



*City of Philadelphia
Pennsylvania*

*Comprehensive
Annual
Financial
Report*



*Fiscal Year Ended
June 30, 2005*

A handwritten signature of Benjamin Franklin in cursive script, written in brown ink on a light-colored background.

City of Philadelphia Pennsylvania



Comprehensive Annual Financial Report

**John F. Street
Mayor**

**Vincent J. Jannetti
Acting Director of Finance**

**Fiscal Year Ended
June 30, 2005**

Office of the Director of Finance

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Top:	Young Ben Franklin	Photo by R. Kennedy
Center:	The Franklin Institute Science Museum www.fi.edu	Photo by B. Grist
Bottom:	Benjamin Franklin, founder of the University of Pennsylvania www.upenn.edu	Photo by K. Ciappa



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

OFFICE OF THE DIRECTOR OF FINANCE

1401 John F. Kennedy Blvd.
Suite 1330, Municipal Services Building
Philadelphia, PA 19102-1693

VINCENT J. JANNETTI
Acting Director of Finance

January 13, 2006

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

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2005 is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). 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 blended statements of the Philadelphia Municipal Authority and the Pennsylvania Intergovernmental Cooperation Authority. It also incorporates the discretely presented statements of the Philadelphia Gas Works, the Redevelopment Authority of Philadelphia, the Philadelphia Housing Authority, the Philadelphia Parking Authority, the School District of Philadelphia, the Community College of Philadelphia, Community Behavioral Health, Inc., the Pennsylvania Convention Center Authority, Penn's Landing Corporation and the Philadelphia Authority for Industrial Development. A component unit was considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for the entity or that the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its' component units is explained further in the *Notes to the Financial Statements*.

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.

Local Economy

While Philadelphia's population and employment levels have declined substantially in recent decades, the rate of decline has gradually moderated. According to the US Census Bureau, the city's population declined 13.4 percent in the 1970s, 6.1 percent in the 1980s, and 4.3 percent in the 1990s. This gradual improvement in performance is also characteristic of city employment trends. US Bureau of Labor Statistics (BLS) data indicate that, after declining by 15.1 percent in the 1970s, Philadelphia-based employment declined only 4.5 percent in the 1980s and 6.8 percent in the 1990s. The most recent data show the city's population declining 2.5 percent from 2000 to 2003; and employment declined 2.4 percent over the same period. While these trends suggest an increase in the rate of job and employment loss over the average annual declines of the 1990s, the increase is likely due to the recessionary trends of the period, and is not a reversal of the trend over the past three decades toward lower annual rates of population and employment decline. The overall trend of improving performance since 1970 suggests that Philadelphia may soon arrive at a period of population and employment stability. Long-term trends do provide a basis for cautious optimism about Philadelphia's economic future. The positive overall trend in

the Philadelphia's economy is evident by tracking the annual change since 1970 in the city's share of national payroll employment, as estimated by BLS. While the city's share of national employment has generally declined over the period, the pace of decline has gradually improved over the past 34 years. In fact, annual reductions in the city's share of US employment since 1998 have been below 0.01 percentage points. While the data do not show growth, they do suggest that the city is approaching a period of stability. The long-term trend suggests that Philadelphia is regaining its competitiveness as a residential and business location.

Long Term Financial Planning

In January 2000, when Mayor John F. Street first came into office, he identified five primary objectives for his Administration:

- Maintain fiscal health
- Implement neighborhood transformation and blight elimination
- Promote economic development
- Provide high quality public education and comprehensive, coordinated social services for children, adults and families
- Enhance public safety and quality of life for all communities

The investments made over the past several years in these areas have made a remarkable impact on the city. Results from the FY04 annual Citizen Satisfaction Survey demonstrate that Administration efforts have resulted in record high satisfaction levels for core service areas, such as street repair, trash collection, library services, recreation programs, and police protection.

Recent accomplishments related to these objectives include:

- **Unprecedented growth in city real estate market.** The City collected 89 percent more from the realty transfer tax in FY04 than it did before this Administration took office. Based on current trends, this tax increased another 38 percent in FY05, when revenue from this tax was four times as high as it was when the City began the tax reduction program in 1995. This growth is based on the improvement of real estate values in the City. For example, the average sale price of homes in Philadelphia increased by nearly 18 percent from 2001 to 2003. The level and value of real estate activity are proof that people want to invest and live in Philadelphia, and that the City's Neighborhood Transformation Initiative, targeted investment in neighborhood development programs and the strategic focus of City services are working.

- **Significant expansion of cultural developments on the Benjamin Franklin Parkway.** In FY05, the Barnes Foundation received approval to move from its current location in Merion, Pennsylvania to the Benjamin Franklin Parkway. This collection of 9,000 pieces of original artwork will join other arts and culture institutions on the Parkway, including the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, the Academy of Natural Sciences, the Moore College of Art and Design, and a sculpture garden that will pave the way for the Calder Museum. Additionally, the City also moved forward with a financing plan for the expansion of the Central Library. Internationally celebrated architect Moshe Safdie will design a modern, light-filled building that will not only significantly improve library service, but also will provide the city with a major new landmark and an anchor on the revitalized Benjamin Franklin Parkway.

Highlighted priorities of the administration for FY06 include:

- **Tax reform.** The revenue-neutral proposal offered by the Administration to provide accelerated business tax relief was not adopted by City Council. City Council with the support of the Administration instead chose to enact billboard fees, fines and an excise tax, as well as close a valet parking tax loophole in the parking tax, in order to make selected program restorations to the Fire Department and Free Library, at a budget neutral level of \$7 million. In addition, the Administration recommends that if PGW repays the \$45 million loan to the City in FY09, this funding should be put towards the reduction of the net income portion of the BPT beginning in FY10. In concert with the planned eventual elimination of

the gross receipts portion of the tax, this would place the City on a path to drastically reduce the burden of the BPT in a fiscally responsible manner.

- ***Moving forward with Wireless Philadelphia.*** The City's Wireless Philadelphia initiative aims to provide wireless internet access throughout the city. The project successfully cleared a hurdle in November 2004, when the City and the incumbent telephone company worked together to resolve a potential barrier presented by a newly enacted state law requiring municipalities to give a right of first refusal to the incumbent before offering wireless service to the public for compensation. The project is now free to proceed consistent with the statute. Wireless Philadelphia will work to create a digital infrastructure for open-air Internet access and help citizens, businesses, schools, and community organizations make effective use of this technology to achieve their goals while providing a greater experience for visitors to the City. The Mayor has convened the Philadelphia Wireless Executive Committee, and charged it with helping to develop a public and private partnership to extend this service to all the areas of the city by late 2006. The total cost of this initiative is \$10 million for infrastructure, and \$39 million in operating costs over the first five years, with all funding generated from private sources and revenue generation from the operating of the network. A business financing plan has been completed, and the organization begins its start-up phase early in FY06.

- ***Initiating New River City.*** The City is transforming the Delaware and Schuylkill river areas by turning acres of underutilized land into new communities of residential and commercial investment on the waterfront. Investment will increase awareness of the waterfront, stimulate economic activity, and improve the quality of life for the city and the region. In FY06, the City will purchase a surety bond to replace part of the Water Sinking Fund Reserve currently held for the water revenue bonds, and use these water capital funds for the initiative. The City will make the initial selection of New River City infrastructure projects based on allocations that maximize private sector investment, funding from other government sources, job creation, and the highest and best use of the land. In June 2005, City Council, with the support of the Administration, enacted a new, less restrictive zoning framework to support development of projects along the North Delaware River.

- ***Improving the inmate re-integration process.*** Several hundred inmates are returned to our neighborhoods each week. Inmates are people who have made mistakes and paid their debt to society. However, when they are returned to their communities, there are many job prohibitions and other restrictions, but few support networks to assist them in refashioning their lives as productive members of our community. Working with faith-based organizations, and focusing available social services safety net programs, such as substance abuse prevention programs and job training, the City will dedicate over \$3.5 million to decreasing recidivism and helping former inmates maintain themselves as productive and contributing members of their families and neighborhoods in FY06, using existing funding streams.

- ***Revitalizing the Navy Yard.*** In FY04, a master plan was unveiled that focuses on development of more than 500 acres of land and buildings at the eastern end of the Navy Yard. This plan calls for mixed-use development, offering business, housing, recreational, retail and restaurant space and will help bring a new vitality to South Philadelphia. Containing 1,200 acres of land, the Navy Yard is as large as Center City and provides a unique suburban campus feel, while also offering all the amenities of the city. The Master Plan outlines the long-term goal for development, creating the potential for 30,000 jobs and up to 5,000 residential units. The realization of the master plan will generate more than \$2 billion in private investment.

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

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, 2004. This was the twenty fifth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of the 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, 2004

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. Zjelle

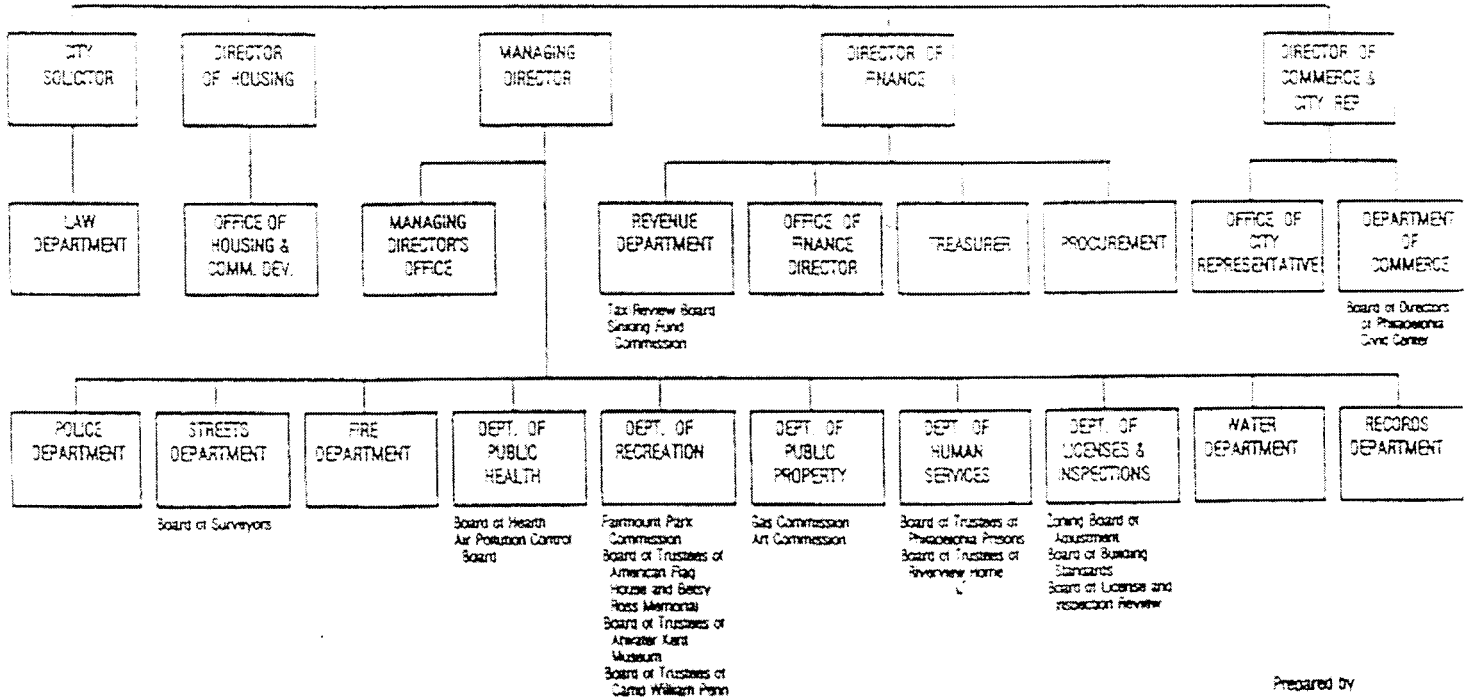
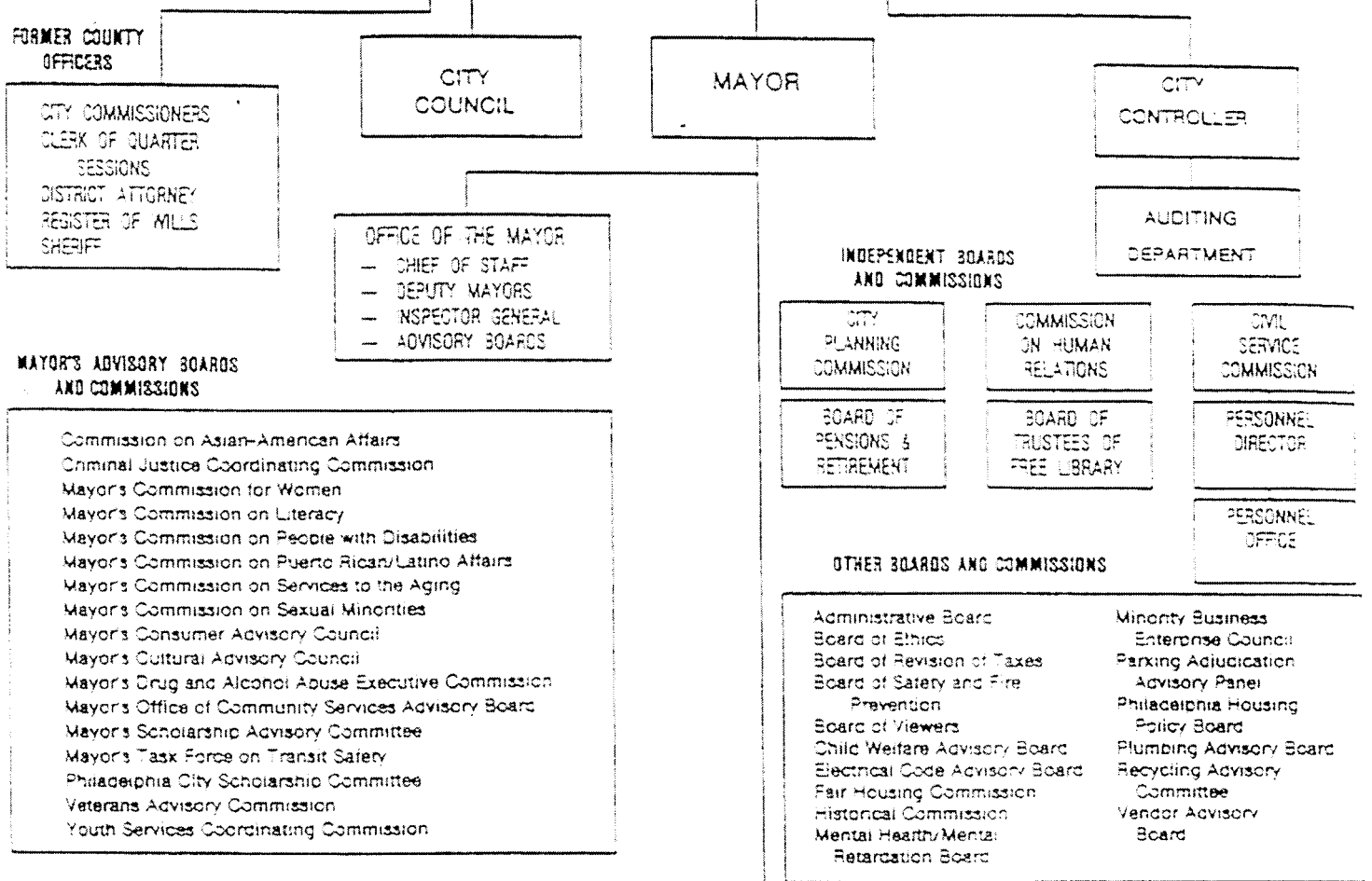
President

Jeffrey R. Emer

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

City Council

President, 2nd District Anna Cibotti Verna

1st District Frank DiCicco

3rd District Jannie L. Blackwell

4th District Michael A. Nutter

5th District Darrell L. Clarke

6th District Joan L. Krajewski

7th District Rick Mariano

8th District Donna Reed Miller

9th District Marian B. Tasco

10th District Brian J. O'Neill

At-Large David Cohen

At-Large W. Wilson Goode, Jr.

At-Large Jack Kelly

At-Large James F. Kenney

At-Large Juan Ramos

At-Large Blondell Reynolds Brown

At-Large Frank Rizzo

District Attorney Lynne M. Abraham

City Controller Jonathan A. Saidel

City Commissioners

Chairwoman 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

First Judicial District of Pennsylvania

President Judge Court of Common Pleas Federica A. Massiah-Jackson

President Judge Municipal Court Louis J. Presentza

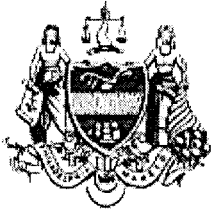
President Judge Traffic Court Francis Kelly



Appointed Officials

Managing Director.....	Pedro A. Ramos
Acting Director of Finance	Vincent J. Jannetti
Acting City Solicitor.....	Romulo L. Diaz, Jr.
City Representative and Director of Commerce	Stephanie W. Naidoff
Chief of Staff.....	Joyce Wilkerson
Secretary of External Affairs	George R. Burrell, Jr.
Secretary of Education.....	Debra Kahn
Chief Information Officer	Dianah Neff
Executive Director of the City Planning Commission.....	Maxine Griffith
Capital Program Office Director.....	Richard Tustin
Secretary of Housing & Neighborhood Preservation.....	Kevin Hanna
Director of Housing	Deborah McColloch
City Treasurer	John Nacchio
Revenue Commissioner.....	Nancy A. Kammerdeiner
Procurement Commissioner	William Gamble
Secretary of Public Safety.....	Sylvester Johnson
Prisons Commissioner.....	Leon A. King
Streets Commissioner.....	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Health Commissioner	John Domzalski
Recreation Commissioner.....	Victor Richard III
Public Property Commissioner.....	Joan Schlotterbeck
Acting Human Services Commissioner	Cheryl Ransom-Garner
Acting Licenses and Inspections Commissioner	Robert D. Solvibile, Sr.
Water Commissioner	Bernard Brunwasser
Records Commissioner	Joan T. Decker
Personnel Director	Lynda Orfanelli
Executive Director of the Board of Pensions & Retirement	Gwendolyn Bell
Executive Director of the Sinking Fund Commission	Carl P. Coin
Director of Aviation	Charles J. Isdell, Jr.





CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
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ALAN BUTKOVITZ
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, 2005, which collectively comprise the City of Philadelphia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities whose percentage of assets and revenues are disclosed in Note I-1C. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

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


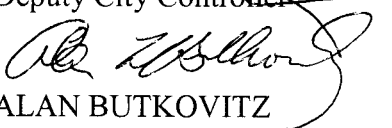
CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

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, 2005, 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.

The management's discussion and analysis on pages 13 through 25, and the major funds budgetary comparison schedules, the pension plans-schedule of funding progress, and the related notes to required supplementary information, on pages 106 through 110, 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 13, 2006


ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

ALAN BUTKOVITZ
City Controller

City of Philadelphia

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, 2005 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 \$1,019,252 resulting from an excess of its assets over its liabilities, however, its *unrestricted net assets* showed a deficit of \$758,957. 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 \$69,107. The governmental activities of the city experienced a decrease of \$137,947 and a decrease due to a prior period adjustment of \$84,914, while the business type activities had an increase of \$47,729 and an increase due to a prior period adjustment of \$106,025.
- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of \$741,418, an increase of \$174,698 from last year. The *unreserved fund balance* of the governmental funds ended the fiscal year with a surplus of \$63,225, an increase of \$26,753 over last year. Primarily, this was due to an increase in the general fund's unreserved fund balance of \$111,725 while the City's capital projects fund decreased by \$85,106.
- The overall unreserved fund balance of the city's general fund ended the fiscal year with a deficit of \$36,420 an increase over last year of \$11,725 principally due to increased revenue. General fund revenues for the current fiscal year were \$3,264,885 as compared to \$2,880,533 for the prior year (an increase of 13.3%), while expenditures amounted to \$3,228,122 compared to \$3,203,934 for last year (an increase of only .7%).
- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of \$96,168, as compared to a deficit of \$46,789 last year. This can also be attributed to the large increase in revenue.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

These two activities comprise the primary government of Philadelphia.

- *Component units* are legally separate entities for which the City of Philadelphia is financially accountable or has oversight responsibility. Financial information for these component units is reported separately from the financial information presented for the primary government. The city's government-wide financial statements contain 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.

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.

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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.

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

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

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

- **Required supplementary information.** Certain information regarding pension plan funding progress for the city and its component units, as well as budgeted and actual revenues, expenditures and encumbrances for the city's major governmental funds is presented in this section. This required supplementary information can be found immediately following the notes to the financial statements.
- **Supplementary information.** Combining statements for non-major governmental and fiduciary funds, as well as additional budgetary schedules for the city's governmental and proprietary funds are presented in this section. This supplementary information can be found immediately following the required supplementary information.
- **Statistical information.** Long term trend tables of financial, economic 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 \$1,019,252.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net assets, \$789,651. 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, \$988,558, are subject to external restrictions as to how they may be used. The remaining component of net assets are unrestricted. Unrestricted net assets ended the fiscal year with a deficit of \$758,957. The governmental activities reported negative *unrestricted net assets* of \$1,028,622. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of \$269,665.

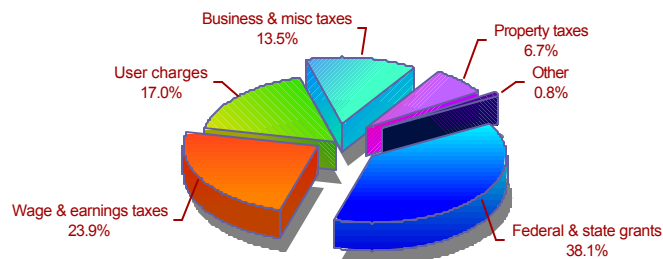
Following is a comparative summary of the city's assets, liabilities and net assets:

City of Philadelphia's Net Assets									
	Governmental Activities			Business-type Activities			Total Primary Government		
	2005	2004	% Change	2005	2004	% Change	2005	2004	% Change
Current and other assets	2,656,331	2,766,958	-4.0%	1,252,810	895,384	39.9%	3,909,141	3,662,342	6.7%
Capital assets	2,279,940	2,312,626	-1.4%	3,096,493	3,083,905	0.4%	5,376,433	5,396,531	-0.4%
Total assets	4,936,271	5,079,584	-2.8%	4,349,303	3,979,289	9.3%	9,285,574	9,058,873	2.5%
Long-term liabilities	4,478,301	4,393,585	1.9%	2,926,513	2,721,691	7.5%	7,404,814	7,115,276	4.1%
Other liabilities	728,779	733,947	-0.7%	132,729	121,291	9.4%	861,508	855,238	0.7%
Total liabilities	5,207,080	5,127,532	1.6%	3,059,242	2,842,982	7.6%	8,266,322	7,970,514	3.7%
Net assets:									
Invested in capital assets,									
net of related debt	241,268	174,994	37.9%	548,383	540,994	1.4%	789,651	715,988	10.3%
Restricted	516,545	484,102	6.7%	472,013	504,048	-6.4%	988,558	988,150	0.0%
Unrestricted	(1,028,622)	(707,044)	-45.5%	269,665	91,265	195.5%	(758,957)	(615,779)	-23.3%
Total net assets	(270,809)	(47,948)	-464.8%	1,290,061	1,136,307	13.5%	1,019,252	1,088,359	-6.3%

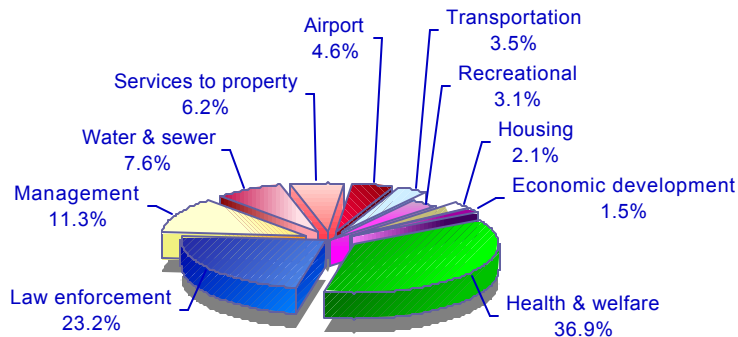
Changes in net assets. The city's total revenues, transfers and special items this year amounted to \$5,735,188 which fell short of the total costs of \$5,825,406 by \$90,218. Approximately 30.6% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 38.1%, with the remainder of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 60.6% are related to the health, welfare and safety of the general public.

Overall, net assets for the city decreased by \$69,107. Even though total revenues increased by \$343,388 and the opening net assets were increased by \$21,111, total expenses increased by \$132,872 over last year. This resulted in the Change in Net Assets (including adjustments) being \$209,987 higher than in the previous year. Tax receipts increased by \$147,396 largely attributable to increased Real Estate transactions. Grants & Contributions increased by \$132,219 including increased receipts for Health Services of \$79,116 and for Social Services of \$27,511. Increases in spending for Health Services accounted for the majority of the increase in expenses for the fiscal year. The following graphs show the revenue sources and functional expenses of the city in more detail:

**Governmental & Business Activities
Revenue Sources - Fiscal Year 2005**



**Governmental & Business Activities
Functional Expenses - Fiscal Year 2005**



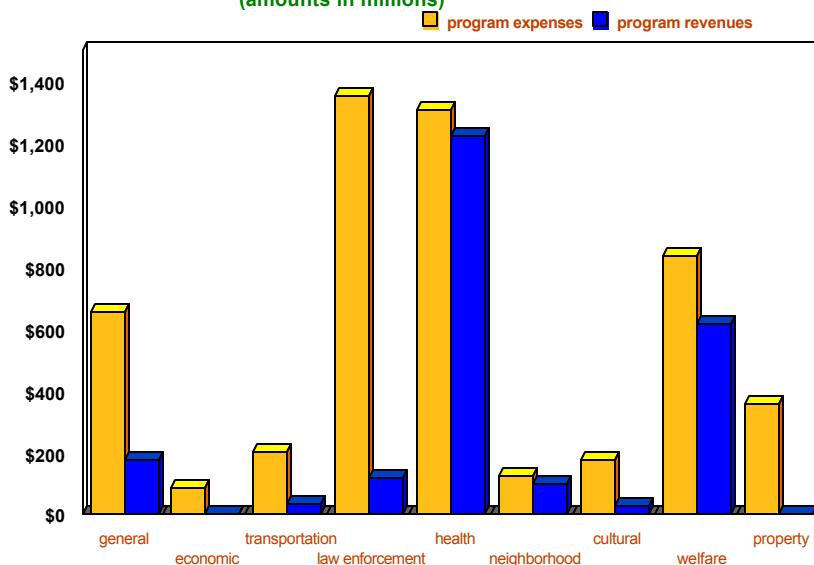
Governmental Activities

The \$69,107 decline in the city's overall net assets was attributable to the governmental activities of the city which experienced a \$222,861 decline. Some of the key reasons for the decline are as follows:

- An increase in spending for Health Services
- An increase in the cost of pension benefits for City employees
- Accounting adjustment transfer of Net Pension Assets to Business-Type

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

Governmental Activities - Program Expenses & Revenues
(amounts in millions)



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

Program	Program Costs			Program Revenues			Net Cost		
	2005	2004	% Change	2005	2004	% Change	2005	2004	% Change
	General Welfare	838,148	831,164	0.8%	618,778	601,375	2.9%	219,370	229,789	-4.5%
Judiciary & Law Enforcement	1,352,254	1,308,106	3.4%	121,616	117,054	3.9%	1,230,638	1,191,052	3.3%
Public Health	1,309,150	1,205,209	8.6%	1,227,178	1,143,760	7.3%	81,972	61,449	33.4%
General Governmental	658,095	675,250	-2.5%	179,372	204,935	-12.5%	478,723	470,315	1.8%
Services to Property	355,606	336,392	5.7%	4,918	5,341	-7.9%	350,688	331,051	5.9%
Housing, Economic & Cultural	595,666	655,999	-9.2%	168,460	177,523	-5.1%	427,206	478,476	-10.7%
Total	5,108,919	5,012,120	1.9%	2,320,322	2,249,988	3.1%	2,788,597	2,762,132	1.0%

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- The cost of all governmental activities this year was \$5,108,919; the amount that taxpayers paid for these programs through tax payments was \$2,529,041. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,076,301 while those who benefited from the programs paid \$244,021 through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$121,609. The difference of \$137,947 will have to be funded from future resources.

