	-	112,295	112,295
<b>Total Expenditures</b>	<b>3,105,773</b>	<b>486,450</b>	<b>765,690</b>	<b>532,118</b>	<b>4,890,031</b>
Excess of Revenues Over (Under) Expenditures	(231,329)	50,172	6,397	(54,885)	(229,645)
<b>Other Financing Sources (Uses)</b>					
Proceeds from Bond Sales	-	-	-	165,550	165,550
Bond Defeasance	-	-	-	(165,395)	(165,395)
Transfers In	222,814	-	3,000	223,553	449,367
Transfers Out	(135,770)	-	(11,580)	(297,880)	(445,230)
<b>Total Other Financing Sources (Uses)</b>	<b>87,044</b>	<b>-</b>	<b>(8,580)</b>	<b>(74,172)</b>	<b>4,292</b>
<b>Special Items</b>					
Business Privilege Tax Adjustment	(99,254)	-	-	-	(99,254)
<b>Net Change in Fund Balances</b>	<b>(243,539)</b>	<b>50,172</b>	<b>(2,183)</b>	<b>(129,057)</b>	<b>(324,607)</b>
Fund Balance - July 1, 2002	476,512	96,717	121,005	290,588	984,822
Fund Balance - June 30, 2003	232,973	146,889	118,822	161,531	660,215

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

**CITY OF PHILADELPHIA**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2003**

(Amounts in thousands of USD)

**Exhibit V**

Net Change in Fund Balances - Total Governmental Funds	(324,607)
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 (233,676) exceeded depreciation (143,227) in the current period.	90,449
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(57,387)
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (272,246) exceeded proceeds (165,550).	106,696
d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	(54,873)
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.	<u>(61,399)</u>
Change in net assets of governmental activities	<u><u>(301,121)</u></u>

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

**CITY OF PHILADELPHIA**  
**STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit VI**

	Business Type Activities - Enterprise Funds			Total
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Account	37,704	57,882	7,351	102,937
Due from Other Governments	8,181	239	-	8,420
Accounts Receivable	174,520	19,988	1,973	196,481
Allowance for Doubtful Accounts	(109,465)	(1,498)	-	(110,963)
Inventories	12,931	2,533	19,412	34,876
<b>Total Current Assets</b>	<b>123,871</b>	<b>79,144</b>	<b>28,736</b>	<b>231,751</b>
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	329,962	159,978	-	489,940
Amounts Held by Fiscal Agent	-	60,611	-	60,611
Sinking Funds and Reserves	157,652	54,025	-	211,677
Grants for Capital Purposes	-	8,778	-	8,778
Receivables	4,755	12,532	-	17,287
<b>Total Restricted Assets</b>	<b>492,369</b>	<b>295,924</b>	<b>-</b>	<b>788,293</b>
Capital Assets:				
Land	5,919	74,418	-	80,337
Infrastructure	1,567,169	414,510	-	1,981,679
Construction in Progress	114,361	53,459	-	167,820
Buildings and Equipment	1,338,038	1,506,126	-	2,844,164
Less: Accumulated Depreciation	(1,390,721)	(622,191)	-	(2,012,912)
<b>Total Capital Assets, Net</b>	<b>1,634,766</b>	<b>1,426,322</b>	<b>-</b>	<b>3,061,088</b>
<b>Total Non-Current Assets</b>	<b>2,127,135</b>	<b>1,722,246</b>	<b>-</b>	<b>3,849,381</b>
<b>Total Assets</b>	<b>2,251,006</b>	<b>1,801,390</b>	<b>28,736</b>	<b>4,081,132</b>
<b>Liabilities</b>				
Current Liabilities:				
Vouchers Payable	5,262	2,483	-	7,745
Accounts Payable	5,231	6,795	772	12,798
Salaries and Wages Payable	4,379	1,321	-	5,700
Construction Contracts Payable	6,923	64,575	-	71,498
Accrued Expenses	25,568	23,000	-	48,568
Deferred Revenue	6,331	19,801	-	26,132
Bonds Payable-Current	69,030	36,314	-	105,344
<b>Total Current Liabilities</b>	<b>122,724</b>	<b>154,289</b>	<b>772</b>	<b>277,785</b>
Non-Current Liabilities:				
Bonds Payable	1,738,406	1,092,888	-	2,831,294
Unamortized Discount and Loss	(126,293)	(19,348)	-	(145,641)
Other Non-Current Liabilities	5,801	3,877	-	9,678
<b>Total Non-Current Liabilities</b>	<b>1,617,914</b>	<b>1,077,417</b>	<b>-</b>	<b>2,695,331</b>
<b>Total Liabilities</b>	<b>1,740,638</b>	<b>1,231,706</b>	<b>772</b>	<b>2,973,116</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	111,833	366,824	-	478,657
Restricted For:				
Capital Projects	153,717	40,032	-	193,749
Debt Service	157,652	134,556	-	292,208
Rate Stabilization	156,141	-	-	156,141
Unrestricted	(68,975)	28,272	27,964	(12,739)
<b>Total Net Assets</b>	<b>510,368</b>	<b>569,684</b>	<b>27,964</b>	<b>1,108,016</b>

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

**CITY OF PHILADELPHIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit VII**

	Business-Type Activities - Enterprise Funds			
	Water and <u>Sewer</u>	<u>Aviation</u>	Other Non-Major Industrial & Commercial <u>Development</u>	<u>Totals</u>
Operating Revenues:				
Charges for Goods and Services	381,181	62,662	-	443,843
Sales of Land and Improvements	-	-	807	807
Rentals and Concessions	-	115,091	-	115,091
Miscellaneous Operating Revenues	4,195	5,363	447	10,005
<b>Total Operating Revenues</b>	<b>385,376</b>	<b>183,116</b>	<b>1,254</b>	<b>569,746</b>
Operating Expenses:				
Personal Services	103,652	48,113	-	151,765
Purchase of Services	62,040	59,683	216	121,939
Materials and Supplies	23,145	3,933	-	27,078
Employee Benefits	44,069	17,323	-	61,392
Indemnities and Taxes	4,213	1,581	-	5,794
Depreciation and Amortization	81,852	56,496	-	138,348
Cost of Goods Sold	-	-	1,237	1,237
<b>Total Operating Expenses</b>	<b>318,971</b>	<b>187,129</b>	<b>1,453</b>	<b>507,553</b>
<b>Operating Income (Loss)</b>	<b>66,405</b>	<b>(4,013)</b>	<b>(199)</b>	<b>62,193</b>
Non-Operating Revenues (Expenses):				
Operating Grants	8,644	267	-	8,911
Passenger Facility Charges	-	47,429	-	47,429
Other Income	-	585	-	585
Interest Income	22,030	11,411	60	33,501
Debt Service - Interest	(93,459)	(57,870)	-	(151,329)
Other Expenses	(476)	(38)	(772)	(1,286)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(63,261)</b>	<b>1,784</b>	<b>(712)</b>	<b>(62,189)</b>
Income (Loss) Before Contributions & Transfers	3,144	(2,229)	(911)	4
Transfers Out	(4,138)	-	-	(4,138)
Capital Contributions	-	17,241	537	17,778
<b>Change in Net Assets</b>	<b>(994)</b>	<b>15,012</b>	<b>(374)</b>	<b>13,644</b>
<b>Net Assets - July 1, 2002</b>	<b>511,362</b>	<b>554,672</b>	<b>28,338</b>	<b>1,094,372</b>
<b>Net Assets - June 30, 2003</b>	<b>510,368</b>	<b>569,684</b>	<b>27,964</b>	<b>1,108,016</b>

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



**CITY OF PHILADELPHIA**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit VIII**

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major	Totals
			Industrial & Commercial Development	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	389,878	153,148	630	543,656
Payments to Suppliers	(89,080)	(59,405)	(702)	(149,187)
Payments to Employees	(144,179)	(66,043)	-	(210,222)
Internal Activity-Payments to Other Funds	-	(2,617)	-	(2,617)
Claims Paid	(4,110)	-	-	(4,110)
Other Receipts (Payments)	-	-	447	447
Net Cash Provided (Used)	<u>152,509</u>	<u>25,083</u>	<u>375</u>	<u>177,967</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants Received	8,330	-	-	8,330
Operating Subsidies and Transfers (to) from Other Funds	(4,138)	11,629	-	7,491
Net Cash Provided (Used)	<u>4,192</u>	<u>11,629</u>	<u>-</u>	<u>15,821</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds	362,661	-	-	362,661
Contributions Received	240	13,311	-	13,551
Acquisition and Construction of Capital Assets	(111,477)	(171,946)	-	(283,423)
Interest Paid on Debt Instruments	(88,493)	(62,388)	-	(150,881)
Principal Paid on Debt Instruments	(456,004)	(30,243)	-	(486,247)
Passenger Facility Charges	-	44,175	-	44,175
Net Cash Provided (Used)	<u>(293,073)</u>	<u>(207,091)</u>	<u>-</u>	<u>(500,164)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Dividends on Investments	52,268	12,604	73	64,945
Net Cash Provided (Used)	<u>52,268</u>	<u>12,604</u>	<u>73</u>	<u>64,945</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(84,104)	(157,775)	448	(241,431)
Cash and Cash Equivalents, July 1 (including 413,306 for Water & Sewer and 360,523 for Aviation reported in restricted accounts)	<u>451,770</u>	<u>436,245</u>	<u>6,903</u>	<u>894,918</u>
Cash and Cash Equivalents, June 30 (including 329,962 for Water & Sewer and 220,589 for Aviation reported in restricted accounts)	<u>367,666</u>	<u>278,470</u>	<u>7,351</u>	<u>653,487</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	66,405	(4,013)	(199)	62,193
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	81,852	56,496	-	138,348
Changes in Assets and Liabilities:				
Receivables, Net	(1,349)	(17,850)	-	(19,199)
Deferred Revenue	-	(11,357)	-	(11,357)
Inventories	417	(398)	574	593
Accounts and Other Payables	5,732	2,342	-	8,074
Accrued Expenses	(548)	(137)	-	(685)
Net Cash Provided by Operating Activities	<u>152,509</u>	<u>25,083</u>	<u>375</u>	<u>177,967</u>

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

**CITY OF PHILADELPHIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit IX**

	Pension Trust Funds	Agency Funds
<b><u>Assets</u></b>		
Cash on Deposit and on Hand	-	72,569
Equity in Treasurer's Account	4,309,670	18,808
Investments	-	25,663
Securities Lending Collective Investment Pool	284,446	-
Accounts Receivable	5,959	-
Due from Brokers for Securities Sold	56,141	-
Interest and Dividends Receivable	13,094	-
Due from Other Governmental Units	1,934	-
Due from Other Funds	-	742
Other Assets	11	-
	<hr/>	<hr/>
Total Assets	4,671,255	117,782
	<hr/>	<hr/>
<b><u>Liabilities</u></b>		
Vouchers Payable	4	443
Accounts Payable	2,866	-
Salaries and Wages Payable	69	-
Payroll Taxes Payable	-	2,874
Funds Held in Escrow	-	114,465
Due on Return of Securities Loaned	284,446	-
Due to Brokers for Securities Purchased	224,136	-
Accrued Expenses	787	-
Deferred Revenue	4,481	-
Other Liabilities	495	-
	<hr/>	<hr/>
Total Liabilities	517,284	117,782
	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	4,153,971	-
	<hr/>	<hr/>

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

**CITY OF PHILADELPHIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit X**

	Pension Trust Funds		
	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<b><u>Additions (Reductions):</u></b>			
Contributions:			
Employer's Contributions	11,628	179,757	191,385
Employees' Contributions	-	52,545	52,545
Total Contributions	<u>11,628</u>	<u>232,302</u>	<u>243,930</u>
Investment Income:			
Interest and Dividends	13,799	74,402	88,201
Net Gain in Fair Value of Investments	4,240	7,339	11,579
(Less) Investments Expenses	(1,519)	(11,293)	(12,812)
Securities Lending Revenue	26	4,954	4,980
(Less) Securities Lending Expenses	(14)	(3,921)	(3,935)
Net Investment Gain	<u>16,532</u>	<u>71,481</u>	<u>88,013</u>
Miscellaneous Operating Revenues	-	2,382	2,382
Total Additions	<u>28,160</u>	<u>306,165</u>	<u>334,325</u>
<b><u>Deductions</u></b>			
Personal Services	-	3,030	3,030
Purchase of Services	-	1,969	1,969
Materials and Supplies	-	110	110
Employee Benefits	-	1,195	1,195
Pension Benefits	30,177	462,327	492,504
Refunds of Members' Contributions	-	4,881	4,881
Other Operating Expenses	-	362	362
Total Deductions	<u>30,177</u>	<u>473,874</u>	<u>504,051</u>
Net Decrease	<u>(2,017)</u>	<u>(167,709)</u>	<u>(169,726)</u>
Net Assets - July 1, 2002	365,187	3,958,510	4,323,697
Net Assets - June 30, 2003	<u>363,170</u>	<u>3,790,801</u>	<u>4,153,971</u>

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

**CITY OF PHILADELPHIA  
STATEMENT OF NET ASSETS  
Component Units  
June 30, 2003**

(Amounts in thousands of USD)

**Exhibit XI**

	Philadelphia			Community			Pennsylvania			Philadelphia		
	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Development Corporation	Philadelphia Housing Authority	Philadelphia Parking Authority*	School District of Philadelphia	College of Philadelphia	Community Behavioral Health*	Convention Center Authority	Penn's Landing Corporation	Authority for Industrial Development	Total
<b>Assets</b>												
Cash on Deposit and on Hand	5,136	44,225	4,589	76,157	13,580	258,154	2,236	23,852	148	9,919	27,636	465,632
Investments	-	-	-	84,503	118,941	2	22,908	-	43,505	-	-	269,859
Due from Primary Government	-	-	3,762	-	-	-	-	20,281	2,381	-	-	26,424
Amounts Held by Fiscal Agent	42	-	-	-	-	-	-	-	-	-	-	42
Notes Receivable	333	34,758	-	57,238	-	-	756	-	-	8,000	-	101,085
Accounts Receivable-Net	66,253	3,841	1,021	2,077	1,575	139,437	4,101	23,891	646	2,530	12,367	257,739
Interest and Dividends Receivable	-	8,879	-	323	-	437	11	-	-	-	-	9,650
Due from Other Governments	-	17,930	2,733	8,498	-	46,464	2,549	-	-	-	10,647	88,821
Inventories	86,068	18,628	1,827	5,166	-	4,281	-	-	-	-	-	115,970
Other Assets	84,148	242	127	3,221	430	6,108	285	4,204	-	57	-	98,822
Restricted Assets:												
Cash and Cash Equivalents	146,931	3,066	-	1,941	-	52,007	1,297	-	-	-	748	205,990
Other Assets	-	56,194	-	131,887	-	-	-	-	2,794	-	26,246	217,121
Capital Assets, Net of Accumulated Depreciation	904,890	2,522	298	966,502	237,754	1,126,811	108,021	971	259,879	11,054	48,677	3,667,379
	1,293,801	190,285	14,357	1,337,513	372,280	1,633,701	142,164	73,199	309,353	31,560	126,321	5,524,534
<b>Liabilities</b>												
Notes Payable	79,800	7,650	-	-	-	-	-	-	-	-	-	87,450
Vouchers Payable	33,968	-	-	-	-	-	-	-	-	-	-	33,968
Accounts Payable	2,428	7,112	7,042	35,410	10,210	36,141	8,109	733	1,079	939	4,140	110,915
Salaries and Wages Payable	17,704	1,007	1,340	4,936	1,586	22,237	1,955	1,406	666	-	-	29,699
Accrued Expenses	-	3,878	-	737	-	-	142	61,404	7,412	1,195	-	98,525
Funds Held in Escrow	-	2,322	751	-	-	121	6,824	-	-	-	4,866	9,623
Due to Other Governments	-	-	410	-	17,363	-	-	-	14,623	-	6,820	16,838
Due to Primary Government	22,764	14,005	-	-	-	31,372	2,219	9,600	1,154	-	13,416	84,431
Deferred Revenue	-	-	-	-	-	40,582	-	-	-	-	-	94,530
Other Current Liabilities:												
Non-Current Liabilities:												
Due within one year	36,433	12,277	1	16,630	13,747	109,893	4,403	-	8,115	26	-	201,525
Due in more than one year	866,239	78,118	48	221,237	298,435	1,949,539	52,636	-	230,782	14,811	759	3,712,604
	1,104,336	128,051	11,023	291,510	341,341	2,189,885	77,554	73,143	263,831	16,980	37,036	4,534,690
<b>Net Assets</b>												
Invested in Capital Assets, Net of Related Debt	51,037	2,522	298	769,359	-	71,893	48,690	-	-	-	41,856	985,655
Restricted For:												
Capital Projects	-	-	-	-	-	46,000	468	-	-	-	-	46,468
Debt Service	95,085	7,096	-	-	4,472	63,072	-	-	-	-	-	169,725
Educational Programs	-	-	-	-	-	19,026	10,885	-	-	-	-	29,911
Grant Programs	-	-	-	-	-	-	-	-	-	-	26,235	26,235
Other	-	-	-	129,152	-	8,622	-	-	-	-	-	137,774
Unrestricted	43,343	52,616	3,036	147,492	26,467	(764,797)	4,567	56	45,522	14,580	21,194	(405,924)
	189,465	62,234	3,334	1,046,003	30,939	(556,184)	64,610	56	45,522	14,580	89,285	989,844
<b>Total Net Assets</b>												

\* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2002. The Community Behavioral Health Fund and the Philadelphia Authority for Industrial Development Fund are presented as of the close of their fiscal year, December 31, 2002. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2003.

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

**CITY OF PHILADELPHIA  
STATEMENT OF ACTIVITIES  
Component Units  
For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

Exhibit XII

Programs/Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets												
	Excesses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Development Corporation	Philadelphia Housing Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development*	Total
<b>Gas Operations</b>																
Gas Works	623,886	572,228	36,669	-	(14,989)	-	-	-	-	-	-	-	-	-	-	(14,989)
<b>Housing</b>																
Redevelopment Authority	53,837	2,014	45,635	-	-	(6,188)	-	-	-	-	-	-	-	-	-	(6,188)
Housing Development Corporation	35,236	23,883	10,827	-	-	-	-	-	-	-	-	-	-	-	-	(526)
Housing Authority	310,759	18,964	271,607	97,504	-	-	77,316	-	-	-	-	-	-	-	-	77,316
Total	399,832	44,861	328,069	97,504	-	-	-	-	-	-	-	-	-	-	-	-
<b>Parking</b>																
Parking Authority	116,038	122,932	-	-	-	-	-	6,894	-	-	-	-	-	-	-	6,894
<b>Education</b>																
School District	2,187,899	15,067	606,287	5,176	-	-	-	-	-	-	-	-	-	-	-	-
Community College	115,110	23,533	33,536	314	-	-	-	-	(1,561,369)	(57,727)	-	-	-	-	-	(1,561,369)
Total	2,303,009	38,600	639,823	5,490	-	-	-	-	(1,561,369)	(57,727)	-	-	-	-	-	(57,727)
<b>Health</b>																
Community Behavioral Health	453,156	-	452,691	-	-	-	-	-	-	-	(465)	-	-	-	-	(465)
<b>Economic Development</b>																
Convention Center Authority	52,274	10,285	36,120	-	-	-	-	-	-	-	-	(5,869)	-	-	-	(5,869)
Penn's Landing Corporation	11,934	4,415	7,481	-	-	-	-	-	-	-	-	-	(38)	-	-	(38)
Authority for Industrial Development	88,211	17,521	60,306	-	-	-	-	-	-	-	-	-	-	(10,384)	-	(10,384)
Total	152,419	32,221	103,907	-	-	-	-	-	-	-	-	-	-	(10,384)	-	(10,384)
Total Component Units	4,048,340	810,842	1,561,159	102,994	-	-	-	-	-	-	-	-	-	-	-	(1,573,345)
<b>General Revenues:</b>																
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-	-	-	-	-	53,529	-	-	-	-	-	53,529
Unrestricted Interest & Investment Earnings	-	-	-	-	-	4,584	-	-	-	877	400	2,091	166	-	441	11,615
Miscellaneous	-	-	-	-	-	-	-	-	1,482,463	491	-	-	-	-	-	1,482,954
Special Item-Gain(Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,374	20,374
Total General Revenues, Special Items and Transfers	-	-	-	-	-	4,584	-	-	1,482,463	54,897	400	2,091	166	-	20,374	1,588,484
Change in Net Assets	(14,989)	(1,604)	(526)	(14,989)	(14,989)	(1,604)	(526)	77,316	(78,906)	(2,830)	(65)	(3,778)	128	10,443	(4,861)	(4,861)
Net Assets - July 1, 2002	204,454	63,838	3,860	204,454	204,454	63,838	3,860	969,364	(472,863)	67,440	1,153	49,300	14,452	80,746	1,000,418	1,000,418
Adjustment	-	-	-	-	-	-	-	(677)	(4,415)	-	(1,032)	-	-	-	(1,904)	(5,713)
Net Assets Adjusted - July 1, 2002	204,454	63,838	3,860	204,454	204,454	63,838	3,860	968,687	(477,278)	67,440	121	49,300	14,452	78,842	994,705	994,705
Net Assets - June 30, 2003	189,465	62,234	3,334	189,465	189,465	62,234	3,334	1,046,003	(556,184)	64,610	56	45,522	14,580	89,285	989,844	989,844

\* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2002. The Community Behavioral Health Fund and the Philadelphia Authority for Industrial Development Fund are presented as of the close of their fiscal year, December 31, 2002. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2003.

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



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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. REPORTING ENTITY**

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

As required by generally accepted accounting principles, 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.

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

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



**Pennsylvania Convention Center Authority (PCCA)** - The Pennsylvania Convention Center Authority 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.

In December, 2002, legislation was enacted by the Commonwealth of Pennsylvania increasing the PCCA's governing board from nine to thirteen members. The City has filed suit to overturn this legislation. If the City's litigation fails, the PCCA's relationship to the City will be reevaluated in accordance with GASB 14 to determine if their financial statements should continue to be included in the City's reporting entity.

**Philadelphia Housing Authority (PHA)** - PHA was established to provide low cost housing and other social services to the residents of the City. It is governed by a five member board with four members appointed by the City. Its fiscal year ends on March 31. PHA provides significant services to the City's residents.

**Philadelphia Housing Development Corporation (PHDC)** - PHDC was established to promote the development of low cost housing within the City. It is governed by a 35 member board with 25 members appointed by the City and the remaining 10 designated by virtue of their City position.

**Philadelphia Parking Authority (PPA)** - 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.

Legislation was enacted in June 2001, by the Commonwealth of Pennsylvania, adding six new board member positions, in addition to the existing five board members. These six new members were appointed by the Governor. The City has filed suit to overturn this legislation. If the City's litigation fails, the PPA's relationship to the City will be reevaluated in accordance with GASB 14 to determine if their financial statements should continue to be included in the City's reporting entity.

Also, the Agreement of Cooperation between the City and PPA will expire in February, 2004, with proper notice from the City. With that expiration, the PPA would lose its power to perform many on-street functions. While both a final vote on Pennsylvania Senate Bill 279, which would essentially and permanently assign those on-street functions to the PPA, and initiation of negotiations between the City and PPA of a new Agreement of Cooperation are anticipated to occur soon, the outcome of either is unknown at this time.

**Redevelopment Authority of the City of Philadelphia (RDA)** - 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)** - SDP was established by the Educational Supplement to the Philadelphia Home Rule Charter to provide free public education for the City's residents.

**Community Behavioral Health (CBH)** - 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)** - 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.

**Philadelphia Gas Works (PGW)** - PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia.

Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided:

Administrative Offices

Pennsylvania Intergovernmental Cooperation Authority  
1429 Walnut Street, 14th Floor  
Philadelphia, PA 19102

Philadelphia Municipal Authority  
Land Title Building  
100 South Broad Street, Suite 1525  
Philadelphia, Pa 19110

Community College of Philadelphia  
1700 Spring Garden Street  
Philadelphia, PA 19130

Philadelphia Parking Authority  
3101 Market Street, 2nd Floor  
Philadelphia, PA 19104

Penn's Landing Corporation  
121 North Columbus Boulevard  
Philadelphia, PA 19106

Redevelopment Authority of the City of Philadelphia  
1234 Market Street, 16th Floor  
Philadelphia, PA 19107

Pennsylvania Convention Center Authority  
1101 Arch Street  
Philadelphia, PA 19107

School District of Philadelphia  
2120 Winter Street  
Philadelphia, PA 19103

Philadelphia Housing Authority  
2012 Chestnut Street, 4th Floor  
Philadelphia, PA 19103

Community Behavioral Health, Inc.  
Philadelphia Department of Public Health  
1101 Market Street  
Philadelphia, PA 19107

Philadelphia Housing Development Corporation  
1234 Market Street  
Philadelphia, PA 19107

Philadelphia Authority for Industrial Development  
2600 Centre Square West  
1500 Market Street  
Philadelphia, PA 19102

Philadelphia Gas Works  
800 West Montgomery Avenue  
Philadelphia, PA 19122

**C. AUDIT RESPONSIBILITY**

The financial statements of the above component units, except for the School District of Philadelphia, as well as the financial statements of the Municipal Pension Fund and the Gas Works Retirement Reserve Fund 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 <u>Activities</u>	Business-type <u>Activities</u>	Aggregate Discretely Presented Component <u>Units</u>	Major <u>Funds</u>	Aggregate Remaining Fund <u>Information</u>
Total Assets	7%	0%	70%	0%	96%
Total Revenues	8%	0%	49%	0%	75%

**D. RELATED ORGANIZATIONS**

**Hospitals & Higher Education Facilities Authority (HHEFA)** - HHEFA was created to provide funds through the issuance of revenue or special obligation bonds and notes to assist nonprofit hospitals, nonprofit religious or hospital-affiliated sub-acute care facilities, nonprofit nursing homes, and higher education facilities in projects determined to be primarily for the health and safety of the citizens of the Philadelphia area. HHEFA is administered by a five member board appointed by the mayor. Management of the HHEFA is not designated by the City nor does the City have the ability to significantly influence operations. The City does not subsidize the operations of the HHEFA and does not guarantee its debt service. HHEFA has not been included as a component unit of the City's reporting entity because there is no accountability for fiscal matters to the City.

**Private Industry Council of Philadelphia (PIC)** - PIC was created to provide a training-based bridge connecting the City's unemployed with its area employers and prepares them for permanent unsubsidized employment through various types of training programs. PIC is governed by a 29 member board selected from the private sector by elected City officials. However, financial dependency rests with the Commonwealth of Pennsylvania. Management of PIC is not designated by the City nor does the City have the ability to significantly influence operations. PIC has not been included as a component unit of the City's reporting entity because there is no accountability for fiscal matters to the City.

**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 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, 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 **HealthChoices 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 pension trust 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 the Philadelphia Gas Works to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

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 Governmental Accounting Standards Board (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 nonoperating 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.

**B. COMPONENT UNITS**

The **School District of Philadelphia** 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 GASB Statement No. 35 - Basic financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities.

The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

**4. CASH AND INVESTMENTS**

**A. PRIMARY GOVERNMENT**

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.

Cash and investments are reflected as follows in the financial statements and related footnotes:

(Amounts In Thousands)

<u>Statement Presentation</u>		<u>Footnote Presentation</u>	
Cash On Deposit and On Hand	\$ 139,537	Cash & Cash Equivalents (Note III.1)	\$ 226,595
Equity In Treasurer's Account	4,900,320		
Investments	152,807	Investments (Note III.3)	6,229,747
Amounts Held by Fiscal Agent	277,615		
Included In Restricted Assets	701,617		
Other Assets	284,446		
	<u>                    </u>		<u>                    </u>
Total Cash & Investments	\$ <u>6,456,342</u>	Total Cash & Investments	\$ <u>6,456,342</u>

**B. COMPONENT UNITS**

The **School District of Philadelphia** utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most School District funds. In addition, cash balances are maintained in separate accounts by various funds due to either legal requirements or operational needs.

The investments of the various component units are carried at amortized cost or cost that approximates fair value as prescribed by GASB Statement 31.

