

City of Philadelphia Pennsylvania



Comprehensive Annual Financial Report

John F. Street
Mayor

Vincent J. Jannetti
Acting Director of Finance

**Fiscal Year Ended
June 30, 2004**

Office of the Director of Finance

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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

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Philadelphia, PA 19102-1693

VINCENT J. JANNETTI
Acting Director of Finance

January 28, 2005

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

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2004 is hereby submitted. This year the City implemented *Government Accounting Standards Board (GASB) Statement #39 - Determining Whether Certain Organizations Are Component Units*. 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). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 129 square miles along the Delaware River, serves a population in excess of 1.4 million, and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties. The City is governed largely under the Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951 and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council 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. It also incorporates the discretely presented statements of the Philadelphia Gas Works, the Philadelphia Parking Authority, the Pennsylvania Convention Center Authority, Penn's Landing Corporation, the School District of Philadelphia, the Philadelphia Authority for Industrial Development, the Community College of Philadelphia, the Philadelphia Housing Authority, the Redevelopment Authority of Philadelphia and Community Behavioral Health, Inc.. 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*.

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 control 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, 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. A more comprehensive analysis of these factors is available in the City's five year financial plan which is presented by the Mayor each year pursuant to the Pennsylvania Intergovernmental Cooperation Act. The City's five year financial plan is available online on the City's website, www.phila.gov.

Local Economy

Nationally, employment has been slow to recover from the recession that began in early 2001. Since a majority of the City's tax revenues are from the wage tax, this delayed recovery in employment has serious implications for the City's finances. National employment in 2003 was 1.4 percent lower than 2001 employment, and monthly employment gains beginning in September 2003 have been moderate and lower than increases in the labor force due to population growth. Over the last three years the city has lost jobs along with the rest of the nation. Employment in Philadelphia reached an eight-year peak in the first half of 2000 and has been declining ever since, shedding approximately 19,500 jobs as of December 2003, or over 2.8 percent of the peak total.

According to the U.S. Census Bureau, Philadelphia's population losses continue into the 21st century. The 2000 Census confirmed that Philadelphia had lost 68,027 residents, or 4.3 percent of the population since

1990. This was not as severe as the 10 percent loss predicted by the Census Bureau's Current Population Survey estimates, and it was not as severe on a numeric or percentage basis as the losses of the 1970s and 1980s. Nevertheless, while other cities in the region such as Baltimore, Buffalo, Cleveland, Detroit, Pittsburgh, and Washington, D.C. experienced greater rates of population loss over the same period, a few major center cities in the Northeast and Midwest such as New York City, Boston, and Chicago actually gained population. The most recent Census data estimates that Philadelphia continued to lose population from 2000 to 2002 at a 1.7 percent rate. Only Detroit is estimated to have lost a greater number of residents among the twenty largest cities and regional comparables Pittsburgh and Washington, D.C., while Detroit, Baltimore and Pittsburgh are estimated to have lost a greater percentage of residents. There is a strong regional trend among these comparable cities, as nine of the thirteen cities with population growth are in the South or West Census region, and seven of the nine with population losses are in the Northeast or Midwest. Although the 2000 Census results showed that interim Census estimates can be unreliable, the estimates are troubling nonetheless.

Census demographic data indicates that the nature of Philadelphia's population loss negatively impacts both the City of Philadelphia's tax base and its service demands. Contrary to regional and national trends, key indicators of economic health continued to deteriorate in Philadelphia between the 1990 Census and the 2000 Census. Median household income declined by over five percent in Philadelphia over this period after adjusting for inflation, while the inflation-adjusted median household income increased in the four Pennsylvania suburban counties, as well as the state and nation as a whole. In addition, the poverty rate in Philadelphia increased over this period, even as it fell in the rest of the state and nation. While Philadelphia contains 39 percent of the population for the five-county region, it holds fully 75 percent of the region's poor residents. This data indicates that the net population loss in Philadelphia is disproportionately made up of middle-income residents, leaving behind a population that is proportionately poorer, less able to contribute to the tax base, and more in need of public services.

Long Term Financial Planning

The Street Administration has a goal of creating a dynamic economy with more jobs. To achieve this ambitious goal, the City will need to reach out to the larger civic and business communities to collectively create an economic development blueprint for the city's future. The Commerce Department helped launch this process of establishing an economic development roadmap by convening an Economic Development Summit. The summit allowed all of the stakeholders in the city's diverse economy to come together to share individual perspectives on a strategy for future economic growth and prosperity. Once that input is collected, the Street Administration will complete an economic development blueprint that can guide decisions and future strategies on how to invest scarce public resources to achieve maximum economic impact.

The initiatives presented below represent the City's on-going efforts to address the challenges to economic development in Philadelphia. These initiatives will be refined and guided by the results of the Summit.

A key objective of the Commerce Department's strategy is lowering the cost of conducting business in the City. In addition to continued tax reductions and tax abatements for new construction, the City will reduce regulatory burdens, streamline internal service delivery mechanisms and begin to incorporate additional City services online.

The City recognizes the potential future value of the information technology, biotechnology, telecommunication, and life sciences industries within Philadelphia and will continue to guide development of these industries.

- **Create a more vibrant entrepreneurial environment through Innovation Philadelphia.**

In FY01 the Street Administration joined forces with the leadership of its largest private employer and academic research institution (the University of Pennsylvania), its largest technology-oriented company (Comcast Corporation) and its largest life sciences company (GlaxoSmithKline) to create Innovation Philadelphia (IP) (www.ipphila.com). IP, which received \$2.5 million in start-up

money from the City, is a private/public partnership that provides resources to grow, attract, and retain entrepreneurs and technology-based companies in the region. IP assists entrepreneurs, technology-based companies and university researchers with access to traditional seed capital, alternative funding sources, research, and workforce resources through investment funds, commercialization programs, entrepreneurial research and resource publications. IP directs its resources towards strategic industries that include bioscience/biotechnology, information technology, nanotechnology, healthcare, systems integration, pharmaceutical, financial services and communications as well as the discovery of new emerging technologies. Through partnerships and support from academia, government and private industry, IP strives to grow the region's Global Innovation Economy. In FY04 and FY05, IP will direct its efforts toward four major goals designed to address the needs of entrepreneurs and early-stage technology companies in the Greater Philadelphia region. IP will work to increase the number of knowledge-based companies in the area by providing business assistance to technology-based start-up companies and by soliciting and recruiting national and international companies currently located elsewhere.

A second goal is to increase the quantity and quality of the high-skilled/high-paying Knowledge Economy work force and stimulate "Brain Gain." To achieve this, IP will continue to lead the CareerPhilly student retention program that attempts to retain knowledge workers graduating from area colleges through marketing efforts and internship coordination and placement programs. Third, IP will also pilot a program to recruit and develop senior managers to adopt technology being developed at area universities and convert that technology into commercial opportunities. IP will continue its successful efforts to develop and grow entrepreneurial financing resources by raising additional venture capital funds, grants, and awards, and by closing investment transactions. Finally, IP plans to leverage the resources among government, academia, and industry to accelerate technology commercialization and wealth creation by leading or participating in marketing and promotion efforts, publishing materials, and participating in major policy discussions.

• **Support new incubator development.**

The best way to ensure that the City becomes home to new technologies is to grow the industry locally. Business incubators, which provide expandable office space, technical and administrative support services, and direction on securing grants and financing, are launching pads for major corporations. In FY00, the Port of Technology opened with the assistance of \$1 million of City capital support, the first of five planned buildings that will serve as incubators. The 144,000 square foot Port of Technology, now called the Science Center Port, was 80 percent leased when the project was completed in September 2000. The Port is the region's premier full-service business accelerator, targeting life science and technology companies in their early stages. The Port provides local companies with business strategy assistance and access to capital. Other incubator development around the city includes the Enterprise Center in West Philadelphia, which is fostering minority entrepreneurship in the region, the conversion of an abandoned factory in Northern Liberties, and plans by the University of Pennsylvania for a facility at the former U.S. Post Office building at 31st and Market Street.

Over the past 50 years, Philadelphia has experienced a decline in population, employment and business growth. As the population density dropped and some residential areas began to deteriorate, the abandonment of once thriving commercial strips soon followed. The cycle of economic disinvestment and the failure of small businesses to compete with large retail and commercial chains have caused many commercial corridors to become vacant or dilapidated. While social and economic conditions were partially caused by the loss of employment opportunities, they are now reasons why businesses are discouraged from locating in some commercial corridors.

A proposed new \$500 million economic development fund, which will include financial incentives, targeted outreach through place-based initiatives and major infrastructure improvements, will be implemented in conjunction with the Neighborhood Transformation Initiative (NTI) to tackle the

challenges presented by declining neighborhoods, and to create new neighborhoods. The Street Administration will put as much emphasis on attracting and retaining small and mid-size companies in neighborhoods as it does on attracting and retaining major corporations, and will continue to support the diminished but significant manufacturing and industrial sector. The City will also continue to support the burgeoning distribution/warehouse sector of the economy, which provides living-wage jobs for residents.

The Pennsylvania Convention Center (PCC) has been a driver of the City's hospitality and tourism sector growth. If the City's Hospitality and Tourism industry is to survive and thrive, the Convention Center's expansion must be funded. Although a major labor agreement in 2003 appears to have eased the Center's well-publicized chronic labor problems, the PCC's ability to attract future conventions has been threatened by several years of labor inefficiencies and the resulting elevated labor costs. This situation has placed the Center at a competitive disadvantage with other major cities and resulted in a rebooking rate reported at 17 percent, while successful convention centers nationwide rebook about 75 percent of annual business. The Center is also limited by its capacity. Philadelphia ranks 18th in exhibit hall size in the nation and will have trouble competing against the regional convention centers in Atlantic City, Baltimore and Washington D.C, or the soon to be completed center in Boston, several having more useable space than the Pennsylvania Convention Center. The current business generated by the PCC does not satiate the supply of hotel rooms in Center City. The number of hotel rooms in Center City has increased from 6,700 rooms in June 1993, when the PCC opened, to 10,500 rooms. According to the May 2002 Lodging Survey Report conducted by the Greater Philadelphia Hotel Association, hotel occupancy has decreased substantially as a result of this dramatic increase in supply. Occupancy rates averaged just 65.4 percent in 2003 compared with 73 percent in 1997. Establishing Philadelphia as a premier convention and tourist destination is key to capitalizing on the hospitality infrastructure in place. With labor management issues resolved, expanding the Convention Center is essential to the City's efforts to draw an increasing number of guests to Philadelphia's hotels.

Philadelphia International Airport (PHL) (www.phl.org) is also a significant economic generator for the City and the region. According to an economic impact study conducted in August 2001, over 147,000 jobs and over \$7.38 billion per year in spending can be attributed to PHL. This has enabled PHL to become a world-class airport and as a result, in 2001, the *Wall Street Journal* named PHL one of the "Best Airports" in the United States, receiving a four-star rating, the highest rating possible. However, the Airport's limited airfield space poses a competitive disadvantage. PHL's own surveys indicate that delays often occur at peak periods because jet activity exceeds available runway space. Without additional jet runway space, PHL will have additional delays and increased airline expenses resulting from additional fuel usage, additional crew time costs, and costs associated with accommodating delayed passengers. Most importantly, tourism, convention business, and the attractiveness of Philadelphia to prospective new companies are all hurt by the perception of an inconvenient airport hampered by delays.

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 Airports, the Philadelphia Gas Works and the remaining component units are principally insured through insurance carriers.

Pension and Other Post-employment 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 fourth 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, 2003. 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,



Vincent J. Jannetti
Acting Director of Finance

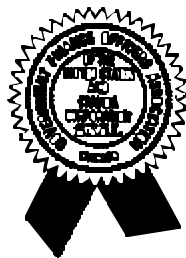
Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Philadelphia,
Pennsylvania**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003**

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.



Nancy L. Zialka

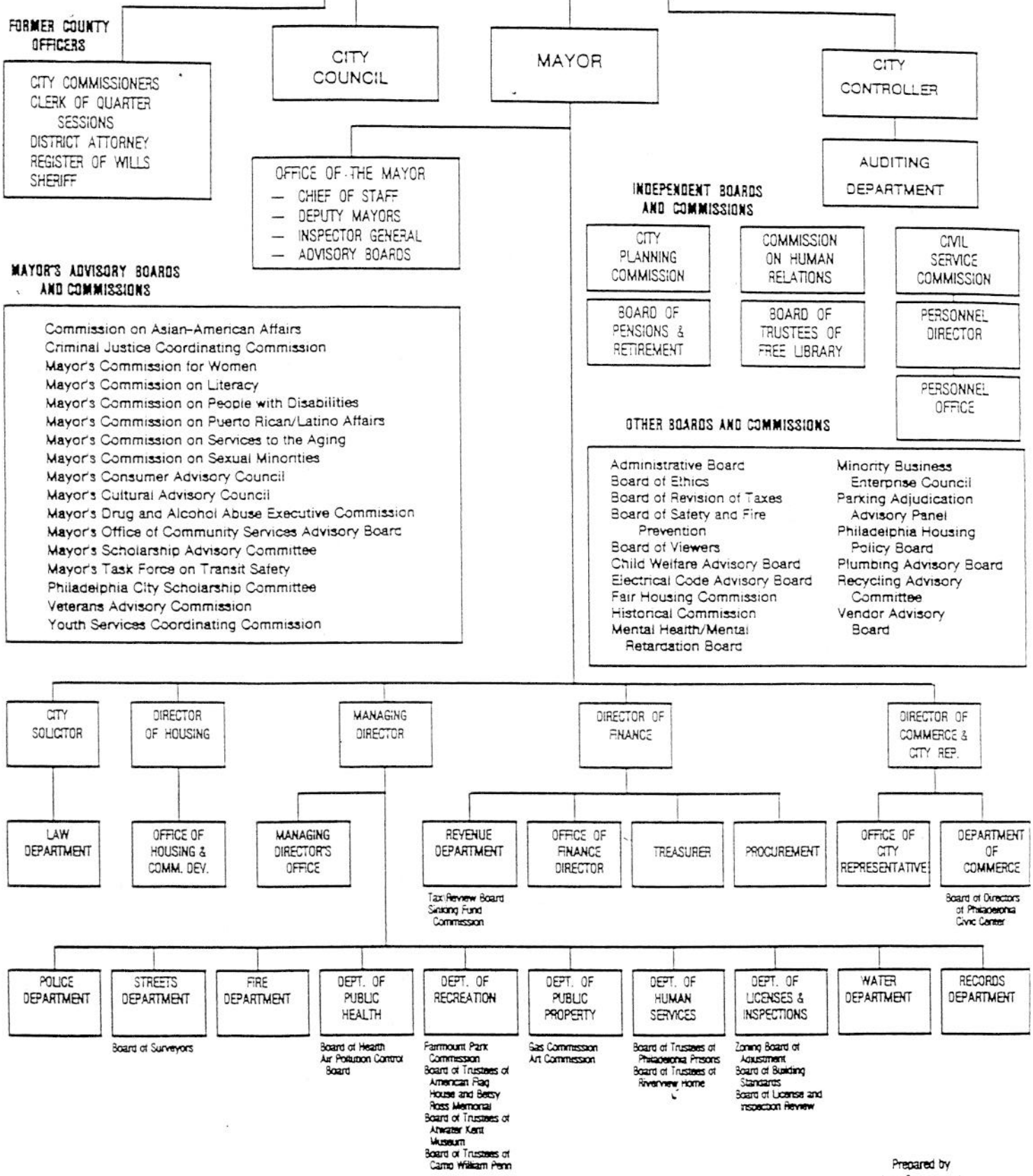
President

Jeffrey R. Emery

Executive Director

ORGANIZATION OF PHILADELPHIA'S CITY GOVERNMENT

VOTERS



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



Elected Officials

Mayor	John F. Street
<u>City Council</u>	
Council President, 2nd District.....	Anna Cibotti Verna
Councilman, 1st District.....	Frank DiCicco
Councilwoman, 3rd District.....	Jannie L. Blackwell
Councilman, 4th District	Michael A. Nutter
Councilman, 5th District	Darrell L. Clarke
Councilwoman, 6th District.....	Joan L. Krajewski
Councilman, 7th District	Rick Mariano
Councilwoman, 8th District.....	Donna Reed Miller
Councilwoman, 9th District.....	Marian B. Tasco
Councilman, 10th District.....	Brian J. O'Neill
Councilman-at-Large	David Cohen
Councilman-at-Large	W. Wilson Goode, Jr.
Councilman-at-Large	Jack Kelly
Councilman-at-Large	James F. Kenney
Councilman-at-Large	Juan Ramos
Councilwoman-at-Large	Blondell Reynolds Brown
Councilman-at-Large	Frank Rizzo
District Attorney	Lynne M. Abraham
City Controller	Jonathan A. Sidel
<u>City Commissioners</u>	
Chairperson.....	Margaret M. Tartaglione
Commissioner	Joseph Duda
Commissioner	Edgar Howard
Register of Wills	Ronald R. Donatucci
Clerk of Quarter Sessions	Vivian T. Miller
Sheriff	John Green
<u>First Judicial District of Pennsylvania</u>	
President Judge Court of Common Pleas	Federica A. Massiah-Jackson
President Judge Municipal Court.....	Louis J. Presenza
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	Philip R. Goldsmith
City Representative and Director of Commerce	Stephanie Naidoff
City Solicitor	Pedro A. Ramos
Secretary of External Affairs	George R. Burrell, Jr.
Secretary of Education	Debra Kahn
Chief Information Officer.....	Dianah Neff
City Planning Commissioner	Maxine Griffith
Director of Housing.....	Deborah McColloch
Executive Director of the Sinking Fund	Vincent J. Jannetti
Acting City Treasurer	John Nacchio
Revenue Commissioner	Nancy A. Kammerdeiner
Procurement Commissioner	William Gamble
Secretary of Public Safety.....	Sylvester Johnson
Streets Commissioner	Clarena Tolson
Fire Commissioner	Harold B. Hairston
Health Commissioner	John Domzalski
Recreation Commissioner.....	Victor Richard III
Public Property Commissioner	Joan Schlotterbeck
Acting Human Services Commissioner	Cheryl Ransom
Acting Licenses and Inspections Commissioner	Robert D. Solvibile, Sr.
Water Commissioner	Bernard Brunwasser
Records Commissioner.....	Joan T. Decker
Personnel Director.....	Lynda Orfanelli





CITY OF PHILADELPHIA

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(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, 2004, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our 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 the 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.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

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, 2004, 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.


In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 26, and the major funds budgetary comparison schedules, the pension plans-schedule of funding progress, and the related notes to required supplementary information, on pages 102 through 106, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia's basic financial statements. The introductory section, combining nonmajor fund financial 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 nonmajor fund financial 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.

January 26, 2005


ALBERT F. SCAPEROTTO, CPA
Deputy City Controller


JONATHAN A. SAIDEL, CPA
City Controller



City of Philadelphia, Pennsylvania Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2004 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 US dollars, unless otherwise indicated.

Financial Highlights

- At the end of the current fiscal year, the City of Philadelphia's *net assets* were \$1,088,359 resulting from an excess of its assets over its liabilities, however, its *unrestricted net assets* showed a deficit of \$615,779. 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 \$279,094. During fiscal year 2004, the governmental activities of the city experienced a decrease of \$307,385, while the business type activities had an increase of \$6,651 and an increase due to a prior period adjustment of \$21,640.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$566,720, a decrease of \$93,495 from last year. The *unreserved fund balance* of the governmental funds ended the fiscal year with a surplus of \$34,163. Primarily, this was caused by a deficit in the general fund in the amount of \$228,890 and an increase of \$157,578 in the capital projects fund from the sale of general obligation bonds to finance capital projects.
- The overall unreserved fund balance of the city's general fund ended the fiscal year with a deficit of \$148,145. The unreserved fund balance of the general fund decreased from last year by \$140,220 principally due to increased spending which outpaced revenue. General fund revenues for the current fiscal year were \$2,880,533 as compared to \$2,874,444 for the prior year (an increase of less than 1%), while expenditures amounted to \$3,203,934 compared to \$3,105,773 for last year (an increase of 3%).
- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a deficit fund balance of \$46,789, as compared to a positive balance of \$91,329 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 Management's Discussion & 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 ten distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, the Convention Center Authority, Gas Works, Housing Authority, 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

Management's Discussion & 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>Fund Statements</u>			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire city government (except fiduciary funds) and city's component units	Activities of the city that are not proprietary or fiduciary in nature, such as fire, police, refuse collection	Activities the city operates similar to private businesses, 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
Required Financial Statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis/ measurement focus	Accrual accounting Economic resources	Modified accrual accounting Current financial resources	Accrual accounting Economic resources	Accrual accounting Economic resources
Type of asset and liability information	All assets and liabilities, financial and capital, short and long term	Only assets expected to be used up and liabilities that come due during the current year or soon thereafter; no capital assets are included	All assets and liabilities, financial and capital, short and long term	All assets and liabilities, both short and long term; there are currently no capital assets, although there could be in the future
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Only revenues for which cash is received during the year or soon after the end of the year; only expenditures when goods or services are received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

City of Philadelphia Management's Discussion & 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 \$1,088,359.

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, \$715,988. 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, \$988,150, 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 \$615,779. The governmental activities reported negative *unrestricted net assets* of \$707,044 . Any deficits will have to be funded from future revenues. The business type activities reported a positive unrestricted net assets of \$91,265 .

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

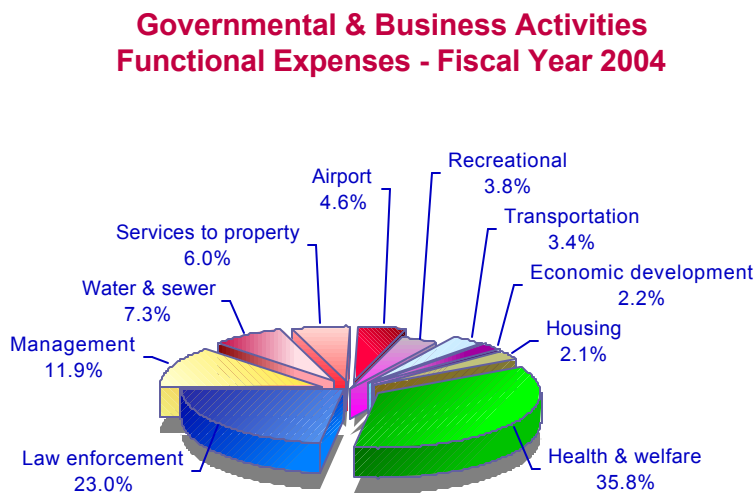
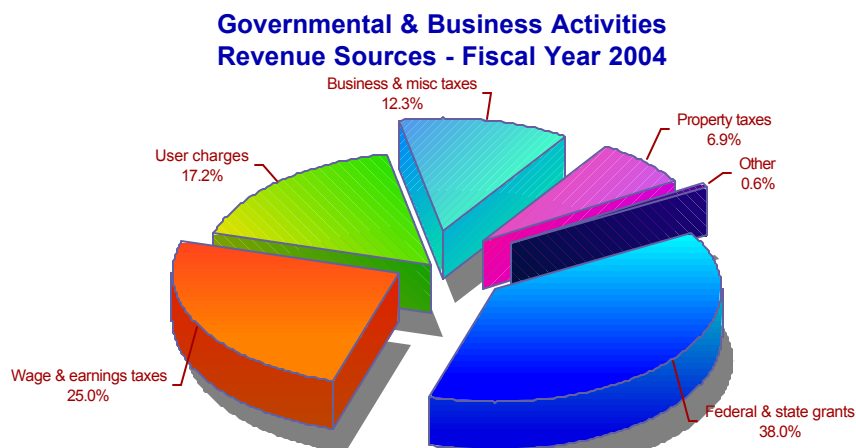
City of Philadelphia's Net Assets									
	Governmental Activities			Business-type Activities			Total Primary Government		
	2004	2003	% Change	2004	2003	% Change	2004	2003	% Change
Current and other assets	2,766,958	2,770,128	-0.1%	895,383	1,020,044	-12.2%	3,662,341	3,790,172	-3.4%
Capital assets	<u>2,312,626</u>	<u>2,341,928</u>	-1.3%	<u>3,083,906</u>	<u>3,061,088</u>	0.7%	<u>5,396,532</u>	<u>5,403,016</u>	-0.1%
Total assets	5,079,584	5,112,056	-0.6%	3,979,289	4,081,132	-2.5%	9,058,873	9,193,188	-1.5%
Long-term liabilities outstanding	4,393,585	4,186,412	4.9%	2,721,691	2,800,675	-2.8%	7,115,276	6,987,087	1.8%
Other liabilities	<u>733,947</u>	<u>666,207</u>	10.2%	<u>121,291</u>	<u>172,441</u>	-29.7%	<u>855,238</u>	<u>838,648</u>	2.0%
Total liabilities	5,127,532	4,852,619	5.7%	2,842,982	2,973,116	-4.4%	7,970,514	7,825,735	1.9%
Net assets:									
Invested in capital assets,									
net of related debt	174,994	286,411	-38.9%	540,994	478,657	13.0%	715,988	765,068	-6.4%
Restricted	484,102	426,848	13.4%	504,048	642,098	-21.5%	988,150	1,068,946	-7.6%
Unrestricted	<u>(707,044)</u>	<u>(453,822)</u>	55.8%	<u>91,265</u>	<u>(12,739)</u>	816.4%	<u>(615,779)</u>	<u>(466,561)</u>	32.0%
Total net assets	(47,948)	259,437	-118.5%	1,136,307	1,108,016	2.6%	1,088,359	1,367,453	-20.4%

City of Philadelphia Management's Discussion & Analysis

Changes in net assets. The city's total revenues, transfers and special items this year amounted to \$5,391,800 which fell short of total costs by \$300,734. Approximately 32% of all revenue came from property and 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. The total cost of all city services and programs this year was \$5,692,534. These expenses cover a wide range of services, of which approximately 59% are related to the health, welfare and safety of the general public.

Overall, net assets for the city decreased by \$279,094. Declining interest rates and investment earnings and forgiveness of PGW's yearly payment to the City contributed to the decline as well as contributions to the construction of new sports stadia, increased spending for neighborhood revitalization and judiciary and law enforcement and increased contributions for employee health and pension benefits.

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



City of Philadelphia Management's Discussion & Analysis

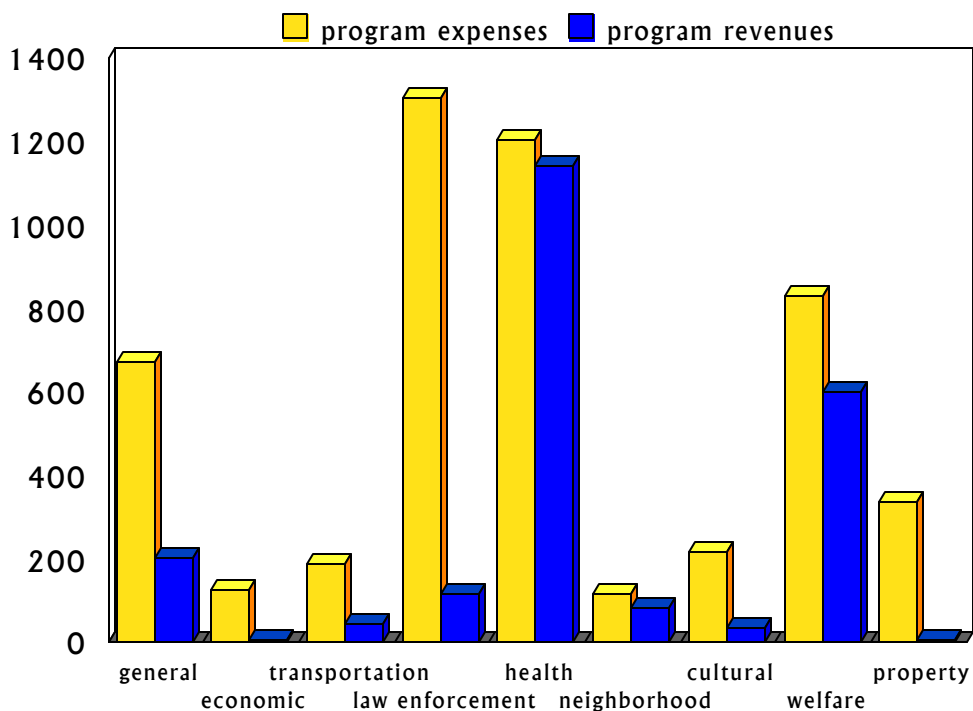
Governmental Activities

The \$279,094 decline in the city's overall net assets was attributable to the governmental activities of the city which experienced a \$307,385 decline. Some of the key reasons for the decline are as follows:

- A decrease in revenue from other governments as the City forgave the annual \$18 million payment from the Phila Gas Works due to the financial situation of the Gas Works.
- An increase in spending for fringe benefits, including health and welfare payments, worker's compensation benefits and City's share of pension benefits.
- An increase in the amount spent for demolitions as part of the Neighborhood Transformation Initiative and an increase in the level of care for the City's indigent population.
- An increase in payment of accrued leave time as employees retired under the City's deferred retirement program.

