

City of Philadelphia

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

Founded 1682



Love Park

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

City of Philadelphia

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012



Michael Nutter
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Joseph Oswald
Accounting Director



Table of Contents

Introductory Section

| | |
|---|---|
| Letter of Transmittal..... | 1 |
| GFOA Certificate of Achievement | 5 |
| Organizational Chart..... | 6 |
| List of Elected and Appointed Officials | 7 |

Financial Section

| | |
|---|----|
| Independent Auditor’s Report | 9 |
| Management’s Discussion and Analysis | 11 |
| Basic Financial Statements | |
| Government Wide Financial Statements | |
| Exhibit I Statement of Net Assets | 26 |
| Exhibit II Statement of Activities | 27 |
| Fund Financial Statements | |
| Governmental Funds Financial Statements | |
| Exhibit III Balance Sheet | 28 |
| Exhibit IV Statement of Revenues, Expenditures and Changes in Fund Balances | 29 |
| Exhibit V Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 30 |
| Proprietary Funds Financial Statements | |
| Exhibit VI Statement of Fund Net Assets | 31 |
| Exhibit VII Statement of Revenues, Expenses and Changes in Fund Net Assets..... | 32 |
| Exhibit VIII Statement of Cash Flows | 33 |
| Fiduciary Funds Financial Statements | |
| Exhibit IX Statement of Net Assets..... | 34 |
| Exhibit X Statement of Changes in Net Assets | 35 |
| Component Units Financial Statements | |
| Exhibit XI Statement of Net Assets..... | 36 |
| Exhibit XII Statement of Activities..... | 37 |
| Exhibit XIII Notes to the Financial Statements | 39 |

Required Supplementary Information Other than Management’s Discussion and Analysis

| | |
|--|-----|
| Budgetary Comparison Schedules-Major Funds | |
| Exhibit XIV General Fund..... | 114 |
| Exhibit XV HealthChoices Behavioral Health Fund | 115 |
| Exhibit XVI Grants Revenue Fund | 116 |
| Exhibit XVII Pension Plans and Other Post Employment Benefits | |
| – Schedule of Funding Progress..... | 117 |
| Exhibit XVIII Notes to Required Supplementary Information..... | 118 |

**City of Philadelphia
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

Financial Section(Continued)

Other Supplementary Information

| | | |
|----------------|---|-----|
| Schedule I | Combining Balance Sheet - Non-Major Governmental Funds | 122 |
| Schedule II | Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds..... | 124 |
| Schedule III | Combining Statement of Fiduciary Net Assets – Pension Trust Funds..... | 126 |
| Schedule IV | Combining Statement of Changes in Fiduciary Net Assets–Pension Trust Funds | 127 |
| Schedule V | Combining Statement of Fiduciary Net Assets - Agency Funds..... | 128 |
| Schedule VI | Statement of Changes in Fiduciary Net Assets - Agency Funds..... | 129 |
| Schedule VII | City Related Schedule of Bonded Debt Outstanding..... | 130 |
| Schedule VIII | Budgetary Comparison Schedule - Water Operating Fund | 132 |
| Schedule IX | Budgetary Comparison Schedule - Water Residual Fund..... | 133 |
| Schedule X | Budgetary Comparison Schedule - County Liquid Fuels Tax Fund..... | 134 |
| Schedule XI | Budgetary Comparison Schedule - Special Gasoline Tax Fund | 135 |
| Schedule XII | Budgetary Comparison Schedule - Hotel Room Rental Tax Fund..... | 136 |
| Schedule XIII | Budgetary Comparison Schedule - Aviation Operating Fund..... | 137 |
| Schedule XIV | Budgetary Comparison Schedule - Community Development Fund..... | 138 |
| Schedule XV | Budgetary Comparison Schedule - Car Rental Tax Fund | 139 |
| Schedule XVI | Budgetary Comparison Schedule - Housing Trust Fund | 140 |
| Schedule XVII | Budgetary Comparison Schedule - General Capital Improvement Funds..... | 141 |
| Schedule XVIII | Budgetary Comparison Schedule - Acute Care Hospital Assessment Fund..... | 142 |
| Schedule XIX | Budgetary Comparison Schedule - Parks & Recreation Program Facilities Fund..... | 143 |
| Schedule XX | Schedule of Budgetary Actual and Estimated Revenues and Obligations – General Fund | 144 |
| Schedule XXI | Schedule of Budgetary Actual and Estimated Revenues and Obligations – Water Operating Fund..... | 147 |
| Schedule XXII | Schedule of Budgetary Actual and Estimated Revenues and Obligations – Aviation Operating Fund..... | 148 |

Statistical Section

| | | |
|----------|---|-----|
| Table 1 | Net Assets by Component | 150 |
| Table 2 | Changes in Net Assets | 151 |
| Table 3 | Fund Balances-Governmental Funds | 153 |
| Table 4 | Changes in Fund Balances-Governmental Funds..... | 154 |
| Table 5 | Comparative Schedule of Operations-Municipal Pension Fund | 155 |
| Table 6 | Wage and Earnings Tax Taxable Income..... | 156 |
| Table 7 | Direct and Overlapping Tax Rates..... | 157 |
| Table 8 | Principal Wage and Earnings Tax Remitters | 159 |
| Table 9 | Assessed Value and Estimated Value of Taxable Property | 160 |
| Table 10 | Principal Property Tax Payers | 161 |
| Table 11 | Real Property Taxes Levied and Collected | 162 |
| Table 12 | Ratios of Outstanding Debt by Type | 163 |
| Table 13 | Ratios of General Bonded Debt Outstanding | 164 |
| Table 14 | Direct and Overlapping Governmental Activities Debt..... | 165 |
| Table 15 | Legal Debt Margin Information..... | 166 |
| Table 16 | Pledged Revenue Coverage..... | 167 |
| Table 17 | Demographic and Economic Statistics | 168 |
| Table 18 | Principal Employers | 169 |
| Table 19 | Full Time Employees by Function..... | 170 |
| Table 20 | Operating Indicators by Function | 171 |
| Table 21 | Capital Assets Statistics by Function | 172 |



City of Philadelphia

OFFICE OF THE DIRECTOR OF FINANCE

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Suite 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693

ROB DUBOW

Director of Finance

February 21, 2013

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

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2012, is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

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

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

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Home Rule Charter, which was adopted by the Electors of the City of Philadelphia on April 17, 1951, and became effective on the first Monday of January, 1952. However, in some matters, including the issuance of short-term and long-term debt, the City is governed by the laws of the Commonwealth of Pennsylvania. The Charter provides for a strong mayoral form of government with the Mayor and the seventeen members of the City Council, ten from districts and seven from the City at-large, elected every four years. Minority representation is assured by the requirement that no more than five candidates may be elected for Council-at-large by any one party or political body. The Mayor is prohibited from serving more than two consecutive terms.

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Philadelphia Redevelopment Authority's, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Delaware River Waterfront Corporation's, and the Philadelphia Authority for Industrial Development's statements are presented discretely. A component unit is considered to be part of the City's reporting entity when it is concluded that the City is financially accountable for the entity or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. After 50 years of losing residents, the City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. Still, significant challenges remain. The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and poverty in the region has become increasingly concentrated in the City.

As is the case with municipalities across the country, the City experienced significant tax revenue declines during the deep world-wide recession of 2007-2009. The economic recovery has been slow and while tax revenues are rebounding, revenue from some taxes have yet to hit the level they attained before the recession. Since October of 2008, the City has implemented significant actions to balance the budget and its five year plans, including: reducing General Fund employee headcount; implementing a temporary five year sales tax increase and a real estate tax increase; pension funding changes; freezing City funded wage tax and business income and receipts tax reductions until fiscal 2014; and, instituting spending cuts throughout the government. As a result of these actions as well as several one-time revenues, the City's fund balance on a legally enacted basis increased from \$92,000 in fiscal 2011 to \$146.8 million in fiscal 2012. The City's current projection for the fund balance level at the end of fiscal 2013 is \$117.9 million.

While the recession officially ended in June 2009, unemployment remains high and many economists anticipate that the recovery will continue to be slow. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population fluctuations, increases in total compensation and high unemployment rates.

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

Long Term Financial Planning

Long term financial planning for the City and for businesses and governments around the world has been made much more challenging with the sudden and dramatic rate of deterioration in the economy in the past four and a half years. As discussed above, the City has made significant changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal 2012, employee benefits (13%) and pensions (16%) combined, will comprise 29% of the proposed budget expenditures.

In order to address the challenges these long term structural costs present, the City has made changes to its labor contracts in the areas of health and pension benefits and is continuing to seek changes in its open contracts. The City has already made changes in the City-administered programs to reduce the cost to the City, implement efficiency savings and increase employee contributions. The City's 2008 contracts with the Fraternal Order of Police (FOP) and International Association of Fire Fighters (IAFF) reduced the amount the City pays monthly to the respective union-controlled health funds. In addition, the City made additional changes to the health care related to the FOP as a result of the December 18, 2009 Act 111 arbitration award. These changes include lowering the cost to the City, increasing the share paid by employees, changing the funding structure and providing financial incentives to the health fund to keep costs down.

In the area of pensions, the City has sought to reduce its costs, reduce its risk and increase employee contributions. The 2009 FOP interest arbitration introduced a new hybrid pension plan with defined benefit and defined contribution components for police officers and gave new hires the option of participating in this new plan or paying an additional 1% of pay to enter the existing plan. The City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the IAFF. While the economic provisions of the award are being appealed by the City, the award's pension provisions are not under appeal by the City or the IAFF and have been implemented. A 2011 interest arbitration award involving the employees of the Sheriff's Office and Register of Wills included a new hybrid pension plan with defined benefit and defined contribution components for new hires as well. For employees of the Register of Wills, this new plan is mandatory for new hires, while employees of the Sheriff's Office have a choice between the existing plan with a higher employee contribution or the new plan. Interest arbitration awards issued in 2012 covering more than 2,000 prison guards represented by District Council 33 and a unit of court employees represented by District Council 47 require all new hires to enter into the hybrid plan. The interest arbitration covering the prison guards also increased the employee contribution for pensions for current employees. The City has proposed similar changes to exempt and non-represented employees, elected officials and employees represented by Local 2186 of District Council 47. Implementation of these pension changes for prison guards, courts employees, and the latter groups awaits City Council passage of the applicable ordinances. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the thirty second consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,



ROB DUBOW
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Philadelphia
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

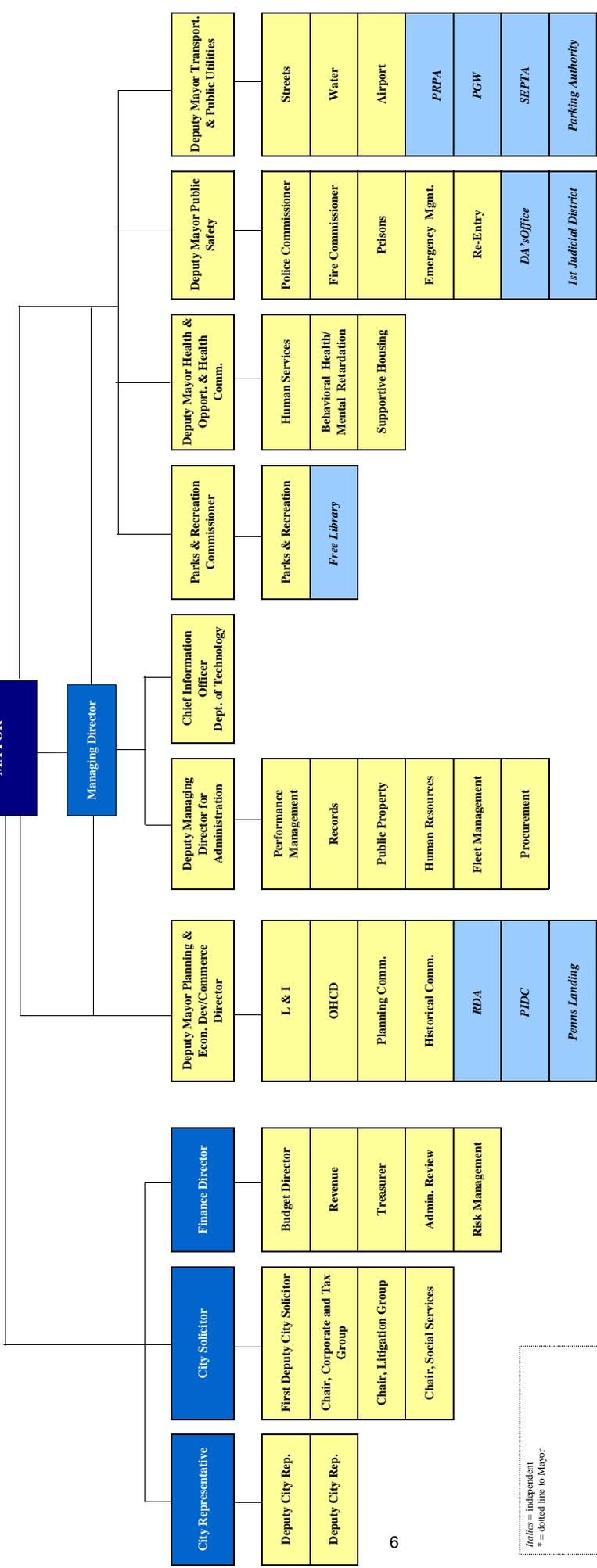
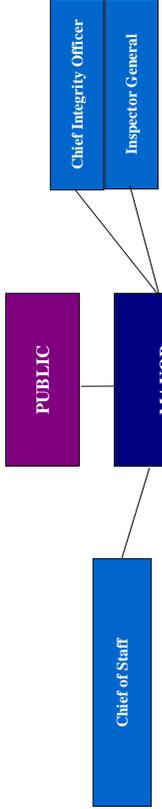


Christopher P. Moynell

President

Jeffrey R. Emery

Executive Director



| | | |
|---------------------|------------------|------------------|
| City Representative | Deputy City Rep. | Deputy City Rep. |
|---------------------|------------------|------------------|

| | | | | |
|----------------|-----------------------------|--------------------------------|-------------------------|------------------------|
| City Solicitor | First Deputy City Solicitor | Chair, Corporate and Tax Group | Chair, Litigation Group | Chair, Social Services |
|----------------|-----------------------------|--------------------------------|-------------------------|------------------------|

| | | | | | |
|------------------|-----------------|---------|-----------|---------------|-----------------|
| Finance Director | Budget Director | Revenue | Treasurer | Admin. Review | Risk Management |
|------------------|-----------------|---------|-----------|---------------|-----------------|

| | | | | | | | |
|--|--------|------|----------------|------------------|-----|------|---------------|
| Deputy Mayor Planning & Econ. Dev./Commerce Director | L. & I | OHCD | Planning Comm. | Historical Comm. | RDA | PIDC | Penns Landing |
|--|--------|------|----------------|------------------|-----|------|---------------|

| | | | | | | |
|---|------------------------|---------|-----------------|-----------------|------------------|-------------|
| Deputy Managing Director for Administration | Performance Management | Records | Public Property | Human Resources | Fleet Management | Procurement |
|---|------------------------|---------|-----------------|-----------------|------------------|-------------|

| | | |
|---------------------------------|--------------------|--------------|
| Parks & Recreation Commissioner | Parks & Recreation | Free Library |
|---------------------------------|--------------------|--------------|

| | | | |
|------------------------------------|----------------|---------------------------------------|--------------------|
| Deputy Mayor Health & Health Comm. | Human Services | Behavioral Health/ Mental Retardation | Supportive Housing |
|------------------------------------|----------------|---------------------------------------|--------------------|

| | | | | | | | | |
|----------------------------|---------------------|-------------------|---------|-----------------|----------|-------------|-----------------------|-----------|
| Deputy Mayor Public Safety | Police Commissioner | Fire Commissioner | Prisons | Emergency Mgmt. | Re-Entry | DA's Office | 1st Judicial District | Probation |
|----------------------------|---------------------|-------------------|---------|-----------------|----------|-------------|-----------------------|-----------|

| | | | | | | | |
|--|---------|-------|---------|------|-----|-------|-------------------|
| Deputy Mayor Transport. & Public Utilities | Streets | Water | Airport | PRPA | PGW | SEPTA | Parking Authority |
|--|---------|-------|---------|------|-----|-------|-------------------|

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Italics = independent
 * = dotted line to Mayor



Elected Officials

| | |
|--|---------------------------|
| Mayor | Michael A. Nutter |
| City Council | |
| President, 5th District | Darrell L. Clarke |
| 1st District | Mark Squilla |
| 2nd District | Kenyatta Johnson |
| 3rd District | Jannie L. Blackwell |
| 4th District | Curtis Jones, Jr. |
| 6th District | Bobby Henon |
| 7th District | Maria D. Quinones-Sanchez |
| 8th District | Cindy Bass |
| 9th District | Marian B. Tasco |
| 10th District | Brian J. O'Neill |
| At-Large | Blondell Reynolds Brown |
| At-Large | W. Wilson Goode, Jr. |
| At-Large | William K. Greenlee |
| At-Large | David Oh |
| At-Large | James F. Kenney |
| At-Large | Bill Green |
| At-Large | Dennis O'Brien |
| | |
| District Attorney | Seth Williams |
| | |
| City Controller | Alan Butkovitz |
| | |
| City Commissioners | |
| Chairman | Anthony Clark |
| Vice Chairman | Al Schmidt |
| Commissioner | Stephanie Singer |
| | |
| Register of Wills | Ronald R. Donatucci |
| | |
| Sheriff | Jewell Williams |
| | |
| First Judicial District of Pennsylvania | |
| President Judge, Court of Common Pleas | Pamela P. Dembe |
| President Judge, Municipal Court | Marsha H. Neifield |
| President Judge, Traffic Court | Vacant |



Appointed Officials

| | |
|--|---------------------------|
| Managing Director | Richard Negrin |
| Director of Finance | Rob Dubow |
| City Solicitor | Shelley R. Smith |
| City Representative | Desiree Perkin-Bell |
| | |
| Chief of Staff | Everett A. Gillison |
| Deputy Mayor for Public Safety | Everett A. Gillison |
| Deputy Mayor for Health & Opportunity/Health Commissioner | Donald R. Schwarz, MD |
| Deputy Mayor for Planning & Economic Development/Commerce Director | Alan Greenberger |
| Chief Integrity Officer | Joan L. Markman |
| Inspector General | Amy L. Kurland |
| Chief Education Advisor to the Mayor | Lori A. Shorr, Ph.D. |
| | |
| Chief Innovation Officer | Adel W. Ebeid |
| City Treasurer | Nancy Winkler |
| Revenue Commissioner | Keith J. Richardson |
| Procurement Commissioner | Hugh Ortman |
| Police Commissioner | Charles Ramsey |
| Prisons Commissioner | Louis Giorla |
| Streets Commissioner | Clarena Tolson |
| Fire Commissioner | Lloyd Ayers |
| Commissioner of Parks and Recreation | Michael DiBerardinis |
| Public Property Commissioner | Bridget Collins-Greenwald |
| Director of the Office of Behavioral Health | Arthur C. Evans, MD |
| Department of Human Services Commissioner | Anne Marie Ambrose |
| Licenses and Inspections Commissioner | Carlton Williams |
| Water Commissioner | Howard Neukrug |
| Records Commissioner | Joan T. Decker |
| Human Resources Director | Albert L. D'Attilio |
| Executive Director of the Board of Pensions & Retirement | Francis X. Bielli |
| Executive Director of the Sinking Fund Commission | Charles Jones |
| Chief Executive Officer of PHL | Mark Gale |
| Director of the Office of Labor Relations | Rene Vargas |



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2012, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District of Philadelphia, we did not audit the financial statements of the blended component units and the discretely presented component units listed in Note I.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Departmental and Permanent Funds. Those financial statements representing 31% and 17% of the total assets and revenues, respectively, were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units and funds, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013 on our consideration of the City of Philadelphia, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

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

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

Our audit for the year ended June 30, 2012 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. The accompanying Introductory Section, Other Supplementary Information, and the Statistical Section for the year ended June 30, 2012 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2012, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated February 21, 2012, which contained unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The 2011 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2011 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The 2011 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

February 21, 2013


GERALD V. MICCIULLA, CPA
Deputy City Controller

City of Philadelphia

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

Management's Discussion & Analysis

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

These two activities comprise the primary government of Philadelphia.

▪ *Component units* are legally separate entities for which the City of Philadelphia is financially accountable or has oversight responsibility. Financial information for these component units is reported separately from the financial information presented for the primary government. The city's government-wide financial statements contain eight distinct component units; the Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, Gas Works, Parking Authority, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

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

• **Governmental funds.** The governmental funds are used to account for the financial activity of the city's basic services, similar to those described for the governmental activities in the government-wide financial statements. However, unlike the government-wide statements which provide a long-term focus of the city, the fund financial statements focus on a short term view of the inflows and outflows of expendable resources, as well as on the balances of expendable resources available at the end of the fiscal year. The financial information presented for the governmental funds are useful in evaluating the city's short term financing requirements.

To help the readers of the financial statements better understand the relationships and differences between the long term view of the government-wide financial statements from the short term view of the fund financial statements, reconciliations are presented between the fund financial statements and the

government-wide statements.

The city maintains twenty-two individual governmental funds. Financial information is presented separately for the general fund, grants revenue fund and health choices behavioral health fund, which are considered to be major funds. Data for the remaining nineteen are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

• **Proprietary funds.** The proprietary funds are used to account for the financial activity of the city's operations for which customers are charged a user fee; they provide both a long and short term view of financial information. The city maintains three enterprise funds which are a type of proprietary funds - the airport, water and waste water operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

• **Fiduciary funds.** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate *statements of fiduciary net assets* and *changes in fiduciary net assets*. They are not reflected in the government-wide financial statements because the assets are not available to support the city's operations.

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

Summary of the City of Philadelphia's Government-wide and Fund Financial Statements

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

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

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

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

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

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

Government-wide Financial Analysis

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

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

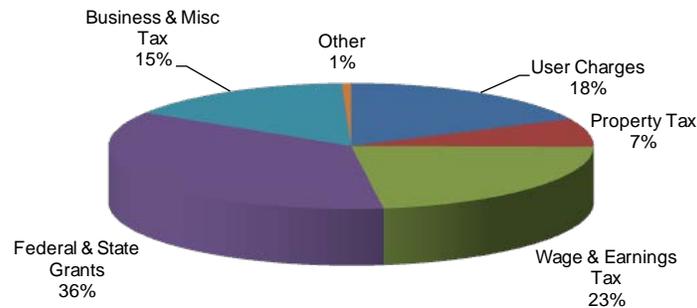
A portion of the city's net assets, \$1,213.7 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of \$2,220.3 million. The governmental activities reported negative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

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

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

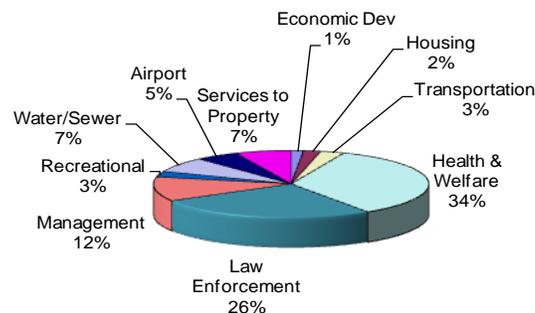
| | Governmental | | | Business-type | | | Total | | |
|-----------------------------|------------------|------------------|----------|----------------|----------------|--------|--------------------|----------------|--------|
| | Activities | | % | Activities | | % | Primary Government | | % |
| | 2012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

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



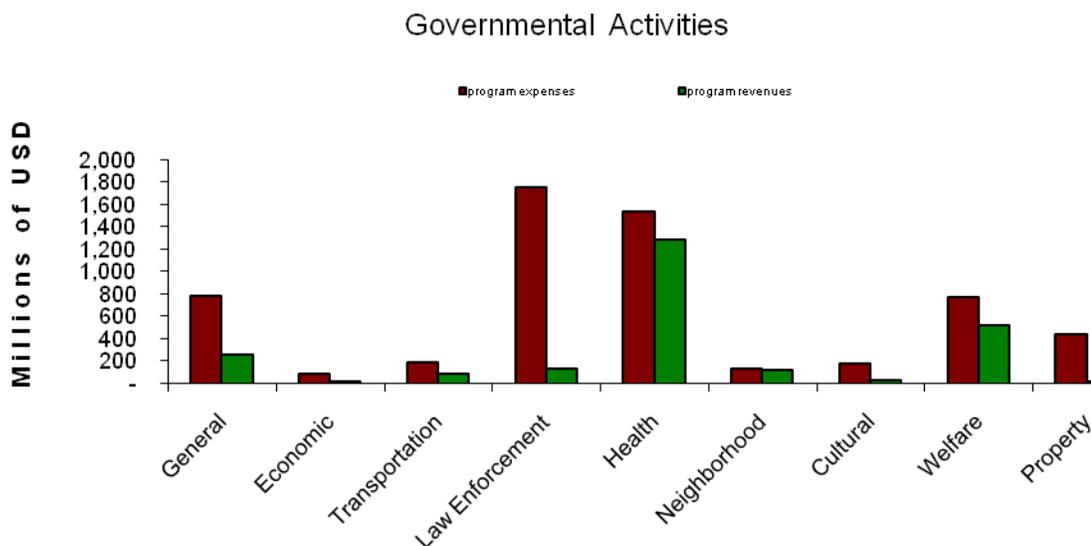
Overall, net assets for the city increased by \$88.5 million. Total revenues increased by \$80.4 million, total expenses increased by \$66.1 million over last year. This resulted in the Change in Net Assets being \$14.3 million higher than in the previous year. Net assets were decreased by \$124.4 million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