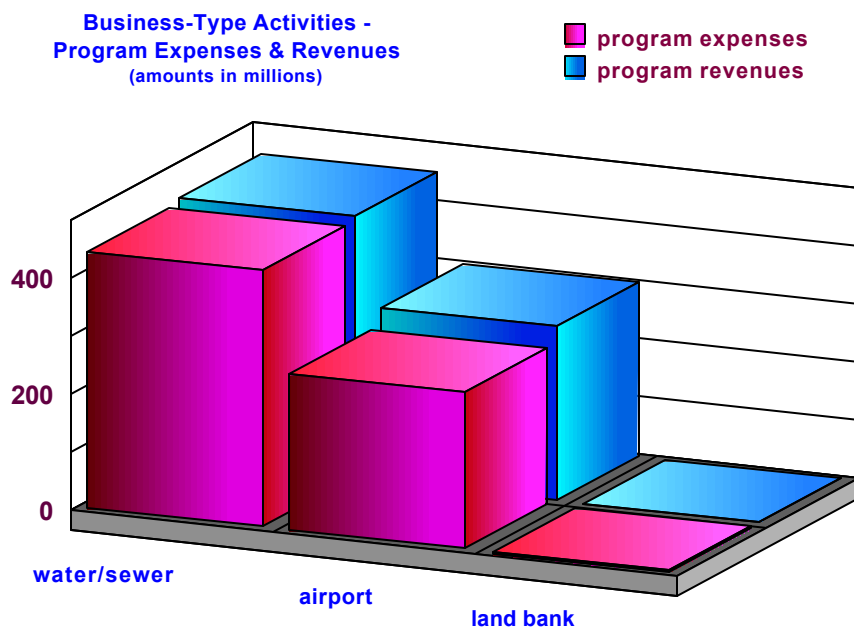
The following table shows a more detailed breakdown of program costs and related revenues for both the governmental and business-type activities of the city:

City of Philadelphia-Net Assets							
	Governmental		Business-type		Total		% Change
	2005	2004	2005	2004	2005	2004	
Revenues:							
Program revenues:							
Charges for services	244,021	271,741	730,089	654,674	974,110	926,415	5.1%
Operating grants and contributions	2,067,199	1,958,658	1,961	4,828	2,069,160	1,963,486	5.4%
Capital grants and contributions	9,102	19,589	20,745	20,947	29,847	40,536	-26.4%
General revenues:							
Wage and earnings taxes	1,372,977	1,345,960	-	-	1,372,977	1,345,960	2.0%
Property taxes	381,755	374,375	-	-	381,755	374,375	2.0%
Other taxes	774,309	661,310	-	-	774,309	661,310	17.1%
Unrestricted grants and contributions	84,293	47,059	-	-	84,293	47,059	79.1%
Other	32,915	26,043	15,822	6,616	48,737	32,659	49.2%
Total revenues	4,966,571	4,704,735	768,617	687,065	5,735,188	5,391,800	6.4%
Expenses:							
Economic development	89,544	127,395	-	-	89,544	127,395	-29.7%
Transportation	203,902	191,175	-	-	203,902	191,175	6.7%
Judiciary & law enforcement	1,352,254	1,308,106	-	-	1,352,254	1,308,106	3.4%
Conservation of health	1,309,150	1,205,209	-	-	1,309,150	1,205,209	8.6%
Housing & neighborhood development	123,002	118,960	-	-	123,002	118,960	3.4%
Cultural & recreational	179,218	218,469	-	-	179,218	218,469	-18.0%
Improvement of the general welfare	838,148	831,164	-	-	838,148	831,164	0.8%
Services to taxpayer property	355,606	336,392	-	-	355,606	336,392	5.7%
General management	519,875	576,946	-	-	519,875	576,946	-9.9%
Interest on long term debt	138,220	98,304	-	-	138,220	98,304	40.6%
Water & waste water	-	-	442,325	416,869	442,325	416,869	6.1%
Airport	-	-	269,477	261,050	269,477	261,050	3.2%
Industrial land bank	-	-	4,685	2,495	4,685	2,495	87.8%
Total expenses	5,108,919	5,012,120	716,487	680,414	5,825,406	5,692,534	2.3%
Increase (decrease) in net assets							
before transfers & special items	(142,348)	(307,385)	52,130	6,651	(90,218)	(300,734)	
Special items	-	-	-	-	-	-	
Transfers	4,401	-	(4,401)	-	-	-	
Increase (decrease) in net assets	(137,947)	(307,385)	47,729	6,651	(90,218)	(300,734)	
Net Assets - Beginning	(47,948)	259,437	1,136,307	1,108,016	1,088,359	1,367,453	-20.4%
Adjustment	(84,914)	-	106,025	21,640	21,111	21,640	
Net Assets Adjusted - Beginning	(132,862)	259,437	1,242,332	1,129,656	1,109,470	1,389,093	-20.1%
Net Assets - End	(270,809)	(47,948)	1,290,061	1,136,307	1,019,252	1,088,359	-6.3%

Business-type Activities

Business-type activities caused the city's net assets to increase by \$47,729. This increase was comprised of an increase in net assets for water/wastewater of \$15,312, for aviation of \$35,884 and a decrease for industrial & commercial development operations of \$3,467. Some of the key reasons for these changes are:

- Increase in water usage collections
- Increase in water rates
- Increased airport rental concession income resulting from an increase in airline passenger traffic

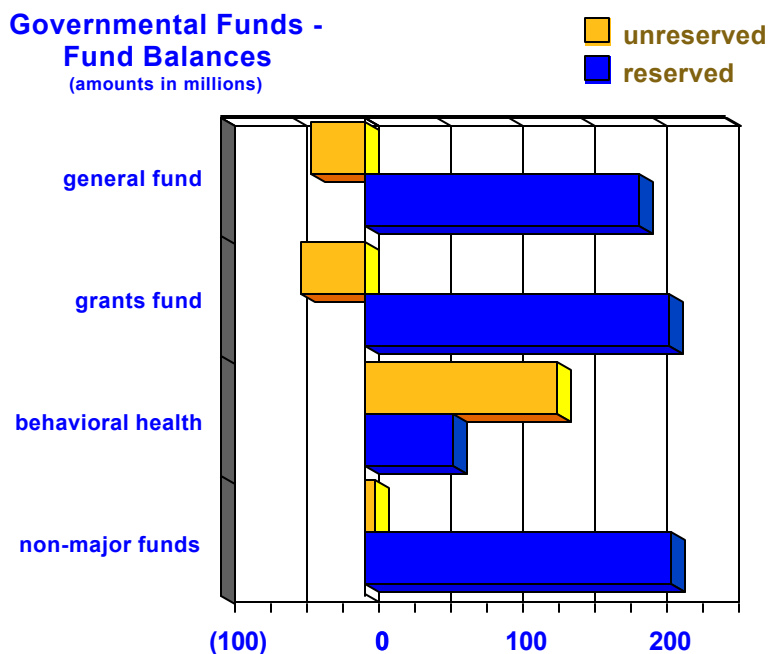


Financial Analysis of the Government's Funds

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 \$741,418 an increase of \$174,698 over last year. Of the total fund balance, \$678,193 represents *reserved fund balance* which indicates that it is not available for new spending because it has already been committed to: contracts for goods and services (\$219,716); revitalize neighborhoods (\$173,596); pay debt service (\$86,371); support programs funded by independent agencies (\$75,298); fund a portion of the city's managed care programs (\$61,543); fund a portion of new sports stadiums (\$4,265); loan to PGW (\$45,000); fund the 911 emergency phone system (\$6,766) and trusts (\$5,638). The difference between the combined fund balance and reserved fund balance is \$63,225 which constitutes *unreserved fund balance*. These balances are available for future projects.

The general fund, the primary operating fund of the city, reported a deficit *unreserved fund balance* of \$36,420 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 -1.13% and 4.78%, respectively.



Overall, the total fund balance (reserved and unreserved) of the general fund increased by \$150,213 during the current fiscal year. This increase was due to an excess of revenues and other financing sources over expenditures for the fiscal year. Some of the key factors contributing to this change are:

- Revenue:
 - An increase of \$141,560 in tax revenue due primarily to an increase in real estate transactions
 - An increase in revenue from other governments of \$252,948 including a \$168,591 increase for Child Welfare Services.
- Expenditures:
 - Expenditures for the year increased \$24,188, an increase of only .75%.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$196,229 of which \$61,543 is reserved for a contractually required equity reserve and reinvestment initiatives. The unreserved portion of \$134,686 is available to be used to pay ongoing expenses of the managed care program. The total fund balance increased during the fiscal year by \$15,318 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 \$168,802 which is comprised of a positive reserved fund balance of \$212,057 (earmarked for neighborhood revitalization, a productivity bank and emergency telephone system programs) and a deficit unreserved fund balance of \$43,255. 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 an increase of \$96,333 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 \$153,754 (including opening Net Assets adjustments) during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of \$93,801, airport operations which experienced an increase of \$63,420, while industrial & commercial development operations experienced a decrease of \$3,467.

The proprietary funds reported an *unrestricted nets assets* surplus of \$269,665, comprised of a positive balance of \$188,663 for the water and waste water operations, of \$57,725 for the airport and \$23,277 for the industrial & commercial development activities. These unrestricted net assets represent an overall increase of \$178,400 over the previous year, comprised of an increase of \$165,748 for the water and waste water operations, an increase of \$16,119 for the airport and a decrease of \$3,467 for the Land Bank. The change in the water unrestricted is the result of a large decrease to the Reserve for Capital Projects.

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:

- \$2.1 million for repayments to the productivity bank for various departmental projects
- \$9.1 million for payments to the water fund for water usage
- \$4.2 million for payroll of the First Judicial District
- \$3.5 million for payroll of the Philadelphia Prisons
- \$1.5 million for payroll of the Streets Department

The general fund's budgetary unreserved fund balance surplus of \$96,168 differs from the general fund's fund financial statement deficit of \$36,420 by \$132,588 due to the business privilege tax receipts which are received prior to being earned but have no effect on budgeted cash receipts.

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$5,376,433, 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 \$17.1 million for streets, highways and bridges and \$99.8 million for the water and waste water systems.
- City Hall complex exterior renovations in the amount of \$10.8 million.
- Detention facility improvements in the amount of \$8.4 million
- Recreational facility improvements in the amount of \$15.9 million.
- Continued construction of a new 800 MHz communication system for \$1.9 million
- Airport terminal and airfield improvements in the amount of \$49.1 million.
- Library improvements in the amount of \$2.5 million

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The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation									
	Governmental activities			Business-type activities			Total		
	2005	2004	Inc (Dec)	2005	2004	Inc (Dec)	2005	2004	Inc (Dec)
Land	742,458	730,259	12,199	80,253	80,374	(121)	822,711	810,633	12,078
Buildings	810,195	817,295	(7,100)	1,566,900	1,702,376	(135,476)	2,377,095	2,519,671	(142,576)
Improvements other than buildings	93,174	92,251	923	151,035	38,342	112,693	244,209	130,593	113,616
Machinery & equipment	211,525	236,336	(24,811)	32,329	24,041	8,288	243,854	260,377	(16,523)
Infrastructure	413,327	433,566	(20,239)	1,117,053	1,095,254	21,799	1,530,380	1,528,820	1,560
Construction in progress	9,261	2,919	6,342	148,923	143,519	5,404	158,184	146,438	11,746
Total	2,279,940	2,312,626	(32,686)	3,096,493	3,083,906	12,587	5,376,433	5,396,532	(20,099)

The city's governmental activities experienced an overall decrease in capital assets of \$32,686 (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year.

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

Long-term debt. At year end the city had \$7,404,814 in long term debt outstanding. Of this amount, \$4,854,091 represents bonds outstanding (comprised of \$1,961,343 of debt backed by the full faith and credit of the city, and \$2,892,748 of debt secured solely by specific revenue sources) while \$2,550,723 represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding							
	Governmental activities		Business-type activities		Total		
	2005	2004	2005	2004	2005	2004	
Bonds Outstanding:							
General obligation bonds	1,953,242	2,040,248	8,101	11,614	1,961,343	2,051,862	
Revenue bonds	-	-	2,892,748	2,687,802	2,892,748	2,687,802	
Total Bonds Outstanding	1,953,242	2,040,248	2,900,849	2,699,416	4,854,091	4,739,664	
Other Long Term Obligations:							
Service agreements	2,105,790	1,958,320	-	-	2,105,790	1,958,320	
Employee related obligations	376,254	357,429	23,851	20,607	400,105	378,036	
Indemnities	43,015	30,595	1,567	1,368	44,582	31,963	
Other	-	6,993	246	300	246	7,293	
Total Other Long Term Obligations	2,525,059	2,353,337	25,664	22,275	2,550,723	2,375,612	
Total Long Term Debt Outstanding	4,478,301	4,393,585	2,926,513	2,721,691	7,404,814	7,115,276	

**City of Philadelphia
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Significant events related to borrowing during the current fiscal year include the following:

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$370.0 million in Tax and Revenue Anticipation Notes by June 2005 plus interest. In accordance with statute there are no temporary loans outstanding at year end.
- In March, 2005, the Redevelopment Authority of Philadelphia issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of \$25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of \$ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C , with an interest rate of 5% were issued for \$81.3 million and mature through 2031. The fiscal year 2005 NTI Service Agreement liability of \$282.8 million is reflected in the City's financial statements as another Long Term Obligation.

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			
	Moody's Investors Service	Standard & Poors Corporation	Fitch IBCA
General Obligation Bonds	Baa1	BBB	BBB+
Water/Sewer Revenue Bonds	A3	A-	A-
Aviation Revenue Bonds	A3	A	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13% of the average assessed valuations of properties over the past ten years. As of July 1, 2005, the date on which the calculation was performed, the legal debt limit was \$1,304,760. There is \$1,185,770 of outstanding tax supported debt leaving a legal debt margin of \$118,990.

More detailed information about the city's debt activity can be found in note III.7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors have all been considered in preparing the City of Philadelphia's budget for the 2006 fiscal year:

- Employment in Philadelphia's Information sector increased by 12.1% from 1999 to 2004. In addition, the Education and Health Services sector experienced growth of 11.6%, while Other Services captured a more modest growth of 4.1%. This growth has been key to stabilizing the local economy, and these sectors will continue to play a large role in Philadelphia's future.
- The City is experiencing unprecedented growth in the real estate market. The real estate transfer tax was 26% higher in FY2005 over FY2004. The National Association of Realtors Affordability Index ranks the Philadelphia region as the 22nd most affordable housing market out of 180 sampled in the U.S.

- The general fund budgetary unreserved fund balance for FY2004 was a deficit for the first time in 12 years. As a result the number of general fund FY2006 budgeted positions is significantly down from the previous year.
- The City closed a loophole that had excluded valet parking from the City's parking tax.
- Establishing an excise tax on billboard advertising. The City believes that this tax will increase revenue without inhibiting job growth.
- Continuation of the wage and business tax reduction program which began in fiscal year 1995.
- Beginning in FY2004 the Managing Director's Office began an initiative to better control overtime costs through focused management approaches and by examining and addressing the drivers of overtime.
- Employee wage increases of 2% for civil servants and 3% for police officers effective July 1, 2005.
- Starting August 1, 2005 water and sewer bills will reflect new rates for water and wastewater services for the period August 1, 2005 to June 30, 2006. These new rates are the second of a four-phase change in rates to be spread over a three and a half-year period. The first phase of the change in rates took effect on February 1, 2005. The water department is projecting an eleven (11) percent increase in water/wastewater revenue for FY2006.
- 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 airport is projecting a three (3) percent increase in revenues in FY2006. US Airways, which accounts for 64% of the enplaned passengers at the airport has filed for bankruptcy protection under federal law. In September, 2005, US Airways Bankruptcy Plan of Reorganization became effective and the airline exited bankruptcy. On that same date, US Airways merged with American West Airlines with the new combined entity operating under the US Airways name.

Requests for information

The Comprehensive Annual Financial Report is designed to provide a general overview of the City of Philadelphia's finances for all interested parties. The City also publishes the *Supplemental Report of Revenues & Obligations* that provides a detailed look at budgetary activity at the legal level of compliance, the *Annual Report of Bonded Indebtedness* that details outstanding long term debt and the *Schedule of Financial Assistance* that reports on grant activity. All four reports are available on the City's website, www.phila.gov. 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, Suite 1330 MSB, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102.



BASIC FINANCIAL STATEMENTS

City of Philadelphia
Statement of Net Assets
June 30, 2005

Exhibit I

Amounts in thousands of USD

	Primary Government		Total	Component Units
	Governmental Activities	Business Type Activities		
Assets				
Cash on Deposit and on Hand	74,384	30	74,414	251,102
Equity in Pooled Cash and Investments	-	-	-	94,689
Equity in Treasurer's Account	749,859	140,966	890,825	-
Investments	104,893	-	104,893	221,079
Due from Component Units	64,589	-	64,589	-
Due from Primary Government	-	-	-	36,873
Internal Balances	(182)	182	-	-
Amounts Held by Fiscal Agent	133,790	-	133,790	50,403
Notes Receivable - Net	-	-	-	183,981
Accounts Receivable - Net	276,708	116,456	393,164	274,620
Interest and Dividends Receivable	2,617	-	2,617	11,930
Due from Other Governments - Net	417,328	208	417,536	158,527
Inventories	14,114	34,603	48,717	125,302
Other Assets	1,998	-	1,998	121,031
Restricted Assets:				
Cash and Cash Equivalents	-	634,487	634,487	797,151
Other Assets	-	230,245	230,245	246,876
Net Pension Asset	816,233	95,633	911,866	-
Capital Assets:				
Land and Other Non-Depreciated Assets	752,638	229,176	981,814	450,012
Other Capital Assets (Net of Depreciation)	<u>1,527,302</u>	<u>2,867,317</u>	<u>4,394,619</u>	<u>3,290,772</u>
Total Capital Assets, Net	<u>2,279,940</u>	<u>3,096,493</u>	<u>5,376,433</u>	<u>3,740,784</u>
Total Assets	<u>4,936,271</u>	<u>4,349,303</u>	<u>9,285,574</u>	<u>6,314,348</u>
Liabilities				
Notes Payable	-	-	-	151,576
Vouchers Payable	60,346	8,589	68,935	73,027
Accounts Payable	175,306	41,422	216,728	187,319
Salaries and Wages Payable	62,820	7,338	70,158	88,080
Accrued Expenses	49,138	34,260	83,398	114,321
Due to Other Funds	802	-	802	-
Due to Primary Government	-	-	-	89,015
Due to Component Units	26,847	-	26,847	-
Funds Held in Escrow	25,385	-	25,385	9,954
Due to Other Governments	29	-	29	22,586
Deferred Revenue	216,530	41,120	257,650	108,648
Overpayment of Taxes	111,576	-	111,576	12,380
Other Current Liabilities	-	-	-	62,263
Non-Current Liabilities:				
Due within one year	182,249	114,615	296,864	162,385
Due in more than one year	<u>4,296,052</u>	<u>2,811,898</u>	<u>7,107,950</u>	<u>4,740,914</u>
Total Liabilities	<u>5,207,080</u>	<u>3,059,242</u>	<u>8,266,322</u>	<u>5,822,468</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	241,268	548,383	789,651	788,325
Restricted For:				
Capital Projects	393	61,830	62,223	531
Debt Service	86,371	281,280	367,651	166,128
Behavioral Health	196,229	-	196,229	-
Intergovernmental Finance	31,695	-	31,695	-
Neighborhood Revitalization	173,596	-	173,596	-
Stadium Financing	4,265	-	4,265	-
Grant Programs	7,260	-	7,260	51,828
Rate Stabilization	-	128,903	128,903	-
Libraries & Parks:				
Expendable	3,421	-	3,421	-
Non-Expendable	4,018	-	4,018	-
Educational Programs	-	-	-	40,902
Other	9,297	-	9,297	-
Unrestricted(Deficit)	<u>(1,028,622)</u>	<u>269,665</u>	<u>(758,957)</u>	<u>(555,834)</u>
Total Net Assets	<u>(270,809)</u>	<u>1,290,061</u>	<u>1,019,252</u>	<u>491,880</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, 2005

Exhibit II

Amounts in thousands of USD

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	89,544	138	706	-	(88,700)		(88,700)	
Transportation:								
Streets & Highways	118,996	1,853	28,978	4,950	(83,215)		(83,215)	
Mass Transit	84,906	538	-	-	(84,368)		(84,368)	
Judiciary and Law Enforcement:								
Police	817,131	2,205	15,571	-	(799,355)		(799,355)	
Prisons	250,225	404	112	67	(249,642)		(249,642)	
Courts	284,898	48,417	54,840	-	(181,641)		(181,641)	
Conservation of Health:								
Emergency Medical Services	34,156	23,103	567	-	(10,486)		(10,486)	
Health Services	1,274,994	13,520	1,189,988	-	(71,486)		(71,486)	
Housing and Neighborhood Development:								
Development	123,002	10,008	93,248	-	(19,746)		(19,746)	
Cultural and Recreational:								
Recreation	68,324	786	6,807	1,350	(59,381)		(59,381)	
Parks	30,160	863	3,753	1,988	(23,556)		(23,556)	
Libraries and Museums	80,734	541	11,953	-	(68,240)		(68,240)	
Improvements to General Welfare:								
Social Services	697,531	7,582	609,848	-	(80,101)		(80,101)	
Education	61,606	-	-	-	(61,606)		(61,606)	
Inspections and Demolitions	79,011	659	689	-	(77,663)		(77,663)	
Service to Property:								
Sanitation	125,989	2,100	2,250	-	(121,639)		(121,639)	
Fire	229,617	471	-	97	(229,049)		(229,049)	
General Management and Support	519,875	130,833	47,889	650	(340,503)		(340,503)	
Interest on Long Term Debt	138,220	-	-	-	(138,220)		(138,220)	
Total Governmental Activities	<u>5,108,919</u>	<u>244,021</u>	<u>2,067,199</u>	<u>9,102</u>	<u>(2,788,597)</u>		<u>(2,788,597)</u>	
Business Type Activities:								
Water and Sewer	442,325	450,612	551	-	-	8,838	8,838	
Aviation	269,477	278,370	1,410	20,745	-	31,048	31,048	
Industrial and Commercial Development:								
Commercial Development	4,685	1,107	-	-	-	(3,578)	(3,578)	
Total Business Type Activities	<u>716,487</u>	<u>730,089</u>	<u>1,961</u>	<u>20,745</u>	<u>-</u>	<u>36,308</u>	<u>36,308</u>	
Total Primary Government	<u>5,825,406</u>	<u>974,110</u>	<u>2,069,160</u>	<u>29,847</u>	<u>(2,788,597)</u>	<u>36,308</u>	<u>(2,752,289)</u>	
Component Units:								
Gas Operations	794,875	793,421	18,613	-				17,159
Housing	424,530	24,638	334,436	92,509				27,053
Parking	159,951	164,577	-	-				4,626
Education	2,743,467	39,448	854,942	842				(1,848,235)
Health	492,939	-	492,305	-				(634)
Economic Development	133,537	32,826	91,826	-				(8,885)
Total Component Units	<u>4,749,299</u>	<u>1,054,910</u>	<u>1,792,122</u>	<u>93,351</u>				<u>(1,808,916)</u>
General Revenues:								
Taxes:								
Property Taxes					381,755	-	381,755	540,322
Wage & Earnings Taxes					1,372,977	-	1,372,977	-
Business Taxes					367,943	-	367,943	-
Other Taxes					406,366	-	406,366	148,411
Grants & Contributions Not Restricted to Specific Program					84,293	-	84,293	918,216
Unrestricted Interest & Investment Earnings					32,915	15,822	48,737	10,365
Miscellaneous					-	-	-	1,080
Transfers					4,401	(4,401)	-	18,573
Total General Revenues, Special Items and Transfers					<u>2,650,650</u>	<u>11,421</u>	<u>2,662,071</u>	<u>1,636,967</u>
Change in Net Assets								
					<u>(137,947)</u>	<u>47,729</u>	<u>(90,218)</u>	<u>(171,949)</u>
Net Assets - July 1, 2004					(47,948)	1,136,307	1,088,359	926,517
Adjustment					(84,914)	106,025	21,111	(262,688)
Net Assets Adjusted - July 1, 2004					<u>(132,862)</u>	<u>1,242,332</u>	<u>1,109,470</u>	<u>663,829</u>
Net Assets - June 30, 2005					<u>(270,809)</u>	<u>1,290,061</u>	<u>1,019,252</u>	<u>491,880</u>

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2005

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	8,004	-	92	66,288	74,384
Equity in Treasurer's Account	253,943	250,139	144,039	101,738	749,859
Investments	-	-	-	104,893	104,893
Due from Other Funds	12,753	-	-	4,617	17,370
Due from Component Units	64,589	-	-	-	64,589
Amounts Held by Fiscal Agent	4,265	-	129,525	-	133,790
Taxes Receivable	507,131	-	-	8,532	515,663
Accounts Receivable	156,331	-	330	4,695	161,356
Allowance for Doubtful Accounts	(434,279)	-	-	(723)	(435,002)
Interest and Dividends Receivable	828	1,439	61	289	2,617
Due from Other Governmental Units	356,688	-	58,801	35,096	450,585
Other Assets	-	-	-	21	21
Total Assets	<u>930,253</u>	<u>251,578</u>	<u>332,848</u>	<u>325,446</u>	<u>1,840,125</u>
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	36,203	434	14,394	9,315	60,346
Accounts Payable	86,388	30,845	40,282	16,964	174,479
Salaries and Wages Payable	59,820	-	2,582	418	62,820
Due to Other Funds	974	-	-	17,380	18,354
Due to Component Units	-	24,070	-	2,777	26,847
Funds Held in Escrow	14,398	-	7,375	3,612	25,385
Due to Other Governmental Units	17	-	-	12	29
Deferred Revenue	466,581	-	99,413	52,877	618,871
Overpayment of Taxes	111,576	-	-	-	111,576
Total Liabilities	<u>775,957</u>	<u>55,349</u>	<u>164,046</u>	<u>103,355</u>	<u>1,098,707</u>
Fund Balances:					
Reserved for:					
Encumbrances	141,451	-	-	78,265	219,716
Neighborhood Revitalization	-	-	173,596	-	173,596
Behavioral Health	-	61,543	-	-	61,543
Intergovernmental Financing	-	-	-	43,603	43,603
Intergovernmentally Financed Programs	-	-	31,695	-	31,695
Public Safety Emergency Phone System	-	-	6,766	-	6,766
Debt Service	-	-	-	86,371	86,371
Trust Purposes	-	-	-	5,638	5,638
Long Term Loan	45,000	-	-	-	45,000
Stadium Financing	4,265	-	-	-	4,265
Unreserved, reported in:					
General Fund	(36,420)	-	-	-	(36,420)
Special Revenue Funds	-	134,686	(43,255)	9,351	100,782
Debt Service Funds	-	-	-	1,695	1,695
Capital Projects Funds	-	-	-	(6,253)	(6,253)
Permanent Funds	-	-	-	3,421	3,421
Total Fund Balances	<u>154,296</u>	<u>196,229</u>	<u>168,802</u>	<u>222,091</u>	<u>741,418</u>
Total Liabilities and Fund Balances	<u>930,253</u>	<u>251,578</u>	<u>332,848</u>	<u>325,446</u>	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,279,940
b. Unearned Receivables are deferred in the funds	402,341
c. Long Term Liabilities are not reported in the funds	(4,478,301)
d. Net Pension Asset is not reported in the funds	816,233
e. Other	(32,440)

Net Assets of Governmental Activities (270,809)

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, 2005

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,199,082	-	-	336,085	2,535,167
Locally Generated Non-Tax Revenue	201,084	6,613	32,818	24,729	265,244
Revenue from Other Governments	848,818	573,117	719,450	100,624	2,242,009
Other Revenues	15,901	-	-	789	16,690
Total Revenues	3,264,885	579,730	752,268	462,227	5,059,110
Expenditures					
Current Operating:					
Economic Development	58,906	-	798	32,964	92,668
Transportation:					
Streets & Highways	52,719	-	-	24,975	77,694
Mass Transit	56,572	-	-	-	56,572
Judiciary and Law Enforcement:					
Police	761,017	-	9,912	-	770,929
Prisons	239,886	-	112	1,297	241,295
Courts	239,102	-	37,807	-	276,909
Conservation of Health:					
Emergency Medical Services	32,754	-	587	-	33,341
Health Services	140,284	564,412	566,399	-	1,271,095
Housing and Neighborhood Development	595	-	51,205	71,103	122,903
Cultural and Recreational:					
Recreation	49,404	-	7,446	1,493	58,343
Parks	20,925	-	73	2,695	23,693
Libraries and Museums	56,090	-	11,953	190	68,233
Improvements to General Welfare:					
Social Services	644,513	-	44,579	-	689,092
Education	61,468	-	-	-	61,468
Inspections and Demolitions	32,051	-	49,096	-	81,147
Service to Property:					
Sanitation	119,335	-	2,672	-	122,007
Fire	217,752	-	24	-	217,776
General Management and Support	440,840	-	18,245	17,995	477,080
Capital Outlay	-	-	-	103,146	103,146
Debt Service:					
Principal	-	-	-	95,790	95,790
Interest	-	-	-	101,009	101,009
Bond Issuance Cost	3,909	-	-	-	3,909
Total Expenditures	3,228,122	564,412	800,908	452,657	5,046,099
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,763	15,318	(48,640)	9,570	13,011
Other Financing Sources (Uses)					
Issuance of Debt	157,286	-	-	-	157,286
Transfers In	225,236	-	156,833	199,368	581,437
Transfers Out	(269,072)	-	(11,860)	(296,104)	(577,036)
Total Other Financing Sources (Uses)	113,450	-	144,973	(96,736)	161,687
Net Change in Fund Balances	150,213	15,318	96,333	(87,166)	174,698
Fund Balance - July 1, 2004	4,083	180,911	72,469	309,257	566,720
Fund Balance - June 30, 2005	154,296	196,229	168,802	222,091	741,418

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, 2005

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds	174,698
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 depreciation (141,405) exceeded capital outlays (97,997) in the current period.	(43,408)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(91,196)
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 (157,286) exceeded repayments (139,345).	(17,941)
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.	(82,722)
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>(77,378)</u>
Change in net assets of governmental activities	<u><u>(137,947)</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, 2005