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

Governmental activities - Program Expenses & Revenues



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

**City of Philadelphia
Management's Discussion & Analysis**

	Program			Program			Net		
	Costs		%	Revenues		%	Cost		%
	2004	2003	Change	2004	2003	Change	2004	2003	Change
General Welfare	831,164	742,816	11.9%	601,375	539,369	11.5%	229,789	203,447	12.9%
Judiciary & Law Enforcement	1,308,106	1,232,409	6.1%	117,054	111,492	5.0%	1,191,052	1,120,917	6.3%
Public Health	1,205,209	1,225,483	-1.7%	1,143,760	1,159,989	-1.4%	61,449	65,494	-6.2%
General Governmental	675,250	655,015	3.1%	204,935	176,146	16.3%	470,315	478,869	-1.8%
Services to Property	336,392	305,080	10.3%	5,341	3,429	55.8%	331,051	301,651	9.7%
Housing, Economic & Cultural	655,999	637,506	2.9%	177,523	217,029	-18.2%	478,476	420,477	13.8%
	5,012,120	4,798,309	4.5%	2,249,988	2,207,454	1.9%	2,762,132	2,590,855	6.6%

- The cost of all governmental activities this year was \$5,012,120 ; the amount that taxpayers paid for these programs through tax payments was \$2,381,645. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$1,978,247 while those who benefited from the programs paid \$271,741 through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$73,102. The difference of \$307,385 will have to be funded from future resources.

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

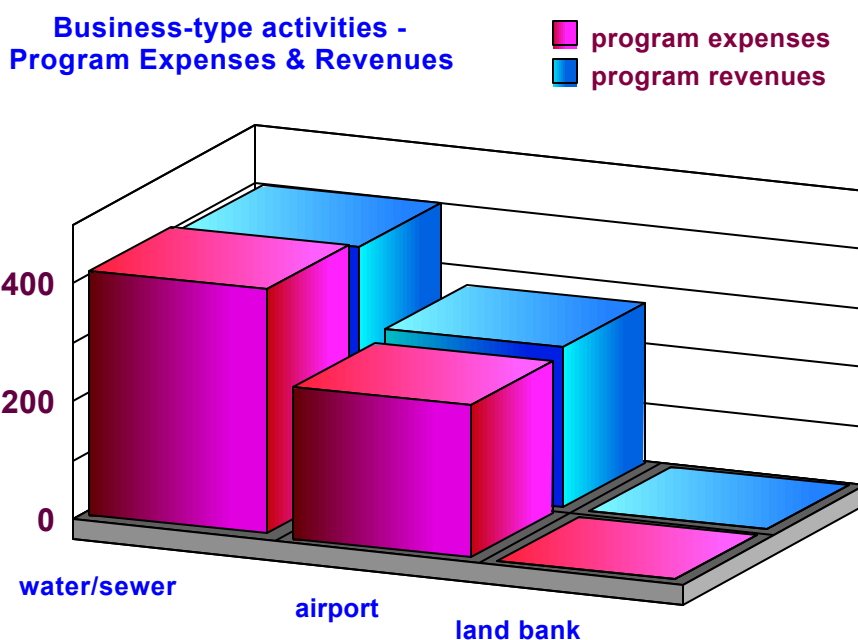
	Governmental Activities		Business-type Activities		Total		% Change
	2004	2003	2004	2003	2004	2003	
Revenues:							
Program revenues:							
Charges for services	271,741	283,002	654,674	617,176	926,415	900,178	2.9%
Operating grants and contributions	1,958,658	1,907,178	4,828	8,911	1,963,486	1,916,089	2.5%
Capital grants and contributions	19,589	17,274	20,947	17,778	40,536	35,052	15.6%
General revenues:							
Wage and earnings taxes	1,345,960	1,301,912	-	-	1,345,960	1,301,912	3.4%
Property taxes	374,375	362,683	-	-	374,375	362,683	3.2%
Other taxes	661,310	601,662	-	-	661,310	601,662	9.9%
Unrestricted grants and contributions	47,059	61,098	-	-	47,059	61,098	-23.0%
Other	26,043	57,496	6,616	33,500	32,659	90,996	-64.1%
Total revenues	4,704,735	4,592,305	687,065	677,365	5,391,800	5,269,670	2.3%
Expenses:							
Economic development	127,395	127,896	-	-	127,395	127,896	-0.4%
Transportation	191,175	185,685	-	-	191,175	185,685	3.0%
Judiciary & law enforcement	1,308,106	1,232,409	-	-	1,308,106	1,232,409	6.1%
Conservation of health	1,205,209	1,225,483	-	-	1,205,209	1,225,483	-1.7%
Housing & neighborhood development	118,960	125,188	-	-	118,960	125,188	-5.0%
Cultural & recreational	218,469	198,737	-	-	218,469	198,737	9.9%
Improvement of the general welfare	831,164	742,816	-	-	831,164	742,816	11.9%
Services to taxpayer property	336,392	305,080	-	-	336,392	305,080	10.3%
General management	576,946	524,806	-	-	576,946	524,806	9.9%
Interest on long term debt	98,304	130,209	-	-	98,304	130,209	-24.5%
Water & waste water	-	-	416,869	412,907	416,869	412,907	1.0%
Airport	-	-	261,050	244,451	261,050	244,451	6.8%
Industrial land bank	-	-	2,495	2,225	2,495	2,225	12.1%
Total expenses	5,012,120	4,798,309	680,414	659,583	5,692,534	5,457,892	4.3%
Increase (decrease) in net assets before transfers & special items	(307,385)	(206,004)	6,651	17,782	(300,734)	(188,222)	
Special items	-	(99,254)	-	-	-	(99,254)	
Transfers	0	4,138	0	(4,138)	-	0	
Increase (decrease) in net assets	(307,385)	(301,120)	6,651	13,644	(300,734)	(287,476)	
Net Assets - Beginning of the Period	259,437	(587,558)	1,108,016	1,094,372	1,367,453	506,814	169.8%
Adjustment	0	1,148,116	21,640	-	21,640	1,148,116	
Net Assets Adjusted - Begin of Period	259,437	560,558	1,129,656	1,094,372	1,389,093	1,654,930	-16.1%
Net Assets - End of the Period	(47,948)	259,438	1,136,307	1,108,016	1,088,359	1,367,454	-20.4%

City of Philadelphia Management's Discussion & Analysis

Business-type Activities

Business-type activities caused the city's net assets to increase by \$6,651. This increase was comprised of a decline in the amount of \$9,463 and \$1,220 for the water/wastewater and industrial & commercial development operations respectively, while the airport experienced an increase of \$17,334. An adjustment to the beginning net assets related to water operations increased the net assets of the business activities by \$21,640. This adjustment was to reflect an increase in their accounts receivable. 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.



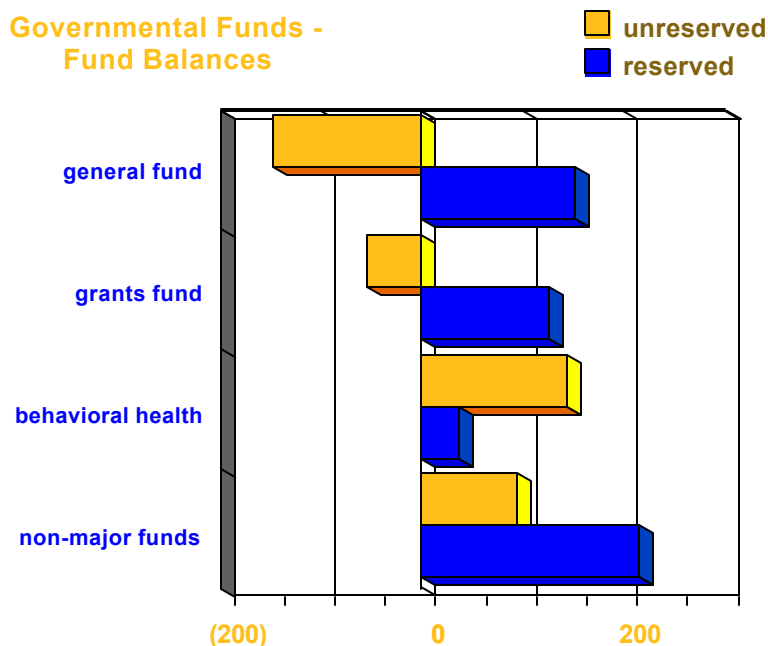
Financial Analysis of the Government's Funds

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 \$566,720 a decrease of \$93,495 from last year. Of the total fund balance, \$530,248 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 (\$167,762); revitalize neighborhoods (\$87,380); pay debt service (\$86,675); support programs funded by independent agencies (\$75,519); fund a portion of the city's managed care programs (\$36,938); fund a portion of new sports stadiums (\$18,700); and a variety of other restricted purposes (\$57,274). The difference between the combined fund balance and reserved fund balance is \$36,472 which constitutes *unreserved fund balance*. These balances are available for future projects.

City of Philadelphia Management's Discussion & Analysis

The general fund, the primary operating fund of the city, reported a deficit *unreserved fund balance* of \$148,145 at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were -4.62% and 0.14%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund decreased by \$228,890 during the current fiscal year. This decrease was primarily due to an excess of expenditures over revenues and other financing sources for the fiscal year. Some of the key factors contributing to this change are:

- Static Revenue:
 - An overall increase of \$120,894 in tax revenue, which was offset by decreases in revenue from other governments of \$75,740 and in locally generated revenue of \$40,830.
- Increased Expenditures:
 - A \$41,501 increase in the level of care for the city's homeless adults and children and youth
 - An \$20,875 increase for court related costs due an agreement to fund more of the costs of the First Judicial District
 - An increase in employee medical benefit costs in the amount of \$27,076 resulting from city labor contracts
 - Increased police overtime in the amount of \$21,544 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
 - \$85.5 million contributed to the construction of new sports stadia.

City of Philadelphia Management's Discussion & Analysis

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$180,911 of which \$36,938 is reserved for a contractually required equity reserve and reinvestment initiatives. The unreserved portion of \$143,973 is available to be used to pay ongoing expenses of the managed care program. The total fund balance increased during the fiscal year by \$34,022 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 \$72,469 which is comprised of a positive reserved fund balance of \$126,373 (earmarked for neighborhood revitalization, a productivity bank and emergency telephone system programs) and a deficit unreserved fund balance of \$53,904. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of \$46,353 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 \$6,651 during the current fiscal year. This overall increase is attributable to the airport operations which experienced an increase of \$17,334, while the water/wastewater system and industrial & commercial development operations experienced decreases of \$9,463 and \$1,220, respectively.

The *unrestricted nets assets* of the proprietary funds reported a surplus of \$91,265, comprised of a positive balances of \$22,915 for the water and waste water operations, of \$41,606 for the airport and \$26,744 for the industrial & commercial development activities. These unrestricted net assets represent an overall increase of \$104,004 over the previous year, comprised of increases of \$91,890 for the water and waste water operations and \$13,334 for the airport. The land bank experienced a slight decrease of \$1,220 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:

- \$10.4 million 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;
- \$7.9 million for higher than anticipated costs associated with the professional care of individuals, including the homeless and people in correctional facilities;
- \$19.1 million for increased costs associated with employees' health and welfare benefit payments.

The general fund's budgetary unreserved fund balance deficit of \$46,789 differs from that which was reported in the fund financial statements for the general fund by \$101,356 due to the business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

City of Philadelphia Management's Discussion & 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 \$5,396,532, 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 \$27.3 million for streets and \$41.3 million for the water and waste water systems.
- City Hall complex exterior renovations in the amount of \$9.6 million.
- Construction of a new women's detention facility for \$9.6 million
- Construction of a river park in the amount of \$4.1 million.
- Recreational facility improvements in the amount of \$ 11.6 million.
- Continued construction of a new 800 MHz communication system for \$5.9 million
- Airport terminal and airfield improvements in the amount of \$82.0 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets (net of depreciation)									
	Governmental activities			Business-type activities			Total		
	2004	2003	Inc (Dec)	2004	2003	Inc (Dec)	2004	2003	Inc (Dec)
Land	730,259	683,155	47,104	80,374	80,337	37	810,633	763,492	47,141
Buildings	817,295	848,845	(31,550)	1,702,376	1,663,675	38,701	2,519,671	2,512,520	7,151
Improvements other than buildings	92,251	99,931	(7,680)	38,342	48,814	(10,472)	130,593	148,745	(18,152)
Machinery & equipment	236,336	254,476	(18,140)	24,041	24,179	(138)	260,377	278,655	(18,278)
Infrastructure	433,566	447,788	(14,222)	1,095,254	1,076,263	18,991	1,528,820	1,524,051	4,769
Construction in progress	2,919	7,733	(4,814)	143,519	167,820	(24,301)	146,438	175,553	(29,115)
Total	2,312,626	2,341,928	(29,302)	3,083,906	3,061,088	22,818	5,396,532	5,403,016	(6,484)

The city's governmental activities experienced an overall decrease in capital assets of \$29,302 (net of accumulated depreciation) during the current fiscal year. This change was comprised of decreases to buildings (\$31,550), improvements (\$7,680) machinery and equipment (\$18,140) infrastructure (\$14,222) and construction in progress (\$4,814) and an increase to land (\$47,104). The acquisition of additional land for the new stadiums was the largest part of the increase. The decrease to buildings was, in part, a result of the \$24.2 million write off of Veteran's Stadium which was demolished to make way for the two new sports stadiums. The other decreases, except for the construction in progress, are a result of normal depreciation costs for the fiscal year.

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

Long-term debt. At year end the city had \$7,115,276 in long term debt outstanding. Of this amount, \$4,739,664 represents bonds outstanding (comprised of \$2,051,862 of debt backed by the full faith and credit of the city, and \$2,687,802. of debt secured solely by specific revenue sources) while \$2,375,612 represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

**City of Philadelphia
Management's Discussion & Analysis**

City of Philadelphia's Long Term Debt Outstanding						
	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Bonds Outstanding:						
General obligation bonds	2,040,248	1,903,291	11,614	15,450	2,051,862	1,918,741
Revenue bonds	-	-	2,687,802	2,775,547	2,687,802	2,775,547
Total Bonds Outstanding	2,040,248	1,903,291	2,699,416	2,790,997	4,739,664	4,694,288
Other Long Term Obligations:						
Service agreements	1,958,320	1,930,425	-	-	1,958,320	1,930,425
Employee related obligations	357,429	317,971	20,607	6,839	378,036	324,810
Indemnities	30,595	34,725	1,368	50	31,963	34,775
Other	6,993	-	300	2,789	7,293	2,789
Total Other Long Term Obligations	2,353,337	2,283,121	22,275	9,678	2,375,612	2,292,799
Total Long Term Debt Outstanding	4,393,585	4,186,412	2,721,691	2,800,675	7,115,276	6,987,087

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

- 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% and maturing in 2015. Series 2003B sub series (1) and (2) were issues for \$100 million each, have a maturity date through 2033, and will bear interest at the auction rate;
- **PMA** issued \$217.5 million in General Obligation Bonds with an average interest rate of 5.21% to advance refund approximately \$226.6 million of outstanding CJC bonds, Series 1991A and Series 1993 A through D. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the PMA's statements.

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:

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

City of Philadelphia Management's Discussion & Analysis

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, 2004, the date on which the calculation was performed, the legal debt limit was \$1,280,316. There is \$1,129,245 of outstanding tax supported debt leaving a legal debt margin of \$151,071.

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 2005 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 Tax Reform Commission's recommendations to establish accurate land and structure value for all property records, eliminate fractional assessments and accelerate local income based tax reductions. The tax reductions are a major investment in the City's future economic growth.
- Implementation of Neighborhood Transformation Initiative and Blight Elimination, programs which will help build safe, healthy and clean neighborhoods. In addition the NTI will also continue its multi-tiered pre development effort to increase the pace and number of new housing developments. It will do this by continuing demolitions of substandard and hazardous housing and acquisition of vacant parcels of land.
- Promotion of Economic Development by establishing an economic development fund which will be spent to make the City a first tier competitor for national and international businesses and establish a dynamic central business district and developing six miles of magnificent waterfront locations.
- 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.

For the City's water fund, fiscal year 2005 marks the first of four proposed rate increases, with the last one occurring on 7/1/2007. Across the board increases for all customer classes are being proposed at approximately 15%, and are proposed to take effect on February 1, 2005. The exact date and rate of the FY 2005 increase is subject to the results of an accelerated rate hearing process that has started and is scheduled to conclude in January 2005. The final rates increases for FY2006 - FY2008 should be decided sometime during the Spring of 2005 at the conclusion of a second rate hearing process.

City of Philadelphia Management's Discussion & Analysis

The fiscal year 2005 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. The fund is predicting a six(6) percent increase in revenues in fiscal 2005, an increase of some \$16.0 million. However, US Airways, which accounts for 64% of the enplaned passengers at the airport has filed for bankruptcy protection under federal law. Should US Airways cease operations, the City has developed a contingency plan that would enable the fund's commitments to be met without impinging on other city resources. This plan includes the identification of cost reduction measures and future adjustments to airline rentals and fees that the City could invoke under provisions of the City/Airline Use and Lease Agreement.

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 of Finance, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102.

BASIC FINANCIAL STATEMENTS

City of Philadelphia
Statement of Net Assets
June 30, 2004
(Amounts in thousands of USD)

Exhibit I

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
Assets				
Cash on Deposit and on Hand	167,962	30	167,992	234,849
Equity in Treasurer's Account	644,362	120,348	764,710	-
Investments	10,520	-	10,520	398,336
Due from Component Units	63,082	-	63,082	-
Due from Primary Government	-	-	-	51,589
Amounts Held by Fiscal Agent	67,289	-	67,289	9
Notes Receivable - Net	-	-	-	166,202
Accounts Receivable - Net	281,120	102,905	384,025	276,333
Interest and Dividends Receivable	1,401	-	1,401	10,471
Due from Other Governments - Net	509,264	522	509,786	105,770
Inventories	14,840	35,696	50,536	102,490
Other Assets	2,138	-	2,138	224,350
Restricted Assets:				
Cash and Cash Equivalents	-	410,579	410,579	1,008,444
Other Assets	-	225,303	225,303	194,128
Net Pension Asset	1,004,980	-	1,004,980	-
Capital Assets:				
Land and Other Non-Depreciated Assets	734,098	223,892	957,990	336,242
Other Capital Assets (Net of Depreciation)	1,578,528	2,860,014	4,438,542	3,510,932
Total Capital Assets, Net	<u>2,312,626</u>	<u>3,083,906</u>	<u>5,396,532</u>	<u>3,847,174</u>
Total Assets	<u>5,079,584</u>	<u>3,979,289</u>	<u>9,058,873</u>	<u>6,620,145</u>
Liabilities				
Notes Payable	-	-	-	183,060
Vouchers Payable	52,433	8,961	61,394	47,490
Accounts Payable	176,143	42,868	219,011	155,083
Salaries and Wages Payable	58,810	6,864	65,674	84,833
Accrued Expenses	51,648	33,094	84,742	98,818
Due to Other Funds	10,509	-	10,509	-
Due to Primary Government	-	-	-	72,043
Due to Component Units	34,036	-	34,036	-
Funds Held in Escrow	22,809	-	22,809	7,420
Due to Other Governments	29	-	29	17,055
Deferred Revenue	201,626	29,504	231,130	117,217
Overpayment of Taxes	125,904	-	125,904	-
Other Current Liabilities	-	-	-	53,553
Non-Current Liabilities:				
Due within one year	199,004	109,670	308,674	213,012
Due in more than one year	4,194,581	2,612,021	6,806,602	4,644,044
Total Liabilities	<u>5,127,532</u>	<u>2,842,982</u>	<u>7,970,514</u>	<u>5,693,628</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	174,994	540,994	715,988	972,126
Restricted For:				
Capital Projects	56,428	108,905	165,333	478
Debt Service	86,675	266,843	353,518	167,051
Behavioral Health	180,911	-	180,911	29,422
Intergovernmental Finance	30,636	-	30,636	-
Neighborhood Revitalization	87,380	-	87,380	-
Stadium Financing	18,700	-	18,700	-
Grant Programs	8,357	-	8,357	44,929
Rate Stabilization	-	128,300	128,300	-
Libraries & Parks:				
Expendable	3,226	-	3,226	-
Non-Expendable	3,917	-	3,917	-
Educational Programs	-	-	-	33,832
Other	7,872	-	7,872	2,875
Unrestricted(Deficit)	(707,044)	91,265	(615,779)	(324,196)
Total Net Assets	<u>(47,948)</u>	<u>1,136,307</u>	<u>1,088,359</u>	<u>926,517</u>

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, 2004
(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		
Primary Government:								
Governmental Activities:								
Economic Development	127,395	6,939	1,202	500	(118,754)		(118,754)	
Transportation:								
Streets & Highways	109,879	1,521	29,101	15,482	(63,775)		(63,775)	
Mass Transit	81,296	436	19	-	(80,841)		(80,841)	
Judiciary and Law Enforcement:								
Police	793,835	2,398	15,935	-	(775,502)		(775,502)	
Prisons	237,045	434	28	-	(236,583)		(236,583)	
Courts	277,226	52,516	45,743	-	(178,967)		(178,967)	
Conservation of Health:								
Emergency Medical Services	30,605	20,728	540	-	(9,337)		(9,337)	
Health Services	1,174,604	11,620	1,110,872	-	(52,112)		(52,112)	
Housing and Neighborhood Development:								
Development	118,960	11,974	72,523	-	(34,463)		(34,463)	
Cultural and Recreational:								
Recreation	118,441	13,014	8,121	1,021	(96,285)		(96,285)	
Parks	32,549	1,740	3,944	2,278	(24,587)		(24,587)	
Libraries and Museums	67,479	436	7,272	-	(59,771)		(59,771)	
Improvements to General Welfare:								
Social Services	691,235	6,900	582,337	-	(101,998)		(101,998)	
Education	58,627	-	-	-	(58,627)		(58,627)	
Inspections and Demolitions	81,302	748	11,390	-	(69,164)		(69,164)	
Service to Property:								
Sanitation	121,009	2,019	3,063	-	(115,927)		(115,927)	
Fire	215,383	87	172	-	(215,124)		(215,124)	
General Management and Support	576,946	138,231	66,396	308	(372,011)		(372,011)	
Interest on Long Term Debt	98,304	-	-	-	(98,304)		(98,304)	
Total Governmental Activities	<u>5,012,120</u>	<u>271,741</u>	<u>1,958,658</u>	<u>19,589</u>	<u>(2,762,132)</u>		<u>(2,762,132)</u>	
Business Type Activities:								
Water and Sewer	416,869	401,571	2,893	-	-	(12,405)	(12,405)	
Aviation	261,050	251,876	1,935	20,947	-	13,708	13,708	
Industrial and Commercial Development:								
Commercial Development	2,495	1,227	-	-	-	(1,268)	(1,268)	
Total Business Type Activities	<u>680,414</u>	<u>654,674</u>	<u>4,828</u>	<u>20,947</u>	<u>-</u>	<u>35</u>	<u>35</u>	
Total Primary Government	<u>5,692,534</u>	<u>926,415</u>	<u>1,963,486</u>	<u>40,536</u>	<u>(2,762,132)</u>	<u>35</u>	<u>(2,762,097)</u>	
Component Units:								
Gas Operations	794,818	778,204	21,364	-				4,750
Housing	378,348	19,956	321,832	81,265				44,705
Parking	139,816	144,805	-	-				4,989
Education	2,505,626	41,636	765,154	3,021				(1,695,815)
Health	465,422	-	465,012	-				(410)
Economic Development	128,241	32,323	71,650	-				(24,268)
Total Component Units	<u>4,412,271</u>	<u>1,016,924</u>	<u>1,645,012</u>	<u>84,286</u>				<u>(1,666,049)</u>
General Revenues:								
Taxes:								
Property Taxes					374,375	-	374,375	-
Wage & Earnings Taxes					1,345,960	-	1,345,960	-
Business Taxes					319,185	-	319,185	-
Other Taxes					342,125	-	342,125	-
Grants & Contributions Not Restricted to Specific Program					47,059	-	47,059	54,035
Unrestricted Interest & Investment Earnings					26,043	6,616	32,659	9,444
Miscellaneous					-	-	-	1,495,628
Special Items					-	-	-	(2,523)
Transfers					-	-	-	20,971
Total General Revenues, Special Items and Transfers					<u>2,454,747</u>	<u>6,616</u>	<u>2,461,363</u>	<u>1,577,555</u>
Change in Net Assets					(307,385)	6,651	(300,734)	(88,494)
Net Assets - July 1, 2003					259,437	1,108,016	1,367,453	989,844
Adjustment					-	21,640	21,640	25,167
Net Assets Adjusted - July 1, 2003					<u>259,437</u>	<u>1,129,656</u>	<u>1,389,093</u>	<u>1,015,011</u>
Net Assets - June 30, 2004					<u>(47,948)</u>	<u>1,136,307</u>	<u>1,088,359</u>	<u>926,517</u>

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2004

(Amounts in thousands of USD)

Exhibit III

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	6,491	-	102	161,369	167,962
Equity in Treasurer's Account	64,265	246,278	153,002	180,817	644,362
Investments	-	-	-	10,516	10,516
Due from Other Funds	7,914	-	-	4,617	12,531
Due from Component Units	63,082	-	-	-	63,082
Amounts Held by Fiscal Agent	18,701	-	48,588	-	67,289
Taxes Receivable	475,912	-	-	7,077	482,989
Accounts Receivable	140,282	-	1,817	4,385	146,484
Allowance for Doubtful Accounts	(382,327)	-	-	(524)	(382,851)
Interest and Dividends Receivable	281	797	20	308	1,406
Due from Other Governmental Units	456,643	-	61,087	24,749	542,479
Other Assets	-	-	-	45	45
Total Assets	851,244	247,075	264,616	393,359	1,756,294
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	26,058	119	20,157	6,099	52,433
Accounts Payable	89,150	34,203	38,607	13,355	175,315
Salaries and Wages Payable	56,068	-	2,372	370	58,810
Due to Other Funds	10,505	-	-	12,536	23,041
Due to Component Units	-	31,842	-	2,194	34,036
Funds Held in Escrow	12,251	-	7,236	3,322	22,809
Due to Other Governmental Units	17	-	-	12	29
Deferred Revenue	527,208	-	123,775	46,214	697,197
Overpayment of Taxes	125,904	-	-	-	125,904
Total Liabilities	847,161	66,164	192,147	84,102	1,189,574
Fund Balances:					
Reserved for:					
Encumbrances	88,528	-	-	79,234	167,762
Neighborhood Revitalization	-	-	87,380	-	87,380
Behavioral Health	-	36,938	-	-	36,938
Intergovernmental Financing	-	-	-	44,883	44,883
Intergovernmentally Financed Programs	-	-	30,636	-	30,636
Public Safety Emergency Phone System	-	-	8,357	-	8,357
Debt Service	-	-	-	86,675	86,675
Trust Purposes	-	-	-	3,917	3,917
Long Term Loan	45,000	-	-	-	45,000
Stadium Financing	18,700	-	-	-	18,700
Unreserved, reported in:					
General Fund	(148,145)	-	-	-	(148,145)
Special Revenue Funds	-	143,973	(53,904)	8,808	98,877
Debt Service Funds	-	-	-	1,641	1,641
Capital Projects Funds	-	-	-	80,873	80,873
Permanent Funds	-	-	-	3,226	3,226
Total Fund Balances	4,083	180,911	72,469	309,257	566,720
Total Liabilities and Fund Balances	851,244	247,075	264,616	393,359	

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	2,312,626
b. Unearned Receivables are deferred in the funds	495,571
c. Long Term Liabilities are not reported in the funds	(4,393,585)
d. Net Pension Asset is not reported in the funds	1,004,980
e. Other	(34,260)

Net Assets of Governmental Activities (47,948)

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, 2004

(Amounts in thousands of USD)

Exhibit IV

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,057,522	-	-	321,490	2,379,012
Locally Generated Non-Tax Revenue	208,817	1,415	38,318	31,493	280,043
Revenue from Other Governments	595,870	522,259	689,291	114,878	1,922,298
Other Revenues	18,324	-	-	138	18,462
Total Revenues	2,880,533	523,674	727,609	467,999	4,599,815
Expenditures					
Current Operating:					
Economic Development	126,886	-	679	29,429	156,994
Transportation:					
Streets & Highways	52,143	-	-	23,744	75,887
Mass Transit	52,924	-	-	-	52,924
Judiciary and Law Enforcement:					
Police	738,021	-	14,005	-	752,026
Prisons	222,733	-	28	1,713	224,474
Courts	230,080	-	37,751	-	267,831
Conservation of Health:					
Emergency Medical Services	29,200	-	540	-	29,740
Health Services	133,574	489,652	547,121	-	1,170,347
Housing and Neighborhood Development	681	-	47,316	70,970	118,967
Cultural and Recreational:					
Recreation	55,934	-	8,439	1,301	65,674
Parks	20,652	-	107	3,063	23,822
Libraries and Museums	53,628	-	7,281	148	61,057
Improvements to General Welfare:					
Social Services	637,871	-	45,533	-	683,404
Education	58,627	-	-	-	58,627
Inspections and Demolitions	32,336	-	51,220	-	83,556
Service to Property:					
Sanitation	114,762	-	3,063	-	117,825
Fire	202,821	-	172	-	202,993
General Management and Support	440,772	-	12,657	18,921	472,350
Capital Outlay	-	-	-	125,987	125,987
Debt Service:					
Principal	-	-	-	105,693	105,693
Interest	-	-	-	101,627	101,627
Bond Issuance Cost	289	-	-	8,916	9,205
Total Expenditures	3,203,934	489,652	775,912	491,512	4,961,010
Excess (Deficiency) of Revenues Over (Under) Expenditures	(323,401)	34,022	(48,303)	(23,513)	(361,195)
Other Financing Sources (Uses)					
Proceeds from Bond Sales	-	-	-	487,723	487,723
Bond Issuance Premium	-	-	-	4,819	4,819
Proceeds from Lease & Service Agreements	10,900	-	-	-	10,900
Bond Defeasance	-	-	-	(233,109)	(233,109)
Transfers In	218,893	-	10,611	213,439	442,943
Transfers Out	(135,282)	-	(8,661)	(299,000)	(442,943)
Total Other Financing Sources (Uses)	94,511	-	1,950	173,872	270,333
Net Change in Fund Balances	(228,890)	34,022	(46,353)	150,359	(90,862)
Fund Balance - July 1, 2003	232,973	146,889	118,822	161,531	660,215
Adjustment	-	-	-	(2,633)	(2,633)
Fund Balance Adjusted - July 1, 2003	232,973	146,889	118,822	158,898	657,582
Fund Balance - June 30, 2004	4,083	180,911	72,469	309,257	566,720