Combined cash and investments and amounts held by fiscal agents of the component units are reflected as follows in the financial statements and related footnotes:

(Amounts In Thousands)			
<u>Statement Presentation</u>		<u>Footnote Presentation</u>	
Cash On Deposit and On Hand	\$ 465,632	Cash & Cash Equivalents (Note III.1)	\$ 248,771
Equity In Treasurer's Account	--		
Investments	269,859		
Held by Fiscal Agent	42		
Included in Restricted Assets	281,577	Investments (Note III.3)	768,339
Other Assets	<u>--</u>		
Total Cash & Investments	<u>\$ 1,017,110</u>	Total Cash & Investments	<u>\$ 1,017,110</u>

**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 the lower of average cost or market.
- 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.
- **PHDC** inventory represents properties held for disposition or sale and are valued at the lower of cost or market.
- **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.
- **PHA** inventories are valued at cost using the average cost method.

**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 Ryerss Museum & Library, Loudoun Mansion, Fort Mifflin, Atwater Kent Museum and the Betsy Ross House. The city also has sculptures, paintings, murals and other works of art on display on public property and buildings throughout the City.

**B. COMPONENT UNITS**

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

**7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS**

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

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

## **8. INSURANCE**

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

## **9. RECEIVABLE AND PAYABLES**

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

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 35.7 percent of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are \$8.264 on each \$100 assessment; \$4.790 for the School district and \$3.474 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

## **10. DEFERRED REVENUES**

### **A. PRIMARY GOVERNMENT**

Deferred revenues as reported in the *fund* financial statements represent receivables which will be collected and included in revenues of future fiscal years or funds received in advance of being earned. In the General Fund, deferred revenues relate to property tax levies and self-assessed taxes receivable which are not available to pay liabilities of the current period and grants receivable for which the eligibility criteria has been met, but the resources are not available. 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 **School District of Philadelphia** consists primarily of uncollected real estate taxes which were levied in the current and prior years but will not be available to pay liabilities of the current period. It is estimated that substantially all of the year-end balance will be received and recognized as revenue in the subsequent year.

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



**11. COMPENSATED ABSENCES**

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

**12. CLAIMS AND JUDGMENTS**

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

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

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

**II. LEGAL COMPLIANCE**

**1. BUDGETARY INFORMATION**

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

The operating funds of the City, consisting of the General Fund, seven Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, HealthChoices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development and Car Rental Tax 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. 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. CASH**

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 in the City's name 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 balance were \$226.6 million and \$223.3 million, respectively. The amount of the total cash balance per bank records is classified into three categories of custodial credit risk: (1) cash that is insured or collateralized with securities held by the City or by its agent in the City's name, (2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and (3) uncollateralized bank accounts.

The deposits of the City and its component units are classified as follows at year-end:

(Amounts In Thousands)

	<u>Custodial Credit Risk Category</u>			Total Bank	Book
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Balance</u>
Primary Government	\$ 100	\$ 103,696	\$ 119,495	\$ 223,291	\$ 226,595
Component Units	\$ 18,514	\$ 2,724	\$ 219,096	\$ 240,334	\$ 248,771

From February to early June, uncollateralized deposits of the City and School District 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).

**2. SECURITIES LENDING**

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers.

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced no losses from securities transactions during the year and had no credit risk exposure at June 30.
- **The PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral are generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

### **3. INVESTMENTS**

#### **A. PRIMARY GOVERNMENT**

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.

The investments of the City are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. Investments at year-end consist of:

**CITY OF PHILADELPHIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

(Amounts In Thousands)

<u>Investment Type</u>	<u>Category</u>			<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>
Repurchase Agreements	\$ 82,563	\$ --	\$ 165,160	\$ 247,723
U.S. Government Securities	350,257	188	9,025	359,470
U.S. Government Agency Securities	939,217	--	20,067	959,284
Corporate Bonds				
Not On Securities Loan	614,584	--	92,568	707,152
On Loan For Securities Collateral	5,546	--	--	5,546
Corporate Equities				
Not On Securities Loan	2,599,023	--	--	2,599,023
On Loan For Securities Collateral	2,168	--	--	2,168
Other Investments	125,475	--	136,246	261,721
Total Categorized Investments	<u>\$ 4,718,833</u>	<u>\$ 188</u>	<u>\$ 423,066</u>	5,142,087
Short Term Investment Pools				287,394
Mortgages				89,588
Partnerships				30,683
Financial Agreements				129,144
Investments Held By Broker-Dealers Under Securities Loans With Cash Collateral:				
U.S. Government Securities				66,571
Corporate Bonds				20,383
Corporate Equities				179,451
Securities Lending Investment Pool				284,446
Total Investments				<u>\$ 6,229,747</u>

Securities lent at year end by the Municipal Pension Fund and the PGWRR for cash collateral are presented as unclassified in the schedule above. Securities lent for securities collateral are classified according to the category for the collateral. The Municipal Pension Fund owns approximately 67.6% of total investments and 83.2% of the investments in Category 1.

**B. COMPONENT UNITS**

The investments of the City's component units are categorized below, based on the criteria described above, to give an indication of the level of risk assumed by the entity at year-end and consist of:

(Amounts In Thousands)

<u>Investment Type</u>	<u>Category</u>			<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>
Repurchase Agreements	\$ 153,904	\$ --	\$ --	\$ 153,904
U.S. Government & Agency Securities	205,876	--	76,190	282,066
Corporate Bonds	1,215	--	--	1,215
Corporate Equity	1,649	--	27,262	28,911
Other Investments	22,817	--	48,177	70,994
Total Categorized Investments	<u>\$ 385,461</u>	<u>\$ --</u>	<u>\$ 151,629</u>	537,090
Short-Term Investment Pools				231,249
Total Investments				<u>\$ 768,339</u>

**4. AMOUNTS HELD BY FISCAL AGENT**

Two of the City's component units (PAID and RDA) have issued debt, that in accordance with GASB interpretation No. 2 is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds are 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. These cash and investment balances are included in the amounts categorized in Notes III.1 and III.3 above.

**A. GOVERNMENTAL FUNDS**

General Fund - Consists of cash and investment balances related to the net proceeds of PAID's Sports Stadium Financing Lease Revenue Bonds Series A & B of 2001.

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 Series 2002 A & B.

**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.

**5. 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.

	<i>Interfund Receivables Due to:</i>				
	Non major				
	Governmental				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
<i>Interfund Payables Due From:</i>					
General	\$ -		\$ 739		\$ 739
Non major Special Revenue Funds	18,783		4,450	3	23,236
Non major Debt Service Funds	-	167		-	167
<b>Total</b>	<u>\$ 18,783</u>	<u>\$ 167</u>	<u>\$ 4,450</u>	<u>\$ 742</u>	<u>\$ 24,142</u>

**B. COMPONENT UNITS**

Interfund receivables and payables between the Primary Government and its Component Units at year end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All balances are expected to be settled during the subsequent year. During fiscal 2001, the City approved loaning up to \$45 million to the Philadelphia Gas Works to meet an unanticipated emergency created by a cash flow crisis. As of June 30, 2003 the entire \$45 million was outstanding. Interfund receivable and payable balances among the Primary Government and Component Units at year end are as follows:

(Amounts in Thousands)

	<u>Interfund Receivables Due to:</u>							<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Airport</u>	<u>PHDC</u>	<u>PCCA</u>	<u>CBH</u>	<u>Timing Differences</u>	
<u>Interfund Payables Due From:</u>								
Behavioral Health	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,465	\$ -	\$ 23,465
Grants Revenue	-	-	-	1,057	-	-	-	1,057
Non major Special Revenue Funds	-	-	-	2,705	2,381	-	-	5,086
PGW	45,000	-	-	-	-	-	-	45,000
PHDC	-	410	-	-	-	-	-	410
PPA	6,000	-	11,629	-	-	-	(266)	17,363
PCCA	14,623	-	-	-	-	-	-	14,623
PAID	7,035	-	-	-	-	-	-	7,035
Timing Differences	(7,035)	-	(11,629)	-	-	(3,184)	-	(21,848)
<b>Total</b>	<b>\$ 65,623</b>	<b>\$ 410</b>	<b>\$ -</b>	<b>\$ 3,762</b>	<b>\$ 2,381</b>	<b>\$ 20,281</b>	<b>\$ (266)</b>	<b>\$ 92,191</b>

**6. CAPITAL ASSET ACTIVITY**

**A. PRIMARY GOVERNMENT**

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

**CITY OF PHILADELPHIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

(Amounts In Millions)

	Beginning				Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>		<u>Balance</u>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 617	\$ 75	\$ (9)	\$	683
Construction In Process	9	8	(9)		8
Total capital assets not being depreciated	<u>626</u>	<u>83</u>	<u>(18)</u>		<u>691</u>
Capital assets being depreciated:					
Buildings	1,586	86	(13)		1,659
Other Improvements	254	8	(8)		254
Equipment	403	38	(11)		430
Infrastructure	1,021	39	--		1,060
Transit	292	--	--		292
Total capital assets being depreciated	<u>3,556</u>	<u>171</u>	<u>(32)</u>		<u>3,695</u>
Less accumulated depreciation for:					
Buildings	(769)	(51)	10		(810)
Other Improvements	(152)	(9)	7		(154)
Equipment	(299)	(33)	10		(322)
Infrastructure	(566)	(46)	--		(612)
Transit	(138)	(9)	--		(147)
Total accumulated depreciation :	<u>(1,924)</u>	<u>(148)</u>	<u>27</u>		<u>(2,045)</u>
Total capital assets being depreciated, net	<u>1,632</u>	<u>23</u>	<u>(5)</u>		<u>1,650</u>
Governmental activities capital assets, net	<u>\$ 2,258</u>	<u>\$ 106</u>	<u>\$ (23)</u>	<u>\$</u>	<u>2,341</u>

(Amounts In Millions)

	Beginning				Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>		<u>Balance</u>
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 78	2	\$ --	\$	80
Construction In Process	517	391	(740)		168
Total capital assets not being depreciated	<u>595</u>	<u>393</u>	<u>(740)</u>		<u>248</u>
Capital assets being depreciated:					
Buildings	2,116	572	(2)		2,686
Other Improvements	69	8	--		77
Equipment	83	4	(7)		80
Infrastructure	1,905	145	(68)		1,982
Total capital assets being depreciated	<u>4,173</u>	<u>729</u>	<u>(77)</u>		<u>4,825</u>
Less accumulated depreciation for:					
Buildings	(950)	(74)	2		(1,022)
Other Improvements	(23)	(5)	--		(28)
Equipment	(53)	(8)	4		(56)
Infrastructure	(862)	(44)	1		(905)
Total accumulated depreciation :	<u>(1,888)</u>	<u>(131)</u>	<u>7</u>		<u>(2,012)</u>
Total capital assets being depreciated, net	<u>2,285</u>	<u>598</u>	<u>(70)</u>		<u>2,813</u>
Business-type activities capital assets, net	<u>\$ 2,880</u>	<u>\$ 991</u>	<u>\$ (810)</u>	<u>\$</u>	<u>3,061</u>

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

(Amounts in Thousands)	
Governmental Activities:	
Economic Development	\$ 3,648
Transportation:	
Streets & Highways	31,250
Mass Transit	28,361
Judiciary and Law Enforcement:	
Police	8,707
Prisons	4,632
Courts	934
Conservation of Health:	
Health Services	2,025
Housing and Neighborhood	
Development	4
Cultural and Recreational:	
Recreation	11,638
Parks	7,069
Libraries and Museums	5,696
Improvements to General Welfare:	
Social Services	2,095
Inspections and Demolitions	174
Service to Property:	
Fire	3,975
General Management and Support	17,187
Total Governmental Activities	<u>\$ 127,397</u>
Business Type Activities:	
Water and Sewer	\$ 81,852
Aviation	56,496
Total Business Type Activities	<u>\$ 138,348</u>

**B. DISCRETELY PRESENTED COMPONENT UNITS**

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



**CITY OF PHILADELPHIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

(Amounts In Millions)

	Beginning			Ending Balance
	Balance	Increases	Decreases	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 105	\$ 5	\$ --	\$ 110
Construction In Process	131	24	(32)	123
Total capital assets not being depreciated	<u>236</u>	<u>29</u>	<u>(32)</u>	<u>233</u>
Capital assets being depreciated:				
Buildings	771	4	--	774
Other Improvements	773	47	(2)	818
Equipment	210	16	(6)	220
Infrastructure	1	0	--	1
Total capital assets being depreciated	<u>1,755</u>	<u>67</u>	<u>(8)</u>	<u>1,814</u>
Less accumulated depreciation for:				
Buildings	(423)	(12)	--	(435)
Other Improvements	(312)	(37)	2	(347)
Equipment	(124)	(19)	6	(137)
Infrastructure	(1)	(0)	--	(1)
Total accumulated depreciation :	<u>(859)</u>	<u>(68)</u>	<u>8</u>	<u>(920)</u>
Total capital assets being depreciated, net	<u>896</u>	<u>(2)</u>	<u>0</u>	<u>894</u>
Capital assets, net	<u>\$ 1,132</u>	<u>\$ 27</u>	<u>\$ (32)</u>	<u>\$ 1,127</u>

(Amounts In Millions)

	Beginning			Ending Balance
	Balance	Increases	Decreases	
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 71	\$ 5	\$ --	\$ 76
Fine Arts	3	--	--	3
Construction In Process	165	477	(339)	303
Total capital assets not being depreciated	<u>239</u>	<u>482</u>	<u>(339)</u>	<u>382</u>
Capital assets being depreciated:				
Buildings	2,274	672	(670)	2,276
Other Improvements	27	2	--	29
Equipment	328	54	(15)	367
Infrastructure	975	55	(1)	1,029
Total capital assets being depreciated	<u>3,604</u>	<u>783</u>	<u>(686)</u>	<u>3,701</u>
Less accumulated depreciation for:				
Buildings	(915)	(170)	85	(1,000)
Other Improvements	(9)	(11)	--	(20)
Equipment	(79)	(11)	17	(73)
Infrastructure	(427)	(23)	--	(450)
Total accumulated depreciation :	<u>(1,430)</u>	<u>(215)</u>	<u>102</u>	<u>(1,543)</u>
Total capital assets being depreciated, net	<u>2,174</u>	<u>568</u>	<u>(584)</u>	<u>2,158</u>
Capital assets, net	<u>\$ 2,413</u>	<u>\$ 1,050</u>	<u>\$ (923)</u>	<u>\$ 2,540</u>

**7. 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 \$100 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the Fund's revenues. The notes outstanding at year end (August 31, 2002) had an average weighted interest rate of approximately 1.26% and terms to maturity of 5 to 52 days. The principal amount outstanding was \$79.8 million.

**RDA** has issued a series of Mortgage Notes Payable with an outstanding balance at year end of \$30.6 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 10.56%. Aggregate minimum principal payments on these notes are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 11,398,573
2005	286,068
2006	38,352
2007	--
2008	2,000,000
2009-2013	--
2014-2018	4,923,677
2019-2023	8,897,000
2024-2028	1,133,500
2029-2033	--
2034-2037	1,950,000
Total	<u>\$ 30,627,170</u>

In March, 2003, the **Community College of Philadelphia (CCP)** entered into a loan agreement with the State Public School Authority to borrow \$1.3 million to outfit the **CCP's** Center for Business and Industry Building and other miscellaneous capital projects. The loan is scheduled to be repaid over a five-year period through March, 2008, at a fixed annual interest rate of 2.25% and annual debt service payments of \$276,387.

In October 2001, the **CCP** entered a loan agreement with the Hospitals and Higher Education Facilities Authority (HHEFA) to borrow \$26.6 million to purchase land, construction and outfitting for the Business and Industry/Technology Center. The note will be repaid over 20 years at interest rates ranging from 2.8% to 5.17% and an annual debt service payment of \$2,137,143.

The **CCP** borrowed \$30.6 million under an agreement with the HHEFA dated June 1, 1994. Of the proceeds, \$14.9 million was used to retire Series 1989 bonds. This portion of the obligation is payable over 15 years at interest rates ranging from 3.75% to 6.15% with an average annual debt service payment of \$1.5 million. The remaining \$15.7 million was used to fund capital projects. This portion of the debt was refinanced by the note described below. The remaining payments are scheduled through fiscal year 2006 at interest rates ranging from 5.3% to 5.95% with average annual debt service of \$845,103.

In May, 1999 the **CCP** entered a loan agreement with the HHEFA to borrow \$9.6 million. From this amount \$9.1 million was used to purchase US Government Securities which were deposited with an escrow agent to provide for future debt service payments on the 1994 Series Bonds for the years 2007-2014. As a result, that portion of the 1994 Bonds are considered defeased and the related debt has

**CITY OF PHILADELPHIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

been removed from the **CCP's** Plant Fund. The 1999 series debt is payable over 15 years at interest rates ranging from 3.4% to 4.88% with average annual debt service of \$1.1 million. The call date on these bonds is May 1, 2004.

In July, 1998 the **CCP** entered a loan agreement with the HHEFA to borrow \$9.4 million to fund capital projects. This obligation is payable over 20 years at interest rates ranging from 3.9% to 5.23% with an average annual debt service payment of \$757,190.

The combined principal balance outstanding at year end for all notes was \$54.8 million with combined repayments as follows:

<u>Period</u>	<u>Amount</u>
2003 to 2004	\$ 3,368,442
2004 to 2005	3,519,136
2005 to 2006	3,694,886
2006 to 2007	3,880,766
2007 to 2008	4,076,770
2009 to 2013	15,310,000
2014 to 2018	11,710,000
2019 to 2023	9,255,000
	<hr/>
Total	\$ 54,815,000
	<hr/> <hr/>

**PPA**, in prior years, borrowed a total of \$11.7 million in the form of bank notes ranging in maturity from 3-15 years and in interest rates from 5.9-6.5%. The proceeds of these notes were used to finance the purchase of automobiles to be used in operations, a parking facility, building improvements and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2003 was \$9,898,227 subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 5,106,786
2005	433,204
2006	461,340
2007	491,305
2008	523,218
2009-2013	2,882,374
	<hr/>
	--
	<hr/>
Total	9,898,227
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**8. 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 (City General Obligation Bonds) payable principally from property taxes. The statutory limit for the City is \$1.3 billion. The City General Obligation Debt net of deductions authorized by law is \$1.2 billion, leaving a legal debt borrowing capacity of \$102.2 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 Governmental Activity for the fiscal year:

(Amounts In Millions)

Governmental Activities	Beginning	Additions	Reductions	Ending	Due Within
	Balance			Balance	One Year
<b>Bonds Payable</b>					
Term Bonds	\$ 1,355.0	\$ 165.5	\$ (204.1)	\$ 1,316.4	\$ 40.1
Refunding Bonds	222.2	--	(30.5)	191.7	28.4
Serial Bonds	432.3	--	(35.4)	396.9	35.2
<b>Less Deferred Amounts</b>					
Unamortized Discount and Loss	--	(1.7)	--	(1.7)	
Total Bonds Payable	<u>2,009.5</u>	<u>163.8</u>	<u>(270.0)</u>	<u>1,903.3</u>	<u>103.7</u>
<b>Obligations Under Lease &amp; Service Agreements</b>					
Pension Service Agreement	1,386.6	8.0	--	1,394.6	15.8
Neighborhood Transformation	142.6	--	(3.4)	139.2	3.5
One Parkway	55.8	--	(1.1)	54.7	1.2
Sports Stadium	346.8	--	(4.8)	342.0	0.1
Indemnity Claims	42.0	--	(7.3)	34.7	9.4
Worker's Compensation Claims	98.8	83.4	(35.7)	146.5	18.4
Termination Compensation Payable	164.4	30.3	(23.3)	171.4	23.4
Governmental Activity Long-term Liabilities	<u>\$ 4,246.5</u>	<u>\$ 285.5</u>	<u>\$ (345.6)</u>	<u>\$ 4,186.4</u>	<u>\$ 175.5</u>

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

(Amounts In Millions)

Governmental Funds:	Interest		Principal	Due Dates
	Rates			
City	1.0 % to 6.25 %		\$ 814.2	Fiscal 2004 to 2032
PMA	2.35 % to 8.625 %		284.4	Fiscal 2004 to 2019
PICA	4.00 % to 6.00 %		806.4	Fiscal 2004 to 2023
			<u>\$ 1,905.0</u>	

The City has General Obligation Bonds authorized and unissued at year end of \$440.4 million for Governmental Funds.

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

(Amounts In Millions)

Fiscal Year	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 43.3	\$ 40.7	\$ 24.7	\$ 19.5	\$ 35.7	\$ 40.8
2005	27.9	38.4	21.7	18.5	47.1	39.0
2006	17.1	37.1	20.5	17.6	49.3	37.0
2007	19.1	36.3	21.4	16.7	51.8	34.5
2008	23.4	35.4	13.6	15.9	48.7	31.9
2009-2013	135.8	158.0	75.1	70.6	194.7	126.8
2014-2018	161.8	119.9	107.4	30.0	224.3	73.4
2019-2023	161.2	78.6	--	--	154.8	20.9
2024-2028	156.4	38.7	--	--	--	--
2029-2033	68.2	7.0	--	--	--	--
Totals	\$ 814.2	\$ 590.1	\$ 284.4	\$ 188.8	\$ 806.4	\$ 404.3

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

(Amounts In Millions)

Fiscal Year	Lease and Service Agreements							
	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 15.8	\$ 51.1	\$ 3.5	\$ 7.4	\$ 1.2	\$ 2.9	\$ 0.1	\$ 18.2
2005	26.9	50.2	3.7	7.2	1.2	2.9	0.8	18.2
2006	33.3	48.7	3.8	7.0	1.3	2.8	1.5	18.1
2007	40.0	46.8	4.0	6.9	1.4	2.7	5.5	17.9
2008	47.1	44.5	4.0	6.6	1.5	2.7	5.9	17.6
2009-2013	309.1	256.4	22.9	30.2	8.4	12.1	39.1	82.4
2014-2018	224.5	436.8	29.7	23.3	11.0	9.5	54.8	69.5
2019-2023	164.4	509.1	38.9	14.1	14.3	6.2	71.9	52.2
2024-2028	308.5	367.4	28.7	3.1	14.4	2.0	93.5	30.7
2029-2033	225.0	7.4	--	--	--	--	68.9	5.6
Totals	\$ 1,394.6	\$ 1,818.4	\$ 139.2	\$ 105.8	\$ 54.7	\$ 43.8	\$ 342.0	\$ 330.4

**(2) Business Type Debt Payable**

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

(Amounts In Millions)

Business Type Activities	Beginning			Ending		Due Within
	Balance	Additions	Reductions	Balance	One Year	
<b>Bonds Payable</b>						
General Obligation Bonds	\$ 19.2	\$ --	\$ (3.7)	\$ 15.5	\$ 3.8	
Revenue Bonds	3,014.8	381.3	(474.9)	2,921.2	101.5	
Less Deferred Amounts						
Unamortized Discounts and Loss	(169.6)	--	24.0	(145.6)	--	
<b>Total Bonds Payable</b>	<u>2,864.4</u>	<u>381.3</u>	<u>(454.6)</u>	<u>2,791.1</u>	<u>105.3</u>	
Indemnity Claims	2.4	0.1	--	2.5	0.8	
Worker's Compensation Claims	4.2	3.3	(1.4)	6.1	0.7	
Termination Compensation Payable	14.1	2.4	(2.0)	14.5	2.0	
Arbitrage	8.9	--	(6.1)	2.8	2.8	
<b>Business-type Activity Long-term Liabilities</b>	<u>\$ 2,894.0</u>	<u>\$ 387.1</u>	<u>\$ (464.1)</u>	<u>\$ 2,817.0</u>	<u>\$ 111.6</u>	

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.

Enterprise Funds	Interest		(Amounts In Millions)	
	Rates	Principal	Due Dates	
Water Fund	1.0 %	\$ 10.4	Fiscal 2004 to 2012	
Aviation Fund	5.125 % to 6.25 %	5.1	Fiscal 2004 to 2005	
		<u>\$ 15.5</u>		

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

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

**CITY OF PHILADELPHIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

(Amounts In Millions)

City Enterprise Funds				
Fiscal Year	Water Fund		Aviation Fund	
	Principal	Interest	Principal	Interest
2004	\$ 1.1	\$ 0.1	\$ 2.7	\$ 0.2
2005	1.1	0.1	2.4	0.1
2006	1.2	0.1	--	--
2007	1.2	0.1	--	--
2008	1.2	0.1	--	--
2009-2013	4.6	--	--	--
2014-2018	--	--	--	--
2019-2023	--	--	--	--
2024-2028	--	--	--	--
2029-2033	--	--	--	--
Totals	\$ 10.4	\$ 0.5	\$ 5.1	\$ 0.3

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)			
	Interest Rates	Principal	Due Dates
Water Fund	1.41 % to 10.00 %	\$ 1,797.1	Fiscal 2004 to 2032
Aviation Fund	4.0 % to 6.10 %	<u>1,124.1</u>	Fiscal 2004 to 2031
Total Revenue Debt Payable		<u>\$ 2,921.2</u>	

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

(Amounts In Millions)				
Fiscal Year	Water Fund		Aviation Fund	
	Principal	Interest	Principal	Interest
2004	\$ 67.9	\$ 88.1	\$ 33.6	\$ 60.4
2005	70.5	85.3	35.4	58.6
2006	76.3	80.1	37.3	56.7
2007	80.1	76.4	31.5	54.5
2008	83.7	72.9	33.3	52.8
2009-2013	488.2	295.8	195.3	234.8
2014-2018	461.3	158.0	234.7	175.8
2019-2023	185.4	89.5	230.5	112.4
2024-2028	135.2	51.0	242.9	44.6
2029-2033	148.5	15.3	49.6	1.9
Totals	\$ <u>1,797.1</u>	\$ <u>1,012.4</u>	\$ <u>1,124.1</u>	\$ <u>852.5</u>

**(3) Defeased Debt**

As of the current fiscal year end, the City had defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At year end, \$ 731.6 million of bonds outstanding pertaining to the following funds are considered defeased:

(Amounts In Thousands)

Governmental Funds:	
General Fund	\$ 31,375
PICA	101,335
PMA	149,405
Enterprise Funds:	
Water Fund Revenue Bonds	449,520
 Total	 <u>\$ 731,635</u>

- In April, 2003, the City issued \$381.3 million of Water and Wastewater Revenue Refunding Series 2003 Bonds. The proceeds of these bonds were used to refund a portion of the 1993 Series Water and Wastewater Revenue Bonds maturing from 2012 through 2023 in the amount of \$362.6 million. The cash flows required by the new bonds are \$ 18 million less than the cash flow required by the refunded bonds. The economic gain on the refunding (the adjusted present value of these reduced cash flows) was \$ 1.4 million. This early extinguishment of debt resulted in an accounting loss of approximately \$ 17.6 million, representing the difference between the reacquisition price of \$376.7 million and the amount of debt extinguished of \$362.6 million (less 3.5 million unamortized discount). The resulting loss will be amortized over the life of the refunded bonds at a rate of \$2.5 million annually through June, 2011.
- In June, 2003, the City transferred \$14.95 million from the Water Fund's Residual Fund to a Fiscal Agent to defease a portion of the \$72.6 million term bonds, Series 1997A. The bonds are due August, 2027.
- In June, 2003, the **Pennsylvania Intergovernmental Cooperation Authority (PICA)** issued \$165.6 million in tax revenue bonds Series 2003. The bonds mature through 2023 with the interest rate being based on payments due by PICA under the swap agreement (see note III.A.6 bullet 4 and 5). The proceeds of the bonds were used to (1) provide for the current refunding of all of PICA's Special Tax Revenue Bonds Series 1993A, outstanding as of June 16, 2003 and maturing each year on the 15th of June for years 2004 through 2023, in the aggregate amount of \$163.2 million and (2) to pay the cost associated with issuing the 2003 bonds.

**(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 \$300.0 million in Tax and Revenue Anticipation Notes by June 2003 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

Beginning Balance	Additions	Deductions	Ending Balance
0	300,000,000	-300,000,000	0



**(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, 2003, the Aviation Fund recorded a liability of \$2.8 million.

**(6) Interest Rate Swaption**

• **Philadelphia Airport Swaption**

*Objective of swaption:* In April 2002, the Airport entered into a swaption that provided the Airport with an up-front payment of \$6,536,836. As a synthetic refunding of its 1995 Bonds, this payment represents the present value savings as of April, 2002, of refunding on June 15, 2005, without issuing refunding bonds as of April, 2002. The swaption gives JPMorgan Chase Bank - New York the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts. If the option is exercised, the Airport would then expect to issue variable-rate refunding bonds.