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



Governmental Activities

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



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

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

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

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

City of Philadelphia-Net Assets

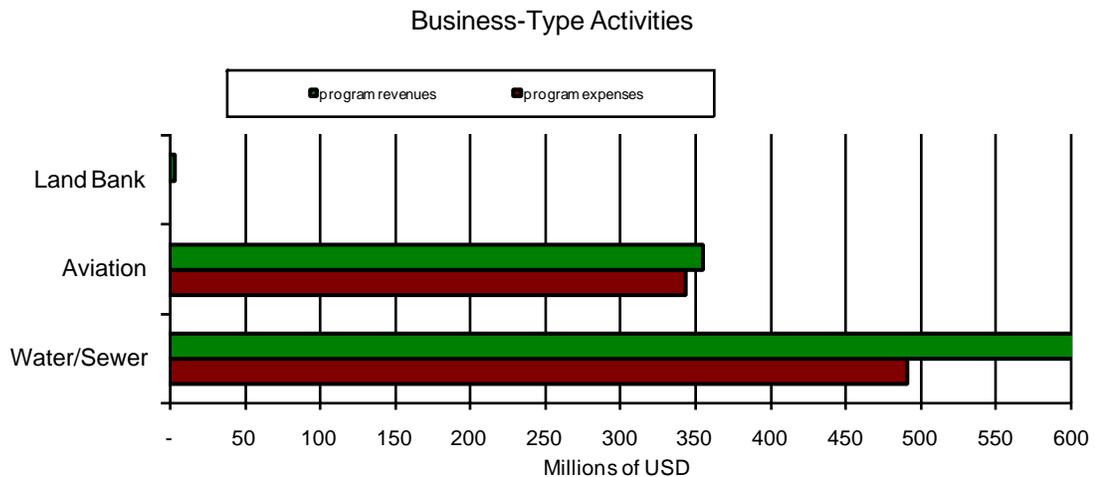
(millions of USD)

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

Business-type Activities

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

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

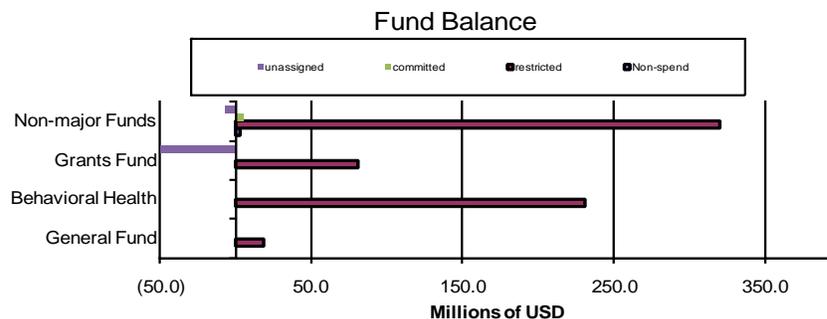


Financial Analysis of the Government's Funds

Governmental funds. The purpose of the city's governmental funds is to provide financial information on the *short term inflow, outflow and balance* of resources. This information is useful in assessing the city's ability to meet its near-term financing requirements. *Unreserved fund balance* serves as a useful measure of the city's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year the city's governmental funds reported a *combined fund balance* of \$546.7 million a decrease of \$201.1 million over last year. Of the total fund balance, \$2.6 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, \$650.1 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods (\$51.6 million); pay debt service (\$82.4 million); support programs funded by independent agencies (\$40.5 million); fund a portion of the city's managed care programs (\$230.7 million); fund a portion of new sports stadiums (\$6.9 million); fund the 9-1-1 emergency phone system (\$29.6 million); fund a portion of the central library renovation project (\$2.3 million), cultural and commercial corridor project (\$15.3 million); and trusts (\$8.3 million); fund economic development programs (\$10.3 million); improve streets and highways (\$23.2 million); fund housing and neighborhood development (\$10.5 million); provide health services (\$9.5 million); preserve parks, libraries and museums (\$5 million); and support capital projects (\$128.5 million). The fund balance is further broken down as to committed fund balance for Prisons (\$4.2 million) and Parks and Recreation (\$9 million). The difference between the non-spendable, restricted, committed and combined fund balance is a deficit of \$181.6 million which constitutes *unassigned fund balance*, this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported an *unassigned fund balance* of zero at the end of the fiscal year.



Overall, the total fund balance of the general fund increased by \$112.5 million during the current fiscal year. This Increase was due to an excess of revenues and other financing sources over expenditures, for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

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

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

The Grants Revenue fund has a total fund balance deficit of \$94.0 million which is comprised of a positive restricted fund balance of \$81.1 million (earmarked for neighborhood revitalization for \$51.6 million and emergency telephone system programs for \$29.5 million) and a deficit unassigned fund balance of \$175.1 million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the grants revenue fund experienced a decrease of \$157.9 million during the current fiscal year due primarily to the Act 148 program being included in this fund beginning with fiscal year 2012. With Act 148 in the Grants Revenue Fund, revenue increased by \$296.4 million but expenditures also increased by \$428.8 million.

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

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

General Fund Budgetary Highlights

The following table shows the General Fund's year end fund balance for the five most recent years:

| | (millions of USD) | |
|--------------------------------|--|------------------------|
| General Fund at June 30.... | Fund Balance Available for Appropriation | Increase (Decrease) |
| 2012 | 146.8 | 146.7 |
| 2011 | 0.1 | 114.1 |
| 2010 | (114.0) | 23.2 |
| 2009 | (137.2) | (256.7) |
| 2008 | 119.5 | (178.4) |

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

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

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

Capital Asset and Debt Administration

Capital assets. The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$5.9 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Water and Wastewater Improvements of \$62.0 million
- Infrastructure improvements for Streets, Highways and Bridges \$61.8 million
- Airport terminal and airfield improvements in the amount of \$96.7 million.
- City Hall exterior renovations in the amount of \$5.6 million.
- Ben Franklin Parkway improvements \$3.1 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

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

The city's governmental activities experienced an overall increase in capital assets of \$53.1 million (net of accumulated depreciation) during the current fiscal year. During the fiscal year there were increases in: land (\$17.1 million); infrastructure (\$31.1 million); construction in process (\$49.0 million); that were offset by increases in depreciation for: buildings (\$24.9 million); equipment (\$14.0 million) and transit (\$5.2 million).

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

Long-term debt. At year end the city had \$8.3 billion in long term debt outstanding. Of this amount, \$5.2 billion represents bonds outstanding (comprised of \$2.0 billion of debt backed by the full faith and credit of the city, and \$3.2 billion of debt secured solely by specific revenue sources) while \$3.1 billion represents other long term obligations. The following schedule shows a summary of all long term debt outstanding.

City of Philadelphia's Long Term Debt Outstanding

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

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid \$173.0 million in Tax and Revenue Anticipation Notes by June 2012 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In May 2012, the City issued General Obligation Refunding Bonds, Series 2012A in the amount of \$21.3 million. The bonds have a fixed interest rate of 5% and mature on September 15, 2014 (\$1.4 million); September 15, 2019 (\$9.9 million); and, September 15, 2021 (\$10.0 million). Proceeds will be used to currently refund Series 1998 General Obligation Refunding Bonds maturing on May 15, 2020 in the amount of \$10.7 million; currently refund Series 2001 General Obligation Bonds maturing on September 15, 2021 in the amount of \$11.2 million; advance refund Series 2003A General Obligation Bonds maturing on February 15, 2015 in the amount of \$2.4 million, and, pay the costs of issuing the

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

- In May 2012, PMA issued \$12.6 million of City Agreement Revenue Bonds, Series 2012 for the Government Building Energy Conservation Project. The bonds consist of: \$6.3 million of Tax-Exempt Bonds, Series 2012A, and \$6.3 million of Federally Taxable Qualified Energy Conservation Bonds Series 2012B. Interest will be paid semi-annually on March 15 and September 15 commencing on September 15, 2012. The Series 2012A serial bonds will mature on March 15, 2022, and the Series 2012B term bonds mature on March 15, 2024 (\$2.1 million) and March 15, 2028 (\$4.2 million). Proceeds will be used to finance the evaluation and implementation of energy conservation and efficiency measures at four (4) properties owned or leased, and operated by the city (City Hall, Criminal Justice Center, Municipal Services Building and One Parkway Building).

- Effective August 4, 2011 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B (\$100.0 million), and entered into a letter of credit substitution with the Royal Bank of Canada (RBC). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by RBC. The Letter of Credit (LOC) will permit the fiscal agent to draw up to \$101.8 million for principal and unpaid interest on the 2009B bonds and will expire on August 4, 2014, unless earlier cancelled, terminated or renewed. The LOC will constitute both a Credit Facility and Credit Provider and RBC a Liquidity Facility and Liquidity Provider for the 2009B bonds.

- In September 2011 to reduce costs associated with the Deferred Retirement Option Plan (DROP), City Council amended the options for retirement benefits. Options include, but are not limited to: changing eligibility requirements and the interest credited to DROP accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of their regular monthly pension; and making conforming amendments to other provisions; under certain terms and conditions.

- As of June 30, 2012, PMA's Statement of Net Assets disclosed \$15.7 million of accretion to its bond principal payments for fiscal years 2013 through 2015. Capitalized interest relates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents the cumulative compounded interest due and payable at bond maturity.

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

- In December 2011, the City issued Airport Revenue Bond Series 2011 in the amount of \$233.8 million. The Series 2011A bonds (AMT) were issued as serial bonds in the amount of \$199.0 million with interest rates ranging from 2% to 5% and mature in 2028. The Series 2011B bonds were issued as serial bonds in the amount of \$34.8 million, with interest rates ranging from 2% to 5% and mature in 2031. The plan is to: (i) refund a portion of the International Terminal Bonds; (ii) refund all of the City's outstanding Airport Revenue Bonds, Series 2001B; and (iii) pay the issuance costs of the bonds. The proceeds from the 2011A bonds will be used to refund the entire principal amount of \$149.3 million for the Airport Revenue Bond, Series 2001A. In addition, the 2011B bonds will be used to refund a portion of the Airport Revenue Bond Series 1998B (currently outstanding aggregate principal amount of \$57.1 million).

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to \$214.9 million. During fiscal year 2012, PENNVEST drawdowns totaled \$43.7 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years.

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2013 fiscal year:

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

- Union contracts for three of the City's four major bargaining units are still outstanding, despite having expired in July 2009. Any awarded or negotiated wage or benefit increases will increase costs for the City unless offset by savings included elsewhere in the collective bargaining agreements.
- To control rising pension plan costs the city introduced a new hybrid pension plan that contains both a defined benefit and a voluntary defined contribution component. Uniformed employees not electing to participate in the hybrid plan must increase their pension contribution percentage.
- The country entered its most recent recession in December 2007. It was the longest recession in the post-WWII period.
- Economists expect a slow and long recovery from the current recession. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

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

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

City of Philadelphia
PENNSYLVANIA

**Basic
Financial
Statements**

City of Philadelphia
Statement of Net Assets
June 30, 2012

Exhibit I

Amounts in thousands of USD

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business Type Activities | Total | |
| Assets | | | | |
| Cash on Deposit and on Hand | 82,649 | 30 | 82,679 | 310,248 |
| Equity in Pooled Cash and Investments | - | - | - | 40,022 |
| Equity in Treasurer's Account | 731,802 | 195,634 | 927,436 | - |
| Investments | 109,377 | - | 109,377 | 112,841 |
| Due from Component Units | 69,246 | - | 69,246 | - |
| Due from Primary Government | - | - | - | 69,617 |
| Amounts Held by Fiscal Agent | 56,965 | - | 56,965 | 109,544 |
| Notes Receivable - Net | - | - | - | 34,324 |
| Accounts Receivable - Net | 337,269 | 153,729 | 490,998 | 335,973 |
| Interest and Dividends Receivable | 1,440 | - | 1,440 | 20,438 |
| Due from Other Governments - Net | 457,737 | 1,910 | 459,647 | 113,670 |
| Inventories | 16,808 | 30,508 | 47,316 | 118,398 |
| Other Assets | 4,295 | - | 4,295 | 215,406 |
| Deferred Outflow - Derivative Instruments | 100,025 | 44,204 | 144,229 | - |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | - | 241,769 | 241,769 | 211,148 |
| Other Assets | - | 862,766 | 862,766 | 310,368 |
| Capital Assets: | | | | |
| Land and Other Non-Depreciated Assets | 876,752 | 707,217 | 1,583,969 | 319,888 |
| Other Capital Assets (Net of Depreciation) | 1,323,569 | 2,999,321 | 4,322,890 | 3,213,653 |
| Total Capital Assets, Net | <u>2,200,320</u> | <u>3,706,538</u> | <u>5,906,858</u> | <u>3,533,541</u> |
| Total Assets | <u>4,167,934</u> | <u>5,237,088</u> | <u>9,405,022</u> | <u>5,535,538</u> |
| Liabilities | | | | |
| Notes Payable | - | - | - | 123,100 |
| Vouchers Payable | 45,203 | 8,654 | 53,857 | 67,414 |
| Accounts Payable | 196,434 | 100,366 | 296,800 | 142,076 |
| Salaries and Wages Payable | 54,126 | 5,456 | 59,582 | 63,513 |
| Accrued Expenses | 43,027 | 25,410 | 68,437 | 293,837 |
| Due to Agency Funds | 826 | - | 826 | - |
| Due to Primary Government | - | - | - | 43,500 |
| Due to Component Units | 49,043 | - | 49,043 | - |
| Funds Held in Escrow | 42,310 | 2,095 | 44,405 | 13,198 |
| Due to Other Governments | - | - | - | 32,786 |
| Deferred Revenue | 247,400 | 42,020 | 289,420 | 150,259 |
| Overpayment of Taxes | 110,814 | - | 110,814 | 8,601 |
| Other Current Liabilities | - | - | - | 119,723 |
| Derivative Instrument Liability | 101,363 | 44,204 | 145,567 | 22,087 |
| Non-Current Liabilities: | | | | |
| Due within one year | 364,382 | 173,234 | 537,616 | 325,365 |
| Due in more than one year | 4,685,478 | 3,098,122 | 7,783,600 | 4,903,520 |
| Total Liabilities | <u>5,940,406</u> | <u>3,499,561</u> | <u>9,439,967</u> | <u>6,308,979</u> |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 83,919 | 887,768 | 971,687 | (14,634) |
| Restricted For: | | | | |
| Capital Projects | 128,484 | 177,682 | 306,166 | 4,757 |
| Debt Service | 81,846 | 248,236 | 330,082 | 235,012 |
| Behavioral Health | 230,681 | - | 230,681 | 18,375 |
| Neighborhood Revitalization | 51,565 | - | 51,565 | - |
| Stadium Financing | 500 | - | 500 | - |
| Central Library Project | 2,331 | - | 2,331 | - |
| Cultural & Commercial Corridor Project | 15,273 | - | 15,273 | - |
| Grant Programs | 56,323 | - | 56,323 | 41,827 |
| Rate Stabilization | - | 165,907 | 165,907 | - |
| Libraries & Parks: | | | | |
| Expendable | 3,027 | - | 3,027 | - |
| Non-Expendable | 2,414 | - | 2,414 | - |
| Educational Programs | - | - | - | 6,305 |
| Other | 49,382 | - | 49,382 | 286 |
| Unrestricted(Deficit) | <u>(2,478,217)</u> | <u>257,934</u> | <u>(2,220,283)</u> | <u>(1,065,369)</u> |
| Total Net Assets | <u>(1,772,472)</u> | <u>1,737,527</u> | <u>(34,945)</u> | <u>(773,441)</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, 2012

Exhibit II

Amounts in thousands of USD

| 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 | | | |
| | | | | | Governmental Activities | Business Type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Economic Development | 96,534 | 1,101 | 16,620 | 779 | (78,034) | | (78,034) | |
| Transportation: | | | | | | | | |
| Streets & Highways | 115,626 | 5,234 | 52,875 | 36,886 | (20,631) | | (20,631) | |
| Mass Transit | 73,955 | 1,348 | 359 | - | (72,248) | | (72,248) | |
| Judiciary and Law Enforcement: | | | | | | | | |
| Police | 1,094,157 | 5,578 | 14,230 | - | (1,074,349) | | (1,074,349) | |
| Prisons | 336,743 | 875 | 480 | - | (335,388) | | (335,388) | |
| Courts | 326,209 | 60,680 | 58,104 | - | (207,425) | | (207,425) | |
| Conservation of Health: | | | | | | | | |
| Emergency Medical Services | 48,414 | 27,451 | 583 | - | (20,380) | | (20,380) | |
| Health Services | 1,500,067 | 14,807 | 1,250,299 | - | (234,961) | | (234,961) | |
| Housing and Neighborhood Development | 137,673 | 28,590 | 97,324 | - | (11,759) | | (11,759) | |
| Cultural and Recreational: | | | | | | | | |
| Recreation | 97,288 | 2,218 | 8,946 | 1,321 | (84,803) | | (84,803) | |
| Parks | 8,973 | 4,761 | 792 | 4,184 | 764 | | 764 | |
| Libraries and Museums | 80,826 | 1,164 | 9,718 | - | (69,944) | | (69,944) | |
| Improvements to General Welfare: | | | | | | | | |
| Social Services | 675,457 | 5,151 | 465,441 | - | (204,865) | | (204,865) | |
| Education | 74,339 | - | - | - | (74,339) | | (74,339) | |
| Inspections and Demolitions | 26,494 | 49,965 | 181 | - | 23,652 | | 23,652 | |
| Service to Property: | | | | | | | | |
| Sanitation | 153,209 | 15,919 | 2,488 | - | (134,802) | | (134,802) | |
| Fire | 292,228 | 284 | 1,599 | - | (290,345) | | (290,345) | |
| General Management and Support | 678,394 | 139,709 | 122,026 | - | (416,659) | | (416,659) | |
| Interest on Long Term Debt | 112,115 | 281 | - | - | (111,834) | | (111,834) | |
| Total Governmental Activities | 5,928,702 | 365,116 | 2,102,065 | 43,170 | (3,418,351) | | (3,418,351) | |
| Business Type Activities: | | | | | | | | |
| Water and Sewer | 490,818 | 598,320 | 3,481 | - | - | 110,983 | 110,983 | |
| Aviation | 343,083 | 263,165 | - | 88,984 | - | 9,066 | 9,066 | |
| Industrial and Commercial Development | - | 412 | - | 2,690 | - | 3,102 | 3,102 | |
| Total Business Type Activities | 833,901 | 861,897 | 3,481 | 91,674 | - | 123,151 | 123,151 | |
| Total Primary Government | 6,762,603 | 1,227,013 | 2,105,546 | 134,844 | (3,418,351) | 123,151 | (3,295,200) | |
| Component Units: | | | | | | | | |
| Gas Operations | 735,322 | 757,668 | 12,959 | - | - | - | 35,305 | |
| Housing | 63,299 | 2,413 | 68,238 | - | - | - | 7,352 | |
| Parking | 225,676 | 230,269 | - | - | - | - | 4,593 | |
| Education | 3,024,935 | 35,965 | 930,552 | - | - | - | (2,058,418) | |
| Health | 794,588 | - | 794,588 | - | - | - | - | |
| Economic Development | 193,205 | 34,277 | 157,261 | - | - | - | (1,667) | |
| Total Component Units | 5,037,025 | 1,060,592 | 1,963,598 | - | - | - | (2,012,835) | |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes | | | | | 500,759 | - | 500,759 | 658,540 |
| Wage & Earnings Taxes | | | | | 1,551,738 | - | 1,551,738 | - |
| Business Taxes | | | | | 399,249 | - | 399,249 | - |
| Other Taxes | | | | | 663,637 | - | 663,637 | 195,848 |
| Grants & Contributions Not Restricted to Specific Programs | | | | | 223,172 | 2,856 | 226,028 | 1,117,947 |
| Unrestricted Interest & Investment Earnings | | | | | 33,304 | 8,991 | 42,295 | 8,697 |
| Miscellaneous | | | | | - | - | - | 4,067 |
| Special Items | | | | | - | - | - | 7,790 |
| Transfers | | | | | 27,460 | (27,460) | - | - |
| Total General Revenues, Special Items and Transfers | | | | | 3,399,319 | (15,613) | 3,383,706 | 1,992,889 |
| Change in Net Assets | | | | | (19,032) | 107,538 | 88,506 | (19,946) |
| Net Assets - July 1, 2011 | | | | | (1,753,440) | 1,629,989 | (123,451) | (747,104) |
| Adjustment | | | | | - | - | - | (6,391) |
| Net Assets Adjusted - July 1, 2011 | | | | | (1,753,440) | 1,629,989 | (123,451) | (753,495) |
| Net Assets - June 30, 2012 | | | | | (1,772,472) | 1,737,527 | (34,945) | (773,441) |

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

**City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2012**

Exhibit III

Amounts in thousands of USD

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

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

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

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

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

City of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

Exhibit IV

Amounts in thousands of USD

| | General Fund | HealthChoices Behavioral Health Fund | Grants Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|---|---------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Tax Revenue | 2,562,434 | - | - | 550,073 | 3,112,507 |
| Locally Generated Non-Tax Revenue | 256,654 | 812 | 40,589 | 38,429 | 336,484 |
| Revenue from Other Governments | 413,199 | 799,872 | 904,883 | 108,206 | 2,226,160 |
| Other Revenues | 17,319 | - | - | 10,153 | 27,472 |
| Total Revenues | 3,249,606 | 800,684 | 945,472 | 706,861 | 5,702,623 |
| Expenditures | | | | | |
| Current Operating: | | | | | |
| Economic Development | 27,302 | - | 17,642 | 43,914 | 88,858 |
| Transportation: | | | | | |
| Streets & Highways | 49,455 | - | 1,217 | 24,900 | 75,572 |
| Mass Transit | 67,315 | - | 359 | - | 67,674 |
| Judiciary and Law Enforcement: | | | | | |
| Police | 1,006,333 | - | 13,689 | - | 1,020,022 |
| Prisons | 316,147 | - | 695 | 1,388 | 318,230 |
| Courts | 262,890 | - | 49,439 | - | 312,329 |
| Conservation of Health: | | | | | |
| Emergency Medical Services | 46,095 | - | 563 | - | 46,658 |
| Health Services | 146,781 | 820,120 | 390,450 | 135,330 | 1,492,681 |
| Housing and Neighborhood Development | 2,665 | - | 64,390 | 66,746 | 133,801 |
| Cultural and Recreational: | | | | | |
| Recreation | 77,246 | - | 8,676 | - | 85,922 |
| Parks | 36 | - | 792 | 5,246 | 6,074 |
| Libraries and Museums | 61,938 | - | 9,754 | 236 | 71,928 |
| Improvements to General Welfare: | | | | | |
| Social Services | 187,897 | - | 486,398 | - | 674,295 |
| Education | 74,339 | - | - | - | 74,339 |
| Inspections and Demolitions | 26,540 | - | 5,682 | - | 32,222 |
| Service to Property: | | | | | |
| Sanitation | 143,734 | - | 2,488 | - | 146,222 |
| Fire | 266,617 | - | 1,174 | - | 267,791 |
| General Management and Support | 553,795 | - | 19,349 | 46,005 | 619,149 |
| Capital Outlay | - | - | - | 201,984 | 201,984 |
| Debt Service: | | | | | |
| Principal | - | - | - | 103,107 | 103,107 |
| Interest | - | - | - | 105,220 | 105,220 |
| Bond Issuance Cost | 1,090 | - | - | 549 | 1,639 |
| Total Expenditures | 3,318,215 | 820,120 | 1,072,757 | 734,625 | 5,945,717 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (68,609) | (19,436) | (127,285) | (27,764) | (243,094) |
| Other Financing Sources (Uses) | | | | | |
| Issuance of Debt | - | - | - | 12,605 | 12,605 |
| Issuance of Refunding Bonds | 91,305 | - | - | 21,295 | 112,600 |
| Bond Issuance Premium | 12,387 | - | - | 4,200 | 16,587 |
| Bond Defeasance | (102,602) | - | - | (24,670) | (127,272) |
| Transfers In | 333,694 | - | 1,552 | 335,246 | 670,492 |
| Transfers Out | (153,665) | - | (32,130) | (387,522) | (573,317) |
| Total Other Financing Sources (Uses) | 181,119 | - | (30,578) | (108,561) | 41,980 |
| Net Change in Fund Balance | 112,510 | (19,436) | (157,863) | (136,325) | (201,114) |
| Fund Balance - July 1, 2011 | (23,900) | 250,117 | 63,910 | 457,689 | 747,816 |
| Fund Balance - June 30, 2012 | 88,610 | 230,681 | (93,953) | 321,364 | 546,702 |

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

City of Philadelphia
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Exhibit V

Amounts in thousands of USD

| | |
|---|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds..... | (201,114) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (189,782) exceeded depreciation (133,723) in the current period..... | 56,059 |
| b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..... | 166,538 |
| c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (219,395) exceeded proceeds (131)..... | 219,264 |
| d. The increase in the Net Pension Obligation reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds..... | (147,072) |
| e. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds..... | (112,707) |
| Change in Net Assets of governmental activities..... | <u>(19,032)</u> |