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, 2004

(Amounts in thousands of USD)

Exhibit V

Net Change in Fund Balances - Total Governmental Funds	(90,862)
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 (160,195) exceeded depreciation (140,515) in the current period.	19,680
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	102,983
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (260,900) exceeded repayments (105,693).	(155,207)
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.	(88,263)
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>(95,716)</u>
Change in net assets of governmental activities	<u><u>(307,385)</u></u>

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

City of Philadelphia
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004
(Amounts in thousands of USD)

Exhibit VI

	Business Type Activities - Enterprise Funds			Total
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	43,875	71,171	5,302	120,348
Due from Other Governments	73	449	-	522
Accounts Receivable	198,404	10,066	1,976	210,446
Allowance for Doubtful Accounts	(106,059)	(1,482)	-	(107,541)
Inventories	13,338	2,793	19,565	35,696
Total Current Assets	149,661	82,997	26,843	259,501
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	225,369	132,162	-	357,531
Amounts Held by Fiscal Agent	-	53,048	-	53,048
Sinking Funds and Reserves	158,109	49,679	-	207,788
Grants for Capital Purposes	50	4,424	-	4,474
Receivables	2,792	10,249	-	13,041
Total Restricted Assets	386,320	249,562	-	635,882
Capital Assets:				
Land	5,919	74,455	-	80,374
Infrastructure	1,614,779	429,040	-	2,043,819
Construction in Progress	123,924	19,594	-	143,518
Buildings and Equipment	1,387,220	1,574,052	-	2,961,272
Less: Accumulated Depreciation	(1,460,933)	(684,144)	-	(2,145,077)
Total Capital Assets, Net	1,670,909	1,412,997	-	3,083,906
Total Non-Current Assets	2,057,229	1,662,559	-	3,719,788
Total Assets	2,206,890	1,745,556	26,843	3,979,289
Liabilities				
Current Liabilities:				
Vouchers Payable	5,324	3,538	99	8,961
Accounts Payable	6,468	6,244	-	12,712
Salaries and Wages Payable	5,076	1,788	-	6,864
Construction Contracts Payable	7,969	22,187	-	30,156
Accrued Expenses	13,437	19,657	-	33,094
Deferred Revenue	6,109	23,395	-	29,504
Bonds Payable-Current	71,897	37,773	-	109,670
Total Current Liabilities	116,280	114,582	99	230,961
Non-Current Liabilities:				
Bonds Payable	1,666,507	1,055,115	-	2,721,622
Unamortized Discount and Loss	(114,474)	(17,402)	-	(131,876)
Other Non-Current Liabilities	16,032	6,243	-	22,275
Total Non-Current Liabilities	1,568,065	1,043,956	-	2,612,021
Total Liabilities	1,684,345	1,158,538	99	2,842,982
Net Assets				
Invested in Capital Assets, Net of Related Debt	134,076	406,918	-	540,994
Restricted For:				
Capital Projects	79,145	29,760	-	108,905
Debt Service	158,109	108,734	-	266,843
Rate Stabilization	128,300	-	-	128,300
Unrestricted	22,915	41,606	26,744	91,265
Total Net Assets	522,545	587,018	26,744	1,136,307

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, 2004
(Amounts in thousands of USD)

Exhibit VII

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Operating Revenues:				
Charges for Goods and Services	397,253	76,287	-	473,540
Sales of Land and Improvements	-	-	892	892
Rentals and Concessions	-	119,282	-	119,282
Miscellaneous Operating Revenues	4,318	4,212	335	8,865
Total Operating Revenues	401,571	199,781	1,227	602,579
Operating Expenses:				
Personal Services	107,334	50,413	-	157,747
Purchase of Services	63,405	59,882	1,634	124,921
Materials and Supplies	24,157	4,804	-	28,961
Employee Benefits	41,914	22,049	-	63,963
Indemnities and Taxes	1,711	1,664	-	3,375
Depreciation and Amortization	82,445	62,914	-	145,359
Cost of Goods Sold	-	-	861	861
Total Operating Expenses	320,966	201,726	2,495	525,187
Operating Income (Loss)	80,605	(1,945)	(1,268)	77,392
Non-Operating Revenues (Expenses):				
Operating Grants	2,893	1,935	-	4,828
Passenger Facility Charges	-	52,096	-	52,096
Interest Income	2,942	3,625	48	6,615
Debt Service - Interest	(91,757)	(56,657)	-	(148,414)
Other Expenses	(4,146)	(2,667)	-	(6,813)
Total Non-Operating Revenues (Expenses)	(90,068)	(1,668)	48	(91,688)
Income (Loss) Before Contributions & Transfers	(9,463)	(3,613)	(1,220)	(14,296)
Capital Contributions	-	20,947	-	20,947
Change in Net Assets	(9,463)	17,334	(1,220)	6,651
Net Assets - July 1, 2003	510,368	569,684	27,964	1,108,016
Adjustment	21,640	-	-	21,640
Net Assets Adjusted - July 1, 2003	532,008	569,684	27,964	1,129,656
Net Assets - June 30, 2004	522,545	587,018	26,744	1,136,307

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

City of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(Amounts in thousands of USD)

Exhibit VIII

	Business Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	409,760	199,174	821	609,755
Payments to Suppliers	(91,903)	(61,981)	(3,250)	(157,134)
Payments to Employees	(149,096)	(71,589)	-	(220,685)
Internal Activity-Payments to Other Funds	-	(3,741)	-	(3,741)
Claims Paid	(2,821)	-	-	(2,821)
Other Receipts (Payments)	-	-	335	335
Net Cash Provided (Used)	<u>165,940</u>	<u>61,863</u>	<u>(2,094)</u>	<u>225,709</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,843	-	-	2,843
Operating Subsidies and Transfers from Other Funds	-	14,539	-	14,539
Net Cash Provided (Used)	<u>2,843</u>	<u>14,539</u>	<u>-</u>	<u>17,382</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions Received	-	25,881	-	25,881
Acquisition and Construction of Capital Assets	(111,785)	(86,083)	-	(197,868)
Interest Paid on Debt Instruments	(89,169)	(60,826)	-	(149,995)
Principal Paid on Debt Instruments	(69,032)	(33,605)	-	(102,637)
Passenger Facility Charges	-	51,198	-	51,198
Net Cash Provided (Used)	<u>(269,986)</u>	<u>(103,435)</u>	<u>-</u>	<u>(373,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments	2,811	4,944	45	7,800
Net Cash Provided (Used)	<u>2,811</u>	<u>4,944</u>	<u>45</u>	<u>7,800</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(98,392)	(22,089)	(2,049)	(122,530)
Cash and Cash Equivalents, July 1 (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>
Cash and Cash Equivalents, June 30 (including 225,369 for Water & Sewer and 185,210 for Aviation reported in restricted accounts)	<u>269,274</u>	<u>256,381</u>	<u>5,302</u>	<u>530,957</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	80,605	(1,945)	(1,268)	77,392
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	82,445	62,914	-	145,359
Changes in Assets and Liabilities:				
Receivables, Net	2,407	(4,618)	-	(2,211)
Deferred Revenue	-	3,595	-	3,595
Inventories	(408)	(260)	(153)	(821)
Accounts and Other Payables	1,662	105	(673)	1,094
Accrued Expenses	(771)	2,072	-	1,301
Net Cash Provided by Operating Activities	<u>165,940</u>	<u>61,863</u>	<u>(2,094)</u>	<u>225,709</u>

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

City of Philadelphia
Statement of Net Assets
Fiduciary Funds
June 30, 2004
 (Amounts in thousands of USD)

Exhibit IX

	Pension Trust Funds	Agency Funds
<u>Assets</u>		
Cash on Deposit and on Hand	-	79,725
Equity in Treasurer's Account	4,406,433	14,713
Investments	-	25,219
Securities Lending Collective Investment Pool	377,617	-
Accounts Receivable	6,146	-
Due from Brokers for Securities Sold	33,018	-
Interest and Dividends Receivable	12,404	-
Due from Other Governmental Units	5,136	-
Due from Other Funds	9,768	741
Other Assets	11	-
	<hr/>	<hr/>
Total Assets	4,850,533	120,398
	<hr/>	<hr/>
<u>Liabilities</u>		
Vouchers Payable	97	289
Accounts Payable	3,304	-
Salaries and Wages Payable	97	-
Payroll Taxes Payable	-	4,682
Funds Held in Escrow	-	115,427
Due on Return of Securities Loaned	377,617	-
Due to Brokers for Securities Purchased	103,139	-
Accrued Expenses	902	-
Deferred Revenue	4,327	-
Other Liabilities	234	-
	<hr/>	<hr/>
Total Liabilities	489,717	120,398
	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	4,360,816	-
	<hr/>	<hr/>

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

City of Philadelphia
Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Exhibit X

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	217,727
Employees' Contributions	<u>50,534</u>
Total Contributions	<u>268,261</u>
Investment Income:	
Interest and Dividends	79,440
Net Gain in Fair Value of Investments	570,491
(Less) Investments Expenses	(14,824)
Securities Lending Revenue	3,620
(Less) Securities Lending Expenses	<u>(2,810)</u>
Net Investment Gain	<u>635,917</u>
Miscellaneous Operating Revenues	1,270
Total Additions	<u>905,448</u>
<u>Deductions</u>	
Personal Services	3,252
Purchase of Services	1,375
Materials and Supplies	122
Employee Benefits	1,244
Pension Benefits	688,119
Refunds of Members' Contributions	4,100
Other Operating Expenses	<u>391</u>
Total Deductions	<u>698,603</u>
Net Increase	<u>206,845</u>
Net Assets - July 1, 2003	4,153,971
Net Assets - June 30, 2004	<u><u>4,360,816</u></u>

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

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2004
(Amounts in thousands of USD)

Exhibit XI

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Housing Authority	Philadelphia Parking Authority	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health†	Pennsylvania Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development	Total
Assets											
Cash on Deposit and on Hand	371	60,732	90,579	20,824	21,217	493	17,858	177	9,605	12,993	234,849
Investments	-	-	19,009	104,628	206,993	26,034	-	41,672	-	-	398,336
Due from Primary Government	-	16,470	-	-	-	-	30,464	2,194	-	2,461	51,589
Amounts Held by Fiscal Agent	9	-	-	-	-	-	-	-	-	-	9
Notes Receivable	280	42,271	115,034	-	-	617	-	-	8,000	-	166,202
Accounts Receivable-Net	92,580	1,859	3,226	1,099	144,999	3,120	13,535	585	1,211	14,119	276,333
Interest and Dividends Receivable	-	9,608	330	280	235	18	-	-	-	-	10,471
Due from Other Governments	-	334	14,208	-	82,589	3,428	-	-	-	5,211	105,770
Inventories	74,029	18,628	6,032	-	3,801	-	-	-	-	-	102,490
Other Assets	124,172	328	7,513	562	88,280	288	505	2,557	145	-	224,350
Restricted Assets:											
Cash and Cash Equivalents	195,429	6,495	1,626	-	780,391	-	-	-	-	24,503	1,008,444
Other Assets	-	40,594	127,428	-	-	3,243	-	-	-	22,863	194,128
Capital Assets:											
Land and Other Non-Depreciated Assets	43,263	479	33,536	24,568	187,900	23,166	-	3,321	6,496	13,513	336,242
Other Capital Assets (Net of Depreciation)	885,181	1,886	1,050,471	222,037	990,781	82,117	1,581	247,928	4,425	24,525	3,510,932
Total Capital Assets	928,444	2,365	1,084,007	246,605	1,178,681	105,283	1,581	251,249	10,921	38,038	3,847,174
Total Assets	1,415,314	199,684	1,468,992	373,998	2,507,186	142,524	63,943	298,434	29,882	120,188	6,620,145
Liabilities											
Notes Payable	74,000	35,898	-	15,535	-	57,627	-	-	-	-	183,060
Vouchers Payable	47,490	-	-	-	-	-	-	-	-	-	47,490
Accounts Payable	-	8,925	28,109	11,136	91,821	7,329	677	1,040	836	5,210	155,083
Salaries and Wages Payable	2,055	1,026	-	-	76,700	3,092	1,276	684	-	-	84,833
Accrued Expenses	21,568	1,866	11,769	2,300	1,144	1,144	52,390	7,174	607	-	98,818
Funds Held in Escrow	-	4,761	803	-	-	61	-	-	-	1,795	7,420
Due to Other Governments	-	1,095	-	-	434	5,746	-	-	-	9,780	17,055
Due to Primary Government	45,000	1,422	-	12,564	-	2,194	-	13,057	-	-	72,043
Deferred Revenue	21,600	35,558	-	-	22,464	2,194	9,600	962	11,698	13,141	117,217
Other Current Liabilities	-	-	23,242	-	30,311	-	-	-	-	-	53,553
Non-Current Liabilities:											
Invested in Capital Assets,											
Net of Related Debt	33,905	2,365	931,088	-	(73,244)	49,754	-	-	-	28,258	972,126
Restricted For:											
Capital Projects	-	-	-	-	-	478	-	-	-	-	478
Debt Service	96,020	6,875	-	9,085	55,071	-	-	-	-	-	167,051
Behavioral Health	-	-	-	29,422	-	-	-	-	-	-	29,422
Educational Programs	-	-	-	-	24,880	8,952	-	-	-	-	33,832
Grant Programs	-	-	-	-	-	-	-	-	-	44,929	44,929
Other	-	-	2,875	-	-	-	-	-	-	-	2,875
Unrestricted	64,290	48,906	174,968	-	(689,311)	4,090	-	44,224	14,216	14,421	(324,196)
Total Net Assets	194,215	58,146	1,108,931	38,507	(682,604)	63,274	-	44,224	14,216	87,608	926,517

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2003. 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, 2003. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2004.

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, 2004
(Amounts in thousands of USD)

Exhibit XII

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets												
	Expenses	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
Gas Operations																
Gas Works	794,818	778,204	21,364	-	4,750	-	-	-	-	-	-	-	-	-	-	4,750
Housing																
Redevelopment Authority	57,582	1,815	48,350	-	(7,417)	-	-	-	-	-	-	-	-	-	-	(7,417)
Housing Development Corporation	-	-	-	-	-	-	-	52,122	-	-	-	-	-	-	-	52,122
Housing Authority	320,766	18,141	273,482	81,265	-	-	-	-	-	-	-	-	-	-	-	-
Total	378,348	19,956	321,832	81,265	-	-	-	-	-	-	-	-	-	-	-	-
Parking																
Parking Authority	139,816	144,805	-	-	-	-	-	4,989	-	-	-	-	-	-	-	4,989
Education																
School District	2,387,050	15,940	729,443	2,565	-	-	-	-	-	-	-	-	-	-	-	-
Community College	118,576	25,696	35,711	456	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,505,626	41,636	765,154	3,021	-	-	-	-	-	(1,639,102)	(56,713)	-	-	-	-	(1,639,102)
Health																
Community Behavioral Health	465,422	-	465,012	-	-	-	-	-	-	-	-	(410)	-	-	-	(410)
Economic Development																
Convention Center Authority	49,674	9,941	36,580	-	-	-	-	-	-	-	-	(3,153)	-	-	-	(3,153)
Penn's Landing Corporation	9,920	5,558	3,902	-	-	-	-	-	-	-	-	-	(460)	-	-	(460)
Authority for Industrial Developm	68,647	16,824	31,168	-	-	-	-	-	1,494,987	-	-	-	-	-	(20,655)	(20,655)
Total	128,241	32,323	71,650	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Component Units	4,412,271	1,016,924	1,645,012	84,286	-	-	-	-	-	-	-	-	-	-	-	(1,666,049)
General Revenues:																
Grants & Contributions Not Restricted to Specific Progr	-	-	-	-	-	-	-	-	-	-	54,035	-	-	-	-	54,035
Unrestricted Interest & Investment Earnings	-	-	-	-	-	-	-	-	-	701	354	1,855	96	-	530	9,444
Miscellaneous	-	-	-	-	-	-	-	-	-	641	-	-	-	-	-	1,495,628
Special Item-Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,523)	(2,523)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,971	20,971
Total General Revenues, Special Items and Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Net Assets	4,750	(4,088)	189,465	62,234	3,329	(4,088)	3,334	1,046,003	30,939	(1,336)	(56)	(1,298)	(364)	14,580	(1,677)	(88,494)
Net Assets - July 1, 2003	-	-	-	-	-	-	(3,334)	10,806	-	64,610	56	45,522	14,580	89,285	89,285	989,844
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets Adjusted - July 1, 2003	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets - June 30, 2004	189,465	62,234	194,215	58,146	3,329	(4,088)	3,334	1,056,809	30,939	(1,336)	(56)	45,522	14,580	89,285	1,015,011	
	194,215	58,146	194,215	58,146	3,329	(4,088)	3,334	1,108,931	38,507	(682,604)	63,274	44,224	14,216	87,608	926,517	

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2003. 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, 2003. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2004.

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

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) - PLC 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) - PCCA was established to develop, promote and operate a convention center facility in the Philadelphia metropolitan area. Under a Lease & Service agreement, the City is obligated to pay an annual service fee sufficient to cover the debt service on PCCA's outstanding bonded debt. A voting majority of PCCA's governing board is not appointed by the City, however the significance of the City's relationship with PCCA is such that exclusion from the City's financial report would be misleading.

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 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. A voting majority of PPA's governing board is not appointed by the City, however the significance of the City's relationship with PPA is such that exclusion from the City's financial report would be misleading.

Redevelopment Authority of the City of Philadelphia (RDA) - 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. A voting majority of the SDP governing board is not appointed by the City, however the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

Community Behavioral Health (CBH) - 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. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

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 Gas Works 800 West Montgomery Avenue Philadelphia, PA 19122	Philadelphia Authority for Industrial Development 2600 Centre Square West 1500 Market Street Philadelphia, PA 19102

C. AUDIT RESPONSIBILITY

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Aggregate Discretely Presented Component Units</u>	<u>Major Funds</u>	<u>Aggregate Remaining Fund Information</u>
Total Assets	7%	0%	62%	0%	93%
Total Revenues	7%	0%	48%	0%	78%

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

The financial statements of the **Community College of Philadelphia** have been prepared in accordance with GASBS #35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities.

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

4. 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	\$ 247,717	Cash & Cash Equivalents (Note III.1)	\$ 267,179
Equity In Treasurer's Account	5,185,856		
Investments	35,735	Investments (Note III.3)	6,265,402
Amounts Held by Fiscal Agent	120,337		
Included In Restricted Assets	565,319		
Other Assets	<u>377,617</u>		
Total Cash & Investments	<u>\$ 6,532,581</u>	Total Cash & Investments	<u>\$ 6,532,581</u>

B. COMPONENT UNITS

The **SDP** utilizes a pooled Cash and Investments Account to provide efficient management of the cash of most **SDP** 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 GASBS #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	\$ 234,849	Cash & Cash Equivalents (Note III.1)	\$ 473,621
Equity In Treasurer's Account	--		
Investments	398,336		
Held by Fiscal Agent	9		
Included in Restricted Assets	1,165,668	Investments (Note III.3)	1,325,241
Other Assets	<u>--</u>		<u> </u>
Total Cash & Investments	<u>\$ 1,798,862</u>	Total Cash & Investments	<u>\$ 1,798,862</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 average cost.
- The **SDP** Food Services Fund inventories include food donated by the Federal Government which was valued at government cost or estimated value. All other food or supply inventories were valued at last unit cost and will be expensed when used.
- **RDA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of land inventories acquired.

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

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

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

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

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

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. Among the City's collections are historical artifacts at the 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 40.4 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 **SDP** 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. Also included are business privilege taxes which were received in advance of being earned. The deferred revenue in the Special Revenue and Capital Improvement Funds is primarily related to grants receivable and funds received in advance of being earned. In the Water and Aviation Funds, deferred revenues relate to overpayments from water/sewer customers and airlines, respectively.

B. COMPONENT UNITS

Deferred revenue of the **SDP** 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 \$267.1 million and \$263.2 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>			<u>Total Bank Balance</u>	<u>Book Balance</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Primary Government	\$ 100	\$ 72,554	\$ 190,539	\$ 263,193	\$ 267,179
Component Units	\$ 16,299	\$ 10,254	\$ 456,895	\$ 483,448	\$ 473,621

From February to early June, uncollateralized deposits of the City and **SDP** 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:

(Amounts In Thousands)

Investment Type	Category			Fair Value
	1	2	3	
Repurchase Agreements	\$ 10,659	\$ --	\$ 34,040	\$ 44,699
U.S. Government Securities	212,351	--	11,154	223,505
U.S. Government Agency Securities	991,751	--	80,657	1,072,408
Corporate Bonds				
Not On Securities Loan	621,260	--	271	621,531
On Loan For Securities Collateral	3,627	--	--	3,627
Corporate Equities				
Not On Securities Loan	3,015,943	--	--	3,015,943
On Loan For Securities Collateral	5,197	--	--	5,197
Other Investments	<u>89,132</u>	<u>--</u>	<u>41,850</u>	<u>130,982</u>
Total Categorized Investments	<u>\$ 4,949,920</u>	<u>\$ --</u>	<u>\$ 167,972</u>	5,117,892
Short Term Investment Pools				318,157
Mortgages				63,136
Non-Categorized Mutual Funds				1,188
Real Estate				19,473
Financial Agreements				173,774
Investments Held By Broker-Dealers Under Securities Loans With Cash Collateral:				
U.S. Government Securities				168,808
Corporate Bonds				25,357
Securities Lending Investment Pool				<u>377,617</u>
Total Investments				<u>\$ 6,265,402</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 70.3% of total investments and 81.1% 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)

Investment Type	Category			Fair Value
	1	2	3	
Repurchase Agreements	\$ --	\$ --	\$ 638,432	\$ 638,432
U.S. Government & Agency Securities	208,495	--	78,397	286,892
Corporate Bonds	--	--	--	--
Corporate Equity	--	--	50,063	50,063
Other Investments	<u>26,770</u>	<u>--</u>	<u>39,411</u>	<u>66,181</u>
Total Categorized Investments	<u>\$ 235,265</u>	<u>\$ --</u>	<u>\$ 806,303</u>	1,041,568
Short-Term Investment Pools				<u>283,673</u>
Total Investments				<u>\$ 1,325,241</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 #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.

The Philadelphia Gas Works (PGW) is required to pay the City an annual fee of \$18 million. PGW has experienced cash flow problems primarily due to slow collection of outstanding billings and the rising cost of natural gas. In fiscal year 2004, the City waived the fee.

Interfund receivable and payable balances within the Primary Government at year end are as follows:

	<u>Interfund Receivables Due to:</u>					<u>Total</u>
	<u>General</u>	<u>Non major Governmental</u>		<u>Pension Trust</u>	<u>Other Funds</u>	
		<u>Special Revenue</u>	<u>Debt Service</u>			
<u>Interfund Payables Due From:</u>						
General	\$ -	\$ -	\$ -	\$ 9,768	\$ 737	\$ 10,505
Non major Special Revenue Funds	7,914	-	4,450	-	5	12,369
Non major Debt Service Funds	-	167	-	-	-	167
Total	<u>\$ 7,914</u>	<u>\$ 167</u>	<u>\$ 4,450</u>	<u>\$ 9,768</u>	<u>\$ 742</u>	<u>\$ 23,041</u>

(Amounts in Thousands)

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, 2004 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>PCCA</u>	<u>PAID</u>	<u>CBH</u>	<u>Timing Differences</u>	
<u>Interfund Payables Due From:</u>								
General	\$ -	\$ -	\$ -	\$ -	\$ 2,461	\$ -	\$ (2,461)	\$ -
Behavioral Health	-	-	-	-	-	31,842	-	31,842
Grants Revenue	-	-	-	-	-	-	-	-
Non major Special Revenue Funds	-	-	-	2,194	-	-	-	2,194
PGW	45,000	-	-	-	-	-	-	45,000
PPA	5,025	-	14,539	-	-	-	(7,000)	12,564
PCCA	13,057	-	-	-	-	-	-	13,057
PAID	-	-	-	-	-	-	-	-
Timing Differences	-	-	(14,539)	-	-	(1,378)	-	(15,917)
Total	<u>\$ 63,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,194</u>	<u>\$ 2,461</u>	<u>\$ 30,464</u>	<u>\$ (9,461)</u>	<u>\$ 88,740</u>

6. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

(Amounts In Millions)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 683	\$ 57	\$ (10)	\$ 730
Construction In Process	<u>8</u>	<u>3</u>	<u>(8)</u>	<u>3</u>
Total capital assets not being depreciated	691	60	(18)	733
Capital assets being depreciated:				
Buildings	1,659	69	(129)	1,599
Other Improvements	254	8	(16)	246
Equipment	430	36	(35)	431
Infrastructure	1,060	34	(3)	1,091
Transit	<u>292</u>	<u>--</u>	<u>--</u>	<u>292</u>
Total capital assets being depreciated	3,695	147	(183)	3,659
Less accumulated depreciation for:				
Buildings	(810)	(51)	80	(781)
Other Improvements	(154)	(8)	8	(154)
Equipment	(322)	(26)	16	(332)
Infrastructure	(612)	(46)	--	(658)
Transit	<u>(147)</u>	<u>(9)</u>	<u>--</u>	<u>(156)</u>
Total accumulated depreciation :	<u>(2,045)</u>	<u>(140)</u>	<u>104</u>	<u>(2,081)</u>
Total capital assets being depreciated, net	<u>1,650</u>	<u>7</u>	<u>(79)</u>	<u>1,578</u>
Governmental activities capital assets, net	<u>\$ 2,341</u>	<u>\$ 67</u>	<u>\$ (97)</u>	<u>\$ 2,311</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 80	--	\$ --	\$ 80
Construction In Process	<u>168</u>	<u>244</u>	<u>(268)</u>	<u>144</u>
Total capital assets not being depreciated	248	244	(268)	224
Capital assets being depreciated:				
Buildings	2,686	114	(2)	2,798
Other Improvements	77	2	--	79
Equipment	80	10	(6)	84
Infrastructure	<u>1,982</u>	<u>130</u>	<u>(68)</u>	<u>2,044</u>
Total capital assets being depreciated	4,825	256	(76)	5,005
Less accumulated depreciation for:				
Buildings	(1,022)	(74)	1	(1,095)
Other Improvements	(28)	(13)	--	(41)
Equipment	(56)	(9)	6	(60)
Infrastructure	<u>(905)</u>	<u>(45)</u>	<u>1</u>	<u>(949)</u>
Total accumulated depreciation :	<u>(2,011)</u>	<u>(141)</u>	<u>8</u>	<u>(2,145)</u>
Total capital assets being depreciated, net	<u>2,813</u>	<u>115</u>	<u>(68)</u>	<u>2,860</u>
Business-type activities capital assets, net	<u>\$ 3,061</u>	<u>\$ 359</u>	<u>\$ (336)</u>	<u>\$ 3,084</u>

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

(Amounts in Thousands)	
Governmental Activities:	
Economic Development	\$ 2,924
Transportation:	
Streets & Highways	32,065
Mass Transit	28,360
Judiciary and Law Enforcement:	
Police	9,290
Prisons	5,756
Courts	1,025
Conservation of Health:	
Health Services	2,179
Housing and Neighborhood Development	1
Cultural and Recreational:	
Recreation	9,231
Parks	7,414
Libraries and Museums	5,477
Improvements to General Welfare:	
Social Services	2,301
Inspections and Demolitions	177
Service to Property:	
Fire	4,436
General Management and Support	<u>29,879</u>
Total Governmental Activities	<u>\$ 140,515</u>
Business Type Activities:	
Water and Sewer	\$ 78,452
Aviation	<u>62,914</u>
Total Business Type Activities	<u>\$ 141,366</u>

B. DISCRETELY PRESENTED COMPONENT UNITS

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

(Amounts In Millions)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 110	\$ 1	\$	\$ 111
Construction In Process	123	80	(126)	77
Total capital assets not being depreciated	233	81	(126)	188
Capital assets being depreciated:				
Buildings	774	81	--	855
Other Improvements	818	68	--	887
Equipment	220	40	(32)	228
Infrastructure	1	0	--	1
Total capital assets being depreciated	1,814	189	(32)	1,971
Less accumulated depreciation for:				
Buildings	(435)	(15)	--	(450)
Other Improvements	(347)	(52)	--	(399)
Equipment	(137)	(20)	25	(133)
Infrastructure	(1)	(0)	--	(1)
Total accumulated depreciation :	(920)	(87)	25	(982)
Total capital assets being depreciated, net	894	102	(7)	989
Capital assets, net	\$ 1,127	\$ 183	\$ (133)	\$ 1,178

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 76	\$ --	\$ (21)	\$ 55
Fine Arts	3	--	--	3
Construction In Process	303	246	(62)	487
Total capital assets not being depreciated	382	246	(83)	545
Capital assets being depreciated:				
Buildings	2,276	16	--	2,292
Other Improvements	29	3	(2)	30
Equipment	367	27	(9)	385
Infrastructure	1,029	42	(1)	1,070
Total capital assets being depreciated	3,701	88	(12)	3,777
Less accumulated depreciation for:				
Buildings	(1,000)	(72)	--	(1,072)
Other Improvements	(20)	(2)	2	(20)
Equipment	(73)	(18)	3	(88)
Infrastructure	(450)	(24)	--	(474)
Total accumulated depreciation :	(1,543)	(116)	5	(1,654)
Total capital assets being depreciated, net	2,158	(28)	(7)	2,123
Capital assets, net	\$ 2,540	\$ 218	\$ (90)	\$ 2,668

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, 2003) had an average weighted interest rate of approximately 0.90% and terms to maturity of 3 days. The principal amount outstanding was \$74.0 million.