*Terms:* JPMorgan Chase has the option to exercise the agreement on June 15, 2005 the Airport's 1995 bonds' first call date. If the swap is exercised, the swap will also commence on June 15, 2005 and would have a notional amount of \$189,500,000. The swap has multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%) which were set at rates that, based on the swap notional amount and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the "refunded bonds." The swap's variable payment would be based on the BMA Municipal Swap Index. Starting on June 15, 2007 and thereafter, to the extent that the rolling 180-day average of the BMA Municipal Swap Index exceeds 7.00%, JPMorgan Chase has the option to terminate the swap.

*Fair Value:* As of June 30, 2003, the swap had a negative fair value of \$31,142,072. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

*Market risk and interest rate risk*

If the option is exercised and the refunding bonds can not be issued, the 1995 bonds would not be refunded and the Airport would either have to unwind the swap and pay a termination payment or make net swap payments as required by the terms of the Agreement. If the option is exercised and variable-rate bonds issued, the actual savings ultimately recognized by the transaction will be affected by the relationship between the interest rates terms of the to-be-issued variable rate bonds versus the variable payments on the swap (the BMA Municipal Swap Index). The swap increases the Airport's exposure to variable interest rates starting June 15, 2007 and thereafter to the extent that the rolling 180-day average of the BMA Municipal Swap Index exceeds 7.00%, JPMorgan Chase has the option to terminate the swap.

• **City of Philadelphia 1993 Water & Sewer Swaption/2003 Water and Sewer Swap**

*Objective of swaption:* In December 2002, the City entered into a swaption that provided the City with an up-front payment of \$24,989,926. As a synthetic refunding of its 1993 Bonds, this payment represents the present value savings, as of December 2002 of a refunding on March 19, 2003, without issuing refunding bonds as of December 2002. The swaption gave Citigroup formerly Salomon Brothers Holding Company, Inc. the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts. The option was exercised on March 18, 2003 and the City issued variable-rate refunding bonds and started making payments under the terms of the swap.

*Terms:* Citigroup exercised its option to enter into a swap on March 18, 2003 - the City's 1993 water and sewer bonds' first call date. The swap also commenced on the exercise date of March

18, 2003. Under the swap, the City pays a fixed payment of 4.52% and receives a variable payment computed as the actual bond rate through March 1, 2005 and thereafter computed as the lesser of the actual bond rate or 68.5% of the London Interbank Offered Rate (LIBOR). The swap rate was set at a rate that, based on the swap notional amount and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the “refunded bonds.” The swap has a notional amount of \$376,165,000 and the associated variable-rate coupons are not based on an index but on market conditions. The bonds and the related swap agreement mature on June 15, 2023. As of June 30, 2003, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Citigroup	Fixed	4.52%
Variable payment from Citigroup	Actual Bond Rate	(0.75%)
Net interest rate swap payments		3.77%
Variable Rate bond coupon payments	Market driven	0.75%
Synthetic interest rate on bonds		4.52%

*Fair Value:* As of June 30, 2003, the swap had a negative fair value of \$66,819,104. Since the coupons on the City’s variable rate bonds adjust to hanging interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

*Market risk and interest rate risk:* As of June 30, 2003 the City is not exposed to credit risk because the swap had a negative fair value nor basis risk since Citigroup’s payments are currently based on the actual bond rate paid on the variable bonds. The swap uses the International Swap Dealers Association Master Agreement, which includes standard termination events. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap may be terminated if Citigroup’s or its Credit Support Provider, or the City has one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) Baa3 or higher as determined by Moody’s Investors Service, Inc., or (ii) BBB- or higher as determined by Standard & Poor’s Ratings Service, A Division of the McGraw-Hill Companies, Inc. Or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

- **City of Philadelphia, 1995 Water & Sewer Swaption**

*Objective of swaption:* In December, 2002, the City entered into a swaption that provided the City with an up-front payment of \$4,000,000. As a synthetic refunding of its 1995 Bonds, this payment represents the present value savings, as of December 2002, of a refunding on May 4, 2005, without issuing refunding bonds as of December, 2002. The swaption gives Citigroup formerly of Salomon Brothers Holding Company, Inc., the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts. If the option is exercised, the City would then expect to issue variable-rate refunding bonds.

*Terms:* Citigroup has the option to exercise the agreement on May 4, 2005 - the City’s 1995 water and sewer bonds’ first call date. If the swap is exercised, the swap will also commence on May 4, 2005 and would have a notional amount of \$86,105,000. Under the swap, the City pays a fixed payment of 4.53% and receives a variable payment computed as the lesser of the actual bond rate

or 68.5% of the London Interbank Offered Rate (LIBOR) which were set at rates that, based on the swap notional amount and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the "refunded bonds."

*Fair value:* As of June 30, 2003, the swaption had a negative fair value of \$10,307,085. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

*Market access risk and interest rate risk:* If the option is exercised and the refunding bonds can not be issued, the 1995 water and sewer bonds would not be refunded and the City would either have to unwind the swap and pay a termination payment or the City would make net swap payments as required by the terms of the Agreement. If the option is exercised and variable-rate bonds issued, the actual savings ultimately recognized by the transaction will be affected by the relationship between the interest rates terms of the to-be-issued variable rate bonds versus the variable payments on the swap (the lesser of the actual bond rate of 68.5% of the London Interbank Offered Rate (LIBOR).

- **Pennsylvania Intergovernmental Cooperation Authority (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 MorganChase as the counterparty that provided the Authority up-front premium payments totaling \$26,235,000 (\$10,700,000 for the 1993A issuance, \$5,815,000 for the 1996 issuance and \$9,700,000 for the 1999 issuance). These swaption agreements were entered into in order to affect a synthetic refunding of the Authority's 1993A, 1996, and 1999 bond issuance at some point in the future (generally, the first call date for each bond issuance). The premium payments, which were recorded as deferred revenue in fiscal year 2002, represent the risk-adjusted, present value savings of a refunding at the specified call date without issuing refunding bonds at the time the swaption agreements were executed. The swaptions give the counterparty the option to make the Authority enter into pay-fixed, receive-variable interest rate swaps. If the options are exercised, the Authority would then expect to issue variable-rate refunding bonds.

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

*Fair value:* As of June 30, 2003, the 1996 swaption had a negative fair value of approximately \$12,000,000 and the 1999 swaption had a negative fair value of approximately \$26,000,000. The fair value was determined by the counterparty using its proprietary methodology.

*Market risk and interest rate risk:* If the options are exercised and the refunding bonds are not issued, the 1996 and 1999 bonds would not be refunded and the Authority would make net swap payments as required by the terms of the contracts. If the options are exercised and the variable rate refunding bonds are issued, the actual savings ultimately recognized by the transactions will be affected by the relationship between the interest rate terms of the to-be-issued variable rate refunding bonds versus the variable payment on the swap.

- **PICA Series 2003 Swap Agreement and Basis Cap Agreement**

*Objective:* In June, 2003, the counterparty exercised its option under the 1993A swaption agreement as described above concurrently with PICA's (the Authority) Series 2003 Refunding Bond issuance. The \$10,700,000 received and deferred during the fiscal year ended June, 2002, has been recognized as swaption premium revenue in the general fund during the fiscal year ended June, 2003. At June 30, 2003, the swaption premium continues to be reflected as deferred revenue in the government-wide financial statements and will be amortized over the life of the 2003 Swap Agreement beginning with the first swap payment in fiscal year 2004.

*Terms:* The Series of 2003 bonds and the related swap agreement mature June, 2022. The swap's initial notional amount of \$163,185,000 matches the related 1993A bonds that were currently refunded on June 16, 2003 and the notional amount declines each year to match the original maturity schedule of the 1993A refunded bonds. The swap was entered into at the same time the refunding bonds were issued, during June 2003. Under the swap, the Authority pays the counterparty a fixed payment of approximately 5.0% and receives a variable payment computed as 67.0% of the one-month London Interbank Offered Rate ("LIBOR"). Conversely, the variable rate bonds are based on the Bond Market Association Municipal Swap Index ("BMA").

On June 16, 2003, the Authority also entered into a basis cap transaction with the counterparty. Beginning July 15, 2003, the counterparty will pay the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the interest rate swap noted above.

*Fair value:* The swap and basis cap had a negative fair value of approximately \$33 million and \$1.9 million as of June 30, 2003 respectively. The swap and basis cap negative fair values may be countered by a reduction in total interest payments required by the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

*Credit risk:* As of June 30, 2003, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the swap's fair value. The counterparty was rated "A+" by Standard and Poor's and "A1" by Moody's Investors Service as of June, 2003. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A-" or "A3", respectively, the fair value of the swap will be fully collateralized by the counterparty within 15 days of it having ceased to have such minimum ratings. The collateral would be posted with a third party custodian.

*Basis risk:* As noted above, the swap exposes the Authority to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs the results in the rates' moving to converge, the expected cost savings may not be realized. At June, 2003, the 67% of LIBOR rate was approximately 1.1% and the BMA rate was approximately .98%.

*Termination risk:* The derivative contract for the swap and the basis cap uses the International Swap Dealers Association Master Agreement, which included standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement included an "additional termination events" section. Under each of the transactions the Authority has the right at its option to terminate the related interest rate swap or basis cap and any such termination will result in a

termination payment calculated under the Master Agreement either owing by the Authority to the counterparty or owing by the counterparty to the Authority. Additionally, the swap may be terminated by the Authority if the counterparty's credit quality falls below "A-" or "A3" as issued by Standard & Poor's and Moody's Investors Service respectively, and collateral is not posted within 15 days of it having ceased to have such minimum ratings. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

**(7) Pension Service Agreement**

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.291 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of PAID. The City entered into a Service Agreement with PAID agreeing to make yearly payments equal to the debt service on the bonds. PAID assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation No. 2, PAID treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of \$1.395 billion is reflected in the City's financial statements as an Other Long Term Obligation.

The net proceeds of the bond sale of \$1.25 Billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments for Fiscal Year 2002 and the City expects that it will also reduce the actuarially required payments in future fiscal years.

**(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 No. 2, RDA treats this as conduit debt and therefore does not include these transactions on its financial statements. The fiscal year 2003 NTI Neighborhood Transformation Initiative Service Agreement liability of \$139.2 million is reflected in the City's financial statements as an Other 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 No. 2, PAID treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2003, the Sports Stadium Financing Agreement liability of \$342.0 million is reflected in the City's financial statements as an Other Long Term Obligation.

**(10) Forward Purchase Agreements**

- In August, 2002, the City on behalf of the **Philadelphia Gas Works (PGW)** entered into Guaranteed Investments Contracts (GICS) with a broker. The GICS was structured so that the broker

provided the City with a one time upfront payment of \$21.8 million in lieu of receiving interest payments over the life of the GICS. At settlement, \$61.4 million from the PGW Sinking Fund Reserve was deposited into the Agreements. The maturity date of the GICS is March 1, 2021. The \$61.4 million represents 65% of the total amount in the Sinking Fund reserve. If **PGW** needs to draw on the Sinking Fund Reserve, **PGW** would utilize the remaining 35% of the reserve that continues to be invested in a portfolio of short-term securities.

The City also paid \$1.65 million to terminate an existing Forward Purchase Agreement entered into in 1995. A portion of the upfront payment was used to make the termination payment.

The remainder of the upfront payment was paid to **PGW** as a subsidy and will be included in **PGW**'s project revenues for Fiscal 2002.

- In June, 2000 the **Pennsylvania Intergovernmental Cooperation Authority (PICA)**, entered into a debt service reserve forward delivery agreement which is set to begin August 1, 2003, whereby the **PICA** received a premium of \$4,450,000 on December 1, 2002 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. Under this agreement the **PICA** is guaranteed a fixed interest rate on the debt service reserve investments of 4.79%. The premium amount will be deferred and recognized as revenue over the remaining life of this agreement or through June 15, 2010 beginning with the first scheduled delivery of the debt service reserve investments in August, 2003.
- In November, 1998, and amended in April, 1999, **PICA** entered into a debt service forward delivery agreement whereby the **PICA** was to receive a fixed interest rate on its debt service investment using the Treasury Rate - T500 index less 15 basis points. On March 29, 2003, this agreement was terminated and resulted in a termination payment to the **PICA** of \$1,150,000.

#### **(11) Pension Obligation Bond Option Rights**

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

### **B. COMPONENT UNIT LONG-TERM DEBT PAYABLE**

#### **(1) Governmental Debt Payable**

One discretely presented component unit, the School District of Philadelphia, has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total \$1,405.9 million in principal, with interest rates from 3.5% to 6.25 % and have due dates from 2006 to 2031.

**CITY OF PHILADELPHIA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Exhibit XIII**

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

Governmental Activities	Beginning			Ending		Due Within
	Balance	Additions	Reductions	Balance	One Year	
Bonds Payable	\$ 1,440.5	\$ --	\$ (34.6)	\$ 1,405.9	\$ 45	
Add: Bond Premium	20.1	--	(0.9)	19.2	0.9	
Total Bonds Payable	<u>1,460.6</u>	<u>--</u>	<u>(35.5)</u>	<u>1,425.1</u>	<u>45.9</u>	
Loans Payable	1.4	--	(0.4)	1.0	0.3	
Termination Compensation Payable	297.8	55.7	(47.7)	305.8	15.2	
Severance Payable	170.4	14.8	(10.0)	175.2	2.5	
Other Liabilities	75.1	13.6	(6.5)	82.2	--	
Life Insurance Benefits	19.4	2.0	(0.2)	21.2	--	
Due to Other Governments			--			
Deferred Reimbursement	45.3	--	--	45.3	45.3	
Deferred Revenue	4.0	--	(0.4)	3.6	0.6	
Governmental Activity Long-term Liabilities	<u>\$ 2,074.0</u>	<u>\$ 86.1</u>	<u>\$ (100.7)</u>	<u>\$ 2,059.4</u>	<u>\$ 109.8</u>	

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

(Amounts in Millions)

Fiscal Year	Principal	Interest
2004	\$ 45.0	\$ 74.0
2005	47.2	71.8
2006	50.0	69.0
2007	52.5	66.6
2008	55.4	63.7
2009-2013	283.8	274.1
2014-2018	237.1	205.2
2019-2023	276.9	139.1
2024-2028	220.6	74.4
2029-2031	137.4	14.4
Totals	<u>\$ 1,405.9</u>	<u>\$ 1,052.3</u>

**(2) Business Type Debt Payable**

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

(Amounts in Millions)

	Interest Rates	Principal	Due Dates
PCCA	5.75 % to 6.875 %	\$ 246.1	Fiscal 2004 to 2020
PPA	3.5 % to 5.75 %	307.6	Fiscal 2004 to 2029
PGW	4.4 % to 7.7 %	890.1	Fiscal 2003 to 2026
RDA	4.05 % to 10.25 %	49.7	Fiscal 2004 to 2029
Total Revenue Debt Payable		<u>\$ 1,493.5</u>	

**CITY OF PHILADELPHIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

In prior years **PPA** issued Series 1999A Parking Revenue Bonds in the amount of \$47.4 million and Series 1999 Airport Parking Revenue Bonds in the amount of \$155.6 million. The bonds have interest rates from 4.0% - 5.625% maturing through 2029. These bonds were issued to retire \$10.3 million in existing bank notes, fund the acquisition and development of various parking facilities and other capital projects at the airport.

In June 2001, **PGW** issued \$120.2 million of new debt for the purpose of providing funds to finance various capital projects. The revenue bonds are the third issued in Series 1998 and consist of serial and term bonds maturing at various dates through 2031. As of PGW's August 31, 2002 fiscal year-end, the principal amount of \$40 million raised to support capital construction activity remains on deposit in a restricted account for capital purposes.

In December 2002, **PGW** issued \$125.0 million in Gas Works Revenue Bonds, 4th Series with interest rates ranging from 3% to 5.25% and maturity dates of 2004 to 2032. The proceeds of the bonds will be used for capital projects.

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

(Amounts In Millions)

Fiscal Year	Pennsylvania Convention Center Authority		Philadelphia Parking Authority †		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 8.1	\$ 16.2	\$ 8.6	\$ 16.0	\$ 32.9	\$ 22.9	\$ 1.1	\$ 2.9
2005	8.6	15.6	9.1	15.6	31.7	45.0	1.5	2.8
2006	9.2	15.1	9.5	15.1	37.2	43.5	1.3	2.7
2007	9.8	14.1	9.9	14.7	34.5	41.9	0.0	2.7
2008	10.5	13.8	10.4	14.2	37.0	40.0	0.0	2.7
2009-2013	64.4	57.3	58.1	61.9	163.7	171.1	1.3	12.9
2014-2018	90.1	31.3	61.6	45.9	151.7	129.5	20.0	11.7
2019-2023	45.4	3.1	56.4	29.4	157.7	85.1	1.0	7.4
2024-2028	--	--	62.2	14.4	157.0	41.9	12.9	5.9
2029-2033	--	--	21.8	1.2	86.7	7.9	10.5	0.9
2034-2037	--	--	--	--	--	--	--	--
Totals	<u>\$ 246.1</u>	<u>\$ 166.5</u>	<u>\$ 307.6</u>	<u>\$ 228.4</u>	<u>\$ 890.1</u>	<u>\$ 628.8</u>	<u>\$ 49.7</u>	<u>\$ 52.6</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2002.

‡ - Parking Authority amounts are presented as of its fiscal year March 31, 2003.



**(3) Defeased Debt**

At year end, \$572.1 million of defeased bonds are outstanding from the following Component Units of the City as shown below:

	(Amounts In Millions)	
Pennsylvania Convention Center Authority	\$	250.8
Philadelphia Gas Works †		173.3
Philadelphia Parking Authority		27.2
School District of Philadelphia		120.8
		<u>120.8</u>
Total	\$	<u>572.1</u>

† -Gas Works amounts are presented as of August 31, 2002.

**(4) Other Long-Term Debt**

The **School District of Philadelphia** had loans payable of \$1.0 million at year-end consisting of an interest free federal asbestos loan expected to be repaid over the next four years.

**9. LEASE COMMITMENTS AND LEASED ASSETS**

**A. CITY AS LESSOR**

The City's operating leases consist principally 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 as follows:

	(Amounts In Thousands)		
	<u>Primary Government</u>		<u>Component Units</u>
	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	
Minimum Rentals	\$ 7,544	\$ 50,276	\$ 1,087
Additional Rentals	<u>6,649</u>	<u>57,457</u>	<u>--</u>
Total Rental Income	<u>\$ 14,193</u>	<u>\$ 107,733</u>	<u>\$ 1,087</u>

As of year end, future minimum rentals receivable under noncancelable operating leases are as follows:

**CITY OF PHILADELPHIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

(Amounts In Thousands)

Fiscal Year Ending	Primary Government		Component Units
	Governmental	Proprietary	
	Funds	Funds	
<u>June 30</u>			
2004	\$ 7,151	\$ 14,462	\$ 3,530
2005	6,359	14,210	2,531
2006	6,397	14,061	1,808
2007	6,232	11,869	1,662
2008	6,115	11,438	1,479
2009-2013	7,726	45,759	6,395
2014-2018	9,015	20,758	3,511
2019-2023	5,545	15,500	3,167
2024-2028	151	10,693	2,269
2029-2033	--	--	932
2034-2038	--	--	702
2039-2043	--	--	702
2044-2048	--	--	702
2049-2053	--	--	702
2054-2058	--	--	702
2059-2063	--	--	702
2064-2068	--	--	702
2069-2073	--	--	702
2074-2078	--	--	702
2079-2083	--	--	702
2084-2088	--	--	693
	\$ 54,690	\$ 158,749	\$ 34,996

**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)

	Primary Government		Component Units
	Governmental	Proprietary	
	Funds	Funds	
Minimum Rentals	\$ 82,926	\$ 16,166	\$ 31,280
Total Rental Expense	\$ 82,926	\$ 16,166	\$ 31,280

As of year end, future minimum rental commitments for operating leases having an initial or remaining noncancelable lease term in excess of one year are as follows:

**CITY OF PHILADELPHIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2003**

**Exhibit XIII**

(Amounts In Thousands)

Fiscal Year Ending	<u>Primary Government</u>		<u>Component Units</u>
	Governmental	Proprietary	
	<u>Funds</u>	<u>Funds</u>	
<u>June 30</u>			
2004	\$ 18,980	\$ --	\$ 19,520
2005	15,902	--	13,129
2006	13,085	--	10,774
2007	10,509	--	8,810
2008	10,424	--	6,112
2009-2013	20,412	--	5,230
2014-2018	1,755	--	997
2019-2023	396	--	316
2024-2028	--	--	--
Total	<u>\$ 91,463</u>	<u>\$ --</u>	<u>\$ 64,888</u>

**(2) Capital Leases**

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

(Amounts In Thousands)

Fiscal Year Ending	<u>Primary Government</u>	
	General	Long
	<u>Term Debt</u>	
<u>June 30</u>		
2004	\$ 5,139	
2005	4,781	
2006	4,511	
2007	4,326	
2008	4,104	
2009-2013	20,517	
2014-2018	20,515	
2019-2022	20,517	
2023-2027	<u>16,414</u>	
Future Minimum Rental Payments	100,824	
Interest Portion of Payments	<u>(43,904)</u>	
Obligation Under Capital Leases	<u>\$ 56,920</u>	

**10. 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 Internal Revenue Code and Pennsylvania laws in effect at June 30, 2002, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

**B. COMPONENT UNITS**

**PGW** offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 2001 the Plan was amended to comply

with subsection (g) of the code through the creation of trust in which all assets and income of the Plan are to be held for the exclusive benefit of participants and their beneficiaries. As a result, the company no longer owns the assets of the Plan nor has a contractual liability to Plan participants.

**11. FUND BALANCE RESERVATIONS**

The City has reserved portions of several funds' Fund Balances. Following is a description of all such reservations:

**Reserved for Encumbrances** - An account used to segregate a portion of Fund Balance for expenditure upon vendor performance

**Reserved for Intergovernmentally Financed Programs** - An account used to segregate a portion of Fund Balance legally restricted to programs to improve the City's financial status.

**Reserved for Behavioral Health** - An account used to segregate a portion of Fund Balance that is required to be held in reserve to ensure adequate funding for costs of managed behavioral health care.

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

**Reserved for Neighborhood Revitalization** - An account used to segregate a portion of Fund Balance for the purpose of revitalizing various neighborhoods in the City of Philadelphia.

**Reserved for Public Safety Emergency Phone System** - An account used to segregate a portion of Fund Balance legally restricted for the improvement of the emergency phone system.

**Reserved for Stadium Financing** - An account used to segregate a portion of Fund Balance for the purpose of funding new stadium construction.

**A. PRIMARY GOVERNMENT**

The following is a summary of fund balance reservations of the Major Funds:

(Amounts In Thousands)

	Health Choices			Total
	General	Behavioral	Grants	
		Fund	Health	
	Funds	Funds	Funds	
Reserved Fund Balance:				
Reserved for Encumbrances	\$ 93,141	\$ --	\$ --	\$ 93,141
Reserved for Neighborhood Revitalization	--	--	139,133	139,133
Reserved for Behavioral Health	--	30,800	--	30,800
Reserved for Intergov Financed Programs	--	--	28,745	28,745
Reserved for Emergency Phone System	--	--	6,254	6,254
Reserved for Long Term Loan	45,000	--	--	45,000
Reserved for Stadium Financing	102,757	--	--	102,757
Total Reserved Fund Balance	<u>\$ 240,898</u>	<u>\$ 30,800</u>	<u>\$ 174,132</u>	<u>\$ 445,830</u>

**12. INTERFUND TRANSACTIONS**

During the course of normal operations the City has numerous transactions between funds including expenditures and transfer of resources to provide services. 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. Transfers between fund types during the year were:

**A. PRIMARY GOVERNMENT**

	<i>Transfers To:</i>					
	Non major					
	Governmental					
(Amounts in Thousands)			Special	Debt	Capital	
<i>Transfers From:</i>	<u>General</u>	<u>Grants</u>	<u>Revenue</u>	<u>Service</u>	<u>Improvement</u>	<u>Total</u>
General	\$ --	3,000	\$ 844	\$ 129,776	\$ 2,151	\$ 135,771
Grants	6,603	--	--	--	4,977	11,580
Non major Special Revenue Funds	212,074	--	--	71,724	14,019	297,817
Non major Capital Improvement Funds	--	--	--	62	--	62
Water	4,138	--	--	--	--	4,138
<b>Total</b>	<b>\$ 222,815</b>	<b>3,000</b>	<b>\$ 844</b>	<b>\$ 201,562</b>	<b>\$ 21,147</b>	<b>\$ 449,368</b>

**13. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

(Amounts in thousands)	
Bond Payable	\$ 1,903,291
Service Agreements	1,930,425
Accrued Interest Payable	9,456
Employee Related Obligations	270,188
Indemnities	41,995
<b>Total Adjustment</b>	<b>\$ 4,155,355</b>

**14. PRIOR PERIOD ADJUSTMENTS**

**A. PRIMARY GOVERNMENT**

Governmental Fund Net Assets July 1, 2002 was increased by \$1,148,116, 000 to record the City's Net Pension Asset at the beginning of the fiscal year.

**15. SPECIAL ITEMS**

**A. PRIMARY GOVERNMENT**

Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax (BPT) is assessed. Taxpayers were required to file their returns based upon their business transactions for calendar year 2002, while simultaneously taking a credit equal to their previous year's tax payment. The taxpayers were then required to make an estimated tax payment based upon the business transactions they anticipate to occur during calendar year 2003. \$99.3 million of these estimated tax payments were deferred in the general fund because the underlying events had not occurred as of the end of the fiscal year in accordance with GASB Statement # 33. This tax change was an unusual event that the city's management chose to implement during the current fiscal year.

**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 School District of Philadelphia, the Pennsylvania Convention Center Authority, and the Community College - participate in state administered cost-sharing multiple employer plans. In addition, two discretely presented component units - PHA and RDA - maintain their own single employer defined benefit plans.

**A. SINGLE EMPLOYER PLANS**

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). The two plans maintained by the City's component units are the Philadelphia Housing Authority Plan (PHA Plan) and the Redevelopment Authority of the City of Philadelphia Retirement Plan (RDA Plan).

Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. All assets of the PHA pension plan are invested in an Immediate Participating Guaranteed (IPG) contract.

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, 2002 was as follows:

Retirees and beneficiaries currently receiving benefits	31,252
Terminated members entitled to benefits but not yet receiving them	730
Active members	<u>32,127</u>
Total Members	<u><u>64,109</u></u>

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

**(b) Funding Policy**

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

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

- The accrued actuarially determined normal costs
- Amortization of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries (the Dombrowski suit) is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
  - non active member's benefit modifications (10 years)
  - experience gains and losses (15 years)
  - changes in actuarial assumptions (20 years)
  - active members' benefit modifications (20 years )

Under the City's current funding policy, the total required employer contribution for the current year amounted to \$195.5 million or 16% of the covered payroll of \$1,215.2 million.

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

**(c) Annual Pension Cost and Net Pension Obligation**

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

	Amounts in Thousands
Annual Required Contribution (ARC)	195,514
Interest on Net Pension Obligation (NPO)	(103,330)
Adjustment to ARC	<u>142,446</u>
Annual Pension Cost	234,630
Contributions Made	<u>179,757</u>
Increase in NPO	54,873
NPO at beginning of year	<u>(1,148,116)</u>
NPO at end of year	(1,093,243)
Interest Rate	9.00%
15 Year amortization Factor (EOY)	8.06%

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2001. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a five-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 9%
- projected annual salary increases of 5% (including inflation)
- annual inflation of 3.5%
- no post-retirement benefit increases

Under the City's funding policy, the recommended contribution for the City for the current year amounted to \$190.3 million. The City's actual contribution was \$174.5 million. To the extent that the City elects to contribute less than the funding policy, an experience loss will be created to equal the shortfall in contributions. That shortfall will be amortized over 15 years.

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



Fiscal Year Ended <u>June 30</u>	Annual Pension  <u>Cost</u> (In Millions)	Percentage  <u>Contributed</u>	Net Pension  <u>Obligation</u> (In Millions)
2001	\$209.5	79.99%	(\$1,188.6)
2002	\$218.7	81.49%	(\$1,148.1)
2003	\$234.6	76.61%	(\$1,093.2)

**(d) Summary of Significant Accounting Policies**

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions of employees and employers are recognized as revenues in the period in which employee services are performed. 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.A.