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

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

Exhibit VI

Amounts in thousands of USD

| | Business Type Activities - Enterprise Funds | | | |
|---|---|--------------------|--|--------------------|
| | Water and Sewer | Aviation | Other Non-Major Industrial & Commercial Development | Total |
| Assets | | | | |
| Current Assets: | | | | |
| Cash on Deposit and on Hand | 30 | - | - | 30 |
| Equity in Treasurer's Account | 80,624 | 111,235 | 3,775 | 195,634 |
| Due from Other Governments | 519 | 1,391 | - | 1,910 |
| Accounts Receivable | 260,095 | 14,144 | 1,972 | 276,211 |
| Allowance for Doubtful Accounts | (121,212) | (1,270) | - | (122,482) |
| Inventories | 13,456 | 2,964 | 14,088 | 30,508 |
| Total Current Assets | <u>233,512</u> | <u>128,464</u> | <u>19,835</u> | <u>381,811</u> |
| Deferred Outflow - Derivative Instruments | 12,018 | 32,186 | - | 44,204 |
| Non-Current Assets: | | | | |
| Restricted Assets: | | | | |
| Equity in Treasurer's Account | 477,997 | 384,769 | - | 862,766 |
| Amounts Held by Fiscal Agent | - | 341 | - | 341 |
| Sinking Funds and Reserves | 152,570 | 63,419 | - | 215,989 |
| Grants for Capital Purposes | - | 17,389 | - | 17,389 |
| Receivables | 1,393 | 6,657 | - | 8,050 |
| Total Restricted Assets | <u>631,960</u> | <u>472,575</u> | <u>-</u> | <u>1,104,535</u> |
| Capital Assets: | | | | |
| Land | 5,919 | 120,293 | - | 126,212 |
| Infrastructure | 2,087,956 | 886,622 | - | 2,974,578 |
| Construction in Progress | 314,162 | 266,843 | - | 581,005 |
| Buildings and Equipment | 1,572,818 | 1,832,433 | - | 3,405,251 |
| Less: Accumulated Depreciation | <u>(2,042,854)</u> | <u>(1,337,654)</u> | <u>-</u> | <u>(3,380,508)</u> |
| Total Capital Assets, Net | <u>1,938,001</u> | <u>1,768,537</u> | <u>-</u> | <u>3,706,538</u> |
| Total Non-Current Assets | <u>2,569,961</u> | <u>2,241,112</u> | <u>-</u> | <u>4,811,073</u> |
| Total Assets | <u>2,815,491</u> | <u>2,401,762</u> | <u>19,835</u> | <u>5,237,088</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Vouchers Payable | 6,871 | 1,783 | - | 8,654 |
| Accounts Payable | 12,304 | 13,541 | - | 25,845 |
| Salaries and Wages Payable | 3,947 | 1,509 | - | 5,456 |
| Construction Contracts Payable | 25,299 | 49,222 | - | 74,521 |
| Accrued Expenses | 21,470 | 3,940 | - | 25,410 |
| Funds Held in Escrow | 2,095 | - | - | 2,095 |
| Deferred Revenue | 6,626 | 35,394 | - | 42,020 |
| Bonds Payable-Current | 121,769 | 51,465 | - | 173,234 |
| Total Current Liabilities | <u>200,381</u> | <u>156,854</u> | <u>-</u> | <u>357,235</u> |
| Derivative Instrument Liability | 12,018 | 32,186 | - | 44,204 |
| Net Pension Liability | 11,801 | 15,659 | - | 27,460 |
| Non-Current Liabilities: | | | | |
| Bonds Payable | 1,698,122 | 1,331,605 | - | 3,029,727 |
| Other Non-Current Liabilities | 27,849 | 13,086 | - | 40,935 |
| Total Non-Current Liabilities | <u>1,725,971</u> | <u>1,344,691</u> | <u>-</u> | <u>3,070,662</u> |
| Total Liabilities | <u>1,950,171</u> | <u>1,549,390</u> | <u>-</u> | <u>3,499,561</u> |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 243,997 | 643,771 | - | 887,768 |
| Restricted For: | | | | |
| Capital Projects | 120,608 | 57,074 | - | 177,682 |
| Debt Service | 152,569 | 95,667 | - | 248,236 |
| Rate Stabilization | 165,907 | - | - | 165,907 |
| Unrestricted | 182,239 | 55,860 | 19,835 | 257,934 |
| Total Net Assets | <u>865,320</u> | <u>852,372</u> | <u>19,835</u> | <u>1,737,527</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, 2012

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

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

City of Philadelphia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

Exhibit VIII

Amounts in thousands of USD

| | Business Type Activities - Enterprise Funds | | | Totals |
|---|---|------------------|---|------------------|
| | Water and Sewer | Aviation | Other Non-Major Industrial & Commercial Development | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from Customers | 587,703 | 263,178 | - | 850,881 |
| Payments to Suppliers | (108,742) | (85,992) | - | (194,734) |
| Payments to Employees | (194,763) | (101,137) | - | (295,900) |
| Internal Activity-Payments to Other Funds | - | (6,635) | - | (6,635) |
| Claims Paid | (3,047) | - | - | (3,047) |
| Other Receipts (Payments) | - | 947 | 412 | 1,359 |
| Net Cash Provided (Used) | <u>281,151</u> | <u>70,361</u> | <u>412</u> | <u>351,924</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants Received | 3,481 | 2,377 | - | 5,858 |
| Operating Subsidies and Transfers from Other Funds | (27,460) | - | - | (27,460) |
| Net Cash Provided (Used) | <u>(23,979)</u> | <u>2,377</u> | <u>-</u> | <u>(21,602)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Debt Issuance | 168,227 | 243,623 | - | 411,850 |
| Capital Grants & Contributions Received | 479 | 25,721 | - | 26,200 |
| Acquisition and Construction of Capital Assets | (136,123) | (126,814) | - | (262,937) |
| Interest Paid on Debt Instruments | (82,555) | (49,843) | - | (132,398) |
| Principal Paid on Debt Instruments | (109,868) | (307,840) | - | (417,708) |
| Passenger Facility Charges | - | 59,938 | - | 59,938 |
| Net Cash Provided (Used) | <u>(159,840)</u> | <u>(155,215)</u> | <u>-</u> | <u>(315,055)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from Sale and Maturities of Investments | - | 10,271 | - | 10,271 |
| Interest and Dividends on Investments | (6,077) | 6,261 | 5 | 189 |
| Net Cash Provided (Used) | <u>(6,077)</u> | <u>16,532</u> | <u>5</u> | <u>10,460</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 91,255 | (65,945) | 417 | 25,727 |
| Cash and Cash Equivalents, July 1 (including \$406.4 mil for Water & Sewer and \$442.3 mil for Aviation reported in restricted accounts) | <u>467,396</u> | <u>562,290</u> | <u>3,358</u> | <u>1,033,044</u> |
| Cash and Cash Equivalents, June 30 (including \$478.0 mil for Water & Sewer and \$385.1 mil for Aviation reported in restricted accounts) | <u>558,651</u> | <u>496,345</u> | <u>3,775</u> | <u>1,058,771</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating Income (Loss) | 208,859 | (33,323) | 412 | 175,948 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | 92,113 | 100,593 | - | 192,706 |
| Changes in Assets and Liabilities: | | | | |
| Receivables, Net | (12,028) | 2,290 | - | (9,738) |
| Deferred Revenue | (3,137) | (1,483) | - | (4,620) |
| Inventories | (264) | 101 | - | (163) |
| Accounts and Other Payables | 3,469 | 2,183 | - | 5,652 |
| Accrued Expenses | (7,861) | - | - | (7,861) |
| Net Cash Provided by Operating Activities | <u>281,151</u> | <u>70,361</u> | <u>412</u> | <u>351,924</u> |

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

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

Exhibit IX

Amounts in thousands of USD

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

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

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

Exhibit X

Amounts in thousands of USD

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

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

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

Exhibit XI

Amounts in thousands of USD

| | Philadelphia Gas Works* | Philadelphia Redevelopment Authority | Philadelphia Parking Authority* | School District of Philadelphia | Community College of Philadelphia | Community Behavioral Health* | Delaware River Waterfront Corporation | Philadelphia Authority for Industrial Development* | Total |
|--|-------------------------|--------------------------------------|---------------------------------|---------------------------------|-----------------------------------|------------------------------|---------------------------------------|--|-------------|
| Assets | | | | | | | | | |
| Cash on Deposit and on Hand | 105,386 | 71,113 | 92,441 | 529 | 11,664 | 23,336 | 5,779 | - | 310,248 |
| Equity in Pooled Cash and Investments | - | - | - | 40,022 | - | - | - | - | 40,022 |
| Investments | - | - | 75,705 | - | 37,136 | - | - | - | 112,841 |
| Due from Primary Government | - | 5,024 | - | - | - | 64,593 | - | - | 69,617 |
| Amounts Held by Fiscal Agent | - | - | - | 109,544 | - | - | - | - | 109,544 |
| Notes Receivable | - | 34,208 | - | - | - | 116 | - | - | 34,324 |
| Taxes Receivable | - | - | - | 180,665 | - | - | - | - | 180,665 |
| Accounts Receivable-Net | 98,925 | 1,149 | 1,091 | 10,340 | 6,707 | - | 5,622 | 31,474 | 155,308 |
| Interest and Dividends Receivable | - | 19,989 | 249 | 150 | 50 | - | - | - | 20,438 |
| Due from Other Governments | - | 203 | 65,487 | 2,609 | - | - | - | 45,371 | 113,670 |
| Inventories | 85,993 | 28,787 | - | 3,618 | - | - | - | - | 118,398 |
| Other Assets | 181,121 | 341 | 2,251 | 29,213 | 1,137 | 747 | 512 | 84 | 215,406 |
| Restricted Assets: | | | | | | | | | |
| Cash and Cash Equivalents | - | 10,563 | - | 177,549 | - | - | - | 23,036 | 211,148 |
| Other Assets | 236,966 | 25,114 | - | 18,375 | 4,234 | - | - | 25,679 | 310,368 |
| Capital Assets: | | | | | | | | | |
| Land and Other Non-Depreciated Assets | 46,149 | - | 15,980 | 198,078 | 46,367 | - | 1,898 | 11,416 | 319,888 |
| Other Capital Assets (Net of Depreciation) | 1,064,929 | 852 | 180,107 | 1,760,693 | 133,117 | 1,526 | 7,816 | 64,613 | 3,213,653 |
| Total Capital Assets | 1,111,078 | 852 | 196,087 | 1,958,771 | 179,484 | 1,526 | 9,714 | 76,029 | 3,533,541 |
| Total Assets | 1,819,469 | 197,343 | 367,824 | 2,594,263 | 243,021 | 90,318 | 21,627 | 201,673 | 5,535,538 |
| Liabilities | | | | | | | | | |
| Notes Payable | - | 21,894 | 10,985 | - | 90,221 | - | - | - | 123,100 |
| Vouchers Payable | 55,893 | - | - | - | 11,521 | - | - | - | 67,414 |
| Accounts Payable | - | 3,212 | 15,371 | 114,408 | - | 2,800 | 2,306 | 3,979 | 142,076 |
| Salaries and Wages Payable | 5,095 | - | - | 50,106 | 2,876 | 5,436 | - | - | 63,513 |
| Accrued Expenses | 217,065 | 3,968 | 776 | - | 1,298 | 70,266 | 464 | - | 293,837 |
| Funds Held in Escrow | - | 12,451 | - | - | 123 | - | - | 624 | 13,198 |
| Due to Other Governments | - | - | 14,745 | 3,462 | 2,419 | - | - | 12,160 | 32,786 |
| Due to Primary Government | - | 1,500 | 30,773 | - | - | - | - | 11,227 | 43,500 |
| Deferred Revenue | 11,161 | 37,914 | 2,033 | 18,844 | 2,568 | 7,900 | 7,535 | 62,304 | 150,259 |
| Overpayment of Taxes | - | - | - | 8,601 | - | - | - | - | 8,601 |
| Other Current Liabilities | - | - | - | 115,772 | - | 3,916 | 35 | - | 119,723 |
| Derivative Instrument Liability | - | - | - | 22,087 | - | - | - | - | 22,087 |
| Non-Current Liabilities: | | | | | | | | | |
| Due within one year | 48,513 | 3,748 | 10,520 | 260,442 | 2,142 | - | - | - | 325,365 |
| Due in more than one year | 1,172,002 | 34,005 | 177,909 | 3,437,147 | 35,263 | - | 2,354 | 44,840 | 4,903,520 |
| Total Liabilities | 1,509,729 | 118,692 | 263,112 | 4,030,869 | 148,431 | 90,318 | 12,694 | 135,134 | 6,308,979 |
| Net Assets | | | | | | | | | |
| Invested in Capital Assets, | | | | | | | | | |
| Net of Related Debt | 15,869 | 219 | 58,683 | (208,522) | 86,331 | - | - | 32,786 | (14,634) |
| Restricted For: | | | | | | | | | |
| Capital Projects | - | - | - | - | 4,757 | - | - | - | 4,757 |
| Debt Service | 114,634 | 8,423 | 2,411 | 109,544 | - | - | - | - | 235,012 |
| Behavioral Health | - | - | - | 18,375 | - | - | - | - | 18,375 |
| Educational Programs | - | - | - | 6,305 | - | - | - | - | 6,305 |
| Grant Programs | - | - | - | - | 6,761 | - | - | 35,066 | 41,827 |
| Other | - | - | - | 286 | - | - | - | - | 286 |
| Unrestricted | 179,237 | 70,009 | 43,618 | (1,362,594) | (3,259) | - | 8,933 | (1,313) | (1,065,369) |
| Total Net Assets | 309,740 | 78,651 | 104,712 | (1,438,606) | 94,590 | - | 8,933 | 66,539 | (773,441) |

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

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

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2012

Exhibit XII

Amounts in Thousands of USD

| Component Units | Net (Expense) Revenue and Changes in Net Assets | | | | | | | | | | | | |
|--|---|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------------------|--------------------------------|---------------------------------|-----------------------------------|------------------------------|---------------------------------------|--|-------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Philadelphia Gas Works* | Philadelphia Redevelopment Authority | Philadelphia Parking Authority | School District of Philadelphia | Community College of Philadelphia | Community Behavioral Health* | Delaware River Waterfront Corporation | Philadelphia Authority for Industrial Development* | Total |
| Functions | | | | | | | | | | | | | |
| Gas Operations | | | | | | | | | | | | | |
| Gas Works | 735,322 | 757,668 | 12,959 | - | 35,305 | - | - | - | - | - | - | - | 35,305 |
| Housing | | | | | | | | | | | | | |
| Redevelopment Authority | 63,299 | 2,413 | 68,238 | - | - | 7,352 | - | - | - | - | - | - | 7,352 |
| Parking | | | | | | | | | | | | | |
| Parking Authority | 225,676 | 230,269 | - | - | - | - | 4,593 | - | - | - | - | - | 4,593 |
| Education | | | | | | | | | | | | | |
| School District | 2,862,971 | 3,957 | 865,838 | - | - | - | - | - | - | - | - | - | (1,993,176) |
| Community College | 161,964 | 32,008 | 64,714 | - | - | - | - | - | - | - | - | - | (65,242) |
| Total | 3,024,935 | 35,965 | 930,552 | - | - | - | (1,993,176) | (65,242) | - | - | (214) | (1,453) | (2,012,835) |
| Health | | | | | | | | | | | | | |
| Community Behavioral Health | 794,588 | - | 794,588 | - | - | - | - | - | - | - | - | - | - |
| Economic Development | | | | | | | | | | | | | |
| Convention Center Authority | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Delaware River Waterfront Corp. | 12,877 | 7,489 | 5,174 | - | - | - | - | - | - | - | - | - | (214) |
| Authority for Ind. Development | 180,328 | 26,788 | 152,087 | - | - | - | - | - | - | - | - | - | (1,453) |
| Total | 193,205 | 34,277 | 157,261 | - | - | - | - | - | - | - | - | - | (1,453) |
| Total Component Units | 5,037,025 | 1,060,592 | 1,963,598 | - | - | - | - | - | - | - | - | - | (2,012,835) |
| General Revenues: | | | | | | | | | | | | | |
| Property Taxes | - | - | - | - | - | - | 658,540 | - | - | - | - | - | 658,540 |
| Other Taxes | - | - | - | - | - | - | 195,848 | - | - | - | - | - | 195,848 |
| Grants & Contributions Not Restricted to Specific Programs | - | - | - | - | - | - | 1,058,288 | 59,966 | - | - | - | (307) | 1,117,947 |
| Unrestricted Interest & Investment Earnings | - | - | - | - | - | 945 | 4,170 | 1,118 | - | 45 | - | - | 8,697 |
| Miscellaneous | - | - | - | - | - | - | - | 4,067 | - | - | - | - | 4,067 |
| Special Item-Gain (Loss) on Sale of Capital Assets | - | - | - | - | - | - | - | - | - | - | - | 7,790 | 7,790 |
| Total General Revenue, Special Items and Transfers | - | - | - | - | - | 945 | 1,916,846 | 65,151 | - | 45 | - | 7,483 | 1,992,889 |
| Net Assets - July 1, 2011 | 35,305 | 8,287 | 7,012 | - | - | - | (76,330) | (91) | - | (169) | - | 6,030 | (19,946) |
| Adjustment | 274,435 | 70,354 | 97,700 | - | - | - | (1,353,885) | 94,681 | - | 9,102 | - | 60,509 | (747,104) |
| Net Assets Adjusted - July 1, 2011 | - | - | - | - | - | - | (6,391) | - | - | - | - | - | (6,391) |
| Net Assets - June 30, 2012 | 274,435 | 70,354 | 97,700 | - | - | - | (1,360,276) | 94,681 | - | 9,102 | - | 60,509 | (753,495) |
| Net Assets - June 30, 2012 | 309,740 | 78,651 | 104,712 | - | - | - | (1,436,606) | 94,590 | - | 8,933 | - | 66,539 | (773,441) |

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

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



Notes to the Financial Statements
FYE 06/30/2012

Table of Contents

| | | |
|------|---|-----|
| I. | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES..... | 40 |
| 1. | Reporting Entity | 40 |
| 2. | Government Wide and Fund Financial Statements | 41 |
| 3. | Basis of Accounting, Measurement Focus and Financial Statements | 42 |
| 4. | Deposits and Investments | 43 |
| 5. | Inventories | 44 |
| 6. | Capital Assets..... | 44 |
| 7. | Bonds and Related Premiums, Discounts and Issuance Costs..... | 45 |
| 8. | Insurance..... | 45 |
| 9. | Receivables and Payables | 45 |
| 10. | Deferred Revenues | 45 |
| 11. | Compensated Absences | 46 |
| 12. | Claims and Judgments..... | 46 |
| II. | LEGAL COMPLIANCE..... | 46 |
| 1. | Budgetary Information | 46 |
| III. | DETAILED NOTES ON ALL FUNDS AND ACCOUNTS..... | 47 |
| 1. | Deposits and Investments | 47 |
| 2. | Securities Lending..... | 54 |
| 3. | Amounts Held by Fiscal Agent | 54 |
| 4. | Interfund Receivables and Payables..... | 54 |
| 5. | Capital Asset Activity | 56 |
| 6. | Notes Payable | 59 |
| 7. | Debt Payable | 60 |
| 8. | Lease Commitments and Leased Assets..... | 79 |
| 9. | Deferred Compensation Plans | 81 |
| 10. | Fund Balance Presentation | 81 |
| 11. | Interfund Transactions..... | 82 |
| 12. | Reconciliation of Government-Wide and Fund Financial Statements..... | 83 |
| 13. | Prior Period Adjustments..... | 83 |
| 14. | Net Assets Restricted by Enabling Legislation..... | 84 |
| 15. | Fund Deficits..... | 84 |
| 16. | Advance Service Charge..... | 84 |
| IV. | OTHER INFORMATION | 85 |
| 1. | Pension Plans..... | 85 |
| 2. | Accumulated Unpaid Sick Leave..... | 91 |
| 3. | Other Post Employment Benefits (OPEB)..... | 92 |
| 4. | Pennsylvania Intergovernmental Cooperation Authority | 98 |
| 5. | Related Party Transactions | 98 |
| 6. | Risk Management..... | 99 |
| 7. | Commitments | 100 |
| 8. | Contingencies..... | 100 |
| 9. | Subsequent Events..... | 110 |

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

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

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

A. BLENDED COMPONENT UNITS

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

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

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

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104

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

Philadelphia Redevelopment Authority (PRA) – 1234 Market St., Philadelphia, PA 19107

PRA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval.

School District of Philadelphia (SDP) – 440 N. Broad St., Philadelphia, PA 19130

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

Community Behavioral Health (CBH) – 801 Market St., Philadelphia, PA 19107

CBH is a not-for-profit organization established by the City's Department of Public Health to provide for and administer all behavioral health services required by the Commonwealth of Pennsylvania. Its board is made up of City officials and City appointees. Any change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102

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

Philadelphia Gas Works (PGW) – 800 W. Montgomery Ave., Philadelphia, PA 19122

PGW was established by the City to provide gas service to residential and commercial customers within the City of Philadelphia. The City appoints a voting majority of PGW's board and has the ability to modify or approve their budget.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports on the following fiduciary funds:

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

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

The City reports the following major proprietary funds:

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

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

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

B. COMPONENT UNITS

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

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

4. DEPOSITS AND INVESTMENTS

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

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

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

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

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

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

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

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

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

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

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

8. INSURANCE

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

9. RECEIVABLE AND PAYABLES

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

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 30.55% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes, levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. Current real estate rates are \$9.432 on each \$100 assessment; \$5.309 for the SDP and \$4.123 for the City. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED REVENUES

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

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

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

11. COMPENSATED ABSENCES

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

12. CLAIMS AND JUDGMENTS

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

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

ted to City Council for review. Changes in revenue estimates do not need City Council approval, but are submitted in support of testimony with regard to the appropriation adjustments. Revenue estimates are presented as originally passed and as amended.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the carrying amount (book balance) of deposits for the City and the bank balances were \$404.2 million and \$404.2 million respectively. All of the collateralized securities were held in the City's name except for \$60.5 million which was collateralized but held in the pledging institutions name.

Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund and the Philadelphia Gas Works Retirement Reserve. Both of those funds have separate investment policies designed to meet the long-term goals of the fund. To minimize custodial credit risk, the city's policy is to select custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

As of June 30, 2012 the City's Investments consisted of:

(amounts in thousands of USD)

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

City excluding Pension Trust Funds

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

(amount in thousands of USD)

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

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (11.26%) or US Government Agency obligations (13.50%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (4.83%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 by Moody's Investor's Services, Inc (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 15.8% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than \$100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

Municipal Pension Fund

Credit Risk: Credit Risk: Currently, the Municipal Pension Fund owns approximately 57.6% of all investments and is invested primarily in equity securities (44%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 56% had Standard & Poor ratings of AAA to A; and 60% had Moody's rating of AAA to A1.

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

Municipal Pension Fund

Equity Securities subject to Foreign Currency Risk

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

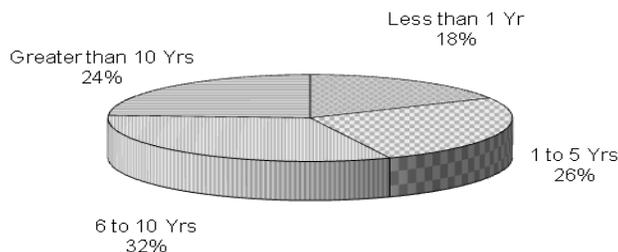
Fixed Income Securities and Other Investments subject to Foreign Currency Risk

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

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

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

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.75% of all investments and is primarily invested in equity securities (63%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the **PGWRR** is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio managers' Average Credit Quality ranges from AAA to AA.

The **PGWRR's** fixed income investments are as follows:

| Investment Type | Maturity Length | | | | |
|-----------------------------------|-----------------|---------------|---------------|---------------|------------------|
| | Less than 1 yr. | 1-3 yrs | 3-5 yrs | 5-10 yrs | More than 10 yrs |
| Short-Term Investment Pools | 10,447 | - | - | - | - |
| U.S. Government Agency Securities | - | 3,096 | 4,892 | 1,030 | 490 |
| U.S. Government Securities | 2,117 | 5,828 | 3,612 | 6,357 | 3,205 |
| MTG Pass Thrus | - | - | - | 292 | 2,719 |
| Municipal Securities | - | - | 810 | 1,003 | 1,581 |
| Asset Backed Securities | - | - | 185 | 5,543 | 30,484 |
| Corporate bonds | 2,794 | 9,224 | 12,615 | 37,377 | 10,305 |
| | <u>15,358</u> | <u>18,148</u> | <u>22,114</u> | <u>51,602</u> | <u>48,784</u> |

Blended Component Units

A. PICA

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

At June 30, 2012 the carrying amount of **PICA's** deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short-term investments was \$91 million. Statement balances were insured or collateralized as follows:

| | (thousands of USD) |
|--------------------------------|--------------------|
| Insured | 3,691 |
| Uninsured and uncollateralized | 87,318 |
| Total: | <u>91,009</u> |

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds.

Investment Derivative Instruments

As of June 30, 2012, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

(amounts in thousands of USD)

| | <u>Changes in Fair Value</u> | | <u>Fair Value at June 30, 2012</u> | | <u>Notional</u> |
|---------------------------------------|------------------------------|---------------|------------------------------------|---------------|-----------------|
| | <u>Classification</u> | <u>Amount</u> | <u>Classification</u> | <u>Amount</u> | |
| <u>Governmental Activities</u> | | | | | |
| Investment Derivatives: | | | | | |
| Basis Caps | Investment Revenue | 3,806 | Investment | 3,412 | 358,540 |

a. PICA Series of 2003 and 1999 Basis Cap Agreements

In June 2003 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

2003 Basis Cap

Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The agreement matures June 15, 2022.

1999 Basis Cap

Beginning July 15, 2009, the counterparty pays the Authority a fixed rate each month of .46% per year and the Authority will pay to the counterparty a variable rate based on the greater of (a) the average of the BMA for the month divided by the one-month LIBOR, less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional agreement matures June 15, 2023.