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year end of \$35.9 million related to various projects of the Authority. These notes have interest rates ranging from 0% to 7.5%. Aggregate minimum principal payments on these notes are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 15,836,873
2006	1,207,809
2007	--
2008	2,000,000
2009	--
2010-2014	--
2015-2019	5,006,487
2020-2024	8,897,000
2025-2029	1,000,000
2030-2034	--
2035-2039	<u>1,950,000</u>
Total	<u>\$ 35,898,169</u>

Under a loan agreement dated December, 2003, with the State Public School Building Authority, the **CCP** borrowed \$1.9 million to install an integrated computer system and to upgrade the existing computer network infrastructure. In addition to the loan the Authority contributed \$50,000 to the project to offset issuance cost. The loan is scheduled to be repaid over a ten-year period through May, 2013, at interest rates ranging from 1.25% to 3.80% and an annual debt service payment of \$829,694.

In March, 2003, the **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 \$272,234.

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 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 \$1.2 million.

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 is as follows:

<u>Period</u>	<u>Amount</u>
2004 to 2005	\$ 4,124,921
2005 to 2006	4,310,237
2006 to 2007	4,506,125
2007 to 2008	4,705,527
2008 to 2009	4,680,000
2009 to 2013	17,500,000
2014 to 2018	10,220,000
2019 to 2023	<u>7,580,000</u>
Total	<u>\$ 57,626,810</u>

In July, 2003 **PPA** borrowed \$6.0 million in bank notes. The loan has an interest rate of 4.06% and a maturity date of April, 2019. The proceeds of the loan will be used for the acquisition of capital assets and the funding of various capital projects.

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, 2004 was \$15,535,000 subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 5,401,903
2006	765,799
2007	808,536
2008	853,215
2009	901,589
2010-2014	4,275,877
2015-2019	2,395,867
2020-2024	<u>132,214</u>
Total	<u>\$ 15,535,000</u>

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 \$1.1 billion, leaving a legal debt borrowing capacity of \$151.1 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 Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Term Bonds	\$ 1,316.4	\$ 200.0	\$ (199.8)	\$ 1,316.6	\$ 47.2
Refunding Bonds	191.7	--	(28.3)	163.4	17.0
Serial Bonds	396.9	267.5	(104.2)	560.2	31.6
Less Deferred Amounts					
Unamortized bond premium	--	24.0	--	24.0	0.4
Unamortized issuance expenses	--	(4.2)	--	(4.2)	(0.2)
Unamortized Discount and Loss	(1.7)	(12.9)	1.7	(12.9)	--
Total Bonds Payable	<u>1,903.3</u>	<u>474.4</u>	<u>(330.6)</u>	<u>2,047.1</u>	<u>96.0</u>
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,394.6	37.6	(15.8)	1,416.4	26.9
Neighborhood Transformation	139.2	10.9	(3.6)	146.5	14.6
One Parkway	54.7	--	(1.2)	53.5	1.3
Sports Stadium	342.0	--	(0.1)	341.9	0.8
Indemnity Claims	34.7	18.5	(22.6)	30.6	8.2
Worker's Compensation Claims	146.5	86.3	(39.5)	193.3	24.2
Termination Compensation Payable	171.4	19.9	(27.2)	164.1	27.2
Governmental Activity Long-term Liabilities	<u>\$ 4,186.4</u>	<u>\$ 647.6</u>	<u>\$ (440.6)</u>	<u>\$ 4,393.4</u>	<u>\$ 199.2</u>

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

(Amounts In Millions)				
Governmental Funds:	Interest Rates	Principal	Due Dates	
City	1.0 % to 6.25 %	\$ 1,021.0	Fiscal 2005 to 2033	
PMA	2.00 % to 7.50 %	248.5	Fiscal 2005 to 2019	
PICA	4.00 % to 6.00 %	770.7	Fiscal 2005 to 2023	
		<u>\$ 2,040.2</u>		

The City has General Obligation Bonds authorized and unissued at year end of \$190.4 million for Governmental Funds.

- 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% and maturing in 2015. Series 2003B sub series (1) and (2) were issues for \$100 million each, have a maturity date through 2033, and will bear interest at the auction rate.

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
2005	\$ 30.1	\$ 44.2	\$ 18.6	\$ 16.5	\$ 47.1	\$ 39.0
2006	20.0	42.1	17.0	16.0	49.3	37.0
2007	22.1	41.2	17.5	15.4	51.8	34.5
2008	26.5	40.1	9.5	14.9	48.7	31.9
2009	30.3	38.8	14.2	14.1	42.5	29.4
2010-2014	176.5	169.2	80.8	71.6	194.2	116.7
2015-2019	208.3	123.4	90.9	10.1	218.1	61.8
2020-2024	209.7	79.0	--	--	119.0	13.2
2025-2029	188.5	35.7	--	--	--	--
2030-2034	109.0	5.7	--	--	--	--
Totals	\$ 1,021.0	\$ 619.4	\$ 248.5	\$ 158.6	\$ 770.7	\$ 363.5

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

(Amounts In Millions)

Lease and Service Agreements

Fiscal Year	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 26.9	\$ 50.2	\$ 14.5	\$ 7.4	\$ 1.2	\$ 2.9	\$ 0.8	\$ 18.2
2006	33.3	48.7	3.8	7.1	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	2.6	5.9	17.6
2009	54.8	41.8	4.1	6.5	1.5	2.6	6.2	17.3
2010-2014	312.5	282.4	24.1	28.9	8.9	11.6	42.8	80.2
2015-2019	227.7	442.1	31.4	21.7	11.6	9.0	57.7	66.4
2020-2024	164.2	509.4	41.0	12.0	15.0	5.5	75.9	48.3
2025-2029	509.9	263.8	19.6	1.6	11.1	1.2	98.4	25.7
2030-2034	--	--	--	--	--	--	47.2	2.5
Totals	\$ 1,416.4	\$ 1,729.7	\$ 146.5	\$ 98.7	\$ 53.5	\$ 40.9	\$ 341.9	\$ 312.2

(2) Business Type Debt Payable

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

(Amounts In Millions)

Business Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 15.5	\$ --	\$ (3.9)	\$ 11.6	\$ 3.5
Revenue Bonds	2,921.2	--	(101.5)	2,819.7	106.1
Less Deferred Amounts					
Unamortized Discounts and Loss	(145.6)	--	13.7	(131.9)	--
Total Bonds Payable	2,791.1	--	(91.7)	2,699.4	109.6
Indemnity Claims	2.5	1.6	(2.7)	1.4	0.5
Worker's Compensation Claims	6.1	3.4	(3.1)	6.4	0.8
Termination Compensation Payable	14.5	1.5	(1.8)	14.2	1.8
Arbitrage	2.8	--	(2.5)	0.3	--
Business-type Activity Long-term Liabilities	<u>\$ 2,817.0</u>	<u>\$ 6.5</u>	<u>\$ (101.8)</u>	<u>\$ 2,721.7</u>	<u>\$ 112.7</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.

(Amounts In Millions)

Enterprise Funds	Interest Rates	Principal	Due Dates
Water Fund	1.0 %	\$ 9.2	Fiscal 2005 to 2012
Aviation Fund	5.3 % to 6.25 %	2.4	Fiscal 2005 to 2005
		<u>\$ 11.6</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:

(Amounts In Millions)

City Enterprise Funds				
Fiscal Year	Water Fund		Aviation Fund	
	Principal	Interest	Principal	Interest
2005	\$ 1.1	\$ 0.1	\$ 2.4	\$ 0.1
2006	1.1	0.1	--	--
2007	1.2	0.1	--	--
2008	1.2	0.1	--	--
2009	1.2	--	--	--
2010-2014	3.4	--	--	--
2015-2019	--	--	--	--
2020-2024	--	--	--	--
2025-2029	--	--	--	--
2030-2034	--	--	--	--
Totals	<u>\$ 9.2</u>	<u>\$ 0.4</u>	<u>\$ 2.4</u>	<u>\$ 0.1</u>

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)

	<u>Interest Rates</u>	<u>Principal</u>	<u>Due Dates</u>
Water Fund	2.73 % to 10.00 %	\$ 1,729.2	Fiscal 2005 to 2032
Aviation Fund	4.0 % to 6.10 %	<u>1,090.5</u>	Fiscal 2005 to 2031
Total Revenue Debt Payable		<u>\$ 2,819.7</u>	

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

(Amounts In Millions)

<u>Fiscal Year</u>	<u>Water Fund</u>		<u>Aviation Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 70.7	\$ 84.9	\$ 35.4	\$ 58.6
2006	76.6	79.8	37.3	56.7
2007	80.4	76.0	31.5	54.5
2008	83.9	72.6	33.3	52.8
2009	87.3	69.3	35.1	51.0
2010-2014	516.3	266.5	205.9	224.1
2015-2019	378.5	136.0	230.4	162.8
2020-2024	178.5	80.5	243.1	99.6
2025-2029	142.8	44.7	233.4	31.5
2030-2034	114.2	8.7	5.1	0.4
Totals	<u>\$ 1,729.2</u>	<u>\$ 919.0</u>	<u>\$ 1,090.5</u>	<u>\$ 792.0</u>

(3) Defeased Debt

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

(Amounts In Millions)

Governmental Funds:	
General Fund	\$ 31.3
PMA	0.3
PICA	98.3
Enterprise Funds:	
Water Fund Revenue Bonds	55.1
	<hr/>
Total	<u>\$ 185.0</u>

- 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.8.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.
- In December, 2003, **PMA** issued \$217.5 million in General Obligation Bonds with an average interest rate of 5.21% to advance refund approximately \$226.6 million of outstanding CJC bonds, Series 1991A and Series 1993 A through D. The net proceeds less various fees were used to purchase Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. The advance refunding reduced total debt service payments over fifteen years for an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$21.0 million. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the PMA's statements.

(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 \$350.0 million in Tax and Revenue Anticipation Notes by June 2004 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

Beginning Balance	Additions	Deductions	Ending Balance
0	350,000,000	-350,000,000	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. In September, the Aviation Fund made a required payment of \$2.4 million. At June 30, 2004, the Water Fund and the Aviation Fund had recorded liabilities of \$30,077 and \$270,204 respectively.

(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, 2004, the swap had a negative fair value of \$26,005,000. 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 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 18 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 bond has a \$376,165,000 principal amount. The bonds’ 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, 2004, 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	(1.07%)
Net interest rate swap payments		3.45%
Variable Rate bond coupon payments	Market driven	1.07%
Synthetic interest rate on bonds		4.52%

Fair Value: As of June 30, 2004, the swap had a negative fair value of \$33,170,630.87. Since the coupons on the City's variable rate bonds adjust to changing 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.

Risk: As of June 30, 2004 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-rate 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.

Swap payments and associated debt: As of June 30, 2004, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate Swaps Net	Total Interest
	Principal	Interest		
06/15/2005	\$ 950,000.00	\$ 4,015,282.00	\$ 12,946,470.00	\$ 16,961,752.00
06/15/2006	995,000.00	4,005,117.00	12,913,695.00	16,918,812.00
06/15/2007	1,045,000.00	3,994,470.50	12,879,367.50	16,873,838.00
06/15/2008	1,095,000.00	3,994,202.12	12,843,315.00	16,837,517.12
06/15/2009	1,145,000.00	3,971,572.50	12,805,537.50	16,777,110.00
06/15/2010	1,205,000.00	3,959,321.00	12,766,035.00	16,725,356.00
06/15/2011	1,260,000.00	3,946,427.50	12,724,462.50	16,670,890.00
06/15/2012	41,195,000.00	3,943,720.69	12,680,992.50	16,624,713.19
06/15/2013	43,205,000.00	3,492,159.00	11,259,765.00	14,751,924.00
06/15/2014	45,305,000.00	3,029,865.50	9,769,192.50	12,799,058.00
06/15/2015	47,515,000.00	2,545,102.00	8,206,170.00	10,751,272.00
06/15/2016	98,280,000.00	2,042,271.48	6,566,902.50	8,609,173.98
06/15/2017	11,280,000.00	985,095.50	3,176,242.50	4,161,338.00
06/15/2018	11,830,000.00	864,399.50	2,787,082.50	3,651,482.00
06/15/2019	12,410,000.00	737,818.50	2,378,947.50	3,116,766.00
06/15/2020	13,140,000.00	606,689.12	1,950,802.50	2,557,491.62
06/15/2021	13,780,000.00	464,433.50	1,497,472.50	1,961,906.00
06/15/2022	14,460,000.00	316,987.50	1,022,062.50	1,339,050.00
06/15/2023	15,165,000.00	162,265.50	523,192.50	685,458.00
Totals	\$ 375,260,000.00	\$ 47,077,200.41	\$ 151,697,707.50	\$ 198,774,907.91

- **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, 2004, the swaption had a negative fair value of \$5,700,138.25. 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, 2004, the 1996 swaption had a negative fair value of approximately \$9,000,000 and the 1999 swaption had a negative fair value of approximately \$19,300,000. The fair value was determined by the counterparty using its proprietary methodology.

Market access 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**

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 premium received was recognized as swaption premium revenue in the General Fund during the fiscal year ended June 30, 2003. At June 30, 2004, the unamortized swaption premium is reflected as deferred revenue in the government-wide financial statements and will be amortized over the life of the 2003 Swap Agreement.

Terms and objectives: The series 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").

In June 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. The objective of the basis cap is to minimize the basis risk as discussed below.

Fair value: The swap and basis cap had a negative fair value of approximately \$19,400,000 million and \$478,000 million as of June 30, 2004 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, 2004, 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, 2004. 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, 2004, the 67% of LIBOR rate was approximately 0.92% and the BMA rate was approximately 1.05%.

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-" as issued by Standard & Poor's or "A3" by Moody's Investors Service 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.

As of June 30, 2004, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows: As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending	Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, net	
2005	\$ 5,720,000	\$ 1,515,374	\$ 6,531,672	\$ 13,767,046
2006	5,995,000	1,512,826	6,298,296	13,806,122
2007	6,290,000	1,510,131	6,053,700	13,853,831
2008	6,605,000	1,507,240	5,797,068	13,909,308
2009	6,950,000	1,504,153	5,527,584	13,981,737
2010	7,290,000	1,500,772	5,244,024	14,034,796
2011	7,650,000	1,497,440	4,946,592	14,094,032
2012	8,025,000	1,493,912	4,634,472	14,153,384
2013	8,420,000	1,490,237	4,307,052	14,217,289
2014	8,835,000	1,486,366	3,963,516	14,284,882
2015	9,270,000	1,482,299	3,603,048	14,355,347
2016	9,725,000	1,478,036	3,224,832	14,427,868
2017	10,205,000	1,473,577	2,828,052	14,506,629
2018	10,710,000	1,468,873	2,411,688	14,590,561
2019	11,245,000	1,463,924	1,974,720	14,683,644
2020	11,795,000	1,458,681	1,515,924	14,769,605
2021	12,375,000	1,453,291	1,034,688	14,862,979
2022	12,985,000	1,447,607	529,788	14,962,395
Total	\$ 160,090,000	\$ 26,744,739	\$ 70,426,716	\$ 257,261,455

(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 #2, PAID treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of \$1.416 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 #2, RDA treats this as conduit debt and therefore does not include these transactions on its financial statements.

In Fiscal 2004, RDA issued a \$30.0 million City of Philadelphia NTI Taxable Revenue Bond. The RDA and the City plan to borrow a taxable bank line of credit (the 2003 Bond) to fund certain costs of the NTI related to the acquisition of property. The line of credit is being issued in anticipation of future long term financing. This will allow the City and RDA to better manage the carrying costs of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals. It is anticipated that the take out financing could occur within one to two years. In fiscal year 2004, \$10.9 million was borrowed from the line of credit. The fiscal year 2004 NTI Service Agreement liability of \$146.5 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 #2, PAID treats this as conduit debt and therefore does not include these transactions on its financial statements.

In fiscal 2004, the Sports Stadium Financing Agreement liability of \$341.9 million is reflected in the City's financial statements as an Other Long Term Liabilities

(10) Forward Purchase Agreements

- In August, 2002, the City on behalf of **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 was 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 began 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.

(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 **SDP**, has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total \$2,314.7 million in principal, with interest rates from 1.7% to 6.25 % and have due dates from 2006 to 2034.

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

(Amounts in Millions)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 1,405.9	\$ 2,285.3	\$ (1,376.5)	\$ 2,314.7	\$ 20.4
Add: Bond Premium	19.2	4.9	(1.1)	23.0	1.1
Less: Bond Discounts	--	(11.0)	0.3	(10.7)	-0.3
Total Bonds Payable	<u>1,425.1</u>	<u>2,279.2</u>	<u>(1,377.3)</u>	<u>2,327.0</u>	<u>21.2</u>
Loans Payable	1.0	--	(0.4)	0.6	0.4
Termination Compensation Payable	305.8	73.8	(57.0)	322.6	36.5
Severance Payable	175.2	13.2	(18.4)	170.0	12.1
Other Liabilities	82.2	23.6	(17.9)	87.9	--
Capital Lease	--	3.9	--	3.9	0.7
Life Insurance Benefits	21.2	--	(21.2)	--	--
Due to Other Governments	--	--	--	--	--
Deferred Reimbursement	45.3	--	--	45.3	45.3
Deferred Revenue	3.6	0.3	(1.1)	2.8	0.5
Early Retirement Incentive	--	7.9	--	7.9	1.6
Governmental Activity Long-term Liabilities	<u>\$ 2,059.4</u>	<u>\$ 2,401.9</u>	<u>\$ (1,493.3)</u>	<u>\$ 2,968.0</u>	<u>\$ 118.3</u>

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

(Amounts In Millions)

Fiscal Year	Principal	Interest
2005	\$ 20.4	\$ 60.0
2006	34.8	73.7
2007	57.3	71.7
2008	60.3	68.6
2009	63.4	65.5
2010-2014	339.0	280.8
2015-2019	347.2	208.7
2020-2024	353.2	131.8
2025-2029	285.3	67.7
2030-2034	165.7	23.2
Totals	<u>\$ 1,726.6</u>	<u>\$ 1,051.7</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)

	<u>Interest Rates</u>	<u>Principal</u>	<u>Due Dates</u>
PCCA	5.75 % to 6.875 %	\$ 238.1	Fiscal 2005 to 2020
PPA	3.5 % to 5.75 %	299.0	Fiscal 2005 to 2029
PGW	3.0 % to 7.7 %	967.0	Fiscal 2004 to 2026
RDA	4.20 % to 7.15 %	<u>34.4</u>	Fiscal 2005 to 2029
Total Revenue Debt Payable		<u>\$ 1,538.5</u>	

- 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.
- In April, 2003, **PGW** issued \$186.7 million of new debt for the purpose of redeeming and refunding, on a current basis, a portion of the 14th Series City of Philadelphia Gas Works Revenue Bonds previously issued under the 1975 Ordinance. The par amount of the refunded bonds is \$176.0 million. The new debt was issued as the 17th Series under the 1975 Ordinance. The interest rates on the \$167.9 million Serial Bonds ranges from 4.0% to 5.375%. The interest rate on the \$18.8 million of Term Bonds is 5.0%. Both Serial and Term Bonds mature through 2026.

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
2005	\$ 8.6	\$ 15.6	\$ 9.1	\$ 15.6	\$ 33.8	\$ 56.5	\$ 1.5	\$ 1.9
2006	9.2	15.1	9.5	15.1	36.2	50.4	0.8	1.8
2007	9.8	14.4	9.9	14.7	38.1	48.9	0.1	1.8
2008	10.5	13.8	10.4	14.2	39.5	44.0	0.1	1.8
2009	11.2	13.1	11.0	13.6	40.1	41.9	0.1	1.8
2010-2014	69.0	52.5	58.4	58.7	173.3	201.4	0.3	8.9
2015-2019	96.3	25.1	65.1	42.5	182.1	136.4	10.4	7.6
2020-2024	23.5	0.7	53.9	26.6	186.1	88.9	6.3	6.2
2025-2029	--	--	61.3	11.2	177.5	41.7	4.2	4.2
2030-2034	--	--	10.4	0.2	60.3	6.6	10.6	0.3
2035-2038	--	--	--	--	--	--	--	--
Totals	<u>\$ 238.1</u>	<u>\$ 150.3</u>	<u>\$ 299.0</u>	<u>\$ 212.4</u>	<u>\$ 967.0</u>	<u>\$ 716.7</u>	<u>\$ 34.4</u>	<u>\$ 36.3</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2003.

‡ - Parking Authority amounts are presented as of its fiscal year March 31, 2004.

(3) Defeased Debt

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

	(Amounts In Millions)
Pennsylvania Convention Center Authority	\$ 239.0
Philadelphia Gas Works †	80.3
School District of Philadelphia	742.1
	<hr/>
Total	<u>\$ 1,061.4</u>

†- Gas Works amounts are presented as of August 31, 2003.

- In June, 2004, **SDP** issued \$691.1 million in general obligation bonds on a variable rate basis in conjunction with a variable to fixed rate swap transaction to advance refund \$634.4 million of outstanding bonds with an average interest rate of 5.55%. Bond proceeds of \$5.0 million were utilized for underwriting fees, insurance and issuance costs. The net proceeds were used to purchase U.S. Governments securities of \$692.0 million. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. These bonds are considered to be defeased and the liability has been removed from long term debt liabilities.

The cash flow required to service the new debt is \$94.1 million less than the flow required to service the old debt. In addition, there was an economic gain of \$14.0 million to the **SDP**.

(4) Swaptions

- Philadelphia Gas Works (PGW) Knock-in Swaption**

Objective: In December, 1999, the Gas Works entered into a swaption to take on contingent variable rate exposure. The Gas Works' asset/liability strategy is to have a mixture of fixed and variable rate debt. Instead of creating floating rate exposure today the Gas Works took contingent variable rate exposure and received an upfront payment of \$8,645,000.

Terms: JPMorgan Chase has the option if the 180 day average of BMA exceeds 7.00% to execute a swap whereby the Gas Works pays a variable rate and receives a fixed rate. If the swap is exercised before January 1, 2014, the notional of the swap would be \$103,550,000. Starting in 2014 the swap would amortize from \$103,550,000 until the final maturity of July 1, 2028. Under the swap, the Gas Works would pay a variable rate equal to the BMA index plus 50 bps and receive a fixed rate from JPMorgan of 5.01%. **At this time it is anticipated that the swaption will be unwound on or prior to November 1, 2004 in connection with a new money transaction.**

Fair Value: As of June 30, 2004, the swap had a negative fair value of \$8,635,000. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risks: The swaption increases the Gas Works' exposure to variable interest rates to the extent that the rolling 180-day average of the BMA Municipal Swap Index exceeds 7.00%, JPMorgan Chase would then have the option to execute a swap to floating with the Gas Works. It is a historically remote event that the 180 day of average of BMA exceeds 7.00%. Since at this time the Gas Works is expecting to unwind this swap by November, 2004, the interest rate exposure should go away.

- **Philadelphia Authority for Industrial Development Basis Swap**

Objective: **PAID** entered into a basis swap that will become effective on July 1, 2004, which will provide **PAID** with ten equal payments of \$1,216,500 with the first payment due on July 1, 2004. **PAID** executed the basis swap to create a benefit similar to entering in a synthetic refunding with a percent of LIBOR without having to issue Bonds or utilize its one advance refunding. This allows **PAID** to do a traditional advance refunding in the future if rates decline to appropriate levels.

Terms: The swap was executed with Merrill Lynch Capital Service Inc. with a notional amount of \$298,485,000. The swap will commence on July 1, 2004 and mature on October 1, 2030. Under the swap, **PAID** pays a variable rate equal to the BMA municipal swap index and receives a variable rate computed as 67% of the London Interbank Offered Rate (LIBOR) + 20 basis points. **PAID** will also receive from Merrill Lynch ten equal payments of \$1,216,500 starting on July 1, 2004. As of June 30, 2004, this swap was not effective but will become effective starting July 1, 2004.

Fair Value: As of June 30, 2004, the swap had a negative fair value of \$3,786,708. 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. These payments are then discounted using the spot rates implied by the current year curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks: As of June 30, 2004, **PAID** is not exposed to credit risk because the swap had a negative fair value nor traditional basis risk since there is no corresponding variable-rate 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 Merrill Lynch, or **PAID** 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 Services, a division of The McGraw-Hill Companies, Inc. The swaps do expose **PAID** to a form of basis risk known as tax risk should the relationship between LIBOR and the BMA index converge. The risk is reduced by the 20 bps add-on or cushion should BMA not match its historical average of 67%. It is further reduced in the first ten years by the \$1,216,500 ten equal payments due **PAID** from Merrill Lynch.

- **The School District of Philadelphia**

The **SDP** entered into three qualified interest rate management agreements executed on March 25, 2004, for \$55.7 million. These agreements consisted of a forward starting, fixed payer/floating receiver swaption with an option exercisable by the three counterparties. Simultaneously with the issuance of its General Obligation Refunding Bonds, Series B of 2004, **SDP** settled and terminated these agreements for \$39.1 million. On June 28, 2004, the **SDP** terminated its five (5) interest rate swaptions which resulted in a net gain of \$11.3 million.

Interest Rate Swaps: **SDP** elected to execute floating-to-fixed interest rate swaps to synthetically advance refund its outstanding bonds. The Swaptions allowed **SDP** to effect a synthetic forward refunding of the Bonds to lock in savings based on market conditions on March 9, 2004. However, terminating the swaptions and synthetically advance refunding the bonds allowed **SDP** to generate additional expected savings over the synthetic forward refunding due to a favorable shift in the Treasury yield curve, which reduced the cost of the refunding escrow. **SDP** entered into ten (10) new floating-to-fixed swaps. Each swap is associated with either 7-day reset auction-rate securities or 35-day reset auction-rate securities. The combination of auction-rate securities and a floating-to-fixed swap creates synthetic fixed-rate debt at a rate lower than was available in the cash bond market. 58.5% of LIBOR + 32 basis points swaps were used to hedge the 7 -day auction-rate securities and 60.4% of LIBOR + 32 basis points swaps were used to hedge the 35-day securities.

Terms, fair values and credit risk: The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2004 are as follows:

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination	Counterparty Credit Rating (Moody's/S&P/Fitch)
Series B-1	\$ 60,000,000	06/29/2004	3.7670%	58.5% * 1-Month LIBOR +27 bps	(1,292,316)	09/01/2030	Aa2/A+/AA-
Series B-2	54,200,000	06/29/2004	3.7670%	58.5% * 1-Month LIBOR +27 bps	(1,166,515)	09/01/2030	Aa2/A+/AA-
Series B-3	64,900,000	06/29/2004	3.7670%	58.5% * 1-Month LIBOR +27 bps	(1,397,094)	09/01/2030	Aa2/A+/AA-
Series B-4	95,000,000	06/29/2004	3.7700%	58.5% * 1-Month LIBOR +27 bps	(2,081,619)	09/01/2030	Aa3/A+/AA-
Series B-5	78,475,000	06/29/2004	3.7610%	58.5% * 1-Month LIBOR +27 bps	(1,632,850)	09/01/2030	Aa3/A+/AA-
Series B-6	59,025,000	06/29/2004	3.6838%	60.4% * 1-Month LIBOR +32 bps	(668,565)	09/01/2021	Aa3/A+/AA-
Series B-7	91,000,000	06/29/2004	3.6900%	60.4% * 1-Month LIBOR +32 bps	(1,363,339)	09/01/2021	Aa3/A+/AA-
Series B-8	80,000,000	06/29/2004	3.6890%	60.4% * 1-Month LIBOR +32 bps	(1,206,251)	09/01/2021	Aa3/A+/AA-
Series B-9	70,000,000	06/29/2004	3.6890%	60.4% * 1-Month LIBOR +32 bps	(1,204,911)	09/01/2021	Aa3/A+/AA-
Series C	38,475,000	06/29/2004	3.2400%	1-Month LIBOR through 12/1/05, then 58.5% * 1-Month LIBOR+ 27 bps	(189,912)	09/01/2011	Aa3/A+/AA-

Fair Value: All of the swaps had a negative fair value of (\$12.2) million as of June 30, 2004. These fair value take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond on the date of each future net settlement on the swaps.