**(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 10 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 \$1200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final-average earnings is the employee's 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.

Total membership of the PGW plan as of September 1, 2001 consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,280
Current Employees	<u>1,800</u>
Total Members	<u><u>4,080</u></u>

**(b) Funding Policy**

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW

Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the PGW Plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized over 10 years. Contributions of \$8,496,000 (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 \$21.2 million from the pension assets was necessary to meet beneficiary payment obligations.

**(c) Annual Pension Cost**

PGW's annual pension cost for the current year was \$8,496,000 equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study completed May, 2002, using the projected credit unit method. Significant actuarial assumptions used include an annual rate of return on investments of 8.25%, projected salary increases of 4.25% per year (both of which include an inflation component of 3% and do not include post-retirement benefit increases) and age 62 as the assumed retirement age

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

Fiscal Year Ended <u>August 31</u>	Annual Required <u>Contribution</u> (In Thousands)	Percentage <u>Contributed</u>
2000	\$1,096	100%
2001	\$2,301	100%
2002	\$8,496	100%

**(d) Summary of Significant Accounting Policies**

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

**(3) Component Unit - Philadelphia Housing Authority Plan**

**(a) Plan Description**

The PHA contributes to a single-employer Public Employees' Retirement System (PERS), administered by an insurance company (the PHA Pension Plan) covering all permanent employees. The PERS issues separate, stand-alone financial statements. The Authority's payroll for employees covered by the PHA Plan for the year was approximately \$67.9 million. The PHA Pension Plan provides retirement benefits as well as death and disability benefits. Employees who retire at or after age 65 receive an annual retirement benefit equal to 2.5% of

average earnings multiplied by the years of service not to exceed 25 years, plus 1.25% of average earnings multiplied by years of service in excess of 25 years.

**(b) Funding Policy**

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

**(c) Annual Pension Cost**

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

- the entry-age normal method
- annual rate of return on investments of 8%
- projected salary increases of 5.5% per year
- no post-retirement benefit increases

The Authority's actuarially required contributions and percentage contributed for the last three fiscal years of the Plan are summarized below. The required contribution for the current year was approximately 5.5% of covered payroll.

Fiscal Year Ended <u>October 31</u>	Annual Required <u>Contribution</u>	Percent <u>Contributed</u>
2000	\$3,784,527	112.9%
2001	\$5,283,161	77.0%
2002	\$6,471,659	115.5%

**(4) Component Unit - Redevelopment Authority Plan**

**(a) Plan Description**

The RDA contributes to the Redevelopment Authority of the City of Philadelphia Retirement Plan (the Plan) which is a single-employer defined benefit pension plan.

Substantially all full time **RDA** employees are eligible to participate in the Plan after six months of service. Benefits vest after five years of service. **RDA** employees who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their final monthly salary multiplied by the number of months of credited service up to 20 years plus 2% of final monthly compensation multiplied by months of credited service in excess of 20 years up to a maximum of 35 years. The Plan also provides death and disability benefits which are determined in a manner similar to the retirement benefits.

**(b) Funding Policy**

The plan's funding policy provides for actuarially determined periodic employer contributions which account for benefits that increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the **RDA's** employee group as a whole has tended to remain level as a percentage of annual covered payroll. **RDA** employees are required to contribute 6% of their salary to the Plan. The **RDA** is required to contribute the remaining

amounts necessary to fund the Plan as defined under Act 205 of the Commonwealth of Pennsylvania Code.

**(c) Annual Pension Cost**

The contribution for the Plan for fiscal 2003 of \$1.2 million (approximately 14% of covered payroll, representing normal cost) was determined in accordance with actuarially determined requirements computed through the actuarial valuation performed as of January 1, of each respective year using the aggregate cost method. The RDA contributed \$774,086 (approximately 9% of current covered payroll) and the employees contributed \$422,057 (5% of current covered payroll).

Significant actuarial assumptions include a 7.75% rate of return on investment assets, projected salary increases of 6% per year (4% for merit and promotion, 2% for inflation) and no post-retirement benefit increases. The net pension obligation at year end was \$853,670 computed as follows:

Annual Required Contribution	\$ 1,540,126
Interest On Net Pension Obligation	7,129
Adjustment to Annual Required Contribution	(11,484)
Annual Pension Cost	<u>1,535,771</u>
Contributions Made	<u>(774,086)</u>
Increase In Net Pension Obligation	761,685
Net Pension Obligation - Beginning of Year	<u>91,985</u>
Net Pension Obligation - End of Year	<u>\$ 853,670</u>

The RDA's actuarially required contributions and percentage contributed for the last three years are summarized below.

Fiscal Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2001	\$634,209	102%	\$50,027
2002	\$772,140	95%	\$91,985
2003	\$1,535,771	50%	\$853,670

**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 **Community College of Philadelphia (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 \$43.8 million and the total payroll was \$61.7 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately \$4.0 million representing 9.17% of covered payroll. **CCP** employees contributed approximately \$2.2 million representing 5% of covered payroll.

**(1) Public School Employee Retirement System (PSERS)**

**(a) Plan Description**

School Districts and Community Colleges in the Commonwealth of Pennsylvania participate in the State administered Public School Employees Retirement System (PSERS) which is a cost-sharing multiple-employer defined benefit plan. PSERS provides retirement and disability

benefits, legislatively mandated ad hoc cost-of-living adjustments and health care insurance premium assistance to qualifying annuitants. Authority to establish and amend benefit provisions rests in the Public School Employees' Retirement Code (the Code).

PSERS issues a comprehensive annual financial report which includes financial statements and required supplementary information for the plan. A copy of the report can be obtained by writing to :

Public School Employees' Retirement System  
 P.O. 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 2003 was 1.15%, and is composed of a pension contribution rate of .18% for pension benefits and .97% for health insurance premium assistance.

The School District's contributions for the last three years are as follows :

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
<u>June 30</u>		
2001	\$21,104,050	100%
2002	\$11,694,823	100%
2003	\$13,059,249	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:

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2001	\$23,109	100%
2002	None Required	
2003	None Required	

Contributions of PICA over the past three years were as follows:

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2001	\$3,587	100%
2002	None Required	
2003	None Required	

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 options are defined contribution plan and, as such, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time faculty and administrative employees are eligible to participate from the date of employment, and clerical employees have a one year waiting period. Part-time faculty may participate after earning four (4) seniority units, as defined in the Collective Bargaining Agreement. College policy and collective bargaining agreements require that both the employee and the college contribute amounts, as set forth below, based on the employees earnings.

The CCP's contributions for each employee (and interest allocated to the employee's account) are fully vested. Death benefits in the amount of the full current value of accumulation is provided to the beneficiary of participants who die prior to retirement. A variety of payment available. The CCP has 985 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. School District employees have an unlimited maximum accumulation and Gas Works' employees' sick leave is noncumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

**3. POST EMPLOYMENT BENEFITS**

**A. PRIMARY GOVERNMENT**

In addition to providing pension benefits, the City provides certain post-employment health care and life insurance benefits for retired employees, dependents and/or beneficiaries through provisions of City ordinances, civil service regulations and agreements with its various employee bargaining units. The City provides these benefits for periods from one to five years after retirement depending upon the classification of the employee at his/her retirement. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. These and similar benefits for active employees are provided through a combination of a self-insurance program and insurance companies whose premiums are based on the benefits paid during the year. The cost of providing these health benefits and life insurance for approximately 2284 eligible retirees amounted to \$15.8 million and \$3.7 million, respectively.

**B. COMPONENT UNIT**

The **School District of Philadelphia** provides life insurance benefits for approximately 11,071 retired employees through a self-insurance program. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or any age with 35 years of service. Benefits are recognized as expenditures in the General Fund when claims are paid. Total coverage as of year end amounted to \$21.2 million and the cost of life insurance for the year for retirees was \$403,150.

**PGW** provides certain health care and life insurance benefits for approximately 1,979 retired employees and their dependents. PGW recognizes the cost of providing these benefits by charging the annual insurance premiums to expense. Total premiums incurred for health care amounted to \$29.2 million, of which approximately 50% relates to retirees and their dependents. Total premiums for group life insurance amounted to \$1.8 million of which approximately 80% relates to retirees.

**4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY (PICA)**

**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, the **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor, the President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives each appoints one voting member of the Board.

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

**PICA** bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2003 this transfer amounted to \$214.3 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 \$51.5 million to SEPTA. In addition, the City received \$0.9 million in fixed rental payments on certain properties leased to SEPTA. Through various agreements executed in 1968, SEPTA purchased the properties of Philadelphia Transportation Company (PTC). SEPTA issued \$55.0 million of revenue bonds principally to finance the acquisition and then leased the PTC properties to the City for annual rentals equivalent to the debt service on the SEPTA bonds. The City then leased these properties back to SEPTA together with all the City's transit properties for the same rentals (equivalent to the debt service on the SEPTA bonds). SEPTA is not obligated to pay the rent if they have insufficient earnings. The debt service on the SEPTA bonds paid by the City during the year amounted to \$3.6 million. There is no unpaid principal balance at year end thus, all debt service requirements have been satisfied.

**B. OTHER ORGANIZATIONS**

The City provides varying levels of subsidy and other support payments (which totaled \$56.9 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation



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

**6. RISK MANAGEMENT**

**A. PRIMARY GOVERNMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Worker's Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was \$189.9 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2001 resulted from the following:

(Amounts in Millions)

	Beginning	Current Year Claims and Changes	Claim	Ending
	<u>Liability</u>	<u>In Estimates</u>	<u>Payments</u>	<u>Liability</u>
Fiscal 2002	\$125.0	\$98.2	(\$70.2)	\$153.0
Fiscal 2003	\$153.0	\$102.9	(\$66.0)	\$189.9

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were \$2.9 million for Unemployment Compensation claims and \$36.0 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$152.7 million discounted at 4%. On an undiscounted basis, these liabilities total \$178.6 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$144.6 million (discounted) and \$168.5 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 losses have been settled with the purchase of annuity contracts.

**B. COMPONENT UNITS**

The City's Component Units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. They are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities was \$85.4 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2001 resulted from the following:

(Amounts in Millions)

	Beginning	Current Year Claims and Changes	Claim	Ending
	<u>Liability</u>	<u>In Estimates</u>	<u>Payments</u>	<u>Liability</u>
Fiscal 2002	\$56.9	\$56.8	(\$28.4)	\$85.3
Fiscal 2003	\$85.3	\$44.4	(\$36.4)	\$93.3

**The School District of Philadelphia (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 the **SDP** and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were \$13.7 million for Weekly Indemnity, \$4.5 million for Unemployment Compensation claims and \$22.1 million for Workers' Compensation claims. Amounts collected in excess of claims incurred for the **SDP's** Weekly Indemnity Plan are included in the **SDP's** General Fund as a Reservation of Fund Balance.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for those components using third party carriers. None of the losses of any of the Component Units have been settled with the purchase of annuity contracts

**7. COMMITMENTS**

**A. PRIMARY GOVERNMENT**

The City entered into a Lease and Service agreement with the Pennsylvania Convention Center Authority (PCCA) in December 1989 for a term of 50 years. Under the terms of this agreement, the City leases to the PCCA the land on which the PCCA constructed and operates a Convention Center. To this end, the PCCA issued \$296.0 million in 1994 Series A Revenue Bonds, due September 1, 2019. Under its terms, the agreement cannot be terminated by the City and the obligation of the City to pay an annual service fee, out of current revenues, is absolute and unconditional as long as the Revenue Bonds are outstanding. Said service fee, which began in July 1992, will be sufficient to cover the debt service on the above-mentioned bonds net of certain other amounts and credits permitted. Without consideration for the additional payments and credits permitted, future Lease and Service payments by the City over the life of the bonds are as follows:

Fiscal Year Ended	(Amounts In Millions)
<u>June 30</u>	<u>Commitments</u>
2004	\$ 24.3
2005	24.3
2006	24.3
2007	24.3
2008	24.3
2009 - 2013	121.4
2014 - 2018	121.3
2019 - 2022	48.5
Total	<u>\$ 412.7</u>

**B. COMPONENT UNITS**

- The **School District of Philadelphia's (SDP)** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled \$46.0 million.
- The **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 and institutionalized special education) the **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization. The Commonwealth has agreed to defer a scheduled payment of \$45.3 million.
- In April 1992 the Federal Energy Regulatory Commission (FERC) issued order No. 636 which requires **PGW's** suppliers to, among other things, unbundle all services performed and to implement a straight fixed-variable rate design. FERC Order No. 636 also requires **PGW** to pay transition costs. At August 31, 1993 the pipelines had received FERC authorization to commence billing a portion of their costs. **PGW's** total exposure to costs stemming from this order is now fully determinable based on the Tetco Rate Case Settlement. Based on their approved filing and in anticipation of future filings for known costs, it is estimated that **PGW's** liability for transition costs on August 31, 2000 is approximately \$809,000. Therefore, **PGW** has recorded both a deferred debit and deferred credit on the Balance Sheet in that amount. Payments related to these transition costs are recovered through the normal Gas Cost Rate (GCR). As of August, 2001, the liability for transition cost was totally satisfied.

**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 \$180.6 million. Of this amount, \$8.6 million is charged to current operations of the Enterprise Funds. The remaining \$172.0 million pertaining to the General Fund is reflected in the Government Wide Full Accrual Statements.

In addition to the above, there are other lawsuits against the City in which some amount of 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 \$84.5 million to the General Fund and \$5.0 million to the Enterprise Funds.

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

- The City is named as a defendant in two cases involving the United States Environmental Protection Agency (EPA) and landfill cleanup. The City denies any liability in regard to the litigation. In the case of the Lower Darby Creek Superfund Site, the probability of incurring a loss is considered reasonably possible at this time. In the case of the Paoli Railroad Yard Clean Up Claim, the EPA has stated that it is reevaluating liability issues and consequently at this time, the extent, if any, of the City's liability is not estimable.
- The Philadelphia City Council enacted an ordinance purporting to make all condominium and cooperative apartments in the City eligible for free municipal trash collection. The Mayor announced his intention not to provide this service saying that it was the Administration's prerogative to determine who gets free trash collection and how the Streets Department allocates its resources. Council filed a mandamus action to compel the Mayor to comply. The writ of mandamus was granted in May, 2003 and the City has appealed the writ. If compelled to provide free trash collection the City will incur initial capital expenditures as well as annually recurring expenses.

**(2) Guaranteed Debt**

The City has guaranteed certain debt payments of three 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)	
Redevelopment Authority of the City of Philadelphia	\$ 2,035
Philadelphia Parking Authority	78,050
Philadelphia Authority for Industrial Development	<u>9,150</u>
	<u>\$ 89,235</u>

**(3) Single Audit**

The City and School District receive 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 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 Single Audit of Federal Financial Assistance for the fiscal year ended June 30, 2003, which amounted to \$661.0 million for all open program years as of December 10, 2003. Of this amount, \$569.8 million represents unresolved cost due to the inability to obtain audit reports from subrecipients for the year ended June 30, 2003 due to timing differences in audit requirements, \$66.5 million represents questioned costs due to the inability to obtain subrecipient audit reports for the fiscal years June 30, 2002 and prior and \$24.7 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

**(4) HUD Section 108 Loans**

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed \$172.7 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from unloaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was \$159.2 million.

**(5) Philadelphia International Airport (PHL)**

In March, 2003, US Airways, **PHL's** largest airline, emerged from Chapter 11 bankruptcy protection. Since filing for bankruptcy protection in August 2002, US Airways obtained \$1.24 billion in new financing, made significant reductions in annual operating costs, and assumed all of its **PHL** leases. U S Airways and U S Airways affiliates currently operate approximately 380 flights a day at **PHL**.

**B. COMPONENT UNITS**

- The **School District of Philadelphia (SDP)** is a party to various claims, legal actions, arbitration and complaints arising in the ordinary course of business which aggregate to a total potential liability of \$3.8 million. In the opinion of the General Counsel of the **SDP**, it is unlikely that final judgments or compromised settlements will approach the total potential liability. The **SDP** annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. In addition, the **SDP** has recorded in its Government Wide Full Accrual Statements the total cumulative potential liability of \$60.9 million for Workers' Compensation, \$6.1 million for Unemployment Compensation claims and \$14.0 million for claims and judgments.
- In Mosaica Academy Charter School, et al. V. Commonwealth of Pennsylvania, School District of Philadelphia et.al. The Commonwealth Court rendered adversely to the School District in July, 2000 after determination that the **SDP** lacked standing to challenge the Bensalem School District's granting of a charter. In August, 2000, the **SDP** appealed the decision to the Pennsylvania Supreme Court. In December, 2002, the Supreme Court upheld the Commonwealth's decision. Based on the charter school's Philadelphia resident student population, this charter school will cost the **SDP** \$1.8 million in fiscal year 2002. Bensalem School District recently renewed the school's charter.
- In 1973 the Pennsylvania Human Relations Commission (PHRC) brought suit against the **SDP** in Pennsylvania Commonwealth court to end historical de facto racial segregation. Over the next 20 years the **SDP** implemented various reform plans, which the Court determined, from time to time, were inadequate to cure the problem of racial isolation in the schools.

In late 1995, the Commonwealth Court joined the Commonwealth as a defendant. In 1996 the Court found that the Commonwealth was liable for substantial and ongoing financial contributions to the **SDP**

to the extent that the **SDP** was unable to support the desegregation mandates. However, the Commonwealth Court's Order was vacated by the Pennsylvania Supreme Court when it assumed plenary jurisdiction of the case in the fall of 1996. After three years, the Supreme Court determined that the Commonwealth Court lacked authority to add defendants or claims to the case after its commencement by the Commission in 1973. The Commonwealth was dismissed from the case and jurisdiction returned to the Commonwealth Court.

The **SDP** has continued to operate in accordance with the remedial plan and to report periodically on its progress toward satisfying the Court's mandates. In May and September 2001, respectively, at the request of the Court, the **SDP** submitted a Comprehensive School Safety and Security Plan and a Curriculum Renewal Plan intended to guide the **SDP's** work in the areas of curriculum and instruction. Following a hearing in 2001 to review the Plans and the District's compliance with the other components of the Remedial Order, in September 2001, the Court issued an Opinion and Order concluding that the **SDP** has made significant and continued effort to comply with the Remedial Order, accepting the Plans, and directing the Human Relations Commission to monitor their implementation. The Court further directed the Commission to request the Court to close the case when it is satisfied that the **SDP** has demonstrated that it can and will provide an equal educational opportunity to all students.

In December, 2001, the Court held a conference in the case to reiterate its position that the Plans approved by the Court in September, 2001, are to be implemented by the **SDP** notwithstanding any change in management structure unless there is a modification through court order.

Between July 2002 and July 2003, the **SDP** responded to Court questions, submitted materials to the court, attended conferences, accompanied court officials on tours of elementary schools, and testified concerning the series of initiatives being undertaken by the **SDP**. At this time, it does not appear that the **SDP** will be compelled to undertake new programs or to incur significant costs in this matter going forward than it would not have done absent of the litigation. For these reasons, the ultimate financial impact of this litigation remains uncertain. However, in August, 2003, the Court indicated it's intent to defer issuing an opinion and order until Counsel confer among themselves to determine if they can agree upon a consent decree for submission and approval by the court. Counsel for the **SDP**, the PHRC and Intervenors have met on a regular basis but have not yet been able to agree to terms.

- The **SDP** was notified by the Pennsylvania Department of Education (PDE) that the results of an audit conducted by the Auditor General for the years ending June 30, 1991, 1992 and 1993 revealed that the **SDP** over-reported student enrollment in Fiscal Year 1991 which established the base for all school subsidies through Fiscal Year 1999. The determination of subsidy reimbursement from the PDE's Director, Bureau of Budget and Fiscal Management, was \$20 million after appeal through fiscal year 1999. The Commonwealth has agreed to a repayment schedule that results in periodic deductions from amounts paid by the Commonwealth to the **SDP**. A similar audit was undertaken which concluded with the PDE asserting an additional \$20 million per year claim for alleged over reporting of enrollment in school years 1994-95 through 1996-97. The **SDP** denies the claim and has produced documentation. The Commonwealth has postponed collections of this category in order to assist the District through a funding shortfall. Both matters remain pending.
- The Einstein Academy Charter School or T.E.A.C.H., a cyber school, was granted a charter by the Morrisville School District and enrolled Philadelphia-resident students in on-line classes in September, 2001. The Philadelphia School Board, which had denied T.E.A.C.H. a charter in February 2001, has refused the school's demands for payment for Philadelphia students.

The Department of Education has deducted funds from **SDP's** education subsidiaries and paid such sums to T.E.A.C.H since August, 2001. As of June, 2003, the Department of Education withheld \$327,413 and the estimated deduction for July, 2003, of \$68,000.

In November, 2001, the **SDP** filed suit against T.E.A.C.H in Common Pleas Court, seeking a declaration that the charter was improperly formed and is not authorized by law, and is seeking an injunction against future payments. In March, 2002, an order was entered which consolidated all of Pennsylvania's cases challenging Einstein. In the meantime, in a separate action, the Commonwealth affirmed the revocation of the T.E.A.C.H charter, which was not appealed, resulting in no further obligation to the **SDP** to fund this charter school.

## **9. SUBSEQUENT EVENTS**

### **A. PRIMARY GOVERNMENT**

- (1) In July 2003, the City issued \$350 million of Tax and Revenue Anticipation Notes to supplement the receipts of the General Fund of the City for the purpose of paying general expenses of the City prior to the receipt of taxes and other revenues to be received in the current fiscal year. The proceeds will be invested until needed and repaid by June 30, 2004.
- (2) In November, 2003, the City issued General Obligation Bonds to finance various capital projects. Series 2003A was issued in the amount of \$50 million with interest rates ranging from 4.00 % to 5.25% matures in 2015. Series 2003B sub series (1) and (2) were issued for \$100 million each, have a maturity date through 2033, and will bear interest at the auction rate.
- (3) In December, 2003, the **PMA** issued Lease Revenue Refunding Bonds Series 2003A & B in the amounts of \$69.5 million and \$148.0 million respectively. The bonds mature through 2014 and the proceeds will be used to refund various bond issues.

### **B. COMPONENT UNITS**

- (1) In July 2003, **PAID** made a payment for approximately \$2.4 million in arbitrage tax on the PAID bonds Series 1998A.
- (2) In August, 2003, the **RDA** issued \$30.0 million in Taxable Revenue Bonds, Series 2003A to finance a portion of the City's Neighborhood Transformation Initiative Program. This borrowing is in the form of a taxable bank line of credit. The credit is being issued in anticipation of future long term financing. This approach allows the City the opportunity to better manage the carrying cost of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals.
- (3) In August, 2003, the **SDP** entered into a loan agreement for \$109 million of 24 year variable rate debt with the Dauphin County General Authority (DCGA). The loan was funded from DCGA's 1997 School Revenue Bonds School District Pooled Financing Program II. The proceeds will be used to fund a portion of the **SDP's** capital improvement program.
- (4) In August, 2003, the **SDP** issued \$588.1 million in 30-year fixed rate lease rental bonds. The proceeds were transferred to a fiscal agent in September, 2003, and will be used in various Capital Projects Funds.
- (5) In September and December 2003, the **SDP** issued \$325 million and \$250 million respectively of Tax and Revenue Anticipation Notes. The proceeds of the bonds will be invested until needed and repaid by June 30, 2004.
- (6) In December 2003, **PMA** issued \$69.5 million in Lease Revenue Refunding Bonds Series A and \$148.0 million in Lease Revenue Refunding Bonds Series B. The proceeds are being used to refund the 1993 Series A, B, C and D Bonds.





**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**(Other than Management's Discussion and Analysis)**

**CITY OF PHILADELPHIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit XIV**

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<b><u>Revenues</u></b>				
Tax Revenue	1,931,497	1,951,891	1,936,628	(15,263)
Locally Generated Non-Tax Revenue	198,892	212,921	245,236	32,315
Revenue from Other Governments	868,701	926,119	876,572	(49,547)
Revenue from Other Funds	24,634	24,035	27,299	3,264
<b>Total Revenues</b>	<b>3,023,724</b>	<b>3,114,966</b>	<b>3,085,735</b>	<b>(29,231)</b>
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	1,197,663	1,252,980	1,246,659	6,321
Pension Contributions	210,800	205,713	205,713	-
Other Employee Benefits	316,800	333,212	334,893	(1,681)
Sub-Total Employee Compensation	1,725,263	1,791,905	1,787,265	4,640
Purchase of Services	1,013,727	1,030,761	1,007,113	23,648
Materials and Supplies	56,060	55,990	55,282	708
Equipment	23,551	21,515	20,763	752
Contributions, Indemnities and Taxes	95,517	117,167	122,906	(5,739)
Debt Service - Principal	50,681	48,416	44,532	3,884
Debt Service - Interest	49,256	48,831	43,795	5,036
Short-Term Interest	11,600	9,600	8,729	871
Payments to Other Funds	27,452	31,412	30,421	991
Advances, Subsidies, Miscellaneous	32,378	32,378	32,378	-
<b>Total Expenditures and Encumbrances</b>	<b>3,085,485</b>	<b>3,187,975</b>	<b>3,153,184</b>	<b>34,791</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>(61,761)</b>	<b>(73,009)</b>	<b>(67,449)</b>	<b>5,560</b>
<b>Fund Balance Available for Appropriation, July 1, 2002</b>	<b>191,389</b>	<b>139,025</b>	<b>139,025</b>	<b>-</b>
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	25,000	28,000	19,763	(8,237)
Revenue Adjustments - Net	7,000	-	-	-
Prior Period Adjustments	-	-	(10)	(10)
Funding for Future Obligations	(161,628)	-	-	-
<b>Adjusted Fund Balance, July 1, 2002</b>	<b>61,761</b>	<b>167,025</b>	<b>158,778</b>	<b>(8,247)</b>
<b>Fund Balance Available for Appropriation, June 30, 2003</b>	<b>-</b>	<b>94,016</b>	<b>91,329</b>	<b>(2,687)</b>

\* Refer to the notes to required supplementary information.

**CITY OF PHILADELPHIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**HealthChoices Behavioral Health Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit XV**

	<u>Budgeted Amounts</u>		<u>Actual*</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Locally Generated Non-Tax Revenue	7,500	5,000	3,187	(1,813)
Revenue from Other Governments	<u>593,650</u>	<u>564,727</u>	<u>533,331</u>	<u>(31,396)</u>
Total Revenues	601,150	569,727	536,518	(33,209)
<b>Other Sources</b>				
Decrease in Unreimbursed Commitments	-	-	(2,029)	(2,029)
Increase in Financed Reserves	<u>-</u>	<u>-</u>	<u>(3,139)</u>	<u>(3,139)</u>
Total Revenues and Other Sources	<u>601,150</u>	<u>569,727</u>	<u>531,350</u>	<u>(38,377)</u>
<b>Expenditures and Encumbrances</b>				
Purchase of Services	617,560	617,560	486,210	131,350
Equipment	100	100	-	100
Payments to Other Funds	<u>740</u>	<u>740</u>	<u>725</u>	<u>15</u>
Total Expenditures and Encumbrances	<u>618,400</u>	<u>618,400</u>	<u>486,935</u>	<u>131,465</u>
Operating Surplus (Deficit) for the Year	<u>(17,250)</u>	<u>(48,673)</u>	<u>44,415</u>	<u>93,088</u>
Fund Balance Available for Appropriation, July 1, 2002	51,671	69,055	69,055	-
<b>Operations in Respect to Prior Fiscal Years</b>				
Commitments Cancelled - Net	-	-	2,515	2,515
Revenue Adjustments - Net	<u>-</u>	<u>-</u>	<u>104</u>	<u>104</u>
Adjusted Fund Balance, July 1, 2002	<u>51,671</u>	<u>69,055</u>	<u>71,674</u>	<u>2,619</u>
Fund Balance Available for Appropriation, June 30, 2003	<u>34,421</u>	<u>20,382</u>	<u>116,089</u>	<u>95,707</u>

\* Refer to the notes to required supplementary information.