Exhibit VI

Amounts in thousands of USD

	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	47,300	89,936	3,730	140,966
Due from Other Governments	109	99	-	208
Due from Other Funds	-	182	-	182
Accounts Receivable	199,238	13,124	1,977	214,339
Allowance for Doubtful Accounts	(96,633)	(1,250)	-	(97,883)
Inventories	14,077	2,894	17,632	34,603
Total Current Assets	<u>164,121</u>	<u>104,985</u>	<u>23,339</u>	<u>292,445</u>
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	397,406	187,940	-	585,346
Amounts Held by Fiscal Agent	-	49,141	-	49,141
Sinking Funds and Reserves	173,031	39,571	-	212,602
Grants for Capital Purposes	-	5,200	-	5,200
Receivables	1,728	10,715	-	12,443
Total Restricted Assets	<u>572,165</u>	<u>292,567</u>	<u>-</u>	<u>864,732</u>
Net Pension Asset	<u>71,300</u>	<u>24,333</u>	<u>-</u>	<u>95,633</u>
Capital Assets:				
Land	5,919	74,334	-	80,253
Infrastructure	1,740,978	451,435	-	2,192,413
Construction in Progress	127,140	21,783	-	148,923
Buildings and Equipment	1,353,383	1,607,532	-	2,960,915
Less: Accumulated Depreciation	(1,531,943)	(754,068)	-	(2,286,011)
Total Capital Assets, Net	<u>1,695,477</u>	<u>1,401,016</u>	<u>-</u>	<u>3,096,493</u>
Total Non-Current Assets	<u>2,338,942</u>	<u>1,717,916</u>	<u>-</u>	<u>4,056,858</u>
Total Assets	<u>2,503,063</u>	<u>1,822,901</u>	<u>23,339</u>	<u>4,349,303</u>
Liabilities				
Current Liabilities:				
Vouchers Payable	5,358	3,174	57	8,589
Accounts Payable	6,490	10,881	5	17,376
Salaries and Wages Payable	5,453	1,885	-	7,338
Construction Contracts Payable	5,995	18,051	-	24,046
Accrued Expenses	13,609	20,651	-	34,260
Deferred Revenue	6,740	34,380	-	41,120
Bonds Payable-Current	79,120	35,495	-	114,615
Total Current Liabilities	<u>122,765</u>	<u>124,517</u>	<u>62</u>	<u>247,344</u>
Non-Current Liabilities:				
Bonds Payable	1,842,773	1,066,225	-	2,908,998
Unamortized Discount and Loss	(98,394)	(24,369)	-	(122,763)
Other Non-Current Liabilities	19,573	6,090	-	25,663
Total Non-Current Liabilities	<u>1,763,952</u>	<u>1,047,946</u>	<u>-</u>	<u>2,811,898</u>
Total Liabilities	<u>1,886,717</u>	<u>1,172,463</u>	<u>62</u>	<u>3,059,242</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	101,807	446,576	-	548,383
Restricted For:				
Capital Projects	23,942	37,888	-	61,830
Debt Service	173,031	108,249	-	281,280
Rate Stabilization	128,903	-	-	128,903
Unrestricted	<u>188,663</u>	<u>57,725</u>	<u>23,277</u>	<u>269,665</u>
Total Net Assets	<u>616,346</u>	<u>650,438</u>	<u>23,277</u>	<u>1,290,061</u>

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, 2005

Exhibit VII

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Operating Revenues:				
Charges for Goods and Services	445,367	73,634	-	519,001
Sales of Land and Improvements	-	-	733	733
Rentals and Concessions	-	140,833	-	140,833
Miscellaneous Operating Revenues	5,245	1,953	374	7,572
Total Operating Revenues	450,612	216,420	1,107	668,139
Operating Expenses:				
Personal Services	106,418	53,904	-	160,322
Purchase of Services	70,230	64,942	2,570	137,742
Materials and Supplies	24,109	3,519	-	27,628
Employee Benefits	56,515	26,221	-	82,736
Indemnities and Taxes	2,607	1,183	-	3,790
Depreciation and Amortization	82,503	70,670	-	153,173
Cost of Goods Sold	-	-	2,115	2,115
Total Operating Expenses	342,382	220,439	4,685	567,506
Operating Income (Loss)	108,230	(4,019)	(3,578)	100,633
Non-Operating Revenues (Expenses):				
Operating Grants	552	1,410	-	1,962
Passenger Facility Charges	-	61,950	-	61,950
Other Income	-	3,876	-	3,876
Interest Income	10,875	4,836	111	15,822
Net Pension Obligation	(7,189)	(3,203)	-	(10,392)
Debt Service - Interest	(87,567)	(49,736)	-	(137,303)
Other Revenue (Expenses)	(5,188)	25	-	(5,163)
Total Non-Operating Revenues (Expenses)	(88,517)	19,158	111	(69,248)
Income (Loss) Before Contributions & Transfers	19,713	15,139	(3,467)	31,385
Transfers Out	(4,401)	-	-	(4,401)
Capital Contributions	-	20,745	-	20,745
Change in Net Assets	15,312	35,884	(3,467)	47,729
Net Assets - July 1, 2004	522,545	587,018	26,744	1,136,307
Adjustment	78,489	27,536	-	106,025
Net Assets Adjusted - July 1, 2004	601,034	614,554	26,744	1,242,332
Net Assets - June 30, 2005	616,346	650,438	23,277	1,290,061

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, 2005

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	443,058	189,295	550	632,903
Payments to Suppliers	(98,871)	(55,000)	(2,607)	(156,478)
Payments to Employees	(159,197)	(79,013)	-	(238,210)
Internal Activity-Payments to Other Funds	-	(2,992)	-	(2,992)
Claims Paid	(2,408)	-	-	(2,408)
Other Receipts (Payments)	-	-	374	374
Net Cash Provided (Used)	<u>182,582</u>	<u>52,290</u>	<u>(1,683)</u>	<u>233,189</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	602	-	-	602
Operating Subsidies and Transfers from Other Funds	4,401	27,239	-	31,640
Net Cash Provided (Used)	<u>5,003</u>	<u>27,239</u>	<u>-</u>	<u>32,242</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	244,566	226,970	-	471,536
Contributions Received	-	21,733	-	21,733
Acquisition and Construction of Capital Assets	(100,477)	(55,173)	-	(155,650)
Interest Paid on Debt Instruments	(85,032)	(58,711)	-	(143,743)
Principal Paid on Debt Instruments	(71,515)	(225,581)	-	(297,096)
Passenger Facility Charges	-	61,733	-	61,733
Net Cash Provided (Used)	<u>(12,458)</u>	<u>(29,029)</u>	<u>-</u>	<u>(41,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	16,122	-	16,122
Interest and Dividends on Investments	335	4,014	111	4,460
Net Cash Provided (Used)	<u>335</u>	<u>20,136</u>	<u>111</u>	<u>20,582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	175,462	70,636	(1,572)	244,526
Cash and Cash Equivalents, July 1 (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>
Cash and Cash Equivalents, June 30 (including 397,406 for Water & Sewer and 237,081 for Aviation reported in restricted accounts)	<u>444,736</u>	<u>327,017</u>	<u>3,730</u>	<u>775,483</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	108,230	(4,019)	(3,578)	100,633
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	82,503	70,670	-	153,173
Changes in Assets and Liabilities:				
Receivables, Net	(10,246)	(3,058)	-	(13,304)
Deferred Revenue	-	10,984	-	10,984
Inventories	(738)	(101)	1,932	1,093
Accounts and Other Payables	2,661	(23,260)	(37)	(20,636)
Accrued Expenses	172	1,074	-	1,246
Net Cash Provided by Operating Activities	<u>182,582</u>	<u>52,290</u>	<u>(1,683)</u>	<u>233,189</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, 2005

Exhibit IX

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
<u>Assets</u>		
Cash on Deposit and on Hand	-	79,278
Equity in Treasurer's Account	4,539,135	15,944
Investments	-	25,219
Securities Lending Collective Investment Pool	334,696	-
Accounts Receivable	6,199	-
Due from Brokers for Securities Sold	40,036	-
Interest and Dividends Receivable	11,262	-
Due from Other Governmental Units	4,162	-
Due from Other Funds	-	802
Other Assets	11	-
	<hr/>	<hr/>
Total Assets	4,935,501	121,243
	<hr/>	<hr/>
<u>Liabilities</u>		
Vouchers Payable	180	527
Accounts Payable	3,913	-
Salaries and Wages Payable	113	-
Payroll Taxes Payable	-	3,690
Funds Held in Escrow	-	117,026
Due on Return of Securities Loaned	334,696	-
Due to Brokers for Securities Purchased	84,787	-
Accrued Expenses	840	-
Due to Other Governmental Units	3,239	-
Deferred Revenue	4,185	-
Other Liabilities	336	-
	<hr/>	<hr/>
Total Liabilities	432,289	121,243
	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	4,503,212	-
	<hr/> <hr/>	<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, 2005

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<u>Additions:</u>	
Contributions:	
Employers' Contributions	313,938
Employees' Contributions	49,328
	<hr/>
Total Contributions	363,266
	<hr/>
Investment Income:	
Interest and Dividends	86,139
Net Gain in Fair Value of Investments	341,311
(Less) Investments Expenses	(16,347)
Securities Lending Revenue	8,513
(Less) Securities Lending Expenses	(7,569)
	<hr/>
Net Investment Gain	412,047
	<hr/>
Miscellaneous Operating Revenues	358
	<hr/>
Total Additions	775,671
	<hr/>
<u>Deductions</u>	
Personal Services	3,321
Purchase of Services	1,645
Materials and Supplies	101
Employee Benefits	1,507
Pension Benefits	621,857
Refunds of Members' Contributions	4,641
Other Operating Expenses	203
	<hr/>
Total Deductions	633,275
	<hr/>
Net Increase	142,396
	<hr/>
Net Assets - July 1, 2004	4,360,816
	<hr/>
Net Assets - June 30, 2005	4,503,212
	<hr/> <hr/>

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

**City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2005**

Exhibit XI

Amounts in thousands of USD

	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	3,643	67,399	64,295	13,890	45,941	1,978	34,848	705	13,561	4,842	251,102
Equity in Pooled Cash and Investments	-	-	-	-	94,689	-	-	-	-	-	94,689
Investments	-	-	16,181	127,454	-	29,080	-	48,364	-	-	221,079
Due from Primary Government	-	-	-	-	-	-	32,110	2,777	-	1,986	36,873
Amounts Held by Fiscal Agent	23	-	-	-	-	-	-	-	-	-	50,403
Notes Receivable	232	38,710	144,788	-	50,380	-	-	-	-	-	183,981
Taxes Receivable	-	-	-	-	131,997	251	-	-	-	-	131,997
Accounts Receivable-Net	92,892	195	6,249	1,901	3,229	3,816	19,476	1,248	914	12,703	142,623
Interest and Dividends Receivable	-	11,126	136	424	205	39	-	-	-	-	11,930
Due from Other Governments	-	19,369	32,939	-	98,886	4,090	-	-	-	3,243	158,527
Inventories	98,467	18,628	4,280	-	3,927	-	-	-	-	-	125,302
Other Assets	-	767	14,782	81	97,468	312	5,091	2,379	149	2	121,031
Restricted Assets:											
Cash and Cash Equivalents	136,423	9,543	1,559	-	624,009	1,217	-	-	-	24,400	797,151
Other Assets	105,357	32,991	72,644	-	-	-	-	-	-	35,884	246,876
Capital Assets:											
Land and Other Non-Depreciated Assets	48,794	479	144,639	25,064	187,900	20,937	-	3,321	6,912	11,966	450,012
Other Capital Assets (Net of Depreciation)	901,942	1,806	797,465	218,520	999,933	82,789	2,838	239,354	4,258	41,867	3,290,772
Total Capital Assets	950,736	2,285	942,104	243,584	1,187,833	103,726	2,838	242,675	11,170	53,833	3,740,784
Total Assets	1,387,773	201,013	1,299,957	387,334	2,338,564	144,509	94,363	298,148	25,794	136,893	6,314,348
Liabilities											
Notes Payable	50,750	32,838	-	14,486	-	53,502	-	-	-	-	151,576
Vouchers Payable	73,027	-	-	-	-	-	-	-	-	-	73,027
Accounts Payable	-	13,446	38,990	14,152	87,816	8,203	16,994	3,933	929	2,856	187,319
Salaries and Wages Payable	2,920	1,030	-	-	78,043	3,906	1,438	743	-	-	88,080
Accrued Expenses	13,971	6,520	17,574	2,257	-	1,265	66,331	5,124	1,279	-	114,321
Funds Held in Escrow	-	6,598	1,002	-	-	135	-	-	-	2,219	9,954
Due to Other Governments	-	2,517	-	-	273	9,305	-	-	-	10,491	22,586
Due to Primary Government	45,000	-	-	25,426	-	-	-	18,589	-	-	89,015
Deferred Revenue	21,304	38,122	-	-	20,450	1,808	9,600	812	10,032	6,520	108,648
Overpayment of Taxes	-	-	-	-	12,380	-	-	-	-	-	12,380
Other Current Liabilities	-	-	20,305	-	41,920	-	-	-	38	-	62,263
Non-Current Liabilities:											
Due within one year	41,813	3,357	9,785	9,485	86,388	1,180	-	9,210	-	1,167	162,385
Due in more than one year	927,614	44,312	327,653	275,724	2,936,618	822	-	213,936	2,414	11,821	4,740,914
Total Liabilities	1,176,399	148,740	415,309	341,530	3,263,888	80,126	94,363	252,347	14,692	35,074	5,822,468
Net Assets											
Invested in Capital Assets,											
Net of Related Debt	35,903	2,285	637,271	-	18,525	50,998	-	-	-	43,343	788,325
Restricted For:											
Capital Projects	-	-	-	-	-	531	-	-	-	-	531
Debt Service	95,929	7,140	-	12,679	50,380	-	-	-	-	-	166,128
Educational Programs	-	-	-	-	29,220	11,682	-	-	-	-	40,902
Grant Programs	-	-	3,366	-	-	-	-	-	-	-	48,462
Unrestricted	79,542	42,848	244,011	33,125	(1,023,449)	1,172	-	45,801	11,102	10,014	(555,834)
Total Net Assets	211,374	52,273	884,648	45,804	(925,324)	64,383	-	45,801	11,102	101,819	491,880

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2004. 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, 2004. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2005.

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

Amounts in thousands of USD

	Net (Expense) Revenue and Changes in Net Assets														
	Program Revenues	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Philadelphia Gas Works	Philadelphia Redevelopment Authority	Philadelphia Housing Authority	Philadelphia Parking Authority	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health	Convention Center Authority	Penn's Landing Corporation	Philadelphia Authority for Industrial Development	Total
Programs/Functions															
Gas Operations															
Gas Works	794,875	18,613	-	793,421	17,159	-	-	-	-	-	-	-	-	17,159	
Housing															
Redevelopment Authority	66,567	55,723	-	1,848	-	(8,996)	36,049	-	-	-	-	-	-	(8,996)	
Housing Authority	357,963	278,713	92,509	22,790	-	-	-	-	-	-	-	-	-	36,049	
Total	424,530	334,436	92,509	24,638	-	-	-	-	-	-	-	-	-	36,049	
Parking															
Parking Authority	159,951	-	-	164,577	4,626	-	-	-	-	-	-	-	-	4,626	
Education															
School District	2,622,272	815,203	200	11,731	-	(1,795,138)	-	-	-	-	-	-	-	(1,795,138)	
Community College	121,195	39,739	642	27,717	-	-	-	-	(53,097)	-	-	-	-	(53,097)	
Total	2,743,467	854,942	842	39,448	-	-	-	-	-	-	(634)	-	-	(634)	
Health															
Community Behavioral Health	492,939	492,305	-	-	-	-	-	-	-	-	-	-	-	(634)	
Economic Development															
Convention Center Authority	49,564	39,565	-	9,307	-	-	-	-	-	(692)	-	-	-	(692)	
Penn's Landing Corporation	11,832	2,785	-	5,739	-	-	-	-	-	-	-	-	-	(3,308)	
Authority for Industrial Development	72,141	49,476	-	17,780	-	-	-	-	-	-	-	194	-	(4,885)	
Total	133,537	91,826	-	32,826	-	-	-	-	-	-	-	194	-	(4,885)	
Total Component Units	4,749,299	1,054,910	1,792,122	1,792,122	93,351									(1,808,916)	
General Revenues:															
Property Taxes	-	-	-	-	-	-	-	540,322	-	-	-	-	-	-	540,322
Other Taxes	-	-	-	-	-	-	-	148,411	-	-	-	-	-	-	148,411
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-	-	-	865,819	52,397	-	-	-	-	-	918,216
Unrestricted Interest & Investment Earnings	-	-	-	-	-	-	-	-	951	634	2,269	194	-	10,365	
Miscellaneous	-	-	-	-	-	-	-	222	858	-	-	-	-	1,080	
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	18,573	
Total General Revenues, Special Items and Transfers	-	-	-	-	-	-	-	1,554,774	54,206	634	2,269	194	-	1,636,967	
Change in Net Assets	17,159	36,049	92,509	7,297	17,159	(5,873)	36,049	(240,364)	1,109	(692)	(3,114)	(3,308)	(4,885)	(171,949)	
Net Assets - July 1, 2004	194,215	1,108,931	1,108,931	38,507	194,215	58,146	1,108,931	(682,604)	63,274	-	44,224	14,216	-	926,517	
Adjustment	-	-	-	-	-	-	(260,332)	(2,356)	-	-	-	-	-	(262,688)	
Net Assets Adjusted - July 1, 2004	194,215	848,599	848,599	38,507	194,215	58,146	848,599	(684,960)	63,274	-	44,224	14,216	-	663,829	
Net Assets - June 30, 2005	211,374	884,648	884,648	45,804	211,374	52,273	884,648	(925,324)	64,383	-	45,801	11,702	-	491,880	

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2004. 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, 2004. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2005.

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 PCCA meets the criteria of fiscal dependency and the significance of the City's relationship with PCCA is such that exclusion from the City's financial report would be misleading.

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 One Parkway 1515 Arch Street, 9th Floor Philadelphia, Pa 19102
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 440 North Broad Street, 3rd Floor Philadelphia, PA 19130
Philadelphia Housing Authority 2012 Chestnut Street, 4th Floor Philadelphia, PA 19103	Community Behavioral Health 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:

	Governmental	Business-type	Aggregate Discretely Presented Component	Major	Aggregate Remaining Fund
	<u>Activities</u>	<u>Activities</u>	<u>Units</u>	<u>Funds</u>	<u>Information</u>
Total Assets	7%	0%	63%	0%	95%
Total Revenues	7%	0%	48%	0%	76%

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

component units for which the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The *government wide* financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business privilege, 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 fiduciary funds:

The **Municipal Pension Fund** accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi governmental organizations.

The **Philadelphia Gas Works Retirement Reserve Fund** accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.

The **Escrow Fund** accounts for funds held in escrow for various purposes.

The **Employees Health & Welfare Fund** accounts for funds deducted from employees' salaries for payment to various organizations.

The **Departmental Custodial Accounts** account for funds held in custody by various City Departments.

The City reports the following major proprietary funds:

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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. DEPOSITS AND INVESTMENTS

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

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

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

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

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

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. bridges, curbs and gutters, streets and sidewalks and lighting systems) are reported in the applicable governmental or business type activities columns in the *government wide* financial statements. Capital assets are

defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets are recorded at cost. Costs recorded do not include interest incurred as a result of financing asset acquisition or construction. Assets acquired by gift or bequest are recorded at their fair market value at the date of gift. Upon sale or retirement, the cost of the assets and the related accumulated depreciation, if any, are removed from the accounts. Maintenance and repair costs are charged to operations.

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

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

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

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. Among the City's collections are historical artifacts at the 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 44.1 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. DEPOSITS AND INVESTMENTS

The City has implemented *GASB # 40 Deposit and Risk Disclosures*.

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held 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 balances were \$149.3 million and \$149.5 million respectively. Custodial credit risk is classified into three categories (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 bank balances were insured or collateralized as follows:

(amounts in thousands of USD)	
Insured	300
Uninsured and uncollateralized	149,247
	149,547

Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund and the Philadelphia Gas Works Retirement Reserve. Both of those funds have separate investment policies designed to meet the long term goals of the fund. Investments are categorized to give an indication of the level of custodial credit risk. Investments assigned a Category (3) risk assessment are uninsured or 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.

As of June 30, 2005 the City's Investments consisted of:

(amounts in thousands of USD)	Fair Value	Primary Government		% of Fair Value
		% of Total	Risk Category 3	
U.S. Government Securities	274,231	4.0%	1,286	0.5%
U.S. Government Agency Securities	1,318,531	19.2%	63,998	4.9%
Corporate Bonds	417,237	6.1%	457	0.1%
Corporate Equity	3,573,561	51.9%	3,371	0.1%
Commercial Paper	327,963	4.8%		
Repurchase Agreements	32,436	0.5%	32,436	100.0%
Collateralized Mortgage Obligations	52,990	0.8%		
Other Bonds and Investments	321,257	4.7%	206,640	64.3%
Short-Term Investment Pools	344,128	5.0%	4,542	1.3%
Real Estate	12,208	0.2%		
Financial Agreements	195,176	2.8%		
Certificates of Deposit	15,197	0.2%	100	0.7%
	<u>6,884,913</u>			

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

(amounts in thousands of USD)	Fair Value		
	Maturity :		
	Less than 6 months	6-12 months	More than one year
Short term Investment Pools	130,980		
U.S. Government Securities	30,804	58,384	61,627
U.S. Government Agency Securities	585,928	237,279	205,790
Corporate Bonds	12,128	18,993	9,394
Collateralized Mortgage Obligations		945	
Commercial Paper	327,963		
Certificates of Deposit	11,350	3,747	
	<u>1,099,154</u>	<u>319,348</u>	<u>276,810</u>

Credit Risk: The City's credit risk is limited by investing in US Government securities (8.9%) or US Government Agency obligations (60.8%). The City's investment in Commercial paper (19.4%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (Moody's) and the senior long term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than \$100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the city did not have any investments of that nature.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 78% of all investments and is invested primarily in equity securities (77.7%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 77% had Standard & Poor ratings of AAA to A and 78% had Moody's rating of Aaa to A1.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Pyramid Russell 1000 Index Fund exceeding 5% of the total investment. The fair value of the investment in the Pyramid Russell 1000 Index Fund was \$311,811 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 13% of the total investment in equities.

Municipal Pension Fund
Equity Securities subject to Foreign Currency Risk

<u>Currency</u>	<u>Fair Value (USD)</u>	
Euro Currency	163,365,858	41.10%
Pound Sterling	96,061,708	24.17%
Japanese Yen	71,593,999	18.01%
Australian Dollar	30,937,210	7.78%
All others	35,541,689	8.94%
	397,500,464	

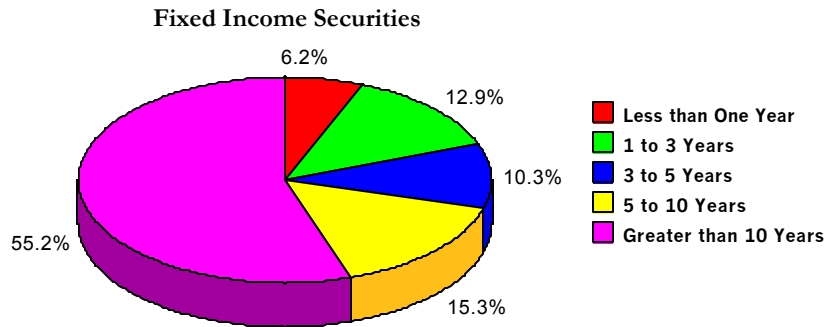
Fixed Income Securities and Other Investments subject to Foreign Currency Risk

	<u>Currency</u>	<u>Fair Value (USD)</u>	<u>Maturities</u>
Corporate Bonds	Euro Currency	2,132,023	Feb 2013 - Aug 2016
Government Issues	Euro Currency	16,807,542	Apr 2009 - Oct 2014
Government Issues	All others	11,737,588	Aug 2010 - Dec 2031
Other Investments	Euro Currency	23,195,372	

Statutes permit the Municipal Pension Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Pension Fund has contracted with a third party securities lending agent to lend the Pension fund's securities portfolio. The agent lends securities of the type on loan at June 30 for collateral in the form of cash or other securities at 102% of the loaned securities market value plus accrued interest. The collateral for the loans is maintained at greater than 100%. Securities on loan as of June 30 are unclassified with regards to custodial credit risk. At June 30, the Pension Fund has no credit risk exposure to borrowers because the amounts the Pension Fund owes the borrowers exceed the amounts the borrowers owe to the Pension Fund. The agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them. All open securities loans can be terminated on demand by either the Pension Fund or the borrower. All term securities loans can be terminated with five days notice by either the Pension fund or the borrower. Cash collateral is invested in accordance with the investment guidelines of the Pension Fund. The Pension fund cannot pledge or sell collateral securities received unless the borrower defaults.

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

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the PGWRR owns approximately 8% of all investments and is primarily invested in equity securities (49%). The long term goals of the fund are to manage the assets to produce investment results which meet the Fund’s actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund’s resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the PGWRR is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor’s, Moody’s or Fitch).

The PGWRR’s fixed income investments are as follows:

(amounts in thousands of USD)

<u>Investment type</u>	<u>less than 1 yr</u>	<u>1-3 yrs</u>	<u>3-5 yrs</u>	<u>5-10 yrs</u>	<u>more than 10 yrs</u>
Short-Term Investment Pools	609	-	-	-	-
U.S. Government Agency Securities	1,360	3,816	870	8,006	650
U.S. Government Securities	946	16,265	8,300	9,355	4,362
MTG Pass Thrus	-	511	1,414	1,515	4,930
Collateralized Mortgage Obligations	-	-	-	323	21,163
Municipal Securities	-	-	-	-	269
Asset Backed Securities	234	443	3,591	41	2,466
Corporate bonds	1,851	18,294	12,289	10,262	10,341
	<u>5,000</u>	<u>39,330</u>	<u>26,465</u>	<u>29,502</u>	<u>44,181</u>

Blended Component Units

A. PICA

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

At June 30, the carrying amount of PICA's deposits with financial institutions (including certificates of deposit and shares in US government money market funds) was \$61,845 thousand. The bank balance of \$61,856 thousand was insured or collateralized as follows:

(amounts in thousands of USD)	
Insured	100
Uninsured and uncollateralized	61,856
	61,956

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds. PICA has \$32.4 million in repurchase agreements and \$63.9 million of other investments that are classified as Category (3) credit risk as defined above.

B. PHILADELPHIA MUNICIPAL AUTHORITY

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

(amounts in thousands of USD)		<u>Fair Value</u>	<u>Cost</u>
Money Market Funds		429	429
Certificates of Deposit		100	100
		529	529

All investments were uninsured and unregistered, for which the securities are held by the financial institutions' trust department in the Authority's name at June 30.

The authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, the Authority's investment in money market funds was rated AAAM by S&P.

Depository accounts consisted of \$446 thousand on deposit with a local bank. Amounts are insured by the FDIC up to \$100 thousand. The remaining amount of \$346 thousand is considered uninsured and uncollateralized.

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. 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.

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.

B. PROPRIETARY FUNDS

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

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

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

(Amounts in Thousands of USD)

	<i>Interfund Receivables Due to:</i>					
	Non major					
	Governmental				Other	Total
	General	Special Revenue	Debt Service	Aviation			Funds
<i>Interfund Payables Due From:</i>						
General	-	-	-	182	792	974
Non major Special Revenue Funds	12,753	-	4,450	-	10	17,213
Non major Debt Service Funds	-	167	-	-	-	167
Total	<u>12,753</u>	<u>167</u>	<u>4,450</u>	<u>182</u>	<u>802</u>	<u>18,354</u>

B. COMPONENT UNITS

Interfund receivables and payables between the Primary Government and its Component Units at year end are the result of the time lag between the dates that interfund goods and services are provided, the date the transactions are recorded in the accounting system and the date payments between funds are made. All balances are expected to be settled during the subsequent year. During fiscal 2001, the City approved loaning up to \$45.0 million to the Philadelphia Gas Works to meet an unanticipated emergency created by a cash flow crisis. As of June 30, 2005 the entire \$45.0 million was outstanding. Interfund receivable and payable balances among the Primary Government and Component Units at year end are as follows:

(Amounts in Thousands of USD)

	<i>Interfund Receivables Due to:</i>							
	General	Capital	Airport	PCCA	PAID	CBH	Timing Differences	Total
<i>Interfund Payables Due From:</i>								
General	-	-	-	-	1,986	-	(1,986)	-
Behavioral Health	-	-	-	-	-	24,070	-	24,070
Grants Revenue	-	-	-	-	-	-	-	-
Non major Special Revenue Funds	-	-	-	2,777	-	-	-	2,777
PGW	45,000	-	-	-	-	-	-	45,000
PPA	1,000	-	27,239	-	-	-	(2,813)	25,426
PCCA	18,589	-	-	-	-	-	-	18,589
PAID	-	-	-	-	-	-	-	-
Timing Differences	-	-	(27,239)	-	-	8,040	-	(19,199)
Total	<u>64,589</u>	<u>-</u>	<u>-</u>	<u>2,777</u>	<u>1,986</u>	<u>32,110</u>	<u>(4,799)</u>	<u>96,663</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

(Amounts In Millions of USD)

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	737	5	..	742
Construction In Process	3	9	(3)	9
Total capital assets not being depreciated	740	14	(3)	751
<u>Capital assets being depreciated:</u>				
Buildings	1,613	46	(11)	1,648
Other Improvements	246	9	..	255
Equipment	431	14	(21)	424
Infrastructure	1,091	25	..	1,116
Transit	292	..	..	292
Total capital assets being depreciated	3,673	94	(32)	3,735
<u>Less accumulated depreciation for:</u>				
Buildings	(781)	(55)	..	(836)
Other Improvements	(154)	(8)	..	(162)
Equipment	(332)	(23)	15	(340)
Infrastructure	(658)	(46)	..	(704)
Transit	(156)	(9)	..	(165)
Total accumulated depreciation	(2,081)	(141)	15	(2,207)
Total capital assets being depreciated, net	1,592	(47)	(17)	1,528
Governmental activities capital assets, net	2,332	(33)	(20)	2,279
	Beginning			Ending
	Balance	Increases	Decreases	Balance
Business-type activities				
<u>Capital assets not being depreciated:</u>				
Land	80	..	..	80
Construction In Process	144	260	(255)	149
Total capital assets not being depreciated	224	260	(255)	229
<u>Capital assets being depreciated:</u>				
Buildings	2,598	70	(1)	2,667
Other Improvements	278	3	(1)	280
Equipment	84	21	(14)	91
Infrastructure	2,044	150	(80)	2,114
Total capital assets being depreciated	5,004	244	(96)	5,152
<u>Less accumulated depreciation for:</u>				
Buildings	(1,018)	(82)	1	(1,099)
Other Improvements	(117)	(12)	..	(129)
Equipment	(59)	(11)	11	(59)
Infrastructure	(950)	(49)	1	(998)
Total accumulated depreciation	(2,144)	(154)	13	(2,285)
Total capital assets being depreciated, net	2,860	90	(83)	2,867
Business-type activities capital assets, net	3,084	350	(338)	3,096

The beginning balance of Land and Buildings in Governmental Funds were increased to include the capital assets of the Fairmount Park commission. In the Business-Type Funds, the Aviation Fund reclassified beginning balances in Buildings, Other Improvements, Equipment and Infrastructure but did not change total capital assets.