Credit Risk: As of June 30, 2004, **SDP** was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, **SDP** would be exposed to credit risk in the amount of the derivatives' fair value. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis Risk: Basis risk is the risk that the interest rate paid by **SDP** on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The **SDP** bears basis risk on each of its swaps. The swaps have basis risk since the **SDP** receives a percentage of LIBOR to offset the actual variable bond rate **SDP** pays on its bonds. The **SDP** is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate **SDP** pays on the bonds. Depending on the magnitude and duration of any basis risk shortfalls, the expected cost savings from the swap may not be realized.

Termination Risk: **SDP** or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, **SDP** would be liable to the counterparty for a payment equal to the swap's fair value.

(5) Other Long-Term Debt

The **SDP** had loans payable of \$0.6 million at year-end consisting of an interest free federal asbestos loan expected to be repaid over the next five years.

9. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands)	<u>Primary Government</u>		<u>Component Units</u>
	Governmental Funds	Proprietary Funds	
Minimum Rentals	\$ 10,380	\$ 57,059	\$ 1,413
Additional Rentals	<u>13,677</u>	<u>78,481</u>	<u>676</u>
Total Rental Income	<u>\$ 24,057</u>	<u>\$ 135,540</u>	<u>\$ 2,089</u>

Future minimum rentals receivable under noncancelable operating leases are as follows:

(Amounts In Thousands) Fiscal Year Ending <u>June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	Governmental Funds	Proprietary Funds	
2005	\$ 6,320	\$ 16,564	\$ 5,225
2006	6,236	16,130	4,067
2007	6,078	14,115	3,626
2008	5,955	13,672	3,309
2009	11,371	13,228	2,943
2010-2014	8,395	41,228	4,131
2015-2019	4,395	20,041	3,285
2020-2024	60	13,054	3,034
2025-2029	35	9,444	2,097
2026-2034	--	--	839
2035-2039	--	--	793
2040-2044	--	--	793
2045-2049	--	--	793
2050-2054	--	--	793
2055-2059	--	--	793
2060-2064	--	--	793
2065-2069	--	--	793
2070-2074	--	--	793
2075-2079	--	--	793
2080-2084	--	--	784
2085-2089	--	--	675
	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$ 48,845</u>	<u>\$ 157,477</u>	<u>\$ 41,152</u>

B. CITY AS LESSEE

(1) OPERATING LEASES

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

	(Amounts In Thousands)		
	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	\$ 80,978	\$ 14,228	\$ 34,861
Additional	<u>4,382</u>	<u>7,662</u>	<u>201</u>
Total Rental Expense	<u>\$ 85,361</u>	<u>\$ 21,891</u>	<u>\$ 35,062</u>

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:

Fiscal Year Ending <u>June 30</u>	(Amounts In Thousands)		
	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2005	\$ 19,044	\$ 884	\$ 15,992
2006	15,952	888	9,379
2007	14,852	891	7,655
2008	13,297	521	4,615
2009	12,623	--	3,918
2010-2014	25,375	--	5,838
2015-2019	1,712	--	997
2020-2024	65	--	119
2025-2029	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 102,919</u>	<u>\$ 3,184</u>	<u>\$ 48,514</u>

(2) CAPITAL LEASES

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

Fiscal Year Ending <u>June 30</u>	(Amounts In Thousands)	
	Component Units	
2005	\$	2,119
2006		1,553
2007		1,236
2008		895
2009		869
2010-2014		150
2015-2019		150
2020-2024		187
2025-2029		313
2030-2034		<u>410</u>
Future Minimum Rental Payments		7,881
Interest Portion of Payments		<u>(1,153)</u>
Obligation Under Capital Leases	\$	<u>6,728</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 Code and Pennsylvania laws in effect at June 30, 2004, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASBS #32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of 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 followed by a summary of the major funds at year end for the Primary Government:

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

Reserved for 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.

(Amounts In Thousands)	General Fund	Health Choices Behavioral Health Funds	Grants Revenue Funds	Total
Reserved Fund Balance:				
Reserved for Encumbrances	\$ 88,528	\$ --	\$ --	\$ 88,528
Reserved for Neighborhood Revitalization	--	--	87,380	87,380
Reserved for Behavioral Health	--	36,938	--	36,938
Reserved for Intergov Financed Programs	--	--	30,636	30,636
Reserved for Emergency Phone System	--	--	8,357	8,357
Reserved for Long Term Loan	45,000	--	--	45,000
Reserved for Stadium Financing	18,700	--	--	18,700
Total Reserved Fund Balance	<u>\$ 152,228</u>	<u>\$ 36,938</u>	<u>\$ 126,373</u>	<u>\$ 315,539</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>					<u>Total</u>
	Non major Governmental					
	<u>General</u>	<u>Grants</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	
(Amounts in Thousands)						
<u>Transfers From:</u>						
General	\$ --	10,611	\$ 1,404	\$ 120,951	\$ 2,316	\$ 135,282
Grants	6,409	--	--	--	2,252	8,661
Non major Special Revenue Funds	212,484	--	--	74,493	--	286,977
Non major Capital Improvement Funds	--	--	--	3,209	8,814	12,023
Total	<u>\$ 218,893</u>	<u>10,611</u>	<u>\$ 1,404</u>	<u>\$ 198,653</u>	<u>\$ 13,382</u>	<u>\$ 442,943</u>

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	\$ 2,047,241
Service Agreements	1,958,320
Employee Related Obligations	357,429
Indemnities	<u>30,595</u>
Total Adjustment	<u>\$ 4,393,585</u>

14. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

(1) Amounts receivable and payable, but not available from current resources and currently due were included in the beginning fund balance of the Municipal Authority Debt Service Fund and the Municipal Authority Capital in the governmental fund financial statements. The Net Assets - July 1, 2003 for the Municipal Authority Debt Service Fund was adjusted by (\$3.461) million. The Net Assets - July 1, 2003 for the Municipal Authority Capital Projects Fund was adjusted by \$828 million.

(2) Net Assets at June 30, 2003 for the Water Fund has been restated to correct certain errors in prior financial statements as follows:

(Amount in Thousands)	
Correction of Accounts Receivable	\$21,640

B. COMPONENT UNITS

(1) This year the City implemented GASBS #39 - *Determining Whether Certain Organizations Are Component Units*. During this process it was determined that the Philadelphia Housing Development Corporation (PHDC) is immaterial and excluding them would not be misleading, so PHDC is not included in the City's reporting entity. Net Assets - July 1, 2003 of \$3.3 million was removed. The financial statements of PHDC will be re-evaluated each year and if a change in their financial position warrants inclusion, they will be included in future reports.

(2) Net Assets at March 1, 2003 for the Philadelphia Housing Authority has been restated to correct certain errors in prior financial statements as follows:

(Amounts in millions)

Correction of Accounts Payable	\$5.8
Correction of Inventory Expense	\$1.4
Correction of Depreciation Expense	\$2.4
Other	\$1.1

(3) Net Assets at June 30, 2003 for the SDP been restated by \$17.6 million as follows:

Life insurance payable, for retired SDP employees, was restated to eliminate a \$21.1 million liability. Various other adjustments amounted to a net decrease of \$3.5 million.

15. COMPONENT UNIT SPECIAL ITEM

During 2003, PAID sold properties it held at the former Defense Supply Center Philadelphia for \$18.2 million. The property had a carrying value of \$20.7 million, resulting in a net loss of \$2.5 million.

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. One blended component unit, PICA, and three discretely presented component units - the SDP, PCCA, and CCP - participate in state administered cost-sharing multiple employer plans. In addition, 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 GASBS #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, 2003 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 \$253.8 million or 20% of the covered payroll of \$1,250.1 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)	\$ 253,844
Interest on Net Pension Obligation (NPO)	(98,392)
Adjustment to ARC	<u>135,638</u>
Annual Pension Cost	291,090
Contributions Made	<u>202,827</u>
Increase in NPO	88,263
NPO at beginning of year	<u>(1,093,243)</u>
NPO at end of year	\$ (1,004,980)
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, 2002. 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 \$247.6 million. The City's actual contribution was \$196.6 million. The City's contribution did meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189. However, the contribution was made after December 31, 2003, so the City was required to include 9% interest on the payment.

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

Fiscal Year Ended June 30	Annual Pension Cost (In Millions)	Percentage Contributed	Net Pension Obligation (In Millions)
2002	\$218.7	81.49%	(\$1,148.1)
2003	\$234.6	76.61%	(\$1,093.2)
2004	\$291.1	69.68%	(\$1,005.0)

(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 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

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

OR

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

Final-average earnings is the 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.

At September 1, 2003, the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,157
Current Employees	<u>1,738</u>
Total Members	<u><u>3,895</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 \$13.0 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Historically, payments to beneficiaries of the PGW Plan are made by the Fund and not from the assets of the Plan. During the year, payments to beneficiaries exceeded the Fund's actuarially computed pension contribution and a withdrawal of \$17.2 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 \$13,013,000 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%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

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

Fiscal Year Ended <u>August 31</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
(In Thousands)		
2001	\$2,301	100%
2002	\$8,496	100%
2003	\$13,013	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 \$70.4 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 method 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.

<u>Fiscal Year Ended October 31</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2001	\$5,283,161	77.0%
2002	\$6,471,659	115.5%
2003	\$6,222,053	224.0%

(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 2004 of \$2.4 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 \$1,986,736 (approximately 9% of current covered payroll) and the employees contributed \$379,105 (approximately 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	\$ 1,454,179
Interest On Net Pension Obligation	64,408
Adjustment to Annual Required Contribution	<u>(103,755)</u>
Annual Pension Cost	1,414,832
Contributions Made	<u>(1,986,736)</u>
Decrease In Net Pension Obligation	(571,904)
Net Pension Obligation - Beginning of Year	<u>853,670</u>
Net Pension Obligation - End of Year	<u>\$ 281,766</u>

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

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2002	\$772,140	95%	\$91,985
2003	\$1,535,771	50%	\$853,670
2004	\$1,414,832	140%	\$281,766

B. MULTIPLE EMPLOYERS PLANS

One of the City’s blended component units and three of its discretely presented component units participate in two defined benefit plans (PSERS and SERS) and one, **CCP**, participates in two defined contribution plans (TIAA-CREF and Fidelity Investments) as described below.

The payroll for **CCP** employees covered by any of the four multiple employer plans was \$54.3 million and the total payroll was \$62.6 million. Contributions to the four plans by the **CCP** during the fiscal year totaled approximately \$4.3 million representing 7.93% of covered payroll. **CCP** employees contributed approximately \$3.2 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 2004 was 3.77%, and is composed of a pension contribution rate of 2.98% for pension benefits and .79% for health insurance premium assistance.

The **SDP**’s contributions for the last three years are as follows :

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$11,694,823	100%
2003	\$13,059,249	100%
2004	\$48,007,908	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:

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	None Required	
2003	None Required	
2004	\$20,684	100%

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

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	None Required	
2003	None Required	
2004	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 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 951 employees participating in this plan.

(b) Funding Policy

The employer's contribution requirement for full-time faculty and administrators and other staff is 10% of the base contract amount. For visiting lecturers, the rate is 5% of the base contract. For Part-time faculty, the rate is 5% of all earnings. For all employees, the employee's contribution requirement is 5% of base salary.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **SDP** employees have an unlimited maximum accumulation and Gas Works' employees' sick leave is 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 3401 eligible retirees amounted to \$25.2 million and \$3.8 million, respectively.

B. COMPONENT UNIT

The **SDP** pays monthly premiums to provide up to \$2,000 of life insurance coverage for 9,002 retired/disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or any age with 35 years of service. Disabled employees' eligibility is determined by the insurance company providing the coverage. In 2004, the cost of life insurance premiums for retirees/disabled employees, was \$82,098.

PGW provides certain health care and life insurance benefits for approximately 1,969 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 \$30.3 million, of which approximately 51% relates to retirees and their dependents. Total premiums for group life insurance amounted to \$1.9 million of which approximately 80% relates to retirees.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor, 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 2004 this transfer amounted to \$212.5 million.

5. RELATED PARTY TRANSACTIONS

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

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of \$52.3 million to SEPTA. In addition, the City received \$0.9 million in fixed rental payments on certain properties leased to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled \$58.6 million during the year) to the following organizations:

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

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 \$231.7 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, 2002 resulted from the following:

(Amounts in Millions)

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal 2003	\$153.0	\$102.9	(\$66.0)	\$189.9
Fiscal 2004	\$189.9	\$109.8	(\$68.0)	\$231.7

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 \$42.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$199.8 million discounted at 4%. On an undiscounted basis, these liabilities total \$241.4 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$182.8 million (discounted) and \$220.9 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 \$102.9 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2002 resulted from the following:

(Amounts in Millions)

	<u>Beginning Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal 2003	\$85.3	\$44.4	(\$36.4)	\$93.3
Fiscal 2004	\$93.3	\$41.4	(\$31.8)	\$102.9

The **SDP** Weekly Indemnity, Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. The cost of Weekly Indemnity coverage is shared equally by **SDP** and covered employees. Unemployment Compensation coverage is funded by a pro rata charge to the various funds. Payments for the year were \$16.1 million for Weekly Indemnity, \$3.4 million for Unemployment Compensation claims and \$20.7 million for Workers' Compensation claims. Amounts collected in excess of claims incurred for **SDP's** Weekly Indemnity Plan are included in **SDP's** General Fund as a Reservation of Fund Balance.

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

7. COMMITMENTS

A. PRIMARY GOVERNMENT

The City entered into a Lease and Service agreement with the **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 June 30	(Amounts In Millions)
	<u>Commitments</u>
2005	\$ 24.3
2006	24.3
2007	24.3
2008	24.3
2009	24.3
2010 - 2014	121.4
2015 - 2019	121.3
2020 - 2024	<u>24.2</u>
Total	<u>\$ 388.4</u>

B. COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled \$99.7 million.
- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation and institutionalized special education) **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.

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 \$223.3 million. Of this amount, \$7.7 million is charged to current operations of the Enterprise Funds. The remaining \$215.6 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 \$71.9 million to the General Fund and \$2.8 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 City has not received any further inquiry or information at this time. In the case of the Paoli Railroad Yard Clean Up Claim, there are four related matters of which the City is purportedly a party to two. One of the two was dismissed.
- 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	\$ 1,385
Philadelphia Parking Authority	75,890
Philadelphia Authority for Industrial Development	<u>8,470</u>
	<u>\$ 85,745</u>

(3) Single Audit

The City and the **SDP** 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, 2004, which amounted to \$872.7 million for all open program years as of December 16, 2004. Of this amount, \$728.4 million represents unresolved cost due to the inability to obtain audit reports from subrecipients for the year ended June 30, 2004 due to timing differences in audit requirements, \$115.2 million represents questioned costs due to the inability to obtain subrecipient audit reports for the fiscal years June 30, 2003 and prior and \$29.0 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

(4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed \$192.7 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 \$172.1 million.

B. COMPONENT UNITS

- The **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 \$4.5 million. In the opinion of the General Counsel of **SDP**, it is unlikely that final judgments or compromised settlements will approach the total potential liability. **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, **SDP** has recorded in its Government Wide Full Accrual Statements the total cumulative potential liability of \$78.8 million for Workers' Compensation, \$8.3 million for Unemployment Compensation claims and \$0.7 million for claims and judgments.
- 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 **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 **SDP** to the extent that **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.

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, **SDP** submitted a Comprehensive School Safety and Security Plan and a Curriculum Renewal Plan intended to guide **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 **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 **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 **SDP** notwithstanding any change in management structure unless there is a modification through court order.

Between July 2002 and July 2003, **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 **SDP**. At this time, it does not appear that **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 its 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 **SDP**, PHRC and Intervenors have met on a regular basis but have not yet been able to agree to terms.

In February 2004, **SDP**, PHRC and Intervenor ASPIRA entered into a Memorandum of Understanding (MOU), which was submitted to the Court for review and approval. To this end, the MOU envisions a stay of judicial proceeding for an initial period of three years, during which time **SDP** will report annually to the PHRC and ASPIRA. The PHRC will provide written feedback to the **SDP** based on its review of **SDP**'s reports; and the parties will have the opportunity to meet and confer during the term of the MOU. The MOU also includes a dispute resolution process by which the parties may seek resolve disagreements, if any, remaining at the end of the initial period of the MOU before returning to court. The MOU further preserves positions of the parties in the event the MOU does not result in a final resolution of this case and the stay is lifted.

In March, 2004, the Court issued an order approving the MOU and staying the matter for the "Term" of the Memorandum of Understanding as defined in the above paragraph and retaining jurisdiction for the purposes specified in the MOU. The order further provided that "at the end of the Term of the MOU, unless the Pennsylvania Human Relations Commission or the **SDP** files a proper, timely application with the court indicating that areas of disagreement still remain between the Commission and the **SDP** and requesting the stay be lifted, the case shall be terminated with prejudice upon praecipe by the Commission ." The **SDP** submitted an interim report to the PHRC and ASPIRA in April, 2004 and was scheduled to provide its first annual report under MOU in mid-December, 2004.

Should the parties not resolve this matter within the framework of the MOU and should the stay be lifted, it is **SDP**'s belief that it may be able to raise meritorious defenses and arguments relating to its compliance with the Pennsylvania Human Relations Act, as well as, the proper scope of the Court's jurisdiction and remedial authority in the context of future proceedings. However, **SDP** is unable at this time to express an opinion as to the ultimate outcome of any such proceedings.

- **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 **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 **SDP**. A similar audit was undertaken which concluded with PDE asserting an additional \$20 million per year claim for alleged over reporting of enrollment in school years 1994-95 through 1996-97. **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.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

- (1) In July 2004, the City issued \$370 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, 2005.

- (2) In September 2004, US Airways (and four of its affiliated companies) filed for protection under the United States Bankruptcy Code. Since that time the airline has continued to operate under Chapter 11 reorganization. US Airways continues to operate their business and manage their properties as Debtors in Possession. US Airways has a motion pending in Bankruptcy Court to terminate its pension plans and to terminate its collective bargaining agreements. US Airways has requested an extension of time from the Bankruptcy Court through April 30, 2005 to determine the status of its nonresidential real property leases. Therefore, it has not as yet assumed or rejected its leases with Philadelphia.

US Airways presently operates 400 daily flights to 100 destinations from Philadelphia. Operating revenues from US Airways and its affiliates totaled approximately \$96.0 million in Fiscal Year 2004, which represented approximately 48% of total Aviation Fund operating revenues. The City has developed contingency planning to address the potential for a termination of air service by US Airways. This planning includes a quantification of the effects that a US Airways termination could have on passenger traffic and operating revenues, and the identification of cost reduction measures, revenue enhancement measures and future adjustments to airline rentals and fees that the City could invoke under provisions of the City/Airline Use and Lease Agreement, to provide for the ongoing financial viability of the Aviation Fund.

B. COMPONENT UNITS

- (1) In July, 2004, **SDP** issued \$400 million in Tax and Revenue Anticipation Notes. The proceeds of the notes will be used for cash flow purposes and will be invested until needed and repaid by June 30, 2005.
- (2) In September, 2004, **SDP** issued \$19.3 million in general obligation bonds. The bonds were issued as Qualified Zone Academy Bonds (QZAB's) through the Commonwealth of Pennsylvania and are interest free.
- (3) In October, 2004, **PGW** sold \$207.8 million in Gas Works Revenue Bonds; \$120.0 million Fifth Series a-1 bonds, \$30.0 million Fifth Series a-2 bonds and \$57.8 million Eighteenth Series bonds. The Fifth Series bonds will be used for capital improvements of the Gas Works and the Eighteenth Series will be used to refund an earlier bond issue.
- (4) The **SDP** has entered into an agreement for the sale of three administration buildings. The sale agreement is for \$25.5 million with an anticipated closing date of mid-April 2005. The anticipated cost of the new School District headquarters is \$50.0 million for base building, approximately \$30.0 to \$35.0 million for tenant fit-out and another \$16.0 million in one-time fees for IT and relocation costs.

**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, 2004
 (Amounts in thousands of USD)

Exhibit XIV

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	1,981,849	1,997,966	2,059,625	61,659
Locally Generated Non-Tax Revenue	210,819	226,186	207,382	(18,804)
Revenue from Other Governments	933,838	932,779	801,050	(131,729)
Revenue from Other Funds	25,313	27,536	24,733	(2,803)
Total Revenues	3,151,819	3,184,467	3,092,790	(91,677)
Expenditures and Encumbrances				
Personal Services	1,280,229	1,302,344	1,278,325	24,019
Pension Contributions	214,900	229,444	229,444	-
Other Employee Benefits	363,523	367,966	369,491	(1,525)
Sub-Total Employee Compensation	1,858,652	1,899,754	1,877,260	22,494
Purchase of Services	1,078,639	1,078,805	1,050,282	28,523
Materials and Supplies	54,521	59,276	55,685	3,591
Equipment	21,161	18,348	14,955	3,393
Contributions, Indemnities and Taxes	96,746	101,121	95,142	5,979
Debt Service - Principal	53,153	53,153	43,810	9,343
Debt Service - Interest	47,864	36,142	43,081	(6,939)
Short-Term Interest	11,600	7,712	6,828	884
Payments to Other Funds	28,163	29,981	29,137	844
Advances, Subsidies, Miscellaneous	31,995	31,995	31,995	-
Total Expenditures and Encumbrances	3,282,494	3,316,287	3,248,175	68,112
Operating Surplus (Deficit) for the Year	(130,675)	(131,820)	(155,385)	(23,565)
Fund Balance Available for Appropriation, July 1, 2003	119,159	91,329	91,329	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	28,000	28,000	17,541	(10,459)
Revenue Adjustments - Net	-	-	(274)	(274)
Adjusted Fund Balance, July 1, 2003	147,159	119,329	108,596	(10,733)
Fund Balance Available for Appropriation, June 30, 2004	16,484	(12,491)	(46,789)	(34,298)

* 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, 2004
 (Amounts in thousands of USD)

Exhibit XV

	Budgeted Amounts		Actual*	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	6,000	5,000	1,415	(3,585)
Revenue from Other Governments	582,665	544,317	522,259	(22,058)
Total Revenues	588,665	549,317	523,674	(25,643)
Other Sources				
Decrease in Unreimbursed Commitments	-	-	(380)	(380)
Increase in Financed Reserves	-	-	(6,138)	(6,138)
Total Revenues and Other Sources	588,665	549,317	517,156	(32,161)
Expenditures and Encumbrances				
Purchase of Services	615,085	615,085	488,637	126,448
Equipment	100	100	-	100
Payments to Other Funds	1,480	1,480	709	771
Total Expenditures and Encumbrances	616,665	616,665	489,346	127,319
Operating Surplus (Deficit) for the Year	(28,000)	(67,348)	27,810	95,158
Fund Balance Available for Appropriation, July 1, 2003	102,037	116,089	116,089	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	74	74
Adjusted Fund Balance, July 1, 2003	102,037	116,089	116,163	74
Fund Balance Available for Appropriation, June 30, 2004	74,037	48,741	143,973	95,232

* 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, 2004
 (Amounts in thousands of USD)

Exhibit XVI

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	53,420	42,021	38,324	(3,697)
Revenue from Other Governments	1,008,871	870,089	692,091	(177,998)
Total Revenues	1,062,291	912,110	730,415	(181,695)
Other Sources				
Increase in Unreimbursed Commitments	-	-	14,601	14,601
Decrease in Financed Reserves	-	-	47,758	47,758
Total Revenues and Other Sources	1,062,291	912,110	792,774	(119,336)
Expenditures and Encumbrances				
Personal Services	94,913	98,966	77,765	21,201
Pension Contributions	5,816	7,307	6,458	849
Other Employee Benefits	11,646	14,225	12,574	1,651
Sub-Total Employee Compensation	112,375	120,498	96,797	23,701
Purchase of Services	801,109	827,592	641,147	186,445
Materials and Supplies	16,750	17,159	9,839	7,320
Equipment	14,347	13,948	4,856	9,092
Contributions, Indemnities and Taxes	20	291	291	-
Payments to Other Funds	17,689	17,970	30,464	(12,494)
Advances, Subsidies, Miscellaneous	100,001	31,040	-	31,040
Total Expenditures and Encumbrances	1,062,291	1,028,498	783,394	245,104
Operating Surplus (Deficit) for the Year	-	(116,388)	9,380	125,768
Fund Balance Available for Appropriation, July 1, 2003	-	(55,310)	(55,310)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	38,141	38,141
Revenue Adjustments - Net	-	-	(46,115)	(46,115)
Prior Period Adjustments	-	55,310	-	(55,310)
Adjusted Fund Balance, July 1, 2003	-	-	(63,284)	(63,284)
Fund Balance Available for Appropriation, June 30, 2004	-	(116,388)	(53,904)	62,484

* Refer to the notes to required supplementary information.

City of Philadelphia
 Required Supplementary Information
 Pension Plans - Schedule of Funding Progress
 (Amounts in thousands of USD)

Exhibit XVII

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b - a)	<u>Funded Ratio</u> (a / b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percent of Covered Payroll</u> (b - a) / c
City of Philadelphia Municipal Pension Plan						
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%
07/01/2003	4,548,100	7,188,300	2,640,200	63.27%	1,269,300	208.00%
Philadelphia Gas Works Plan						
09/01/2000	418,768	385,892	(32,876)	108.52%	99,306	-33.11%
09/01/2001	391,000	411,025	20,025	95.13%	91,878	21.80%
09/01/2002	370,019	424,670	54,651	87.13%	98,300	55.60%

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
Revenues			
Budgetary Comparison Schedule	3,092,790	523,674	730,415
Transfers	(218,892)	-	(10,611)
Program Income	-	-	53,921
Adjustments applicable to Prior Years Budgets	-	-	1,652
Change in Amount Held for Stadium Financing	1,436	-	-
Other	5,199	-	(47,768)
	<u>2,880,533</u>	<u>523,674</u>	<u>727,609</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>2,880,533</u>	<u>523,674</u>	<u>727,609</u>
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,248,175	489,346	783,394
Transfers	(135,282)	-	(8,661)
Proceeds from Lease Agreement	10,900	-	-
Expenditures applicable to Prior Years Budgets	61,591	318	30,660
Program Income	-	-	53,921
Other	7,302	-	-
Change in Amount Held for Stadium Financing	85,493	-	-
Current Year Encumbrances	(74,245)	(12)	(83,402)
	<u>3,203,934</u>	<u>489,652</u>	<u>775,912</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>3,203,934</u>	<u>489,652</u>	<u>775,912</u>

**OTHER
SUPPLEMENTARY
INFORMATION**



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to specific purposes.

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

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

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

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

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

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

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

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

DEPARTMENTAL - Established to account for various activities of the Free Library and Fairmount Park.

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

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

DEBT SERVICE FUNDS

Debt Service Funds are used for the purpose of accumulating resources for the payment of principal on general obligation term bonds and to function as a conduit for the debt service payments to fiscal agents.

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

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

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

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of the major capital facilities other than those financed by proprietary fund operations.

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

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

PERMANENT FUNDS

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

LIBRARIES & PARKS - Established to account for trust of the Free Library and Fairmount Park.