**CITY OF PHILADELPHIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**Grants Revenue Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Exhibit XVI**

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	43,616	47,929	39,744	(8,185)
Revenue from Other Governments	980,750	816,392	670,226	(146,166)
<b>Total Revenues</b>	<b>1,024,366</b>	<b>864,321</b>	<b>709,970</b>	<b>(154,351)</b>
<b><u>Other Sources</u></b>				
Decrease in Unreimbursed Commitments	-	-	(11,685)	(11,685)
Decrease in Financed Reserves	-	-	15,149	15,149
<b>Total Revenues and Other Sources</b>	<b>1,024,366</b>	<b>864,321</b>	<b>713,434</b>	<b>(150,887)</b>
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	84,499	91,786	74,261	17,525
Pension Contributions	5,892	6,641	4,983	1,658
Other Employee Benefits	11,336	14,911	11,650	3,261
Sub-Total Employee Compensation	101,727	113,338	90,894	22,444
Purchase of Services	774,139	772,340	585,744	186,596
Materials and Supplies	18,104	17,130	11,065	6,065
Equipment	12,985	14,159	5,137	9,022
Contributions, Indemnities and Taxes	25	163	143	20
Payments to Other Funds	17,386	17,813	16,057	1,756
Advances, Subsidies, Miscellaneous	100,000	4,932	-	4,932
<b>Total Expenditures and Encumbrances</b>	<b>1,024,366</b>	<b>939,875</b>	<b>709,040</b>	<b>230,835</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>-</b>	<b>(75,554)</b>	<b>4,394</b>	<b>79,948</b>
<b>Fund Balance Available for Appropriation, July 1, 2002</b>	<b>-</b>	<b>(68,276)</b>	<b>(68,276)</b>	<b>-</b>
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	-	-	45,186	45,186
Revenue Adjustments - Net	-	-	(36,614)	(36,614)
Prior Period Adjustments	-	68,276	-	(68,276)
<b>Adjusted Fund Balance, July 1, 2002</b>	<b>-</b>	<b>-</b>	<b>(59,704)</b>	<b>(59,704)</b>
<b>Fund Balance Available for Appropriation, June 30, 2003</b>	<b>-</b>	<b>(75,554)</b>	<b>(55,310)</b>	<b>20,244</b>

\* Refer to the notes to required supplementary information.

**CITY OF PHILADELPHIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 PENSION PLANS - SCHEDULE OF FUNDING PROGRESS**

**Exhibit XVII**

(Amounts in thousands of USD)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll (b - a) / c</b>
<b><u>City of Philadelphia Municipal Pension Plan</u></b>						
07/01/2000	4,765,000	6,193,400	1,428,400	76.94%	1,142,800	124.99%
07/01/2001	4,943,400	6,379,800	1,436,400	77.49%	1,180,400	121.69%
07/01/2002	4,891,300	6,727,200	1,835,900	72.71%	1,207,300	152.07%
<b><u>Philadelphia Gas Works Plan</u></b>						
09/01/1998	393,878	356,367	(37,511)	110.53%	89,902	-41.72%
09/01/2000	418,768	385,892	(32,876)	108.52%	97,746	-33.63%
09/01/2002	391,000	411,025	20,025	95.13%	100,399	19.95%

**CITY OF PHILADELPHIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2003**

(Amounts in thousands of USD)

**Exhibit XVIII**

**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 councilmanic 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
<b><u>Revenues</u></b>			
Budgetary Comparison Schedule	3,085,735	536,518	709,970
Transfers	(222,814)	-	-
Program Income	-	-	101,731
Adjustments applicable to Prior Years Budgets	-	104	8,395
Change in Amount Held for Stadium Financing	4,411	-	-
Other	7,112	-	(48,009)
	<u>2,874,444</u>	<u>536,622</u>	<u>772,087</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>2,874,444</u>	<u>536,622</u>	<u>772,087</u>
<b><u>Expenditures and Encumbrances</u></b>			
Budgetary Comparison Schedule	3,153,184	486,935	709,040
Transfers	(135,770)	-	(11,580)
Expenditures applicable to Prior Years Budgets	67,392	825	36,135
Other	7,112	-	101,731
Change in Amount Held for Stadium Financing	88,568	-	-
Current Year Encumbrances	(74,713)	(1,310)	(69,636)
	<u>3,105,773</u>	<u>486,450</u>	<u>765,690</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,105,773</u>	<u>486,450</u>	<u>765,690</u>

**OTHER  
SUPPLEMENTARY  
INFORMATION**





**CITY OF PHILADELPHIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2003**

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**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.

**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 with 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.

**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 finance 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.

**DEPARTMENTAL** - Established to account for trust of the Free Library and Fairmount Park.

**CITY OF PHILADELPHIA**  
**COMBINING BALANCE SHEET**  
**Non-Major Governmental Funds**  
**June 30, 2003**  
(Amounts in thousands of USD)

**Schedule I**

	Special Revenue											Total
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	
<b>Assets</b>												
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	1,861	601	36,332	38,794
Equity in Treasurer's Account	508	838	2,479	-	5,748	232	1,964	-	228	-	-	11,997
Investments	-	-	-	-	-	-	-	-	795	116	41,225	42,136
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	167	167
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	3,070	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	4,538	315	-	-	-	-	489	6,968	10,353
Allowance for Doubtful Accounts	-	-	(285)	(884)	(6)	-	-	-	105	-	-	5,132
Interest and Dividends Receivable	1	2	1	-	-	-	-	-	-	2	71	(1,175)
Due from Other Governmental Units	-	-	-	13,189	-	-	-	-	-	-	-	77
Other Assets	-	-	-	-	-	-	-	-	-	-	12	13,189
	-	-	-	-	-	-	-	-	-	-	-	12
<b>Total Assets</b>	<b>509</b>	<b>840</b>	<b>5,265</b>	<b>16,843</b>	<b>6,057</b>	<b>232</b>	<b>1,964</b>	<b>-</b>	<b>2,989</b>	<b>1,208</b>	<b>84,775</b>	<b>120,682</b>
<b>Liabilities and Fund Balances</b>												
Liabilities:												
Vouchers Payable	5	51	-	-	-	-	46	-	75	-	-	177
Accounts Payable	90	263	2,793	3,543	-	-	28	-	658	1,071	96	8,542
Salaries and Wages Payable	-	-	-	98	-	-	-	-	-	-	117	215
Due to Other Funds	-	-	-	10,497	-	-	4	-	-	-	12,737	23,238
Due to Component Units	-	-	2,380	2,705	-	-	683	-	-	-	-	5,085
Funds Held in Escrow	-	-	-	-	-	-	-	-	319	-	-	1,002
Due to Other Governmental Units	-	-	-	-	-	13	-	-	-	-	-	13
Deferred Revenue	-	-	92	8,828	-	-	-	-	-	-	15,535	24,455
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>95</b>	<b>314</b>	<b>5,265</b>	<b>25,671</b>	<b>-</b>	<b>13</b>	<b>761</b>	<b>-</b>	<b>1,052</b>	<b>1,071</b>	<b>28,485</b>	<b>62,727</b>
Fund Balances:												
Reserved for:												
Encumbrances	186	144	-	-	-	44	382	-	69	-	-	825
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	53,080	53,080
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved:												
Designated for Trust Purposes	-	-	-	-	-	175	821	-	1,868	-	-	2,864
Undesignated	228	382	-	(8,828)	6,057	-	-	-	-	137	3,210	1,186
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>414</b>	<b>526</b>	<b>-</b>	<b>(8,828)</b>	<b>6,057</b>	<b>219</b>	<b>1,203</b>	<b>-</b>	<b>1,937</b>	<b>137</b>	<b>56,290</b>	<b>57,955</b>
<b>Total Liabilities and Fund Balances</b>	<b>509</b>	<b>840</b>	<b>5,265</b>	<b>16,843</b>	<b>6,057</b>	<b>232</b>	<b>1,964</b>	<b>-</b>	<b>2,989</b>	<b>1,208</b>	<b>84,775</b>	<b>120,682</b>

**CITY OF PHILADELPHIA**  
**COMBINING BALANCE SHEET**  
**Non-Major Governmental Funds(Continued)**  
**June 30, 2003**  
(amounts in thousands of USD)

**Schedule I**

	Debt Service				Capital Improvement			Permanent		Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks		
<b>Assets</b>										
Cash on Deposit and on Hand	-	-	21,243	21,243	-	-	-	361	-	60,398
Equity in Treasurer's Account	-	-	-	-	10,065	-	10,065	-	-	22,062
Investments	-	6,016	67,024	73,040	-	5,587	5,587	6,380	-	127,143
Due from Other Funds	-	-	4,450	4,450	-	-	-	-	-	4,617
Due from Component Units	-	-	-	-	410	-	410	-	-	410
Taxes Receivable	-	-	-	-	-	-	-	-	-	10,353
Accounts Receivable	-	3,461	-	3,461	-	-	-	149	-	8,742
Allowance for Doubtful Accounts	-	2	-	2	-	-	-	-	-	(1,173)
Interest and Dividends Receivable	-	-	171	171	217	5	222	-	-	470
Due from Other Governmental Units	-	-	-	-	24,040	-	24,040	-	-	37,229
Other Assets	-	-	-	-	-	-	-	-	-	12
<b>Total Assets</b>	-	9,479	92,888	102,367	34,732	5,592	40,324	6,890	-	270,263
<b>Liabilities and Fund Balances</b>										
<b>Liabilities:</b>										
Vouchers Payable	-	-	-	-	6,824	-	6,824	-	-	7,001
Accounts Payable	-	4,405	-	4,405	7,481	835	8,316	92	-	21,355
Salaries and Wages Payable	-	-	-	-	183	-	183	-	-	398
Due to Other Funds	-	-	167	167	-	-	-	-	-	23,405
Due to Component Units	-	-	-	-	-	-	-	-	-	5,085
Funds Held in Escrow	-	-	-	-	2,324	-	2,324	-	-	3,326
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	13
Deferred Revenue	-	-	4,450	4,450	19,244	-	19,244	-	-	48,149
<b>Total Liabilities</b>	-	4,405	4,617	9,022	36,056	835	36,891	92	-	108,732
<b>Fund Balances:</b>										
Reserved for:										
Encumbrances	-	-	-	-	101,522	-	101,522	-	-	102,347
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	53,080
Debt Service Principal	-	5,074	86,587	91,661	-	-	-	-	-	91,661
Trust Purposes	-	-	-	-	-	-	-	3,706	-	3,706
Unreserved:										
Designated for Trust Purposes	-	-	-	-	-	-	-	3,092	-	5,956
Undesignated	-	-	1,684	1,684	(102,846)	4,757	(98,089)	-	-	(95,219)
<b>Total Fund Balances</b>	-	5,074	88,271	93,345	(1,324)	4,757	3,433	6,798	-	161,531
<b>Total Liabilities and Fund Balances</b>	-	9,479	92,888	102,367	34,732	5,592	40,324	6,890	-	270,263

**CITY OF PHILADELPHIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Non-Major Governmental Funds  
 For the Fiscal Year Ended June 30, 2003  
 (Amounts in thousands of USD)**

**Schedule II**

	Special Revenue											Total
	County Liqud Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development Rental Tax	Car Rental Tax	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	
<b>Revenues</b>												
Tax Revenue	-	-	28,996	-	3,854	-	-	-	-	-	284,361	317,211
Locally Generated Non-Tax Revenue	8	26	31	7,728	82	82	1,171	700	5,274	9,928	13,750	38,780
Revenue from Other Governments	4,941	19,662	-	69,384	-	-	-	-	-	-	-	93,987
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,949</b>	<b>19,688</b>	<b>29,027</b>	<b>77,112</b>	<b>3,936</b>	<b>82</b>	<b>1,171</b>	<b>700</b>	<b>5,274</b>	<b>9,928</b>	<b>298,111</b>	<b>449,978</b>
<b>Expenditures</b>												
Current Operating:												
Economic Development	-	-	29,027	-	-	-	-	-	-	-	-	29,027
Transportation:												
Streets & Highways	4,780	19,580	-	-	-	-	-	-	-	-	-	24,360
Judiciary and Law Enforcement:												
Prisons	-	-	-	-	-	-	1,125	-	-	-	-	1,125
Housing and Neighborhood Development	-	-	-	78,167	-	-	-	-	-	-	-	78,167
Cultural and Recreational:												
Recreation	-	-	-	-	-	-	-	-	1,519	-	-	1,519
Parks	-	-	-	-	-	-	-	-	4,485	-	-	4,485
Libraries and Museums	-	-	-	-	-	-	-	-	120	-	-	120
General Management and Support	-	-	-	73	-	72	-	700	41	9,914	987	11,787
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	6,039	-	-	-	-	-	-	6,039
<b>Total Expenditures</b>	<b>4,780</b>	<b>19,580</b>	<b>29,027</b>	<b>78,240</b>	<b>6,039</b>	<b>72</b>	<b>1,125</b>	<b>700</b>	<b>6,165</b>	<b>9,914</b>	<b>987</b>	<b>156,629</b>
Excess of Revenues Over (Under) Expenditures	169	108	-	(1,128)	(2,103)	10	46	-	(891)	14	297,124	293,349
<b>Other Financing Sources (Uses)</b>												
Proceeds from Bond Sales	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	844	-	-	844
Transfers Out	-	-	-	-	-	-	-	-	-	-	(297,818)	(297,818)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>844</b>	<b>-</b>	<b>(297,818)</b>	<b>(296,974)</b>
<b>Net Change in Fund Balances</b>	<b>169</b>	<b>108</b>	<b>-</b>	<b>(1,128)</b>	<b>(2,103)</b>	<b>10</b>	<b>46</b>	<b>-</b>	<b>(47)</b>	<b>14</b>	<b>(694)</b>	<b>(3,625)</b>
<b>Fund Balance - July 1, 2002</b>	<b>245</b>	<b>418</b>	<b>-</b>	<b>(7,700)</b>	<b>8,160</b>	<b>209</b>	<b>1,157</b>	<b>-</b>	<b>1,984</b>	<b>123</b>	<b>56,984</b>	<b>61,580</b>
<b>Fund Balance - June 30, 2003</b>	<b>414</b>	<b>526</b>	<b>-</b>	<b>(8,828)</b>	<b>6,057</b>	<b>219</b>	<b>1,203</b>	<b>-</b>	<b>1,937</b>	<b>137</b>	<b>56,290</b>	<b>57,955</b>

**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, 2003  
 (amounts in thousands of USD)**

**Schedule II**

	Debt Service			Capital Improvement			Permanent	Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority		
<b>Revenues</b>								
Tax Revenue	-	-	-	-	-	-	-	317,211
Locally Generated Non-Tax Revenue	-	3,609	6,409	10,018	734	82	816	50,133
Revenue from Other Governments	-	-	-	-	15,214	-	15,214	109,201
Other Revenues	-	-	-	-	688	-	688	688
<b>Total Revenues</b>	-	3,609	6,409	10,018	16,636	82	16,718	477,233
<b>Expenditures</b>								
Current Operating:								
Economic Development	-	-	-	-	-	-	-	29,027
Transportation:								
Streets & Highways	-	-	-	-	-	-	-	24,360
Judiciary and Law Enforcement:								
Prisons	-	-	-	-	-	-	-	1,125
Housing and Neighborhood Development	-	-	-	-	-	-	-	78,167
Cultural and Recreational:								
Recreation	-	-	-	-	-	-	-	1,519
Parks	-	-	-	-	-	-	-	4,668
Libraries and Museums	-	-	-	-	-	-	-	120
General Management and Support	-	12	-	12	-	14	14	11,813
Capital Outlay	-	-	-	-	160,974	1,198	162,172	162,172
Debt Service:								
Principal	44,652	25,580	36,620	106,852	-	-	-	106,852
Interest	42,920	20,726	42,610	106,256	-	-	-	112,295
<b>Total Expenditures</b>	87,572	46,318	79,230	213,120	160,974	1,212	162,186	532,118
Excess of Revenues Over (Under) Expenditures	(87,572)	(42,709)	(72,821)	(203,102)	(144,338)	(1,130)	(145,468)	(54,885)
<b>Other Financing Sources (Uses)</b>								
Proceeds from Bond Sales	-	-	165,550	165,550	-	-	-	165,550
Bond Defeasance	-	-	(165,395)	(165,395)	-	-	-	(165,395)
Transfers In	87,572	42,266	71,724	201,562	21,147	-	21,147	223,553
Transfers Out	-	-	-	-	-	(62)	(62)	(297,880)
<b>Total Other Financing Sources (Uses)</b>	87,572	42,266	71,879	201,717	21,147	(62)	21,085	(74,172)
Net Change in Fund Balances	-	(443)	(942)	(1,385)	(123,191)	(1,192)	(124,383)	(129,057)
Fund Balance - July 1, 2002	-	5,517	89,213	94,730	121,867	5,949	127,816	290,588
Fund Balances - June 30, 2003	-	5,074	88,271	93,345	(1,324)	4,757	3,433	161,531

**CITY OF PHILADELPHIA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**Pension Trust Funds**  
**June 30, 2003**  
(Amounts in thousands of USD)

**Schedule III**

	Gas Works Retirement Reserve <u>Fund</u>	Municipal Pension <u>Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Equity in Treasurer's Account	363,168	3,946,502	4,309,670
Securities Lending Collective Investment Pool	1,429	283,017	284,446
Accounts Receivable	-	5,959	5,959
Due from Brokers for Securities Sold	-	56,141	56,141
Interest and Dividends Receivable	2,097	10,997	13,094
Due from Other Governmental Units	11	1,923	1,934
Other Assets	-	11	11
	<hr/>	<hr/>	<hr/>
Total Assets	366,705	4,304,550	4,671,255
<b><u>Liabilities</u></b>			
Vouchers Payable	-	4	4
Accounts Payable	452	2,414	2,866
Salaries and Wages Payable	-	69	69
Due on Return of Securities Loaned	1,429	283,017	284,446
Due to Brokers for Securities Purchased	1,654	222,482	224,136
Accrued Expenses	-	787	787
Deferred Revenue	-	4,481	4,481
Other Liabilities	-	495	495
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,535	513,749	517,284
	<hr/>	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	363,170	3,790,801	4,153,971

**CITY OF PHILADELPHIA  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

**Agency Funds**

**June 30, 2003**

(Amounts in thousands of USD)

**Schedule IV**

	<u>Escrow Fund</u>	<u>Employee Health &amp; Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash on Deposit and on Hand	-	-	72,569	72,569
Equity in Treasurer's Account	8,298	10,510	-	18,808
Investments	-	-	25,663	25,663
Due from Other Funds	-	-	742	742
	<u>8,298</u>	<u>10,510</u>	<u>98,974</u>	<u>117,782</u>
Total Assets	<u>8,298</u>	<u>10,510</u>	<u>98,974</u>	<u>117,782</u>
<b><u>Liabilities</u></b>				
Vouchers Payable	-	443	-	443
Payroll Taxes Payable	-	2,874	-	2,874
Funds Held in Escrow	8,298	7,193	98,974	114,465
	<u>8,298</u>	<u>10,510</u>	<u>98,974</u>	<u>117,782</u>
Total Liabilities	<u>8,298</u>	<u>10,510</u>	<u>98,974</u>	<u>117,782</u>
Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF PHILADELPHIA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule V**

	<u>Balance</u> <u>7-1-2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-2003</u>
<b><u>Escrow Fund</u></b>				
<u>Assets</u>				
Equity in Treasurer's Account	8,871	285,649	286,222	8,298
<u>Liabilities</u>				
Funds Held in Escrow	8,862	285,637	286,201	8,298
Vouchers Payable	9	1,967	1,976	-
<u>Total Liabilities</u>	<u>8,871</u>	<u>287,604</u>	<u>288,177</u>	<u>8,298</u>
<b><u>Employee Health and Welfare Fund</u></b>				
<u>Assets</u>				
Equity in Treasurer's Account	21,745	735,577	746,812	10,510
<u>Liabilities</u>				
Vouchers Payable	350	3,486	3,394	442
Payroll Taxes Payable	12,663	391,243	401,032	2,874
Funds Held in Escrow	8,732	344,356	345,894	7,194
<u>Total Liabilities</u>	<u>21,745</u>	<u>739,085</u>	<u>750,320</u>	<u>10,510</u>
<b><u>Departmental Custodial Accounts</u></b>				
<u>Assets</u>				
Cash on Deposit and on Hand	61,168	107,076	95,675	72,569
Investments	30,903	1,604	6,844	25,663
Due from Other Funds	791	44	93	742
<u>Total Assets</u>	<u>92,862</u>	<u>108,724</u>	<u>102,612</u>	<u>98,974</u>
<u>Liabilities</u>				
Funds Held in Escrow	92,862	108,724	102,612	98,974
<b><u>Totals - Agency Funds</u></b>				
<u>Assets</u>				
Cash on Deposit and on Hand	61,168	107,076	95,675	72,569
Equity in Treasurer's Account	30,616	1,021,226	1,033,034	18,808
Investments	30,903	1,604	6,844	25,663
Due from Other Funds	791	44	93	742
<u>Total Assets</u>	<u>123,478</u>	<u>1,129,950</u>	<u>1,135,646</u>	<u>117,782</u>
<u>Liabilities</u>				
Vouchers Payable	359	5,453	5,370	442
Payroll Taxes Payable	12,663	391,243	401,032	2,874
Funds Held in Escrow	110,456	738,717	734,707	114,466
<u>Total Liabilities</u>	<u>123,478</u>	<u>1,135,413</u>	<u>1,141,109</u>	<u>117,782</u>



**CITY OF PHILADELPHIA  
CITY RELATED FUND TYPES AND ACCOUNTS  
SUMMARY SCHEDULE OF INVESTMENTS**

**June 30, 2003**

(Amounts in USD)

**Schedule VI**

	<u>Par Value</u>	<u>Cost</u>	<u>Fair Value 6-30-2003</u>
<b>Permanent Funds:</b>			
U.S. Government Securities	-	1,171,698	1,289,241
U.S. Government Agencies	-	458,280	671,932
Common Stock	-	2,772,276	1,981,083
Other Investments	-	364,655	2,437,747
<u>Total</u>	-	4,766,909	6,380,003
<b>Special Revenue Funds:</b>			
U.S. Government Securities	-	85,450	91,015
Corporate Bonds	-	17,817	21,398
Common Stock	-	940,043	652,837
Other Investments	-	30,212	30,212
<u>Total</u>	-	1,073,522	795,462
<b>Agency Funds:</b>			
U.S. Government Securities	8,795,710	8,795,710	9,024,514
U.S. Government Agencies	16,242,290	16,242,290	16,367,560
Other Investments	271,160	271,160	271,160
<u>Total</u>	25,309,160	25,309,160	25,663,234
<b>Treasurer's Account:*</b>			
U.S. Government Securities	395,871,381	408,545,253	417,569,876
U.S. Government Agency Securities	996,156,431	980,246,346	975,287,979
Corporate Bonds	599,458,206	703,481,655	748,895,336
Common Stock	6,732,393	2,758,557,025	2,777,995,196
Mortgage Obligations	33,979,901	34,699,574	36,171,981
Short Term Investments	193,739,005	287,814,344	287,861,705
Real Estate	48,310,938	48,310,938	30,686,021
Repurchase Agreements	82,562,720	82,562,720	-
Financial Agreements	180,477,108	190,589,248	129,146,133
Other Bonds and Investments	166,137,740	205,581,290	210,852,188
<u>Total</u>	2,703,425,823	5,700,388,393	5,614,466,415
<u>Total All Fund Types and Accounts</u>	<u>2,728,734,983</u>	<u>5,731,537,984</u>	<u>5,647,305,114</u>

\* Investments of the Treasurer's Account represent a portion of the Equity in Treasurer's Account Balances of the City Funds.

CITY OF PHILADELPHIA  
 CITY RELATED SCHEDULE OF BONDED DEBT OUTSTANDING  
 June 30, 2003  
 (Amounts in USD)

Schedule VII

	Original Authorization	Date of Issuance	Issued	Fiscal 2003 Outstanding	Maturities	Interest Rates	Fiscal 2004	
							Debt Service Interest	Requirements Principal
General Obligation Bonds:								
Term Bonds								
	34,966,006 (1)	12/01/1995	28,516,101	28,516,101	05/2014 to 05/2025	5.00	1,425,805	-
	(1)	11/15/1998	6,449,905	6,449,905	03/2019 to 03/2028	5.00	322,495	-
	72,135,877 (1)	12/01/1995	36,358,899	36,358,899	05/2014 to 05/2025	5.00	1,817,945	-
	(1)	11/15/1998	35,776,978	35,776,978	03/2019 to 03/2028	5.00	1,788,849	-
	68,194,869 (1)	11/15/1998	68,194,869	68,194,869	03/2019 to 03/2028	5.00	3,409,744	-
	22,303,248 (1)	11/15/1998	22,303,248	22,303,248	03/2019 to 03/2028	5.00	1,115,162	-
	51,328,447 (1)	01/01/2001	51,328,447	51,328,447	09/2022 to 09/2031	5.00 to 5.25	2,610,226	-
	98,974,271 (1)	01/01/2001	96,961,553	96,961,553	09/2022 to 09/2031	5.00 to 5.25	4,930,824	-
<b>Total Term Bonds</b>	<b>347,902,718</b>		<b>345,890,000</b>	<b>345,890,000</b>			<b>17,421,050</b>	<b>-</b>
Refunding Issues								
	97,645,000	07/15/1993	97,645,000	32,020,000	05/2004 to 05/2005	5.25 to 6.00	1,712,293	23,155,000
	101,505,000	06/15/1994	101,505,000	9,795,000	11/2003 to 11/2004	5.40 to 6.25	443,385	4,755,000
	178,240,000	12/01/1998	178,240,000	155,060,000	05/2004 to 05/2020	4.75 to 5.25	7,749,831	3,160,000
<b>Total Refunding Bonds</b>	<b>377,390,000</b>		<b>377,390,000</b>	<b>196,875,000</b>			<b>9,905,509</b>	<b>31,070,000</b>
Serial Bonds								
	6,000,000	02/16/1956	6,000,000	360,000	01/2004 to 01/2006	1.00	3,600	120,000
	20,000,000	NA	20,000,000	10,369,306	07/2003 to 06/2013	1.00	98,530	1,128,452
	73,033,994	06/15/1994	47,500,000	17,060,000	11/2003 to 11/2014	5.40 to 6.00	928,922	2,050,000
	(1)	12/01/1995	19,834,899	7,109,794	05/2004 to 05/2025	4.90 to 6.00	375,562	1,030,755
	(1)	11/15/1998	5,699,095	4,906,980	03/2004 to 03/2018	4.10 to 5.25	246,632	266,306
	56,902,420 (1)	12/01/1995	25,290,101	9,065,206	05/2004 to 05/2025	4.90 to 6.00	478,853	1,314,245
	(1)	11/15/1998	31,612,319	27,218,537	03/2004 to 03/2018	4.10 to 5.25	1,368,047	1,477,173
	60,256,571 (1)	11/15/1998	60,256,571	51,881,537	03/2004 to 03/2018	4.10 to 5.25	2,607,648	2,815,656
	19,707,015 (1)	11/15/1998	19,707,015	16,967,946	03/2004 to 03/2018	4.10 to 5.25	852,836	920,865
	50,781,553 (1)	01/01/2001	50,781,553	49,152,985	09/2003 to 03/2021	3.80 to 5.50	2,324,254	1,694,334
	97,919,719 (1)	01/01/2001	95,928,447	92,852,015	09/2003 to 03/2021	3.80 to 5.50	4,390,611	3,200,666
<b>Total Serial Bonds</b>	<b>384,601,272</b>		<b>382,610,000</b>	<b>286,944,306</b>			<b>13,675,495</b>	<b>16,018,452</b>
<b>Total General Obligation Bonds</b>	<b>1,109,893,990</b>		<b>1,105,890,000</b>	<b>829,709,306</b>			<b>41,002,054</b>	<b>47,088,452</b>

CITY OF PHILADELPHIA  
 CITY RELATED SCHEDULE OF BONDED DEBT OUTSTANDING  
 June 30, 2003  
 (Amounts in USD)