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

(Amounts in Thousands of USD)	
Governmental Activities:	
Economic Development	3,169
Transportation:	
Streets & Highways	32,524
Mass Transit	28,318
Judiciary and Law Enforcement:	
Police	8,812
Prisons	5,996
Courts	952
Conservation of Health:	
Health Services	2,212
Housing and Neighborhood Development	2
Cultural and Recreational:	
Recreation	9,547
Parks	8,122
Libraries and Museums	4,290
Improvements to General Welfare:	
Social Services	2,312
Inspections and Demolitions	137
Service to Property:	
Fire	4,468
General Management & Support	30,275
	<u>141,136</u>
	<u><u>141,136</u></u>
Business Type Activities:	
Water and Sewer	83,186
Aviation	70,669
	<u>153,855</u>
	<u><u>153,855</u></u>

B. DISCRETELY PRESENTED COMPONENT UNITS

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

(Amounts In Millions of USD)

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	118	..	(8)	110
Construction In Process	56	164	(6)	214
Total capital assets not being depreciated	174	164	(14)	324
<u>Capital assets being depreciated:</u>				
Buildings	854	2	(7)	849
Other Improvements	887	5	(129)	763
Equipment	230	18	(29)	219
Infrastructure	1	..	..	1
Total capital assets being depreciated	1,972	25	(165)	1,832
<u>Less accumulated depreciation for:</u>				
Buildings	(450)	(14)	5	(459)
Other Improvements	(399)	(42)	54	(387)
Equipment	(133)	(14)	25	(122)
Infrastructure	(1)	..	..	(1)
Total accumulated depreciation	(983)	(70)	84	(968)
Total capital assets being depreciated, net	989	(45)	(81)	863
Capital assets, net	1,164	119	(95)	1,188
	Beginning			Ending
	Balance	Increases	Decreases	Balance
Business-type activities				
<u>Capital assets not being depreciated:</u>				
Land	55	7	(3)	59
Fine Arts	3	..	..	3
Construction In Process	487	182	(485)	185
Total capital assets not being depreciated	545	189	(488)	247
<u>Capital assets being depreciated:</u>				
Buildings	2,292	350	(370)	2,272
Other Improvements	30	1	..	31
Equipment	385	17	(23)	379
Infrastructure	1,070	66	(9)	1,127
Total capital assets being depreciated	3,777	434	(402)	3,809
<u>Less accumulated depreciation for:</u>				
Buildings	(1,072)	(75)	253	(894)
Other Improvements	(20)	(1)	..	(21)
Equipment	(88)	(17)	9	(96)
Infrastructure	(474)	(25)	7	(492)
Total accumulated depreciation	(1,654)	(118)	268	(1,503)
Total capital assets being depreciated, net	2,123	317	(134)	2,306
Capital assets, net	2,668	506	(621)	2,553

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and Resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed \$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, 2004) had an average weighted interest rate of approximately 1.38% and terms to maturity of 1 days. The principal amount outstanding was \$50.8 million.

RDA has issued a series of Mortgage Notes Payable with an outstanding balance at year end of \$32.8 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>
2006	\$ 13,945,805
2007	124,582
2008	2,000,000
2009	..
2010	..
2011-2015	..
2016-2020	4,922,956
2021-2025	8,897,000
2026-2030	1,000,000
2031-2035	1,950,000
2036-2040	..
Total	<u>\$ 32,840,343</u>

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately \$84.4 million. The loans have interest rates ranging from 1.25% to 6.15%, mature through 2023 and will be used for various capital projects and the upgrading of network infrastructures.

The combined principal balance outstanding at year end is as follows:

<u>Period</u>	<u>Amount</u>
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 2010	3,360,000
2010 to 2015	16,110,000
2016 to 2020	10,010,000
2021 to 2025	5,820,000
Total	<u>\$ 53,501,889</u>

PPA, in prior years, borrowed a total of \$17.7 million in the form of bank notes ranging in maturity from 12-15 years and in interest rates from 4.06 to 6.5%. The proceeds of these notes were used to finance various capital projects, the acquisition of capital assets, building improvements and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2005 was \$14,485,969 subject to the following repayment schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 1,257,799
2007	1,300,536
2008	1,399,215
2009	1,501,589
2010	1,732,235
2011-2015	5,308,302
2016-2020	1,986,293
Total	<u>\$ 14,485,969</u>

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (City General Obligation Bonds) payable principally from property taxes. The statutory limit for the City is \$1.3 billion. The City General Obligation Debt net of deductions authorized by law is \$1.2 billion, leaving a legal debt borrowing capacity of \$119.0 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 of USD)				Due Within <u>One Year</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	
Governmental Activities					
Bonds Payable					
Term Bonds	1,316.6	--	(47.1)	1,269.5	49.3
Refunding Bonds	163.4	--	(17.0)	146.4	5.8
Serial Bonds	560.2	--	(31.6)	528.6	31.1
Less Deferred Amounts		--	--		--
Unamortized Bond Premium	24.0	6.4	(1.8)	28.6	--
Unamortized Issuance Expenses	(4.2)	(3.9)	0.2	(7.9)	--
Unamortized Discount and Loss	(12.9)	--	0.9	(12.0)	--
Total Bonds Payable	<u>2,047.1</u>	<u>2.5</u>	<u>(96.4)</u>	<u>1,953.2</u>	<u>86.2</u>
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,416.4	40.2	(26.9)	1,429.7	33.3
Neighborhood Transformation	146.5	150.9	(14.5)	282.9	5.5
One Parkway	53.5	--	(1.3)	52.2	1.3
Sports Stadium	341.9	--	(0.8)	341.1	1.5
Indemnity Claims	30.6	40.7	(28.3)	43.0	12.7
Worker's Compensation Claims	193.3	53.0	(40.5)	205.8	25.8
Termination Compensation Payable	164.1	22.4	(16.1)	170.4	16.0
Governmental Activity Long-term Liabilities	<u>4,393.4</u>	<u>309.7</u>	<u>(224.8)</u>	<u>4,478.3</u>	<u>182.3</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 of USD)

Governmental Funds:	Interest		Principal	Due Dates
	Rates			
City	1.0 % to	6.00 %	990.9	Fiscal 2006 to 2033
PMA	2.00 % to	7.50 %	230.0	Fiscal 2006 to 2019
PICA	4.75 % to	6.00 %	723.6	Fiscal 2006 to 2023
			1,944.5	

The City has General Obligation Bonds authorized and unissued at year end of \$266.6 million for Governmental Funds.

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

(Amounts In Millions of USD)

Fiscal	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	20.0	45.2	17.0	16.1	49.3	37.0
2007	22.1	44.2	17.5	15.5	51.8	34.5
2008	26.5	43.2	9.5	14.9	48.7	31.9
2009	30.3	41.9	14.2	14.7	42.5	29.4
2010	31.8	40.4	15.0	13.9	37.9	27.3
2011-2015	185.6	175.4	84.2	60.0	200.6	106.6
2016-2020	214.6	127.7	72.6	7.2	211.4	50.5
2021-2025	208.0	80.0	--	--	81.4	7.3
2026-2030	172.9	33.2	--	--	--	--
2031-2035	79.1	3.9	--	--	--	--
Totals	990.9	635.1	230.0	142.3	723.6	324.5

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

(Amounts In Millions of USD)

Fiscal	Lease and Service Agreements							
	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	33.3	48.7	5.5	14.5	1.3	2.8	1.5	18.1
2007	40.0	46.8	5.7	14.2	1.4	2.7	5.5	17.9
2008	47.1	44.5	6.0	13.9	1.4	2.7	5.9	17.6
2009	54.8	41.8	6.3	13.6	1.5	2.6	6.2	17.3
2010	71.1	38.7	6.6	13.4	1.6	2.5	7.1	16.9
2011-2015	305.9	310.3	38.1	61.4	9.4	11.1	46.0	77.8
2016-2020	229.0	444.6	49.4	50.3	12.2	8.3	61.0	63.2
2021-2025	164.0	509.6	64.0	35.7	15.8	4.7	80.0	44.1
2026-2030	484.5	154.3	82.2	17.5	7.6	0.6	103.7	20.5
2031-2035	--	--	19.0	0.9	--	--	24.2	0.6
Totals	1,429.7	1,639.3	282.8	235.4	52.2	38.0	341.1	294.0

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

Business Type Activities	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Bonds Payable					
General Obligation Bonds	11.6	--	(3.5)	8.1	1.2
Revenue Bonds	2,819.7	566.6	(370.8)	3,015.5	113.5
Less Deferred Amounts					
Unamortized Discounts and Loss	(131.9)	(6.9)	16.1	(122.7)	--
Total Bonds Payable	<u>2,699.4</u>	<u>559.7</u>	<u>(358.2)</u>	<u>2,900.9</u>	<u>114.7</u>
Indemnity Claims	1.4	2.5	(2.3)	1.6	0.5
Worker's Compensation Claims	6.4	5.7	(3.1)	9.0	1.1
Termination Compensation Payable	14.2	2.3	(1.7)	14.8	1.7
Arbitrage	0.3	--	(0.1)	0.2	--
Business-type Activity Long-term Liabilities	<u>2,721.7</u>	<u>570.2</u>	<u>(365.4)</u>	<u>2,926.5</u>	<u>118.0</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 of USD)

Enterprise Funds	Interest		
	Rates	Principal	Due Dates
Water Fund	1.0 %	8.1	Fiscal 2006 to 2012
		<u>8.1</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 of USD)

Fiscal Year	City Enterprise Funds	
	Water Fund	
	Principal	Interest
2006	1.0	0.1
2007	1.2	0.1
2008	1.2	0.1
2009	1.2	--
2010	3.4	--
2011-2015	--	--
2016-2020	--	--
2021-2025	--	--
2026-2030	--	--
2031-2035	--	--
Totals	<u>8.0</u>	<u>0.3</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 of USD)

	<u>Interest</u>		
	<u>Rates</u>	<u>Principal</u>	<u>Due Dates</u>
Water Fund	2.73 % to 7.00 %	1,913.8	Fiscal 2006 to 2036
Aviation Fund	4.0 % to 6.10 %	<u>1,101.7</u>	Fiscal 2006 to 2031
Total Revenue Debt Payable		<u><u>3,015.5</u></u>	

- In June, 2005 the City issued \$41.0 million in Airport Revenue Bonds Series 2005B. The term bonds have a variable interest rate and mature through 2020. The proceeds of the bonds will be used to finance a portion of the 2005 project, finance capitalized interest during construction of the project and pay bond issuance cost.

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

(Amounts In Millions of USD)

<u>Fiscal</u>	<u>Water Fund</u>		<u>Aviation Fund</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	78.0	87.3	35.5	58.8
2007	82.8	88.6	29.8	56.6
2008	88.4	85.0	31.8	54.6
2009	92.0	81.5	33.8	52.6
2010	95.7	77.8	35.9	50.4
2011-2015	574.1	293.2	235.0	214.1
2016-2020	325.0	170.5	255.5	143.0
2021-2025	213.0	113.5	262.7	79.1
2026-2030	203.6	66.0	179.1	20.1
2031-2035	145.6	16.6	2.6	0.1
2036-2040	15.6	0.4	..	..
Totals	<u><u>1,913.8</u></u>	<u><u>1,080.4</u></u>	<u><u>1,101.7</u></u>	<u><u>729.4</u></u>

(3) Defeased Debt

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

(Amounts in Millions of USD)

Governmental Funds:	
General Fund	14.0
PICA	94.2
Enterprise Funds:	
Water Fund Revenue Bonds	103.7
	211.9
Total	211.9

- In May, 2005, the City issued \$86.1 million of Water and Wastewater Revenue Refunding Series 2005B Bonds. The proceeds of these bonds were used to refund a portion of the 1995 Series Water and Wastewater Revenue Bonds maturing from 2014 through 2019 in the amount of \$80.7 million. The cash flows required by the new bonds are \$18 million less than the cash flow required by the refunded bonds. This early extinguishment of debt resulted in an accounting loss of approximately \$3.9 million representing the difference between the reacquisition price of \$84.6 million and the amount of debt extinguished of \$80.7 million (less \$.076 million unamortized discount). The resulting loss will be amortized over the life of the refunded bonds at a rate of \$543,433 annually through February, 2013.
- In June, 2005, the City issued \$189.5 million of Airport Revenue Refunding Series 2005C Bonds. The proceeds of these bonds were used to refund a portion of the 1995A Series Airport Revenue Bonds maturing from 2006 through 2025 in the amount of \$183.9 million. The cash flow required by the new bonds are the same as the cash flow required by the refunded bonds. This early extinguishment of debt resulted in an accounting loss of approximately \$9.9 million representing the difference between the reacquisition price of \$187.8 (plus \$6.0 million unamortized premium) and the amount of debt extinguished of \$183.9 million. The resulting loss will be amortized over the life of the refunded bonds annually through 2025.

(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 \$370.0 million in Tax and Revenue Anticipation Notes by June 2005 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

Beginning Balance	Additions	Deductions	Ending Balance
0	370,000,000	-370,000,000	0

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2005, the Aviation Fund recorded liability of \$245,917. There was no liability for the Water Fund.

(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 exercised its option to enter into a swap on June 15, 2005 - the Airport's 1995 bonds' first call date. The swap also commenced on the exercise date of June 15, 2005. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%) 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.

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 issuance will approximate the debt service of the "refunded bonds." The swap has a notional amount of \$189,500,000 and the associated variable-rate bond has a \$189,500,000 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, 2025. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Citigroup	Fixed	6.466%
Variable payment from Citigroup	BMA	(2.280%)
Net interest rate swap payments		4.186%
Variable Rate bond coupon payments	Market driven	2.400%
Synthetic interest rate on bonds		6.586%

Fair Value: As of June 30, 2005, the swap had a negative fair value of \$27,356,073. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risk: As of June 30, 2005, the Airport is exposed to credit risk because the swap had a negative fair value and has minimal basis risk since in the original structure the Airport and JPMorgan took into consideration the trading differential in the Airport's AMT payments and built that into the swap rate from the beginning. 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 JPMorgan’s or its Credit Support Provider, or the Airport 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., (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 nationally-recognized rating service acceptable to both parties.

Swap payments and associated debt: As of June 30, 2005, 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. 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 has the option to terminate the swap.

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swaps Net	Total Interest
06/15/2006	\$ 3,200,000.00	\$ 4,548,000.00	\$ 7,932,470.00	\$ 12,480,470.00
06/15/2007	3,600,000.00	4,471,200.00	7,617,807.00	12,089,007.00
06/15/2008	4,100,000.00	4,396,813.15	7,214,823.00	11,611,636.15
06/15/2009	4,700,000.00	4,286,400.00	6,722,504.00	11,008,904.00
06/15/2010	5,300,000.00	4,173,600.00	6,244,749.00	10,418,349.00
06/15/2011	6,000,000.00	4,046,400.00	5,681,820.00	9,728,220.00
06/15/2012	6,700,000.00	3,913,091.51	5,139,786.00	9,052,877.51
06/15/2013	7,500,000.00	3,741,600.00	4,517,982.00	8,259,582.00
06/15/2014	8,200,000.00	3,561,600.00	4,015,704.00	7,577,304.00
06/15/2015	9,000,000.00	3,364,800.00	3,429,292.00	6,794,092.00
06/15/2016	9,800,000.00	3,157,426.85	2,866,720.00	6,024,146.85
06/15/2017	10,700,000.00	2,913,600.00	2,226,476.00	5,140,076.00
06/15/2018	11,400,000.00	2,656,800.00	1,805,517.00	4,462,317.00
06/15/2019	12,200,000.00	2,383,200.00	1,307,781.00	3,690,981.00
06/15/2020	13,000,000.00	2,096,127.12	829,192.00	2,925,319.12
06/15/2021	13,700,000.00	1,778,400.00	472,017.00	2,250,417.00
06/15/2022	14,300,000.00	1,449,600.00	230,728.00	1,680,328.00
06/15/2023	14,900,000.00	1,106,400.00	5,993.00	1,112,393.00
06/15/2024	15,400,000.00	750,851.51	(100,464.00)	650,387.51
06/15/2025	15,800,000.00	379,200.00	(98,908.00)	280,292.00
Totals	\$ 189,500,000.00	\$ 59,175,110.14	\$ 68,061,989.00	\$ 127,237,099.14

- **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 \$374,310,000 and the associated variable-rate bond has a \$374,310,000 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, 2005, 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	(2.28%)
Net interest rate swap payments		2.24%
Variable Rate bond coupon payments	Market driven	2.28%
Synthetic interest rate on bonds		4.52%

Fair Value: As of June 30, 2005, the swap had a negative fair value of \$48,758,601.96. 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, 2005, the City is not exposed to credit risk because the swap had neither 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, 2005, 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	Total Interest
	Principal	Interest	Swaps Net	
06/15/06	\$ 995,000.00	\$ 8,534,268.00	\$ 8,384,544.00	\$ 16,918,812.00
06/15/07	1,045,000.00	8,511,582.00	8,362,256.00	16,873,838.00
06/15/08	1,095,000.00	8,511,010.13	8,338,848.00	16,849,858.13
06/15/09	1,145,000.00	8,462,790.00	8,314,320.00	16,777,110.00
06/15/10	1,205,000.00	8,436,684.00	8,288,672.00	16,725,356.00
06/15/11	1,260,000.00	8,409,210.00	8,261,680.00	16,670,890.00
06/15/12	41,195,000.00	8,403,442.22	8,233,456.00	16,636,898.22
06/15/13	43,205,000.00	7,441,236.00	7,310,688.00	14,751,924.00
06/15/14	45,305,000.00	6,456,162.00	6,342,896.00	12,799,058.00
06/15/15	47,515,000.00	5,423,208.00	5,328,064.00	10,751,272.00
06/15/16	98,280,000.00	4,351,756.04	4,263,728.00	8,615,484.04
06/15/17	11,280,000.00	2,099,082.00	2,062,256.00	4,161,338.00
06/15/18	11,830,000.00	1,841,898.00	1,809,584.00	3,651,482.00
06/15/19	12,410,000.00	1,572,174.00	1,544,592.00	3,116,766.00
06/15/20	13,140,000.00	1,292,758.13	1,266,608.00	2,559,366.13
06/15/21	13,780,000.00	989,634.00	972,272.00	1,961,906.00
06/15/22	14,460,000.00	675,450.00	663,600.00	1,339,050.00
06/15/23	15,165,000.00	345,762.00	339,696.00	685,458.00
Totals	\$ 374,310,000.00	\$ 91,758,106.52	\$ 90,087,760.00	\$ 181,845,866.52

- **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 exercised its option to enter into a swap May 4, 2005 - the City's 1995 water and sewer bonds' first call date. The swap also commenced on the exercise date of May 4, 2005. 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." The swap has a notional amount of \$86,105,000 and the associated variable-rate bond has an \$ 86,105,000 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 May 4, 2025. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed payment to Citigroup	Fixed	4.53%
Variable payment from Citigroup	Actual Bond Rate	(2.27%)
Net interest rate swap payments		2.26%
Variable Rate bond coupon payments	Market driven	2.27%
Synthetic interest rate on bonds		4.53%

Fair value: As of June 30, 2005, the swap had a negative fair value of \$ 13,341,493. Its fair value was estimated using the BDT option pricing model. This model takes into consideration probabilities, volatilities, time and underlying prices.

Risk: As of June 30, 2005, the City is not exposed to credit risk because the swap had neither 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, 2005, 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	Total Interest
	Principal	Interest	Swaps Net	
08/01/2005	\$ 1,385,000.00	\$ 1,954,583.50	\$ 1,945,973.00	\$ 3,900,556.50
08/01/2006	335,000.00	1,923,144.00	1,914,672.00	3,837,816.00
08/01/2007	350,000.00	1,915,539.50	1,907,101.00	3,822,640.50
08/01/2008	370,000.00	1,912,820.79	1,899,191.00	3,812,011.79
08/01/2009	390,000.00	1,899,195.50	1,890,829.00	3,790,024.50
08/01/2010	405,000.00	1,890,342.50	1,882,015.00	3,772,357.50
08/01/2011	425,000.00	1,881,149.00	1,872,862.00	3,754,011.00
08/01/2012	450,000.00	1,876,628.90	1,863,257.00	3,739,885.90
08/01/2013	14,820,000.00	1,861,286.50	1,853,087.00	3,714,373.50
08/01/2014	15,535,000.00	1,524,872.50	1,518,155.00	3,043,027.50
08/01/2015	16,315,000.00	1,172,228.00	1,167,064.00	2,339,292.00
08/01/2016	17,145,000.00	804,074.42	798,345.00	1,602,419.42
08/01/2017	18,015,000.00	412,686.00	410,868.00	823,554.00
08/01/2018	165,000.00	3,745.50	3,729.00	7,474.50
Totals	\$ 86,105,000.00	\$ 21,032,296.61	\$ 20,927,148.00	\$ 41,959,444.61

- **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, 2005, the 1996 swaption had a negative fair value of approximately \$15,000,000 and the 1999 swaption had a negative fair value of approximately \$36,000,000. 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 \$25,000,000 million and \$1,000,000 million as of June 30, 2005 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, 2005, 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 "Aa3" by Standard and Poor's and "AA-" by Moody's Investors Service as of June, 2005. 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, 2005, the 67% of LIBOR rate was approximately 2.24% and the BMA rate was approximately 2.28%.

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, 2005, 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		
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	\$ 154,370,000	\$ 25,229,365	\$ 63,895,044	\$	243,494,409

(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 \$1.4 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. In fiscal year 2004, \$10.9 million was borrowed from the line of credit.

In March, 2005, **RDA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of \$25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of \$ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C, with an interest rate of 5% were issued for \$81.3 million and mature through 2031. The fiscal year 2005 NTI Service Agreement liability of \$282.8 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

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

In fiscal 2005, the Sports Stadium Financing Agreement liability of \$341.1 million is reflected in the City's financial statements as an Other Long Term Liabilities

(10) Forward Purchase Agreements

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 \$2,393.6 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 of USD)

Governmental Activities	Beginning	Additions	Reductions	Ending	Due Within
	Balance			Balance	One Year
Bonds Payable	2,314.7	332.6	(253.7)	2,393.6	36.4
Add: Bond Premium	23.0	18.5	(10.1)	31.4	2.0
Less: Bond Discounts	(10.7)	--	0.4	(10.3)	(0.3)
Total Bonds Payable	<u>2,327.0</u>	<u>351.1</u>	<u>(263.4)</u>	<u>2,414.7</u>	<u>38.1</u>
Loans Payable	0.6	--	(0.4)	0.2	0.2
Termination Compensation Payable	322.6	19.4	(57.8)	284.2	--
Severance Payable	170.0	2.7	(18.1)	154.6	--
Other Liabilities	87.9	56.9	(32.6)	112.2	--
Capital Lease	3.9	--	(0.7)	3.2	0.8
Due to Other Governments			--		
Deferred Reimbursement	45.3	--	--	45.3	45.3
Deferred Revenue	2.8	--	(0.6)	2.2	0.4
Early Retirement Incentive	7.9	--	(1.5)	6.4	1.6
Governmental Activity Long-term Liabilities	<u>2,968.0</u>	<u>430.1</u>	<u>(375.1)</u>	<u>3,023.0</u>	<u>86.4</u>

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

(Amounts In Millions of USD)

Fiscal	Principal	Interest
Year		
2006	36.4	72.3
2007	60.9	75.2
2008	64.1	72.0
2009	67.7	68.8
2010	68.2	65.5
2011-2015	368.7	279.3
2016-2020	377.9	201.7
2021-2025	361.6	120.7
2026-2030	291.8	54.5
2031-2035	108.2	16.1
Totals	<u>1,805.5</u>	<u>1,026.1</u>

(2) Business Type Debt Payable

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

	(Amounts In Millions of USD)		
	<u>Interest</u>		
	<u>Rates</u>		<u>Principal</u>
			<u>Due Dates</u>
PCCA	5.75 %	to 6.875 %	229.6
PPA	3.5 %	to 5.75 %	289.9
PGW	3.0 %	to 5.375 %	948.9
RDA	4.50 %	to 7.15 %	26.9
			1,495.3
Total Revenue Debt Payable			1,495.3

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

	(Amounts in Millions of USD)							
	Pennsylvania Convention Center Authority		Philadelphia Parking Authority ‡		Philadelphia Gas Works †		Philadelphia Redevelopment Authority	
<u>Fiscal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	2.5	3.9	9.5	15.1	39.2	50.2	0.8	0.7
2007	5.8	11.4	9.9	14.7	41.2	48.9	..	0.7
2008	6.0	11.1	10.4	14.2	39.4	44.0	..	0.7
2009	13.5	10.7	11.1	13.6	40.0	42.0	..	0.7
2010	14.2	10.0	10.9	13.0	39.8	39.9	..	0.7
2011-2015	82.4	38.5	59.1	55.6	180.6	192.8	..	3.6
2016-2020	105.2	14.3	63.0	39.0	180.8	126.8	9.0	8.6
2021-2025	..	..	56.8	23.8	189.0	79.4	6.0	8.8
2026-2030	..	..	59.2	7.8	160.5	32.7	11.1	2.7
2031-2035	..	..	..	..	38.4	3.5	..	..
2036-2040	..	..	..	..	..	..	..	..
Totals	229.6	99.9	289.9	196.8	948.9	660.2	26.9	27.4

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2004.

‡ - Parking Authority amounts are presented as of its fiscal year March 31, 2005.

(3) Defeased Debt

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

(Amounts In Millions of USD)	
Pennsylvania Convention Center Authority	227.4
Philadelphia Gas Works †	65.6
School District of Philadelphia	866.7
	1,159.7
Total	1,159.7

† - Gas Works amounts are presented as of August 31, 2004.

- The School District issued \$241.6 million in general obligation bonds on a variable rate basis to advance refund \$233.3 million of outstanding bonds. Bond proceeds of \$3.3 million were utilized for underwriting fees, insurance and other issuance costs. The net proceeds were used to purchase U.S. government securities of \$256.7 million. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for 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 \$8.7 million less than the flow required to service the old debt. In addition, there was an economic gain of \$7.7 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 was 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 had 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%.

In September, 2004, PGW terminated its Interest Swap Agreement making a termination payment in the amount of \$ 8.0 million on October 4, 2004. This transaction resulted in a net loss of \$ 890,000.

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

Objective: **PAID** entered into a basis swap that became effective on July 1, 2004, and provided **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 commenced on July 1, 2004 and matures 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** also received from Merrill Lynch ten equal payments of \$1,216,500 which started on July 1, 2004. As of June 30, 2005, the swap has been effective since July 1, 2004, its first full fiscal year, and received its first payment of \$1,216,500 on that date.

Fair Value: As of June 30, 2005, the swap had a negative fair value of \$6,558,092. 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, 2005, **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**

Interest Rate Swaps: **SDP** has entered into ten (10) floating-to-fixed swaps effective June 29, 2004 to synthetically advance refund its outstanding bonds. 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, 2005 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	(6,527,169)	09/01/2030	Aa2/A+/AA-
Series B-2	54,200,000	06/29/2004	3.7670%	58.5% * 1-Month LIBOR +27 bps	(5,895,449)	09/01/2030	Aa2/A+/AA-
Series B-3	64,900,000	06/29/2004	3.7670%	58.5% * 1-Month LIBOR +27 bps	(7,066,676)	09/01/2030	Aa2/A+/AA-
Series B-4	95,000,000	06/29/2004	3.7700%	58.5% * 1-Month LIBOR +27 bps	(10,390,984)	09/01/2030	Aa3/A+/AA-
Series B-5	78,475,000	06/29/2004	3.7610%	58.5% * 1-Month LIBOR +27 bps	(8,479,979)	09/01/2030	Aa3/A+/AA-
Series B-6	59,025,000	06/29/2004	3.6838%	60.4% * 1-Month LIBOR +32 bps	(3,220,784)	09/01/2021	Aa3/A+/AA-
Series B-7	91,000,000	06/29/2004	3.6900%	60.4% * 1-Month LIBOR +32 bps	(5,312,224)	09/01/2021	Aa3/A+/AA-
Series B-8	80,000,000	06/29/2004	3.6890%	60.4% * 1-Month LIBOR +32 bps	(4,685,576)	09/01/2021	Aa3/A+/AA-
Series B-9	70,000,000	06/29/2004	3.6890%	60.4% * 1-Month LIBOR +32 bps	(5,139,892)	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	(559,393)	09/01/2011	Aa3/A+/AA-

Fair Value: All of the swaps had a negative fair value of (\$57.3) million as of June 30, 2005. 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, 2005, **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.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts in Thousands of USD)	<u>Primary Government</u>		<u>Component Units</u>
	Governmental	Proprietary	
	<u>Funds</u>	<u>Funds</u>	
Minimum Rentals	8,367	18,290	1,419
Additional Rentals	52	110,299	308
Total Rental Income	<u>8,419</u>	<u>128,589</u>	<u>1,727</u>

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

(Amounts In Thousands of USD) Fiscal Year Ending	Primary Government		Component Units
	Governmental	Proprietary	
	Funds	Funds	
<u>June 30</u>			
2006	3,321	18,649	4,374
2007	3,323	16,601	3,793
2008	3,453	16,202	3,368
2009	3,613	15,617	2,786
2010	3,782	14,293	2,590
2011-2015	20,603	38,906	5,286
2016-2020	23,713	22,181	3,317
2021-2025	27,319	12,734	2,707
2026-2030	31,501	9,908	1,769
2031-2035	..	..	793
2036-2040	..	..	793
2041-2045	..	..	793
2046-2050	..	..	793
2051-2055	..	..	793
2056-2060	..	..	793
2061-2065	..	..	793
2066-2070	..	..	793
2071-2075	..	..	793
2076-2080	..	..	793
2081-2085	..	..	766
2086-2090	..	..	675
	120,627	165,092	39,361

B. CITY AS LESSEE

(1) OPERATING LEASES

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

	(Amounts In Thousands of USD)		Component Units
	Primary Government		
	Governmental	Proprietary	
	Funds	Funds	
Minimum Rentals	124,155	12,508	46,905
Additional	4,436	6,607	21,075
Total Rental Expense	128,591	19,115	67,980

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	(Amounts In Thousands of USD)		
	Primary Government		Component Units
	Governmental	Proprietary	
June 30	Funds	Funds	
2006	27,567	888	12,011
2007	25,231	891	8,727
2008	24,908	521	5,709
2009	23,263	..	4,717
2010	16,287	..	5,314
2011-2015	62,409	..	2,333
2016-2020	16,974	..	997
2021-2025	4,156	..	..
Total	200,796	2,299	39,806

(2) CAPITAL LEASES

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

Fiscal Year Ending	(Amounts In Thousands of USD)	
	June 30	Component Units
2006	31,968	
2007	31,579	
2008	31,107	
2009	30,876	
2010	29,981	
2011-2015	149,757	
2016-2020	149,751	
2021-2025	216,516	
2026-2030	320,484	
2031-2035	343,026	
Future Minimum Rental Payments	1,335,045	
Interest Portion of Payments	(741,461)	
Obligation Under Capital Leases	593,584	

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2005, 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.