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

B. PHILADELPHIA MUNICIPAL AUTHORITY

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

| | (thousands of USD) | |
|-----------------------------------|--------------------|---------------|
| | <u>Fair Value</u> | <u>Cost</u> |
| Money Market Funds | 40,514 | 40,514 |
| U.S. Treasury & Agency obligation | 4,400 | 4,399 |
| U.S. Treasury bonds & notes | 2,501 | 2,506 |
| Certificates of Deposit | 100 | 100 |
| Corporate bond & debts | 372 | 378 |
| | <u>47,887</u> | <u>47,897</u> |

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

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, 2012 the Authority's investments in U.S. Government Securities were rated

AAA, and investments in corporate and foreign debt were rated AA+ or AAA, by Standard & Poor's. Investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of \$405,598 on deposit with two local banks. Amounts are insured by the FDIC up to \$250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Discretely Presented Component Units

a. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2012, PAID's basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands)

| | <u>Changes in Fair Value</u> | | <u>Fair Value at June 30, 2012</u> | | <u>Notional</u> |
|--------------------------------|------------------------------|---------------|------------------------------------|---------------|-----------------|
| | <u>Classification</u> | <u>Amount</u> | <u>Classification</u> | <u>Amount</u> | |
| Governmental Activities | | | | | |
| Investment Derivatives: | | | | | |
| Basis Swap | Investment Revenue | 935 | Investment | (4,750) | 193,520 |

Objective: PAID entered into a basis swap that became effective on July 1, 2004, that provides PAID with ten equal payments of \$1.2 million with the first payment due on July 1, 2004. PAID executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July, 2006, a portion of the existing basis swap was restructured such that the variable rate received by PAID was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This provides for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio.

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

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

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

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

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

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

b. School District of Philadelphia Basis Swaps

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

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

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

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

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

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

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

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

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

Termination risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

2. SECURITIES LENDING

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

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced \$1.9 million in unrealized losses from securities transactions during the year and had no credit risk exposure at June 30.
- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

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

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID's** Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID's** Central Library Project Financing Lease Revenue Bonds Series 2005 and **PAID's** Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **PRA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

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

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

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

(Amounts in Thousands of USD)

| | Interfund Receivables Due to: | | | | Total |
|-------------------------------------|--------------------------------------|------------------------|---------------------|--------------------|--------------|
| | Non major | | | | |
| | General | Governmental | | Other Funds | |
| | | Special Revenue | Debt Service | | |
| Interfund Payables Due From: | | | | | |
| General | - | - | - | 800 | 800 |
| Non major Special Revenue Funds | 7,531 | - | - | 487 | 8,018 |
| Non major Debt Service Funds | - | - | - | - | - |
| Total | 7,531 | - | - | 1,287 | 8,818 |

B. COMPONENT UNITS

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

| | Receivables Due to: | | | | | Total |
|---------------------------|----------------------------|-----------------|---------------|--------------|--------------------------|---------------|
| | General | Aviation | CBH | PRA | Timing Difference | |
| Payables Due From: | | | | | | |
| Behavioral Health | - | - | 44,565 | - | - | 44,565 |
| Grants Revenue | - | - | - | 3,377 | - | 3,377 |
| Non-major Funds | - | - | - | 1,102 | - | 1,102 |
| PPA | 9,283 | 23,708 | - | - | (2,218) | 30,773 |
| PAID | 50,691 | - | - | - | (39,464) | 11,227 |
| PRA | - | - | - | - | 1,500 | 1,500 |
| PGW | 16,500 | - | - | - | (16,500) | - |
| School District of Phila | 4,000 | - | - | - | (4,000) | - |
| Timing Difference | (11,227) | (23,708) | 20,028 | 545 | - | (14,362) |
| Total | 69,247 | - | 64,593 | 5,024 | (60,682) | 78,182 |

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

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

(Amounts In Millions of USD)

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

(Amounts In Millions of USD)

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

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

| | (Amounts in Millions of USD) |
|---|------------------------------|
| <u>Governmental Activities:</u> | |
| Economic Development | 3 |
| Transportation: | |
| Streets & Highways | 37 |
| Mass Transit | 6 |
| Judiciary and Law Enforcement: | |
| Police | 9 |
| Prisons | 6 |
| Conservation of Health: | |
| Health Services | 2 |
| Cultural and Recreational: | |
| Recreation | 11 |
| Parks | 10 |
| Libraries and Museums | 10 |
| Improvements to General Welfare: | |
| Social Services | 1 |
| Service to Property: | |
| Fire | 6 |
| General Management & Support | <u>31</u> |
| Total Governmental Activities | <u><u>132</u></u> |
| <u>Business Type Activities:</u> | |
| Water and Sewer | 92 |
| Aviation | <u>101</u> |
| Total Business Type Activities | <u><u>193</u></u> |

B. DISCRETELY PRESENTED COMPONENT UNITS

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

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

6. NOTES PAYABLE

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

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately \$90.2 million. The loans have interest rates ranging from 2.50% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

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

| <u>Period</u> | <u>Amount</u> |
|---------------|----------------------|
| 2013 | \$ 8,257,274 |
| 2014 | 7,789,962 |
| 2015 | 5,557,893 |
| 2016 | 5,518,993 |
| 2017 | 5,491,851 |
| 2018-2022 | 27,115,000 |
| 2023-2027 | 25,035,000 |
| 2028 | 5,455,000 |
| Total | \$ <u>90,220,973</u> |

PPA, in prior years, borrowed a total of \$34 million in the form of bank notes ranging in maturity from 5-15 years and in interest rates from 4.06 to 6.5%. The proceeds of these loans were used to finance various capital projects, the acquisition of capital assets, building improvements, installation of Multi-Space parking meters and the development of a records department.

The total outstanding principal balance of these notes at March 31, 2012 was \$10,986,436 subject to the following repayment schedule:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|----------------------|
| 2013 | \$ 5,092,722 |
| 2014 | 4,012,974 |
| 2015 | 484,569 |
| 2016 | 504,512 |
| 2017 | 525,584 |
| 2018-2022 | <u>366,075</u> |
| Total | \$ <u>10,986,436</u> |

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2012 the statutory limit for the City is \$1.6 billion, the General Obligation Debt net of deductions authorized by law is \$1.5 billion, leaving a legal debt borrowing capacity of \$79.8 million. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims, Net Pension Obligation and OPEB are typically paid by the General Fund.

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

| | (Amounts In Millions of USD) | | | | |
|--|------------------------------------|------------------|-------------------|---------------------------------|--------------------------------------|
| | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u> <u>Balance</u> | <u>Due Within</u> <u>One Year</u> |
| Governmental Activity | | | | | |
| Bonds Payable | | | | | |
| Term Bonds | 844.2 | 6.3 | (41.8) | 808.7 | 43.6 |
| Refunding Bonds | 831.6 | 21.3 | (31.1) | 821.8 | 31.7 |
| Serial Bonds | 447.5 | 6.3 | (55.1) | 398.7 | 39.6 |
| Add: Bond Premium | 100.8 | 16.1 | (9.1) | 107.8 | - |
| Less: Deferred Amounts | | | | | |
| Unamortized Issuance Expenses | (55.2) | (1.4) | 3.0 | (53.6) | - |
| Unamortized Discount and Loss | (47.2) | (0.6) | 3.9 | (43.9) | - |
| Total Bonds Payable | <u>2,121.7</u> | <u>48.0</u> | <u>(130.2)</u> | <u>2,039.5</u> | <u>114.9</u> |
| Obligations Under Lease & Service Agreements | | | | | |
| Pension Service Agreement | 1,407.3 | 62.0 | (90.0) | 1,379.3 | 95.0 |
| Neighborhood Transformation | 246.0 | 91.3 | (109.7) | 227.6 | 7.5 |
| One Parkway | 45.1 | - | (1.6) | 43.5 | 2.1 |
| Sports Stadia | 331.5 | - | (5.9) | 325.6 | 11.4 |
| Library | 8.6 | - | (0.4) | 8.2 | 0.5 |
| Cultural Corridor Bonds | 122.8 | - | (3.4) | 119.4 | 3.6 |
| Arbitrage | - | - | - | - | - |
| Indemnity Claims | 47.3 | 37.5 | (33.2) | 51.6 | 17.5 |
| Worker's Compensation Claims | 275.3 | 61.4 | (57.3) | 279.4 | 35.0 |
| Termination Compensation Payable | 201.2 | 28.9 | (20.4) | 209.7 | 28.9 |
| Net Pension Obligation | 69.4 | 147.0 | - | 216.4 | - |
| OPEB Obligation | 79.5 | 29.5 | - | 109.0 | 36.3 |
| Leases | 51.7 | - | (11.1) | 40.6 | 11.7 |
| Governmental Activity Long-term Liabilities | <u>5,007.4</u> | <u>505.6</u> | <u>(463.2)</u> | <u>5,049.8</u> | <u>364.4</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)

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

- In May 2012, the City issued General Obligation Refunding Bonds, Series 2012A in the amount of \$21.3 million. The bonds have a fixed interest rate of 5% and mature on September 15, 2014 (\$1.4 million); September 15, 2019 (\$9.9 million); and, September 15, 2021 (\$10.0 million). Proceeds will be used to currently refund Series 1998 General Obligation Refunding Bonds maturing on May 15, 2020 in the amount of \$10.7 million; currently refund Series 2001 General Obligation Bonds maturing on September 15, 2021 in the amount of \$11.1 million; advance refund Series 2003A General Obligation Bonds maturing on February 15, 2015 in the amount of \$2.4 million; and, pay the costs of issuing the 2012 bonds. Proceeds of the 2012 bonds will be applied, on the date of issuance, to the payment of the redemption price of the 1998 and 2001 bonds which are being optionally redeemed on such date.
- In May 2012, **PMA** issued \$12.6 million of City Agreement Revenue Bonds, Series 2012 for the Government Building Energy Conservation Project. The bonds consist of: \$6.4 million of Tax-Exempt Bonds, Series 2012A, and \$6.3 million of Federally Taxable Qualified Energy Conservation Bonds Series 2012B. Interest will be paid semi-annually on March 15 and September 15 commencing on September 15, 2012. The Series 2012A serial bonds will mature on March 15, 2022, and the Series 2012B term bonds mature on March 15, 2024 (\$2.1 million) and March 15, 2028 (\$4.2 million). Proceeds will be used to finance the evaluation and implementation of energy conservation and efficiency measures at four (4) properties owned or leased, and operated by the city (City Hall, Criminal Justice Center, Municipal Services Building and One Parkway Building).
- Effective August 4, 2011 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B (\$100.0 million), and entered into a letter of credit substitution with the Royal Bank of Canada (RBC). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by RBC. The Letter of Credit (LOC) will permit the fiscal agent to draw up to \$101.8 million for principal and unpaid interest on the 2009B bonds and will expire on August 4, 2014, unless earlier cancelled, terminated or renewed. The LOC will constitute both a Credit Facility and Credit Provider and RBC a Liquidity Facility and Liquidity Provider for the 2009B bonds.
- In September 2011 to reduce costs associated with the Deferred Retirement Option Plan (DROP), City Council amended the options for retirement benefits. Options include, but are not limited to: changing eligibility requirements and the interest credited to Deferred Retirement Option Plan accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of their regular monthly pension; and making conforming amendments to other provisions; under certain terms and conditions.
- As of June 30, 2012, **PMA**'s Statement of Net Assets disclosed \$15.7 million of accretion to its bond principal payments for fiscal years 2013-2015. Capitalized interest rates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents cumulative compounded interest due and payable at bond maturity.

The City has General Obligation Bonds authorized and un-issued at year-end of \$267.0 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

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

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

(Amounts In Millions of USD)

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

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

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

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

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

(Amounts In Millions of USD)

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

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

- In December 2011, the City issued Airport Revenue Bond Series 2011 in the amount of \$233.8 million. The Series 2011A bonds (AMT) were issued as serial bonds in the amount of \$199.0 million with interest rates ranging from 2% to 5% and mature in 2028. The Series 2011B bonds were issued as serial bonds in the amount of \$34.8 million, with interest rates ranging from 2% to 5% and mature in 2031. The plan is to: (i) refund a portion of the International Terminal Bonds; (ii) refund all of the City's outstanding Airport Revenue Bonds, Series 2001B; and (iii) pay the issuance costs of the bonds. The proceeds from the 2011A bonds will be used to refund the entire principal amount of \$149.3 million for the Airport Revenue Bond, Series 2001A. In addition, the 2011B bonds will be used to refund a portion of the Airport Revenue Bond Series 1998B (currently outstanding aggregate principal amount of \$57.1 million).
- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to \$214.9 million. During fiscal year 2012, PENNVEST drawdowns totaled \$43.7 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

| <u>Date</u> | <u>Series</u> | <u>Maximum Loan Amount</u> | <u>Estimated Project Costs</u> | <u>Amt Requested thru 6/30/2012</u> | <u>Amt Rec'd Yes/No</u> | <u>Purpose</u> |
|-------------|---------------|----------------------------|--------------------------------|-------------------------------------|-------------------------|------------------------------|
| Oct. 2009 | 2009B | 42,886,030 | 42,339,199 | 22,827,986 | Yes | Water Plant Improvements |
| Oct. 2009 | 2009C | 57,268,193 | 56,264,382 | 35,666,542 | Yes | Water Main Replacements |
| Mar. 2010 | 2009D | 84,759,263 | 84,404,754 | 64,380,070 | Yes | Sewer Projects |
| Jul. 2010 | 2010B | 30,000,000 | 31,376,846 | 8,111,482 | Yes | Green Infrastructure Project |
| Totals: | | <u>214,913,486</u> | <u>214,385,181</u> | <u>130,986,080</u> | | |

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

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

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

(3) Defeased Debt

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

(Amounts In Millions of USD)

Governmental Funds:

General Obligation Bonds 2.4

Enterprise Funds:

Water Fund Revenue Bonds 222.9
225.3

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The city borrowed and repaid \$173.0 million in Tax Revenue Anticipation Notes by June 2012 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

(Amounts In Millions of USD)

Tax Revenue Anticipation Notes:

Balance July 1, 2011 -
Additions 173.0
Deletions (173.0)
Balance June 30, 2012 -

(5) Arbitrage Liability

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2012, the Aviation Fund and the Water Fund had recorded liabilities of \$0.2 million and \$0.1 million, respectively.

(6) Derivative Instruments

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

(amounts in thousands)

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

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

(amounts in thousands)

| <u>Agency</u> | <u>Type</u> | <u>Objective</u> | <u>Notional Amount</u> | <u>Effective Date</u> | <u>Maturity Date</u> | <u>Terms</u> | <u>Counterparty Credit Rating</u> |
|---------------------|------------------------------|---|------------------------|-----------------------|----------------------|---|-----------------------------------|
| City GO (a) | Pay Fixed Interest Rate Swap | Hedge changes in cash flow on the 2009 Series B bonds | 100,000 | 12/20/2007 | 8/1/2031 | City pays 3.829%; receives SIFMA Municipal Swap Index | Aa3/AA- |
| City Lease PAID (b) | Pay Fixed Interest Rate Swap | Hedge changes in cash flow on the 2007 Series B bonds | 217,275 | 10/25/2007 | 10/1/2030 | City pays 3.9713%; receives SIFMA Municipal Swap Index | Aa3/A+ |
| City Lease PAID (b) | Pay Fixed Interest Rate Swap | Hedge changes in cash flow on the 2007 Series B bonds | 72,400 | 10/25/2007 | 10/1/2030 | City pays 3.9713%; receives SIFMA Municipal Swap Index | Baa2/A- |
| Airport (c) | Pay Fixed Interest Rate Swap | Hedge changes in cash flow on the 2005 Series C bonds | 155,900 | 6/15/2005 | 6/15/2025 | Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index | Aa3/A+ |
| Water (d) | Pay Fixed Interest Rate Swap | Hedge changes in cash flow on the 2005 Series bonds | 82,445 | 5/4/2005 | 8/1/2018 | City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR | Baa2/A- |

a. City of Philadelphia 2009B General Obligation Bond Swap

Objective In December, 2007, the City entered into a swap to synthetically refund all or a portion of several series of outstanding bonds. The swap structure was used as a means to increase the City's savings when compared with fixed-rate bonds at the time of issuance. The intention of the swap was to create a synthetic fixed-rate structure. On July 23, 2009, the City terminated approximately \$213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of \$15.5 million to RBC.

Terms: The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2012, the swap had a notional amount of \$100 million and the associated variable rate bonds had a \$100 million principal amount. The bonds mature in August, 2031.

Fair Value: As of June 30, 2012, the swap had a negative fair value of (\$27.02 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2012, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the rating of RBC falls below Baa3 or BBB- or by RBC if the rating of the City falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corp. (formerly FSA), no termination event based on the City's ratings can occur as long as Assured is rated at least A3 and A-.

As of June 30, 2012, the rates were:

| | <u>Terms</u> | <u>Rates</u> | |
|---|--------------|--------------|---|
| Interest Rate Swap | | | |
| Fixed payment to RBC under swap | Fixed | 3.82900 | % |
| Variable rate payment from RBC under swap | SIFMA | (0.18000) | % |
| Net interest rate swap payments | | 3.64900 | % |
| Variable Rate bond coupon payments | Weekly reset | 0.16000 | % |
| Synthetic interest rate on bonds | | 3.80900 | % |

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

| Fiscal Year Ending June 30 | <u>Variable Rate Bonds</u> | | Interest Rate Swaps Net | Total Interest |
|-------------------------------|----------------------------|---------------------|----------------------------|----------------------|
| | Principal | Interest | | |
| 2013 | \$ - | \$ 160,000 | \$ 3,649,000 | \$ 3,809,000 |
| 2014 | - | 160,000 | 3,649,000 | 3,809,000 |
| 2015 | - | 160,000 | 3,649,000 | 3,809,000 |
| 2016 | - | 160,000 | 3,649,000 | 3,809,000 |
| 2017 | - | 160,000 | 3,649,000 | 3,809,000 |
| 2018-2022 | - | 800,000 | 18,245,000 | 19,045,000 |
| 2023-2027 | - | 800,000 | 18,245,000 | 19,045,000 |
| 2028 | 100,000,000 | 443,392 | 10,112,109 | 10,555,501 |
| Total: | \$ <u>100,000,000</u> | \$ <u>2,843,392</u> | \$ <u>64,847,109</u> | \$ <u>67,690,501</u> |

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

Objective: In October, 2007, **PAID** entered into two swaps to synthetically refund **PAID's** outstanding Series 2001B bonds. The swap structure was used as a means to increase **PAID's** savings when compared with fixed-rate bonds at the time of issuance. The intention of the swaps was to create a synthetic fixed-rate structure.

Terms: The total original notional amount of the two swaps was \$289.7 million which matched the principal amount of the 2007B bonds issued (\$289.7 million). One swap, with a notional amount of \$217.3 million, was executed with JP Morgan Chase Bank. The other swap, with a notional amount of \$72.4 million was executed with Merrill Lynch Capital Services, Inc. Both swaps commenced on October 25, 2007 and will terminate on October 1, 2030. Under the swaps, **PAID** pays a fixed rate of 3.9713% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule. As of June 30, 2012, the swaps together had a notional amount of \$289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2012, the swap with JP Morgan Chase Bank had a negative fair value of (\$52.2 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of (\$17.4 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2012, **PAID** was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

The swaps include an additional termination event based on credit ratings. The swaps may be terminated by **PAID** if the rating of the respective counterparty on the swaps falls below Baa3 or BBB- or by the respective counterparties if the underlying rating on the associated bonds falls below Baa3 or BBB-. There are 30-day cure periods to these termination events. The City's swap payments are insured by FGIC.

As of June 30, 2012, the rates for the \$217.3 million notional swap with JP Morgan Chase Bank were:

| | <u>Terms</u> | <u>Rates</u> |
|--|-----------------------------------|--------------|
| Interest Rate Swap | | |
| Fixed payment to JPMorgan under Swap | Fixed | 3.97130 % |
| Variable rate payment from JPMorgan under Swap | SIFMA | (0.18000) % |
| Net interest rate swap payments | | 3.79130 % |
| Variable Rate bond coupon payments | Weighted Average Weekly resets | 0.55283 % |
| Synthetic interest rate on bonds | | 4.34413 % |

As of June 30, 2012, the rates for the \$72.4 million notional swap with Merrill Lynch Capital Services, Inc. were:

| | <u>Terms</u> | <u>Rates</u> |
|---|---------------|--------------|
| Interest Rate Swap | | |
| Fixed payment to Merrill Lynch under Swap | Fixed | 3.97130 % |
| Variable rate payment from Merrill Lynch under Swap | SIFMA | (0.18000) % |
| Net interest rate swap payments | | 3.79130 % |
| Variable Rate bond coupon payments | Weekly resets | 0.15000 % |
| Synthetic interest rate on bonds | | 3.94130 % |

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

| Fiscal Year Ending <u>June 30</u> | Variable Rate Bonds | | Interest Rate | Total Interest |
|--------------------------------------|-----------------------|---------------------|----------------------|-----------------------|
| | Principal | Interest | Swaps Net | |
| 2013 | \$ - | \$ 1,201,559 | \$ 8,247,784 | \$ 9,449,342 |
| 2014 | - | 1,201,559 | 8,247,784 | 9,449,342 |
| 2015 | - | 1,201,559 | 8,247,784 | 9,449,342 |
| 2016 | 12,990,000 | 1,201,559 | 8,247,784 | 9,449,342 |
| 2017 | 13,550,000 | 976,832 | 7,755,294 | 8,732,125 |
| 2018-2022 | 62,345,000 | 1,920,901 | 31,145,719 | 33,066,620 |
| 2023-2027 | 65,495,000 | 776,633 | 19,629,645 | 20,406,278 |
| 2028-2031 | 63,165,000 | 241,815 | 6,111,955 | 6,353,770 |
| Total: | \$ <u>217,545,000</u> | \$ <u>8,722,417</u> | \$ <u>97,633,749</u> | \$ <u>106,356,161</u> |

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

| Fiscal Year Ending <u>June 30</u> | Variable Rate Bonds | | Interest Rate | Total Interest |
|--------------------------------------|----------------------|---------------------|----------------------|----------------------|
| | Principal | Interest | Swaps Net | |
| 2013 | \$ - | \$ 108,195 | \$ 2,734,665 | \$ 2,842,860 |
| 2014 | - | 108,195 | 2,734,665 | 2,842,860 |
| 2015 | - | 108,195 | 2,734,665 | 2,842,860 |
| 2016 | - | 108,195 | 2,734,665 | 2,842,860 |
| 2017 | - | 108,195 | 2,734,665 | 2,842,860 |
| 2018-2022 | 14,575,000 | 520,133 | 13,146,522 | 13,666,655 |
| 2023-2027 | 29,285,000 | 347,505 | 8,783,305 | 9,130,810 |
| 2028-2031 | 28,270,000 | 108,225 | 2,735,423 | 2,843,648 |
| Total: | \$ <u>72,130,000</u> | \$ <u>1,516,838</u> | \$ <u>38,338,575</u> | \$ <u>39,855,413</u> |

c. Philadelphia Airport Swap

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department (the Philadelphia Airport) with an up-front payment of \$6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April, 2002, of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

Terms: JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of \$189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP Morgan Chase has the option to terminate the swap.

As of June 30, 2012, the swap had a notional amount of \$155.9 million and the associated variable-rate bonds had a \$155.9 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2012, the swap had a negative fair value of (\$32.2 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2012, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the rela-

relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2012, the rates were:

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

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

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

d. City of Philadelphia, 2005 Water & Sewer Swap

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

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

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

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

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

As of June 30, 2012, the rates were:

| | <u>Terms</u> | <u>Rates</u> | |
|--|------------------------|--------------|---|
| Interest Rate Swap | | | |
| Fixed payment to Citi under swap | Fixed | 4.53000 | % |
| Variable rate payment from Citi under swap | 68.5% of 1-month LIBOR | (0.16834) | % |
| Net interest rate swap payments | | 4.36166 | % |
| Variable Rate bond coupon payments | Weekly resets | 0.22000 | % |
| Synthetic interest rate on bonds | | 4.58166 | % |

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

| Fiscal Year Ending <u>June 30</u> | <u>Variable Rate Bonds</u> | | <u>Interest Rate</u> | | <u>Total Interest</u> |
|--------------------------------------|----------------------------|-------------------|----------------------|----|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Swaps Net</u> | | |
| 2013 | \$ 450,000 | \$ 181,379 | \$ 3,595,972 | \$ | 3,777,351 |
| 2014 | 14,820,000 | 180,389 | 3,576,344 | | 3,756,733 |
| 2015 | 15,535,000 | 147,785 | 2,929,946 | | 3,077,731 |
| 2016 | 16,315,000 | 113,608 | 2,252,362 | | 2,365,970 |
| 2017 | 17,145,000 | 77,715 | 1,540,757 | | 1,618,472 |
| 2018-2019 | 18,180,000 | 40,359 | 800,147 | | 840,506 |
| Total: | \$ <u>82,445,000</u> | \$ <u>741,235</u> | \$ <u>14,695,528</u> | \$ | <u>15,436,763</u> |

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of PAID. The City entered into a Service Agreement with PAID agreeing to make yearly payments equal to the debt service on the bonds. PAID assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, PAID treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of \$1.4 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of \$1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced

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

(8) Neighborhood Transformation Initiative Service Agreement

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

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

In Fiscal 2012, **PRA** issued \$91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of \$124 million. The bonds will be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company (DTC), which will act as securities depository. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. The fiscal year 2012 NTI Service Agreement liability of \$227.6 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

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

In October, 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2012, the Sports Stadium Financing Agreement liability of \$325.6 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued \$135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal 2012 the liability of \$119.4 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

On June 6, 2000 PICA entered into a debt service reserve forward delivery agreement, which would begin on June 15, 2010 and expires on June 15, 2023. **PICA** received a premium of \$1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of respective agreements.

(12) Net Pension Liability

Net Pension Liabilities at June 30, 2011 was \$69.4 million and \$10.6 million for the Governmental and Business Type Activities, respectively. The increase in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2012 of \$147 million resulted in Net Pension Liabilities of \$216.4 million. During FY 2012, the Business Type Activities' NPO increased by \$16.9 million resulting in a Net Pension Liability of \$27.5 million.