**City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004**
(Amounts in thousands of USD)

Schedule I

		Special Revenue											Total
County	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative			
Fuels Tax													
Assets													
Cash on Deposit and on Hand	-	-	-	-	-	-	-	2,586	364	70,031	-	72,981	
Equity in Treasurer's Account	702	2,443	-	5,304	231	2,045	-	790	-	-	-	13,598	
Investments	-	-	-	-	-	-	-	891	219	-	-	1,110	
Due from Other Funds	-	-	-	-	-	-	-	-	-	167	-	167	
Taxes Receivable	-	3,439	-	388	-	-	-	-	-	3,250	-	7,077	
Accounts Receivable	-	-	3,506	-	-	-	-	221	507	-	-	4,234	
Allowance for Doubtful Accounts	-	(310)	(208)	(6)	-	-	-	-	-	-	-	(524)	
Interest and Dividends Receivable	1	2	1	4	-	-	-	-	3	53	-	64	
Due from Other Governmental Units	-	-	4,969	-	-	-	-	-	-	-	-	4,969	
Other Assets	-	-	-	-	-	-	-	-	-	45	-	45	
Total Assets	703	2,085	5,573	5,690	231	2,045	-	4,488	1,093	73,546	-	103,721	
Liabilities and Fund Balances													
Liabilities:													
Vouchers Payable	-	199	-	-	-	84	-	45	-	-	-	2,139	
Accounts Payable	68	339	3,089	-	-	120	-	626	957	176	-	8,401	
Salaries and Wages Payable	-	-	-	83	-	-	-	-	-	81	-	164	
Due to Other Funds	-	-	-	3,347	-	5	-	-	-	9,017	-	12,369	
Due to Component Units	-	-	2,194	-	-	-	-	-	-	-	-	2,194	
Funds Held in Escrow	-	-	-	-	-	447	-	404	-	-	-	851	
Due to Other Governmental Units	-	-	290	-	12	-	-	-	-	-	-	12	
Deferred Revenue	-	-	-	6,634	-	-	-	-	-	15,535	-	22,460	
Total Liabilities	68	538	5,573	14,901	12	656	-	1,075	957	24,809	-	48,590	
Fund Balances:													
Reserved for:													
Encumbrances	235	815	-	-	-	377	-	13	-	-	-	1,440	
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	44,883	-	44,883	
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-	
Stadium Financing	-	-	-	-	-	-	-	-	-	-	-	-	
Trust Purposes	-	-	-	-	-	-	-	-	-	-	-	-	
Unreserved:													
Designated for Trust Purposes	-	-	-	-	219	1,012	-	3,400	-	-	-	4,631	
Undesignated	400	732	-	(6,634)	-	-	-	-	136	3,854	-	4,177	
Total Fund Balances	635	1,547	-	(6,634)	219	1,389	-	3,413	136	48,737	-	55,131	
Total Liabilities and Fund Balances	703	2,085	5,573	8,267	231	2,045	-	4,488	1,093	73,546	-	103,721	

City of Philadelphia
 Combining Balance Sheet
 Non-Major Governmental Funds (Continued)
 June 30, 2004
 (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	
Assets									
Cash on Deposit and on Hand	-	-	88,159	88,159	-	-	-	229	161,369
Equity in Treasurer's Account	117	-	-	117	-	-	167,102	-	180,817
Investments	-	35	-	35	-	2,411	2,411	6,960	10,516
Due from Other Funds	-	-	4,450	4,450	-	-	-	-	4,617
Taxes Receivable	-	-	-	-	-	-	-	-	7,077
Accounts Receivable	-	-	-	-	-	-	-	151	4,385
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(524)
Interest and Dividends Receivable	-	-	172	172	70	2	72	-	308
Due from Other Governmental Units	-	-	-	-	19,780	-	19,780	-	24,749
Other Assets	-	-	-	-	-	-	-	-	45
Total Assets	117	35	92,781	92,933	186,952	2,413	189,365	7,340	393,359
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	3,960	-	3,960	-	6,099
Accounts Payable	-	-	-	-	4,757	-	4,757	197	13,355
Salaries and Wages Payable	-	-	-	-	206	-	206	-	370
Due to Other Funds	-	-	167	167	-	-	-	-	12,536
Due to Component Units	-	-	-	-	-	-	-	-	2,194
Funds Held in Escrow	-	-	-	-	2,471	-	2,471	-	3,322
Due to Other Governmental Units	-	-	-	-	-	-	-	-	12
Deferred Revenue	-	-	4,450	4,450	19,304	-	19,304	-	46,214
Total Liabilities	-	-	4,617	4,617	30,698	-	30,698	197	84,102
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	77,794	-	77,794	-	79,234
Intergovernmental Financing	-	-	-	-	-	-	-	-	44,883
Debt Service Principal	-	35	86,523	86,558	-	-	-	-	86,558
Debt Service Interest	117	-	-	117	-	-	-	-	117
Trust Purposes	-	-	-	-	-	-	-	3,917	3,917
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	3,226	7,857
Undesignated	-	-	1,641	1,641	78,460	2,413	80,873	-	86,691
Total Fund Balances	117	35	88,164	88,316	156,254	2,413	158,667	7,143	309,257
Total Liabilities and Fund Balances	117	35	92,781	92,933	186,952	2,413	189,365	7,340	393,359

**City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2004**
(Amounts in thousands of USD)

Schedule II

	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	
Revenues												
Tax Revenue	-	-	29,422	-	3,889	-	-	-	-	-	288,179	321,490
Locally Generated Non-Tax Revenue	6	21	7	2,838	43	4	1,899	643	4,285	10,502	1,466	21,714
Revenue from Other Governments	4,907	20,052	-	70,390	-	-	-	-	-	-	-	95,349
Other Revenues	-	-	-	-	-	-	-	-	-	-	15	15
Total Revenues	4,913	20,073	29,429	73,228	3,932	4	1,899	643	4,285	10,502	289,660	438,568
Expenditures												
Current Operating:												
Economic Development	-	-	29,429	-	-	-	-	-	-	-	-	29,429
Transportation:												
Streets & Highways	4,692	19,052	-	-	-	-	-	-	-	-	-	23,744
Judiciary and Law Enforcement:												
Prisons	-	-	-	-	-	-	1,713	-	-	-	-	1,713
Housing and Neighborhood Development	-	-	-	70,970	-	-	-	-	-	-	-	70,970
Cultural and Recreational:												
Recreation	-	-	-	-	-	-	-	-	1,301	-	-	1,301
Parks	-	-	-	-	-	-	-	-	2,720	-	-	2,720
Libraries and Museums	-	-	-	-	-	-	-	-	148	-	-	148
General Management and Support	-	-	-	64	4,300	4	-	643	44	10,503	1,422	16,980
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,692	19,052	29,429	71,034	4,300	4	1,713	643	4,213	10,503	1,422	147,005
Excess (Deficiency) of Revenues Over (Under) Expenditures	221	1,021	-	2,194	(368)	-	186	-	72	(1)	288,238	291,563
Other Financing Sources (Uses)												
Proceeds from Bond Sales	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	1,404	-	-	-	1,404
Transfers Out	-	-	-	-	-	-	-	-	-	-	(295,791)	(295,791)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	1,404	-	(295,791)	(294,387)
Net Change in Fund Balances	221	1,021	-	2,194	(368)	-	186	-	1,476	(1)	(7,553)	(2,824)
Fund Balance - July 1, 2003	414	526	-	(8,828)	6,057	219	1,203	-	1,937	137	56,290	57,955
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance Adjusted - July 1, 2003	414	526	-	(8,828)	6,057	219	1,203	-	1,937	137	56,290	57,955
Fund Balance - June 30, 2004	635	1,547	-	(6,634)	5,689	219	1,389	-	3,413	136	48,737	55,131

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, 2004
(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	Total	Libraries & Parks	
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	321,490
Locally Generated Non-Tax Revenue	-	3,761	5,268	9,029	24	38	62	688	31,493
Revenue from Other Governments	-	-	-	-	19,529	-	19,529	-	114,878
Other Revenues	-	-	-	-	123	-	123	-	138
Total Revenues	-	3,761	5,268	9,029	19,676	38	19,714	688	467,999
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	29,429
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	23,744
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,713
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	70,970
Cultural and Recreational:									
Recreation	-	-	-	-	-	-	-	-	1,301
Parks	-	-	-	-	-	-	-	343	3,063
Libraries and Museums	-	-	-	-	-	-	-	-	148
General Management and Support	-	-	1,941	1,941	-	-	-	-	18,921
Capital Outlay	-	-	-	-	125,986	1	125,987	-	125,987
Debt Service:									
Principal	43,251	26,722	35,720	105,693	-	-	-	-	105,693
Interest	41,987	17,433	42,207	101,627	-	-	-	-	101,627
Bond Issuance Cost	-	4,603	-	4,603	4,313	-	4,313	-	8,916
Total Expenditures	85,238	48,758	79,868	213,864	130,299	1	130,300	343	491,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,238)	(44,997)	(74,600)	(204,835)	(110,623)	37	(110,586)	345	(23,513)
Other Financing Sources (Uses)									
Proceeds from Bond Sales	-	237,723	-	237,723	250,000	-	250,000	-	487,723
Bond Issuance Premium	-	-	-	-	4,819	-	4,819	-	4,819
Bond Defeasance	-	(233,109)	-	(233,109)	-	-	-	-	(233,109)
Transfers In	85,355	38,805	74,493	198,653	13,382	-	13,382	-	213,439
Transfers Out	-	-	-	-	-	(3,209)	(3,209)	-	(299,000)
Total Other Financing Sources (Uses)	85,355	43,419	74,493	203,267	268,201	(3,209)	264,992	-	173,872
Net Change in Fund Balances	117	(1,578)	(107)	(1,568)	157,578	(3,172)	154,406	345	150,359
Fund Balance - July 1, 2003	-	5,074	88,271	93,345	(1,324)	4,757	3,433	6,798	161,531
Adjustment	-	(3,461)	-	(3,461)	-	828	828	-	(2,633)
Fund Balance Adjusted - July 1, 2003	-	1,613	88,271	89,884	(1,324)	5,585	4,261	6,798	158,898
Fund Balances - June 30, 2004	117	35	88,164	88,316	156,254	2,413	158,667	7,143	309,257

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2004

(Amounts in thousands of USD)

Schedule III

	Gas Works Retirement Reserve <u>Fund</u>	Municipal Pension <u>Fund</u>	<u>Total</u>
<u>Assets</u>			
Equity in Treasurer's Account	384,092	4,022,341	4,406,433
Securities Lending Collective Investment Pool	1,020	376,597	377,617
Accounts Receivable	-	6,146	6,146
Due from Brokers for Securities Sold	-	33,018	33,018
Interest and Dividends Receivable	1,907	10,497	12,404
Due from Other Governmental Units	2,671	2,465	5,136
Due from Other Funds	-	9,768	9,768
Other Assets	-	11	11
	<hr/>	<hr/>	<hr/>
Total Assets	389,690	4,460,843	4,850,533
<u>Liabilities</u>			
Vouchers Payable	-	97	97
Accounts Payable	440	2,864	3,304
Salaries and Wages Payable	-	97	97
Due on Return of Securities Loaned	1,020	376,597	377,617
Due to Brokers for Securities Purchased	621	102,518	103,139
Accrued Expenses	-	902	902
Deferred Revenue	-	4,327	4,327
Other Liabilities	-	234	234
	<hr/>	<hr/>	<hr/>
Total Liabilities	2,081	487,636	489,717
Net Assets Held in Trust for Pension Benefits	<u>387,609</u>	<u>3,973,207</u>	<u>4,360,816</u>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2004
(Amounts in thousands of USD)

Schedule IV

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	14,900	202,827	217,727
Employees' Contributions	-	50,534	50,534
Total Contributions	<u>14,900</u>	<u>253,361</u>	<u>268,261</u>
Investment Income:			
Interest and Dividends	11,064	68,376	79,440
Net Gain in Fair Value of Investments	30,830	539,661	570,491
(Less) Investments Expenses	(1,790)	(13,034)	(14,824)
Securities Lending Revenue	12	3,608	3,620
(Less) Securities Lending Expenses	(7)	(2,803)	(2,810)
Net Investment Gain	<u>40,109</u>	<u>595,808</u>	<u>635,917</u>
Miscellaneous Operating Revenues	-	1,270	1,270
Total Additions	<u>55,009</u>	<u>850,439</u>	<u>905,448</u>
Deductions			
Personal Services	-	3,252	3,252
Purchase of Services	-	1,375	1,375
Materials and Supplies	-	122	122
Employee Benefits	-	1,244	1,244
Pension Benefits	30,570	657,549	688,119
Refunds of Members' Contributions	-	4,100	4,100
Other Operating Expenses	-	391	391
Total Deductions	<u>30,570</u>	<u>668,033</u>	<u>698,603</u>
Net Decrease	<u>24,439</u>	<u>182,406</u>	<u>206,845</u>
Net Assets - July 1, 2003	363,170	3,790,801	4,153,971
Net Assets - June 30, 2004	<u><u>387,609</u></u>	<u><u>3,973,207</u></u>	<u><u>4,360,816</u></u>

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2004
 (Amounts in thousands of USD)

Schedule V

	<u>Escrow Fund</u>	<u>Employee Health & Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<u>Assets</u>				
Cash on Deposit and on Hand	-	-	79,725	79,725
Equity in Treasurer's Account	6,256	8,457	-	14,713
Investments	-	-	25,219	25,219
Due from Other Funds	-	-	741	741
	<u>-</u>	<u>-</u>	<u>741</u>	<u>741</u>
Total Assets	<u>6,256</u>	<u>8,457</u>	<u>105,685</u>	<u>120,398</u>
<u>Liabilities</u>				
Vouchers Payable	13	276	-	289
Payroll Taxes Payable	-	4,682	-	4,682
Funds Held in Escrow	6,243	3,499	105,685	115,427
	<u>6,243</u>	<u>3,499</u>	<u>105,685</u>	<u>115,427</u>
Total Liabilities	<u>6,256</u>	<u>8,457</u>	<u>105,685</u>	<u>120,398</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, 2004
(Amounts in thousands of USD)

Schedule VI

	Balance 7-1-2003	Additions	Deductions	Balance 6-30-2004
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	8,298	291,169	293,211	6,256
<u>Liabilities</u>				
Funds Held in Escrow	8,298	291,169	293,224	6,243
Vouchers Payable	-	1,928	1,915	13
<u>Total Liabilities</u>	<u>8,298</u>	<u>293,097</u>	<u>295,139</u>	<u>6,256</u>
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	10,510	801,174	803,227	8,457
<u>Liabilities</u>				
Vouchers Payable	442	4,262	4,428	276
Payroll Taxes Payable	7,194	732,682	735,194	4,682
Funds Held in Escrow	2,874	65,288	64,663	3,499
<u>Total Liabilities</u>	<u>10,510</u>	<u>802,232</u>	<u>804,285</u>	<u>8,457</u>
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	72,569	98,536	91,380	79,725
Investments	25,663	910	1,354	25,219
Due from Other Funds	742	43	44	741
<u>Total Assets</u>	<u>98,974</u>	<u>99,489</u>	<u>92,778</u>	<u>105,685</u>
<u>Liabilities</u>				
Funds Held in Escrow	98,974	99,489	92,778	105,685
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	72,569	98,536	91,380	79,725
Equity in Treasurer's Account	18,808	1,092,343	1,096,438	14,713
Investments	25,663	910	1,354	25,219
Due from Other Funds	742	43	44	741
<u>Total Assets</u>	<u>117,782</u>	<u>1,191,832</u>	<u>1,189,216</u>	<u>120,398</u>
<u>Liabilities</u>				
Vouchers Payable	442	6,190	6,343	289
Payroll Taxes Payable	7,194	732,682	735,194	4,682
Funds Held in Escrow	110,146	455,946	450,665	115,427
<u>Total Liabilities</u>	<u>117,782</u>	<u>1,194,818</u>	<u>1,192,202</u>	<u>120,398</u>

City of Philadelphia
City Related Fund Types and Accounts
Summary Schedule of Investments
June 30, 2004
(Amounts in USD)

Schedule VII

	<u>Par Value</u>	<u>Cost</u>	<u>Fair Value 6-30-2004</u>
Permanent Funds:			
U.S. Government Securities	-	951,443	997,828
U.S. Government Agencies	-	458,415	876,658
Common Stock	-	3,030,751	2,510,458
Other Investments	-	514,200	2,575,858
<u>Total</u>	-	4,954,809	6,960,802
Special Revenue Funds:			
U.S. Government Securities	-	56,722	58,197
Corporate Bonds	-	17,681	19,811
Common Stock	-	927,788	754,316
Other Investments	-	59,066	59,066
<u>Total</u>	-	1,061,257	891,390
Agency Funds:			
U.S. Government Securities	8,730,093	8,730,093	8,730,106
U.S. Government Agencies	16,239,910	16,239,910	16,218,030
Other Investments	271,160	271,160	271,160
<u>Total</u>	25,241,163	25,241,163	25,219,296
<u>Treasurer's Account:*</u>			
U.S. Government Securities	369,959,483	382,691,171	380,102,481
U.S. Government Agency Securities	941,760,462	998,245,237	991,750,863
Corporate Bonds	523,502,054	631,587,341	649,711,066
Common Stock	6,582,563	2,628,895,198	3,017,875,091
Mortgage Obligations	61,246,871	62,631,173	63,135,614
Short Term Investments	184,901,665	328,628,084	328,641,406
Non-Categorized Mutual Funds	35,325	570,381	615,727
Real Estate	31,329,515	31,329,015	19,473,292
Repurchase Agreements	10,658,601	10,658,601	10,658,601
Financial Agreements	200,127,287	209,095,120	173,773,546
Other Bonds and Investments	67,362,295	145,381,793	153,202,421
<u>Total</u>	2,397,466,121	5,429,713,114	5,788,940,108
<u>Total All Fund Types and Accounts</u>	<u>2,422,707,284</u>	<u>5,460,970,343</u>	<u>5,822,011,596</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, 2004
(Amounts in USD)

Schedule VIII

General Obligation Bonds:	Original Authorization	Date of Issuance	Issued	Fiscal 2004 Outstanding	Maturities	Interest Rates	Fiscal 2005	
							Debt Service Interest	Requirements Principal
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	-
	120,935,000 (3)	12/02/2003	100,000,000	100,000,000	2/2005 to 2/2033	Variable rates	1,283,246	25,000
	(3)	12/02/2003	20,935,000	20,935,000	2/2005 to 2/2033	Variable rates	264,581	5,234
	79,065,000 (3)	12/02/2003	79,065,000	79,065,000	2/2005 to 2/2033	Variable rates	999,244	19,766
Total Term Bonds	547,902,718		545,890,000	545,890,000			19,968,121	50,000
Refunding Issues								
	97,645,000	07/15/1993	97,645,000	8,865,000	05/2005	5.30 to 6.00	496,655	8,865,000
	101,505,000	06/15/1994	101,505,000	5,040,000	11/2004	6.25	157,500	5,040,000
	178,240,000	12/01/1998	178,240,000	151,900,000	05/2005 to 05/2020	4.75 to 5.25	7,591,831	5,490,000
Total Refunding Bonds	377,390,000		377,390,000	165,805,000			8,245,986	19,395,000
Serial Bonds								
	6,000,000	02/16/1956	6,000,000	240,000	01/2005 to 01/2006	1.00	2,400	120,000
	20,000,000	NA	20,000,000	9,240,854	07/2004 to 06/2013	1.00	87,194	1,139,788
	73,033,994	06/15/1994	47,500,000	15,010,000	11/2004 to 11/2014	5.50 to 6.00	814,035	2,165,000
	(1)	12/01/1995	19,834,899	6,079,039	05/2005 to 05/2025	4.90 to 6.00	313,717	1,092,293
	(1)	11/15/1998	5,699,095	4,640,674	03/2005 to 03/2018	4.10 to 5.25	233,317	48,596
	56,902,420 (1)	12/01/1995	25,290,101	7,750,961	05/2005 to 05/2025	4.90 to 6.00	399,998	1,392,707
	(1)	11/15/1998	31,612,319	25,741,364	03/2005 to 03/2018	4.10 to 5.25	1,294,188	269,557
	60,256,571 (1)	11/15/1998	60,256,571	49,065,881	03/2005 to 03/2018	4.10 to 5.25	2,466,865	513,806
	19,707,015 (1)	11/15/1998	19,707,015	16,047,081	03/2005 to 03/2018	4.10 to 5.25	806,793	168,041
	50,781,553 (1)	01/01/2001	50,781,553	47,458,651	09/2004 to 03/2021	3.85 to 5.50	2,258,213	1,758,369
	97,919,719 (1)	01/01/2001	95,928,447	89,651,349	09/2004 to 03/2021	3.85 to 5.50	4,265,857	3,321,631
	12,165,000 (1)	12/02/2003	12,165,000	12,165,000	02/2005 to 02/2015	4 to 5.25	728,619	532,827
	92,195,000	12/02/2003	37,835,000	37,835,000	02/2005 to 02/2015	4 to 5.25	2,266,117	1,657,173
Total Serial Bonds	488,961,272		432,610,000	320,925,854			15,937,313	14,179,788
Total General Obligation Bonds	1,414,253,990		1,355,890,000	1,032,620,854			44,151,420	33,624,788

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2004
(Amounts in USD)

Schedule VIII

	Original Authorization	Date of Issuance	Issued	Fiscal 2004 Outstanding	Maturities	Interest Rates	Fiscal 2005	
							Debt Service Interest	Requirements 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	15,220,000	10/2004	NA	-	15,220,000
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	38,760,000	06/2005	10.00	3,876,000	38,760,000
Series 1995	221,630,000	04/15/1995	221,630,000	177,055,000	08/2004 to 08/2018	5.30 to 6.75	10,230,129	8,235,000
Series 1997 A	350,000,000	10/15/1997	250,000,000	214,995,000	08/2004 to 08/2027	5.00 to 5.25	10,789,225	4,975,000
Series 1997 B	(3)	11/25/1997	100,000,000	90,500,000	08/2004 to 08/2027	Variable rates	968,754	2,200,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,212	-
Series 1999	33,040,000	07/07/1999	33,040,000	33,040,000	12/2004 to 12/2006	5.00	1,651,500	20,000
Series 1999 A	6,700,000	N.A.	6,700,000	2,598,649	07/2004 to 04/2019	2.73	65,972	397,329
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	375,260,000	06/2005 to 06/2023	Variable rates	16,961,752	950,000
Revenue Bonds	2,905,605,000		2,905,605,000	1,729,163,649			84,961,626	70,757,329
Aviation Revenue Bonds:								
5th Series	209,690,000	06/15/1995	209,690,000	188,680,000	06/2005 to 06/2025	5.30 to 6.10	11,334,042	4,785,000
Series 1997 A and B	222,265,000	07/01/1997	222,265,000	152,620,000	06/2005 to 06/2027	5.00 to 6.00	8,446,250	12,685,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	99,230,000	06/2005 to 06/2018	5.25 to 6.00	5,482,006	4,835,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	426,355,000	07/2004 to 07/2028	5.00 to 5.375	21,594,093	8,785,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	184,210,000	07/2004 to 07/2028	5.125 to 5.50	9,743,308	3,580,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	39,420,000	06/2005 to 06/2031	4.00 to 5.50	2,030,294	730,000
Total Aviation Revenue Bonds	1,226,860,000		1,226,860,000	1,090,515,000			58,629,993	35,400,000
Total Revenue Bonds	4,132,465,000		4,132,465,000	2,819,678,649			143,591,619	106,157,329
Total All Bonds	5,546,718,990		5,488,355,000	3,852,299,503 (4)			\$ 187,743,039	\$ 139,782,117
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					
	15,220,000	15,220,000	9,862,864					
(3) Based on latest available estimated rates.								
(4) A summary of all Bonds Outstanding is as follows:								
				Revenue Bonds	Total Bonds			
General Fund Types:								
General Fund				-	1,021,006,689			
Proprietary Fund Types:								
Water Fund				1,729,163,649	1,738,404,503			
Aviation Fund				1,090,515,000	1,092,888,311			
Total Proprietary Funds				2,819,678,649	2,831,292,814			
Total All Funds				2,819,678,649	3,852,299,503			

City of Philadelphia
 Budgetary Comparison Schedule
 Water Operating Fund
 For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule IX

	Budgeted Amounts		Actual	Final Budget
	Original	Final		to Actual Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	398,248	395,884	383,122	(12,762)
Revenue from Other Governments	7,700	3,405	2,769	(636)
Revenue from Other Funds	66,236	59,968	52,438	(7,530)
Total Revenues	472,184	459,257	438,329	(20,928)
Expenditures and Encumbrances				
Personal Services	105,898	105,898	99,956	5,942
Pension Contributions	17,900	17,900	15,622	2,278
Other Employee Benefits	29,220	29,220	26,727	2,493
Sub-Total Employee Compensation	153,018	153,018	142,305	10,713
Purchase of Services	80,791	80,791	74,013	6,778
Materials and Supplies	32,527	32,575	31,730	845
Equipment	4,360	4,312	3,005	1,307
Contributions, Indemnities and Taxes	6,521	6,521	2,821	3,700
Debt Service - Principal	94,143	94,143	69,031	25,112
Debt Service - Interest	68,279	68,279	89,149	(20,870)
Short-Term Interest	1,500	1,500	21	1,479
Payments to Other Funds	43,045	43,045	38,322	4,723
Total Expenditures and Encumbrances	484,184	484,184	450,397	33,787
Operating Surplus (Deficit) for the Year	(12,000)	(24,927)	(12,068)	12,859
Fund Balance Available for Appropriation, July 1, 2003	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	12,065	65
Prior Period Adjustments	-	-	3	3
Adjusted Fund Balance, July 1, 2003	12,000	12,000	12,068	68
Fund Balance Available for Appropriation, June 30, 2004	-	(12,927)	-	12,927

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule X

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget <u>to Actual</u> Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	261	283	116	(167)
Revenue from Other Funds	<u>15,695</u>	<u>14,630</u>	<u>13,820</u>	<u>(810)</u>
Total Revenues	15,956	14,913	13,936	(977)
<u>Expenditures and Encumbrances</u>				
Payments to Other Funds	<u>23,994</u>	<u>23,994</u>	<u>19,000</u>	<u>4,994</u>
Total Expenditures and Encumbrances	<u>23,994</u>	<u>23,994</u>	<u>19,000</u>	<u>4,994</u>
Operating Surplus (Deficit) for the Year	<u>(8,038)</u>	<u>(9,081)</u>	<u>(5,064)</u>	<u>4,017</u>
Fund Balance Available for Appropriation, July 1, 2003	16,564	16,051	16,051	-
Fund Balance Available for Appropriation, June 30, 2004	<u><u>8,526</u></u>	<u><u>6,970</u></u>	<u><u>10,987</u></u>	<u><u>4,017</u></u>

City of Philadelphia
Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule XI

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget <u>to Actual</u> Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	15	8	6	(2)
Revenue from Other Governments	<u>4,764</u>	<u>4,841</u>	<u>4,907</u>	<u>66</u>
Total Revenues	4,779	4,849	4,913	64
<u>Expenditures and Encumbrances</u>				
Personal Services	3,284	3,284	3,284	-
Purchase of Services	1,311	1,311	1,221	90
Materials and Supplies	260	340	313	27
Equipment	80	-	-	-
Payments to Other Funds	<u>15</u>	<u>15</u>	<u>15</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>4,950</u>	<u>4,950</u>	<u>4,833</u>	<u>117</u>
Operating Surplus (Deficit) for the Year	<u>(171)</u>	<u>(101)</u>	<u>80</u>	<u>181</u>
Fund Balance Available for Appropriation, July 1, 2003	39	228	228	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>132</u>	<u>120</u>	<u>92</u>	<u>(28)</u>
Adjusted Fund Balance, July 1, 2003	<u>171</u>	<u>348</u>	<u>320</u>	<u>(28)</u>
Fund Balance Available for Appropriation, June 30, 2004	<u>-</u>	<u>247</u>	<u>400</u>	<u>153</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Special Gasoline Tax Fund
 For the Fiscal Year Ended June 30, 2004
 (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>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	50	26	21	(5)
Revenue from Other Governments	19,620	19,662	20,052	390
Total Revenues	19,670	19,688	20,073	385
<u>Expenditures and Encumbrances</u>				
Personal Services	12,409	12,409	12,409	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	13,409	13,409	13,409	-
Purchase of Services	2,644	2,568	2,564	4
Materials and Supplies	3,886	3,953	3,755	198
Equipment	36	45	46	(1)
Payments to Other Funds	31	31	31	-
Total Expenditures and Encumbrances	20,006	20,006	19,805	201
Operating Surplus (Deficit) for the Year	(336)	(318)	268	586
Fund Balance Available for Appropriation, July 1, 2003	344	382	382	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	200	130	83	(47)
Prior Period Adjustments	-	-	(1)	(1)
Adjusted Fund Balance, July 1, 2003	544	512	464	(48)
Fund Balance Available for Appropriation, June 30, 2004	208	194	732	538

City of Philadelphia
Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule **XIII**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget <u>to Actual</u> Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	38,000	38,030	29,422	(8,608)
Locally Generated Non-Tax Revenue	<u>80</u>	<u>50</u>	<u>7</u>	<u>(43)</u>
Total Revenues	38,080	38,080	29,429	(8,651)
<u>Expenditures and Encumbrances</u>				
Personal Services	80	80	80	-
Contributions, Indemnities and Taxes	<u>38,000</u>	<u>38,000</u>	<u>29,349</u>	<u>8,651</u>
Total Expenditures and Encumbrances	<u>38,080</u>	<u>38,080</u>	<u>29,429</u>	<u>8,651</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, July 1, 2003	-	-	-	-
Fund Balance Available for Appropriation, June 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
 Budgetary Comparison Schedule
 Aviation Operating Fund
 For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule XIV