10. FUND BALANCE RESERVATIONS

The City has reserved portions of several funds' Fund Balances. Following is a description of all such reservations followed by a summary of the major funds at year end for the Primary Government:

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

Reserved for 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 of USD)	Health Choices			Total
	General	Behavioral Health	Grants Revenue	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Reserved Fund Balance:				
Reserved for Encumbrances	141,451	..	..	141,451
Reserved for Neighborhood Revitalization	..	..	173,596	173,596
Reserved for Behavioral Health	..	61,543	..	61,543
Reserved for Intergov Financed Programs	..	..	31,695	31,695
Reserved for Emergency Phone System	..	..	6,766	6,766
Reserved for Long Term Loan	45,000	..	..	45,000
Reserved for Stadium Financing	4,265	..	..	4,265
Total Reserved Fund Balance	<u>190,716</u>	<u>61,543</u>	<u>212,057</u>	<u>464,316</u>

11. 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:

(Amounts in Thousands of USD)	<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>	
<i>Transfers From:</i>						
General	--	156,833	705	108,862	2,672	269,072
Grants	6,032	--	--	--	5,828	11,860
Non major Special Revenue Funds	214,803	--	--	77,489	1,814	294,106
Non major Capital Improvement Funds	--	--	--	1,998	--	1,998
Water Fund	4,401	--	--	--	--	4,401
Total	<u>225,236</u>	<u>156,833</u>	<u>705</u>	<u>188,349</u>	<u>10,314</u>	<u>581,437</u>

12. 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 Millions of USD)	
Bonds Payable	1,953.2
Service Agreements	2,105.9
Employee Related Obligations	376.2
Indemnities	43.0
	<u>4,478.3</u>
Total Adjustment	<u>4,478.3</u>

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- (1) Net Assets at July 1, 2004 for Governmental Activities was increased by \$21.1 million due to the inclusion of Fairmount Park's Capital Assets.
- (2) Net Assets at July 1, 2004 for Governmental Activities was decreased by \$106.0 million due to the transfer of part of the Net Pension Asset to the Proprietary Funds.
- (3) Net Assets at July 1, 2004 for Business-Type Activities was increased by \$106.0 million due to the inclusion of the Net Pension Asset for the Water Fund (\$78.5 million) and the Aviation Fund (\$27.5 million).

B. COMPONENT UNITS

(1) **SDP** Net Assets beginning balances were decreased by \$2.4 million. These adjustments involved an overstatement of asset value of \$2.6 million and an overstatement of accumulated depreciation of \$0.2 million.

(2) Beginning Net Assets of the **PHA** have been restated as follows:

Addition of Ridge Avenue Housing component unit	\$3.9 million
Correction of accounts payable and accrued expenses	(\$2.0) million
Other	\$0.5 million

Effective April 1, 2004 **PHA** changed its method of accounting for investments in development projects. The impact of the change requires that certain building demolition and infrastructure dedication costs be charged as an expense instead of a fixed assets when a property is leased to a developer. **PHA** has historically carried such costs on its balance sheet until the grant program for the project was formally closed out. **PHA** believes that the change more accurately reflects cost in accordance with HUD objectives of project based accounting. The cumulative effect of the change was approximately (\$262.7).

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 when due, pursuant to formal commitments, as well as statutory or contractual requirements. 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, 2004 was as follows:

Retirees and beneficiaries currently receiving benefits	32,465
Terminated members entitled to benefits but not yet receiving them	809
Active members	31,487
Total Members	<u>64,761</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 3% 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 \$358.1 million or 28.4% of the covered payroll of \$1,260.7 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 (NPO) for the Municipal Pension Plan for the current year were as follows:

(Amounts in Thousands of USD)

Annual Required Contribution (ARC)	358,141
Interest on Net Pension Obligation (NPO)	(90,448)
Adjustment to ARC	124,687
Annual Pension Cost	392,380
Contributions Made	299,266
Increase in NPO	93,114
NPO at beginning of year	(1,004,980)
NPO at end of year	(911,866)
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, 2003. 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 \$349.5 million. The City's actual contribution was \$290.6 million. The City's contribution did meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189. The Annual Pension Cost and related percentage contributed for the three most recent fiscal years are as follows:

Fiscal Year Ended	(Amounts in Millions of USD)		Net Pension Obligation
	Annual Pension	Percentage	
	Cost	Contributed	
2003	234.6	76.61%	(1,093.2)
2004	291.1	69.68%	(1,005.0)
2005	392.3	76.27%	(911.9)

(d) Summary of Significant Accounting Policies

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan. Investments are valued as described in Footnote I.4.

(2) Gas Works Plan

(a) Plan Description

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

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

OR

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

Final-average earnings is the 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. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

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 using the open method. Contributions of \$15.0 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 \$15.8 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 \$14,973,000 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:

(Amounts in Thousands of USD)

Fiscal Year Ended <u>August 31</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2002	8,496	100%
2003	13,013	100%
2004	14,973	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 7.6% of covered payroll.

Fiscal Year Ended <u>October 31</u>	Annual Required <u>Contribution</u>	Percent <u>Contributed</u>
2002	\$5,025,125	75%
2003	\$5,875,125	173%
2004	\$5,478,453	70%

(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 2005 of \$2.0 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 \$1,646,901 (approximately 9% of current covered payroll) and the employees contributed \$365,910 (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 \$(77,264) computed as follows:

Annual Required Contribution	\$ 1,300,141
Interest On Net Pension Obligation	20,086
Adjustment to Annual Required Contribution	(32,356)
Annual Pension Cost	<u>1,287,871</u>
Contributions Made	(1,646,901)
Decrease In Net Pension Obligation	<u>(359,030)</u>
Net Pension Obligation - Beginning of Year	<u>281,766</u>
Net Pension Obligation - End of Year	<u><u>\$ (77,264)</u></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
2003	\$1,535,771	50%	\$853,670
2004	\$1,414,832	140%	\$281,766
2005	\$1,287,871	128%	(\$77,264)

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 \$55.9 million and the total payroll was \$64.5 million. Contributions to the four plans by the CCP during the fiscal year totaled approximately \$4.4 million representing 7.84% of covered payroll. CCP employees contributed approximately \$3.0 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 2005 was 4.23%, and is composed of a pension contribution rate of 4.00% for pension benefits and .23% for health insurance premium assistance. The **SDP's** contributions for the last three years are as follows:

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2003	\$13,059,249	100%
2004	\$43,059,934	100%
2005	\$48,901,179	100%

(2) State Employees Retirement System (SERS)

(a) Plan Description

PICA and **PCCA** employees and certain **CCP** employees are eligible to participate in the Pennsylvania State Employees Retirement System (SERS), which is a cost sharing multiple employer plan. The SERS provides pension, death and disability benefits. Retirement benefits vest after 5 years of credited service. Employees who retire at age 60 after 3 years of service or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. The general annual benefit is 2% to 2.5% of the member's highest three year average salary times years of service. The General Assembly has the authority to establish and amend benefits of the SERS. Ad hoc cost-of-living adjustments are provided at the discretion of the General Assembly.

(b) Funding Policy

The SERS funding policy is set by the SERS Board. Active members are required to contribute periodically at statutory rates, generally 5 to 6.25% of gross pay. The amount is recorded in an individually identified account that accumulates interest at 4% per year as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

Employer contributions are an actuarially determined percentage of payroll such that they, along with employee contributions and an actuarially determined investment rate of return, are adequate to accumulate assets to pay benefits when due.

In May 2001, the **PCCA** initiated Act 2001-9 which created a new Class AA membership, changed the vesting requirements of all members from 10 to 5 years, increased the member contribution rate from 5% to 6.25% and increased the benefit formula to 2.5% of final average salary. New members are automatically enrolled as Class AA. However, election for current members at the time of enactment was voluntary. Contributions of the **PCCA** for the last three years were as follows:

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2003	None Required	
2004	\$20,684	100%
2005	\$60,495	100%

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

Fiscal Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2003	None Required	
2004	None Required	
2005	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 985 employees participating in this plan.

(b) Funding Policy

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

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. **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 4250 eligible retirees amounted to \$36.1 million and \$4.0 million, respectively.

B. COMPONENT UNIT

The **SDP** pays monthly premiums to provide up to \$2,000 of life insurance coverage for 8,018 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 2005, the cost of life insurance premiums for retirees/disabled employees, was \$483,004.

PGW provides certain health care and life insurance benefits for approximately 1,981 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 \$32.9 million, of which approximately 50% relates to retirees and their dependents. Total premiums for group life insurance amounted to \$2.1 million of which approximately 77% 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 2005 this transfer amounted to \$214.8 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 \$56.4 million to SEPTA. In addition, the City received \$0.2 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 \$55.1 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 \$259.4 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, 2003 resulted from the following:

(Amounts in Millions of USD)

	Beginning	Current Year	Claim	Ending
	Liability	Claims and Changes	Payments	Liability
		In Estimates		
Fiscal 2004	189.9	109.8	(68.0)	231.7
Fiscal 2005	231.7	102.0	(74.3)	259.4

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 \$4.1 million for Unemployment Compensation claims and \$43.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$214.8 million discounted at 4%. On an undiscounted basis, these liabilities total \$301.8 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$200.5 million (discounted) and \$282.4 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 \$130.2 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, 2003 resulted from the following:

(Amounts in Millions of USD)

	Beginning	Current Year	Claim	Ending
	Liability	Claims and Changes	Payments	Liability
		In Estimates		
Fiscal 2004	93.3	41.4	(31.8)	102.9
Fiscal 2005	102.9	64.7	(37.4)	130.2

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 \$15.4 million for Weekly Indemnity, \$3.4 million for Unemployment Compensation claims and \$27.2 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	(Amounts In Millions of USD)
<u>June 30</u>	<u>Commitments</u>
2006	24.3
2007	24.3
2008	24.3
2009	24.3
2010	24.3
2011 - 2015	121.4
2016 - 2020	121.3
	<hr/>
	364.2
	<hr/> <hr/>
Total	

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 \$148.0 million.
- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization. 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 \$251.9 million. Of this amount, \$10.6 million is charged to current operations of the Enterprise Funds. The remaining \$241.3 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 \$85.7 million to the General Fund and \$3.2 million to the Enterprise Funds.

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

- In *Burella v. City* the Plaintiff sued the City and three individual police officers under state and federal law, seeking to hold them liable for her non-fatal shooting at the hand of her husband who is a police officer. The Plaintiff's theories (procedural and substantive due process, equal protection, intentional infliction of emotional distress) are based on the alleged failure of defendants to address the husbands' increasingly apparent psychological problems and anger management difficulties, manifested by repeated instances of domestic violence and physical altercations with his wife over several years. The federal district court denied the defendants' motion for summary judgment, and the individual officers have appealed to the Third Circuit. Briefing is completed.
- *Lawrence v. City of Philadelphia* is a collective action by former and current fire-service paramedics of the City of Philadelphia's Fire Department who brought against the City of Philadelphia ("City") under the Fair Labor Standards Act ("FLSA"). The plaintiffs originally brought two claims based upon the Fair Labor Standard Act of 1938, 29 U.S.C. (1) a claim based upon the plaintiffs' schedules for alleged unpaid overtime for hours worked in excess of forty hours in a workweek; and (2) a claim for uncompensated "off the clock" hours allegedly worked beyond the plaintiffs' regularly scheduled tour of duty during which plaintiffs claim they reported to work early to stock, clean, and maintain the rescue units to which they are assigned and/or remained after the end of their regularly scheduled shift to perform similar duties. The second claim was dismissed by the Court, but some of the plaintiffs have brought a second action, *Alston v. City of Philadelphia*, which asserts the "off the clock" claim. The City has filed a motion to dismiss the *Alston* case, which is still pending.

With respect to the Lawrence case, the City has raised the defense that plaintiffs were not owed overtime based on their regularly-scheduled hours because they qualified for the higher overtime thresholds applicable to employees engaged in fire protection activities contained in 29 U.S.C. 207(k).

Plaintiffs seek to recover (1) back-pay for any unpaid overtime compensation for a three-year period; (2) "liquidated damages" in an amount equal to the back pay owed; (3) an order directing that the City compensate its fire service paramedics for all extra hours worked going forward; and (4) attorneys' fees. In September, 2003, the City prepared a rough estimate of damages based upon the paramedics' rate of pay, schedules, and the number of overtime hours that they claim to have worked, and found that if plaintiffs were entirely successful in all aspects of their claim, the City's potential liability could approach \$12 million. Since then the Court carved out the "off the clock" claim, but in light of the filing of the Alston action, any estimate of potential liability should still include amounts attributable to that claim, and so the estimate remains at \$12 million. Arguments on the City's Motion for Summary Judgment will be heard in January, 2006. .

(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 of USD)

Redevelopment Authority of the City of Philadelphia	705
Philadelphia Parking Authority	73,645
Philadelphia Authority for Industrial Development	<u>7,745</u>
	<u><u>82,095</u></u>

(3) Single Audit

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2005, which amounted to \$1,049.7 million for all open program years as of December 15, 2005. Of this amount, \$665.0 million represents unresolved cost due to the inability to obtain audit reports from subrecipients for the year ended June 30, 2005 due to timing differences in audit requirements, \$348.5 million represents questioned costs due to the inability to obtain subrecipient audit reports for the fiscal years June 30, 2004 and prior and \$36.2 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 \$192.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from 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 \$154.0 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 \$4.6 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 \$93.6 million for Workers' Compensation, \$13.6 million for Unemployment Compensation claims and \$5.1 million for claims and judgments.
- There are eleven lawsuits pending against **SDP** asserting claims in violation of 1983 of the Civil Rights Act. In the opinion of the Interim General Counsel of the **SDP**, unfavorable outcomes are deemed reasonably possible in an aggregate amount and including other attorney fees of approximately \$3.1 million. There is no limitation on the exposure or potential liability of the **SDP** for civil rights violations.
- More than thirty years ago, the Pennsylvania Human Relations Commission (the "Commission") initiated an action against the **SDP** in Pennsylvania Commonwealth court to end historical de facto racial segregation in public schools and sought to compel remedies such as forced busing. Between 1973 and 1993, the **SDP** and the Commission developed a series of desegregation plans, strategies and reforms with the objective of achieving maximum feasible desegregation. Despite the persistence of racially segregated residential patterns and the number of non-minority students choosing to attend any number of parochial or private schools in the region, the Court determined, from time to time and over the years, that such reform efforts were inadequate to cure the problem of racial isolation in the public schools.

In late 1995, the Court joined the Commonwealth of Pennsylvania as a defendant in the action, and in the summer of 1996, held that the Commonwealth was liable for substantial and ongoing financial contributions to **SDP** to fund and support 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 nearly 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 of the case was returned to the Commonwealth Court.

Since that time, **SDP** has continued to implement remedial measures and reports periodically to the Court on its progress toward satisfying the Court's mandates. In May and September 2001, and at the request of the Court, **SDP** submitted a Comprehensive School Safety and Security Plan and a Curriculum Renewal Plan (collectively the "Plans") intended to guide managements' work in the areas of curriculum and instruction. Following a hearing, the Court issued an Opinion and Order concluding that **SDP** had 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 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 reiterate its position that the Plans approved by the Court in September, 2001, are to be implemented by **SDP** notwithstanding any changes in management or organizational structure given the possibility of the impending state "takeover" of the district.

After the Commonwealth assumed control of the district and between July 2002 and July 2003, **SDP** responded to Court questions, submitted materials, attended conferences, accompanied court officials on tours of elementary schools, and provided testimony concerning the series of initiatives being undertaken by management and the School Reform Commission. Nevertheless by letter dated August, 2003, the Court indicated its intent to defer issuing an opinion and order until Counsel confer among themselves to determine whether they can agree upon a consent decree for submission and approval by the court. Since this time counsel for **SDP**, the Commission and Intervenors meet on a regular and consistent basis to develop a proposed Memorandum of Understanding (the "MOU").

More specifically, the MOU, which was submitted to the Court for review and approved in March of 2004, stays all judicial proceedings for an initial period of three years while requiring that **SDP** submit annual reports to the Commission. As detailed in the MOU, the Commission will provide written feedback to **SDP** based on its review of the 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 to 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..

By order of the Court and following a hearing "for formal Court review and approval of the Memorandum of Understanding entered into by the parties in an effort to avoid continue litigation and to move toward a final resolution of this long-standing Philadelphia School desegregation case," the Court approved the MOU. The order further provided that "at the end of the Term of the Memorandum of Understanding, and unless the Pennsylvania Human Relations Commission or the **SDP** files an application with the Court indicating that areas of disagreement still remain, the case shall be terminated with prejudice upon precept by the Commission."

Subsequently, **SDP** submitted an interim report to the Commission and Intervenors in April, 2004, and its first annual report under the MOU in December, 2004. There was no formal feedback or objection to any portion of **SDP's** first annual report by the Commission. **SDP** intends to render its second annual report in December, 2005.

SDP believes that the substantive and procedural aspects of the MOU have the potential to lead to a final resolution of this matter. Management is unable, at this stage however, to express an opinion concerning whether disagreements will remain at the end of the term of the MOU. Should the parties not resolve this matter within the framework of the MOU and should the stay be lifted, **SDP** believes 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.

- **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. Though discussions with state representatives regarding relief from this potential liability are ongoing, because no final determination of forgiveness has been made to date, there still remains a reasonably possible loss in this category in the total amount of \$40.0 million.

- The complaint in *Bower Lewis Thrower Architects v. SDP* arises out of an Agreement for Architectural and Engineering Services dated December, 2003. The complaint alleges, in pertinent part, that **SDP** committed copyright infringement by the unauthorized copying and use of the plaintiff's copyrighted works or otherwise the drawings it allegedly submitted to **SDP**. The complaint also alleges that **SDP** owes the plaintiff \$0.2 million for basis services under the agreement and \$0.6 million for additional services. Moreover, the complaint seeks unspecified damages for alleged copyright infringement, breach of contract and conversion together with an injunction. In addition to filing an answer denying any liability to the plaintiff and specifically denying any unauthorized use of any drawings, **SDP** filed a counterclaim alleging breach of contract claiming damages in excess of \$3.0 million. Soon thereafter, the plaintiff filed a motion for a preliminary injunction seeking to prevent the alleged and continuing unauthorized copying or use of plaintiff's documents. Consequently, **SDP** filed an opposition to the motion and based on an agreement of the parties, the Court entered an order combining the hearing of the preliminary injunction with that of the trial. Since that time, and pursuant to an Order of the Court requiring completion of all discovery by February, 2006, the parties have engaged in substantial discovery. A trial date is set for May, 2006. In the opinion of both outside counsel for and the Interim General Counsel of **SDP**, management is vigorously defending the claims made against it and prosecuting its counterclaim. At this stage of the proceeding however, the likelihood of an unfavorable outcome or the range of any possible adverse judgment cannot be predicted, but is deemed to be reasonably possible but in an amount less than \$1.0 million.
- In *Robert Johnson v. SDP and K Sangster*, a lawsuit was filed by three former and one current employee alleging reverse racial discrimination and retaliation under Title VII of the Civil Rights Act and the Pennsylvania Human Relations Act. Collectively, the plaintiffs claim that **SDP** and the Chief Procurement Officer ("CPO"), an African American female, terminated their employment on the basis of race (white) and retaliated against them by denying alternative placement or positions. In February, 2003, the CPO announced the complete restructuring of the Procurement Department and informed plaintiffs that their positions were eliminated to achieve optimal cost reduction and not based on race. Although certain claims were dismissed by the Court, the remaining claims proceeded to a trial by jury in December, 2005. A jury verdict was entered in favor of the plaintiffs and against **SDP** and Sangster. **SDP** intends to file post-trial motions and an appeal. In the opinion of both outside counsel for the Interim General Counsel of **SDP**, the likelihood of an unfavorable outcome against **SDP** is probable in the aggregate amount of \$3.4 million.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

- (1) In July 2005, 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, 2006.
- (2) In August, 2005, the City issued Airport Revenue Bonds, Series 2005A sub series (1), (2) and (3) in the amounts of \$59.7 million, \$22.6 million and 42.6 million respectively. Sub series (1) are serial bonds with interest rates ranging from 4.2% to 5.0% and mature in 2025. Sub series (2) and (3) are terms bonds, with interest rates from 4.67% to 4.75%, maturing through 2035. The proceeds will be used to finance a portion of the cost of Airport capital projects.
- (3) In August, 2005, the City through PAID issued \$10.8 million in Lease Revenue Bonds, Series 2005. The bonds have interest rates ranging from 2.7% to 4.3% and a maturity date of 2025. The proceeds of the bonds will be used to finance a portion of the initial cost of the Central Library Expansion Project.

- (4) In September, 2005, US Airways Bankruptcy Plan of Reorganization became effective and the airline exited bankruptcy. On that same date, US Airways merged with American West Airlines with the new combined entity operating under the US Airways name. As part of the bankruptcy proceedings, US Airways assumed its' Use and Lease Agreement with the City of Philadelphia. US Airways continues to operate its regular domestic and international flight schedule from Philadelphia International Airport. The City of Philadelphia received all fees and rents due it as claims under the bankruptcy proceeding.
- (5) In September, 2005, Delta Air Lines and eighteen of its affiliates and subsidiaries filed for protection under the United States Bankruptcy Code in the Southern District of New York. Since that time the Airline has continued to operate under Chapter 11 reorganization including its operations in Philadelphia International Airport. Delta Air Lines continues to operate its business and manage its property as a Debtor in Possession. Delta Air Lines presently operates 21 daily flights from Philadelphia. In September, 2005, Northwest Airlines Corporation and twelve of its affiliates and subsidiaries filed for protection under the United States Bankruptcy Code in the Southern District of New York. Since that time the Airline has continued to operate under Chapter 11 reorganization including its operation at the Philadelphia International Airport. Northwest Airlines continues to operate its business and manage its property as a Debtor in Possession. Northwest Airlines presently operates 10 daily flights from Philadelphia.

B. COMPONENT UNITS

- (1) In July 2005, the **SDP** was authorized to issue up to \$525.0 million in Tax and Revenue Anticipation Notes. The proceeds of the notes are used for cash flow purposes and will be invested until needed and repaid by June 30, 2006. As of November 2005, the School District has issued \$475.0 million.
- (2) The **SDP** issued \$29.9 million in general obligation bonds during September 2005. The bonds were structured with a 15 year useful life and the proceeds will be used to fund classroom modernization projects, procure security equipment, upgrade athletic fields and procure athletic and band equipment.
- (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) In November, 2005, the **PCCA** issued Refunding Revenue Bonds, Series 2005A, sub series (1) and (2) in the amounts of \$143.5 million and \$86.1 million respectively. Sub series (1) has interest rates ranging from 4.38% to 5.13% and mature through 2015. Sub series (2) are term bonds, have an interest rate of 5.27% and mature through 2019. The bonds will be used to refund 1994 Series A bonds and various issuance and debt service cost for the 2005A series.
- (5) In May 2005, the School Reform Commission authorized the **SDP** to enter into one or more basis swaps related to certain outstanding general obligation bonds of the School District for the purpose of managing interest expense. The School District entered into basis swaps with two counterparties for the notional amount of \$342.4 million during October 2005. Consequently, the School District received \$7.2 million in upfront cash payments in addition to ongoing payments that will be received from the counterparties over the term of each basis swap.

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, 2005

Exhibit XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Tax Revenue	2,041,815	2,145,583	2,230,313	84,730
Locally Generated Non-Tax Revenue	246,442	212,859	200,882	(11,977)
Revenue from Other Governments	1,024,088	1,047,707	1,054,598	6,891
Revenue from Other Funds	27,909	28,873	26,333	(2,540)
	<u>3,340,254</u>	<u>3,435,022</u>	<u>3,512,126</u>	<u>77,104</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	1,242,657	1,251,485	1,243,504	7,981
Pension Contributions	319,437	315,489	315,489	-
Other Employee Benefits	393,187	396,978	389,244	7,734
Sub-Total Employee Compensation	1,955,281	1,963,952	1,948,237	15,715
Purchase of Services	1,097,055	1,088,245	1,090,149	(1,904)
Materials and Supplies	55,491	57,561	56,930	631
Equipment	12,840	14,841	14,577	264
Contributions, Indemnities and Taxes	109,133	113,503	113,457	46
Debt Service	91,533	89,660	89,660	-
Payments to Other Funds	24,711	36,600	36,588	12
Advances, Subsidies, Miscellaneous	36,740	36,740	36,740	-
	<u>3,382,784</u>	<u>3,401,102</u>	<u>3,386,338</u>	<u>14,764</u>
Operating Surplus (Deficit) for the Year	<u>(42,530)</u>	<u>33,920</u>	<u>125,788</u>	<u>91,868</u>
Fund Balance Available for Appropriation, July 1, 2004	14,639	(46,789)	(46,789)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	28,000	18,000	16,955	(1,045)
Revenue Adjustments - Net	-	-	214	214
	<u>42,639</u>	<u>(28,789)</u>	<u>(29,620)</u>	<u>(831)</u>
Fund Balance Available for Appropriation, June 30, 2005	<u>109</u>	<u>5,131</u>	<u>96,168</u>	<u>91,037</u>

* 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, 2005

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts		Actual*	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	6,000	4,000	6,613	2,613
Revenue from Other Governments	574,897	576,897	573,117	(3,780)
Total Revenues	580,897	580,897	579,730	(1,167)
Other Sources				
Increase in Unreimbursed Commitments	-	-	1,516	1,516
Increase in Financed Reserves	-	-	(24,605)	(24,605)
Total Revenues and Other Sources	580,897	580,897	556,641	(24,256)
Expenditures and Encumbrances				
Purchase of Services	603,317	603,317	566,235	37,082
Equipment	100	100	-	100
Payments to Other Funds	1,480	1,480	600	880
Total Expenditures and Encumbrances	604,897	604,897	566,835	38,062
Operating Surplus (Deficit) for the Year	(24,000)	(24,000)	(10,194)	13,806
Fund Balance Available for Appropriation, July 1, 2004	102,663	143,973	143,973	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	907	907
Adjusted Fund Balance, July 1, 2004	102,663	143,973	144,880	907
Fund Balance Available for Appropriation, June 30, 2005	78,663	119,973	134,686	14,713

* 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, 2005

Exhibit XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Locally Generated Non-Tax Revenue	54,267	52,636	32,683	(19,953)
Revenue from Other Governments	1,055,547	903,727	718,809	(184,918)
Total Revenues	1,109,814	956,363	751,492	(204,871)
Other Sources				
Increase in Unreimbursed Commitments	-	-	12,308	12,308
Increase in Financed Reserves	-	-	(85,683)	(85,683)
Total Revenues and Other Sources	1,109,814	956,363	678,117	(278,246)
Expenditures and Encumbrances				
Personal Services	97,172	97,498	72,557	24,941
Pension Contributions	6,899	9,051	8,383	668
Other Employee Benefits	12,743	15,162	13,737	1,425
Sub-Total Employee Compensation	116,814	121,711	94,677	27,034
Purchase of Services	847,604	846,563	656,998	189,565
Materials and Supplies	15,651	18,765	12,372	6,393
Equipment	11,582	12,242	3,476	8,766
Contributions, Indemnities and Taxes	864	1,850	949	901
Payments to Other Funds	17,299	18,458	32,564	(14,106)
Advances, Subsidies, Miscellaneous	100,000	71,116	-	71,116
Total Expenditures and Encumbrances	1,109,814	1,090,705	801,036	289,669
Operating Surplus (Deficit) for the Year	-	(134,342)	(122,919)	11,423
Fund Balance Available for Appropriation, July 1, 2004	-	(53,904)	(53,904)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	30,771	30,771
Revenue Adjustments - Net	-	-	102,797	102,797
Prior Period Adjustments	-	53,904	-	(53,904)
Adjusted Fund Balance, July 1, 2004	-	-	79,664	79,664
Fund Balance Available for Appropriation, June 30, 2005	-	(134,342)	(43,255)	91,087

* Refer to the notes to required supplementary information.