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The School District has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year end total \$3,038.5 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2013 to 2040. The following schedule reflects the changes in long-term liabilities for the School District:

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

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

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

Refunding Bonds:

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

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

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

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

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

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

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

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

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

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

(Amounts in Millions of USD)

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

(3) Defeased Debt

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

(Amounts In Millions of USD)

| | |
|---------------------------------|--------------|
| Philadelphia Gas Works † | 70.0 |
| School District of Philadelphia | 648.9 |
| Total | <u>718.9</u> |

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

The investments held by the trustee and the defeased bonds are not recognized on PGW's balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

The assets pledged, primarily noncallable U.S. Government securities, had a market value of \$74.9 million at August 31, 2011, bearing interest on face value from 0.0% to 6.7%.

As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As such, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. As of June 30, 2012, \$635.6 million of bonds outstanding are considered to be totally defeased and the liability has been removed from long-term liabilities.

In addition, the QZAB Bond Series 2004E of \$19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places \$1.4 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt in 2018. As of June 30, 2012, \$9.7 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZABs Bond Series 2007C and 2007D of \$13.5 million and \$28.2 million, respectively, were issued December 28, 2007, and are due December 28, 2022 and are considered partially defeased in substance for accounting and financial reporting purposes. The School District irrevocably places \$0.9 million in trust with its fiscal agent

each December 15th for Series 2007C. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt in 2022. As of June 30, 2012, \$3.6 million is considered partially defeased in substance for accounting and financial reporting purposes.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2012, the arbitrage rebate calculation indicates a liability totaling \$286,173 related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. The School District has restricted this amount under the fund balance of the Capital Projects Fund. In addition, a contingent liability has been accounted for in the governmental activities column of the government-wide statement of net assets. This amount is required to be paid when the remaining project funds are expended. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2012. Per IRS regulations, a payment of \$3,144,929.38 was made on January 23, 2012 which is within 60 days of the fifth anniversary of issuance.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

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

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

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

The original swap confirmation was amended and restated on August 12, 2009 to reflect the principal amount of the Eighth Series B Bonds, with all other terms remaining the same. The remainder of the notional amount was divided among separate trade confirmations with the same terms as the original swap that was executed with the counterparty for the Eighth Series C through E.

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

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

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

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

Risks – As of August 31, 2011, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating

of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

The swaps may be terminated by the counterparty if the rating on the Company's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at Aa3/AA+ (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2011 and 2010 is as follows (thousands of dollars):

| | <u>Interest rate swap liability</u> | <u>Deferred outflow of resources</u> |
|--|---|--|
| Balance August 31, 2010 | \$ 52,217 | 25,906 |
| Change in fair value through August 31, 2011 | (546) | (546) |
| Balance August 31, 2011 | <u>\$ 51,671</u> | <u>25,360</u> |
| | | |
| | <u>Interest rate swap liability</u> | <u>Deferred outflow of resources</u> |
| Balance August 31, 2009 | \$ 27,555 | 1,244 |
| Change in fair value through August 20, 2010 | 24,662 | 24,662 |
| Balance August 31, 2010 | <u>\$ 52,217</u> | <u>25,906</u> |

The interest rate swap liability is included in other liabilities and deferred credits and deferred outflow of resources is included in other assets and deferred debits on the balance sheet.

There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The School District adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows (amounts in thousands; debit (credit)):

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

As of June 30, 2012, the School District determined that the pay variable interest rate swaps listed as investment derivatives do not meet the criteria for effectiveness as a hedging instrument. It is therefore reported within the investment revenue classification. The basis swaps produced net positive receipts of \$1,492,086.

Hedging Derivatives

Objectives and Terms

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

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

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

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

(1) Actual interest earned exceeded interest payments

Discussion of Risks:

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

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

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

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

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

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

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

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

| (Amounts In Thousands of USD) | <u>Primary Government</u> | | <u>Component Units</u> |
|-------------------------------|---------------------------|----------------------|------------------------|
| | Governmental Funds | Proprietary Funds | |
| Minimum Rentals | 6,390 | 27,030 | 3,619 |
| Additional Rentals | - | 148,058 | 180 |
| Sublease | 12,646 | - | 1,446 |
| Total Rental Income | <u>19,036</u> | <u>175,088</u> | <u>5,245</u> |

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

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

B. CITY AS LESSEE

1) OPERATING LEASES

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

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

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

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

2) CAPITAL LEASES

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

| <u>Fiscal Year Ending June 30</u> | <u>Component Units</u> |
|---------------------------------------|------------------------|
| 2013 | 2,142 |
| 2014 | 2,036 |
| 2015 | 1,457 |
| 2016 | 1,242 |
| 2017 | 1,052 |
| 2018-2022 | 3,059 |
| 2023 | 249 |
| Future Minimum Rental Payments | <u>11,237</u> |
| Interest Portion of Payments | <u>(1,190)</u> |
| Obligation Under Capital Leases | <u>10,047</u> |

9. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2012, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

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

10. FUND BALANCE PRESENTATION

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*, which became effective during FY2011. GASB 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

1. **Non-Spendable Fund Balance** — Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Departmental Funds (\$.2M) and Permanent Funds (\$2.4M) were non-spendable.
2. **Restricted Fund Balance** — Includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The General Fund had a restricted fund balance of \$18.1M at June 30, 2012. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health (\$230.7M); Grants Revenue (\$81.1M); County Liquid Fuels (\$2.6M); Special Gasoline Tax (\$20.6M); Hotel Room Rental Tax (\$10.3M); Car Rental Tax (\$6.4M); Housing Trust (\$10.5M); Acute Care Hospital Assessment (\$9.5M); Departmental (\$5.7M); Municipal Authority Administrative (\$.3M); PICA Administrative (\$40.2M). The entire fund balances of the Debt Service (\$82.4M) and Capital Improvement (\$128.5M) funds were restricted. The Permanent Fund had a restricted fund balance of \$3M at June 30, 2012.
3. **Committed Fund Balance** — Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Philadelphia Prisons (\$4.2M) and Departmental (\$.9M).
4. **Assigned Fund Balance** — Includes amounts that are constrained by management's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Director of Finance, or other authorized department heads. The General fund reported an assigned fund balance of \$70.5M at June 30, 2012 that was arrived at by netting a negative \$11.1 million unassigned fund balance against encumbrances of \$81.6 million.
5. **Unassigned Fund Balance** — This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a negative \$11.1 million unassigned fund balance at June 30, 2012. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of \$175.1M and the Community Development fund had a negative fund balance of \$6.5M at June 30, 2012.

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

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

| | (Amounts In Thousands of USD) | | | | Total Governmental Funds |
|--|-------------------------------|----------------|------------------|-----------------------|--------------------------------|
| | General Fund | HealthChoices | Grants | Other | |
| | | Health Fund | Revenue Fund | Governmental Funds | |
| <u>Nonspendable:</u> | | | | | |
| Permanent Fund (Principal) | 0 | 0 | 0 | 2,614 | 2,614 |
| Subtotal Nonspendable: | 0 | 0 | 0 | 2,614 | 2,614 |
| <u>Restricted for:</u> | | | | | |
| Neighborhood Revitalization | 0 | 0 | 51,564 | 0 | 51,564 |
| Economic Development | 0 | 0 | 0 | 10,301 | 10,301 |
| Public Safety Emergency Phone System | 0 | 0 | 29,565 | 0 | 29,565 |
| Streets & Highways | 0 | 0 | 0 | 23,166 | 23,166 |
| Housing & Neighborhood Dev | 0 | 0 | 0 | 10,529 | 10,529 |
| Health Services | 0 | 0 | 0 | 9,471 | 9,471 |
| Behavioral Health | 0 | 230,681 | 0 | 0 | 230,681 |
| Parks & Recreation | 0 | 0 | 0 | 355 | 355 |
| Libraries & Museums | 0 | 0 | 0 | 108 | 108 |
| Intergovernmental Financing (PICA) | 0 | 0 | 0 | 21,662 | 21,662 |
| Intergovernmentally Financed Programs | 0 | 0 | 0 | 18,880 | 18,880 |
| Central Library Project | 2,331 | 0 | 0 | 0 | 2,331 |
| Stadium Financing | 500 | 0 | 0 | 6,436 | 6,936 |
| Cultural & Commercial Corridor Project | 15,273 | 0 | 0 | 0 | 15,273 |
| Debt Service Reserve | 0 | 0 | 0 | 82,446 | 82,446 |
| Capital Projects | 0 | 0 | 0 | 128,484 | 128,484 |
| Trust Purposes | 0 | 0 | 0 | 8,307 | 8,307 |
| Subtotal Restricted | 18,104 | 230,681 | 81,129 | 320,145 | 650,059 |
| <u>Committed, reported in:</u> | | | | | |
| Social Services | 0 | 0 | 0 | 34 | 34 |
| Prisons | 0 | 0 | 0 | 4,200 | 4,200 |
| Parks & Recreation | 0 | 0 | 0 | 856 | 856 |
| Subtotal Committed | 0 | 0 | 0 | 5,090 | 5,090 |
| <u>Assigned, reported in:</u> | | | | | |
| General Fund | 70,506 | 0 | 0 | 0 | 70,506 |
| Subtotal Assigned: | 70,506 | 0 | 0 | 0 | 70,506 |
| <u>Unassigned Fund Balance:</u> | 0 | 0 | (175,082) | (6,485) | (181,567) |
| Total Fund Balances | 88,610 | 230,681 | (93,953) | 321,364 | 546,702 |

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. Some of the more significant transfers are: the PICA administrative fund collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, the general fund and the PICA administrative fund make transfers to the debt service funds for principal and interest payments.

Transfers between fund types during the year were:

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

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

(Amounts in Millions of USD)

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

13. PRIOR PERIOD ADJUSTMENTS

COMPONENT UNITS

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

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

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

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

15. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year end of \$94.0 million. The deficit was primarily caused due to the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of \$6.5 million.

16. ADVANCE SERVICE CHARGE

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

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

IV. OTHER INFORMATION

1. PENSION PLANS

The City maintains two single employer defined benefit plans for its employees and several of its component units. The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS). The fund covers all officers and employees of the city and the officers and employees of certain other governmental and quasi-governmental organizations.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Required Supplementary Information calculated in accordance with GASB Statement No. 25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

(1) City Plan

a. Plan Description

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions. In addition to the two major classes of members, a third class of members was enacted in fiscal year 2011 that features a defined benefit and a defined contribution component.

Retirement Benefits

An employee who meets the age and service requirements of the particular division in which he participates is entitled to an annual benefit, payable monthly for life, equal to the employee's average final compensation multiplied by a percentage that is determined by the employee's years of credited service. The formula for determining the percentage is different for each division. If fund earnings exceed the actuarial assumed rate by a sufficient amount, an enhanced benefit distribution to retirees, their beneficiaries, and their survivors shall be considered. A deferred vested benefit is available to an employee who has 10 years of credited service, has not withdrawn contributions to the system and has attained the appropriate service retirement age. Members of both plans may opt for early retirement with a reduced benefit. The **Deferred Retirement Option Plan (DROP)** was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the performance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum or an annual pension.

Disability Benefits

Employees disabled during the performance of duties are eligible for an immediate benefit equal to contributions plus a yearly benefit. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned. Certain employees who are disabled other than during the performance of duties are eligible for an ordinary disability payment if they apply for the benefit within one

year of termination. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned.

Membership

Membership in the plan as of July 1, 2011 was as follows:

| | |
|--|----------------------|
| Retirees and beneficiaries currently receiving benefits | 36,354 |
| Terminated members entitled to benefits but not yet receiving them | 1,324 |
| Active members | 26,671 |
| Total Members | <u><u>64,349</u></u> |

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

b. Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3¾% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. Plan 87 contribution rates are defined for the membership as a whole by Council ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

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

- The accrued actuarially determined normal costs
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
 - non active member's benefit modifications (10 years)
 - experience gains and losses (15 years)
 - changes in actuarial assumptions (20 years)
 - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to \$706.3 million or 50.9% of the covered payroll of \$1,387.1 million. The City's actual contribution was \$539.5 million. The City's contribution did meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2011 the City made several changes to the pension plan based on Act 44, which provided a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline. The City adopted fresh start amortization, alternating to 30 years and lowered the assumed rate of interest from 8.15% to 8.10% assuming a partial deferral of the pension payments in fiscal years 2010 and 2011 of \$150 million and \$80 million respectively, which must be repaid by fiscal year 2014. The change in amortization period and the partial deferral were approved by the Commonwealth of Pennsylvania General Assembly's Act 44. Act 44 also allowed the City to temporarily impose an additional local sales tax of 1.0% to fund future MMO Payments.

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

| (Millions of USD) | | | |
|--|------------------------------------|-----------------------------------|---------------------------------------|
| Fiscal Year Ended June 30 | Annual Pension Cost | Percentage Contributed | Net Pension Obligation |
| 2010 | 597.0 | 52.36% | (171.6) |
| 2011 | 721.7 | 65.14% | 80.0 |
| 2012 | 719.6 | 77.22% | 243.9 |

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

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 8.10%
- projected annual salary increases based on new age based scale
- payroll growth rate is 3.5%
- no post-retirement benefit increases

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

c. Funding Status

The following schedule shows the funding status based on the latest actuary report. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section immediately following the Notes to the Financial Statements.

(Amounts in Millions of USD)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll (b - a) / c |
|---|--|--|--|-------------------------------------|------------------------------------|---|
| 07/01/2009 | 4,042.1 | 8,975.0 | 4,932.9 | 45.04% | 1,463.3 | 337.11% |
| 07/01/2010 | 4,380.9 | 9,317.0 | 4,936.1 | 47.02% | 1,421.2 | 347.32% |
| 07/01/2011 | 4,489.1 | 9,487.5 | 4,998.4 | 47.32% | 1,371.3 | 364.50% |

d. Net Pension Obligation

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

(Amounts in Thousands of USD)

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

e. Derivative Instruments

In 2010 the City of Philadelphia adopted GASB Statement No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments such as swaps, options, futures and forwards are often complex financial ar-

rangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund (Pension Fund) enters into a variety of financial contracts which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Pension Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by Board approved guidelines, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Pension Fund's involvement in the various types and uses of derivative financial instruments and do not measure the Pension Fund's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives. The following table summarizes the aggregate notional or contractual amounts for the Pension Fund's derivative financial instruments at June 30, 2012:

List of Derivatives Aggregated by Investment Type

| | | <u>Changes in Fair Value</u> | | <u>Fair Value at June 30, 2012</u> | | |
|-----------------------------------|--|------------------------------|--|------------------------------------|-----------------|--|
| <u>Classification</u> | | <u>Amount</u> | <u>Classification</u> | <u>Amount</u> | <u>Notional</u> | |
| Investment Derivatives | | | | | | |
| Forward Currency Contracts | Net appreciation/(depreciation) in investments | \$ 2,362,305 | Accrued expenses and other liabilities | \$ (293,483) | \$ 469,518,219 | |
| Futures | Net appreciation/(depreciation) in investments | (3,341,717) | Accrued interest and other receivables | 125,230 | 117 | |
| Swaps | Net appreciation/(depreciation) in investments | 331,407 | Accrued expenses and other liabilities | (284,636) | 9,363,000 | |
| Grand Totals | | <u>\$(648,005)</u> | | <u>\$(452,889)</u> | | |

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Moody, Fitch and S&P.

The details of other risks and financial instruments in which the municipal pension fund of Philadelphia is involved are described below:

Concentration of Credit Risk: Currently, the Fund is invested primarily in equity securities (44%). The Fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 56% had Standard & Poors ratings of AAA to A and 60% had Moody's rating of AAA to A1.

Credit Risk: The Pension Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Pension Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms re-

quire full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

It is the Pension Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

The aggregate fair value of hedging derivative instruments in asset positions at June 30, 2012, was \$125,230. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by (\$578,119) of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$452,889.

Interest Rate Swap Agreements. provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2012 the Fund entered into interest rate swaps. Under the receive fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest Swaps this year. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases. The net payment on the swap increases.

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed.

Forward contracts The Fund is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle.

Termination risk: The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the city would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk: The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

In addition, the Pension Fund also was involved in other financial instruments such as rights that were worth \$3,993 and warrants that were \$19,626,337.

f. **Summary of Significant Accounting Policies**

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

(2) Gas Works Plan

a. Plan Description

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

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

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

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

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

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

c. Funding Status

The funded status of the PGW plan as of September 1, 2010 the most recent actuarial valuation is as follows (amounts in thousands):

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description: The City of Philadelphia self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date, but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to \$7,500 coverage and all other employees receive \$6,000 in coverage. The plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self insured for non-union employees. For fiscal year 2012, the City paid \$76.3 million for retiree healthcare.

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

City of Philadelphia OPEB

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

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2012 was as follows:

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

Funded Status and Funding Progress: As of July 1, 2011, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability for benefits was \$1.2 billion. The covered annual payroll was \$ 1.469 billion and the ratio of the UAAL to the covered payroll was 82.5 percent.

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

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

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

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

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the SDP recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the SDP's future cash flows. Recognition of the liability accumulated from prior years is amortized over no more than 30 years.

Plan Description:

The SDP provides up to \$2,000 of life insurance coverage for retired and disabled employees in a single-employer plan. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. A disabled employee's eligibility is determined by the insurance company providing the coverage. An unaudited copy of the life insurance benefit plan can be obtained by writing to The SDP of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The SDP is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2012, the effective date of the most recent biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

| | Number of Employees | Average Age |
|-----------------|---------------------|-------------|
| Active: | | |
| Represented | 13,907 | 45.9 |
| Non-represented | 848 | 48.4 |
| Retirees | 9,758 | 76.3 |
| Disabled | 120 | 58.6 |
| Total | 24,633 | 55.9 |

Annual OPEB Cost and Net OPEB Obligation:

The SDP's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the actuarial accrued liability (AAL), which under GASB Statement No. 45, may be amortized over no more than 30 years. The District has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each biennial actuarial valuation date, up to 30 years, using the level percentage of payroll method. The following table shows the elements of the SDP's annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the SDP's net OPEB obligation to the plan:

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

Basis of Accounting:

As defined by GASB Statement No. 45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. The SDP's policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement No. 45.

Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of \$18.1 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.1 million.

| | |
|--------------|---------------------|
| Active | \$4,088,289 |
| Inactive | \$14,026,106 |
| Total | \$18,114,395 |

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2012 OPEB actuarial valuations are those specific to the OPEB valuations. Actuarial valuations involve estimates of the values of reported amounts, assumptions about the probability of events far into the future, and are subject to continual revision. Actuarial calculations reflect a long-term perspective.

- Discount Rate: 3.25% per year, compounded annually.
- Payroll Growth: Payroll is assumed to increase at an average rate of 3.25% per year considering inflation.
- Mortality: Pre-termination and post-termination healthy annuitant rates are projected on a generational basis using Scale AA. As generational tables, they reflect mortality improvements both before and after the measurement date.

Pre-termination: RP-2000 Employee Mortality Table for Males and Females.

Post-termination Healthy Lives: RP-2000 Healthy Annuitant mortality table for males and females.

Post-termination Disabled Lives: RP-2000 Disabled Annuitant mortality table for males and females. No provision was made for future mortality improvements for disabled lives.

- Termination: Rates which vary by age and years of services were used. Sample rates are shown below:

| <u>If less than 5 years of Service</u> | | <u>If 5 or more Years of Service</u> | |
|--|-------------|--------------------------------------|-------------|
| <u>Years of Service</u> | <u>Rate</u> | <u>Age</u> | <u>Rate</u> |
| Less than one year | 24.49% | 25 | 24.75% |
| 1 - 2 | 25.23% | 30 | 18.01% |
| 2 - 3 | 16.54% | 35 | 10.98% |
| 3 - 4 | 14.07% | 40 | 7.91% |
| 4 - 5 | 10.88% | 45 | 6.71% |
| | | 50 | 4.03% |
| | | 55 | 3.81% |
| | | 60 | 6.40% |

- Retirement: Retirement rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 55 | 15% | 15% |
| 60 | 12 | 15 |

Sample Superannuation Retirement Rates

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 55 | 30% | 30% |
| 60 | 28 | 30 |
| 65 | 20 | 25 |
| 74 | 100 | 100 |

- Disability: Disability rates are the rates utilized in the June 30, 2011 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age and gender. In addition, no disabilities are assumed to occur at age 60 or later. Sample rates are shown below

| <u>Attained</u> | <u>Percentage Disability Incidence</u> | |
|-----------------|--|---------------|
| <u>Age</u> | <u>Male</u> | <u>Female</u> |
| 25 | 0.024% | 0.030% |
| 30 | 0.024% | 0.040% |
| 35 | 0.100% | 0.060% |
| 40 | 0.180% | 0.100% |
| 45 | 0.180% | 0.150% |
| 50 | 0.280% | 0.200% |
| 55 | 0.430% | 0.380% |

- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death.
- Life Insurance Coverage while Disabled: The maximum amount of life insurance of \$45,000 for non-represented employees or \$25,000 for represented employees was assumed to be in effect for future disabled retirees prior to age 65. Actual amounts were used for current disabled retirees prior to age 65.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of June 30, 2012 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.
- Special Data Adjustments: Male was assumed for 555 retirees for whom gender was not provided. Active members hired after June 30, 2011 were assumed to be in Class T-E or T-F in PSERS; otherwise Class T-C or T-D was assumed.

Philadelphia Gas Works (PGW) OPEB

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

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

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

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

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

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

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

| Year: | Healthcare cost trend rates | | | |
|---------------|-----------------------------|----------------------|--------------|--------|
| | Medical (pre-65) | Medical (post-65) | Prescription | Dental |
| 1 | 11.0% | 9.0% | 9.0% | 4.5% |
| 2 | 10.0 | 8.0 | 8.0 | 4.5 |
| 3 | 9.0 | 7.0 | 7.0 | 4.5 |
| 4 | 8.0 | 6.0 | 6.0 | 4.5 |
| 5 | 7.0 | 5.0 | 5.0 | 4.5 |
| 6 | 6.5 | 4.5 | 4.5 | 4.5 |
| 7 | 6.0 | 4.5 | 4.5 | 4.5 |
| 8 | 5.5 | 4.5 | 4.5 | 4.5 |
| 9 | 5.0 | 4.5 | 4.5 | 4.5 |
| 10 and beyond | 4.5 | 4.5 | 4.5 | 4.5 |

- Benefit Assumption – the initial per capita rates for medical coverage, and the face amount of PGW paid life insurance.
- Demographic Assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates), and coverage levels.

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

The following table shows the calculation of **PGW's** OPEB liability for FY2011. The difference between the annual OPEB cost and contributions made is recorded as other postemployment benefits expense on the statement of revenues and expenses. Contributions made are allocated to operating expense line items along with salaries and other employee benefit costs.

| | (Amounts in Thousands) |
|--|------------------------|
| Annual required contribution | 46,622 |
| Interest on net OPEB obligation | 8,438 |
| Adj to annual required contribution | <u>(9,369)</u> |
| Annual OPEB cost | 45,691 |
| Payments made | <u>(41,719)</u> |
| Increase/(Decrease) in net OPEB obligation | 3,972 |
| Net OPEB obligation - beginning of year | <u>105,476</u> |
| Net OPEB obligation - end of year | <u><u>109,448</u></u> |

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2011 and the preceding years is as follows:

(Amounts in Thousands of USD)

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Contributed | Net OPEB Obligation |
|-------------------|------------------|---------------------------------------|---------------------|
| 8/31/2011 | \$ 45,691 | 91.31% | \$ 109,448 |
| 8/31/2010 | 48,975 | 44.32% | 105,476 |
| 8/31/2009 | 46,009 | 43.59% | 78,207 |

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

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

PICA bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2012 this transfer amounted to \$295.2 million.

5. RELATED PARTY TRANSACTIONS

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

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

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

B. OTHER ORGANIZATIONS

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

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

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

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

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

At June 30, the amount of these liabilities was \$355.8 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2010 resulted from the following:

(Amounts in Millions of USD)

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

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were \$5.8 million for Unemployment Compensation claims and \$62.2 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$297.2 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$395.6 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$270.4 million (discounted) and \$359.5 million (undiscounted).

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

B. COMPONENT UNITS

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

At June 30, the combined amount of these liabilities was \$199.8 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2011 resulted from the following:

(Amounts in Millions of USD)

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

The **SDP** is exposed to various risks related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As previously noted, the **SDP** is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

The **SDP** maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$500,000 and a limit of \$250.0 million. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

7. COMMITMENTS

COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled \$45.4 million.
- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a \$500,000 aggregate limitation on damages arising from the same cause of action or transac-

tion or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately \$354.1 million. Of this amount, \$24.8 million is charged to current operations of the Enterprise Funds. The remaining \$329.3 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City for which an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately \$68.3 million to the General Fund and \$6.9 million to the Enterprise Funds.

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

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

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

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

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

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

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

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

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

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

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

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

In November 2003, the City filed a declaration of taking condemning certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Philadelphia Redevelopment Authority ("PRA") was the record title holder of the property. The City deposited in Court in April 2006 estimated just compensation in the amount of \$7,714,000. November Term, 2003, No. 2285 (C.C.P. Phila.).

In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation ("Eastwick Development") petitioned the Court for appointment of a Board of Viewers and the Court appointed a Board of View to ascertain and award just compensation. Eastwick Development alleged they owned or held equitable interests in and certain development rights to the condemned property and had not received just compensation.

After a view of the premises and a hearing in July 2009, the Board of View filed a report with the Court in October 2009. BV #3421. The Board made an award of just compensation for the property of \$13,500,500 (including attorney fee), subject to credit for the \$7,714,000 million already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of \$3,298,200, and accruing thereafter until payment. BV #3421.

The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. CCP Phila. Co., No. 0911-02397. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. CCP Phila. Co., No. 0911-04734. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded.

The parties completed discovery. At a final pretrial conference, the Court issued an order consolidating the two separate appeals from the Board of View report and scheduled the case for trial. Subsequently, at the request of the parties, the Court adjourned the start of trial on the basis of a settlement in principle.