Schedule VII

	Original Authorization	Date of Issuance	Issued	Fiscal 2003 Outstanding	Maturities	Interest Rates	Fiscal 2004	
							Debt Service Requirements Interest	Principal
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
14th Series	158,265,000 (2)	05/15/1989	158,265,000	60,400,000	10/2005 to 10/2008	NA	-	-
15th Series	176,005,000 (2)	05/15/1989	176,005,000	30,505,000	10/2003 to 10/2004	NA	-	15,285,000
Series 1993	1,157,585,000	08/01/1993	1,010,025,000	300,230,000	06/2006 to 06/2011	5.50 to 7.00	18,755,181	-
Series 1993		08/26/1993	147,560,000	75,560,000	06/2004 to 06/2005	5.15 to 10.00	5,771,200	36,800,000
Series 1995	221,630,000	04/15/1995	221,630,000	184,755,000	08/2003 to 08/2018	5.30 to 6.75	10,767,935	7,700,000
Series 1997 A	350,000,000	10/15/1997	250,000,000	219,725,000	08/2003 to 08/2027	5.00 to 5.25	11,031,850	4,730,000
Series 1997 B	(3)	11/25/1997	100,000,000	92,600,000	08/2003 to 08/2027	Variable rates	1,379,218	2,100,000
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	33,040,000	07/07/1999	33,040,000	33,040,000	12/2004 to 12/2006	5.00	1,652,000	-
Series 1999 A	6,700,000	N.A.	6,700,000	2,981,830	07/2003 to 04/2019	1.41	45,308	381,288
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	285,920,000	11/2011 to 11/2031	3.8 to 5.50	14,565,901	-
Series 2003	381,275,000 (3)	04/01/2003	381,275,000	376,165,000	06/2004 to 06/2023	Variable rates	17,002,658	905,000
Revenue Bonds	2,905,605,000		2,905,605,000	1,797,066,830			88,068,464	67,901,288
Aviation Revenue Bonds:								
5th Series	209,690,000	06/15/1995	209,690,000	193,225,000	06/2004 to 06/2025	5.20 to 6.10	11,574,927	4,545,000
Series 1997 A and B	222,265,000	07/01/1997	222,265,000	164,605,000	06/2004 to 06/2027	5.00 to 6.00	9,143,650	11,985,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	103,790,000	06/2004 to 06/2018	5.25 to 6.00	5,755,606	4,560,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	434,765,000	07/2003 to 07/2028	4.50 to 5.375	22,002,943	8,410,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	187,615,000	07/2003 to 07/2028	4.50 to 5.50	9,913,895	3,405,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	40,120,000	06/2004 to 06/2031	4.00 to 5.50	2,058,294	700,000
Total Aviation Revenue Bonds	1,226,860,000		1,226,860,000	1,124,120,000			60,449,315	33,605,000
Total Revenue Bonds	4,132,465,000		4,132,465,000	2,921,186,830			148,517,779	101,506,288
Total All Bonds	5,242,358,990		5,238,355,000	3,750,896,136 (4)			\$ 189,519,833	\$ 148,594,740
NOTES:								
(1) These General Obligation Authorizations were issued as both Term and Serial Bonds.								
(2) The balance outstanding on these issues includes zero discount bonds and compound interest bonds as follows:								
	Outstanding	Maturity Value	Discount					
	60,400,000	60,400,000	43,268,160					
	30,505,000	30,505,000	19,387,406					
(3) Based on latest available estimated rates.								
(4) A summary of all Bonds Outstanding is as follows:								
General Fund Types:	General Obligation Bonds	Revenue Bonds	Total Bonds					
General Fund	814,258,018	-	814,258,018					
Proprietary Fund Types:	Water Fund	1,797,066,830	1,807,436,136					
Aviation Fund	5,081,982	1,124,120,000	1,129,201,982					
Total Proprietary Funds	15,451,288	2,921,186,830	2,936,638,118					
Total All Funds	829,709,306	2,921,186,830	3,750,896,136					

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**Water Operating Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule VIII**

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Locally Generated Non-Tax Revenue	380,788	404,861	410,958	6,097
Revenue from Other Governments	8,400	7,980	8,330	350
Revenue from Other Funds	<u>63,845</u>	<u>35,542</u>	<u>21,503</u>	<u>(14,039)</u>
Total Revenues	453,033	448,383	440,791	(7,592)
<b>Expenditures and Encumbrances</b>				
Personal Services	101,299	99,792	96,790	3,002
Pension Contributions	17,300	17,268	15,868	1,400
Other Employee Benefits	<u>27,569</u>	<u>27,601</u>	<u>25,261</u>	<u>2,340</u>
Sub-Total Employee Compensation	146,168	144,661	137,919	6,742
Purchase of Services	71,477	71,475	67,550	3,925
Materials and Supplies	30,105	30,405	29,474	931
Equipment	4,177	3,886	3,130	756
Contributions, Indemnities and Taxes	6,522	6,522	3,928	2,594
Debt Service - Principal	65,633	65,633	70,484	(4,851)
Debt Service - Interest	97,492	97,492	86,873	10,619
Short-Term Interest	500	2,000	-	2,000
Payments to Other Funds	<u>40,959</u>	<u>40,959</u>	<u>54,870</u>	<u>(13,911)</u>
Total Expenditures and Encumbrances	<u>463,033</u>	<u>463,033</u>	<u>454,228</u>	<u>8,805</u>
Operating Surplus (Deficit) for the Year	<u>(10,000)</u>	<u>(14,650)</u>	<u>(13,437)</u>	<u>1,213</u>
Fund Balance Available for Appropriation, July 1, 2002	-	-	-	-
<b>Operations in Respect to Prior Fiscal Years</b>				
Commitments Cancelled - Net	10,000	12,000	13,438	1,438
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Adjusted Fund Balance, July 1, 2002	<u>10,000</u>	<u>12,000</u>	<u>13,437</u>	<u>1,437</u>
Fund Balance Available for Appropriation, June 30, 2003	<u>-</u>	<u>(2,650)</u>	<u>-</u>	<u>2,650</u>

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**Water Residual Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule IX**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	700	531	564	33
Revenue from Other Funds	<u>14,567</u>	<u>14,567</u>	<u>13,976</u>	<u>(591)</u>
Total Revenues	15,267	15,098	14,540	(558)
<b><u>Expenditures and Encumbrances</u></b>				
Debt Service	15,000	15,000	14,955	45
Payments to Other Funds	<u>4,138</u>	<u>4,138</u>	<u>4,138</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>19,138</u>	<u>19,138</u>	<u>19,093</u>	<u>45</u>
Operating Surplus (Deficit) for the Year	<u>(3,871)</u>	<u>(4,040)</u>	<u>(4,553)</u>	<u>(513)</u>
Fund Balance Available for Appropriation, July 1, 2002	20,505	20,604	20,604	-
Fund Balance Available for Appropriation, June 30, 2003	<u>16,634</u>	<u>16,564</u>	<u>16,051</u>	<u>(513)</u>

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**County Liquid Fuels Tax Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule X**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	45	15	8	(7)
Revenue from Other Governments	4,840	4,764	4,941	177
<b>Total Revenues</b>	<b>4,885</b>	<b>4,779</b>	<b>4,949</b>	<b>170</b>
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	3,084	3,284	3,284	-
Purchase of Services	1,711	1,572	1,172	400
Materials and Supplies	460	389	389	-
Equipment	80	90	90	-
Payments to Other Funds	15	15	15	-
<b>Total Expenditures and Encumbrances</b>	<b>5,350</b>	<b>5,350</b>	<b>4,950</b>	<b>400</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>(465)</b>	<b>(571)</b>	<b>(1)</b>	<b>570</b>
Fund Balance Available for Appropriation, July 1, 2002	308	80	80	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	205	130	149	19
<b>Adjusted Fund Balance, July 1, 2002</b>	<b>513</b>	<b>210</b>	<b>229</b>	<b>19</b>
Fund Balance Available for Appropriation, June 30, 2003	48	(361)	228	589

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**Special Gasoline Tax Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule XI**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	150	50	26	(24)
Revenue from Other Governments	19,206	19,620	19,662	42
<b>Total Revenues</b>	<b>19,356</b>	<b>19,670</b>	<b>19,688</b>	<b>18</b>
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	12,109	12,409	12,409	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	13,109	13,409	13,409	-
Purchase of Services	2,519	2,444	2,445	(1)
Materials and Supplies	3,911	3,722	3,621	101
Equipment	36	-	-	-
Payments to Other Funds	31	31	31	-
<b>Total Expenditures and Encumbrances</b>	<b>19,606</b>	<b>19,606</b>	<b>19,506</b>	<b>100</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>(250)</b>	<b>64</b>	<b>182</b>	<b>118</b>
<b>Fund Balance Available for Appropriation, July 1, 2002</b>	<b>32</b>	<b>80</b>	<b>80</b>	<b>-</b>
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	250	200	120	(80)
<b>Adjusted Fund Balance, July 1, 2002</b>	<b>282</b>	<b>280</b>	<b>200</b>	<b>(80)</b>
<b>Fund Balance Available for Appropriation, June 30, 2003</b>	<b>32</b>	<b>344</b>	<b>382</b>	<b>38</b>

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**Hotel Room Rental Tax Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule XII**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Taxes	37,930	32,800	28,996	(3,804)
Locally Generated Non-Tax Revenue	150	50	31	(19)
Total Revenues	38,080	32,850	29,027	(3,823)
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	80	80	80	-
Contributions, Indemnities and Taxes	38,000	38,000	31,904	6,096
Total Expenditures and Encumbrances	38,080	38,080	31,984	6,096
Operating Surplus (Deficit) for the Year	-	(5,230)	(2,957)	2,273
Fund Balance Available for Appropriation, July 1, 2002	-	-	-	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	-	-	2,957	2,957
Adjusted Fund Balance, July 1, 2002	-	-	2,957	2,957
Fund Balance Available for Appropriation, June 30, 2003	-	(5,230)	-	5,230



**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**Aviation Operating Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

Schedule **XIII**

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Locally Generated Non-Tax Revenue	281,000	263,010	219,270	(43,740)
Revenue from Other Governments	-	3,000	100	(2,900)
Revenue from Other Funds	460	450	284	(166)
<b>Total Revenues</b>	<b>281,460</b>	<b>266,460</b>	<b>219,654</b>	<b>(46,806)</b>
<b>Expenditures and Encumbrances</b>				
Personal Services	53,142	54,280	46,766	7,514
Pension Contributions	7,700	7,700	7,054	646
Other Employee Benefits	14,047	14,047	10,769	3,278
Sub-Total Employee Compensation	74,889	76,027	64,589	11,438
Purchase of Services	77,122	77,139	69,008	8,131
Materials and Supplies	9,051	9,100	6,352	2,748
Equipment	10,954	10,910	874	10,036
Contributions, Indemnities and Taxes	6,086	6,086	1,686	4,400
Debt Service - Principal	34,758	34,758	34,358	400
Debt Service - Interest	58,096	57,896	54,326	3,570
Short-Term Interest	250	450	-	450
Payments to Other Funds	20,248	19,088	4,557	14,531
Advances, Subsidies, Miscellaneous	500	500	-	500
<b>Total Expenditures and Encumbrances</b>	<b>291,954</b>	<b>291,954</b>	<b>235,750</b>	<b>56,204</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>(10,494)</b>	<b>(25,494)</b>	<b>(16,096)</b>	<b>9,398</b>
<b>Fund Balance Available</b> for Appropriation, July 1, 2002	29,080	23,405	23,405	-
<b>Operations in Respect to Prior Fiscal Years</b>				
Commitments Cancelled - Net	4,800	4,800	16,744	11,944
<b>Adjusted Fund Balance, July 1, 2002</b>	<b>33,880</b>	<b>28,205</b>	<b>40,149</b>	<b>11,944</b>
<b>Fund Balance Available</b> for Appropriation, June 30, 2003	23,386	2,711	24,053	21,342

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**Community Development Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

Schedule **XIV**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Locally Generated Non-Tax Revenue	1,100	1,100	7,728	6,628
Revenue from Other Governments	89,444	89,651	58,202	(31,449)
Total Revenues	90,544	90,751	65,930	(24,821)
<b>Other Sources</b>				
Decrease in Unreimbursed Commitments	-	-	(5,898)	(5,898)
Total Revenues and Other Sources	90,544	90,751	60,032	(30,719)
<b>Expenditures and Encumbrances</b>				
Personal Services	6,002	6,002	5,128	874
Pension Contributions	893	824	643	181
Other Employee Benefits	1,508	1,577	1,449	128
Sub-Total Employee Compensation	8,403	8,403	7,220	1,183
Purchase of Services	82,009	82,009	70,551	11,458
Materials and Supplies	219	219	204	15
Equipment	70	70	27	43
Payments to Other Funds	50	50	-	50
Advances, Subsidies, Miscellaneous	20,000	2,000	-	2,000
Total Expenditures and Encumbrances	110,751	92,751	78,002	14,749
Operating Surplus (Deficit) for the Year	(20,207)	(2,000)	(17,970)	(15,970)
Fund Balance Available for Appropriation, July 1, 2002	-	(7,700)	(7,700)	-
<b>Operations in Respect to Prior Fiscal Years</b>				
Commitments Cancelled - Net	20,207	7,700	16,842	9,142
Adjusted Fund Balance, July 1, 2002	20,207	-	9,142	9,142
Fund Balance Available for Appropriation, June 30, 2003	-	(2,000)	(8,828)	(6,828)

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**Car Rental Tax Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

Schedule **XV**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Taxes	4,125	4,155	3,854	(301)
Locally Generated Non-Tax Revenue	<u>25</u>	<u>25</u>	<u>82</u>	<u>57</u>
Total Revenues	4,150	4,180	3,936	(244)
<b><u>Expenditures and Encumbrances</u></b>				
Debt Service - Interest	<u>6,039</u>	<u>6,039</u>	<u>6,039</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>(1,889)</u>	<u>(1,859)</u>	<u>(2,103)</u>	<u>(244)</u>
Fund Balance Available for Appropriation, July 1, 2002	1,889	8,160	8,160	-
Fund Balance Available for Appropriation, June 30, 2003	<u>-</u>	<u>6,301</u>	<u>6,057</u>	<u>(244)</u>

**CITY OF PHILADELPHIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**General Capital Improvement Funds**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule XVI**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	375,569	384,130	8,698	(375,432)
Revenue from Other Governments	320,557	323,113	29,234	(293,879)
Total Revenues	696,126	707,243	37,932	(669,311)
<b><u>Other Sources</u></b>				
Increase in Unreimbursed Commitments	-	-	10,668	10,668
Total Revenues and Other Sources	696,126	707,243	48,600	(658,643)
<b><u>Expenditures and Encumbrances</u></b>				
Capital Outlay	696,126	707,243	147,620	559,623
Operating Surplus (Deficit) for the Year	-	-	(99,020)	(99,020)
Fund Balance Available for Appropriation, July 1, 2002	-	-	813	813
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	-	-	6,985	6,985
Revenue Adjustments - Net	-	-	(14,044)	(14,044)
Prior Period Adjustments	-	-	2,569	2,569
Other Adjustments	-	-	(149)	(149)
Adjusted Fund Balance, July 1, 2002	-	-	(3,826)	(3,826)
Fund Balance Available for Appropriation, June 30, 2003	-	-	(102,846)	(102,846)

**CITY OF PHILADELPHIA  
SCHEDULE OF BUDGETARY ACTUAL AND ESTIMATED REVENUES AND OBLIGATIONS**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

**Schedule XVII**

(Amounts in thousands of USD)

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
<b>Revenue</b>				
<b>Taxes</b>				
Real Property Tax:				
Current	321,733	326,146	329,364	3,218
Prior Years	28,000	30,500	31,722	1,222
Total Real Property Tax	349,733	356,646	361,086	4,440
Wage and Earnings Taxes:				
Current	1,007,311	997,886	987,225	(10,661)
Prior Years	21,000	23,000	26,223	3,223
Total Wage and Earnings Taxes	1,028,311	1,020,886	1,013,448	(7,438)
Business Taxes:				
Business Privilege Taxes:				
Current	264,159	274,587	238,724	(35,863)
Prior Years	35,000	22,000	47,364	25,364
Total Business Privilege Tax	299,159	296,587	286,088	(10,499)
Net Profits Tax:				
Current	9,788	11,483	10,124	(1,359)
Prior Years	1,100	2,000	1,561	(439)
Total Net Profits Tax	10,888	13,483	11,685	(1,798)
Total Business Taxes	310,047	310,070	297,773	(12,297)
Other Taxes:				
Sales Tax	112,549	110,800	107,971	(2,829)
Amusement Tax	13,325	14,979	14,140	(839)
Real Property Transfer Tax	78,925	99,000	103,359	4,359
Parking Lot Tax	37,587	39,400	38,743	(657)
Miscellaneous Taxes	1,020	110	108	(2)
Total Other Taxes	243,406	264,289	264,321	32
Total Taxes	1,931,497	1,951,891	1,936,628	(15,263)

**CITY OF PHILADELPHIA**  
**SCHEDULE OF BUDGETARY ACTUAL AND ESTIMATED REVENUES AND OBLIGATIONS**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2003**  
(Amounts in thousands of USD)

**Schedule XVII**

	<u>Budgeted Amounts</u>			<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>to Actual</u> <u>Positive</u> <u>(Negative)</u>
<b><u>Revenue (Continued)</u></b>				
<b><u>Locally Generated Non-Tax Revenue</u></b>				
Rentals from Leased City-Owned Properties	21,709	22,164	19,244	(2,920)
Licenses and Permits	33,738	35,906	34,142	(1,764)
Fines, Forfeits, Penalties, Confiscated				
Money and Property	28,070	33,670	33,801	131
Interest Income	21,250	17,950	32,899	14,949
Service Charges and Fees	73,293	79,630	83,580	3,950
Other	20,832	23,601	41,570	17,969
	<u>198,892</u>	<u>212,921</u>	<u>245,236</u>	<u>32,315</u>
<b><u>Revenue from Other Governments</u></b>				
United States Government:				
Grants and Reimbursements	304,069	316,145	303,408	(12,737)
Commonwealth of Pennsylvania:				
Grants and Other Payments	296,909	302,085	314,218	12,133
Other Governmental Units	267,723	307,889	258,946	(48,943)
	<u>868,701</u>	<u>926,119</u>	<u>876,572</u>	<u>(49,547)</u>
<b><u>Revenue from Other Funds of the City</u></b>				
	<u>24,634</u>	<u>24,035</u>	<u>27,299</u>	<u>3,264</u>
Total Revenues	<u>3,023,724</u>	<u>3,114,966</u>	<u>3,085,735</u>	<u>(29,231)</u>
<b><u>Obligations</u></b>				
<b><u>General Government</u></b>				
City Council	13,576	14,576	13,009	1,567
Mayor's Office:				
Mayor's Office	4,618	4,718	4,237	481
Scholarships	200	200	199	1
Tax Reform Commission	-	375	159	216
Labor Relations	590	590	492	98
Mayor's Office of Information Services	13,464	13,464	12,840	624
Capital Program Office	2,412	2,412	2,113	299
Mayor's Office of Community Services	812	812	770	42
Law	17,580	17,027	15,341	1,686
City Planning Commission	3,309	3,309	3,097	212
Commission on Human Relations	2,270	2,295	2,174	121
Board of Revision of Taxes	7,754	7,754	7,449	305
	<u>66,585</u>	<u>67,532</u>	<u>61,880</u>	<u>5,652</u>

**CITY OF PHILADELPHIA  
SCHEDULE OF BUDGETARY ACTUAL AND ESTIMATED REVENUES AND OBLIGATIONS**

**General Fund**

**For the Fiscal Year Ended June 30, 2003**

**Schedule XVII**

(Amounts in thousands of USD)

	Budgeted Amounts			Final Budget
	Original	Final	Actual	to Actual Positive (Negative)
<b><u>Obligations (Continued)</u></b>				
<b><u>Operation of Service Departments</u></b>				
Housing	1,867	1,867	1,739	128
Managing Director	15,464	15,827	15,819	8
Police	437,148	498,201	497,936	265
Streets	118,880	128,520	128,250	270
Fire	157,560	163,220	163,206	14
Public Health	122,520	116,591	116,234	357
Recreation	40,046	41,116	40,805	311
Fairmount Park Commission	14,334	14,849	14,738	111
Atwater Kent Museum	249	288	263	25
Camp William Penn	329	366	337	29
Public Property	167,392	168,769	160,660	8,109
Department of Human Services	530,445	539,190	539,261	(71)
Philadelphia Prisons	164,744	174,961	173,728	1,233
Office of Emergency Services	17,199	18,055	17,172	883
Office of Fleet Management	50,417	48,447	48,373	74
Licenses and Inspections	22,808	24,072	24,012	60
Board of L & I Review	210	176	170	6
Board of Building Standards	119	99	96	3
Zoning Board of Adjustment	524	457	422	35
Records	5,424	6,919	6,918	1
Philadelphia Historical Commission	260	282	255	27
Art Museum	2,250	2,250	2,250	-
Philadelphia Civic Center	287	293	194	99
Philadelphia Free Library	36,139	36,578	36,305	273
<b>Total Operations of Service Departments</b>	<b>1,906,615</b>	<b>2,001,393</b>	<b>1,989,143</b>	<b>12,250</b>
<b><u>Financial Management</u></b>				
Office of Director of Finance	47,460	47,405	50,163	(2,758)
Department of Revenue	17,942	18,714	17,716	998
Sinking Fund Commission	202,709	193,019	171,382	21,637
Procurement	5,158	5,724	5,724	-
City Treasurer	944	944	802	142
Audit of City Operations	7,502	7,502	7,290	212
<b>Total Financial Management</b>	<b>281,715</b>	<b>273,308</b>	<b>253,077</b>	<b>20,231</b>
<b><u>City-Wide Appropriations Under the Director of Finance</u></b>				
Fringe Benefits	527,600	538,925	543,607	(4,682)
Community College of Philadelphia	22,068	22,068	22,068	-
Legal Services	30,748	30,871	30,871	-
Hero Award	37	3	3	-
Refunds	876	90	90	-
Witness Fees	236	134	134	-
Contribution to School District	35,000	35,000	35,000	-
<b>Total City-Wide Under Director of Finance</b>	<b>616,565</b>	<b>627,091</b>	<b>631,773</b>	<b>(4,682)</b>

CITY OF PHILADELPHIA  
SCHEDULE OF BUDGETARY ACTUAL AND ESTIMATED REVENUES AND OBLIGATIONS  
General Fund  
For the Fiscal Year Ended June 30, 2003  
(Amounts in thousands of USD)

Schedule XVII

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
<b>Obligations (Continued)</b>				
<b>Promotion and Public Relations</b>				
City Representative	42,389	42,386	41,874	512
<b>Personnel</b>				
Civic Service Commission	162	162	138	24
Personnel Director	4,848	4,848	4,786	62
Total Personnel	5,010	5,010	4,924	86
<b>Administration of Justice</b>				
Clerk of Quarter Sessions	4,380	4,577	4,485	92
Register of Wills	2,875	2,995	2,940	55
District Attorney	28,846	29,525	29,382	143
Sheriff	12,246	13,625	13,625	-
First Judicial District	108,472	110,659	110,659	-
Total Administration of Justice	156,819	161,381	161,091	290
<b>City-Wide Appropriations Under the First Judicial District</b>				
Juror Fees	1,600	1,686	1,686	-
<b>Conduct of Elections</b>				
City Commissioners	8,187	8,188	7,736	452
Total Obligations	3,085,485	3,187,975	3,153,184	34,791
Operating Surplus (Deficit) for the Year	(61,761)	(73,009)	(67,449)	5,560



**CITY OF PHILADELPHIA  
SCHEDULE OF BUDGETARY ACTUAL AND ESTIMATED REVENUES AND OBLIGATIONS**

**Water Fund**

**For the Fiscal Year Ended June 30, 2003**

(Amounts in thousands of USD)

**Schedule XVIII**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		to Actual Positive (Negative)
<b>Revenue</b>				
<b>Locally Generated Non-Tax Revenue</b>				
Sales and Charges - Current	294,163	292,418	300,005	7,587
Sales and Charges - Prior Years	32,450	31,454	29,603	(1,851)
Fire Service Connections	643	1,232	1,272	40
Surcharges	7,834	6,004	5,448	(556)
Fines and Penalties	516	516	540	24
Miscellaneous Charges	1,183	1,604	1,715	111
Charges to Other Municipalities	20,378	20,055	21,666	1,611
Licenses and Permits	1,040	1,167	1,144	(23)
Interest Income	13,033	40,990	36,313	(4,677)
Fleet Management - Sale of Vehicles & Equipment	160	145	85	(60)
Contributions from Sinking Fund Reserve	8,318	8,000	11,714	3,714
Reimbursement of Expenditures	139	171	127	(44)
Repair Loan Program	750	890	1,084	194
Other	181	215	242	27
<b>Total Locally Generated Non-Tax Revenue</b>	<b>380,788</b>	<b>404,861</b>	<b>410,958</b>	<b>6,097</b>
<b>Revenue from Other Governments</b>				
State	8,400	7,980	8,212	232
Federal	-	-	118	118
<b>Total Revenue from Other Governments</b>	<b>8,400</b>	<b>7,980</b>	<b>8,330</b>	<b>350</b>
<b>Revenue from Other Funds</b>	<b>63,845</b>	<b>35,542</b>	<b>21,503</b>	<b>(14,039)</b>
<b>Total Revenues</b>	<b>453,033</b>	<b>448,383</b>	<b>440,791</b>	<b>(7,592)</b>
<b>Obligations</b>				
Mayor's Office of Information Services	975	1,013	856	157
Public Property	3,273	3,273	3,273	-
Office of Fleet Management	6,819	6,819	4,887	1,932
Water Department	215,168	217,508	226,839	(9,331)
Office of the Director of Finance	163	163	119	44
City-Wide Appropriation Under the Director of Finance:				
Pension Contributions	17,300	17,268	15,868	1,400
Other Employee Benefits	27,569	27,601	25,261	2,340
Contributions, Indemnities and Taxes	6,500	2,660	83	2,577
Department of Revenue	18,565	18,527	16,624	1,903
Sinking Fund Commission	163,625	165,125	157,357	7,768
Procurement Department	57	57	56	1
Law	3,019	3,019	3,005	14
<b>Total Obligations</b>	<b>463,033</b>	<b>463,033</b>	<b>454,228</b>	<b>8,805</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>(10,000)</b>	<b>(14,650)</b>	<b>(13,437)</b>	<b>1,213</b>

**CITY OF PHILADELPHIA  
SCHEDULE OF BUDGETARY ACTUAL AND ESTIMATED REVENUES AND OBLIGATIONS**

**Aviation Fund**

**For the Fiscal Year Ended June 30, 2003**

(Amounts in thousands of USD)

**Schedule XIX**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>to Actual</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenue</b>				
<b><u>Locally Generated Non-Tax Revenue</u></b>				
Concessions	24,000	22,000	16,585	(5,415)
Space Rentals	101,504	100,329	61,477	(38,852)
Landing Fees	63,000	40,000	49,927	9,927
Parking	20,000	14,000	11,629	(2,371)
Car Rentals	16,700	15,700	14,308	(1,392)
Payment in Aid - Terminal Building	19,000	19,000	14,292	(4,708)
Interest Earnings	3,500	3,000	2,069	(931)
Sale of Utilities	6,000	5,700	3,134	(2,566)
Passenger Facility charge	-	24,000	31,234	7,234
Overseas Terminal Facility Charges	260	260	213	(47)
International Terminal Charge	15,000	9,000	9,140	140
Other	12,036	10,021	5,262	(4,759)
<b>Total Locally Generated Non-Tax Revenue</b>	<b>281,000</b>	<b>263,010</b>	<b>219,270</b>	<b>(43,740)</b>
<b><u>Revenue from Other Governments</u></b>				
State	-	-	75	75
Federal	-	3,000	25	(2,975)
<b>Total Revenue from Other Governments</b>	<b>-</b>	<b>3,000</b>	<b>100</b>	<b>(2,900)</b>
<b><u>Revenue from Other Funds</u></b>	<b>460</b>	<b>450</b>	<b>284</b>	<b>(166)</b>
<b>Total Revenues</b>	<b>281,460</b>	<b>266,460</b>	<b>219,654</b>	<b>(46,806)</b>
<b><u>Obligations</u></b>				
Police	12,114	13,219	12,572	647
Fire	4,397	4,457	4,298	159
Public Property	19,677	19,677	19,322	355
Office of Fleet Management	7,558	7,558	2,042	5,516
City-Wide Appropriation Under the Director of Finance:				
Pension Contributions	7,700	7,700	7,054	646
Other Employee Benefits	14,047	14,047	10,769	3,278
Purchase of Services	2,100	2,100	1,889	211
Contributions, Indemnities and Taxes	2,500	2,302	-	2,302
Sinking Fund Commission	93,105	93,105	88,684	4,421
Commerce	127,523	126,556	87,890	38,666
Law	1,233	1,233	1,230	3
<b>Total Obligations</b>	<b>291,954</b>	<b>291,954</b>	<b>235,750</b>	<b>56,204</b>
<b>Operating Surplus (Deficit) for the Year</b>	<b>(10,494)</b>	<b>(25,494)</b>	<b>(16,096)</b>	<b>9,398</b>