City of Philadelphia
 Required Supplementary Information
 Pension Plans - Schedule of Funding Progress

Exhibit XVII

Amounts in thousands of USD

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b - a)	<u>Funded Ratio</u> (a / b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percent of Covered Payroll</u> (b - a) / c
<u>City of Philadelphia Municipal Pension Plan</u>						
07/01/2002	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%
07/01/2004	4,333,100	7,247,700	2,914,600	59.79%	1,266,000	230.22%
<u>Philadelphia Gas Works Plan</u>						
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%
09/01/2003	356,000	427,006	71,006	83.37%	101,200	70.16%

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	3,512,126	579,730	751,492
Transfers	(225,235)	-	(156,833)
Program Income	-	-	54,812
Adjustments applicable to Prior Years Budgets	-	-	2,660
Change in Amount Held for Stadium Financing	202	-	-
Change in BPT Adjustment	(31,232)	-	-
Other	9,024	-	100,137
	<u>3,264,885</u>	<u>579,730</u>	<u>752,268</u>
Statement of Revenues, Expenditures & Changes in Fund Balance			
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,386,338	566,835	801,036
Transfers	(115,697)	-	(11,860)
Bond Issuance Costs	3,909	-	-
Expenditures applicable to Prior Years Budgets	49,435	(437)	42,607
Program Income	-	-	54,812
Other	9,025	-	-
Change in Amount Held for Stadium Financing	14,637	-	-
Current Year Encumbrances	(119,525)	(1,986)	(85,687)
	<u>3,228,122</u>	<u>564,412</u>	<u>800,908</u>
Statement of Revenues, Expenditures & Changes in Fund Balance			

III. OBLIGATION IN EXCESS OF APPROPRIATIONS

Fund	Classification	Amount
General Fund	Purchase of Services	(1,904)
Grants Revenue Fund	Payments to Other Funds	(14,106)

**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.

Schedule I

**City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005**

Amounts in thousands of USD

Special Revenue												
	County Liquids 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	Total
Assets												
Cash on Deposit and on Hand									3,556	447	30,000	34,003
Equity in Treasurer's Account	1,284	1,769	3,240	-	5,923	231	2,137	-	312	-	-	14,896
Investments	-	-	-	-	-	-	-	-	875	100	40,509	41,484
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	167	167
Taxes Receivable	-	-	4,396	-	575	-	-	-	-	-	3,561	8,532
Accounts Receivable	-	-	(531)	3,139	(4)	-	-	-	602	952	-	4,693
Allowance for Doubtful Accounts	-	-	-	(188)	-	-	-	-	-	-	-	(723)
Interest and Dividends Receivable	5	11	-	-	8	-	-	-	-	1	95	120
Due from Other Governmental Units	-	-	-	10,383	-	-	-	-	-	-	-	10,383
Other Assets	-	-	-	-	-	-	-	-	-	-	21	21
Total Assets	1,289	1,780	7,105	13,334	6,502	231	2,137	-	5,345	1,500	74,353	113,576
Liabilities and Fund Balances												
Liabilities:												
Vouchers Payable	50	34	-	1,676	-	-	67	-	74	-	-	1,901
Accounts Payable	14	177	4,009	3,667	-	-	82	-	831	1,349	80	10,209
Salaries and Wages Payable	-	-	-	138	-	-	-	-	-	-	76	214
Due to Other Funds	-	-	-	7,861	-	-	10	-	-	-	9,342	17,213
Due to Component Units	-	-	2,777	-	-	-	-	-	-	-	-	2,777
Funds Held in Escrow	-	-	-	-	-	12	447	-	567	-	-	1,014
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	12
Deferred Revenue	-	-	319	8,010	-	-	-	-	-	-	15,535	23,864
Total Liabilities	64	211	7,105	21,352	-	12	606	-	1,472	1,349	25,033	57,204
Fund Balances:												
Reserved for:												
Encumbrances	647	700	-	-	-	-	416	-	35	-	-	1,798
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-	43,603	43,603
Debt Service Principal	-	-	-	-	-	-	-	-	-	-	-	-
Stadium Financing	-	-	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	1,115	-	505	-	-	1,620
Unreserved:												
Designated for Trust Purposes	-	869	-	(8,018)	6,502	219	-	-	3,333	151	5,717	3,552
Undesignated	578	-	-	-	-	-	-	-	-	-	-	5,799
Total Fund Balances	1,225	1,569	-	(8,018)	6,502	219	1,531	-	3,873	151	49,320	56,372
Total Liabilities and Fund Balances	1,289	1,780	7,105	13,334	6,502	231	2,137	-	5,345	1,500	74,353	113,576

**City of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds(Continued)
June 30, 2005**

Schedule I

Amounts in thousands of USD

	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	-	-	31,956	31,956	-	-	-	329	66,288
Equity in Treasurer's Account	292	-	-	292	86,550	-	86,550	-	101,738
Investments	-	35	55,815	55,850	-	393	393	7,166	104,893
Due from Other Funds	-	-	4,450	4,450	-	-	-	-	4,617
Taxes Receivable	-	-	-	-	-	-	-	-	8,532
Accounts Receivable	-	-	-	-	-	-	-	2	4,695
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(723)
Interest and Dividends Receivable	-	-	135	135	34	-	34	-	289
Due from Other Governmental Units	-	-	-	-	24,713	-	24,713	-	35,096
Other Assets	-	-	-	-	-	-	-	-	21
Total Assets	292	35	92,356	92,683	111,297	393	111,690	7,497	325,446
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	7,414	-	7,414	-	9,315
Accounts Payable	-	-	-	-	6,697	-	6,697	58	16,964
Salaries and Wages Payable	-	-	-	-	204	-	204	-	418
Due to Other Funds	-	-	167	167	-	-	-	-	17,380
Due to Component Units	-	-	-	-	-	-	-	-	2,777
Funds Held in Escrow	-	-	-	-	2,598	-	2,598	-	3,612
Due to Other Governmental Units	-	-	-	-	-	-	-	-	12
Deferred Revenue	-	-	4,450	4,450	24,563	-	24,563	-	52,877
Total Liabilities	-	-	4,617	4,617	41,476	-	41,476	58	103,355
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	76,467	-	76,467	-	78,265
Intergovernmental Financing	-	-	-	-	-	-	-	-	43,603
Debt Service Principal	-	35	86,044	86,079	-	-	-	-	86,079
Debt Service Interest	292	-	-	292	-	-	-	-	292
Trust Purposes	-	-	-	-	-	-	-	4,018	5,638
Unreserved:									
Designated for Trust Purposes	-	-	-	-	-	-	-	3,421	6,973
Undesignated	-	-	1,695	1,695	(6,646)	393	(6,253)	-	1,241
Total Fund Balances	292	35	87,739	88,066	69,821	393	70,214	7,439	222,091
Total Liabilities and Fund Balances	292	35	92,356	92,683	111,297	393	111,690	7,497	325,446

**City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2005**

Schedule II

Amounts in thousands of USD

	Special Revenue											Total
	County Liquids 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	-	-	32,928	-	4,523	-	-	-	-	-	298,634	336,085
Locally Generated Non-Tax Revenue	20	46	36	328	125	-	1,439	649	4,030	12,151	1,932	20,756
Revenue from Other Governments	4,916	20,605	-	69,448	-	-	-	-	-	-	-	94,969
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	4,936	20,651	32,964	69,776	4,648	-	1,439	649	4,030	12,151	300,566	451,810
Expenditures												
Current Operating:												
Economic Development	-	-	32,964	-	-	-	-	-	-	-	-	32,964
Transportation:												
Streets & Highways	4,346	20,629	-	-	-	-	-	-	-	-	-	24,975
Judiciary and Law Enforcement:												
Prisons	-	-	-	-	-	-	1,297	-	-	-	-	1,297
Housing and Neighborhood Development	-	-	-	71,103	-	-	-	-	-	-	-	71,103
Cultural and Recreational:												
Recreation	-	-	-	-	-	-	-	-	1,493	-	-	1,493
Parks	-	-	-	-	-	-	-	-	2,559	-	-	2,559
Libraries and Museums	-	-	-	-	-	-	-	-	190	-	-	190
General Management and Support	-	-	-	57	3,835	-	-	649	33	12,136	982	17,692
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	4,895	4,895
Total Expenditures	4,346	20,629	32,964	71,160	3,835	-	1,297	649	4,275	12,136	5,877	157,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	590	22	-	(1,384)	813	-	142	-	(245)	15	294,689	294,642
Other Financing Sources (Uses)												
Transfers In	-	-	-	-	-	-	-	-	705	-	-	705
Transfers Out	-	-	-	-	-	-	-	-	-	-	(294,106)	(294,106)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	705	-	(294,106)	(293,401)
Net Change in Fund Balances	590	22	-	(1,384)	813	-	142	-	460	15	583	1,241
Fund Balance - July 1, 2004	635	1,547	-	(6,634)	5,689	219	1,389	-	3,413	136	48,737	55,131
Fund Balance - June 30, 2005	1,225	1,569	-	(8,018)	6,502	219	1,531	-	3,873	151	49,320	56,372

**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, 2005**

Schedule II

Amounts in thousands of US\$

	Debt Service			Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority			Total
Revenues								
Tax Revenue	-	-	-	-	-	-	-	336,085
Locally Generated Non-Tax Revenue	-	8	3,399	3,407	121	13	432	24,729
Revenue from Other Governments	-	-	-	-	5,655	-	-	100,624
Other Revenues	166	-	-	166	623	-	-	789
Total Revenues	166	8	3,399	3,573	6,399	13	432	462,227
Expenditures								
Current Operating:								
Economic Development	-	-	-	-	-	-	-	32,964
Transportation:								
Streets & Highways	-	-	-	-	-	-	-	24,975
Judiciary and Law Enforcement:								
Prisons	-	-	-	-	-	-	-	1,297
Housing and Neighborhood Development	-	-	-	-	-	-	-	71,103
Cultural and Recreational:								
Recreation	-	-	-	-	-	-	-	1,493
Parks	-	-	-	-	-	-	136	2,695
Libraries and Museums	-	-	-	-	-	-	-	190
General Management and Support	-	2	266	268	-	35	-	17,995
Capital Outlay	-	-	-	-	103,146	-	-	103,146
Debt Service:								
Principal	30,111	18,564	47,115	95,790	-	-	-	95,790
Interest	45,602	16,580	33,932	96,114	-	-	-	101,009
Total Expenditures	75,713	35,146	81,313	192,172	103,146	35	136	452,657
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,547)	(35,138)	(77,914)	(188,599)	(96,747)	(22)	296	9,570
Other Financing Sources (Uses)								
Transfers In	75,722	35,138	77,489	188,349	10,314	-	-	199,368
Transfers Out	-	-	-	-	-	(1,998)	-	(296,104)
Total Other Financing Sources (Uses)	75,722	35,138	77,489	188,349	10,314	(1,998)	-	(96,736)
Net Change in Fund Balances	175	-	(425)	(250)	(86,433)	(2,020)	296	(87,166)
Fund Balance - July 1, 2004	117	35	88,164	88,316	156,254	2,413	7,143	309,257
Fund Balances - June 30, 2005	292	35	87,739	88,066	69,821	393	7,439	222,091

City of Philadelphia
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2005

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	404,577	4,134,558	4,539,135
Securities Lending Collective Investment Pool	675	334,021	334,696
Accounts Receivable	-	6,199	6,199
Due from Brokers for Securities Sold	-	40,036	40,036
Interest and Dividends Receivable	1,871	9,391	11,262
Due from Other Governmental Units	-	4,162	4,162
Other Assets	-	11	11
	<hr/>	<hr/>	<hr/>
Total Assets	407,123	4,528,378	4,935,501
Liabilities			
Vouchers Payable	-	180	180
Accounts Payable	509	3,404	3,913
Salaries and Wages Payable	-	113	113
Due on Return of Securities Loaned	675	334,021	334,696
Due to Brokers for Securities Purchased	1,276	83,511	84,787
Accrued Expenses	-	840	840
Due to Other Governmental Units	3,239	-	3,239
Deferred Revenue	-	4,185	4,185
Other Liabilities	-	336	336
	<hr/>	<hr/>	<hr/>
Total Liabilities	5,699	426,590	432,289
	<hr/>	<hr/>	<hr/>
Net Assets Held in Trust for Pension Benefits	401,424	4,101,788	4,503,212

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2005

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	14,699	299,239	313,938
Employees' Contributions	-	49,328	49,328
Total Contributions	<u>14,699</u>	<u>348,567</u>	<u>363,266</u>
Investment Income:			
Interest and Dividends	11,568	74,571	86,139
Net Gain in Fair Value of Investments	20,077	321,234	341,311
(Less) Investments Expenses	(1,335)	(15,012)	(16,347)
Securities Lending Revenue	14	8,499	8,513
(Less) Securities Lending Expenses	(5)	(7,564)	(7,569)
Net Investment Gain	<u>30,319</u>	<u>381,728</u>	<u>412,047</u>
Miscellaneous Operating Revenues	-	358	358
Total Additions	<u>45,018</u>	<u>730,653</u>	<u>775,671</u>
Deductions			
Personal Services	-	3,321	3,321
Purchase of Services	-	1,645	1,645
Materials and Supplies	-	101	101
Employee Benefits	-	1,507	1,507
Pension Benefits	31,203	590,654	621,857
Refunds of Members' Contributions	-	4,641	4,641
Other Operating Expenses	-	203	203
Total Deductions	<u>31,203</u>	<u>602,072</u>	<u>633,275</u>
Net Decrease	<u>13,815</u>	<u>128,581</u>	<u>142,396</u>
Net Assets - July 1, 2004	387,609	3,973,207	4,360,816
Net Assets - June 30, 2005	<u><u>401,424</u></u>	<u><u>4,101,788</u></u>	<u><u>4,503,212</u></u>

City of Philadelphia
 Combining Statement of Fiduciary Net Assets
 Agency Funds
 June 30, 2005

Schedule V

Amounts in thousands of USD

	<u>Escrow Fund</u>	<u>Employee Health & Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<u>Assets</u>				
Cash on Deposit and on Hand	-	-	79,278	79,278
Equity in Treasurer's Account	6,928	9,016	-	15,944
Investments	-	-	25,219	25,219
Due from Other Funds	-	-	802	802
	<u>6,928</u>	<u>9,016</u>	<u>105,299</u>	<u>121,243</u>
Total Assets	<u>6,928</u>	<u>9,016</u>	<u>105,299</u>	<u>121,243</u>
<u>Liabilities</u>				
Vouchers Payable	-	527	-	527
Payroll Taxes Payable	-	3,690	-	3,690
Funds Held in Escrow	6,928	4,799	105,299	117,026
	<u>6,928</u>	<u>9,016</u>	<u>105,299</u>	<u>121,243</u>
Total Liabilities	<u>6,928</u>	<u>9,016</u>	<u>105,299</u>	<u>121,243</u>
Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Philadelphia
Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2005

Schedule VI

Amounts in thousands of USD

	Balance 7-1-2004	Additions	Deductions	Balance 6-30-2005
<u>Escrow Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	6,256	303,140	302,468	6,928
<u>Liabilities</u>				
Funds Held in Escrow	6,243	303,137	302,452	6,928
Vouchers Payable	13	371	384	-
<u>Total Liabilities</u>	6,256	303,508	302,836	6,928
<u>Employee Health and Welfare Fund</u>				
<u>Assets</u>				
Equity in Treasurer's Account	8,457	842,090	841,531	9,016
<u>Liabilities</u>				
Vouchers Payable	276	5,439	5,188	527
Payroll Taxes Payable	4,682	725,839	726,831	3,690
Funds Held in Escrow	3,499	90,204	88,904	4,799
<u>Total Liabilities</u>	8,457	821,482	820,923	9,016
<u>Departmental Custodial Accounts</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	79,725	64,765	65,212	79,278
Investments	25,219	-	-	25,219
Due from Other Funds	741	105	44	802
<u>Total Assets</u>	105,685	64,870	65,256	105,299
<u>Liabilities</u>				
Funds Held in Escrow	105,685	64,870	65,256	105,299
<u>Totals - Agency Funds</u>				
<u>Assets</u>				
Cash on Deposit and on Hand	79,725	64,765	65,212	79,278
Equity in Treasurer's Account	14,713	1,145,230	1,143,999	15,944
Investments	25,219	-	-	25,219
Due from Other Funds	741	105	44	802
<u>Total Assets</u>	120,398	1,210,100	1,209,255	121,243
<u>Liabilities</u>				
Vouchers Payable	289	5,810	5,572	527
Payroll Taxes Payable	4,682	725,839	726,831	3,690
Funds Held in Escrow	115,427	458,211	456,612	117,026
<u>Total Liabilities</u>	120,398	1,189,860	1,189,015	121,243

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2005

Schedule VII

Amounts in thousands of USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2005 Outstanding	Maturities	Interest Rates	Fiscal 2006	
							Debt Service Requirements Interest	Debt Service Requirements Principal
General Obligation Bonds:								
Term Bonds								
	34,966,006 (1)	12/01/1995	28,516,101	28,516,101	05/2014 to 05/2025	5.00	1,425,805	-
	(1)	11/15/1998	6,449,905	6,449,905	03/2019 to 03/2028	5.00	322,495	-
	72,135,877 (1)	12/01/1995	36,358,899	36,358,899	05/2014 to 05/2025	5.00	1,817,945	-
	(1)	11/15/1998	35,776,978	35,776,978	03/2019 to 03/2028	5.00	1,788,849	-
	68,194,869 (1)	11/15/1998	68,194,869	68,194,869	03/2019 to 03/2028	5.00	3,409,744	-
	22,303,248 (1)	11/15/1998	22,303,248	22,303,248	03/2019 to 03/2028	5.00	1,115,162	-
	51,328,447 (1)	01/01/2001	51,328,447	51,328,447	09/2022 to 09/2031	5.00 to 5.25	2,610,226	-
	98,974,271 (1)	01/01/2001	96,961,553	96,961,553	09/2022 to 09/2031	5.00 to 5.25	4,930,824	-
	120,935,000 (3)	12/02/2003	100,000,000	99,975,000	2/2006 to 2/2033	Variable rates	2,478,361	25,000
	(3)	12/02/2003	20,935,000	20,929,766	2/2006 to 2/2033	Variable rates	671,451	5,234
	79,065,000 (3)	12/02/2003	79,065,000	79,045,234	2/2006 to 2/2033	Variable rates	2,535,862	19,766
Total Term Bonds	547,902,718		545,890,000	545,840,000			23,106,724	50,000
Refunding Issues								
	178,240,000	12/01/1998	178,240,000	146,410,000	05/2006 to 05/2020	4.75 to 5.25	7,317,331	5,765,000
Total Refunding Bonds	178,240,000		178,240,000	146,410,000			7,317,331	5,765,000
Serial Bonds								
	6,000,000	02/16/1956	6,000,000	120,000	01/2006	1.00	1,200	120,000
	20,000,000	NA	20,000,000	8,101,066	07/2005 to 06/2013	1.00	75,744	1,151,238
	73,033,994	06/15/1994	47,500,000	12,845,000	11/2005 to 11/2014	5.60 to 6.00	690,518	2,285,000
	(1)	12/01/1995	19,834,899	4,986,746	05/2006 to 05/2025	4.90 to 5.00	248,179	1,158,226
	(1)	11/15/1998	5,699,095	4,592,078	03/2006 to 03/2018	4.20 to 5.25	231,325	48,596
	56,902,420 (1)	12/01/1995	25,290,101	6,358,254	05/2006 to 05/2025	4.90 to 5.00	316,436	1,476,774
	(1)	11/15/1998	31,612,319	25,471,807	03/2006 to 03/2018	4.20 to 5.25	1,283,136	269,557
	60,256,571 (1)	11/15/1998	60,256,571	48,552,075	03/2006 to 03/2018	4.20 to 5.25	2,445,799	513,806
	19,707,015 (1)	11/15/1998	19,707,015	15,879,040	03/2006 to 03/2018	4.20 to 5.25	799,903	168,041
	50,781,553 (1)	01/01/2001	50,781,553	45,700,282	09/2005 to 09/2021	3.95 to 5.50	2,188,303	1,825,865
	97,919,719 (1)	01/01/2001	95,928,447	86,329,718	09/2005 to 09/2021	3.95 to 5.50	4,133,795	3,449,135
	12,165,000 (1)	12/02/2003	12,165,000	11,632,173	02/2006 to 02/2015	4 to 5.25	584,467	688,539
	92,195,000	12/02/2003	37,835,000	36,177,827	02/2006 to 02/2015	4 to 5.25	1,817,783	2,141,461
Total Serial Bonds	488,961,272		432,610,000	306,746,066			14,816,588	15,296,238
Total General Obligation Bonds	1,215,103,990		1,156,740,000	998,996,066			45,240,643	21,111,238

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2005

Schedule VII

Amounts in thousands of USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2005 Outstanding	Maturities	Interest Rates	Fiscal 2006	
							Debt Service Requirements Interest	Principal
General Obligation Bonds:								
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	-	6,600,000
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	36,100,000
Series 1995	221,630,000	04/15/1995	221,630,000	88,100,000	08/2005 to 08/2018	5.30 to 6.75	5,164,090	8,810,000
Series 1997 A	350,000,000	10/15/1997	250,000,000	210,020,000	08/2005 to 08/2027	5.00 to 5.25	10,527,431	5,235,000
Series 1997 B	(3)	11/25/1997	100,000,000	88,300,000	08/2005 to 08/2027	Variable rates	1,956,634	2,300,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	7,097,213	-
Series 1999	33,040,000	07/07/1999	33,040,000	33,020,000	12/2005 to 12/2006	5.00	1,247,625	16,135,000
Series 1999 A	6,700,000	N.A.	6,700,000	2,201,320	07/2005 to 04/2019	2.73	54,992	408,309
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	374,310,000	06/2006 to 06/2023	Variable rates	16,918,812	995,000
Series 2005 A	250,000,000	05/04/2005	250,000,000	250,000,000	07/2006 to 07/2035	3.00 to 5.25	8,106,412	-
Series 2005 B	86,105,000 (3)	05/04/2005	86,105,000	86,105,000	08/2005 to 08/2018	variable	2,861,543	1,385,000
Revenue Bonds	3,065,705,000		2,918,145,000	1,913,791,320			87,255,834	77,968,309
Aviation Revenue Bonds:								
Series 1997 A and B	222,265,000	07/01/1997	222,265,000	139,935,000	06/2006 to 06/2027	5.00 to 6.00	7,707,950	13,420,000
Series 1998 A	123,405,000	03/17/1998	123,405,000	94,395,000	06/2006 to 06/2018	5.25 to 6.00	5,191,906	5,125,000
Series 1998 B	443,700,000	07/01/1998	443,700,000	417,570,000	07/2005 to 07/2028	5.00 to 5.375	21,144,093	9,215,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	180,630,000	07/2005 to 07/2028	5.125 to 5.50	9,545,520	3,775,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	38,690,000	06/2006 to 06/2031	4.00 to 5.50	2,001,094	760,000
Series 2005 B	41,000,000 (3)	06/02/2005	41,000,000	41,000,000	06/2011 to 06/2020	variable rates	1,009,072	-
Series 2005 C	189,500,000 (3)	06/02/2005	189,500,000	189,500,000	06/2006 to 06/2025	variable rates	12,252,618	3,200,000
Total Aviation Revenue Bonds	1,247,670,000		1,247,670,000	1,101,720,000			58,852,253	35,495,000
Total Revenue Bonds	4,313,375,000		4,165,815,000	3,015,511,320			146,108,087	113,463,309
Total All Bonds	5,528,478,990		5,322,555,000	4,014,507,386 (4)			\$ 191,348,730	\$ 134,574,547

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

- (3) Based on latest available estimated rates.
- (4) A summary of all Bonds Outstanding is as follows:

General Fund Types:	general Obligation Bonds	Revenue Bonds	Total Bonds
General Fund	990,895,000	-	990,895,000
Proprietary Fund Types:			
Water Fund	8,101,066	1,913,791,320	1,921,892,386
Aviation Fund	-	1,101,720,000	1,101,720,000
Total Proprietary Funds	8,101,066	3,015,511,320	3,023,612,386
Total All Funds	998,996,066	3,015,511,320	4,014,507,386

City of Philadelphia
Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2005

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	433,100	410,744	419,696	8,952
Revenue from Other Governments	2,200	1,108	501	(607)
Revenue from Other Funds	<u>73,571</u>	<u>52,424</u>	<u>31,272</u>	<u>(21,152)</u>
Total Revenues	508,871	464,276	451,469	(12,807)
<u>Expenditures and Encumbrances</u>				
Personal Services	107,656	107,571	98,791	8,780
Pension Contributions	22,000	25,308	25,308	-
Other Employee Benefits	<u>31,369</u>	<u>28,061</u>	<u>27,835</u>	<u>226</u>
Sub-Total Employee Compensation	161,025	160,940	151,934	9,006
Purchase of Services	92,494	92,494	78,143	14,351
Materials and Supplies	33,962	33,966	32,469	1,497
Equipment	5,931	5,927	4,632	1,295
Contributions, Indemnities and Taxes	6,525	6,609	2,413	4,196
Debt Service	178,104	178,105	156,547	21,558
Payments to Other Funds	<u>42,830</u>	<u>42,830</u>	<u>37,951</u>	<u>4,879</u>
Total Expenditures and Encumbrances	<u>520,871</u>	<u>520,871</u>	<u>464,089</u>	<u>56,782</u>
Operating Surplus (Deficit) for the Year	<u>(12,000)</u>	<u>(56,595)</u>	<u>(12,620)</u>	<u>43,975</u>
Fund Balance Available for Appropriation, July 1, 2004	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	12,000	12,000	12,619	619
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Adjusted Fund Balance, July 1, 2004	<u>12,000</u>	<u>12,000</u>	<u>12,620</u>	<u>620</u>
Fund Balance Available for Appropriation, June 30, 2005	<u>-</u>	<u>(44,595)</u>	<u>-</u>	<u>44,595</u>

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2005

Schedule IX

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	300	100	33	(67)
Revenue from Other Funds	<u>141,950</u>	<u>13,531</u>	<u>13,128</u>	<u>(403)</u>
Total Revenues	142,250	13,631	13,161	(470)
Expenditures and Encumbrances				
Personal Services	125,000	125,000	-	125,000
Payments to Other Funds	<u>23,994</u>	<u>23,994</u>	<u>15,401</u>	<u>8,593</u>
Total Expenditures and Encumbrances	<u>148,994</u>	<u>148,994</u>	<u>15,401</u>	<u>133,593</u>
Operating Surplus (Deficit) for the Year	<u>(6,744)</u>	<u>(135,363)</u>	<u>(2,240)</u>	<u>133,123</u>
Fund Balance Available for Appropriation, July 1, 2004	6,970	10,987	10,987	-
Fund Balance Available for Appropriation, June 30, 2005	<u><u>226</u></u>	<u><u>(124,376)</u></u>	<u><u>8,747</u></u>	<u><u>133,123</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2005

Schedule X

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	8	6	20	14
Revenue from Other Governments	4,841	4,907	4,916	9
Total Revenues	4,849	4,913	4,936	23
Expenditures and Encumbrances				
Personal Services	3,284	2,884	2,884	-
Purchase of Services	1,311	1,159	1,157	2
Materials and Supplies	260	377	366	11
Equipment	80	515	515	-
Payments to Other Funds	15	15	14	1
Total Expenditures and Encumbrances	4,950	4,950	4,936	14
Operating Surplus (Deficit) for the Year	(101)	(37)	-	37
Fund Balance Available for Appropriation, July 1, 2004	247	400	400	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	120	90	178	88
Adjusted Fund Balance, July 1, 2004	367	490	578	88
Fund Balance Available for Appropriation, June 30, 2005	266	453	578	125

City of Philadelphia
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2005

Schedule XI

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	26	21	46	25
Revenue from Other Governments	19,662	20,546	20,605	59
Total Revenues	19,688	20,567	20,651	84
Expenditures and Encumbrances				
Personal Services	12,409	12,159	12,159	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	13,409	13,159	13,159	-
Purchase of Services	2,671	3,402	3,401	1
Materials and Supplies	3,795	3,790	3,778	12
Equipment	100	414	421	(7)
Payments to Other Funds	31	31	31	-
Total Expenditures and Encumbrances	20,006	20,796	20,790	6
Operating Surplus (Deficit) for the Year	(318)	(229)	(139)	90
Fund Balance Available for Appropriation, July 1, 2004	194	732	732	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	130	80	273	193
Prior Period Adjustments	-	-	3	3
Adjusted Fund Balance, July 1, 2004	324	812	1,008	196
Fund Balance Available for Appropriation, June 30, 2005	6	583	869	286

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2005

Schedule XII

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Taxes	38,030	38,060	32,928	(5,132)
Locally Generated Non-Tax Revenue	50	20	36	16
Total Revenues	38,080	38,080	32,964	(5,116)
Expenditures and Encumbrances				
Personal Services	80	80	80	-
Contributions, Indemnities and Taxes	38,000	38,000	35,686	2,314
Total Expenditures and Encumbrances	38,080	38,080	35,766	2,314
Operating Surplus (Deficit) for the Year	-	-	(2,802)	(2,802)
Fund Balance Available for Appropriation, July 1, 2004	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	2,802	2,802
Adjusted Fund Balance, July 1, 2004	-	-	2,802	2,802
Fund Balance Available for Appropriation, June 30, 2005	-	-	-	-