The parties signed as of December 13, 2011 a binding settlement term sheet providing for, among other things, discontinuance of the lawsuit, payment by City in the total sum of \$9.6 million, an amended redevelopment agreement, and release or transfer of property interests to City, all upon certain terms and conditions, and to take effect or occur on or before an Effective Date. If the conditions precedent and Effective Date do not occur, the settlement will expire and the parties will be restored to their previous litigation positions (with some modification to any accrual of delay damages). The Court, at a recent status conference, ordered the case to remain in deferred status through December 31, 2012 to allow for implementation of the settlement.

The parties agreed to extend the Effective Date of the settlement to June 30, 2013. The case was marked settled by the Court. Should the settlement not be consummated on account of a failure of condition, the case may be restored, on the request of either party, as if the case had not been marked settled.

The City will vigorously contest the award if the settlement is not consummated. At this time, the City's attorneys are unable in their professional judgment to evaluate the likelihood of an unfavorable outcome in terms of probability and the range or amount of any loss assuming an unfavorable outcome. Any ultimate judgment would be paid from the Aviation Fund.

- **G&T Conveyor Co., Inc. v. Ernest Bock & Sons, Inc et al v. City et al., CCP Phila. No. 091103117**

G&T commenced a civil action for declaratory and monetary relief against Bock, Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland ("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about \$1.3 million in damages for work performed but unpaid by Bock; and for nearly \$7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

Bock successfully bid to perform general contractor work on the Airport's Terminal D&E expansion and modernization project for baggage system (Bid #6851; Contract #084002). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by Daroff Design Inc. ("DDI"), and in compliance with certain milestones and deadlines. G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed.

Bock answered the Complaint, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a third-party complaint against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock. Bock alleges that these damages are approximately \$1.7 million in addition to the G&T damages for which Bock seeks recovery from City.

City filed preliminary objections to the Third Party Complaint, challenging its propriety and sufficiency. The Court overruled the objections and ordered the filing of an Answer. The City filed an Answer to Bock's third-party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and the bonding companies for indemnity, and added a fourth party claim against the designer of the project, DDI. The City thereafter made a tolling agreement with DDI. The Court dismissed DDI from the case pursuant to a voluntary discontinuance of claims against DDI.

The parties completed the initially scheduled discovery and submitted expert reports. The Court denied City's petition to dismiss the claims against it for lack of subject-matter jurisdiction (City claimed in essence the absence of a justiciable controversy due to the incomplete status of the project and the absence of required inspection, testing and approval of the system). City filed a motion to amend its Answer to add a more specific defense of release. The Court granted that motion and City filed an Amended Answer.

In addition, the City has asserted a liquidated damages claim against Bock, on account of the incomplete work, and has received delay claims from two other contractors, due to the unfinished work on the BHS project. G&T filed a motion for partial summary judgment, opposed by Bock and City. After oral argument, the Court granted the motion solely as to legal interpretation of particular contract terms, and denied the balance. City and Bock filed motions for summary judgment that were opposed by G&T and both were denied.

The Court agreed with the City and Bock that the case cannot be tried until at least the baggage handling system has successfully completed the integrated site acceptance testing ("ISAT"). Both the City and Bock filed Motions for Extraordinary Relief requesting that the Court reopen discovery and move the trial date to a later date, based primarily on the fact that the system had not passed ISAT. The Court, on August 28, 2012, after an on-the-record conference, granted the Motions for Extraordinary Relief over G&T's opposition. As a result, The Court has reopened discovery to conclude in March 2013 and rescheduled trial to begin in September 2013, although it is expected that these dates will be extended.

Bock filed a Motion for Summary Judgment to preclude the City from assessing liquidated damages until the Court made a determination that such damages were allowed. The City opposed that Motion and cross-moved, arguing that Bock's failure to provide any contractually-mandated analysis justifying delays warranted award of judgment to the City on the delays incurred to date. These Motions have not yet been decided.

TSA conducted another round of ISAT in August 2012. On September 5, 2012, the TSA issued a quick look report ("QLR") which noted that the BHS had failed ISAT. On September 7, 2012, the City issued a Notice of Default to Bock based on the QLR.

Subsequently, G&T filed a Motion asking the Court to declare that TSA conducted the ISAT according to the wrong standards and that future ISAT testing should be conducted differently. The City responded to that Motion with affidavits from TSA's testing agent, Battelle Memorial Institute, and from the City's security consultant noting that they had personally witnessed the testing, the testing conformed to the applicable standards, and ISAT demonstrated that the BHS fails to meet the contract standards. This Motion is currently pending.

The City also filed a Motion for Declaratory Judgment requesting the Court to determine that the BHS failed to meet the applicable standards and failed to pass ISAT. Therefore, Bock is in default of its contract. The City also requested that the Court determine that the City is entitled to get the source code for the BHS pur-

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

On January 17, 2013, the City issued a Notice of Termination to Bock for cause based on the failure of Bock to provide a working BHS that could pass ISAT. Bock brought a Motion for Special Injunction to enjoin the Notice of Termination. On January 23, 2013, the Court stayed the "legal effect" of the Notice on Bock only, and not Bock's surety, until January 28, 2013 (due to judge's availability). On January 28, Bock withdrew the Motion for Special Injunction, and the Termination became effective as to Bock on January 28. Bock has also issued a Notice of Termination to G&T on January 28 for failure to perform.

The City intends to mount vigorous defenses to defeat Bock's claims (both Bock's delay claims and the G&T pass-through claims). The City's lawyers reasonably believe that the third-party plaintiffs will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

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

Two sets of plaintiffs, Michelle Pingitore and Joseph O'Hara and Finn Land Corporation, filed a now consolidated putative class action on behalf of classes of former property owners whose property was subject to a sheriff's sale. They claim for themselves and the class an entitlement to excess funds from Sheriff's sales of their properties.

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

- **Lower Darby Creek Area Superfund Site**

In 2001, the U.S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill. In 2002, EPA sent the City a letter alleging that the City is a Potentially Responsible Party (PRP) at the Clearview Landfill site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreational Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe there may be or has been a release or threat of release of hazardous substances, pollutants or contaminants at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for the Clearview Landfill in May 2011 and a feasibility study of remedial options in October 2012. It is now in the process of selecting a preferred remedy and proposed cleanup plan. Once EPA issues the proposed cleanup plan it will announce a public comment period and then issue a Record of Decision documenting the selected cleanup option. Because of the broad liability scheme under the federal Superfund law, Superfund litigation generally focuses not on avoiding a finding of liability, but rather on ensuring that the remediation is cost-effective and the allocation of costs among all parties identified as bearing some degree of liability is fair and reasonable. The total costs of the viable remedial alternatives currently being considered by EPA range from approximately \$30 million to \$50 million. Insufficient information is available to the City at this time to determine the exact amount of those costs that

will be allocated to the City, but based on existing information the City's allocated share may exceed 20% of the total cleanup costs.

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

The police union, the Fraternal Order of Police, has filed a grievance against the City protesting the conditions at police facilities, including district stations, the Police Academy, headquarters and a number of other places. Because many of the facilities are old upgrading them could potentially cost millions. However, the arbitrator's power to order remedies is limited. About two more days of hearings will be held, briefs will be submitted before the arbitrator reaches a decision.

- **Appeals related to the State Tax Equalization Board assessment of real estate**

In July 2011 the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia, significantly lower than the City's Established Predetermined Ratio (EPR) of 32% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Board of Revision of Taxes (BRT) is directed by statute to calculate the assessed value using the CLR rather than the EPR as a percentage of the property's market value. In April 2012, in response to informal objections filed by the City and the Philadelphia School District, STEB raised the CLR to 25.2; that is not enough to avoid the use of CLR in calculating assessed value for real estate tax purposes, but it effectively halves the City's potential losses. The appeal period from STEB's increase to the CLR passed without any appeal being filed, so that number is now final.

For tax year 2012, about 2,000 taxpayers with property collectively valued at about \$2 billion filed assessment appeals with the BRT. The School District filed cross-appealed, seeking higher market values in all of those cases. Roughly 1400 of those cases now have been resolved at a total estimated cost of \$6.3 million. We believe a prudent yet reasonable (as opposed to worst case) estimate if the City were to lose the remaining 600 cases would be around \$8 million for both the City and the School District.

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

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

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

This is a class action lawsuit in the Court of Common Pleas by a class of Election Day workers who worked in one or more elections in Philadelphia from November 2005 to the present. They claim they should have been paid at least the "minimum wage" per the Philadelphia 21st Century Minimum Wage Standard, Chapter 17-1300 of the Philadelphia Code. The Ordinance requires covered employers to pay each employee an hourly wage of at least 150% of the federal minimum wage. Plaintiffs contend that they are "employees" of the City for purposes of the Ordinance. Employers who violate the Ordinance are liable for back pay plus attorneys' fees and costs.

Philadelphia minimum wage is \$10.88 for covered employees. The plaintiffs contend they should have been paid at least \$152.25 per day or \$137.55 per day, depending on the year, if the Ordinance applies to them. The City paid these workers, in compliance with the State Election Code, on a per diem, rather than hourly, basis. Judges of Election (one at each polling place) were paid \$100 per day; the remaining workers received \$95 per day. We estimate the total back pay that would be payable to the plaintiff class is approximately \$6.6 million. Prejudgment interest (at 6%) and attorneys' fees raises the total potential liability to about \$8.4 million.

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

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

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

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

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

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

- **Keystone**

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

2) Guaranteed Debt

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

(Amounts In Thousands of USD)

| | |
|---|-----------------------|
| Philadelphia Authority for Industrial Development | 1,190 |
| HUD Section 108 Loans | 120,165 |
| Philadelphia Parking Authority | <u>14,820</u> |
| Total: | <u><u>136,175</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 as specified in the grant agreements, and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City officials the only significant contingent liabilities related to matters of compliance are the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2011, which accounted for \$975.9 million for all open program years as of December 10, 2012. Of this amount, \$522.0 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2011 due to timing differences in audit requirements, \$26.9 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2011 and prior and \$427.0 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed \$248.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was \$120.2 million.

5) Act 148 Children and Youth Program Activities Moved to Grants Revenue Fund

In previous fiscal years the Act 148 Children and Youth Program, reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2012 the Grants Revenue Fund had a \$132.5 million receivable for the Children and Youth program. Due to the nature of the program's billing policies, the city has 24 months after the current fiscal yearend date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed as ineligible, such non-reimbursable costs will be charged to the General Fund.

B. COMPONENT UNITS

1) Claims and Litigation

Special Education and Civil Rights Claims – There are two hundred fifty-six (256) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$2.3 million.

Of those, two hundred forty-four (244) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, one hundred and nine (109) unfavorable outcomes are deemed probable and one hundred and seven (107) are considered reasonably possible, in the aggregate of \$0.7 million and \$0.6 million respectively.

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

There are six (6) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the School District, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately \$0.2 million and \$0.07 million respectively.

Other Matters - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$20.1 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of \$0.5 million and \$2.1 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$2.5 million and \$2.2 million, respectively, arising from personal injury and property damage claims and lawsuits.

Education Audits - In the early 1990s, the School District received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student enrollment. In July of 1995, the Department of Education notified the School District that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately \$40 million through fiscal year 1999, and subsequently reduced by half, to approximately \$20 million, as a result of additional reviews of School District documentation. In May 1999, the School District appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student enrollment figures, an audit of reported enrollment in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional \$20 million for the alleged over-reporting of enrollment during those periods. The School District has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the School District, the Commonwealth postponed all potential collection actions in this category while both matters remain pending. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing.

The Commonwealth of Pennsylvania's Bureau of Audits conducted a performance audit of the School District's pupil membership and attendance reporting procedures for the 2009-2010 school year and issued a draft report on October 26, 2011. The School District's response to the draft report was filed on December 16, 2011. The final audit report was issued on February 14, 2012, including the School District's corrective action plan. Because no final determination of forgiveness has been made, however, there remains a reasonably possible loss in this category in the amount of \$40 million.

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

The U.S. Department of Education Office of the Inspector General (OIG) conducted an audit of the School District's controls over Federal expenditures for the period July 1, 2005 through June 30, 2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the School District responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. A final report was issued by the OIG on January 15, 2010. The final report questioned \$138.8 million of costs with \$121.1 million considered inadequately supported with documentation and \$17.7 million considered unallowable costs. On March 30, 2011, the Pennsylvania Department of Education (PDE) received a program determination letter (March PDL) from the U.S. Department of Education (USDE) seeking a recovery of approximately \$9.9 million based on finding 2 and portions of findings 4 and 5 of the OIG final audit report on the School District. PDE filed an application for review of the PDL on May 20, 2011. The Office of Administrative Law Judges accepted jurisdiction of the case on August 10, 2011. On September 7, 2011 PDE and the Department filed a joint motion to stay the proceedings to pursue settlement negotiations.

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

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

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

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

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

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

Pursuant to resolutions of the School Reform Commission, the School District implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan (collectively, the "Plans") in fiscal years 2005 and 2006. The School District obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees resigning or retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the School District would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees resigning or retiring on and after June 1, 2005, the School District eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who resign or retire during or after the calendar year in which they attain age 55. Based on the advice of legal counsel, the School District has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to Federal income tax, FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax when contributed to the 403(b) Plan. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the School District has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Federal income tax, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan. Outside legal counsel advised on the contribution of termination pay to the 403(b) and 457(b) Plans, and has provided an opinion as to its proper tax treatment. By letter dated October 16, 2012, the IRS stated that "the School District is in fact following the policy [relating to the employer contribution of termination pay to the 403(b) Plan] as it was revised in 2005, [and] therefore no Federal employment tax liability exists." The School District management believes that if it were finally determined that any liability for State or City taxes (including interest and penalties) relating to these plans existed at June 30, 2012, such liability would not be material to the School District's financial position or results of operations for the fiscal year ended June 30, 2012.

9. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

- 1) Effective October 1, 2012, the city offered an employee compensation package to employees in the following classes: exempts, non-represented and DC 47 - Local 2186 offering a 2.5% wage increase and reinstatement of steps and longevity. In addition, medical co-payments will be increased for HMO plan participants while the Point of Service plan will no longer be offered. The wage increase and reinstatement of steps and longevity have been approved by the Civil Service Commission. An ordinance has been sent to City Council that would do the following: (1) mandate all new hires in the covered groups (exempts, non-reps and Local 2186, courts and elected officials) go into Plan 10; (2) give existing employees a window to elect to move from their current plan to Plan 10; (3) increase the employee contribution to pension for current employees in Plan 87 from 30% of normal cost to 50% of normal cost; (4) increase the employee contribution to pension for current employees in Plan 67 to the greater of 6% or 50% of the normal cost; and (5) implement the pension changes in the interest arbitration awards for Local 810 (Courts) and Local 159 (Prisons). Plan 10 is a hybrid pension combining the defined benefit and combined contribution components.
- 2) Through January 11, 2013 drawdowns totaling \$14.4 million represent new loans from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for: Water Treatment Plant (\$3.08 million); Sewer Piping Replacement (\$6.5 million); Water Main Replacement (\$4.7 million); Green Infrastructure (\$.1 million).
- 3) In December 2012 the city issued \$127 million of Tax and Revenue Anticipation Notes (TRAN), Series A of 2012-2013 to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying the general expenses if the city prior to receipt of taxes and other revenues to be received in the current fiscal year and pay the costs of issuance of the Notes. The proceeds will be invested and repaid by June 30, 2013.
- 4) In November 2012, the City issued Water and Wastewater Revenue Refunding Bonds, Series 2012. The bonds were issued in the amount of \$70.4 million with interest rates ranging from 1% to 5% and have a maturity date of 2028. The plan is to refund all of the City's outstanding Water and Wastewater Bonds, Series 2001A and Series 2001B maturing after November 1, 2012 and pay the costs of issuance related to the Bonds.
- 5) The City is in the process of completing the Actual Valuation (AVI) which involves reassessing every property in the City and setting assessed values at market rates to create a fair assessment system upon which to base property taxation. This will be the City's first full reassessment in decades and will ensure that every property owner has fair, accurate and understandable assessments. As properties are now assessed at only a fraction (32%) of their actual value, and assessments have often not kept up with changes in value, this process will result in substantial increases in properties' assessed values. The Administration proposes several changes to ensure that property owners tax burdens will not be significantly impacted. The Administration proposes to reduce millage rate when AVI is complete. The new rate will generate at least the amount of revenues needed to meet the property tax revenue projections in the Five Year Plan and will capture the net increase in property values that occurred during the years when the city was not doing comprehensive reassessments.
- 6) In May 2012, City Council introduced Ordinance #120177 and Resolution #120188 that would require a ballot referendum that will appear on the November ballot, which would amend the Charter to allow City Council to establish an independent ratemaking body to be responsible for fixing and regulating rates and charges for water and sewer services; and establish open and transparent processes and procedures for fixing and regulating said rates and charges. This Ordinance was enacted and the Resolution was adopted in May 2012, and the referendum question was included on the ballot for consideration by the voters in November 2012. The amendment of the Charter was approved by referendum and City Council is now authorized to adopt an ordinance to implement a new ratemaking agency. Prospective rates established by a new ratemaking agency would be subject to the Act and the covenants and requirements of the General Ordinance, including the Rate Covenant. Any revisions to the rate process are planned for future rate proceedings applicable to Fiscal Year 2016 and future years.
- 7) DC 47 filed a grievance challenging the City's failure to provide step increases and longevity pay increases after the collective bargaining agreement expired, while negotiations over a new agreement continue. The arbitrator denied the grievance, Common Pleas affirmed, and DC 47 has appealed to Commonwealth Court. The Commonwealth Court affirmed the Common Pleas Court and, so far, no action has been taken.

B. COMPONENT UNITS

- 1) In October 2012, PAID issued City Service Agreement Revenue Bonds, Series 2012 in the amount of \$231.2 million. The bonds mature on April 1, 2013 (\$106.9 million) and April 1, 2014 (\$124.3 million). PAID issued the bonds at the request of the City of Philadelphia and the proceeds will be used to finance the repayment of the city's minimum municipal funding obligation deferred under 53 P.S. section 895.1002 in the amount of \$230 million and payment of the costs of issuance of the Bonds.
- 2) In December 2012, PAID issued City Service Agreement Refunding Revenue Bonds, Series 2012 in the amount of 299.8 million. The Series 2012 bonds were issued as Term Bonds with interest rates of 3.664% (\$42.2 million) and 3.964% (\$257.6 million). The term bonds have a maturity date of April 15, 2026. The plan is to (i) refund outstanding Pension Funding Bonds Series 1999B, (ii) fund capitalized interest on the Bonds through April 15, 2020, (iii) make a deposit to the City Retirement System and (iv) pay the cost of issuance of the Bonds.
- 3) In August 2012, Philadelphia Gas Works deposited funds into an escrow account to defease a portion of their outstanding bonds. The amounts deposited into the escrow account will be held as cash or used to purchase U.S. Government obligations which would mature on the payment dates of the bonds being defeased. The total escrow cost came to \$20.9 million. The principal payments that were defeased and their related bond issues are listed below:

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

4) Tax and Revenue Anticipation Notes

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

5) Tax Bills for Fiscal Year 2013

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

6) Five-Year Financial Plan

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

7) School Lease Revenue Bonds

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

8) Actual Value Initiative ("AVI")

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

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

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

City of Philadelphia
PENNSYLVANIA

**Required
Supplementary
Information**

(Other than Management's Discussion and Analysis)

City of Philadelphia
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

Exhibit XIV

Amounts in thousands of USD

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

Exhibit XV

Amounts in thousands of USD

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

* Refer to the notes to required supplementary information.

City of Philadelphia
Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2012

Exhibit XVI

Amounts in thousands of USD

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

* Refer to the notes to required supplementary information.

City of Philadelphia
 Required Supplementary Information
 Pension Plans and Other Post Employment Benefits - Schedule of Funding Progress

Exhibit XVII

Amounts in millions 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> | | | | | | |
| 07/01/2006 | 4,168.5 | 8,083.7 | 3,915.2 | 51.57% | 1,319.4 | 296.74% |
| 07/01/2007 | 4,421.7 | 8,197.2 | 3,775.5 | 53.94% | 1,351.8 | 279.29% |
| 07/01/2008 | 4,623.6 | 8,402.2 | 3,778.6 | 55.03% | 1,456.5 | 259.43% |
| 07/01/2009 | 4,042.1 | 8,975.0 | 4,932.9 | 45.04% | 1,463.3 | 337.11% |
| 07/01/2010 | 4,380.9 | 9,317.0 | 4,936.1 | 47.02% | 1,421.2 | 347.32% |
| 07/01/2011 | 4,489.1 | 9,487.5 | 4,998.4 | 47.32% | 1,371.3 | 364.50% |
| <u>City of Philadelphia Other Post Employment Benefits</u> | | | | | | |
| 07/01/2007 | - | 1,136.7 | 1,136.7 | 0.00% | 1,351.8 | 84.09% |
| 07/01/2008 | - | 1,156.0 | 1,156.0 | 0.00% | 1,456.5 | 79.37% |
| 07/01/2009 | - | 1,119.6 | 1,119.6 | 0.00% | 1,461.7 | 76.60% |
| 07/01/2010 | - | 1,169.5 | 1,169.5 | 0.00% | 1,419.5 | 82.39% |
| 07/01/2011 | - | 1,212.5 | 1,212.5 | 0.00% | 1,469.2 | 82.53% |
| <u>Philadelphia Gas Works Pension Plan</u> | | | | | | |
| 09/01/2005 | 383.5 | 450.8 | 67.3 | 85.07% | 102.5 | 65.66% |
| 09/01/2006 | 411.9 | 474.3 | 62.4 | 86.84% | 106.0 | 58.87% |
| 09/01/2007 | 416.2 | 482.4 | 66.2 | 86.28% | 105.6 | 62.69% |
| 09/01/2008 | 430.4 | 495.2 | 64.8 | 86.92% | 107.9 | 60.01% |
| 09/01/2009 | 355.5 | 519.8 | 164.3 | 68.39% | 106.0 | 155.00% |
| 09/01/2010 | 382.0 | 533.7 | 151.7 | 71.58% | 106.1 | 142.98% |

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

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

**Other
Supplementary
Information**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

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

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

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

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

CAPITAL IMPROVEMENT FUNDS

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

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

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

PERMANENT FUNDS

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

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

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

Amounts in Thousands of USD

| | Special Revenue | | | | | | | | | | | | | Total | | |
|-----------------------------------|-------------------------|----------------------|-----------------------|-----------------------|----------------|---------------|--------------------------------|---------------------|----------------------|---------------------|--------------|------------------------------------|---------------------|----------|----------------|---|
| | County Liquid Fuels Tax | Special Gasoline Tax | Hotel Room Rental Tax | Community Development | Car Rental Tax | Housing Trust | Acute Care Hospital Assessment | Riverview Residents | Philadelphia Prisons | Arbitration Appeals | Departmental | Municipal Authority Administrative | PICA Administrative | | | |
| Assets | | | | | | | | | | | | | | | | |
| Cash on Deposit and on Hand | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Equity in Treasurer's Account | 3,149 | 22,428 | 7,165 | - | 5,929 | 11,612 | 10,294 | 34 | 4,747 | - | 5,513 | 405 | 32,186 | - | 38,104 | |
| Investments | - | - | - | - | - | - | - | - | - | - | 1,438 | - | - | - | 66,796 | |
| Due from Other Funds | - | - | - | - | - | - | - | - | - | - | 1,034 | 100 | 8,172 | - | 9,306 | |
| Taxes Receivable | - | - | 5,189 | - | 511 | - | 2,317 | - | - | - | 460 | - | - | - | 460 | |
| Accounts Receivable | - | - | - | 3,193 | - | - | - | - | - | - | - | 6,147 | - | - | 12,682 | |
| Due from Other Governmental Units | - | - | - | 6,040 | - | - | - | - | - | - | - | - | - | - | 9,340 | |
| Allowance for Doubtful Accounts | - | - | (266) | - | (5) | - | (1,816) | - | - | - | - | - | - | - | 6,040 | |
| Interest and Dividends Receivable | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - | (2,087) | |
| Other Assets | - | - | - | - | - | - | - | - | - | - | 547 | - | 8 | - | 9 | |
| Total Assets | 3,149 | 22,428 | 12,088 | 9,233 | 6,436 | 11,612 | 10,795 | 34 | 4,747 | - | 8,992 | 6,652 | 45,051 | - | 141,217 | |

Liabilities and Fund Balances

| | | | | | | | | | | | | | | | | |
|----------------------------|------------|--------------|--------------|---------------|----------|--------------|--------------|----------|------------|----------|--------------|--------------|--------------|----------|---------------|---|
| Liabilities: | | | | | | | | | | | | | | | | |
| Notes Payable | - | 212 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Vouchers Payable | - | - | - | 805 | - | 197 | 66 | - | - | - | 147 | - | - | - | 1,500 | |
| Accounts Payable | 570 | 1,629 | 1,787 | 4,934 | - | 313 | 1,186 | - | 73 | - | 896 | 6,346 | 124 | - | 17,785 | |
| Salaries and Wages Payable | - | - | - | 142 | - | - | 64 | - | - | - | - | - | 25 | - | 231 | |
| Due to Other Funds | - | - | - | 2,864 | - | - | - | - | 27 | - | 388 | - | 4,666 | - | 7,945 | |
| Due to Component Units | - | - | - | 529 | - | 573 | - | - | - | - | - | - | - | - | 1,102 | |
| Funds Held in Escrow | - | - | - | - | - | - | - | - | 447 | - | 762 | - | - | - | 1,209 | |
| Deferred Revenue | - | - | - | 6,444 | - | - | 8 | - | - | - | - | - | - | - | 6,452 | |
| Total Liabilities | 570 | 1,841 | 1,787 | 15,718 | - | 1,083 | 1,324 | - | 547 | - | 2,193 | 6,346 | 4,815 | - | 36,224 | |