	Budgeted Amounts		Actual	Final Budget
	Original	Final		to Actual Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	309,835	277,409	234,994	(42,415)
Revenue from Other Governments	3,075	2,127	5,307	3,180
Revenue from Other Funds	450	450	1,081	631
Total Revenues	313,360	279,986	241,382	(38,604)
Expenditures and Encumbrances				
Personal Services	58,330	58,330	50,733	7,597
Pension Contributions	8,600	8,593	7,281	1,312
Other Employee Benefits	13,769	13,776	12,402	1,374
Sub-Total Employee Compensation	80,699	80,699	70,416	10,283
Purchase of Services	91,000	91,000	68,873	22,127
Materials and Supplies	9,163	9,163	7,132	2,031
Equipment	8,971	8,971	2,699	6,272
Contributions, Indemnities and Taxes	4,285	4,285	1,780	2,505
Debt Service - Principal	43,464	43,464	36,863	6,601
Debt Service - Interest	70,852	70,852	55,757	15,095
Short-Term Interest	500	500	-	500
Payments to Other Funds	15,972	15,972	9,069	6,903
Advances, Subsidies, Miscellaneous	500	500	-	500
Total Expenditures and Encumbrances	325,406	325,406	252,589	72,817
Operating Surplus (Deficit) for the Year	(12,046)	(45,420)	(11,207)	34,213
Fund Balance Available for Appropriation, July 1, 2003	24,745	24,053	24,053	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	4,800	5,000	11,510	6,510
Prior Period Adjustments	-	-	(85)	(85)
Adjusted Fund Balance, July 1, 2003	29,545	29,053	35,478	6,425
Fund Balance Available for Appropriation, June 30, 2004	17,499	(16,367)	24,271	40,638

City of Philadelphia
 Budgetary Comparison Schedule
 Community Development Fund
 For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule XV

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	100	100	2,839	2,739
Revenue from Other Governments	113,788	93,788	61,484	(32,304)
Total Revenues	113,888	93,888	64,323	(29,565)
Other Sources				
Increase in Unreimbursed Commitments	-	-	6,346	6,346
Total Revenues and Other Sources	113,888	93,888	70,669	(23,219)
Expenditures and Encumbrances				
Personal Services	5,786	5,786	5,257	529
Pension Contributions	861	797	637	160
Other Employee Benefits	1,453	1,517	1,421	96
Sub-Total Employee Compensation	8,100	8,100	7,315	785
Purchase of Services	85,500	85,500	64,590	20,910
Materials and Supplies	190	211	181	30
Equipment	68	47	47	-
Payments to Other Funds	30	30	27	3
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	113,888	113,888	72,160	41,728
Operating Surplus (Deficit) for the Year	-	(20,000)	(1,491)	18,509
Fund Balance Available for Appropriation, July 1, 2003	-	(8,828)	(8,828)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	3,685	3,685
Prior Period Adjustments	-	8,828	-	(8,828)
Adjusted Fund Balance, July 1, 2003	-	-	(5,143)	(5,143)
Fund Balance Available for Appropriation, June 30, 2004	-	(20,000)	(6,634)	13,366

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule XVI

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Taxes	4,313	3,835	3,889	54
Locally Generated Non-Tax Revenue	<u>25</u>	<u>20</u>	<u>43</u>	<u>23</u>
Total Revenues	4,338	3,855	3,932	77
Expenditures and Encumbrances				
Purchase of Services	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	-
Operating Surplus (Deficit) for the Year	<u>38</u>	<u>(445)</u>	<u>(368)</u>	<u>77</u>
Fund Balance Available for Appropriation, July 1, 2003	-	6,057	6,057	-
Fund Balance Available for Appropriation, June 30, 2004	<u><u>38</u></u>	<u><u>5,612</u></u>	<u><u>5,689</u></u>	<u><u>77</u></u>

City of Philadelphia
Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule XVII

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	348,631	348,547	4,715	(343,832)
Revenue from Other Governments	317,845	317,929	28,343	(289,586)
Total Revenues	666,476	666,476	33,058	(633,418)
Other Sources				
Decrease in Unreimbursed Commitments	-	-	(8,974)	(8,974)
Proceeds from Bond Sales	-	-	250,506	250,506
Total Revenues and Other Sources	666,476	666,476	274,590	(391,886)
Expenditures and Encumbrances				
Capital Outlay	666,476	666,476	100,672	565,804
Operating Surplus (Deficit) for the Year	-	-	173,918	173,918
Fund Balance Available for Appropriation, July 1, 2003	-	-	(102,846)	(102,846)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,223	6,223
Revenue Adjustments - Net	-	-	1,089	1,089
Prior Period Adjustments	-	-	393	393
Other Adjustments	-	-	(317)	(317)
Adjusted Fund Balance, July 1, 2003	-	-	(95,458)	(95,458)
Fund Balance Available for Appropriation, June 30, 2004	-	-	78,460	78,460

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2004
(Amounts in thousands of USD)

Schedule XVIII

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Real Property Tax:				
Current	334,089	340,744	332,553	(8,191)
Prior Years	30,500	32,000	45,115	13,115
Total Real Property Tax	364,589	372,744	377,668	4,924
Wage and Earnings Taxes:				
Current	1,021,829	1,010,905	1,034,474	23,569
Prior Years	23,000	27,000	15,169	(11,831)
Total Wage and Earnings Taxes	1,044,829	1,037,905	1,049,643	11,738
Business Taxes:				
Business Privilege Taxes:				
Current	274,312	239,171	269,941	30,770
Prior Years	22,000	47,000	39,239	(7,761)
Total Business Privilege Tax	296,312	286,171	309,180	23,009
Net Profits Tax:				
Current	11,698	10,321	11,287	966
Prior Years	2,000	2,000	1,669	(331)
Total Net Profits Tax	13,698	12,321	12,956	635
Total Business Taxes	310,010	298,492	322,136	23,644
Other Taxes:				
Sales Tax	113,570	108,000	107,969	(31)
Amusement Tax	15,353	16,000	18,312	2,312
Real Property Transfer Tax	93,000	125,000	141,345	16,345
Parking Lot Tax	40,385	39,712	42,455	2,743
Miscellaneous Taxes	113	113	97	(16)
Total Other Taxes	262,421	288,825	310,178	21,353
Total Taxes	1,981,849	1,997,966	2,059,625	61,659

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2004
(Amounts in thousands of USD)

Schedule XVIII

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenue (Continued)				
Locally Generated Non-Tax Revenue				
Rentals from Leased City-Owned Properties	10,008	19,741	17,184	(2,557)
Licenses and Permits	37,554	37,499	36,409	(1,090)
Fines, Forfeits, Penalties, Confiscated Money and Property	37,145	18,212	18,162	(50)
Interest Income	18,950	9,950	10,470	520
Service Charges and Fees	83,942	91,374	91,248	(126)
Other	23,220	49,410	33,909	(15,501)
Total Locally Generated Non-Tax Revenue	210,819	226,186	207,382	(18,804)
Revenue from Other Governments				
United States Government:				
Grants and Reimbursements	353,902	332,226	330,680	(1,546)
Commonwealth of Pennsylvania:				
Grants and Other Payments	316,370	336,296	228,122	(108,174)
Other Governmental Units	263,566	264,257	242,248	(22,009)
Total Revenue from Other Governments	933,838	932,779	801,050	(131,729)
Revenue from Other Funds of the City	25,313	27,536	24,733	(2,803)
Total Revenues	3,151,819	3,184,467	3,092,790	(91,677)
Obligations				
General Government				
City Council	15,455	15,331	13,344	1,987
Mayor's Office:				
Mayor's Office	3,783	3,803	3,803	-
Scholarships	200	200	200	-
Tax Reform Commission	375	375	353	22
Labor Relations	533	533	461	72
Mayor's Office of Information Services	12,960	13,047	12,761	286
Capital Program Office	2,420	2,488	2,328	160
Mayor's Office of Community Services	780	887	821	66
Law	15,865	17,480	16,905	575
City Planning Commission	3,222	3,349	3,346	3
Commission on Human Relations	2,280	2,298	2,280	18
Board of Revision of Taxes	8,840	9,031	7,888	1,143
Total General Government	66,713	68,822	64,490	4,332

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2004
(Amounts in thousands of USD)

Schedule XVIII

	Budgeted Amounts		Actual	Final Budget
	Original	Final		to Actual Positive (Negative)
<u>Obligations (Continued)</u>				
<u>Operation of Service Departments</u>				
Housing	1,741	609	605	4
Managing Director	15,959	16,186	14,718	1,468
Police	485,195	502,633	499,624	3,009
Streets	120,449	129,539	129,341	198
Fire	175,233	178,178	172,030	6,148
Public Health	121,424	121,520	115,888	5,632
Recreation	43,164	43,482	41,491	1,991
Fairmount Park Commission	13,759	15,714	15,675	39
Atwater Kent Museum	293	293	291	2
Camp William Penn	311	417	411	6
Public Property	102,905	106,059	104,821	1,238
Department of Human Services	599,348	596,426	585,442	10,984
Philadelphia Prisons	175,875	184,902	184,859	43
Office of Emergency Services	15,544	16,845	15,342	1,503
Office of Fleet Management	47,353	47,360	45,882	1,478
Licenses and Inspections	24,195	25,111	24,251	860
Board of L & I Review	213	213	194	19
Board of Building Standards	121	121	100	21
Zoning Board of Adjustment	504	504	471	33
Records	8,307	8,519	8,512	7
Philadelphia Historical Commission	266	266	258	8
Art Museum	2,250	2,250	2,250	-
Philadelphia Civic Center	271	271	234	37
Philadelphia Free Library	38,282	38,345	36,121	2,224
Total Operations of Service Departments	1,992,962	2,035,763	1,998,811	36,952
<u>Financial Management</u>				
Office of Director of Finance	47,794	30,044	22,599	7,445
Department of Revenue	18,177	18,583	16,988	1,595
Sinking Fund Commission	192,550	176,940	164,514	12,426
Procurement	4,908	5,372	5,217	155
City Treasurer	908	908	735	173
Audit of City Operations	7,952	8,079	7,626	453
Total Financial Management	272,289	239,926	217,679	22,247
<u>City-Wide Appropriations Under the Director of Finance</u>				
Fringe Benefits	578,423	597,410	598,934	(1,524)
Community College of Philadelphia	22,468	22,468	22,468	-
Legal Services	33,359	33,359	33,359	-
Hero Award	36	36	2	34
Refunds	854	80	52	28
Witness Fees	230	230	127	103
Contribution to School District	35,000	36,159	36,159	-
Total City-Wide Under Director of Finance	670,370	689,742	691,101	(1,359)

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (Amounts in thousands of USD)

Schedule XVIII

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
<u>Obligations (Continued)</u>				
<u>Promotion and Public Relations</u>				
City Representative	98,546	98,046	94,669	3,377
<u>Personnel</u>				
Civic Service Commission	164	164	128	36
Personnel Director	5,024	4,970	4,838	132
Total Personnel	5,188	5,134	4,966	168
<u>Administration of Justice</u>				
Clerk of Quarter Sessions	5,046	5,046	4,618	428
Register of Wills	3,075	3,180	3,162	18
District Attorney	30,869	30,869	30,471	398
Sheriff	13,476	14,783	14,515	268
First Judicial District	113,400	113,811	113,032	779
Total Administration of Justice	165,866	167,689	165,798	1,891
<u>City-Wide Appropriations Under the First Judicial District</u>				
Juror Fees	1,600	1,850	1,846	4
<u>Conduct of Elections</u>				
City Commissioners	8,960	9,315	8,815	500
Total Obligations	3,282,494	3,316,287	3,248,175	68,112
Operating Surplus (Deficit) for the Year	(130,675)	(131,820)	(155,385)	(23,565)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Fund
For the Fiscal Year Ended June 30, 2004
(Amounts in thousands of USD)

Schedule **XIX**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget
	<u>Original</u>	<u>Final</u>		<u>to Actual</u> Positive (Negative)
Revenue				
<u>Locally Generated Non-Tax Revenue</u>				
Sales and Charges - Current	305,123	319,640	318,868	(772)
Sales and Charges - Prior Years	32,250	31,274	27,333	(3,941)
Fire Service Connections	1,466	1,094	1,294	200
Surcharges	6,669	5,577	4,843	(734)
Fines and Penalties	516	509	685	176
Miscellaneous Charges	1,043	1,352	1,495	143
Charges to Other Municipalities	28,556	21,688	22,629	941
Licenses and Permits	1,020	1,120	1,348	228
Interest Income	12,000	5,500	2,731	(2,769)
Fleet Management - Sale of Vehicles & Equipment	160	160	241	81
Contributions from Sinking Fund Reserve	8,318	6,500	-	(6,500)
Reimbursement of Expenditures	56	24	23	(1)
Repair Loan Program	890	1,291	1,522	231
Other	181	155	110	(45)
Total Locally Generated Non-Tax Revenue	398,248	395,884	383,122	(12,762)
<u>Revenue from Other Governments</u>				
State	7,700	3,405	2,426	(979)
Federal	-	-	343	343
Total Revenue from Other Governments	7,700	3,405	2,769	(636)
<u>Revenue from Other Funds</u>	66,236	59,968	52,438	(7,530)
Total Revenues	472,184	459,257	438,329	(20,928)
<u>Obligations</u>				
Mayor's Office of Information Services	1,015	1,014	991	23
Public Property	2,976	2,976	2,976	-
Office of Fleet Management	6,715	6,715	5,347	1,368
Water Department	227,261	230,142	215,983	14,159
Office of the Director of Finance	163	162	99	63
City-Wide Appropriation Under the Director of Finance:				
Pension Contributions	17,900	17,900	15,622	2,278
Other Employee Benefits	29,219	29,221	26,727	2,494
Contributions, Indemnities and Taxes	6,500	3,619	-	3,619
Department of Revenue	25,380	25,380	21,405	3,975
Sinking Fund Commission	163,922	163,922	158,200	5,722
Procurement Department	61	61	58	3
Law	3,072	3,072	2,989	83
Total Obligations	484,184	484,184	450,397	33,787
Operating Surplus (Deficit) for the Year	(12,000)	(24,927)	(12,068)	12,859

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Fund
For the Fiscal Year Ended June 30, 2004
(Amounts in thousands of USD)

Schedule XX

	Budgeted Amounts		Actual	Final Budget
	Original	Final		to Actual Positive (Negative)
Revenue				
Locally Generated Non-Tax Revenue				
Concessions	24,000	25,378	16,654	(8,724)
Space Rentals	116,024	89,117	69,977	(19,140)
Landing Fees	50,000	52,548	47,500	(5,048)
Parking	21,000	13,225	14,539	1,314
Car Rentals	17,000	15,300	13,994	(1,306)
Payment in Aid - Terminal Building	25,000	27,740	15,412	(12,328)
Interest Earnings	3,000	2,000	765	(1,235)
Sale of Utilities	6,500	3,700	4,040	340
Passenger Facility charge	25,000	32,416	32,777	361
Overseas Terminal Facility Charges	275	205	219	14
International Terminal Charge	12,000	9,600	16,293	6,693
Other	10,036	6,180	2,824	(3,356)
Total Locally Generated Non-Tax Revenue	309,835	277,409	234,994	(42,415)
Revenue from Other Governments				
State	-	-	115	115
Federal	3,075	2,127	5,192	3,065
Total Revenue from Other Governments	3,075	2,127	5,307	3,180
Revenue from Other Funds	450	450	1,081	631
Total Revenues	313,360	279,986	241,382	(38,604)
Obligations				
Police	15,410	15,410	11,030	4,380
Fire	5,261	5,261	5,031	230
Public Property	21,432	21,432	20,997	435
Office of Fleet Management	7,194	7,194	4,283	2,911
City-Wide Appropriation Under the Director of Finance:				
Pension Contributions	8,600	8,593	7,281	1,312
Other Employee Benefits	13,769	13,776	12,402	1,374
Purchase of Services	3,900	3,900	2,640	1,260
Contributions, Indemnities and Taxes	2,500	2,328	-	2,328
Sinking Fund Commission	114,815	114,815	92,620	22,195
Commerce	131,221	131,393	95,025	36,368
Law	1,304	1,304	1,280	24
Total Obligations	325,406	325,406	252,589	72,817
Operating Surplus (Deficit) for the Year	(12,046)	(45,420)	(11,207)	34,213



Statistical Section

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City of Philadelphia
General Governmental Expenditures by Function
For the Fiscal Years 1995 Through 2004

Table 1

(Amounts in millions of USD)

Function:	1995(b)	1996(b)	1997(b)	1998(b)	1999(b)	2000(b)	2001(b)	2002	2003	2004
Economic Development	54.9	59.6	53.9	77.0	105.7	112.7	128.9	91.7	170.3	157.0
Transportation:(a)										
Streets & Highways								71.8	78.1	75.9
Mass Transit								56.9	57.5	52.9
	109.4	118.8	122.4	126.5	127.6	131.5	131.1	128.7	135.6	128.8
Judiciary and Law Enforcement:(a)										
Police								665.2	727.3	752.0
Prisons								194.8	214.3	224.5
Courts								265.7	246.5	267.8
	771.7	832.8	907.8	919.3	964.4	1,002.6	1,072.9	1,125.7	1,188.1	1,244.3
Conservation of Health:(a)										
Emergency Medical Services								25.7	28.5	29.7
Health Services								1,146.0	1,192.7	1,170.3
	454.4	455.8	543.4	720.0	870.0	1,040.5	1,080.7	1,171.7	1,221.2	1,200.0
Housing and Neighborhood Development	97.2	123.8	136.8	110.7	137.4	131.7	129.9	123.5	120.7	119.0
Cultural and Recreational:(a)										
Recreation								64.4	94.0	65.7
Parks								32.4	24.2	23.8
Libraries and Museums								62.6	64.4	61.1
	114.4	117.3	122.1	127.7	139.4	142.1	158.2	159.4	182.6	150.6
Improvements to General Welfare:(a)										
Social Services								578.6	636.1	683.4
Education								81.8	57.1	58.6
Inspections and Demolitions								50.9	46.5	83.6
	394.2	435.4	452.6	475.2	556.7	550.8	591.1	711.3	739.7	825.6
Service to Property:(a)										
Sanitation								109.1	111.5	117.8
Fire								170.3	188.0	203.0
	261.9	268.7	268.9	269.9	264.7	266.7	280.3	279.4	299.5	320.8
General Management and Support	368.2	365.0	388.8	403.5	411.0	396.6	375.6	420.8	450.9	472.4
Capital Outlay	245.1	176.5	149.9	147.8	153.4	160.4	188.9	277.9	162.2	126.0
Debt Service:										
Principal	112.9	80.6	107.3	107.4	105.8	120.0	125.8	130.0	106.9	105.7
Interest	129.1	115.8	121.9	115.8	96.6	115.6	104.9	116.0	112.3	101.6
Bond Issuance Cost	-	-	-	-	10.7	-	-	-	-	9.2
	242.0	196.4	229.2	223.2	213.1	235.6	230.7	246.0	219.2	216.5
Total General Government	3,113.4	3,150.1	3,375.8	3,600.8	3,943.4	4,171.2	4,368.3	4,736.1	4,890.0	4,961.0
Fund Types:										
General Fund	2,072.5	2,178.2	2,298.9	2,354.7	2,502.5	2,557.4	2,686.5	2,859.4	3,105.7	3,203.9
Special Revenue Funds	553.6	595.8	697.7	875.0	1,074.2	1,217.7	1,261.3	1,352.1	1,408.8	1,412.6
Debt Service Funds	242.0	196.4	229.2	223.2	213.1	235.6	230.7	246.0	213.1	213.9
Capital Improvement Funds	245.1	179.5	149.9	147.8	153.4	160.4	188.9	277.9	162.2	130.3
Permanent Funds	0.2	0.2	0.1	0.1	0.2	0.1	0.9	0.7	0.2	0.3
Total General Government	3,113.4	3,150.1	3,375.8	3,600.8	3,943.4	4,171.2	4,368.3	4,736.1	4,890.0	4,961.0

NOTE:

- (a) The lower level of function was not available until FY2002
- (b) Restated to reflect GASBS #34

City of Philadelphia
 General Governmental Revenue by Source
 For the Fiscal Years 1995 Through 2004
 (Amounts in millions of USD)

Table 2

Source:	<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>	<u>2004</u>
Taxes	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	2,379.0
Locally Generated Non-Tax Revenue	231.9	251.8	242.7	275.7	301.9	285.3	302.3	298.4	339.8	280.0
Revenue From Other Governments	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	1,922.3
Other Revenue	<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>	<u>18.5</u>
Total General Government	<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>	<u>4,599.8</u>
Fund Types:										
General Fund	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	2,880.5
Special Revenue Funds	755.1	819.2	994.1	1,216.8	1,333.4	1,438.7	1,542.6	1,642.2	1,758.7	1,689.9
Debt Service Funds	11.6	17.6	13.5	14.8	13.9	17.3	15.5	7.3	10.0	9.0
Capital Improvement Funds	59.8	25.3	16.5	14.9	23.9	27.5	27.9	17.2	16.7	19.7
Permanent Funds	<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>	<u>0.7</u>
Total General Government	<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>	<u>4,599.8</u>

NOTE:

(a) Restated to reflect GASBS #34

City of Philadelphia
Assessed and Market Value of Taxable Realty in Philadelphia
For the Calendar Years 1995 Through 2004

(Amounts in millions of USD)

Table 3

Calendar Year	Assessed Value Adjusted to 6-30-2004(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
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	8,967	0.80%	0.303	29,614	-0.20%	0.264	33,915	3.20%
1998	9,038	0.79%	0.302	29,937	1.09%	0.244	37,056	9.26%
1999	9,193	1.71%	0.304	30,290	1.18%	0.230	39,970	7.86%
2000	9,344	1.64%	0.304	30,787	1.64%	0.237	39,410	-1.40%
2001	9,595	2.69%	0.303	31,646	2.79%	0.255	37,687	-4.37%
2002	9,867	2.83%	0.303	32,532	2.80%	0.252	39,186	3.98%
2003	10,382	5.22%	0.301	34,469	5.95%	0.023	45,958	17.28%
2004 (d)	10,866	4.66%	0.300	36,196	5.01%	NA	NA	NA
Total Increase 1995 - 2004	1,970	22.14%						
Compounded Annual Average Rate of Increase		1.89%						

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, 2004

**City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 1995 through 2004**

(Amounts in millions of USD)

Table 4

Calendar Year of Levy (a)	Original Assessed Value (b)	Assessed Value of Taxable Real Property Adjusted to 6-30-2004(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 6-30-2004 (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)
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	20.3	328.5	97.1%
1997	9,275	8,967	336.2	310.8	92.4%	337.3	20.1	330.9	98.1%
1998	9,220	9,038	338.6	311.9	92.1%	341.0	21.1	333.0	97.7%
1999	9,273	9,193	343.6	316.2	92.0%	346.1	19.9	336.1	97.1%
2000	9,527	9,344	349.3	322.0	92.2%	351.9	19.4	341.4	97.0%
2001	9,867	9,595	356.6	326.7	91.6%	358.9	17.1	343.8	95.8%
2002	10,300	9,867	368.2	340.4	92.5%	372.0	14.1	354.5	95.3%
2003	10,819	10,382	359.4	326.8	90.9%	363.3	9.1	335.9	92.5%
2004	11,141	10,866	375.5	324.8 (e)	86.5%	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 \$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, \$101.2 million in 2003 and \$81.7 million in 2004 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. Bill 000225, approved October 4, 2000, extended the exemption period from three to ten years.
Also includes \$13.1 million in 1995, \$10.4 million in 1996, \$4.3 million in 1997, \$5.9 million in 1998, \$9.0 million in 1999, \$15.3 million in 2000, \$16.1 million in 2001, \$26.9 million in 2002, \$33.2 million in 2003 and \$39.2 million in 2004 classified as exempt under ordinance (Bill 1456-A) 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. The exemption period for Bill 1456-A was extended from three to ten years by Bill 000226 approved September 12, 2000.
Also includes \$2.3 million in 2000, \$9.0 million in 2001, \$19.4 million in 2002, \$30.1 million in 2003 and \$36.0 million in 2004 classified as exempt under ordinance (Bill 970274) approved July 1, 1997 which provides for a maximum ten year 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, \$32.6 million in 2003 and \$37.4 million in 2004 classified as exempt under ordinance (Bill 980788A) approved December 30, 1998 which provides for 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, 2004, 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 2004 will be collected within the year of levy, resulting in approximately \$341.7 million by December 31, 2004

City of Philadelphia

Tax Rates

For the Ten Year Period 1995 through 2004

Table 5

	<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>	<u>2004</u>
Tax Classification										
Real Property: (% on Assessed Valuation)										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.474% (r)	3.474%
School District	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.790% (r)	4.790%
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 sales	27.00%	27.07%	26.44%	24.39%	23.00%	23.70%	25.46%	25.18%	22.59%	NA
Effective Tax Rate										
(Real Prop Tax Rate x Assess. Ratio)	2.231%	2.237%	2.185%	2.016%	1.901%	1.959%	2.104%	2.081%	1.867%	NA
Wage, Earnings and Net Profits Taxes:										
Residents (a)	4.96%	4.86% (b)	4.84% (c)	4.79% (h)	4.6869% (i)	4.6135% (j)	4.5630% (k)	4.5385% (p)	4.5000% (s)	4.4625% (u)
Non-Residents	4.3125%	4.2256% (b)	4.2082% (c)	4.1647% (h)	4.075% (i)	4.0112% (j)	3.9672% (k)	3.9462% (p)	3.9127% (s)	3.8801% (u)
Real Property Transfer Tax	3.00%	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) (l)	0.4%	0.4%	-	-	-	-	-	-	-	-
Business Privilege Taxes										
(% on Gross Receipts)	0.325%	0.300% (b)	0.295% (c)	0.2875% (d)	0.2775% (e)	0.2650% (f)	0.2525% (g)	0.2400% (q)	0.2300% (t)	0.2100% (v)
(% on Net Income) (m)	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%	6.0%	6.0%	6.0%	6.0%	7.0% (o)	7.0%	7.0%	7.0%	7.0%
Vehicle Rental Tax(n)	-	-	-	-	-	-	2.0%	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) The City ceased the collection of the Personal Property Tax during FY 1997.
- (m) 60% of Net Income Tax portion paid is credited against Net Profits Tax Payable.
- (n) Effective July 1, 2000
- (o) Tax increase effective July 1, 1999.
- (p) Tax decrease effective July 1, 2001.
- (q) Tax decrease effective January 1, 2002.
- (r) City portion decrease/school portion increase effective January 1, 2003.
- (s) Tax decrease effective July 1, 2002.
- (t) Tax decrease effective January 1, 2003.
- (u) Tax decrease effective July 1, 2003.
- (v) Tax decrease effective January 1, 2004.