# Statistical Section

# Statistical Section

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**CITY OF PHILADELPHIA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**For the Fiscal Years 1994 Through 2003**

(Amounts in millions of USD)

**Table 1**

<b>Function:</b>	<u>1994(b)</u>	<u>1995(b)</u>	<u>1996(b)</u>	<u>1997(b)</u>	<u>1998(b)</u>	<u>1999(b)</u>	<u>2000(b)</u>	<u>2001(b)</u>	<u>2002</u>	<u>2003</u>
Economic Development	66.1	54.9	59.6	53.9	77.0	105.7	112.7	128.9	91.7	180.8
Transportation:(a)										
Streets & Highways									71.8	78.1
Mass Transit									56.9	57.5
	<u>109.1</u>	<u>109.4</u>	<u>118.8</u>	<u>122.4</u>	<u>126.5</u>	<u>127.6</u>	<u>131.5</u>	<u>131.1</u>	<u>128.7</u>	<u>135.6</u>
Judiciary and Law Enforcement:(a)										
Police									665.2	727.3
Prisons									194.8	214.3
Courts									265.7	246.5
	<u>746.3</u>	<u>771.7</u>	<u>832.8</u>	<u>907.8</u>	<u>919.3</u>	<u>964.4</u>	<u>1,002.6</u>	<u>1,072.9</u>	<u>1,125.7</u>	<u>1,188.1</u>
Conservation of Health:(a)										
Emergency Medical Services									25.7	28.5
Health Services									1,146.0	1,192.7
	<u>425.2</u>	<u>454.4</u>	<u>455.8</u>	<u>543.4</u>	<u>720.0</u>	<u>870.0</u>	<u>1,040.5</u>	<u>1,080.7</u>	<u>1,171.7</u>	<u>1,221.2</u>
Housing and Neighborhood Development	73.3	97.2	123.8	136.8	110.7	137.4	131.7	129.9	123.5	120.7
Cultural and Recreational:(a)										
Recreation									64.4	94.0
Parks									32.4	24.2
Libraries and Museums									62.6	64.4
	<u>114.0</u>	<u>114.4</u>	<u>117.3</u>	<u>122.1</u>	<u>127.7</u>	<u>139.4</u>	<u>142.1</u>	<u>158.2</u>	<u>159.4</u>	<u>182.6</u>
Improvements to General Welfare:(a)										
Social Services									578.6	636.1
Education									81.8	57.1
Inspections and Demolitions									50.9	46.5
	<u>355.3</u>	<u>394.2</u>	<u>435.4</u>	<u>452.6</u>	<u>475.2</u>	<u>556.7</u>	<u>550.8</u>	<u>591.1</u>	<u>711.3</u>	<u>739.7</u>
Service to Property:(a)										
Sanitation									109.1	111.5
Fire									170.3	188.0
	<u>287.9</u>	<u>261.9</u>	<u>268.7</u>	<u>268.9</u>	<u>269.9</u>	<u>264.7</u>	<u>266.7</u>	<u>280.3</u>	<u>279.4</u>	<u>299.5</u>
General Management and Support	450.1	368.2	365.0	388.8	403.5	411.0	396.6	375.6	420.8	450.9
Capital Outlay	196.2	245.1	176.5	149.9	147.8	153.4	160.4	188.9	277.9	162.2
Debt Service:										
Principal	136.5	112.9	80.6	107.3	107.4	105.8	120.0	125.8	130.0	106.9
Interest	127.1	129.1	115.8	121.9	115.8	96.6	115.6	104.9	116.0	112.3
Bond Issuance Costs	3.6	-	-	-	-	10.7	-	-	-	-
	<u>267.2</u>	<u>242.0</u>	<u>196.4</u>	<u>229.2</u>	<u>223.2</u>	<u>213.1</u>	<u>235.6</u>	<u>230.7</u>	<u>246.0</u>	<u>219.2</u>
Total General Government	<u>3,090.7</u>	<u>3,113.4</u>	<u>3,150.1</u>	<u>3,375.8</u>	<u>3,600.8</u>	<u>3,943.4</u>	<u>4,171.2</u>	<u>4,368.3</u>	<u>4,736.1</u>	<u>4,900.5</u>
<b>Fund Types:</b>										
General Fund	2,177.2	2,072.5	2,178.2	2,298.9	2,354.7	2,502.5	2,557.4	2,686.5	2,859.4	3,116.2
Special Revenue Funds	450.0	553.6	595.8	697.7	875.0	1,074.2	1,217.7	1,261.3	1,352.1	1,408.8
Debt Service Funds	267.2	242.0	196.4	229.2	223.2	213.1	235.6	230.7	246.0	213.1
Capital improvement Funds	196.2	245.1	179.5	149.9	147.8	153.4	160.4	188.9	277.9	162.2
Permanent Funds	0.1	0.2	0.2	0.1	0.1	0.2	0.1	0.9	0.7	0.2
Total General Government	<u>3,090.7</u>	<u>3,113.4</u>	<u>3,150.1</u>	<u>3,375.8</u>	<u>3,600.8</u>	<u>3,943.4</u>	<u>4,171.2</u>	<u>4,368.3</u>	<u>4,736.1</u>	<u>4,900.5</u>

**NOTE:**

- (a) The lower level of function was not available until FY 2002
- (b) Restated to reflect GASBS #34

**CITY OF PHILADELPHIA**  
**GENERAL GOVERNMENTAL REVENUE BY SOURCE**  
**For the Fiscal Years 1994 Through 2003**

(Amounts in millions of USD)

**Table 2**

	<u>1994(a)</u>	<u>1995(a)</u>	<u>1996(a)</u>	<u>1997(a)</u>	<u>1998(a)</u>	<u>1999(a)</u>	<u>2000(a)</u>	<u>2001(a)</u>	<u>2002</u>	<u>2003</u>
<b>Source:</b>										
Taxes	1,776.6	1,819.4	1,858.9	1,913.4	1,962.8	2,030.9	2,141.6	2,289.3	2,255.6	2,253.8
Locally Generated Non-Tax Revenue	209.4	231.9	251.8	242.7	275.7	301.9	285.3	302.3	298.4	339.8
Revenue From Other Governments	812.1	933.6	990.0	1,159.8	1,355.7	1,473.5	1,658.6	1,750.8	1,790.2	2,049.5
Other Revenue	<u>17.9</u>	<u>7.5</u>	<u>9.0</u>	<u>13.6</u>	<u>12.0</u>	<u>12.3</u>	<u>19.2</u>	<u>14.8</u>	<u>13.6</u>	<u>17.2</u>
Total General Government	<u>2,816.0</u>	<u>2,992.4</u>	<u>3,109.7</u>	<u>3,329.5</u>	<u>3,606.2</u>	<u>3,818.6</u>	<u>4,104.7</u>	<u>4,357.2</u>	<u>4,357.8</u>	<u>4,660.3</u>
<b>Fund Types:</b>										
General Fund	2,139.0	2,165.6	2,247.2	2,303.0	2,358.4	2,446.7	2,621.1	2,770.9	2,691.0	2,874.4
Special Revenue Funds	637.1	755.1	819.2	994.1	1,216.8	1,333.4	1,438.7	1,542.6	1,642.2	1,758.7
Debt Service Funds	11.5	11.6	17.6	13.5	14.8	13.9	17.3	15.5	7.3	10.0
Capital improvement Funds	28.0	59.8	25.3	16.5	14.9	23.9	27.5	27.9	17.2	16.7
Permanent Funds	<u>0.4</u>	<u>0.3</u>	<u>0.4</u>	<u>2.4</u>	<u>1.3</u>	<u>0.7</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>	<u>0.5</u>
Total General Government	<u>2,816.0</u>	<u>2,992.4</u>	<u>3,109.7</u>	<u>3,329.5</u>	<u>3,606.2</u>	<u>3,818.6</u>	<u>4,104.7</u>	<u>4,357.2</u>	<u>4,357.8</u>	<u>4,660.3</u>

**NOTE:**

(a) Restated to reflect GASBS #34

**CITY OF PHILADELPHIA**  
**ASSESSED AND MARKET VALUE OF TAXABLE REALTY IN PHILADELPHIA**  
**For the Calendar Years 1994 Through 2003**

(Amounts in millions of USD)

**Table 3**

Calendar Year	Assessed Value Adjusted to 6-30-2003(a)		Market Value on Basis of STEB Ratio			Estimated Market Value Based on Sales		
	Amount	Percentage Increase (Decrease) Over Prior Year	Assessment Ratio of State Tax Equalization Board (b)	Amount	Percentage Increase (Decrease) Over Prior Year	Assessment Ratio as Determined by Sales (c)	Amount	Percentage Increase (Decrease) Over Prior Year
1994	9,008	1.61%	0.300	30,047	1.61%	0.273	33,057	-6.33%
1995	8,896	-1.24%	0.299	29,753	-0.98%	0.270	32,912	-0.44%
1996	8,896	-	0.300	29,673	-0.27%	0.271	32,863	-0.15%
1997	8,966	0.79%	0.303	29,610	-0.21%	0.264	33,911	3.19%
1998	9,037	0.79%	0.302	29,934	1.09%	0.244	37,052	9.26%
1999	9,192	1.72%	0.304	30,287	1.18%	0.230	39,965	7.86%
2000	9,343	1.64%	0.304	30,784	1.64%	0.237	39,405	-1.40%
2001	9,593	2.68%	0.303	31,639	2.78%	0.255	37,679	-4.38%
2002	9,858	2.76%	0.303	32,502	2.73%	0.252	39,150	3.91%
2003 (d)	10,377	5.26%	0.301	34,452	6.00%	NA	NA	NA
Total Increase 1994 - 2003	1,369	15.20%						
Compounded Annual Average Rate of Increase		1.58%						

**NOTES:**

- (a) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.
- (b) The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth. The ratio is used for the purpose of equalizing certain state school aid distribution.
- (c) The Assessment Ratio as presented has not been adjusted to allow for the effects of large or unusual sales.
- (d) At June 30, 2003

**CITY OF PHILADELPHIA  
REAL PROPERTY TAXES LEVIED AND COLLECTED  
For the Calendar Years 1994 through 2003**

(Amounts in millions of USD)

**Table 4**

Calendar Year of Levy (a)	Original Assessed Value (b)	Assessed Value of Taxable Real Property Adjusted to 6-30-2003(c)	Amount Collectible in Year of Levy	Amount Collected in Year of Levy (d)	Collections Within Year of Levy as a Percent of Amount Collectible (4) / (3)	Net Levy Adjusted to 6-30-2003 (6)	Net Collections of Delinquent Taxes Relating to Year of Levy (7)	Total Collections (4) + (7) (8)	Total Collections as a Percent of Adjusted Amount Collectible (8) / (6) (9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1994	9,516	9,008	335.6	305.9	91.2%	337.0	22.7	328.6	97.5%
1995	9,410	8,896	338.5	307.1	90.7%	336.4	23.5	330.6	98.3%
1996	9,266	8,896	337.7	308.2	91.3%	338.5	19.9	328.1	96.9%
1997	9,275	8,966	336.2	310.8	92.4%	337.3	19.2	330.0	97.8%
1998	9,220	9,037	338.6	311.9	92.1%	341.0	19.9	331.8	97.3%
1999	9,273	9,192	343.6	316.2	92.0%	346.0	18.2	334.4	96.7%
2000	9,527	9,343	349.3	322.0	92.2%	351.8	16.9	338.9	96.3%
2001	9,867	9,593	356.6	326.7	91.6%	358.8	14.8	341.5	95.2%
2002	10,300	9,858	368.2	340.4	92.5%	371.7	8.0	348.4	93.7%
2003	10,819	10,377	357.0	313.6 (e)	87.8%	NA	NA	NA	NA

**NOTES:**

- (a) Real property tax bills are sent out in November and are payable at one percent discount until February 28, and the face amount is due on or before March 31, without interest or penalty.
- (b) Includes \$189.8 million in 1994, \$95.2 million in 1995, \$64.9 million in 1996, \$ 52.7 million in 1997, \$13.7 million in 1998, \$23.3 million in 1999, \$57.7 million in 2000, \$84.0 million in 2001, \$ 68.1 million in 2002 and \$101.2 millions classified as exempt under ordinance (Bill 1130) approved February 8, 1978 which 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. Also Includes \$11.8 million in 1994, \$13.1 million in 1995, \$10.4 million in 1996, \$4.3 million in 1997, \$5.9 millions in 1998, \$9.0 millions in 1999, \$15.3 million in 2000, \$16.1 million in 2001, \$26.9 million in 2002 and \$33.2million in 2003 classified as exempt under ordinance (Bill 1456-A) as approved January 28, 1983 which provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property; and Legislative Act 5020-205 as amended, approved October 11, 1984 which provides for a maximum thirty month tax abatement to developers of residential property. Includes \$2.3 million in 2000, \$9.0 million in 2001, 19.4 million in 2002 and \$30.1 million in 2003 classified as exempt under ordinance (Bill #970274) approved July 1, 1997 which provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial, or other business property to commercial non-owner occupied residential property. Also includes, \$17.1 million in 2001, \$26.7 million in 2002 and \$32.6 millions in 2003 classified as exempt under ordinance (Bill 980788A) approved December 30, 1998 which provides a maximum twelve year tax exemption, abatement, or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.
- (c) The adjustment reflects reductions or increases in assessments pursuant to established procedures for review of assessments.
- (d) Amounts shown as collected include amounts allowed as discounts for payments during the discount period.
- (e) Includes collections through June 30, 2003, while the other years include collection through December 31, of the year of the levy. It is estimated that approximately 91% of the net levy for Fiscal 2003 will be collected within the year of levy, resulting in approximately \$324.9 million by December 31, 2003.



**CITY OF PHILADELPHIA  
TAX RATES  
For the Ten Year Period 1994 through 2003**

**Table 5**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Tax Classification</b>										
Real Property: (% on Assessed Valuation)										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.474% (u)
School District	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.790% (v)
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%
Assessment Ratio as Determined by Sal	27.30%	27.00%	27.07%	26.44%	24.39%	23.00%	23.70%	25.46%	25.18%	NA
Effective Tax Rate (Real Estate Tax Rate x Assessment R	2.256%	2.231%	2.237%	2.185%	2.016%	1.901%	1.959%	2.104%	2.081%	NA
Wage, Earnings and Net Profits Taxes:										
Residents (a)	4.96%	4.96%	4.86% (b)	4.84% (c)	4.79% (h)	4.6869% (i)	4.6135% (j)	4.5630% (k)	4.5385% (s)	4.5000% (w)
Non-Residents	4.3125%	4.3125%	4.2256% (b)	4.2082% (c)	4.1647% (h)	4.075% (i)	4.0112% (j)	3.9672% (k)	3.9462% (s)	3.9127% (w)
Real Property Transfer Tax (l)	3.23%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Personal Property Tax (% on Taxable Intangible Items) (m)	0.4%	0.4%	0.4%	-	-	-	-	-	-	-
Business Privilege Taxes (% on Gross Receipts)	0.325%	0.325%	0.300% (b)	0.295% (c)	0.2875% (d)	0.2775% (e)	0.2650% (f)	0.2525% (g)	0.2400% (t)	0.2300% (x)
(% on Net Income) (n)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Sales and Use Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Parking Lot Tax (% on Gross Receipts)	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Hotel Room Rental Tax	6.0% (p)	6.0%	6.0%	6.0%	6.0%	6.0%	7.0% (r)	7.0%	7.0%	7.0%
Vehicle Rental Tax(q)	-	-	-	-	-	-	-	2.0%	2.0%	2.0%

**NOTES:**

- (a) Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Taxes for City residents is 1.5%.
- (b) Tax decrease effective January 1, 1996.
- (c) Tax decrease effective January 1, 1997.
- (d) Tax decrease effective January 1, 1998.
- (e) Tax decrease effective January 1, 1999.
- (f) Tax decrease effective January 1, 2000.
- (g) Tax decrease effective January 1, 2001.
- (h) Tax decrease effective July 1, 1997.
- (i) Tax decrease effective July 1, 1998.
- (j) Tax decrease effective July 1, 1999.
- (k) Tax decrease effective July 1, 2000.
- (l) Phased decreases effective July 1, 1990.
- (m) The City ceased the collection of the Personal Property Tax during FY 1997.
- (n) 60% of Net Income Tax portion paid is credited against Net Profits Tax Payable.
- (o) The City converted this tax to a Licensing Fee in Fiscal 1994.
- (p) Tax Increase effective July, 1993.
- (q) Effective July 1, 2000
- (r) Tax increase effective July 1, 1999.
- (s) Tax decrease effective July 1, 2001.
- (t) Tax decrease effective January 1, 2002.
- (u) City portion decrease effective January 1, 2003.
- (v) School portion increase effective January 1, 2003.
- (w) Tax decrease effective July 1, 2002.
- (x) Tax decrease effective January 1, 2003.

**CITY OF PHILADELPHIA  
CITY AND SCHOOL DISTRICT NET TAX SUPPORTED DEBT AND DEBT SERVICE RATIOS  
For the Fiscal Years 1994 through 2003**

**Table 6**

Line No.	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<u>Net Tax Supported Debt (millions of USD)</u>										
<u>City:</u>										
1	490.2	451.4	522.6	486.1	453.7	674.7	640.2	895.4	855.3	810.9
2	1,754.1	1,796.3	1,799.8	1,836.3	734.1	3,124.9	3,113.8	3,112.7	3,615.0	3,611.6
3	2,244.3	2,247.7	2,322.4	2,322.4	1,187.8	3,799.6	3,754.0	4,008.1	4,470.3	4,422.5
<u>Overlapping School District Debt:</u>										
4	533.1	498.7	628.2	704.0	697.2	784.3	870.4	995.1	1,410.9	1,371.8
5	403.3	420.6	436.5	436.2	458.2	447.2	483.7	516.5	547.3	627.1
6	936.4	919.3	1,064.7	1,140.2	1,155.4	1,231.5	1,354.1	1,511.6	1,958.2	1,998.9
7	1,156.7	1,237.5	1,146.2	1,102.4	1,055.0	1,014.1	959.4	901.8	840.7	804.1
8	4,337.4	4,404.5	4,533.3	4,565.0	3,398.2	6,045.2	6,067.5	6,421.5	7,269.2	7,225.5
9	1,520	1,496	1,472	1,452	1,435	1,418	1,518	1,502	1,492	1,492
10	9,008	8,896	8,896	8,968	9,037	9,192	9,343	9,593	9,858	10,377
11	33,057	32,912	32,863	33,918	37,052	39,965	39,405	37,679	39,150	NA
<u>City Net Tax Supported Annual Debt Service</u>										
12	168.0	69.1	67.6	68.1	61.4	62.6	73.0	71.9	87.9	87.2
13	132.2	115.0	87.2	104.4	108.1	64.1	120.9	73.0	125.0	189.6
14	300.2	184.1	154.8	172.5	169.5	126.7	193.9	144.9	212.9	276.8
15	2,627.2	2,626.1	2,774.0	2,996.6	3,229.7	3,576.7	3,775.1	3,947.8	4,211.5	4,457.4
<u>Net Tax Supported Debt per Capita (USD)</u>										
16	322.5	301.7	355.0	334.8	316.2	475.8	421.7	596.1	573.3	543.5
17	1,476.5	1,502.5	1,577.7	1,599.4	827.7	2,679.5	2,473.0	2,668.5	2,996.2	2,964.1
18	616.1	614.5	723.3	785.3	805.2	868.5	892.0	1,006.4	1,312.5	1,339.7
19	761.0	827.2	778.7	759.2	735.2	715.2	632.0	600.4	563.5	538.9
20	2,853.6	2,944.2	3,079.7	3,143.9	2,368.1	4,263.2	3,997.0	4,275.3	4,872.1	4,842.8
<u>Net Tax Supported Debt as a Percentage of Assessed Valuation:</u>										
21	5.44	5.07	5.87	5.42	5.02	7.34	6.85	9.33	8.68	7.81
22	24.91	25.27	26.11	25.90	13.14	41.34	40.18	41.78	45.35	42.62
23	10.40	10.33	11.97	12.71	12.79	13.40	14.49	15.76	19.86	19.26
24	35.31	35.60	38.07	38.61	25.93	54.73	54.67	57.54	65.21	61.88
<u>Net Tax Supported Debt as a Percentage of Estimated Market Value:</u>										
25	1.48	1.37	1.59	1.43	1.22	1.69	1.62	2.38	2.18	NA
26	6.79	6.83	7.07	6.85	3.21	9.51	9.53	10.64	11.42	NA
27	2.83	2.79	3.24	3.36	3.12	3.08	3.44	4.01	5.00	NA
28	9.62	9.62	10.31	10.21	6.32	12.59	12.96	14.65	16.42	NA
<u>City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:</u>										
29	6.39	2.63	2.44	2.27	1.90	1.75	1.93	1.82	2.09	1.96
30	11.43	7.01	5.58	5.76	5.25	3.54	5.14	3.67	5.06	6.21

**NOTES:**

- (a) See Table 8
- (b) Consists of leasing obligations, payments on contingent liabilities, accrued compensated absences, and the pension funding service agreement.
- (c) Consists of amounts due the Commonwealth of PA for vocational education, the State Public Building Authority and leasing obligations and accrued Terminal and Severance Pays.
- (d) Source: U.S. Department of Commerce, Bureau of the Census and Wharton Econometric Forecasting Associates
- (e) See Table 3
- (f) Consists of General Fund and Special Revenue Funds, all of which account for general governmental functions. See Table 1.

**CITY OF PHILADELPHIA  
CITY RELATED SCHEDULE OF DEBT INCURRING CAPACITY**

**July 1, 2003**

(Amounts in thousands of USD)

**Table 7**

	Issued and <u>Outstanding</u>	Authorized	
		<u>Unissued</u>	<u>Total</u>
General Obligation Bonded Debt:			
Tax Supported (Note 1)	810,860	391,339	1,202,199
Self-Sustaining	<u>18,756</u>	<u>352,614</u>	<u>371,370</u>
<u>Total General Obligation Bonded Debt (Note 2)</u>	<u>829,616</u>	<u>743,953</u>	1,573,569
	<u>Total</u>	Applicable to Self- <u>Sustaining</u>	Net <u>Deductions</u>
Deductions Authorized by Law:			
Appropriation for Maturing Serials (Fiscal 2004)	<u>46,995</u>	<u>3,925</u>	43,070
Total Self-Sustaining Debt			<u>371,370</u>
Total Net Deductions Authorized by Law			<u>414,440</u>
Total Amount of Debt Applicable to Debt Limit			<u>1,159,129</u>
Legal Debt Limit (Note 3)			<u>1,261,346</u>
Legal Debt Margin			<u>102,217</u>

**NOTES:**

- (1) Included in the Issued and Outstanding Total is \$8.0 million relating to the Philadelphia Port Corporation which has ceased operations. The City is using the proceeds from the sale of the Port Corporation assets for economic stimulus projects.
- (2) This statement does not reflect \$3,950.1 million of Revenue Bonds, secured by a pledge of Water Revenues, Airport Revenues and Gas Works Revenues, respectively, as listed below:

Water and Sewer Revenue Bonds, Fourteenth Series, dated May 15, 1989	60,400
Water and Sewer Revenue Bonds, Fifteenth Series, dated May 15, 1989	30,505
Water and Sewer Revenue Bonds, Series 1993, dated August 1, 1993	300,230
Water and Sewer Revenue Bonds, Series 1993, dated August 26, 1993	75,560
Water and Sewer Revenue Bonds, Series 1995, dated April 15, 1995	184,755
Water and Sewer Revenue Bonds, Series 1997 A, dated October 15, 1997	219,725
Water and Sewer Revenue Bonds, Series 1997 B, dated November 25, 1997	92,600
Water and Sewer Revenue Bonds, Series 1998, dated December 15, 1998	135,185
Water and Sewer Revenue Bonds, Series 1999, dated July 7, 1999	33,040
Water and Sewer Revenue Bonds, Series 1999 A, dated April 7, 1999	2,982
Water and Sewer Revenue Bonds, Series 2001 A and B dated November 15, 2001	285,920
Water and Sewer Revenue Bonds, Series 2003 dated March 18, 2003	376,165
Airport Revenue Bonds, Fifth Series, dated June 15, 1995	193,225
Airport Revenue Bonds, Series 1997 A and B dated July 1, 1997	164,605
Airport Revenue Bonds, Series 1998 A dated March 17, 1998	103,790
Airport Revenue Bonds, Series 1998 B dated July 1, 1998	434,765
Airport Revenue Bonds, Series 2001 A and B dated July 10, 2001	227,735
Gas Works Revenue Bonds, Eleventh Series C, dated January 1, 1989	32,257
Gas Works Revenue Bonds, Twelfth Series A, dated March 1, 1990	13,965
Gas Works Revenue Bonds, Fourteenth Series, dated February 1, 1993	24,545
Gas Works Revenue Bonds, Fifteenth Series, dated January 1, 1994	87,075
Gas Works Revenue Bonds, First Series, dated June 1, 1998	269,930
Gas Works Revenue Bonds, Sixteenth Series, dated June 1, 1999	60,650
Gas Works Revenue Bonds, Second Series, dated June 1, 1999	108,590
Gas Works Revenue Bonds, Third Series, dated June 1, 2001	120,225
Gas Works Revenue Bonds, Fourth Series, dated December 30, 2002	125,000
Gas Works Revenue Bonds, Seventeenth Series, dated April 2, 2003	<u>186,705</u>
	<u>3,950,129</u>

- (3) Refer to Purdon's Statutes 53 P.S. Sections 15721 - 727 - 728 - 761 - 763 and 781.