Fund Balances:

| | | | | | | | | | | | | | | | | |
|--|--------------|---------------|---------------|----------------|--------------|---------------|---------------|-----------|--------------|----------|--------------|--------------|---------------|----------|----------------|-----|
| Nonspendable | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 200 |
| Restricted | 2,579 | 20,587 | 10,301 | - | 6,436 | 10,529 | 9,471 | - | - | - | 200 | 306 | 40,236 | - | 106,188 | |
| Committed | - | - | - | (6,485) | - | - | - | 34 | 4,200 | - | 5,743 | - | - | - | 5,090 | |
| Unassigned | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (6,485) | |
| Total Fund Balances | 2,579 | 20,587 | 10,301 | (6,485) | 6,436 | 10,529 | 9,471 | 34 | 4,200 | - | 6,799 | 306 | 40,236 | - | 104,993 | |
| Total Liabilities and Fund Balances | 3,149 | 22,428 | 12,088 | 9,233 | 6,436 | 11,612 | 10,795 | 34 | 4,747 | - | 8,992 | 6,652 | 45,051 | - | 141,217 | |

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

Schedule I

Amounts in thousands of USD

| | Debt Service | | | Capital Improvement | | | Permanent | Total |
|--|--------------|---------------------|---------------|---------------------|----------------|---------------------|--------------|----------------|
| | City | Municipal Authority | PICA | Total | City | Municipal Authority | | |
| Assets | | | | | | | | |
| Cash on Deposit and on Hand | - | - | 31,520 | 31,520 | - | - | - | 72,455 |
| Equity in Treasurer's Account | 1,322 | - | - | 1,322 | 110,623 | - | 2,831 | 178,741 |
| Investments | - | 11 | 49,588 | 49,599 | - | 47,777 | 2,695 | 109,377 |
| Due from Other Funds | - | - | - | - | - | - | - | 460 |
| Taxes Receivable | - | - | - | - | - | - | - | 12,682 |
| Accounts Receivable | - | - | - | - | 31,063 | - | - | 9,340 |
| Due from Other Governmental Units | - | - | - | - | - | - | - | 37,103 |
| Allowance for Doubtful Accounts | - | - | - | - | - | - | - | (2,087) |
| Interest and Dividends Receivable | - | - | 5 | 5 | 33 | 8 | - | 55 |
| Other Assets | - | - | - | - | - | - | 1 | 568 |
| Total Assets | 1,322 | 11 | 81,113 | 82,446 | 141,719 | 47,785 | 5,527 | 418,694 |
| Liabilities and Fund Balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Notes Payable | - | - | - | - | - | - | - | - |
| Vouchers Payable | - | - | - | - | 5,665 | - | - | 7,165 |
| Accounts Payable | - | - | - | - | 22,177 | - | 14 | 46,417 |
| Salaries and Wages Payable | - | - | - | - | 81 | 5,441 | - | 312 |
| Due to Other Funds | - | - | - | - | - | - | 72 | 8,017 |
| Due to Component Units | - | - | - | - | - | - | - | 1,102 |
| Funds Held in Escrow | - | - | - | - | 1,845 | - | - | 3,054 |
| Deferred Revenue | - | - | - | - | 25,811 | - | - | 32,263 |
| Total Liabilities | - | - | - | - | 55,579 | 5,441 | 86 | 97,330 |
| Fund Balances: | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | 2,414 | 2,614 |
| Restricted | 1,322 | 11 | 81,113 | 82,446 | 86,140 | 42,344 | 3,027 | 320,145 |
| Committed | - | - | - | - | - | - | - | 5,090 |
| Unassigned | - | - | - | - | - | - | - | (6,485) |
| Total Fund Balances | 1,322 | 11 | 81,113 | 82,446 | 86,140 | 42,344 | 5,441 | 321,364 |
| Total Liabilities and Fund Balances | 1,322 | 11 | 81,113 | 82,446 | 141,719 | 47,785 | 5,527 | 418,694 |

Schedule II

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2012

Amounts in thousands of USD

| | Special Revenue | | | | | | | | | | | | | Total | | |
|---|-------------------------|----------------------|-----------------------|----------------------------------|----------------|---------------|--------------------------------|---------------------|----------------------|---------------------|--------------|------------------------------------|---------------------|------------------|-----------|---------|
| | County Liquid Fuels Tax | Special Gasoline Tax | Hotel Room Rental Tax | Community Development Rental Tax | Car Rental Tax | Housing Trust | Acute Care Hospital Assessment | Riverview Residents | Philadelphia Prisons | Arbitration Appeals | Departmental | Municipal Authority Administrative | PICA Administrative | | | |
| Revenues | | | | | | | | | | | | | | | | |
| Tax Revenue | - | - | 47,651 | - | 5,166 | - | 139,531 | - | - | - | - | - | - | - | - | 550,073 |
| Locally Generated Non-Tax Revenue | - | 3 | 2 | 12,477 | 7 | 8,569 | - | - | - | - | - | - | - | 357,725 | 32,422 | |
| Revenue from Other Governments | 5,186 | 24,601 | - | 43,332 | - | - | - | - | - | - | - | - | - | 943 | 73,119 | |
| Other Revenues | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,164 | 9,164 | |
| Total Revenues | 5,186 | 24,604 | 47,653 | 55,809 | 5,173 | 8,569 | 139,531 | - | 2,958 | 364 | 6,515 | 584 | 367,832 | 664,778 | | |
| Expenditures | | | | | | | | | | | | | | | | |
| Current Operating: | | | | | | | | | | | | | | | | |
| Economic Development | - | - | 43,914 | - | - | - | - | - | - | - | - | - | - | - | - | 43,914 |
| Transportation: | | | | | | | | | | | | | | | | |
| Streets & Highways | 4,755 | 20,145 | - | - | - | - | - | - | - | - | - | - | - | - | - | 24,900 |
| Judiciary and Law Enforcement: | | | | | | | | | | | | | | | | |
| Prisons | - | - | - | - | - | - | - | - | 1,388 | - | - | - | - | - | - | 1,388 |
| Health Services | - | - | - | - | - | - | 135,330 | - | - | - | - | - | - | - | - | 135,330 |
| Housing and Neighborhood Development | - | - | - | 58,249 | - | 8,497 | - | - | - | - | - | - | - | - | - | 66,746 |
| Cultural and Recreational: | | | | | | | | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | - | - | - | - | 5,149 | - | - | - | - | 5,149 |
| Libraries and Museums | - | - | - | - | - | - | - | - | - | - | 182 | - | - | - | - | 182 |
| Improvements to General Welfare: | | | | | | | | | | | | | | | | |
| Service to Property: | | | | | | | | | | | | | | | | |
| General Management and Support | - | - | - | - | 5,000 | - | - | - | 4 | 944 | 1,691 | 37,045 | 947 | - | - | 45,995 |
| Capital Outlay | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Debt Service: | | | | | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bond Issuance Cost | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 4,755 | 20,145 | 43,914 | 58,249 | 5,000 | 8,497 | 135,330 | 4 | 2,332 | 364 | 7,022 | 37,045 | 947 | 323,604 | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 431 | 4,459 | 3,739 | (2,440) | 173 | 72 | 4,201 | (4) | 626 | - | (507) | (36,461) | 366,885 | 341,174 | | |
| Other Financing Sources (Uses) | | | | | | | | | | | | | | | | |
| Issuance of Debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of Refunding Bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bond Issuance Premium | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bond Refinance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers In | - | - | - | - | - | - | (3,500) | - | - | - | 1,150 | 36,519 | (372,022) | 37,669 | (375,522) | - |
| Transfers Out | - | - | - | - | - | - | (3,500) | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - | (3,500) | - | - | - | 1,150 | 36,519 | (372,022) | (337,853) | | |
| Net Change in Fund Balances | 431 | 4,459 | 3,739 | (2,440) | 173 | 72 | 701 | (4) | 626 | - | 643 | 58 | (5,137) | 3,321 | | |
| Fund Balance - July 1, 2011 | 2,148 | 16,128 | 6,562 | (4,045) | 6,263 | 10,457 | 8,770 | 38 | 3,574 | - | 6,156 | 248 | 45,373 | 101,672 | | |
| Adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fund Balance Adjusted - July 1, 2011 | 2,148 | 16,128 | 6,562 | (4,045) | 6,263 | 10,457 | 8,770 | 38 | 3,574 | - | 6,156 | 248 | 45,373 | 101,672 | | |
| Fund Balance - June 30, 2012 | 2,579 | 20,587 | 10,301 | (6,485) | 6,436 | 10,529 | 9,471 | 34 | 4,200 | - | 6,799 | 306 | 40,236 | 104,993 | | |

Schedule II

City of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2012

| | Debt Service | | | Capital Improvement | | | Permanent | | Total | |
|---|---------------------|----------|-----------|---------------------|----------|-----------|-------------------|-------|-----------|------------------------------|
| | Municipal Authority | | | Municipal Authority | | | Libraries & Parks | | | Non-Major Governmental Funds |
| | City | PICA | Total | City | Total | Total | Total | | | |
| Revenues | | | | | | | | | | |
| Tax Revenue | - | - | - | - | - | - | - | - | 550,073 | |
| Locally Generated Non-Tax Revenue | - | 3,489 | 4,204 | - | 1,705 | 1,705 | 98 | 98 | 38,429 | |
| Revenue from Other Governments | - | - | - | 35,087 | - | 35,087 | - | - | 108,206 | |
| Other Revenues | - | - | - | 989 | - | 989 | - | - | 10,153 | |
| Total Revenues | - | 3,489 | 4,204 | 36,076 | 1,705 | 37,781 | 98 | 98 | 706,861 | |
| Expenditures | | | | | | | | | | |
| Current Operating: | | | | | | | | | | |
| Economic Development | - | - | - | - | - | - | - | - | 43,914 | |
| Transportation: | | | | | | | | | | |
| Streets & Highways | - | - | - | - | - | - | - | - | 24,900 | |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Prisons | - | - | - | - | - | - | - | - | 1,388 | |
| Health Services | - | - | - | - | - | - | - | - | 135,330 | |
| Housing and Neighborhood Development | - | - | - | - | - | - | - | - | 66,746 | |
| Cultural and Recreational: | | | | | | | | | | |
| Parks & Recreation | - | - | - | - | - | - | 97 | 97 | 5,246 | |
| Libraries and Museums | - | - | - | - | - | - | 54 | 54 | 236 | |
| Improvements to General Welfare: | | | | | | | | | | |
| Service to Property: | | | | | | | | | | |
| General Management and Support | - | - | - | 133,554 | 10 | 201,984 | - | - | 46,005 | |
| Capital Outlay | | | | | | | | | | |
| Debt Service: | | | | | | | | | | |
| Principal | 40,745 | 41,775 | 103,107 | - | - | - | - | - | 103,107 | |
| Interest | 67,134 | 24,609 | 105,220 | - | - | - | - | - | 105,220 | |
| Bond Issuance Cost | 381 | - | 381 | - | 168 | 168 | - | - | 549 | |
| Total Expenditures | 108,260 | 66,384 | 208,708 | 133,554 | 68,608 | 202,162 | 151 | 151 | 734,625 | |
| Excess (Deficiency) of Revenues | (108,260) | (62,895) | (204,504) | (97,478) | (66,903) | (164,381) | (53) | (53) | (27,764) | |
| Over (Under) Expenditures | | | | | | | | | | |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of Debt | - | - | - | - | 12,605 | 12,605 | - | - | 12,605 | |
| Issuance of Refunding Bonds | 21,295 | - | 21,295 | - | - | - | - | - | 21,295 | |
| Bond Issuance Premium | 3,758 | - | 3,758 | - | 442 | 442 | - | - | 4,200 | |
| Bond Defeasance | (24,670) | - | (24,670) | - | - | - | - | - | (24,670) | |
| Transfers In | 106,678 | 63,736 | 203,763 | 10,170 | 13,929 | 24,099 | - | - | 265,531 | |
| Transfers Out | - | - | - | (12,000) | - | (12,000) | - | - | (387,522) | |
| Total Other Financing Sources (Uses) | 107,061 | 63,736 | 204,146 | (1,830) | 26,976 | 25,146 | - | - | (108,561) | |
| Net Change in Fund Balances | (1,199) | 841 | (358) | (99,308) | (39,927) | (139,235) | (63) | (63) | (136,325) | |
| Fund Balance - July 1, 2011 | 2,521 | 80,272 | 82,804 | 185,448 | 82,271 | 267,719 | 5,494 | 5,494 | 457,689 | |
| Adjustment | - | - | - | - | - | - | - | - | - | |
| Fund Balance Adjusted - July 1, 2011 | 2,521 | 80,272 | 82,804 | 185,448 | 82,271 | 267,719 | 5,494 | 5,494 | 457,689 | |
| Fund Balance - June 30, 2012 | 1,322 | 81,113 | 82,446 | 86,140 | 42,344 | 128,484 | 5,441 | 5,441 | 321,364 | |

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

Schedule III

Amounts in thousands of USD

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

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

Schedule IV

Amounts in thousands of USD

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

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

Schedule V

Amounts in thousands of USD

| | <u>Escrow Fund</u> | <u>Employee Health & Welfare Fund</u> | <u>Departmental Custodial Accounts</u> | <u>Total</u> |
|-------------------------------|------------------------|---|--|----------------|
| <u>Assets</u> | | | | |
| Cash on Deposit and on Hand | - | - | 104,934 | 104,934 |
| Equity in Treasurer's Account | 17,494 | 24,741 | - | 42,235 |
| Investments | - | - | 9,676 | 9,676 |
| Due from Other Funds | - | - | 826 | 826 |
| | <u>17,494</u> | <u>24,741</u> | <u>115,436</u> | <u>157,671</u> |
| Total Assets | | | | |
| <u>Liabilities</u> | | | | |
| Vouchers Payable | 3,042 | 90 | - | 3,132 |
| Payroll Taxes Payable | - | 14,589 | - | 14,589 |
| Funds Held in Escrow | 14,452 | 10,062 | 115,436 | 139,950 |
| | <u>17,494</u> | <u>24,741</u> | <u>115,436</u> | <u>157,671</u> |
| Total Liabilities | | | | |
| Net Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

Schedule VI

Amounts in thousands of USD

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

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

Schedule VII

Amounts in USD

| | Original Authorization | Date of Issuance | Issued | Fiscal 2012 Outstanding | Maturities | Interest Rates | FY 2013 Debt Service Requirements | |
|---------------------------------------|-------------------------|------------------|----------------------|-------------------------|--------------------|----------------|-----------------------------------|-------------------|
| | | | | | | | Interest | Principal |
| General Obligation Bonds: | | | | | | | | |
| Term Bonds | | | | | | | | |
| | 97,493,541 | 07/27/2006 | 531,988 | 531,988 | 8/2030 to 8/2031 | 5 | 26,599 | - |
| | 7,222,518 | 07/27/2006 | 7,222,518 | 7,222,518 | 8/2030 to 8/2031 | 5 | 361,126 | - |
| | 11,024,437 | 07/27/2006 | 11,024,437 | 11,024,437 | 8/2030 to 8/2031 | 5 | 551,222 | - |
| | 10,131,057 | 07/27/2006 | 10,131,057 | 10,131,057 | 8/2030 to 8/2031 | 5 | 506,553 | - |
| | 113,608,890 | 01/06/2009 | 113,608,890 | 113,608,890 | 7/2013 to 7/2038 | 5.25 to 7.125 | 7,865,987 | - |
| | 30,926,110 | 01/06/2009 | 30,926,110 | 30,926,110 | 7/2013 to 7/2038 | 5.25 to 7.125 | 2,141,244 | - |
| | 13,834,573 | 04/19/2011 | 13,834,573 | 13,834,573 | 8/2027 to 8/2041 | 5.875 to 6.50 | 856,361 | - |
| | 37,647,372 | 04/19/2011 | 37,647,372 | 37,647,372 | 8/2027 to 8/2041 | 5.875 to 6.50 | 2,330,377 | - |
| | 45,818,055 | 04/19/2011 | 45,818,055 | 45,818,055 | 8/2027 to 8/2041 | 5.875 to 6.50 | 2,836,143 | - |
| Total Term Bonds | 367,706,553 | | 270,745,000 | 270,745,000 | | | 17,475,612 | - |
| Refunding Issues | | | | | | | | |
| | 188,910,000 | 12/20/2007 | 188,910,000 | 170,290,000 | 08/2012 to 08/2019 | 5.00 to 5.25 | 8,369,338 | 10,770,000 |
| | 195,170,000 | 5/01/2008 | 195,170,000 | 192,985,000 | 12/2012 to 12/2032 | 4.00 to 5.25 | 10,022,537 | 100,000 |
| | 237,025,000 | 8/13/2009 | 237,025,000 | 237,025,000 | 08/2019 to 08/2031 | 4.25 to 5.50 | 12,030,260 | - |
| | 100,000,000 | 8/13/2009 | 100,000,000 | 100,000,000 | 08/2027 to 08/2031 | variable | 3,829,000 | - |
| | 114,570,000 | 4/19/2011 | 114,570,000 | 100,205,000 | 08/2012 to 08/2020 | 2.00 to 5.25 | 4,069,323 | 20,795,000 |
| | 21,295,000 | 5/8/2012 | 21,295,000 | 21,295,000 | 9/2014 to 9/2021 | 5 | 907,995 | - |
| Total Refunding Bonds | 856,970,000 | | 856,970,000 | 821,800,000 | | | 39,228,453 | 31,665,000 |
| Serial Bonds | | | | | | | | |
| | 99,400,449 ¹ | 07/27/2006 | 3,472,002 | 3,013,251 | 8/2012 to 8/2029 | 4.50 to 5.125 | 146,790 | 106,085 |
| | 12,165,000 | 12/02/2003 | 12,165,000 | 3,324,694 | 02/2013 to 02/2014 | 5.25 | 174,547 | 1,662,955 |
| | 84,972,482 | 12/02/2003 | 37,835,000 | 10,340,306 | 02/2013 to 02/2014 | 5.25 | 542,866 | 5,172,045 |
| | ¹ | 07/27/2006 | 47,137,482 | 40,909,278 | 8/2012 to 8/2029 | 4.50 to 5.125 | 1,992,891 | 1,440,256 |
| | 71,950,563 ¹ | 07/27/2006 | 71,950,563 | 62,443,846 | 8/2012 to 8/2029 | 4.50 to 5.125 | 3,041,945 | 2,198,405 |
| | 66,119,963 ¹ | 07/27/2006 | 66,119,963 | 57,383,625 | 8/2012 to 8/2029 | 4.50 to 5.125 | 2,795,437 | 2,020,254 |
| | 16,086,110 ¹ | 01/06/2009 | 16,086,110 | 11,236,303 | 7/2012 to 7/2018 | 4.50 to 6 | 561,412 | 1,831,451 |
| | 4,378,890 ¹ | 01/06/2009 | 4,378,890 | 3,058,697 | 7/2012 to 7/2018 | 4.50 to 6 | 152,825 | 498,549 |
| | 5,950,427 ¹ | 04/19/2011 | 5,950,427 | 5,950,427 | 8/2012 to 8/2026 | 4.00 to 5.375 | 292,637 | 275,838 |
| | 16,192,628 ¹ | 04/19/2011 | 16,192,628 | 16,192,628 | 8/2012 to 8/2026 | 4.00 to 5.375 | 796,338 | 750,626 |
| | 19,706,945 ¹ | 04/19/2011 | 19,706,945 | 19,706,945 | 8/2012 to 8/2026 | 4.00 to 5.375 | 969,169 | 913,536 |
| Total Serial Bonds | 396,923,447 | | 300,995,000 | 233,560,000 | | | 11,466,857 | 16,870,000 |
| Total General Obligation Bonds | 1,621,600,000 | | 1,428,710,000 | 1,326,105,000 | | | 68,170,922 | 48,535,000 |

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

Schedule VII

Amounts in USD

| Revenue Bonds: | Original Authorization | Date of Issuance | Issued | Fiscal 2012 Outstanding | Maturities | Interest Rates | FY 2013 Debt Service Requirements | |
|---------------------------------------|--------------------------|------------------|----------------------|-------------------------|--------------------|----------------|-----------------------------------|--------------------|
| | | | | | | | Interest | Principal |
| Water and Sewer Revenue Bonds: | | | | | | | | |
| Series 1995 | 221,630,000 | 04/15/1995 | 221,630,000 | 13,550,000 | 08/2012 to 08/2018 | 6.25 | 423,438 | 13,550,000 |
| Series 1997 B | 100,000,000 ² | 11/25/1997 | 100,000,000 | 70,100,000 | 08/2012 to 08/2027 | Variable rates | 114,191 | 3,100,000 |
| Series 1998 | 135,185,000 | 12/25/1998 | 135,185,000 | 108,335,000 | 12/2012 to 12/2014 | 5.25 | 4,788,919 | 34,235,000 |
| Series 1999 A | 6,700,000 | N.A. | 6,700,000 | 564,623 | 07/2012 to 04/2019 | 2.73 | 14,460 | 76,205 |
| Series 2001 A and B | 285,920,000 | 11/15/2001 | 285,920,000 | 90,445,000 | 11/2012 to 11/2028 | 3.8 to 5.50 | 4,385,100 | 8,030,000 |
| Series 2005 A | 250,000,000 | 05/04/2005 | 250,000,000 | 225,595,000 | 07/2012 to 07/2035 | 3.00 to 5.25 | 11,248,663 | 5,015,000 |
| Series 2005 B | 86,105,000 ² | 05/04/2005 | 86,105,000 | 82,445,000 | 08/2012 to 08/2018 | Variable rates | 3,724,566 | 450,000 |
| Series 2007 A | 191,440,000 | 05/09/2007 | 191,440,000 | 152,865,000 | 8/2012 to 8/2027 | 4.5 to 5 | 7,150,700 | 7,730,000 |
| Series 2007 B | 153,595,000 | 05/09/2007 | 153,595,000 | 152,680,000 | 11/2012 to 11/2031 | 4.00 to 5.00 | 6,941,875 | 225,000 |
| Series 2009 A | 325,000,000 | 05/21/2009 | 140,000,000 | 140,000,000 | 01/2017 to 01/2033 | 4.00 to 5.75 | 7,294,037 | - |
| Series 2010C | 396,460,000 | 08/05/2010 | 185,000,000 | 185,000,000 | 8/2016 to 8/2040 | 3.00 to 5.00 | 9,022,250 | - |
| Series 2010A | 42,886,030 | 4/15/2010 | 396,460,000 | 343,645,000 | 06/2013 to 6/2019 | 3.00 to 5.00 | 16,409,385 | 44,860,000 |
| Series 2009B | 57,268,193 | 10/14/2009 | 22,827,986 | 22,827,986 | 07/2013 to 07/2033 | 1.193 | 269,315 | 761,427 |
| Series 2009C | 84,759,263 | 10/14/2009 | 35,666,542 | 35,666,542 | 07/2013 to 07/2033 | 1.193 | 416,834 | 1,588,578 |
| Series 2009D | 30,000,000 | 3/31/2010 | 64,380,070 | 64,380,071 | 07/2013 to 07/2033 | 1.193 | 759,529 | 2,147,395 |
| Series 2010B | 135,000,000 | 2/16/2011 | 8,111,482 | 8,111,482 | 07/2014 to 07/2034 | 1.193 | 96,770 | - |
| Series 2011A | 49,855,000 | 11/16/2011 | 135,000,000 | 135,000,000 | 1/2036 to 1/2041 | 4.5 to 5 | 7,579,125 | - |
| Series 2011B | 49,855,000 | 11/16/2011 | 49,855,000 | 49,855,000 | 11/2016 to 11/2026 | 4.5 to 5 | 2,460,500 | - |
| Total Water Revenue Bonds | 2,551,803,486 | | 2,467,876,080 | 1,881,065,704 | | | 83,099,657 | 121,768,605 |
| Aviation Revenue Bonds: | | | | | | | | |
| Series 1998 B | 443,700,000 | 07/01/1998 | 443,700,000 | 5,000 | 07/2028 | 5.125 | 256 | - |
| Series 2005 C | 189,500,000 ² | 06/02/2005 | 189,500,000 | 155,900,000 | 06/2013 to 06/2025 | Variable rates | 8,071,726 | 7,500,000 |
| Series 2005 A | 124,985,000 | 08/04/2005 | 117,605,000 | 114,900,000 | 06/2013 to 06/2035 | 4.20 to 5.50 | 5,475,465 | 2,840,000 |
| Series 2007 A | 172,470,000 | 08/16/2008 | 172,470,000 | 166,000,000 | 06/2013 to 06/2037 | 5 | 8,300,000 | 3,480,000 |
| Series 2007 B | 82,915,000 | 08/16/2008 | 82,915,000 | 66,660,000 | 06/2013 to 06/2027 | 5 | 3,333,000 | 3,595,000 |
| Series 2009 A | 45,715,000 | 04/14/2009 | 45,715,000 | 42,350,000 | 06/2013 to 06/2029 | 3.00 to 5.375 | 1,993,666 | 1,755,000 |
| Series 2010A | 273,065,000 | 11/15/2010 | 273,065,000 | 273,055,000 | 06/2013 to 06/2040 | 2.00 to 5.25 | 13,599,613 | 5,000 |
| Series 2010B | 24,395,000 | 11/15/2010 | 24,395,000 | 15,175,000 | 06/2013 to 06/2015 | 5.00 | 758,750 | 4,815,000 |
| Series 2010C | 54,730,000 | 11/15/2010 | 47,945,000 | 47,945,000 | 06/2013 to 06/2018 | 5.00 | 2,397,250 | 7,050,000 |
| Series 2010D | 272,475,000 | 11/15/2010 | 272,475,000 | 259,035,000 | 06/2013 to 06/2028 | 4.00 to 5.25 | 12,941,850 | 13,450,000 |
| Series 2011A | 199,040,000 | 12/14/2011 | 199,040,000 | 192,975,000 | 06/2013 to 06/2028 | 4.00 to 5.00 | 9,535,406 | 5,775,000 |
| Series 2011B | 34,790,000 | 12/14/2011 | 34,790,000 | 32,920,000 | 06/2013 to 06/2031 | 2.00 to 5.00 | 1,391,019 | 1,200,000 |
| Total Aviation Revenue Bonds | 1,917,780,000 | | 1,910,400,000 | 1,366,920,000 | | | 67,797,991 | 51,465,000 |
| Total Revenue Bonds | 4,469,583,486 | | 4,378,276,080 | 3,247,985,704 | | | 150,897,648 | 173,233,605 |
| Total All Bonds | 6,091,183,486 | | 5,806,986,080 | 4,574,090,704 | | | 219,068,570 | 221,768,605 |

NOTES:

¹ These General Obligation Authorizations were issued as both Term and Serial Bonds.