City of Philadelphia
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2005

Schedule XIII

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	293,495	281,000	246,345	(34,655)
Revenue from Other Governments	2,300	2,300	1,764	(536)
Revenue from Other Funds	475	500	882	382
Total Revenues	296,270	283,800	248,991	(34,809)
Expenditures and Encumbrances				
Personal Services	56,177	56,177	51,674	4,503
Pension Contributions	9,500	12,505	12,505	-
Other Employee Benefits	14,929	13,559	13,559	-
Sub-Total Employee Compensation	80,606	82,241	77,738	4,503
Purchase of Services	88,758	87,122	77,312	9,810
Materials and Supplies	9,005	8,946	6,706	2,240
Equipment	7,524	7,584	1,523	6,061
Contributions, Indemnities and Taxes	4,706	4,706	1,423	3,283
Debt Service	101,764	101,764	90,585	11,179
Payments to Other Funds	12,173	12,173	6,984	5,189
Advances, Subsidies, Miscellaneous	500	500	-	500
Total Expenditures and Encumbrances	305,036	305,036	262,271	42,765
Operating Surplus (Deficit) for the Year	(8,766)	(21,236)	(13,280)	7,956
Fund Balance Available for Appropriation, July 1, 2004	23,387	24,270	24,270	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	5,000	5,000	15,466	10,466
Prior Period Adjustments	-	-	81	81
Adjusted Fund Balance, July 1, 2004	28,387	29,270	39,817	10,547
Fund Balance Available for Appropriation, June 30, 2005	19,621	8,034	26,537	18,503

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2005

Schedule XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	250	250	328	78
Revenue from Other Governments	<u>131,768</u>	<u>111,768</u>	<u>59,810</u>	<u>(51,958)</u>
Total Revenues	132,018	112,018	60,138	(51,880)
<u>Other Sources</u>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>4,802</u>	<u>4,802</u>
Total Revenues and Other Sources	<u>132,018</u>	<u>112,018</u>	<u>64,940</u>	<u>(47,078)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	5,718	5,718	4,722	996
Pension Contributions	851	881	877	4
Other Employee Benefits	<u>1,436</u>	<u>1,406</u>	<u>1,357</u>	<u>49</u>
Sub-Total Employee Compensation	8,005	8,005	6,956	1,049
Purchase of Services	103,713	103,713	70,042	33,671
Materials and Supplies	202	227	179	48
Equipment	68	43	13	30
Payments to Other Funds	30	30	24	6
Advances, Subsidies, Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenditures and Encumbrances	<u>132,018</u>	<u>132,018</u>	<u>77,214</u>	<u>54,804</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(20,000)</u>	<u>(12,274)</u>	<u>7,726</u>
Fund Balance Available for Appropriation, July 1, 2004	-	(6,634)	(6,634)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	10,890	10,890
Prior Period Adjustments	<u>-</u>	<u>6,634</u>	<u>-</u>	<u>(6,634)</u>
Adjusted Fund Balance, July 1, 2004	<u>-</u>	<u>-</u>	<u>4,256</u>	<u>4,256</u>
Fund Balance Available for Appropriation, June 30, 2005	<u>-</u>	<u>(20,000)</u>	<u>(8,018)</u>	<u>11,982</u>

City of Philadelphia
Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2005

Schedule XV

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Taxes	3,835	3,950	4,523	573
Locally Generated Non-Tax Revenue	<u>20</u>	<u>50</u>	<u>125</u>	<u>75</u>
Total Revenues	3,855	4,000	4,648	648
Expenditures and Encumbrances				
Purchase of Services	<u>3,835</u>	<u>3,835</u>	<u>3,835</u>	-
Operating Surplus (Deficit) for the Year	<u>20</u>	<u>165</u>	<u>813</u>	<u>648</u>
Fund Balance Available for Appropriation, July 1, 2004	5,612	5,689	5,689	-
Fund Balance Available for Appropriation, June 30, 2005	<u>5,632</u>	<u>5,854</u>	<u>6,502</u>	<u>648</u>

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2005

Schedule XVI

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	350,411	356,632	9,276	(347,356)
Revenue from Other Governments	204,811	205,211	7,470	(197,741)
Total Revenues	555,222	561,843	16,746	(545,097)
Other Sources				
Increase in Unreimbursed Commitments	-	-	20,792	20,792
Total Revenues and Other Sources	555,222	561,843	37,538	(524,305)
Expenditures and Encumbrances				
Capital Outlay	555,222	561,843	128,707	433,136
Operating Surplus (Deficit) for the Year	-	-	(91,169)	(91,169)
Fund Balance Available for Appropriation, July 1, 2004	-	-	78,460	78,460
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	8,090	8,090
Revenue Adjustments - Net	-	-	(2,052)	(2,052)
Prior Period Adjustments	-	-	57	57
Other Adjustments	-	-	(32)	(32)
Adjusted Fund Balance, July 1, 2004	-	-	84,523	84,523
Fund Balance Available for Appropriation, June 30, 2005	-	-	(6,646)	(6,646)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2005

Schedule XVII

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenue				
Taxes				
Real Property Tax:				
Current	349,820	337,119	353,196	16,077
Prior Years	<u>35,000</u>	<u>54,000</u>	<u>39,485</u>	<u>(14,515)</u>
Total Real Property Tax	<u>384,820</u>	<u>391,119</u>	<u>392,681</u>	<u>1,562</u>
Wage and Earnings Taxes:				
Current	1,029,999	1,054,125	1,066,004	11,879
Prior Years	<u>29,000</u>	<u>19,000</u>	<u>7,625</u>	<u>(11,375)</u>
Total Wage and Earnings Taxes	<u>1,058,999</u>	<u>1,073,125</u>	<u>1,073,629</u>	<u>504</u>
Business Taxes:				
Business Privilege Taxes:				
Current	240,210	271,113	326,648	55,535
Prior Years	<u>52,000</u>	<u>44,000</u>	<u>52,808</u>	<u>8,808</u>
Total Business Privilege Tax	<u>292,210</u>	<u>315,113</u>	<u>379,456</u>	<u>64,343</u>
Net Profits Tax:				
Current	10,466	11,451	11,971	520
Prior Years	<u>2,500</u>	<u>2,200</u>	<u>1,749</u>	<u>(451)</u>
Total Net Profits Tax	<u>12,966</u>	<u>13,651</u>	<u>13,720</u>	<u>69</u>
Total Business Taxes	<u>305,176</u>	<u>328,764</u>	<u>393,176</u>	<u>64,412</u>
Other Taxes:				
Sales Tax	108,000	112,000	119,880	7,880
Amusement Tax	17,000	16,460	13,562	(2,898)
Real Property Transfer Tax	127,000	180,000	192,266	12,266
Parking Lot Tax	40,705	44,000	45,034	1,034
Miscellaneous Taxes	<u>115</u>	<u>115</u>	<u>85</u>	<u>(30)</u>
Total Other Taxes	<u>292,820</u>	<u>352,575</u>	<u>370,827</u>	<u>18,252</u>
Total Taxes	<u>2,041,815</u>	<u>2,145,583</u>	<u>2,230,313</u>	<u>84,730</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2005

Schedule XVII

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenue				
Revenue (Continued)				
Locally Generated Non-Tax Revenue				
Rentals from Leased City-Owned Properties	4,955	13,255	5,054	(8,201)
Licenses and Permits	40,085	39,684	40,608	924
Fines, Forfeits, Penalties, Confiscated Money and Property	19,315	19,225	18,401	(824)
Interest Income	11,950	12,200	17,998	5,798
Service Charges and Fees	104,039	98,741	94,322	(4,419)
Other	66,098	29,754	24,499	(5,255)
Total Locally Generated Non-Tax Revenue	246,442	212,859	200,882	(11,977)
Revenue from Other Governments				
United States Government:				
Grants and Reimbursements	362,262	335,774	355,027	19,253
Commonwealth of Pennsylvania:				
Grants and Other Payments	377,476	414,722	432,304	17,582
Other Governmental Units	284,350	297,211	267,267	(29,944)
Total Revenue from Other Governments	1,024,088	1,047,707	1,054,598	6,891
Revenue from Other Funds of the City	27,909	28,873	26,333	(2,540)
Total Revenues	3,340,254	3,435,022	3,512,126	77,104
Obligations				
General Government				
City Council	18,918	14,943	12,566	2,377
Mayor's Office:				
Mayor's Office	3,946	4,032	3,620	412
Scholarships	200	200	200	-
Mural Arts Program	865	865	786	79
Labor Relations	495	500	472	28
Mayor's Office of Information Services	11,179	11,649	11,549	100
Capital Program Office	1,977	2,954	2,829	125
Mayor's Office of Community Services	712	712	691	21
Law	15,134	15,215	15,237	(22)
City Planning Commission	3,109	3,409	3,353	56
Commission on Human Relations	2,259	2,289	2,163	126
Board of Revision of Taxes	8,287	8,288	7,617	671
Total General Government	67,081	65,056	61,083	3,973

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2005

Schedule XVII

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget
	Original	Final		to Actual
				Positive
				(Negative)
Revenue				
Obligations (Continued)				
Operation of Service Departments				
Housing	388	388	388	-
Managing Director	13,982	12,887	12,896	(9)
Police	470,507	477,186	477,259	(73)
Streets	116,563	125,691	125,522	169
Fire	166,603	174,208	173,475	733
Public Health	105,785	104,226	105,249	(1,023)
Office of Behavioral Health	14,693	14,720	14,682	38
Recreation	37,288	36,164	35,162	1,002
Fairmount Park Commission	13,494	15,287	15,219	68
Atwater Kent Museum	-	285	285	-
Camp William Penn	283	286	279	7
Public Property	153,003	164,285	167,306	(3,021)
Department of Human Services	640,801	600,659	600,679	(20)
Philadelphia Prisons	179,926	193,879	193,872	7
Office of Emergency Services	15,541	30,709	30,028	681
Office of Fleet Management	41,073	44,393	44,448	(55)
Licenses and Inspections	21,450	21,781	20,600	1,181
Board of L & I Review	213	213	176	37
Board of Building Standards	121	121	98	23
Zoning Board of Adjustment	498	498	419	79
Records	7,277	7,289	7,237	52
Philadelphia Historical Commission	326	314	294	20
Art Museum	-	2,000	2,000	-
Philadelphia Civic Center	271	238	2	236
Philadelphia Free Library	36,526	37,051	36,308	743
Total Operations of Service Departments	2,036,612	2,064,758	2,063,883	875
Financial Management				
Office of Director of Finance	58,784	43,416	42,098	1,318
Department of Revenue	17,804	17,904	16,381	1,523
Sinking Fund Commission	169,826	160,398	160,398	-
Procurement	4,399	5,011	5,213	(202)
City Treasurer	768	720	577	143
Audit of City Operations	7,315	7,393	7,137	256
Total Financial Management	258,896	234,842	231,804	3,038
City-Wide Appropriations Under the Director of Finance				
Fringe Benefits	712,624	712,466	706,233	6,233
Community College of Philadelphia	22,468	22,468	22,468	-
Legal Services	33,483	33,483	33,483	-
Hero Award	25	15	15	-
Refunds	500	14	14	-
Witness Fees	175	106	106	-
Contribution to School District	35,000	35,000	35,000	-
Total City-Wide Under Director of Finance	804,275	803,552	797,319	6,233

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2005

Schedule XVII

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenue				
Obligations (Continued)				
Promotion and Public Relations				
City Representative	45,477	45,596	45,596	-
Personnel				
Civic Service Commission	164	164	143	21
Personnel Director	4,568	4,624	4,276	348
Total Personnel	4,732	4,788	4,419	369
Administration of Justice				
Clerk of Quarter Sessions	4,486	4,568	4,413	155
Register of Wills	3,023	3,130	3,113	17
District Attorney	29,773	30,308	30,311	(3)
Sheriff	14,064	14,363	14,255	108
First Judicial District	104,913	119,375	119,375	-
Total Administration of Justice	156,259	171,744	171,467	277
City-Wide Appropriations Under the First Judicial District				
Juror Fees	1,492	1,746	1,746	-
Conduct of Elections				
City Commissioners	7,960	9,020	9,021	(1)
Total Obligations	3,382,784	3,401,102	3,386,338	14,764
Operating Surplus (Deficit) for the Year	(42,530)	33,920	125,788	91,868

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Water Operating Fund
For the Fiscal Year Ended June 30, 2005

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenue</u>				
<u>Locally Generated Non-Tax Revenue</u>				
Sales and Charges - Current	351,375	336,134	328,554	(7,580)
Sales and Charges - Prior Years	32,095	28,075	35,387	7,312
Fire Service Connections	1,006	1,457	1,452	(5)
Surcharges	5,175	5,354	4,887	(467)
Fines and Penalties	488	882	1,172	290
Miscellaneous Charges	1,029	1,041	1,206	165
Charges to Other Municipalities	22,524	23,700	35,349	11,649
Licenses and Permits	1,010	1,200	1,426	226
Interest Income	7,500	7,352	3,616	(3,736)
Fleet Management - Sale of Vehicles & Equipment	145	250	249	(1)
Contributions from Sinking Fund Reserve	8,318	4,000	4,401	401
Reimbursement of Expenditures	24	34	108	74
Repair Loan Program	2,291	1,160	1,758	598
Other	120	105	131	26
Total Locally Generated Non-Tax Revenue	433,100	410,744	419,696	8,952
<u>Revenue from Other Governments</u>				
State	2,200	1,100	418	(682)
Federal	-	8	83	75
Total Revenue from Other Governments	2,200	1,108	501	(607)
<u>Revenue from Other Funds</u>	73,571	52,424	31,272	(21,152)
Total Revenues	508,871	464,276	451,469	(12,807)
<u>Obligations</u>				
Mayor's Office of Information Services	1,037	1,037	1,034	3
Public Property	2,979	2,979	2,979	-
Office of Fleet Management	6,715	6,715	5,732	983
Water Department	242,297	244,610	218,235	26,375
Office of the Director of Finance	273	390	377	13
City-Wide Appropriation Under the Director of Finance:				
Pension Contributions	22,000	25,308	25,308	-
Other Employee Benefits	31,369	28,062	27,836	226
Contributions, Indemnities and Taxes	6,500	4,186	-	4,186
Department of Revenue	26,602	26,485	23,052	3,433
Sinking Fund Commission	178,105	178,105	156,547	21,558
Procurement Department	61	61	61	-
Law	2,933	2,933	2,928	5
Total Obligations	520,871	520,871	464,089	56,782
Operating Surplus (Deficit) for the Year	(12,000)	(56,595)	(12,620)	43,975

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2005

Schedule XIX

Amounts in thousands of USD)

	Budgeted Amounts		Actual	Final Budget
	Original	Final		to Actual Positive (Negative)
Revenue				
Locally Generated Non-Tax Revenue				
Concessions	25,000	25,000	21,522	(3,478)
Space Rentals	94,000	94,500	51,613	(42,887)
Landing Fees	54,000	50,250	50,501	251
Parking	15,500	22,000	27,239	5,239
Car Rentals	16,000	16,000	16,954	954
Payment in Aid - Terminal Building	28,000	17,000	6,326	(10,674)
Interest Earnings	2,700	1,475	1,666	191
Sale of Utilities	4,000	4,000	3,737	(263)
Passenger Facility charge	35,000	33,000	32,908	(92)
Overseas Terminal Facility Charges	250	250	112	(138)
International Terminal Charge	11,000	9,500	27,772	18,272
Other	8,045	8,025	5,995	(2,030)
Total Locally Generated Non-Tax Revenue	293,495	281,000	246,345	(34,655)
Revenue from Other Governments				
State	-	-	400	400
Federal	2,300	2,300	1,364	(936)
Total Revenue from Other Governments	2,300	2,300	1,764	(536)
Revenue from Other Funds	475	500	882	382
Total Revenues	296,270	283,800	248,991	(34,809)
Obligations				
Police	13,980	13,980	10,749	3,231
Fire	4,882	4,882	4,653	229
Public Property	22,444	22,444	22,036	408
Office of Fleet Management	7,394	7,394	3,148	4,246
City-Wide Appropriation Under the Director of Finance:				
Pension Contributions	9,500	12,506	12,506	-
Other Employee Benefits	14,929	13,559	13,559	-
Purchase of Services	4,146	2,510	2,348	162
Contributions, Indemnities and Taxes	2,512	2,124	-	2,124
Sinking Fund Commission	101,764	101,764	90,585	11,179
Commerce	122,130	122,518	101,383	21,135
Law	1,355	1,355	1,304	51
Total Obligations	305,036	305,036	262,271	42,765
Operating Surplus (Deficit) for the Year	(8,766)	(21,236)	(13,280)	7,956

Statistical Section

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City of Philadelphia
General Governmental Expenditures by Function
For the Fiscal Years 1996 Through 2005

Table 1

Amounts in millions of USD

Function:	<u>1996(b)</u>	<u>1997(b)</u>	<u>1998(b)</u>	<u>1999(b)</u>	<u>2000(b)</u>	<u>2001(b)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Economic Development	59.6	53.9	77.0	105.7	112.7	128.9	91.7	170.3	157.0	92.7
Transportation:(a)										
Streets & Highways							71.8	78.1	75.9	77.7
Mass Transit							56.9	57.5	52.9	56.6
	<u>118.8</u>	<u>122.4</u>	<u>126.5</u>	<u>127.6</u>	<u>131.5</u>	<u>131.1</u>	<u>128.7</u>	<u>135.6</u>	<u>128.8</u>	<u>134.3</u>
Judiciary and Law Enforcement:(a)										
Police							665.2	727.3	752.0	770.9
Prisons							194.8	214.3	224.5	241.3
Courts							265.7	246.5	267.8	276.9
	<u>832.8</u>	<u>907.8</u>	<u>919.3</u>	<u>964.4</u>	<u>1,002.6</u>	<u>1,072.9</u>	<u>1,125.7</u>	<u>1,188.1</u>	<u>1,244.3</u>	<u>1,289.1</u>
Conservation of Health:(a)										
Emergency Medical Services							25.7	28.5	29.7	33.3
Health Services							1,146.0	1,192.7	1,170.3	1,271.1
	<u>455.8</u>	<u>543.4</u>	<u>720.0</u>	<u>870.0</u>	<u>1,040.5</u>	<u>1,080.7</u>	<u>1,171.7</u>	<u>1,221.2</u>	<u>1,200.0</u>	<u>1,304.4</u>
Housing and Neighborhood Development	123.8	136.8	110.7	137.4	131.7	129.9	123.5	120.7	119.0	122.9
Cultural and Recreational:(a)										
Recreation							64.4	94.0	65.7	58.3
Parks							32.4	24.2	23.8	23.7
Libraries and Museums							62.6	64.4	61.1	68.2
	<u>117.3</u>	<u>122.1</u>	<u>127.7</u>	<u>139.4</u>	<u>142.1</u>	<u>158.2</u>	<u>159.4</u>	<u>182.6</u>	<u>150.6</u>	<u>150.2</u>
Improvements to General Welfare:(a)										
Social Services							578.6	636.1	683.4	689.1
Education							81.8	57.1	58.6	61.5
Inspections and Demolitions							50.9	46.5	83.6	81.1
	<u>435.4</u>	<u>452.6</u>	<u>475.2</u>	<u>556.7</u>	<u>550.8</u>	<u>591.1</u>	<u>711.3</u>	<u>739.7</u>	<u>825.6</u>	<u>831.7</u>
Service to Property:(a)										
Sanitation							109.1	111.5	117.8	122.0
Fire							170.3	188.0	203.0	217.8
	<u>268.7</u>	<u>268.9</u>	<u>269.9</u>	<u>264.7</u>	<u>266.7</u>	<u>280.3</u>	<u>279.4</u>	<u>299.5</u>	<u>320.8</u>	<u>339.8</u>
General Management and Support	365.0	388.8	403.5	411.0	396.6	375.6	420.8	450.9	472.4	477.1
Capital Outlay	176.5	149.9	147.8	153.4	160.4	188.9	277.9	162.2	126.0	103.1
Debt Service:										
Principal	80.6	107.3	107.4	105.8	120.0	125.8	130.0	106.9	105.7	95.8
Interest	115.8	121.9	115.8	96.6	115.6	104.9	116.0	112.3	101.6	101.1
Bond Issuance Cost	-	-	-	10.7	-	-	-	-	9.2	3.9
	<u>196.4</u>	<u>229.2</u>	<u>223.2</u>	<u>213.1</u>	<u>235.6</u>	<u>230.7</u>	<u>246.0</u>	<u>219.2</u>	<u>216.5</u>	<u>200.8</u>
Total General Government	<u>3,150.1</u>	<u>3,375.8</u>	<u>3,600.8</u>	<u>3,943.4</u>	<u>4,171.2</u>	<u>4,368.3</u>	<u>4,736.1</u>	<u>4,890.0</u>	<u>4,961.0</u>	<u>5,046.1</u>
Fund Types:										
General Fund	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	3,228.1
Special Revenue Funds	595.8	697.7	875.0	1,074.2	1,217.7	1,261.3	1,352.1	1,408.8	1,412.6	1,522.5
Debt Service Funds	196.4	229.2	223.2	213.1	235.6	230.7	246.0	213.1	213.9	192.2
Capital Improvement Funds	179.5	149.9	147.8	153.4	160.4	188.9	277.9	162.2	130.3	103.2
Permanent Funds	0.2	0.1	0.1	0.2	0.1	0.9	0.7	0.2	0.3	0.1
Total General Government	<u>3,150.1</u>	<u>3,375.8</u>	<u>3,600.8</u>	<u>3,943.4</u>	<u>4,171.2</u>	<u>4,368.3</u>	<u>4,736.1</u>	<u>4,890.0</u>	<u>4,961.0</u>	<u>5,046.1</u>

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 1996 Through 2005

Table 2

Amounts in millions of USD

Source:	<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>	<u>2005</u>
Taxes	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	2,535.2
Locally Generated Non-Tax Revenue	251.8	242.7	275.7	301.9	285.3	302.3	298.4	339.8	280.0	265.2
Revenue From Other Governments	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	2,242.0
Other Revenue	<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>	<u>16.7</u>
Total General Government	<u><u>3,109.7</u></u>	<u><u>3,329.5</u></u>	<u><u>3,606.2</u></u>	<u><u>3,818.6</u></u>	<u><u>4,104.7</u></u>	<u><u>4,357.2</u></u>	<u><u>4,357.8</u></u>	<u><u>4,660.3</u></u>	<u><u>4,599.8</u></u>	<u><u>5,059.1</u></u>
Fund Types:										
General Fund	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	3,264.9
Special Revenue Funds	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	1,783.8
Debt Service Funds	17.6	13.5	14.8	13.9	17.3	15.5	7.3	10.0	9.0	3.6
Capital Improvement Funds	25.3	16.5	14.9	23.9	27.5	27.9	17.2	16.7	19.7	6.4
Permanent Funds	<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>	<u>0.4</u>
Total General Government	<u><u>3,109.7</u></u>	<u><u>3,329.5</u></u>	<u><u>3,606.2</u></u>	<u><u>3,818.6</u></u>	<u><u>4,104.7</u></u>	<u><u>4,357.2</u></u>	<u><u>4,357.8</u></u>	<u><u>4,660.3</u></u>	<u><u>4,599.8</u></u>	<u><u>5,059.1</u></u>

NOTE:

(a) Restated to reflect GASBS #34

City of Philadelphia
Assessed and Market Value of Taxable Realty
For the Calendar Years 1996 Through 2005

Table 3

Amounts in millions of USD

Calendar Year	Assessed Value Adjusted to 6-30-2005(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
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	9,341	1.61%	0.304	30,778	1.61%	0.237	39,397	-1.43%
2001	9,585	2.61%	0.303	31,613	2.71%	0.255	37,647	-4.44%
2002	9,853	2.80%	0.303	32,486	2.76%	0.252	39,130	3.94%
2003	10,362	5.17%	0.301	34,402	5.90%	0.226	45,870	17.22%
2004	10,803	4.26%	0.300	35,986	4.60%	0.242	44,604	-2.76%
2005 (d)	10,987	1.70%	0.297	36,993	2.80%	N/A	N/A	N/A
Total Increase 1996 - 2005	2,091	23.50%						
Compounded Annual Average Rate of Increase		2.13%						

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, 2005

**City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 1996 through 2005**

Table 4

Amounts in millions of USD

Calendar Year of <u>Levy (a)</u>	Original Assessed Value (b)	Assessed Value of Taxable Real Property Adjusted to 6-30-2005(c)	Amount Collectible in Year of Levy (3)	Amount Collected in Year of Levy (d)	Collections Within Year of Levy as a Percent of Amount Collectible (4)/(3)	Net Levy Adjusted to 6-30-2005 (6)	Net Collections of Delinquent Taxes Relating to Year of Levy (7)	Total Collections (4)+(7)	Total Collections as a Percent of Adjusted Amount (8)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
1996	9,266	8,896	337.7	308.2	91.3%	338.5	20.6	328.8	97.1%
1997	9,275	8,967	336.2	310.8	92.4%	337.3	21.0	331.8	98.4%
1998	9,220	9,038	338.6	311.9	92.1%	341.0	22.2	334.1	98.0%
1999	9,273	9,193	343.6	316.2	92.0%	346.1	21.3	337.5	97.5%
2000	9,527	9,341	349.3	322.0	92.2%	351.8	21.2	343.2	97.6%
2001	9,867	9,585	356.6	326.7	91.6%	358.5	19.6	346.3	96.6%
2002	10,300	9,853	368.2	340.4	92.5%	371.5	17.7	358.1	96.4%
2003	10,819	10,362	359.4	326.8	90.9%	362.6	15.5	342.3	94.4%
2004	11,141	10,803	372.5	340.9	91.5%	375.9	8.0	348.9	92.8%
2005	11,283	10,987	375.9	338.5 (e)	90.1%	N/A	N/A	N/A	N/A

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 \$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, \$81.7 million in 2004 and \$ 100.7 million in 2005 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 \$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, \$39.2 million in 2004 and \$64.4 million in 2005 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, \$36.0 million in 2004 and 36.7 million in 2005 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, \$37.4 million in 2004 and \$46.7 million in 2005 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, 2005, 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 2005 will be collected within the year of levy, resulting in approximately \$342.1 million by December 31, 2005

Table 5

City of Philadelphia
Tax Rates
For the Ten Year Period 1996 through 2005

Tax Classification	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Real Property: (% on Assessed Valuation)										
City	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.745%	3.474% (t)	3.474%	3.474%
School District	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.519%	4.790% (r)	4.790%	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	27.07%	26.44%	24.39%	23.00%	23.70%	25.46%	25.18%	22.59%	24.22%	NA
Effective Tax Rate (Real Prop Tax Rate x Assess. Ratio)	2.237%	2.185%	2.016%	1.901%	1.959%	2.104%	2.081%	1.867%	2.002%	NA
Wage, Earnings and Net Profits Taxes:										
Residents (a)	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)	4.3310% (v)
Non-Residents	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)	3.8197% (v)
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%	-	-	-	-	-	-	-	-	-
Business Privilege Taxes										
(% on Gross Receipts)	0.300% (b)	0.295% (c)	0.2875% (d)	0.2775% (e)	0.2650% (f)	0.2525% (g)	0.2400% (q)	0.2300% (t)	0.2300%	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%	7.0% (o)	7.0%	7.0%	7.0%	7.0%	7.0%
Vehicle Rental Tax(n)	-	-	-	-	-	2.0%	2.0%	2.0%	2.0%	2.0%

NOTES:

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

(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 this Tax during FY 1997.

(m) 60% of Net Income Tax portion paid is credited against NPT.