**CITY OF PHILADELPHIA**  
**CITY TAX SUPPORTED BONDED DEBT**  
**For the Fiscal Years 1994 through 2003**  
(Amounts in millions of USD)

**Table 8**

Line No.		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1	General Obligation Bonds	643.5	589.3	639.5	586.7	535.1	740.5	687.2	925.6	878.1	829.7
2	Revenue Bonds	<u>2,736.7</u>	<u>2,689.6</u>	<u>2,819.7</u>	<u>2,739.4</u>	<u>3,227.1</u>	<u>3,698.8</u>	<u>3,594.6</u>	<u>3,597.8</u>	<u>3,951.2</u>	<u>3,950.1</u>
3	Gross Bonded Debt	<u>3,380.2</u>	<u>3,278.9</u>	<u>3,459.2</u>	<u>3,326.1</u>	<u>3,762.2</u>	<u>4,439.3</u>	<u>4,281.8</u>	<u>4,523.4</u>	<u>4,829.3</u>	<u>4,779.8</u>
	Less Self-Supporting Debt and Available Assets:										
4	Self-Supporting General Obligation Bonds	151.4	135.9	116.9	100.6	81.4	65.8	47.0	30.2	22.8	18.8
5	Self-Supporting Bond Anticipation Notes	-	-	-	-	-	-	-	-	-	-
6	Revenue Bonds	<u>2,736.7</u>	<u>2,689.6</u>	<u>2,819.7</u>	<u>2,739.4</u>	<u>3,227.1</u>	<u>3,698.8</u>	<u>3,594.6</u>	<u>3,597.8</u>	<u>3,951.2</u>	<u>3,950.1</u>
7	Gross Self-Supporting Debt	<u>2,888.1</u>	<u>2,825.5</u>	<u>2,936.6</u>	<u>2,840.0</u>	<u>3,308.5</u>	<u>3,764.6</u>	<u>3,641.6</u>	<u>3,628.0</u>	<u>3,974.0</u>	<u>3,968.9</u>
8	Gross Tax Supported Bonded Debt (Line 3 less Line 7)	492.1	453.4	522.6	486.1	453.7	674.7	640.2	895.4	855.3	810.9
9	Less Sinking Funds of Tax Supported Bonds	1.9	2.0	-	-	-	-	-	-	-	-
10	Less Sinking Fund Assets Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-
11	Net Tax Supported Bonded Debt (Line 8 less Line 9 less Line 10)	<u>490.2</u>	<u>451.4</u>	<u>522.6</u>	<u>486.1</u>	<u>453.7</u>	<u>674.7</u>	<u>640.2</u>	<u>895.4</u>	<u>855.3</u>	<u>810.9</u>

**CITY OF PHILADELPHIA  
CITY AND GAS WORKS RELATED ANNUAL DEBT SERVICE ON LONG-TERM DEBT  
June 30, 2003**  
(Amounts in millions of USD)

**Table 9**

Fiscal Year	General Obligation Bonds												Revenue Bonds								
	Tax Supported			Self-Supporting			Total			Water and Sewer			Gas Works			Aviation Fund			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	43.1	40.5	83.6	4.0	0.5	4.5	47.1	41.0	88.1	67.9	88.1	156.0	40.1	47.7	87.8	33.6	60.4	94.0	141.6	196.2	337.8
2005	27.6	38.3	65.9	3.7	0.3	4.0	31.3	38.6	69.9	70.5	80.3	155.8	34.2	48.1	82.3	35.4	58.6	94.0	140.1	192.0	332.1
2006	16.8	36.9	53.7	1.4	0.2	1.6	18.2	37.1	55.3	76.3	85.3	156.4	39.2	46.6	85.8	37.3	56.7	94.0	152.8	183.4	336.2
2007	19.0	36.2	55.2	1.2	0.2	1.4	20.2	36.4	56.6	80.1	76.4	156.5	36.6	44.9	81.5	31.5	54.5	86.0	148.2	175.8	324.0
2008	23.3	35.3	58.6	1.3	0.2	1.5	24.6	35.5	60.1	83.7	72.9	156.6	39.4	43.0	82.4	33.3	52.8	86.1	156.4	168.7	325.1
2009	24.4	34.1	58.5	1.3	0.2	1.5	25.7	34.3	60.0	87.0	69.6	156.6	39.4	41.0	81.1	35.1	51.0	86.1	162.2	161.6	323.8
2010	25.5	32.9	58.4	1.4	0.1	1.5	26.9	33.0	59.9	90.6	66.1	156.7	39.8	38.9	78.7	36.9	49.1	86.0	167.3	154.1	321.4
2011	26.9	31.6	58.5	1.5	0.1	1.6	28.4	31.7	60.1	96.7	60.1	156.8	49.9	36.9	86.8	39.0	47.1	86.1	185.6	144.1	329.7
2012	28.2	30.2	58.4	1.3	0.1	1.4	29.5	30.3	59.8	104.0	52.6	156.6	42.1	35.2	77.3	41.1	44.9	86.0	187.2	132.7	319.9
2013	29.7	28.7	58.4	0.3	0.1	0.4	30.0	28.8	58.8	109.8	47.4	157.2	24.3	33.9	58.2	43.3	42.7	86.0	177.4	124.0	301.4
2014	31.3	27.2	58.5	0.2	0.1	0.3	31.5	27.3	58.8	115.5	41.9	157.4	37.2	32.2	69.4	45.7	40.3	86.0	198.4	114.4	312.8
2015	32.9	25.5	58.4	0.2	0.1	0.3	33.1	25.6	58.7	121.6	36.2	157.8	37.5	30.2	67.7	48.2	37.8	86.0	207.3	104.2	311.5
2016	30.7	23.9	54.6	0.2	0.1	0.3	30.9	24.0	54.9	126.8	31.4	158.2	37.9	28.2	66.1	44.7	35.1	79.8	209.4	94.7	304.1
2017	32.2	22.3	54.5	0.2	-	0.2	32.4	22.3	54.7	47.4	25.4	72.8	35.2	26.3	61.5	47.2	32.6	79.8	129.8	84.3	214.1
2018	33.8	20.8	54.6	0.2	-	0.2	34.0	20.8	54.8	49.9	23.1	73.0	35.6	24.5	60.0	48.9	30.0	78.9	134.4	77.5	211.9
2019	35.4	19.1	54.5	0.2	-	0.2	35.6	19.1	54.7	33.8	21.1	54.9	35.6	22.5	58.4	41.3	27.3	68.6	111.0	70.9	181.9
2020	37.2	17.3	54.5	0.2	-	0.2	37.4	17.3	54.7	35.2	19.6	54.8	36.2	20.6	56.8	43.6	25.0	68.6	115.0	65.2	180.2
2021	28.0	15.4	43.4	-	-	-	28.0	15.4	43.4	36.9	18.0	54.9	36.6	18.7	55.3	46.0	22.6	68.6	119.5	59.3	178.8
2022	29.4	14.1	43.5	-	-	-	29.4	14.1	43.5	38.8	16.3	55.1	37.0	16.8	53.8	48.5	20.1	68.6	124.3	53.2	177.5
2023	30.9	12.6	43.5	-	-	-	30.9	12.6	43.5	40.7	14.6	55.3	38.0	14.9	52.9	51.1	17.4	68.5	129.8	46.9	176.7
2024	32.4	11.0	43.4	-	-	-	32.4	11.0	43.4	26.9	12.7	39.6	38.3	13.0	51.3	53.9	11.6	68.5	119.1	40.3	159.4
2025	34.1	9.3	43.4	-	-	-	34.1	9.3	43.4	28.2	11.5	39.7	39.0	11.0	50.0	56.8	11.6	68.4	124.0	34.1	158.1
2026	28.5	7.6	36.1	-	-	-	28.5	7.6	36.1	29.7	10.2	39.9	34.1	9.2	43.3	43.8	8.5	52.3	107.6	27.9	135.5
2027	30.0	6.1	36.1	-	-	-	30.0	6.1	36.1	31.2	8.8	40.0	35.5	7.4	42.9	46.1	6.2	52.3	112.8	22.4	135.2
2028	31.4	4.6	36.0	-	-	-	31.4	4.6	36.0	19.3	7.8	27.1	33.6	5.7	39.3	42.3	3.7	46.0	95.2	17.2	112.4
2029	15.8	3.0	18.8	-	-	-	15.8	3.0	18.8	34.4	6.5	40.9	35.4	3.9	39.3	44.4	1.5	45.9	114.2	11.9	126.1
2030	16.6	2.2	18.8	-	-	-	16.6	2.2	18.8	36.2	4.8	41.0	21.9	2.5	24.4	2.5	0.3	2.8	60.6	7.6	68.2
2031	17.5	1.4	18.9	-	-	-	17.5	1.4	18.9	38.0	2.9	40.9	14.8	1.6	16.4	2.6	0.1	2.7	55.4	4.6	60.0
2032	18.3	0.5	18.8	-	-	-	18.3	0.5	18.8	40.0	1.0	41.0	15.5	0.8	16.3	-	-	-	55.5	1.8	57.3
2033	-	-	-	-	-	-	-	-	-	-	-	-	8.0	0.2	8.2	-	-	-	8.0	0.2	8.2
<b>Total</b>	<b>810.9</b>	<b>588.6</b>	<b>1,399.5</b>	<b>18.8</b>	<b>2.3</b>	<b>21.1</b>	<b>829.7</b>	<b>590.9</b>	<b>1,420.6</b>	<b>1,797.1</b>	<b>1,012.4</b>	<b>2,809.5</b>	<b>1,028.9</b>	<b>706.3</b>	<b>1,735.2</b>	<b>1,124.1</b>	<b>852.5</b>	<b>1,976.6</b>	<b>3,950.1</b>	<b>2,571.2</b>	<b>6,521.3</b>
Sinking Fund Assets Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11.8	16.1	27.9	11.8	16.1	27.9
Available City Sinking Fund Assets	-	-	-	-	-	-	-	-	-	158.0	0.8	158.8	96.6	-	96.6	56.4	4.6	61.0	311.0	5.4	316.4
<b>Net Debt</b>	<b>810.9</b>	<b>588.6</b>	<b>1,399.5</b>	<b>18.8</b>	<b>2.3</b>	<b>21.1</b>	<b>829.7</b>	<b>590.9</b>	<b>1,420.6</b>	<b>1,639.1</b>	<b>1,011.6</b>	<b>2,650.7</b>	<b>932.3</b>	<b>706.3</b>	<b>1,638.6</b>	<b>1,055.9</b>	<b>831.8</b>	<b>1,887.7</b>	<b>3,627.3</b>	<b>2,549.7</b>	<b>6,177.0</b>

**CITY OF PHILADELPHIA  
CITY AND GAS WORKS RELATED ANNUAL DEBT SERVICE ON LONG-TERM DEBT(Continued)  
June 30, 2003**  
(Amounts in millions of US\$)

**Table 9**

Fiscal Year	Total General Obligation and Revenue Bonds			Other Long-Term Obligations			Total Long-Term Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	188.7	237.2	425.9	103.7	94.1	197.8	292.4	331.3	623.7
2005	171.4	230.6	402.0	85.8	92.0	177.8	257.2	322.6	579.8
2006	171.0	220.5	391.5	91.2	89.3	180.5	262.2	309.8	572.0
2007	168.4	212.2	380.6	100.4	85.9	186.3	268.8	298.1	566.9
2008	181.0	204.2	385.2	97.4	81.8	179.2	278.4	286.0	564.4
2009	187.9	195.9	383.8	103.1	78.0	181.1	291.0	273.9	564.9
2010	194.2	187.1	381.3	120.3	73.3	193.6	314.5	260.4	574.9
2011	214.0	175.8	389.8	130.7	67.7	198.4	344.7	243.5	588.2
2012	216.7	163.0	379.7	141.0	61.4	202.4	357.7	224.4	582.1
2013	207.4	152.8	360.2	147.5	59.8	207.3	354.9	212.6	567.5
2014	229.9	141.7	371.6	149.8	57.9	207.7	379.7	199.6	579.3
2015	240.4	129.8	370.2	155.1	56.0	211.1	395.5	185.8	581.3
2016	240.3	118.7	359.0	152.7	54.0	206.7	393.0	172.7	565.7
2017	162.2	106.6	268.8	253.7	51.7	305.4	415.9	158.3	574.2
2018	168.4	98.3	266.7	152.1	49.7	201.8	320.5	148.0	468.5
2019	146.6	90.0	236.6	137.8	47.2	185.0	284.4	137.2	421.6
2020	152.4	82.5	234.9	128.6	45.8	174.4	281.0	128.3	409.3
2021	147.5	74.7	222.2	130.0	44.3	174.3	277.5	119.0	396.5
2022	153.7	67.3	221.0	131.4	43.0	174.4	285.1	110.3	395.4
2023	160.7	59.5	220.2	132.7	41.6	174.3	293.4	101.1	394.5
2024	151.5	51.3	202.8	134.3	40.1	174.4	285.8	91.4	377.2
2025	158.1	43.4	201.5	135.8	38.4	174.2	293.9	81.8	375.7
2026	136.1	35.5	171.6	137.4	36.8	174.2	273.5	72.3	345.8
2027	142.8	28.5	171.3	130.6	34.2	164.8	273.4	62.7	336.1
2028	126.6	21.8	148.4	134.6	26.2	160.8	261.2	48.0	309.2
2029	130.0	14.9	144.9	246.8	10.5	257.3	376.8	25.4	402.2
2030	77.2	9.8	87.0	22.9	1.9	24.8	100.1	11.7	111.8
2031	72.9	6.0	78.9	24.2	0.6	24.8	97.1	6.6	103.7
2032	73.8	2.3	76.1	-	-	-	73.8	2.3	76.1
2033	8.0	0.2	8.2	-	-	-	8.0	0.2	8.2
Total	4,779.8	3,162.1	7,941.9	3,611.6	1,463.2	5,074.8	8,391.4	4,625.3	13,016.7
Sinking Fund Assets Held by Fiscal Agent	11.8	16.1	27.9	-	-	-	11.8	16.1	27.9
Available City Sinking Fund Assets	311.0	5.4	316.4	-	-	-	311.0	5.4	316.4
Net Debt	4,457.0	3,140.6	7,597.6	3,611.6	1,463.2	5,074.8	8,068.6	4,603.8	12,672.4

**NOTES:**

- (a) Included in this amount is \$1.7 million issued for Port purposes which has been reclassified as Tax-Supported due to the sale of the Port Corporation.
- (b) Of this amount, Bonds have been issued for the following major purposes: Water and Sewer, \$10.4 million; Airport, \$5.1 million; Veterans Stadium, \$4 million and Subways, \$2.4 million. Issues for five other purposes account for the balance of \$5 million.
- (c) Interest on \$92.6 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 1.5210%. Interest on \$376.2 million Water and Sewer Variable Rate Bonds is based on the estimated interest rate of 4.52%.
- (d) In addition to the \$158.8 million available in Sinking Fund Assets, \$156.0 million has been reserved in the Water and Sewer Rate Stabilization Fund in accordance with the Seventh Supplemental Amendment to the General, Water and Sewer Revenue Bond Ordinance of 1974 as amended by Bill No. 544 dated June 24, 1993.
- (e) In addition to the \$88.9 million available in Sinking Fund Assets, \$2.5 million has been reserved in a Renewal, Replacement and Contingency Fund, which has been funded by the proceeds of the Series 1978 Aviation Revenue Bonds.

**CITY OF PHILADELPHIA  
CITY AND GAS WORKS RELATED SCHEDULE OF REVENUE BOND RATE COVENANT COMPLIANCE  
AS REQUIRED BY AUTHORIZING ORDINANCES  
For the Fiscal Years 1994 through 2003**

**Table 10**

(Amounts in millions of USD)

No.		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Water and Sewer Revenue Bonds											
1	Total Revenue and Beginning Fund Balance	379.2	376.8	387.4	394.4	411.1	393.9	391.8	380.6	390.8	454.2
2	Net Operating Expenses	209.3	197.9	216.8	228.7	228.6	233.9	237.8	242.6	242.9	250.2
3	Transfer To (From) Rate Stabilization Fund	42.6	25.9	24.3	20.9	30.7	(15.4)	(22.4)	(39.4)	(26.3)	16.8
4	Net Revenues	127.3	153.0	146.3	144.8	151.8	175.4	176.4	177.4	174.2	187.2
Debt Service:											
5	Revenue Bonds Outstanding	102.7	127.1	121.2	120.8	126.5	146.2	147.0	147.8	145.2	156.1
6	General Obligation Bonds Outstanding	7.4	6.1	5.2	3.9	3.1	2.3	1.5	1.3	0.6	-
7	Pennvest Loan	0.3	1.1	1.1	1.3	1.1	1.2	1.2	1.3	1.6	1.2
8	Total Debt Service	110.4	134.3	127.5	126.0	130.7	149.7	149.7	150.4	147.4	157.3
9	Net Revenue after Debt Service	16.9	18.7	18.8	18.8	21.1	25.7	26.7	27.0	26.8	29.9
10	Transfer to General Fund	2.4	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
11	Transfer to Capital Fund	14.5	14.6	14.8	14.8	15.0	15.6	15.9	15.9	16.0	16.0
12	Transfer to Residual Fund	-	-	-	-	1.9	6.0	6.6	7.0	6.6	9.8
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.24	1.20	1.21	1.20	1.20	1.20	1.20	1.20	1.20	1.20
	Coverage B (Line 4/Line 8 + Line 11)	1.02	1.03	1.03	1.03	1.04	1.06	1.07	1.07	1.07	1.08
Airport Revenue Bonds											
1	Project Revenues	102.4	96.6	103.9	109.4	108.2	124.5	130.4	148.0	146.5	168.4
2	Net Operating Expenses	38.3	33.4	38.8	41.2	41.2	47.0	51.8	59.6	56.3	67.0
3	Interdepartmental Charges	28.6	30.2	28.8	31.6	32.3	41.5	35.3	36.0	39.7	46.1
4	Total Expenses	66.9	63.6	67.6	72.8	73.5	88.5	87.1	95.6	96.0	113.1
Available for Debt Service:											
5	Revenue Bonds (Line 1-Line 2)	64.1	63.2	65.1	68.2	67.0	77.5	78.6	88.4	90.2	101.4
6	All Bonds (Line 1-Line 4)	35.5	33.0	36.3	36.6	34.7	36.0	43.3	52.4	50.5	55.3
Debt Service:											
7	Revenue Bonds	28.1	26.8	27.4	27.6	25.3	29.7	36.5	44.8	47.3	51.9
8	General Obligation Bonds	7.3	5.6	7.2	6.2	7.2	5.2	5.7	5.7	2.0	1.4
9	Total Debt Service	35.4	32.4	34.6	33.8	32.5	34.9	42.2	50.5	49.3	53.3
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 5/Line 7)	2.28	2.36	2.38	2.47	2.65	2.61	2.15	1.97	1.91	1.95
	Total Debt Service - Test "B" (Line 6/Line 9)	1.00	1.02	1.05	1.08	1.07	1.03	1.03	1.04	1.02	1.04
Gas Works Revenue Bonds											
1	Funds Provided by Operations and Other Income	539.5	580.0	509.6	583.1	557.5	503.8	495.2	574.7	758.1	621.2
2	Funds Applied to Operations	425.4	479.3	397.7	458.3	445.6	409.9	407.0	472.8	648.4	511.4
3	Internally Generated Funds Available to Cover Debt Service	114.1	100.7	111.9	124.8	111.9	93.9	88.2	101.9	109.7	109.8
4	Revenue Bond Debt Service	71.4	68.9	77.2	80.9	74.5	61.9	57.7	59.3	81.0	86.4
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 3/Line 4)	1.60	1.46	1.45	1.54	1.50	1.52	1.53	1.72	1.35	1.27
	Total Debt Service - Test "B" (Line 3/Line 4)	1.60	1.46	1.45	1.54	1.50	1.52	1.53	1.72	1.35	1.27

(1) In Fiscal 1994, the City issued \$1,158 million in Water Revenue Bonds. Part of this sale was used to defease debt secured under a 1974 Ordinance. The new bonds are governed by a 1989 Ordinance that changed the rate covenant requirements for the Water Revenue Bonds. The rate covenant for the Water issue permits inclusion of Unencumbered Fund Balance along with Total Revenues. The rate covenant of the Aviation issues permit inclusion of Unencumbered Project Fund Balances at the beginning of the period with Project Revenues for the period to determine adequacy of coverage; Gas Works rate covenants do not permit this item.

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

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

**CITY OF PHILADELPHIA**  
**COMPARATIVE SCHEDULE OF OPERATIONS**  
**Municipal Pension Fund**  
**For the Fiscal Years 1994 through 2003**  
(Amounts in millions of US\$)

Table 11

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Revenue:										
Contributions:										
Employees:										
Members' Contributions	44.3	9.6	44.2	10.1	45.6	7.2	47.0	4.9	48.0	6.7
Less: Refunds to Members	4.3	0.9	3.7	0.8	3.8	0.6	3.8	0.4	3.2	0.4
Net Members' Contributions	40.0	8.6	40.5	9.2	41.8	6.6	43.2	4.5	44.8	6.3
Employers:										
City of Philadelphia	233.7 (2)	50.5	212.8	48.5	222.5	35.3	237.0	24.8	252.0	35.3
Commonwealth of Pennsylvania										1,506.8 (5)
Through City of Philadelphia										
Quasi Governmental Agencies	2.8	0.6	4.6	1.0	4.8	0.8	5.2	0.5	5.0	0.7
Total Employer's Contributions	236.5	51.1	217.4	49.5	227.3	36.0	242.2	25.3	257.0	36.0
Commonwealth of Pennsylvania	2.7	0.6	1.3	0.3	4.5	0.7	-	-	-	4.9
Total Contributions	279.2	60.4	259.2	59.0	273.6	43.4	285.4	29.8	301.8	42.3
Investment Earnings	182.9	39.5	178.9	40.8	356.4	56.5	669.9 (3)	70.1	411.8	57.6
Other	0.5	0.1	0.9	0.2	0.8	0.1	0.3	0.1	0.4	0.1
Total Revenue	462.6	100.0	439.0	100.0	630.8	100.0	955.6	100.0	714.0	100.0
Deductions:										
For Pension Benefits	326.2		338.6		353.4		372.0		383.3	
Net Decline in Fair Value of Investments	-		-		-		-		-	
For Other Purposes, Excluding Refunds	26.8 (1)		28.1 (1)		21.4 (1)		13.6		2.9 (4)	
Total Deductions	353.0		366.7		374.8		385.6		386.2	
Excess of Revenue Over Deductions	109.6		72.3		256.0		570.0		327.8	
Net Assets: Opening	1,913.1		2,022.7		2,085.0		2,351.0		2,921.0	
Closing	2,022.7		2,095.0		2,351.0		2,921.0		3,248.8	
Increase (Decrease) During the Year	109.6		72.3		256.0		570.0		327.8	
EXHIBIT:										
1. Pension Benefits Paid as a Percent of										
A. Net Contributions of Members	815.5		836.0		845.5		861.1		855.6	
B. Revenue	70.5		77.1		56.0		38.9		53.7	
C. Closing Net Assets	16.1		16.2		15.0		12.7		11.8	
2. The Closing Assets as a Percent of										
Total Disbursements	573.0		571.3		627.3		757.5		1,083.6	
3. Coverage of Revenues Over Disbursements	131.0		119.7		168.3		247.8		442.5	
4. Investment Earnings as a Percent of										
Pension Benefits	56.1		52.8		100.8		180.1		88.2	

Notes:

- (1) Disbursements for Other Purposes include losses due to the permanent decline in market value of some investments. These losses amounted to \$34.2 million in Fiscal 1993, \$14.4 million in Fiscal 1994, \$15.2 million in Fiscal 1995 and \$9.3 million in Fiscal 1996.
- (2) Includes additional payments toward the Unfunded Actuarial Accrued Liability of \$10.0 million in Fiscal 1994 and \$15.0 million in Fiscal 2000
- (3) Included in this figure is \$354.2 million attributable to the recognition of the fair value of the investments at June 30, 1997 according to generally accepted accounting principles.
- (4) Disbursements for Other Purposes includes a reduction of \$1 million due to the reversal of charges made in previous fiscal years
- (5) Includes \$1,250 million from the sale of Pension Funding obligations.



**CITY OF PHILADELPHIA**  
**PROPERTY VALUES, AUTHORIZED CONSTRUCTION AND BANK DEPOSITS**  
**For the Calendar Years 1994 through 2003**  
(Amounts in millions of USD)

**Table 12**

Calendar Year	Property Values		Authorized Construction (1)				Bank Deposits (2)		
	Original assessed (3)	Estimated Market (4)	Residential	Commercial & Industrial	Other(5)	Total	New Housing Units	Commercial	Mutual Savings
1994	9,516	33,057	89.7	304.9	54.3	448.9	262	20,195	1,979
1995	9,410	32,912	82.5	298.6	53.7	434.8	253	19,077	3,627
1996	9,266	32,863	124.5	457.6	163.2	745.3	636	20,587	3,703
1997	9,275	33,918	101.9	382.2	176.7	660.8	509	26,351	3,848
1998	9,220	37,052	316.2	753.9	196.3	1,266.4	594	25,906	3,326
1999	9,273	39,965	N/A	N/A	N/A	N/A	N/A	22,922	4,405
2000	9,527	39,405	N/A	N/A	N/A	N/A	N/A	18,531	4,576
2001	9,867	37,679	N/A	N/A	N/A	N/A	N/A	21,101	4,690
2002	10,300	39,150	N/A	N/A	N/A	N/A	N/A	16,872	9,384
2003	10,819	NA	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**NOTES:**

(1) Source: City of Philadelphia Department of Licenses and Inspections

(2) Source: Federal Deposit Insurance Corporation

(3) See Table 4

(4) See Table 3

(5) Includes construction by Government, Industrial, Medical and Educational Units

**CITY OF PHILADELPHIA  
DEMOGRAPHIC STATISTICS  
For the Calendar Years 1993 through 2002**

**Table 13**

<u>Year</u>	<u>Population</u> (1)	<u>Per Capita Personal Income</u> (2)	<u>Unemployment Rate</u> (3)
1993	1,539,148	20,000	9.5%
1994	1,519,562	19,945	8.0%
1995	1,496,334	20,513	7.7%
1996	1,471,593	21,338	7.1%
1997	1,451,652	21,916	7.0%
1998	1,434,968	23,116	6.3%
1999	1,417,601	23,955	6.1%
2000	1,517,550	25,243	5.8%
2001	1,501,777	25,954	6.2%
2002	1,492,231	NA	7.6%

**POPULATION TREND  
1940 to 2000 (4)**

<u>Year</u>	<u>Population</u>
1940	1,931,334
1950	2,071,605
1960	2,002,512
1970	1,850,000
1980	1,688,210
1990	1,585,577
2000	1,517,550

Sources:

(1) U.S. Department of Commerce, Bureau of the Census and Wharton Econometric Forecasting Associates

(2) U.S. Dept. of Commerce, Bureau of Economic Analysis. *Amounts in USD.*

(3) U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics

(4) U.S. Department of Commerce, Bureau of the Census

**CITY OF PHILADELPHIA**  
**TEN LARGEST REAL ESTATE ASSESSMENTS**  
**January 1, 2003**  
(Amounts in thousands of USD)

**Table 14**

<u>Location</u>	<u>Owner</u>	<u>Assessment</u>	<u>Percentage of Total Assessments</u>
1650 Market Street	Phila. Liberty Place	64,320	0.61%
1500-42 Market Street	Center Square Partners	59,520	0.56%
50 S. 16th Street	Two Liberty Place	56,000	0.53%
1735 Market Street	Nine Penn Center Associates	54,080	0.51%
4301 Byberry Road	PMI Associates	48,432	0.46%
1717 Arch Street	Bell Atlantic	45,120	0.42%
1901-19 Market Street	PRU 1901 Market LLC	32,896	0.31%
2005 Market Street	Commerce Square Partners	32,320	0.30%
2001 Market Street	Maguire/Thomas	32,000	0.30%
1201 Market Street	Philadelphia Market Street	<u>30,400</u>	<u>0.29%</u>
		<u>455,088</u>	<u>4.28%</u>
Total Taxable Assessments		<u>10,621,122</u>	100.00%

**CITY OF PHILADELPHIA**  
**LARGEST NON-GOVERNMENTAL EMPLOYERS IN PHILADELPHIA**  
**December 31, 2003**  
(Listed Alphabetically)

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**Table 15**

Albert Einstein Medical  
Aramark Food & Support Services Group  
Cardone Industries, Inc.  
Children's Hospital of Philadelphia  
Comcast Corporation  
Delaware Management Business Trust  
Drexel University  
First Union Services  
Frankford Hospital  
Independence Blue Cross  
Philadelphia Newspapers Inc.  
Rohm & Haas Company  
Southeastern Pennsylvania Transportation Authority  
Smith Kline Beecham Corporation  
Sunoco, Inc.  
Temple University  
Temple University Hospital Inc.  
Tenet Health System Philadelphia Inc.  
Tenet Phila Health & Ed ( MCP Hahnemann)  
Thomas Jefferson University  
Thomas Jefferson University Hospitals  
Towers, Perrin, Forster & Crosby, Inc.  
University of Pennsylvania  
University of Pennsylvania Hospital  
Verizon Services Corporation

Source:  
Philadelphia Department of Revenue

<b>Date Founded</b> .....	1682
<b>Form of Government</b> .....	Council-Mayor
<b>Area of City - Square Miles</b> .....	129
<b>Fire Protection:</b>	
Number of Stations .....	63
Number of Firefighters .....	2,084
<b>Emergency Medical Service:</b>	
Number of Rescue Units .....	40
Number of Medical Personnel .....	320
<b>Police Protection:</b>	
Number of Districts .....	27
Number of Police Officers .....	7,200
<b>Water System:</b>	
Number of Accounts .....	478,183
Average Daily Consumption - Gallons .....	182,800,000
Average Daily Production - Gallons .....	270,100,000
Miles of Water Mains .....	3,168
Area Serviced - Square Miles (1) .....	130
<b>Wastewater System:</b>	
Number of Accounts .....	473,286
Miles of Sewer .....	2,869
Area Serviced - Square Miles (1) .....	360
<b>Philadelphia International Airport:</b>	
Passengers Handled .....	24,232,804
Air Cargo Tons .....	565,653
Aircraft Movements .....	454,428
Air Mail Tons .....	24,030
<b>Northeast Philadelphia Airport:</b>	
Aircraft Movements .....	200,330
<b>Recreation and Culture:</b>	
Recreation Centers (3) .....	195
Swimming Pools .....	86
Ice Rinks .....	5
Other Recreational Facilities .....	353
Special Facilities (2) .....	13
School Gyms throughout Fall and Spring .....	140

(1) Service Area extends into the suburbs.  
 (2) Includes Stadia, Museums, Open Air Theatres, etc.  
 (3) Includes 144 playgrounds