City of Philadelphia
City and School District Net Tax Supported Debt and Debt Service Ratios
For the Fiscal Years 1995 through 2004

Table 6

Line No.	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>Net Tax Supported Debt (millions of USD)</u>										
<u>City:</u>										
1	451.4	522.6	486.1	453.7	674.7	640.2	895.4	855.3	810.9	1,017.8
2	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	3,596.9
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	4,614.7
<u>Overlapping School District Debt:</u>										
4	498.7	628.2	704.0	697.2	784.3	870.4	995.1	1,410.9	1,371.8	2,294.4
5	420.6	436.5	436.2	458.2	447.2	483.7	516.5	547.3	627.1	585.8
6	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	2,880.2
<u>Overlapping PICA Bonded Debt:</u>										
7	1,237.5	1,146.2	1,102.4	1,055.0	1,014.1	959.4	901.8	840.7	804.1	770.7
8	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	8,265.6
9	1,496	1,472	1,452	1,435	1,418	1,518	1,500	1,489	1,479	1,479
10	8,896	8,896	8,967	9,038	9,193	9,344	9,595	9,867	10,382	10,866
11	32,912	32,863	33,915	37,056	39,970	39,410	37,687	39,186	45,958	NA
<u>City Net Tax Supported Annual Debt Service</u>										
12	69.1	67.6	68.1	61.4	62.6	73.0	71.9	87.9	87.2	83.6
13	115.0	87.2	104.4	108.1	64.1	120.9	73.0	125.0	189.6	197.8
14	184.1	154.8	172.5	169.5	126.7	193.9	144.9	212.9	276.8	281.4
15	2,626.1	2,774.0	2,996.6	3,229.7	3,576.7	3,775.1	3,947.8	4,211.5	4,514.5	4,616.5
<u>Net Tax Supported Debt per Capita (USD)</u>										
16	301.7	355.0	334.8	316.2	475.8	421.7	596.9	574.4	548.3	688.2
17	1,502.5	1,577.7	1,599.4	827.7	2,679.5	2,473.0	2,672.1	3,002.2	2,990.2	3,120.1
18	614.5	723.3	785.3	805.2	868.5	892.0	1,007.7	1,315.1	1,351.5	1,947.4
19	827.2	778.7	759.2	735.2	715.2	632.0	601.2	564.6	543.7	521.1
20	2,944.2	3,079.7	3,143.9	2,368.1	4,263.2	3,997.0	4,281.0	4,881.9	4,885.4	5,588.6
<u>Net Tax Supported Debt as a Percentage of Assessed Valuation:</u>										
21	5.07	5.87	5.42	5.02	7.34	6.85	9.33	8.67	7.81	9.37
22	25.27	26.11	25.90	13.14	41.33	40.18	41.77	45.31	42.60	42.47
23	10.33	11.97	12.72	12.78	13.40	14.49	15.75	19.85	19.25	26.51
24	35.60	38.07	38.61	25.93	54.73	54.67	57.53	65.15	61.85	68.98
<u>Net Tax Supported Debt as a Percentage of Estimated Market Value:</u>										
25	1.37	1.59	1.43	1.22	1.69	1.62	2.38	2.18	1.76	NA
26	6.83	7.07	6.85	3.21	9.51	9.53	10.64	11.41	9.62	NA
27	2.79	3.24	3.36	3.12	3.08	3.44	4.01	5.00	4.35	NA
28	9.62	10.31	10.21	6.32	12.59	12.96	14.65	16.41	13.97	NA
<u>City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:</u>										
29	2.63	2.44	2.27	1.90	1.75	1.93	1.82	2.09	1.93	1.81
30	7.01	5.58	5.76	5.25	3.54	5.14	3.67	5.06	6.13	6.10

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, 2004

(Amounts in thousands of USD)

Table 7

	Authorized		
	<u>Issued and Outstanding</u>	<u>Unissued</u>	<u>Total</u>
General Obligation Bonded Debt:			
Tax Supported (Note 1)	1,017,790	141,339	1,159,129
Self-Sustaining	<u>14,736</u>	<u>352,614</u>	<u>367,350</u>
<u>Total General Obligation Bonded Debt (Note 2)</u>	<u>1,032,526</u>	<u>493,953</u>	1,526,479
	<u>Total</u>	<u>Applicable to Self-Sustaining</u>	<u>Net Deductions</u>
Deductions Authorized by Law:			
Appropriation for Maturing Serials (Fiscal 2005)	<u>33,530</u>	<u>3,646</u>	29,884
Total Self-Sustaining Debt			<u>367,350</u>
Total Net Deductions Authorized by Law			<u>397,234</u>
Total Amount of Debt Applicable to Debt Limit			<u>1,129,245</u>
Legal Debt Limit (Note 3)			<u>1,280,316</u>
Legal Debt Margin			<u>151,071</u>

NOTES:

- (1) Included in the Issued and Outstanding Total is \$7.1 million relating to the Philadelphia Port Corporation which has ceased. The City is using the proceeds from the sale of the Port Corporation assets for economic stimulus projects.
- (2) This statement does not reflect \$3,808.5 million of Revenue Bonds, secured by a pledge of Water Revenues, Airport Revenue 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	15,220
Water and Sewer Revenue Bonds, Series 1993, dated August 1, 1993	300,230
Water and Sewer Revenue Bonds, Series 1993, dated August 26, 1993	38,760
Water and Sewer Revenue Bonds, Series 1995, dated April 15, 1995	177,055
Water and Sewer Revenue Bonds, Series 1997 A, dated October 15, 1997	214,995
Water and Sewer Revenue Bonds, Series 1997 B, dated November 25, 1997	90,500
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 22, 1999	2,598
Water and Sewer Revenue Bonds, Series 2001 A and B dated November 15, 2001	285,920
Water and Sewer Revenue Bonds, Series 2003 dated April 1, 2003	375,260
Airport Revenue Bonds, Fifth Series, dated June 15, 1995	188,680
Airport Revenue Bonds, Series 1997 A and B dated July 1, 1997	152,620
Airport Revenue Bonds, Series 1998 A dated March 17, 1998	99,230
Airport Revenue Bonds, Series 1998 B dated July 1, 1998	426,355
Airport Revenue Bonds, Series 2001 A and B dated July 10, 2001	223,630
Gas Works Revenue Bonds, Eleventh Series C, dated January 1, 1989	25,022
Gas Works Revenue Bonds, Twelfth Series A, dated March 1, 1990	9,310
Gas Works Revenue Bonds, Fourteenth Series, dated February 1, 1993	14,055
Gas Works Revenue Bonds, Fifteenth Series, dated January 1, 1994	83,080
Gas Works Revenue Bonds, First Series, dated June 1, 1998	259,075
Gas Works Revenue Bonds, Sixteenth Series, dated June 1, 1999	59,955
Gas Works Revenue Bonds, Second Series, dated June 1, 1999	106,645
Gas Works Revenue Bonds, Third Series, dated June 1, 2001	119,975
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>3,808,500</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 1995 through 2004
(Amounts in millions of USD)

Table 8

	<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>	<u>2004</u>
General Obligation Bonds	589.3	639.5	586.7	535.1	740.5	687.2	925.6	878.1	829.7	1,032.6
Revenue Bonds	<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>	<u>3,808.5</u>
Gross Bonded Debt	<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>	<u>4,841.1</u>
Less Self-Supporting Debt and Available Assets:										
Self-Supporting General Obligation Bonds	135.9	116.9	100.6	81.4	65.8	47.0	30.2	22.8	18.8	14.8
Revenue Bonds	<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>	<u>3,808.5</u>
Gross Self-Supporting Debt	<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>	<u>3,823.3</u>
Gross Tax Supported Bonded Debt	453.4	522.6	486.1	453.7	674.7	640.2	895.4	855.3	810.9	1,017.8
Less Sinking Funds of Tax Supported Bonds	<u>2.0</u>	-	-	-	-	-	-	-	-	-
Net Tax Supported Bonded Debt	<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>	<u>1,017.8</u>

**City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
June 30, 2004**
(Amounts in millions of USD)

Table 9

Fiscal Year	General Obligation Bonds																				
	Tax Supported			Self-Supporting			Total			Revenue Bonds											
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total									
2005	29.9	43.8	73.7	3.7	0.3	4.0	33.6	44.1	77.7	70.7	84.9	155.6	34.2	48.1	82.3	35.4	58.6	94.0	140.3	191.6	331.9
2006	19.7	41.9	61.6	1.4	0.2	1.6	21.1	42.1	63.2	76.6	79.8	156.4	39.2	46.6	85.8	37.3	56.7	94.0	153.1	183.1	336.2
2007	22.0	41.0	63.0	1.2	0.2	1.4	23.2	41.2	64.4	80.4	76.0	156.4	36.6	44.9	81.5	31.5	54.5	86.0	148.5	175.4	323.9
2008	26.4	39.9	66.3	1.3	0.2	1.5	27.7	40.1	67.8	83.9	72.6	156.5	37.9	43.0	82.4	33.3	52.8	86.1	156.6	168.4	325.0
2009	30.2	38.6	68.8	1.3	0.2	1.5	31.5	38.8	70.3	87.3	69.3	156.6	40.1	41.0	81.1	35.1	51.0	86.1	162.5	161.3	323.8
2010	31.6	37.2	68.8	1.4	0.1	1.5	33.0	37.3	70.3	90.9	65.7	156.6	39.8	38.9	78.7	36.9	49.1	86.0	167.6	153.7	321.3
2011	33.5	35.4	68.9	1.5	0.1	1.6	35.0	35.5	70.5	96.6	59.8	156.4	49.9	36.9	86.8	39.0	47.1	86.1	185.5	143.8	329.3
2012	34.6	34.0	68.6	1.3	0.1	1.4	35.9	34.1	70.0	103.8	52.3	156.1	42.1	35.2	77.3	41.1	44.9	86.0	187.0	132.4	319.4
2013	37.0	32.0	69.0	0.3	0.1	0.4	37.3	32.1	69.4	109.6	47.1	156.7	24.3	33.9	58.2	43.3	42.7	86.0	177.2	123.7	300.9
2014	38.6	30.2	68.8	0.2	0.1	0.3	38.8	30.3	69.1	115.5	41.6	157.1	37.2	32.2	69.4	45.7	40.3	86.0	198.4	114.1	312.5
2015	40.7	28.2	68.9	0.2	0.1	0.3	40.9	28.3	69.2	121.4	35.9	157.3	37.5	30.2	67.7	48.2	37.7	85.9	207.1	103.8	310.9
2016	38.9	26.3	65.2	0.2	0.1	0.3	39.1	26.4	65.5	126.6	31.2	157.8	37.9	28.2	66.1	44.7	35.1	79.8	209.2	94.5	303.7
2017	40.7	24.7	65.4	0.2	-	0.2	40.9	24.7	65.6	47.2	25.2	72.4	35.2	26.3	61.5	47.2	32.6	79.8	129.6	84.1	213.7
2018	42.6	23.0	65.6	0.2	-	0.2	42.8	23.0	65.8	49.7	22.8	72.5	35.6	24.4	60.0	48.9	30.0	78.9	134.2	77.2	211.4
2019	44.5	21.2	65.7	0.2	-	0.2	44.7	21.2	65.9	33.6	20.9	54.5	35.9	22.5	58.4	41.3	27.3	68.6	110.8	70.7	181.5
2020	47.0	19.2	66.2	0.2	-	0.2	47.2	19.2	66.4	35.2	19.4	54.6	36.2	20.6	56.8	43.6	25.0	68.6	115.0	65.0	180.0
2021	37.9	17.3	55.2	-	-	-	37.9	17.3	55.2	36.9	17.8	54.7	36.6	18.7	55.3	46.0	22.6	68.6	119.5	59.1	178.6
2022	39.6	15.8	55.4	-	-	-	39.6	15.8	55.4	38.8	16.2	55.0	37.0	16.8	53.8	48.5	20.1	68.6	124.3	53.1	177.4
2023	41.5	14.2	55.7	-	-	-	41.5	14.2	55.7	40.7	14.5	55.2	38.0	14.9	52.9	51.1	17.4	68.5	129.8	46.8	176.6
2024	43.5	12.4	55.9	-	-	-	43.5	12.4	55.9	26.9	12.6	39.5	38.3	13.0	51.3	53.9	14.6	68.5	119.1	40.2	159.3
2025	45.5	10.6	56.1	-	-	-	45.5	10.6	56.1	28.2	11.4	39.6	39.0	11.0	50.0	56.8	11.6	68.4	124.0	34.0	158.0
2026	40.4	8.7	49.1	-	-	-	40.4	8.7	49.1	29.7	10.1	39.8	34.1	9.2	43.3	43.8	8.5	52.3	107.6	27.8	135.4
2027	42.4	7.1	49.5	-	-	-	42.4	7.1	49.5	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	44.2	5.5	49.7	-	-	-	44.2	5.5	49.7	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	15.9	3.7	19.6	-	-	-	15.9	3.7	19.6	34.4	6.6	41.0	35.4	3.9	39.3	44.4	1.5	45.9	114.2	12.0	126.2
2030	30.0	2.9	32.9	-	-	-	30.0	2.9	32.9	36.1	4.8	40.9	21.9	2.5	24.4	2.5	0.3	2.8	60.5	7.6	68.1
2031	31.3	1.9	33.2	-	-	-	31.3	1.9	33.2	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	32.7	0.8	33.5	-	-	-	32.7	0.8	33.5	40.0	1.0	41.0	15.5	0.8	16.3	-	-	-	55.5	1.8	57.3
2033	15	0.1	15.1	-	-	-	15.0	0.1	15.1	-	-	-	8.0	0.2	8.2	-	-	-	8.0	0.2	8.2
Total	1,017.8	617.6	1,635.4	14.8	1.8	16.6	1,032.6	619.4	1,652.0	1,729.2	919.0	2,648.2	988.8	658.6	1,647.4	1,090.5	792.0	1,882.5	3,808.5	2,369.6	6,178.1
Sinking Fund Assets Held by Fiscal Agent	-	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	12.4	15.8	28.2	12.4	15.8	28.2
Available City Sinking Fund Assets	-	-	-	-	-	-	-	-	-	158.6	0.7	159.3	96.6	-	96.6	55.3	1.8	57.1	310.5	2.5	313.0
Net Debt	1,017.8	617.5	1,635.3	14.8	1.8	16.6	1,032.6	619.3	1,651.9	1,570.6	918.3	2,488.9	892.2	658.6	1,550.8	1,022.8	774.4	1,797.2	3,485.6	2,351.3	5,836.9

City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt (Continued)
June 30, 2004
(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
2005	173.9	235.7	409.6	127.9	90.2	218.1	301.8	325.9	627.7
2006	174.2	225.2	399.4	95.0	87.8	182.8	269.2	313.0	582.2
2007	171.7	216.6	388.3	103.7	84.7	188.4	275.4	301.3	576.7
2008	184.3	208.5	392.8	100.4	80.9	181.3	284.7	289.4	574.1
2009	194.0	200.1	394.1	110.3	77.4	187.7	304.3	277.5	581.8
2010	200.6	191.0	391.6	125.9	72.5	198.4	326.5	263.5	590.0
2011	220.5	179.3	399.8	135.7	66.9	202.6	356.2	246.2	602.4
2012	222.9	166.5	389.4	145.5	60.8	206.3	368.4	227.3	595.7
2013	214.5	155.8	370.3	151.1	59.6	210.7	365.6	215.4	581.0
2014	237.2	144.4	381.6	153.2	57.4	210.6	390.4	201.8	592.2
2015	248.0	132.1	380.1	157.9	55.6	213.5	405.9	187.7	593.6
2016	248.3	120.9	369.2	155.2	53.7	208.9	403.5	174.6	578.1
2017	170.5	108.8	279.3	156.1	51.6	207.7	326.6	160.4	487.0
2018	177.0	100.2	277.2	250.3	49.3	299.6	427.3	149.5	576.8
2019	155.5	91.9	247.4	139.4	47.2	186.6	294.9	139.1	434.0
2020	162.2	84.2	246.4	128.6	45.8	174.4	290.8	130.0	420.8
2021	157.4	76.4	233.8	130.0	44.4	174.4	287.4	120.8	408.2
2022	163.9	68.9	232.8	131.4	43.0	174.4	295.3	111.9	407.2
2023	171.3	61.0	232.3	132.7	41.6	174.3	304.0	102.6	406.6
2024	162.6	52.6	215.2	134.3	40.1	174.4	296.9	92.7	389.6
2025	169.5	44.6	214.1	135.8	38.4	174.2	305.3	83.0	388.3
2026	148.0	36.5	184.5	137.4	36.8	174.2	285.4	73.3	358.7
2027	155.2	29.5	184.7	130.6	34.1	164.7	285.8	63.6	349.4
2028	139.4	22.7	162.1	134.6	26.1	160.7	274.0	48.8	322.8
2029	130.1	15.7	145.8	246.8	10.5	257.3	376.9	26.2	403.1
2030	90.5	10.5	101.0	22.9	1.9	24.8	113.4	12.4	125.8
2031	86.7	6.5	93.2	24.2	0.6	24.8	110.9	7.1	118.0
2032	88.2	2.6	90.8	-	-	-	88.2	2.6	90.8
2033	23.0	0.3	23.3	-	-	-	23.0	0.3	23.3
Total	4,841.1	2,989.0	7,830.1	3,596.9	1,358.9	4,955.8	8,438.0	4,347.9	12,785.9
Sinking Fund Assets Held by Fiscal Agent	12.4	15.9	28.3	-	-	-	12.4	15.9	28.3
Available City Sinking Fund Assets	310.5	2.5	313.0	-	-	-	310.5	2.5	313.0
Net Debt	4,518.2	2,970.6	7,488.8	3,596.9	1,358.9	4,955.8	8,115.1	4,329.5	12,444.6

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, \$9.2 million; Airport, \$2.4 million; Veterans Stadium, \$4 million and Subways, \$2.4 million. Issues for five other purposes account for the balance of \$4 million.
- (c) Interest on \$90.5 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 1.0948%. Interest on \$375.3 million Water and Sewer Variable Rate Bonds is based on the estimated interest rate of 4.52%. Interest on \$100.0 million GO Variable Rate Bonds Series B-2 is based on the estimated interest rate of 1.3%. Interest on \$100.0 million GO Variable Rate Bonds Series B-1 is based on the estimated interest rate of 1.2%.
- (d) In addition to the \$159.3 million available in Sinking Fund Assets, \$128.3 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 \$85.3 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 1995 through 2004**

Table 10

(Amounts in millions of USD)

No.		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>Water and Sewer Revenue Bonds</u>											
1	Total Revenue and Beginning Fund Balance	<u>376.8</u>	<u>387.4</u>	<u>394.4</u>	<u>411.1</u>	<u>393.9</u>	<u>391.8</u>	<u>380.6</u>	<u>390.8</u>	<u>454.2</u>	<u>421.6</u>
2	Net Operating Expenses	197.9	216.8	228.7	228.6	233.9	237.8	242.6	242.9	250.2	262.0
3	Transfer To (From) Rate Stabilization Fund	<u>25.9</u>	<u>24.3</u>	<u>20.9</u>	<u>30.7</u>	<u>(15.4)</u>	<u>(22.4)</u>	<u>(39.4)</u>	<u>(26.3)</u>	<u>16.8</u>	<u>(28.8)</u>
4	Net Revenues	<u>153.0</u>	<u>146.3</u>	<u>144.8</u>	<u>151.8</u>	<u>175.4</u>	<u>176.4</u>	<u>177.4</u>	<u>174.2</u>	<u>187.2</u>	<u>188.4</u>
Debt Service:											
5	Revenue Bonds Outstanding	127.1	121.2	120.8	126.5	146.2	147.0	147.8	145.2	156.1	157.0
6	General Obligation Bonds Outstanding	6.1	5.2	3.9	3.1	2.3	1.5	1.3	0.6	-	-
7	Pennvest Loan	<u>1.1</u>	<u>1.1</u>	<u>1.3</u>	<u>1.1</u>	<u>1.2</u>	<u>1.2</u>	<u>1.3</u>	<u>1.6</u>	<u>1.2</u>	<u>1.2</u>
8	Total Debt Service	<u>134.3</u>	<u>127.5</u>	<u>126.0</u>	<u>130.7</u>	<u>149.7</u>	<u>149.7</u>	<u>150.4</u>	<u>147.4</u>	<u>157.3</u>	<u>158.2</u>
9	Net Revenue after Debt Service	<u>18.7</u>	<u>18.8</u>	<u>18.8</u>	<u>21.1</u>	<u>25.7</u>	<u>26.7</u>	<u>27.0</u>	<u>26.8</u>	<u>29.9</u>	<u>30.2</u>
10	Transfer to General Fund	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	-
11	Transfer to Capital Fund	14.6	14.8	14.8	15.0	15.6	15.9	15.9	16.0	16.0	16.3
12	Transfer to Residual Fund	-	-	-	1.9	6.0	6.6	7.0	6.6	9.8	13.8
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.21	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
	Coverage B (Line 4/Line 8 + Line 11)	1.03	1.03	1.03	1.04	1.06	1.07	1.07	1.07	1.08	1.08
<u>Airport Revenue Bonds</u>											
1	Project Revenues	96.6	103.9	109.4	108.2	124.5	130.4	148.0	146.5	168.4	183.3
2	Passenger Facility Charges	-	-	-	-	-	-	-	16.8	31.2	32.8
3	Revenue Available for Debt Service	<u>96.6</u>	<u>103.9</u>	<u>109.4</u>	<u>108.2</u>	<u>124.5</u>	<u>130.4</u>	<u>148.0</u>	<u>163.3</u>	<u>199.6</u>	<u>216.1</u>
4	Net Operating Expenses	33.4	38.8	41.2	41.2	47.0	51.8	59.6	56.3	67.0	71.9
5	Interdepartmental Charges	<u>30.2</u>	<u>28.8</u>	<u>31.6</u>	<u>32.3</u>	<u>41.5</u>	<u>35.3</u>	<u>36.0</u>	<u>39.7</u>	<u>46.1</u>	<u>52.2</u>
6	Total Expenses	<u>63.6</u>	<u>67.6</u>	<u>72.8</u>	<u>73.5</u>	<u>88.5</u>	<u>87.1</u>	<u>95.6</u>	<u>96.0</u>	<u>113.1</u>	<u>124.1</u>
Available for Debt Service:											
7	Revenue Bonds (Line 3-Line 4)	63.2	65.1	68.2	67.0	77.5	78.6	88.4	107.0	132.6	144.2
8	All Bonds (Line 3-Line 6)	33.0	36.3	36.6	34.7	36.0	43.3	52.4	67.3	86.5	92.0
Debt Service:											
9	Revenue Bonds	26.8	27.4	27.6	25.3	29.7	36.5	44.8	64.1	83.2	89.7
10	General Obligation Bonds	<u>5.6</u>	<u>7.2</u>	<u>6.2</u>	<u>7.2</u>	<u>5.2</u>	<u>5.7</u>	<u>5.7</u>	<u>2.0</u>	<u>1.4</u>	<u>1.0</u>
11	Total Debt Service	<u>32.4</u>	<u>34.6</u>	<u>33.8</u>	<u>32.5</u>	<u>34.9</u>	<u>42.2</u>	<u>50.5</u>	<u>66.1</u>	<u>84.6</u>	<u>90.7</u>
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 7/Line 9)	2.36	2.38	2.47	2.65	2.61	2.15	1.97	1.67	1.59	1.61
	Total Debt Service - Test "B" (Line 8/Line 11)	1.02	1.05	1.08	1.07	1.03	1.03	1.04	1.02	1.02	1.01
<u>Gas Works Revenue Bonds</u>											
1	Funds Provided by Operations and Other Income	580.0	509.6	583.1	557.5	503.8	495.2	574.7	758.1	621.2	800.0
2	Funds Applied to Operations	<u>479.3</u>	<u>397.7</u>	<u>458.3</u>	<u>445.6</u>	<u>409.9</u>	<u>407.0</u>	<u>472.8</u>	<u>648.4</u>	<u>511.4</u>	<u>684.7</u>
3	Internally Generated Funds Available to Cover Debt Service	<u>100.7</u>	<u>111.9</u>	<u>124.8</u>	<u>111.9</u>	<u>93.9</u>	<u>88.2</u>	<u>101.9</u>	<u>109.7</u>	<u>109.8</u>	<u>115.3</u>
4	Revenue Bond Debt Service	<u>68.9</u>	<u>77.2</u>	<u>80.9</u>	<u>74.5</u>	<u>61.9</u>	<u>57.7</u>	<u>59.3</u>	<u>81.0</u>	<u>86.4</u>	<u>86.2</u>
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 3/Line 4)	1.46	1.45	1.54	1.50	1.52	1.53	1.72	1.35	1.27	1.34
	Total Debt Service - Test "B" (Line 3/Line 4)	1.46	1.45	1.54	1.50	1.52	1.53	1.72	1.35	1.27	1.34

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 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.

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 1995 through 2004
(Amounts in millions of USD)

Table 11

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	%	%	%	%	%	%	%	%	%	%
Revenue:										
Contributions:										
Employees:										
Members' Contributions	44.2	45.6	47.0	48.0	49.2	50.2	49.3	50.1	52.5	50.5
Less: Refunds to Members	3.7	3.8	3.8	3.2	4.2	4.2	4.7	7.1	4.9	4.1
Net Members' Contributions	40.5	41.8	43.2	44.8	45.0	46.0	44.6	43.0	47.6	46.4
Employer's:										
City of Philadelphia	212.8	222.5	237.0	252.0	1,506.8 (5)	179.5 (2)	163.5	174.2	174.6	196.6
Quasi Governmental Agencies	4.6	4.8	5.2	5.0	4.9	4.5	4.1	4.0	5.2	6.2
Total Employer's Contributions Commonwealth of Pennsylvania	217.4	227.3	242.2	257.0	1,511.7	184.0	167.6	178.2	179.8	202.8
Total Contributions	259.2	273.6	285.4	301.8	1,556.6	230.0	212.2	221.2	227.4	249.2
Investment Earnings	178.9	356.4	669.9 (3)	411.8	383.0	445.0	135.8	111.4	75.4	595.8
Other	0.9	0.2	0.1	0.4	0.3	0.2	0.6	0.7	2.4	1.3
Total Revenue	439.0	630.8	955.6	714.0	1,939.9	675.2	348.6	333.3	305.2	846.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deductions:										
For Pension Benefits	338.6	353.4	372.0	383.3	434.0	444.3	456.8	450.2	462.3	657.5
Net Decline in Fair Value of Investments For Other Purposes, Excluding Refunds	28.1 (1)	21.4 (1)	13.6	2.9 (4)	4.4	4.8	5.3	5.2	6.6	6.4
Total Deductions	366.7	374.8	385.6	386.2	438.4	449.1	462.1	455.4	468.9	663.9
Excess of Revenue Over Deductions	72.3	256.0	570.0	327.8	1,501.5	226.1	(536.3)	(481.6)	(167.7)	182.4
Net Assets: Opening	2,022.7	2,095.0	2,351.0	2,921.0	3,248.8	4,750.3	4,976.4	4,440.1	3,958.5	3,790.8
Closing	2,095.0	2,351.0	2,921.0	3,248.8	4,750.3	4,976.4	4,440.1	3,958.5	3,790.8	3,973.2
Increase (Decrease) During the Year	72.3	256.0	570.0	327.8	1,501.5	226.1	(536.3)	(481.6)	(167.7)	182.4
EXHIBIT:										
1. Pension Benefits Paid as a Percent of A. Net Contributions of Members	836.0	845.5	861.1	855.6	964.4	964.4	965.9	1,024.2	1,047.0	1,417.0
B. Revenue	77.1	56.0	38.9	53.7	22.4	22.4	65.8	131.0	135.1	77.7
C. Closing Net Assets	16.2	15.0	12.7	11.8	9.1	9.1	8.9	10.3	11.4	12.2
2. The Closing Assets as a Percent of Total Disbursements	571.3	627.3	757.5	841.2	1,083.6	1,108.1	1,108.1	501.8	485.8	598.5
3. Coverage of Revenues Over Disbursements	119.7	168.3	247.8	184.9	442.5	39.4	150.3	39.4	40.9	127.5
4. Investment Earnings as a Percent of Pension Benefits	52.8	100.8	180.1	107.4	88.2	88.2	100.2	29.7	16.3	90.6

Notes:
(1) Disbursements for Other Purposes include losses due to the permanent decline in market value of some investments. These losses amounted to \$15.2 million in Fiscal 1995 and \$9.3 million in Fiscal 1996.
(2) Includes additional payments toward the Unfunded Actuarial Accrued Liability of \$15.0 million.
(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 1995 through 2004

(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
1995	9,410	32,912	82.5	298.6	53.7	448.9	253	19,077	3,627
1996	9,266	32,863	124.5	457.6	163.2	434.8	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	46,079	N/A	N/A	N/A	N/A	N/A	19,719	8,730
2004	11,141	NA	N/A	N/A	N/A	N/A	N/A	19,883	9,636

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

<u>Year</u>	<u>Population</u> (1)	<u>Per Capita Personal Income</u> (2)	<u>Unemployment Rate</u> (3)
1994	1,519,562	19,414	8.0%
1995	1,496,334	19,938	7.7%
1996	1,471,593	20,792	7.1%
1997	1,451,652	21,342	7.0%
1998	1,434,968	22,444	6.2%
1999	1,417,601	23,137	6.1%
2000	1,517,550	24,572	5.8%
2001	1,499,758	25,266	6.2%
2002	1,488,780	26,369	7.6%
2003	1,479,339	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) Pennsylvania Department of Labor and Industry (PALMIDS)

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

City of Philadelphia
Ten Largest Real Estate Assessments
January 1, 2004
(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	0.59%
1735 Market Street	Nine Penn Center Associates	57,360	0.52%
50 S. 16th Street	Two Liberty Place	56,000	0.51%
1500-42 Market Street	Center Square Partners	52,320	0.48%
4301 Byberry Road	PMI Associates	48,432	0.44%
1717 Arch Street	Bell Atlantic	45,120	0.41%
1901-17 Market Street	PRU 1901 Market LLC	32,896	0.30%
2005 Market Street	Commerce Square Partners	32,320	0.30%
2001 Market Street	Maguire/Thomas	32,000	0.29%
1201 Market Street	Philadelphia Market Street	<u>30,400</u>	<u>0.28%</u>
		<u>451,168</u>	<u>4.12%</u>
Total Taxable Assessments		<u>10,945,853</u>	100.00%

Source:
Philadelphia Board of Revision of Taxes

Albert Einstein Medical
Aramark Food & Support Services Group
Cardone Industries, Inc.
Children's Hospital of Philadelphia
Comcast Corporation
Drexel University
Wachovia Bank
Frankford Hospital
Independence Blue Cross
Pennsylvania Hospital of Univ of Penn Health
Philadelphia Newspapers Inc.
Philadelphia Health & Education (MCP Hahnemann)
SEPTA
Smith Kline Beecham Corporation
Sunoco, Inc.
Temple University
Temple University Hospital Inc.
Tenet Health System Philadelphia Inc.
Thomas Jefferson University
Thomas Jefferson University Hospitals
Towers, Perrin, Forster & Crosby, Inc.
University of Pennsylvania
University of Pennsylvania Hospital
Verizon Services Corporation

Date Founded	1682
Form of Government	Council-Mayor
Area of City - Square Miles	129
Fire Protection:	
Number of Stations	63
Number of Firefighters	2,218
Emergency Medical Service:	
Number of Rescue Units	40
Number of Medical Personnel	292
Police Protection:	
Number of Districts	27
Number of Police Officers	6,911
Water System:	
Number of Accounts	477,035
Average Daily Consumption - Gallons	176,100,000
Average Daily Production - Gallons	262,800,000
Miles of Water Mains	3,168
Area Serviced - Square Miles (1)	130
Wastewater System:	
Number of Accounts	471,993
Miles of Sewer	2,980
Area Serviced - Square Miles (1)	360
Philadelphia International Airport:	
Passengers Handled	26,190,976
Air Cargo Tons	568,898
Aircraft Movements	459,627
Air Mail Tons	24,126
Northeast Philadelphia Airport:	
Aircraft Movements	124,587
Recreation and Culture:	
Recreation Centers (3)	195
Swimming Pools	78
Ice Rinks	5
Other Recreational Facilities	353
Special Facilities (2)	12
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