(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) Change 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, 2005

City of Philadelphia
City and School District Net Tax Supported Debt and Debt Service Ratios
For the Fiscal Years 1996 through 2005

Table 6

Line No.	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<u>Net Tax Supported Debt (millions of USD)</u>										
<u>City:</u>										
1	522.6	486.1	453.7	674.7	640.2	895.4	855.3	810.9	1,017.8	987.9
2	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	3,717.3
3	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	4,705.2
<u>Overlapping School District Debt:</u>										
4	628.2	704.0	697.2	784.3	870.4	995.1	1,410.9	1,371.8	2,294.4	2,365.5
5	436.5	436.2	458.2	447.2	483.7	516.5	547.3	627.1	585.8	604.9
6	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	2,970.4
7	1,146.2	1,102.4	1,055.0	1,014.1	959.4	901.8	840.7	804.1	770.7	723.6
8	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	8,399.2
9	1,472	1,452	1,435	1,418	1,514	1,499	1,487	1,477	1,470	1,470
10	8,896	8,967	9,038	9,193	9,341	9,585	9,853	10,362	10,803	10,987
11	32,863	33,915	37,056	39,970	39,397	37,647	39,130	45,870	44,604	NA
<u>City Net Tax Supported Annual Debt Service</u>										
12	67.6	68.1	61.4	62.6	73.0	71.9	87.9	87.2	83.6	73.7
13	87.2	104.4	108.1	64.1	120.9	73.0	125.0	189.6	197.8	218.1
14	154.8	172.5	169.5	126.7	193.9	144.9	212.9	276.8	281.4	291.8
15	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	4,750.6
<u>Net Tax Supported Debt per Capita (USD)</u>										
16	355.0	334.8	316.2	475.8	422.9	597.3	575.2	549.0	692.4	672.0
17	1,577.7	1,599.4	827.7	2,679.5	2,479.5	2,673.8	3,006.3	2,994.2	3,139.3	3,200.8
18	723.3	785.3	805.2	868.5	894.4	1,008.4	1,316.9	1,353.4	1,959.3	2,020.7
19	778.7	759.2	735.2	715.2	633.7	601.6	565.4	544.4	524.3	492.2
20	3,079.7	3,143.9	2,368.1	4,263.2	4,007.6	4,283.9	4,888.5	4,892.0	5,622.9	5,713.7
<u>Net Tax Supported Debt as a Percentage of Assessed Valuation:</u>										
21	5.87	5.42	5.02	7.34	6.85	9.34	8.68	7.83	9.42	8.99
22	26.11	25.90	13.14	41.33	40.19	41.82	45.37	42.68	42.72	42.83
23	11.97	12.72	12.78	13.40	14.50	15.77	19.87	19.29	26.66	27.04
24	38.07	38.61	25.93	54.73	54.68	57.59	65.24	61.97	69.38	69.86
<u>Net Tax Supported Debt as a Percentage of Estimated Market Value:</u>										
25	1.59	1.43	1.22	1.69	1.62	2.38	2.19	1.77	2.28	NA
26	7.07	6.85	3.21	9.51	9.53	10.65	11.42	9.64	10.35	NA
27	3.24	3.36	3.12	3.08	3.44	4.02	5.00	4.36	6.46	NA
28	10.31	10.21	6.32	12.59	12.97	14.66	16.43	14.00	16.80	NA
<u>City Net Tax Supported Debt Service as a Percentage of City General Governmental Obligations:</u>										
29	2.44	2.27	1.90	1.75	1.93	1.82	2.09	1.93	1.81	1.55
30	5.58	5.76	5.25	3.54	5.14	3.67	5.06	6.13	6.10	6.14

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, 2005

Table 7

Amounts in thousands of USD

	Authorized		
	Issued and Outstanding	Unissued	Total
General Obligation Bonded Debt:			
Tax Supported (Note 1)	987,907	217,590	1,205,497
Self-Sustaining	10,994	352,614	363,608
<u>Total General Obligation Bonded Debt (Note 2)</u>	998,901	570,204	1,569,105
	<u>Total</u>	<u>Applicable to Self- Sustaining</u>	<u>Net Deductions</u>
Deductions Authorized by Law:			
Appropriation for Maturing Serials (Fiscal 2005)	21,016	1,289	19,727
Total Self-Sustaining Debt			363,608
Total Net Deductions Authorized by Law			383,335
Total Amount of Debt Applicable to Debt Limit			1,185,770
Legal Debt Limit (Note 3)			1,304,760
Legal Debt Margin			118,990

NOTES:

- (1) Included in the Issued and Outstanding Total is \$6.5 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 \$4,119.0 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, Series 1993, dated August 1, 1993	300,230
Water and Sewer Revenue Bonds, Series 1995, dated April 15, 1995	88,100
Water and Sewer Revenue Bonds, Series 1997 A, dated October 15, 1997	210,020
Water and Sewer Revenue Bonds, Series 1997 B, dated November 25, 1997	88,300
Water and Sewer Revenue Bonds, Series 1998, dated December 15, 1998	135,185
Water and Sewer Revenue Bonds, Series 1999, dated July 7, 1999	33,020
Water and Sewer Revenue Bonds, Series 1999 A, dated April 22, 1999	2,201
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	374,310
Water and Sewer Revenue Bonds, Series 2005 A, dated May 1, 2005	250,000
Water and Sewer Revenue Bonds, Series 2005 B, dated May 1, 2005	86,105
Airport Revenue Bonds, Series 1997 A and B, dated July 1, 1997	139,935
Airport Revenue Bonds, Series 1998 A, dated March 17, 1998	94,395
Airport Revenue Bonds, Series 1998 B, dated July 1, 1998	417,570
Airport Revenue Bonds, Series 2001 A and B, dated July 10, 2001	219,320
Airport Revenue Bonds, Series 2005 B, dated June 2, 2005	41,000
Airport Revenue Bonds, Series 2005 C, dated June 2, 2005	189,500
Gas Works Revenue Bonds, Eleventh Series C, dated January 1, 1989	25,022
Gas Works Revenue Bonds, Twelfth Series A, dated March 1, 1990	4,655
Gas Works Revenue Bonds, Fifteenth Series, dated January 1, 1994	19,900
Gas Works Revenue Bonds, First Series, dated June 1, 1998	252,960
Gas Works Revenue Bonds, Sixteenth Series, dated June 1, 1999	59,230
Gas Works Revenue Bonds, Second Series, dated June 1, 1999	104,615
Gas Works Revenue Bonds, Third Series, dated June 1, 2001	119,725
Gas Works Revenue Bonds, Fourth Series, dated December 30, 2002	122,850
Gas Works Revenue Bonds, Seventeenth Series, dated April 2, 2003	186,705
Gas Works Revenue Bonds, Fifth Series A-1, dated October 14, 2004	120,000
Gas Works Revenue Bonds, Fifth Series A-2, dated October 19, 2004	30,000
Gas Works Revenue Bonds, Eighteenth Series, dated October 14, 2004	57,820
	4,118,993

- (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 1996 through 2005

Table 8

Amounts in millions of USD

	<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>	<u>2005</u>
General Obligation Bonds	639.5	586.7	535.1	740.5	687.2	925.6	878.1	829.7	1,032.6	999.0
Revenue Bonds	2,819.7	2,739.4	3,227.1	3,698.8	3,594.6	3,597.8	3,951.2	3,950.1	3,808.5	4,119.0
Gross Bonded Debt	<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>	<u>5,118.0</u>
Less Self-Supporting Debt and Available Assets:										
Self-Supporting General Obligation Bonds	116.9	100.6	81.4	65.8	47.0	30.2	22.8	18.8	14.8	11.1
Revenue Bonds	2,819.7	2,739.4	3,227.1	3,698.8	3,594.6	3,597.8	3,951.2	3,950.1	3,808.5	4,119.0
Gross Self-Supporting Debt	<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>	<u>4,130.1</u>
Gross Tax Supported Bonded Debt	<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>	<u>987.9</u>
Net Tax Supported Bonded Debt	<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>	<u>987.9</u>

**City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt
June 30, 2005**

Table 9

Amounts in millions of USD

Fiscal Year	General Obligation Bonds											Revenue Bonds																	
	Tax Supported			Self-Supporting			Water and Sewer			Gas Works			Aviation Fund			Total													
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total											
2006	19.7	45.0	64.7	1.4	0.2	1.6	21.1	45.2	66.3	78.0	87.3	165.3	39.7	53.0	92.7	35.5	58.8	94.3	153.2	199.1	352.3								
2007	22.0	44.1	66.1	1.2	0.2	1.4	23.2	44.3	67.5	82.8	88.6	171.4	36.5	51.3	87.8	29.8	56.6	86.4	149.1	196.5	345.6								
2008	26.4	43.1	69.5	1.3	0.2	1.5	27.7	43.3	71.0	88.4	85.0	173.4	39.4	49.5	88.9	31.8	54.6	86.4	159.6	189.1	348.7								
2009	30.2	41.7	71.9	1.3	0.2	1.5	31.5	41.9	73.4	92.0	81.5	173.5	40.1	47.5	87.6	33.8	52.6	86.4	165.9	181.6	347.5								
2010	31.6	40.3	71.9	1.4	0.1	1.5	33.0	40.4	73.4	95.7	77.8	173.5	42.2	45.4	87.6	35.9	50.4	86.3	173.8	173.6	347.4								
2011	33.5	38.4	71.9	1.5	0.1	1.6	35.0	38.5	73.5	101.6	71.6	173.2	52.4	43.2	95.6	41.5	48.1	89.6	195.5	162.9	358.4								
2012	34.6	37.2	71.8	1.3	0.1	1.4	35.9	37.3	73.2	109.0	63.9	172.9	44.8	41.4	86.2	44.1	45.6	89.7	197.9	150.9	348.8								
2013	37.0	34.9	71.9	0.3	0.1	0.4	37.3	35.0	72.3	115.1	58.4	173.5	27.1	40.0	67.1	46.9	42.9	89.8	189.1	141.3	330.4								
2014	38.6	33.2	71.8	0.2	0.1	0.3	38.8	33.3	72.1	121.1	52.6	173.7	40.1	38.2	78.3	49.7	40.2	89.9	210.9	131.0	341.9								
2015	40.7	31.2	71.9	0.2	0.1	0.3	40.9	31.3	72.2	127.3	46.7	174.0	40.5	36.1	76.6	52.8	37.3	90.1	220.6	120.1	340.7								
2016	38.9	29.2	68.1	0.2	0.1	0.3	39.1	29.3	68.4	132.7	41.8	174.5	41.0	34.0	75.0	49.7	34.3	84.0	223.4	110.1	333.5								
2017	40.7	27.5	68.2	0.2	-	0.2	40.9	27.5	68.4	135.5	35.6	174.1	38.6	31.8	70.4	52.8	31.4	84.2	144.9	96.8	243.7								
2018	42.6	25.6	68.2	0.2	-	0.2	42.8	25.6	68.4	141.1	33.1	174.2	39.1	29.8	68.9	54.9	28.6	83.5	150.2	91.5	241.7								
2019	44.5	23.7	68.2	0.2	-	0.2	44.7	23.7	68.4	147.3	30.9	174.2	39.6	27.8	67.4	47.7	25.6	73.3	127.6	84.3	211.9								
2020	47.0	21.5	68.5	0.2	-	0.2	47.2	21.5	68.7	153.7	29.0	174.7	40.2	25.7	65.9	50.4	23.1	73.5	132.9	77.8	210.7								
2021	37.9	19.6	57.5	-	-	-	37.9	19.6	57.5	161.4	27.0	171.4	40.7	23.6	64.3	47.7	20.6	68.3	132.8	71.2	204.0								
2022	39.6	17.9	57.5	-	-	-	39.6	17.9	57.5	168.4	24.9	171.3	41.3	21.4	62.7	50.1	18.2	68.3	138.1	64.5	202.6								
2023	41.5	16.1	57.6	-	-	-	41.5	16.1	57.6	175.9	22.7	171.7	42.7	19.3	62.0	52.5	15.8	68.3	144.2	57.8	202.0								
2024	43.5	14.2	57.7	-	-	-	43.5	14.2	57.7	183.4	20.4	171.0	43.3	17.1	60.4	55.0	13.4	68.4	133.8	50.9	184.7								
2025	45.5	12.2	57.7	-	-	-	45.5	12.2	57.7	191.9	18.6	171.5	44.2	14.9	59.1	57.4	11.0	68.4	139.0	44.5	183.5								
2026	40.4	10.2	50.6	-	-	-	40.4	10.2	50.6	200.2	16.8	171.0	39.6	12.8	52.4	43.8	8.5	52.3	122.6	38.1	160.7								
2027	42.4	8.3	50.7	-	-	-	42.4	8.3	50.7	209.7	15.0	171.7	41.3	10.7	52.0	46.1	6.2	52.3	128.6	31.9	160.5								
2028	44.2	6.6	50.8	-	-	-	44.2	6.6	50.8	219.2	13.3	171.5	39.7	8.7	48.4	42.3	3.7	46.0	111.9	26.7	137.6								
2029	15.9	4.5	20.4	-	-	-	15.9	4.5	20.4	45.5	11.6	57.1	41.8	6.7	48.5	44.4	1.5	45.9	131.7	19.8	151.5								
2030	30.0	3.7	33.7	-	-	-	30.0	3.7	33.7	47.8	9.3	57.1	28.7	4.9	33.6	2.5	0.3	2.8	79.0	14.5	93.5								
2031	31.3	2.5	33.8	-	-	-	31.3	2.5	33.8	50.2	6.8	57.0	21.9	3.6	25.5	2.6	0.1	2.7	74.7	10.5	85.2								
2032	32.7	1.2	33.9	-	-	-	32.7	1.2	33.9	52.8	4.2	57.0	23.0	2.5	25.5	-	-	-	75.8	6.7	82.5								
2033	15.0	0.3	15.3	-	-	-	15.0	0.3	15.3	13.5	2.6	16.1	15.8	1.5	17.3	-	-	-	29.3	4.1	33.4								
2034	-	-	-	-	-	-	-	-	-	14.2	1.9	16.1	8.2	0.9	9.1	-	-	-	22.4	2.8	25.2								
2035	-	-	-	-	-	-	-	-	-	14.9	1.1	16.0	30.0	0.1	30.1	-	-	-	44.9	1.2	46.1								
2036	-	-	-	-	-	-	-	-	-	15.6	0.4	16.0	-	-	-	-	-	-	15.6	0.4	16.0								
Total	987.9	633.9	1,621.8	11.1	1.5	12.6	999.0	635.4	1,634.4	1,913.8	1,080.4	2,994.2	1,103.5	743.4	1,846.9	1,101.7	729.4	1,831.1	4,119.0	2,553.2	6,672.2								
Sinking Fund Assets Held by Fiscal Agent																		13.0	15.5	28.5	13.0	15.5	28.5						
Available City Sinking Fund Assets																		34.0	12.4	46.4	34.0	12.4	46.4						
Net Debt	987.9	633.6	1,621.5	11.1	1.5	12.6	999.0	635.1	1,634.1	1,739.8	1,080.3	2,820.1	998.8	737.3	1,736.1	1,054.7	701.5	1,756.2	3,793.3	2,519.1	6,312.4								

Table 9
City of Philadelphia
City and Gas Works Related Annual Debt Service on Long-Term Debt (Continued)
June 30, 2005

Amounts in millions of USD

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
2006	174.3	244.3	418.6	121.6	95.0	216.6	295.9	339.3	635.2
2007	172.3	240.8	413.1	113.7	92.0	205.7	286.0	332.8	618.8
2008	187.3	232.4	419.7	109.8	88.2	198.0	297.1	320.6	617.7
2009	197.4	223.5	420.9	118.9	84.5	203.4	316.3	308.0	624.3
2010	206.8	214.0	420.8	133.3	79.6	212.9	340.1	283.6	623.7
2011	230.5	201.4	431.9	140.6	73.9	214.5	371.1	275.3	646.4
2012	233.8	188.2	422.0	150.3	67.7	218.0	384.1	255.9	640.0
2013	226.4	176.3	402.7	155.8	66.3	222.1	382.2	242.6	624.8
2014	249.7	164.3	414.0	157.9	64.0	221.9	407.6	228.3	635.9
2015	261.5	151.4	412.9	162.6	62.1	224.7	424.1	213.5	637.6
2016	262.5	139.4	401.9	159.8	60.1	219.9	422.3	199.5	621.8
2017	185.8	126.3	312.1	160.8	57.9	218.7	346.6	184.2	530.8
2018	193.0	117.1	310.1	166.8	55.4	222.2	359.6	172.5	532.3
2019	172.3	108.0	280.3	259.0	53.2	312.2	431.3	161.2	592.5
2020	180.1	99.3	279.4	134.0	51.5	185.5	314.1	150.8	464.9
2021	170.7	90.8	261.5	133.7	49.9	183.6	304.4	140.7	445.1
2022	177.7	82.4	260.1	135.3	48.4	183.7	313.0	130.8	443.8
2023	185.7	73.9	259.6	136.9	46.8	183.7	322.6	120.7	443.3
2024	177.3	65.1	242.4	136.6	45.1	181.7	315.9	110.2	426.1
2025	184.5	56.7	241.2	140.3	43.2	183.5	324.8	99.9	424.7
2026	163.0	48.3	211.3	142.2	41.4	183.6	305.2	89.7	394.9
2027	171.0	40.2	211.2	146.2	38.4	184.6	317.2	78.6	395.8
2028	156.1	32.3	188.4	151.0	29.6	180.6	307.1	61.9	369.0
2029	147.6	24.3	171.9	264.0	13.2	277.2	411.6	37.5	449.1
2030	109.0	18.2	127.2	41.0	3.8	44.8	150.0	22.0	172.0
2031	106.0	13.0	119.0	43.2	1.6	44.8	149.2	14.6	163.8
2032	108.5	7.9	116.4	-	-	-	108.5	7.9	116.4
2033	44.3	4.4	48.7	-	-	-	44.3	4.4	48.7
2034	22.4	2.8	25.2	-	-	-	22.4	2.8	25.2
2035	44.9	1.2	46.1	-	-	-	44.9	1.2	46.1
2036	15.6	0.4	16.0	-	-	-	15.6	0.4	16.0
Total	5,118.0	3,188.6	8,306.6	3,717.3	1,412.8	5,130.1	8,835.3	4,601.4	13,436.7
Sinking Fund Assets Held by Fiscal Agent	13.0	15.8	28.8	-	-	-	13.0	15.8	28.8
Available City Sinking Fund Assets	312.7	18.6	331.3	-	-	-	312.7	18.6	331.3
Net Debt	4,792.3	3,154.2	7,946.5	3,717.3	1,412.8	5,130.1	8,509.6	4,567.0	13,076.6

NOTES:

- (a) Included in this amount is \$1.6 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, \$8.1 million; Veterans Stadium, \$4 million and Subways, \$2.3 million. Issues for five other purposes account for the balance of \$3 million.
- (c) Interest on \$88.3 million Water and Sewer Variable Rate Bonds is based on the estimated short-term interest rate of 2.27%. Interest on \$374.3 million Water and Sewer Variable Rate Bonds is based on the estimated interest rate of 4.52%. Interest on \$66.1 million Water and sewer Variable Rate Bonds is based on the estimated interest rate of 4.53%. Interest on \$30.0 million Gas Works Variable Rate Bonds is based on the estimated short-term interest rate of 2.32%. Interest on \$41.0 million Aviation Variable Rate Bonds is based on the estimated short-term interest rate of 2.28%. Interest on \$100.0 million GO Variable Rate Bonds Series B-2 is based on the estimated short-term interest rate of 2.55%. Interest on \$100.0 million GO Variable Rate Bonds Series B-1 is based on the estimated interest rate of 3%. In addition to the \$174.1 million available in Sinking Fund Assets, \$137.0 million has been reserved in the Water and Sewer Rate Stabilization Fund in accordance with the Seventh Supplemental Amendment to the General, Water and Sewer Revenue Bond Ordinance of 1974 as amended by Bill No. 544 dated June 24, 1993.
- (e) In addition to the \$74.9 million available in Sinking Fund Assets, \$2.5 million has been reserved in a Renewal, Replacement and Contingency Fund, which has been funded by the proceeds of the Series 1978 Aviation Revenue Bonds.

City of Philadelphia
City and Gas Works Related Schedule of Revenue Bond Rate Covenant Compliance as Required by Authorizing Ordinances
For the Fiscal Years 1996 through 2005

Table 10

Amounts in millions of USD

No.		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<u>Water and Sewer Revenue Bonds</u>											
1	Total Revenue and Beginning Fund Balance	387.4	394.4	411.1	393.9	391.8	380.6	390.8	454.2	421.6	463.5
2	Net Operating Expenses	216.8	228.7	228.6	233.9	237.8	242.6	242.9	250.2	262.0	277.7
3	Transfer To (From) Rate Stabilization Fund	24.3	20.9	30.7	(15.4)	(22.4)	(39.4)	(26.3)	16.8	(28.8)	(0.6)
4	Net Revenues	146.3	144.8	151.8	175.4	176.4	177.4	174.2	187.2	188.4	186.4
	Debt Service:										
5	Revenue Bonds Outstanding	121.2	120.8	126.5	146.2	147.0	147.8	145.2	156.1	157.0	155.4
6	General Obligation Bonds Outstanding	5.2	3.9	3.1	2.3	1.5	1.3	0.6	-	-	-
7	Pennvest Loan	1.1	1.3	1.1	1.2	1.2	1.3	1.6	1.2	1.2	1.2
8	Total Debt Service	127.5	126.0	130.7	149.7	149.7	150.4	147.4	157.3	158.2	156.6
9	Net Revenue after Debt Service	18.8	18.8	21.1	25.7	26.7	27.0	26.8	29.9	30.2	29.8
10	Transfer to General Fund	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	-	4.4
11	Transfer to Capital Fund	14.8	14.8	15.0	15.6	15.9	15.9	16.0	16.0	16.3	16.7
12	Transfer to Residual Fund	-	-	1.9	6.0	6.6	7.0	6.6	9.8	13.8	8.7
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.21	1.20	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	1.04	1.06	1.07	1.07	1.07	1.08	1.08	1.08
<u>Airport Revenue Bonds</u>											
1	Project Revenues	103.9	109.4	108.2	124.5	130.4	148.0	146.5	168.4	183.3	185.1
2	Passenger Facility Charges	-	-	-	-	-	-	16.8	31.2	32.8	32.9
3	Revenue Available for Debt Service	103.9	109.4	108.2	124.5	130.4	148.0	163.3	199.6	216.1	218.0
4	Net Operating Expenses	38.8	41.2	41.2	47.0	51.8	59.6	56.3	67.0	71.9	71.3
5	Interdepartmental Charges	28.8	31.6	32.3	41.5	35.3	36.0	39.7	46.1	52.2	57.6
6	Total Expenses	67.6	72.8	73.5	88.5	87.1	95.6	96.0	113.1	124.1	128.9
	Available for Debt Service:										
7	Revenue Bonds (Line 3-Line 4)	65.1	68.2	67.0	77.5	78.6	88.4	107.0	132.6	144.2	146.7
8	All Bonds (Line 3-Line 6)	36.3	36.6	34.7	36.0	43.3	52.4	67.3	86.5	92.0	89.1
	Debt Service:										
9	Revenue Bonds	27.4	27.6	25.3	29.7	36.5	44.8	64.1	83.2	89.7	88.1
10	General Obligation Bonds	7.2	6.2	7.2	5.2	5.7	5.7	2.0	1.4	1.0	1.1
11	Total Debt Service	34.6	33.8	32.5	34.9	42.2	50.5	66.1	84.6	90.7	89.2
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 7/Line 9)	2.38	2.47	2.65	2.61	2.15	1.97	1.67	1.59	1.61	1.67
	Total Debt Service - Test "B" (Line 8/Line 11)	1.05	1.08	1.07	1.03	1.03	1.04	1.02	1.02	1.01	1.00
<u>Gas Works Revenue Bonds</u>											
1	Funds Provided by Operations and Other Income	509.6	583.1	557.5	503.8	495.2	574.7	758.1	621.2	800.0	816.1
2	Funds Applied to Operations	397.7	458.3	445.6	409.9	407.0	472.8	648.4	511.4	684.7	699.8
3	Internally Generated Funds Available to Cover Debt Service	111.9	124.8	111.9	93.9	88.2	101.9	109.7	109.8	115.3	116.3
4	Revenue Bond Debt Service	77.2	80.9	74.5	61.9	57.7	59.3	81.0	86.4	86.2	90.3
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 3/Line 4)	1.45	1.54	1.50	1.52	1.53	1.72	1.35	1.27	1.34	1.29
	Total Debt Service - Test "B" (Line 3/Line 4)	1.45	1.54	1.50	1.52	1.53	1.72	1.35	1.27	1.34	1.29

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 1996 through 2005

Amounts in millions of USD

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Revenue:										
Contributions:										
Employers:										
Members' Contributions	45.6	7.2	47.0	6.7	49.2	7.4	49.3	14.1	50.5	17.2
Less: Refunds to Members	3.8	0.6	3.8	0.4	4.2	0.6	4.7	1.3	4.1	1.6
<u>Net Members' Contributions</u>	<u>41.8</u>	<u>6.6</u>	<u>43.2</u>	<u>6.3</u>	<u>45.0</u>	<u>6.8</u>	<u>44.6</u>	<u>12.8</u>	<u>46.4</u>	<u>15.6</u>
Employer's:										
City of Philadelphia	222.5	35.3	237.0	24.8	1,506.8 ⁽⁵⁾	26.6	163.5	46.9	196.6	23.2
Quasi-Governmental Agencies	4.8	0.8	5.2	0.5	4.9	0.7	4.1	1.2	6.2	0.7
<u>Total Employer's Contributions</u>	<u>227.3</u>	<u>36.0</u>	<u>242.2</u>	<u>25.3</u>	<u>1,511.7</u>	<u>27.3</u>	<u>167.6</u>	<u>48.1</u>	<u>202.8</u>	<u>24.0</u>
Commonwealth of Pennsylvania	4.5	0.7	-	-	-	-	-	-	-	-
<u>Total Contributions</u>	<u>273.6</u>	<u>43.4</u>	<u>285.4</u>	<u>42.3</u>	<u>1,556.7</u>	<u>80.2</u>	<u>212.2</u>	<u>66.4</u>	<u>249.2</u>	<u>29.4</u>
Investment Earnings	356.4	56.5	669.9 ⁽³⁾	70.1	411.8	57.7	383.0	39.0	595.8	70.4
Other	0.8	0.1	0.3	0.0	0.4	0.1	0.2	0.2	0.8	0.1
<u>Total Revenue</u>	<u>630.8</u>	<u>100.0</u>	<u>955.6</u>	<u>100.0</u>	<u>1,940.0</u>	<u>100.0</u>	<u>348.6</u>	<u>100.0</u>	<u>846.3</u>	<u>100.0</u>
Deductions:										
For Pension Benefits	353.4		383.3		434.0		456.8		657.5	
Net Decline in Fair Value of Investments	-		-		-		422.8		-	
For Other Purposes, Excluding Refunds	21.4 ⁽¹⁾		2.9 ⁽⁴⁾		4.4		5.3		6.4	
<u>Total Deductions</u>	<u>374.8</u>		<u>386.2</u>		<u>438.4</u>		<u>884.9</u>		<u>663.9</u>	
<u>Excess of Revenue Over Deductions</u>	<u>256.0</u>		<u>327.8</u>		<u>1,501.6</u>		<u>(536.3)</u>		<u>182.4</u>	
Net Assets: Opening	2,095.0		2,921.0		3,248.8		4,976.4		3,790.8	
Closing	2,351.0		3,248.8		4,750.4		4,440.1		3,973.2	
<u>Increase (Decrease) During the Year</u>	<u>256.0</u>		<u>327.8</u>		<u>1,501.6</u>		<u>(536.3)</u>		<u>182.4</u>	

EXHIBIT:

1. Pension Benefits Paid as a Percent of										
A. Net Contributions of Members	845.5	861.1	855.6	964.4	965.9	1,024.2	1,047.0	971.2	1,417.0	1,321.3
B. Revenue	56.0	38.9	53.7	22.4	65.8	131.0	135.1	151.5	77.7	81.3
C. Closing Net Assets	15.0	12.7	11.8	9.1	8.9	10.3	11.4	12.2	16.5	14.4
2. The Closing Assets as a Percent of										
Total Disbursements	627.3	757.5	841.2	1,083.6	1,108.1	501.8	485.8	801.6	598.5	686.6
Coverage of Revenues Over Disbursements	168.3	247.8	184.9	442.5	150.3	39.4	40.9	64.5	127.5	121.5
4. Investment Earnings as a Percent of										
Pension Benefits	100.8	180.1	107.4	88.2	100.2	29.7	24.7	16.3	90.6	64.6

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 1996 through 2005

Table 12

Amounts in millions of USD

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
1996	9,266	32,863	124.5	457.6	163.2	434.8	636	20,587	3,703
1997	9,275	33,915	101.9	382.2	176.7	660.8	509	26,351	3,848
1998	9,220	37,056	316.2	753.9	196.3	1,266.4	594	25,906	3,326
1999	9,273	39,970	N/A	N/A	N/A	N/A	N/A	22,922	4,405
2000	9,527	39,397	N/A	N/A	N/A	N/A	N/A	18,531	4,576
2001	9,867	37,647	N/A	N/A	N/A	N/A	N/A	21,101	4,690
2002	10,300	39,130	N/A	N/A	N/A	N/A	N/A	16,872	9,384
2003	10,819	45,870	N/A	N/A	N/A	N/A	N/A	19,719	8,730
2004	11,141	44,604	N/A	N/A	N/A	N/A	N/A	19,883	9,636
2005	11,283	NA	N/A	N/A	N/A	N/A	N/A	22,325	13,199

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)
1995	1,496,334	19,938	7.7%
1996	1,471,593	20,792	7.2%
1997	1,451,652	21,342	6.8%
1998	1,434,968	22,444	6.2%
1999	1,417,601	23,137	6.1%
2000	1,513,672	24,572	5.6%
2001	1,498,593	25,551	6.1%
2002	1,486,712	26,897	7.6%
2003	1,476,953	28,194	7.8%
2004	1,470,151	NA	7.5%

**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	1,513,672

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, 2005**

Table 14

Amounts in millions of USD

<u>Location</u>	<u>Owner</u>	<u>Assessment</u>	<u>Percentage of Total Assessments</u>
1650 Market Street	Phila. Liberty Place	57.6	0.52%
1735 Market Street	Nine Penn Center Associates	54.1	0.49%
50 S. 16th Street	Two Liberty Place	53.1	0.48%
1500-42 Market Street	HUB Properties Trust	51.2	0.46%
4301 Byberry Road	FRanklin Mills Associates	48.4	0.44%
1717 Arch Street	Bell Atlantic	44.2	0.40%
1901-17 Market Street	PRU 1901 Market LLC	32.9	0.30%
2001 Market Street	Maguire/Thomas	32.0	0.29%
2005 Market Street	Commerce Square Partners	30.5	0.28%
2000 Kitty Hawk Ave	Phila Shipyard Development Corp	<u>30.3</u>	<u>0.27%</u>
		<u>434.3</u>	<u>3.94%</u>
Total Taxable Assessments		<u>11,031.8</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
Frankford Hospital
Independence Blue Cross
Pennsylvania Hospital
Philadelphia Newspapers, Inc.
PNC Bank
Rohm & Haas
SouthEastern Pennsylvania Transportation Authority
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
Wachovia Bank

Source:

Philadelphia Department of Revenue

Date Founded	1682
Form of Government	Council-Mayor
Area of City - Square Miles	129
Fire Protection:	
Number of Stations	63
Number of Firefighters	1,922
Emergency Medical Service:	
Number of Rescue Units	40
Number of Medical Personnel	293
Police Protection:	
Number of Districts	27
Number of Police Officers	6,623
Water System:	
Number of Accounts	474,659
Average Daily Consumption - Gallons	176,700,000
Average Daily Production - Gallons	265,000,000
Miles of Water Mains	3,169
Area Serviced - Square Miles (1)	130
Wastewater System:	
Number of Accounts	469,561
Miles of Sewer	2,983
Area Serviced - Square Miles (1)	360
Philadelphia International Airport:	
Passengers Handled	31,074,454
Air Cargo Tons	599,758
Aircraft Movements	522,000
Air Mail Tons	24,447
Northeast Philadelphia Airport:	
Aircraft Movements	107,885
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 playgrounds