² Based on latest available estimated rates.

³ A summary of all Bonds Outstanding is as follows:

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

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

Schedule VIII

Amounts in thousands of USD

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

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

Schedule IX

Amounts in thousands of USD

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

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

Schedule X

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Revenue from Other Governments | <u>4,950</u> | <u>4,950</u> | <u>5,186</u> | <u>236</u> |
| Total Revenues | <u>4,950</u> | <u>4,950</u> | <u>5,186</u> | <u>236</u> |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 3,734 | 3,734 | 3,734 | - |
| Purchase of Services | 861 | 861 | 856 | 5 |
| Materials and Supplies | 256 | 256 | 255 | 1 |
| Equipment | 80 | 80 | 78 | 2 |
| Payments to Other Funds | <u>19</u> | <u>19</u> | <u>19</u> | <u>-</u> |
| Total Expenditures and Encumbrances | <u>4,950</u> | <u>4,950</u> | <u>4,942</u> | <u>8</u> |
| Operating Surplus (Deficit) for the Year | <u>-</u> | <u>-</u> | <u>244</u> | <u>244</u> |
| Fund Balance Available for Appropriation, July 1, 2011 | 2,013 | 2,035 | 2,035 | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | <u>25</u> | <u>25</u> | <u>73</u> | <u>48</u> |
| Adjusted Fund Balance, July 1, 2011 | <u>2,038</u> | <u>2,060</u> | <u>2,108</u> | <u>48</u> |
| Fund Balance Available for Appropriation, June 30, 2012 | <u><u>2,038</u></u> | <u><u>2,060</u></u> | <u><u>2,352</u></u> | <u><u>292</u></u> |

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

Schedule XI

Amounts in thousands of USD

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

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

Schedule XII

Amounts in thousands of USD

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

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

Schedule XIII

Amounts in thousands of USD

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

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

Schedule XIV

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | 250 | 250 | 12,477 | 12,227 |
| Revenue from Other Governments | 107,762 | 87,207 | 35,955 | (51,252) |
| Total Revenues | 108,012 | 87,457 | 48,432 | (39,025) |
| <u>Other Sources</u> | | | | |
| Decrease in Financed Reserves | - | - | 1,029 | 1,029 |
| Total Revenues and Other Sources | 108,012 | 87,457 | 49,461 | (37,996) |
| <u>Expenditures and Encumbrances</u> | | | | |
| Personal Services | 7,525 | 7,525 | 4,718 | 2,807 |
| Pension Contributions | 2,608 | 3,085 | 1,838 | 1,247 |
| Other Employee Benefits | 2,381 | 1,904 | 1,214 | 690 |
| Sub-Total Employee Compensation | 12,514 | 12,514 | 7,770 | 4,744 |
| Purchase of Services | 74,928 | 74,928 | 53,578 | 21,350 |
| Materials and Supplies | 206 | 245 | 169 | 76 |
| Equipment | 334 | 295 | 74 | 221 |
| Payments to Other Funds | 30 | 30 | 25 | 5 |
| Advances, Subsidies, Miscellaneous | 20,000 | 20,000 | - | 20,000 |
| Total Expenditures and Encumbrances | 108,012 | 108,012 | 61,616 | 46,396 |
| Operating Surplus (Deficit) for the Year | - | (20,555) | (12,155) | 8,400 |
| Fund Balance Available for Appropriation, July 1, 2011 | - | (4,045) | (4,045) | - |
| <u>Operations in Respect to Prior Fiscal Years</u> | | | | |
| Commitments Cancelled - Net | - | - | 9,715 | 9,715 |
| Prior Period Adjustments | - | 4,045 | - | (4,045) |
| Adjusted Fund Balance, July 1, 2011 | - | - | 5,670 | 5,670 |
| Fund Balance Available for Appropriation, June 30, 2012 | - | (20,555) | (6,485) | 14,070 |

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

Schedule XV

Amounts in thousands of USD

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

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

Schedule XVI

Amounts in thousands of USD

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

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

Schedule XVII

Amounts in thousands of USD

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

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

Schedule XVIII

Amounts in thousands of USD

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

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

Schedule XIX

Amounts in thousands of USD

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Final Budget to Actual Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Locally Generated Non-Tax Revenue | <u>136</u> | <u>136</u> | <u>-</u> | <u>(136)</u> |
| Total Revenues | <u>136</u> | <u>136</u> | <u>-</u> | <u>(136)</u> |
| <u>Expenditures and Encumbrances</u> | | | | |
| Purchase of Services | <u>136</u> | <u>136</u> | <u>-</u> | <u>136</u> |
| Total Expenditures and Encumbrances | <u>136</u> | <u>136</u> | <u>-</u> | <u>136</u> |
| Operating Surplus (Deficit) for the Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance Available for Appropriation, July 1, 2011 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance Available for Appropriation, June 30, 2012 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

Schedule XX

Amounts in thousands of USD

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

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

Schedule XX

Amounts in thousands of USD

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

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

Schedule XX

Amounts in thousands of USD

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

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 Water Operating Fund

Schedule XXI

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2012 (with comparative actual amounts for the Fiscal Year Ended June 30, 2011)

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

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations

Schedule XXII

Aviation Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2012 (with comparative actual amounts for the Fiscal Year Ended June 30, 2011)

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

Statistical Section

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

| | | |
|---------|--|-----|
| Table 1 | Net Assets by Component..... | 150 |
| Table 2 | Changes in Net Assets | 151 |
| Table 3 | Fund Balances-Governmental Funds..... | 153 |
| Table 4 | Changes in Fund Balances-Governmental Funds..... | 154 |
| Table 5 | Comparative Schedule of Operations-Municipal Pension Fund..... | 155 |

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

| | | |
|----------|--|-----|
| Table 6 | Wage and Earnings Tax Taxable Income | 156 |
| Table 7 | Direct and Overlapping Tax Rates | 157 |
| Table 8 | Principal Wage and Earnings Tax Remitters..... | 159 |
| Table 9 | Assessed Value and Estimated Value of Taxable Property | 160 |
| Table 10 | Principal Property Tax Payers | 161 |
| Table 11 | Real Property Taxes Levied and Collected | 162 |

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

| | | |
|----------|---|-----|
| Table 12 | Ratios of Outstanding Debt by Type..... | 163 |
| Table 13 | Ratios of General Bonded Debt Outstanding | 164 |
| Table 14 | Direct and Overlapping Governmental Activities Debt | 165 |
| Table 15 | Legal Debt Margin Information | 166 |
| Table 16 | Pledged Revenue Coverage..... | 167 |

Demographic & Economic Information

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

| | | |
|----------|---|-----|
| Table 17 | Demographic and Economic Statistics | 168 |
| Table 18 | Principal Employers | 169 |

Operating Information

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

| | | |
|----------|--|-----|
| Table 19 | Full Time Employees by Function..... | 170 |
| Table 20 | Operating Indicators by Function..... | 171 |
| Table 21 | Capital Assets Statistics by Function..... | 172 |

Table 1
City of Philadelphia
Net Assets by Component
For the Fiscal Years 2003 Through 2012

Amounts in millions of USD

(full accrual basis of accounting)

Governmental Activities

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|--------------|---------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Invested in Capital Assets, Net of Related Debt | 286.4 | 175.0 | 241.3 | 248.6 | 161.4 | 206.4 | (5.8) | (59.3) | (47.5) | 83.9 |
| Restricted | 426.8 | 484.1 | 516.5 | 471.5 | 689.7 | 641.0 | 833.8 | 705.1 | 789.5 | 621.8 |
| Unrestricted | (453.8) | (707.0) | (1,028.6) | (1,010.9) | (1,220.5) | (1,567.1) | (2,120.6) | (2,421.9) | (2,495.5) | (2,478.2) |
| Total Governmental Activities Net Assets | 259.4 | (47.9) | (270.8) | (290.8) | (369.4) | (719.7) | (1,292.6) | (1,776.1) | (1,753.5) | (1,772.5) |

Business-Type Activities

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

Primary Government

| | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|--------------|--------------|----------------|----------------|---------------|
| Invested in Capital Assets, Net of Related Debt | 765.0 | 716.0 | 789.7 | 786.0 | 705.4 | 798.2 | 744.8 | 772.5 | 797.6 | 971.7 |
| Restricted | 1,068.9 | 988.1 | 988.5 | 1,023.4 | 1,324.8 | 1,285.1 | 1,345.0 | 1,194.4 | 1,340.1 | 1,213.6 |
| Unrestricted | (466.5) | (615.7) | (758.9) | (737.0) | (963.2) | (1,300.9) | (1,850.8) | (2,164.6) | (2,261.2) | (2,220.3) |
| Total Primary Government Net Assets | 1,367.4 | 1,088.4 | 1,019.3 | 1,072.4 | 1,067.0 | 782.4 | 239.0 | (197.7) | (123.5) | (35.0) |

Table 2
City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2003 Through 2012

(All amounts in millions of USD)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Economic Development | 127.9 | 127.4 | 89.5 | 89.8 | 92.6 | 116.4 | 116.0 | 145.0 | 92.2 | 96.5 |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 99.8 | 109.9 | 119.0 | 116.0 | 116.6 | 117.7 | 119.1 | 129.4 | 136.3 | 115.6 |
| Mass Transit | 85.9 | 81.3 | 84.9 | 84.5 | 85.1 | 88.3 | 90.5 | 82.7 | 75.2 | 74.0 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | 755.2 | 793.8 | 817.1 | 836.0 | 921.4 | 1,002.9 | 985.6 | 990.5 | 1,048.1 | 1,094.2 |
| Prisons | 223.4 | 237.1 | 250.2 | 268.7 | 293.2 | 311.4 | 339.1 | 343.8 | 340.4 | 336.7 |
| Courts | 253.8 | 277.2 | 284.9 | 287.1 | 304.1 | 321.6 | 318.7 | 312.0 | 315.0 | 326.2 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 29.0 | 30.6 | 34.2 | 35.6 | 36.0 | 37.2 | 36.9 | 47.8 | 53.3 | 48.4 |
| Health Services | 1,196.5 | 1,174.6 | 1,275.0 | 1,411.9 | 1,442.6 | 1,572.6 | 1,701.5 | 1,446.7 | 1,524.6 | 1,500.1 |
| Housing and Neighborhood Development | | | | | | | | | | |
| Cultural and Recreational | 125.2 | 119.0 | 123.0 | 149.5 | 111.2 | 142.1 | 149.1 | 131.3 | 126.1 | 137.7 |
| Recreation | 109.5 | 118.4 | 68.3 | 73.3 | 73.4 | 86.2 | 77.3 | 77.0 | 98.7 | 97.3 |
| Parks | 26.2 | 32.6 | 30.2 | 28.9 | 32.6 | 36.6 | 37.7 | 37.9 | 14.0 | 9.0 |
| Libraries and Museums | 63.0 | 67.5 | 80.7 | 68.6 | 90.3 | 87.0 | 92.8 | 79.0 | 75.7 | 80.8 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 641.5 | 691.2 | 697.6 | 702.0 | 765.5 | 794.1 | 756.3 | 718.8 | 718.4 | 675.5 |
| Education | 57.1 | 58.6 | 61.6 | 59.9 | 64.0 | 65.5 | 67.2 | 65.4 | 64.0 | 74.3 |
| Inspections and Demolitions | 44.3 | 81.3 | 79.0 | 55.3 | 64.3 | 47.3 | 27.8 | 23.4 | 30.1 | 26.5 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 114.8 | 121.0 | 126.0 | 128.8 | 134.4 | 138.0 | 137.8 | 142.7 | 143.0 | 153.2 |
| Fire | 190.2 | 215.4 | 229.6 | 236.1 | 285.3 | 284.8 | 278.6 | 266.0 | 285.9 | 292.2 |
| General Management and Support | 524.8 | 576.9 | 519.9 | 574.8 | 568.7 | 636.9 | 684.1 | 683.3 | 561.0 | 678.4 |
| Interest on Long Term Debt | 130.2 | 98.3 | 138.2 | 136.9 | 149.5 | 95.1 | 214.6 | 174.9 | 136.3 | 112.1 |
| Total Governmental Activities Expenses | 4,798.3 | 5,012.1 | 5,108.9 | 5,343.7 | 5,630.8 | 5,981.7 | 6,230.7 | 5,897.6 | 5,838.3 | 5,928.7 |
| Business-Type Activities: | | | | | | | | | | |
| Water and Sewer | 412.9 | 416.9 | 442.3 | 455.4 | 476.2 | 504.3 | 530.8 | 502.5 | 520.2 | 490.8 |
| Aviation | 244.5 | 261.0 | 269.5 | 303.1 | 314.3 | 323.1 | 326.2 | 330.1 | 336.0 | 343.1 |
| Industrial and Commercial Development | 2.2 | 2.5 | 4.7 | 2.1 | 3.7 | 2.1 | 3.0 | 0.1 | 1.9 | - |
| Total Business-Type Activities Expenses | 659.6 | 680.4 | 716.5 | 760.6 | 794.2 | 829.5 | 860.0 | 832.7 | 858.1 | 833.9 |
| Total Primary Government Expenses | 5,457.9 | 5,692.5 | 5,825.4 | 6,104.3 | 6,425.0 | 6,811.2 | 7,090.7 | 6,730.3 | 6,696.4 | 6,762.6 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Economic Development | 0.2 | 6.9 | 0.1 | - | - | - | 0.3 | 0.1 | - | 1.1 |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 1.1 | 1.5 | 1.9 | 2.2 | 3.5 | 3.9 | 2.8 | 4.4 | 5.1 | 5.2 |
| Mass Transit | 0.6 | 0.5 | 0.5 | 0.6 | 0.6 | 0.5 | 0.4 | 0.5 | 0.6 | 1.3 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | 2.2 | 2.4 | 2.2 | 7.2 | 1.7 | 4.3 | 5.0 | 3.3 | 3.5 | 5.5 |
| Prisons | 0.4 | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 | 0.9 |
| Courts | 50.9 | 52.5 | 48.4 | 51.5 | 51.5 | 52.7 | 51.8 | 53.4 | 45.6 | 60.6 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 20.1 | 20.7 | 23.1 | 25.0 | 27.7 | 27.6 | 37.5 | 36.8 | 34.7 | 27.5 |
| Health Services | 10.2 | 11.6 | 13.5 | 12.6 | 12.6 | 15.3 | 14.4 | 16.2 | 16.7 | 14.8 |
| Housing and Neighborhood Development | 18.9 | 12.0 | 10.0 | 22.3 | 45.2 | 25.2 | 31.3 | 20.8 | 23.1 | 28.6 |
| Cultural and Recreational: | | | | | | | | | | |
| Recreation | 14.3 | 13.0 | 0.8 | 0.4 | 0.2 | 0.3 | 3.2 | (0.1) | 2.8 | 2.2 |
| Parks | 1.9 | 1.7 | 0.9 | 0.4 | 0.5 | 1.5 | 0.6 | 0.9 | 5.0 | 4.8 |
| Libraries and Museums | 0.3 | 0.4 | 0.5 | 0.9 | 0.9 | 0.8 | 1.3 | 0.9 | 1.8 | 1.2 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 8.8 | 6.9 | 7.6 | 7.4 | 7.3 | 6.4 | 7.6 | 14.4 | 6.8 | 5.2 |
| Education | - | - | - | - | - | - | 1.1 | - | - | - |
| Inspections and Demolitions | 0.5 | 0.8 | 0.7 | 0.7 | 44.4 | 44.9 | 40.3 | 43.9 | 46.5 | 50.0 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 1.8 | 2.0 | 2.1 | 1.8 | - | 3.1 | 2.9 | 2.0 | 11.6 | 15.9 |
| Fire | 0.1 | 0.1 | 0.5 | 0.4 | 0.7 | 0.7 | 0.7 | 0.3 | 0.5 | 0.3 |
| General Management and Support | 150.7 | 138.2 | 130.8 | 179.1 | 107.5 | 110.6 | 131.9 | 127.9 | 136.6 | 139.7 |
| Interest on Long Term Debt | - | - | - | - | - | - | - | - | - | 0.3 |
| Operating Grants and Contributions | 1,907.2 | 1,958.7 | 2,067.2 | 2,142.1 | 2,204.9 | 2,339.9 | 2,438.1 | 2,050.4 | 2,223.5 | 2,102.1 |
| Capital Grants and Contributions | 17.3 | 19.6 | 9.1 | 21.4 | 15.8 | 10.0 | 35.0 | 46.9 | 32.1 | 43.2 |
| Total Governmental Activities Program Revenues | 2,207.5 | 2,250.0 | 2,320.3 | 2,477.8 | 2,525.3 | 2,647.5 | 2,806.6 | 2,423.5 | 2,605.2 | 2,510.4 |

Table 2
City of Philadelphia
Changes in Net Assets
For the Fiscal Years 2003 Through 2012

Amounts in millions of USD

(Full accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water and Sewer | 385.4 | 401.6 | 450.6 | 470.8 | 493.6 | 503.3 | 499.7 | 552.4 | 558.5 | 598.3 |
| Aviation | 230.5 | 251.9 | 278.4 | 295.0 | 309.2 | 303.2 | 251.7 | 240.0 | 258.1 | 263.2 |
| Industrial and Commercial Development | 1.2 | 1.2 | 1.1 | 1.2 | 1.5 | 1.5 | 0.5 | 0.3 | 0.5 | 0.4 |
| Operating Grants and Contributions | 8.9 | 4.8 | 2.0 | 2.5 | 2.8 | 5.4 | 2.6 | 6.1 | 4.8 | 3.5 |
| Capital Grants and Contributions | 17.8 | 21.0 | 20.7 | 25.3 | 22.4 | 36.6 | 109.4 | 90.5 | 105.9 | 91.6 |
| Total Business-Type Activities Program Revenues | 643.8 | 680.5 | 752.8 | 794.8 | 829.5 | 850.0 | 863.9 | 889.3 | 927.8 | 957.0 |
| Total Primary Government Revenues | 2,851.3 | 2,930.5 | 3,073.1 | 3,272.6 | 3,354.8 | 3,497.5 | 3,670.5 | 3,312.8 | 3,533.0 | 3,467.4 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (2,590.8) | (2,762.1) | (2,788.6) | (2,865.9) | (3,105.5) | (3,334.2) | (3,424.1) | (3,474.1) | (3,233.1) | (3,418.3) |
| Business-Type Activities | (15.8) | 0.1 | 36.3 | 34.2 | 35.3 | 20.5 | 3.9 | 56.6 | 69.7 | 123.1 |
| Total Primary Government Net Expense | (2,606.6) | (2,762.0) | (2,752.3) | (2,831.7) | (3,070.2) | (3,313.7) | (3,420.2) | (3,417.5) | (3,163.4) | (3,295.2) |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes | 362.7 | 374.4 | 361.8 | 386.3 | 399.2 | 401.3 | 409.2 | 400.8 | 506.6 | 500.8 |
| Wage & Earnings Taxes | 1,301.9 | 1,345.9 | 1,373.0 | 1,424.9 | 1,498.5 | 1,524.5 | 1,465.5 | 1,448.5 | 1,504.6 | 1,551.7 |
| Business Taxes | 306.9 | 319.2 | 367.9 | 430.2 | 453.7 | 414.5 | 407.6 | 385.2 | 364.2 | 399.2 |
| Other Taxes | 294.7 | 342.1 | 406.4 | 457.7 | 460.3 | 457.0 | 435.0 | 578.3 | 645.8 | 663.6 |
| Unrestricted Grants & Contributions | 61.2 | 47.1 | 84.3 | 81.7 | 104.1 | 104.7 | 107.8 | 171.4 | 173.8 | 223.2 |
| Interest & Investment Earnings | 57.5 | 26.0 | 32.9 | 60.2 | 81.8 | 65.3 | 46.1 | 25.5 | 35.8 | 33.3 |
| Special Items | (99.3) | - | - | - | - | - | - | - | - | - |
| Transfers | 4.1 | - | 4.4 | 5.0 | 4.9 | 4.9 | 4.2 | 28.3 | 24.9 | 27.5 |
| Total Governmental Activities | 2,289.7 | 2,454.7 | 2,650.7 | 2,846.0 | 3,002.5 | 2,972.2 | 2,875.4 | 3,038.0 | 3,255.7 | 3,399.3 |
| Business-Type Activities: | | | | | | | | | | |
| Interest & Investment Earnings | 33.5 | 6.6 | 15.8 | 43.8 | 45.7 | 48.7 | 22.9 | 7.7 | 6.9 | 9.0 |
| Unrestricted Grants & Contributions | - | - | (4.4) | (4.9) | (4.9) | (4.9) | (4.2) | (28.3) | (24.9) | (27.5) |
| Transfers | (4.1) | - | 11.4 | 38.9 | 40.8 | 43.8 | 18.7 | (20.6) | (18.0) | (15.6) |
| Total Business-Type Activities | 29.4 | 6.6 | 26.6 | 77.8 | 81.6 | 87.6 | 37.4 | (41.2) | (36.0) | (34.1) |
| Total Primary Government | 2,319.1 | 2,461.3 | 2,662.1 | 2,884.9 | 3,043.3 | 3,016.0 | 2,894.1 | 3,017.4 | 3,237.7 | 3,383.7 |
| Change in Net Assets | | | | | | | | | | |
| Governmental Activities | (301.1) | (307.4) | (137.9) | (19.9) | (103.0) | (362.0) | (548.7) | (436.1) | 22.6 | (19.0) |
| Business-Type Activities | 13.6 | 6.7 | 47.7 | 73.1 | 76.1 | 64.3 | 22.6 | 36.0 | 51.7 | 107.5 |
| Total Primary Government | (287.5) | (300.7) | (90.2) | 53.2 | (26.9) | (297.7) | (526.1) | (400.1) | 74.3 | 88.5 |

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

Amounts in millions of USD

(modified accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|----------------|---------------|--------------|
| General Fund | | | | | | | | | | |
| Non-spendable: | - | - | - | - | - | - | - | - | - | - |
| Restricted for: | | | | | | | | | | |
| Central Library Project | - | - | - | 10.0 | 4.8 | 4.9 | 4.7 | 2.3 | 2.3 | 2.3 |
| Stadium Financing | 102.8 | 18.7 | 4.3 | 6.0 | 6.4 | 0.1 | 1.7 | 0.6 | 0.3 | 0.5 |
| Cultural & Commercial Corridor Project | - | - | - | - | 143.3 | 122.5 | 89.8 | 30.8 | 19.2 | 15.3 |
| Long Term Loan | 45.0 | 45.0 | 45.0 | 45.0 | 45.0 | 22.5 | - | - | - | - |
| Committed to: | | | | | | | | | | |
| Encumbrances | 93.1 | 88.5 | 141.5 | 132.4 | 135.6 | 108.8 | 102.8 | - | - | - |
| General Fund | - | - | - | - | - | - | - | 87.9 | - | - |
| Assigned to: | | | | | | | | | | |
| Unassigned: | (7.9) | (148.1) | (36.4) | 111.2 | 152.7 | (24.3) | (274.6) | (251.8) | (45.7) | 70.5 |
| Total General Fund: | 233.0 | 4.1 | 154.3 | 304.5 | 487.8 | 234.4 | (75.6) | (130.2) | (23.9) | 88.6 |
| All Other Governmental Funds | | | | | | | | | | |
| Non-spendable: | - | - | - | - | - | - | - | - | 2.6 | 2.6 |
| Permanent Fund (Principal) | - | - | - | - | - | - | - | - | - | - |
| Restricted for: | | | | | | | | | | |
| Behavioral Health | 30.8 | 36.9 | 61.5 | 196.0 | 192.9 | 177.8 | 188.7 | 171.0 | 250.1 | 230.7 |
| Neighborhood Revitalization | 139.1 | 87.4 | 173.6 | 130.1 | 99.9 | 77.8 | 74.6 | 73.1 | 61.3 | 51.6 |
| Public Safety Emergency Phone System | 6.3 | 8.4 | 6.8 | 16.7 | 21.7 | 28.7 | 38.8 | 40.4 | 36.9 | 29.6 |
| Economic Development | - | - | - | - | - | - | - | - | 6.6 | 10.3 |
| Intergovernmental Financing | 28.7 | 30.6 | 31.7 | 26.8 | 24.5 | 18.6 | 12.1 | 7.9 | 21.1 | 21.7 |
| Intergovernmentally Financed Prgms | - | - | - | - | - | - | - | - | 24.5 | 18.9 |
| Streets & Highways | 0.9 | 2.2 | 2.8 | 4.0 | 7.5 | 12.8 | 16.8 | 16.8 | 18.3 | 23.2 |
| Housing & Neighborhood Development | - | - | - | - | - | - | - | - | 10.5 | 10.5 |
| Health Services | - | - | - | - | - | - | 4.0 | 10.8 | 8.8 | 9.5 |
| Debt Service | 93.3 | 88.3 | 88.1 | 84.3 | 92.3 | 80.9 | 79.1 | 76.6 | 82.8 | 82.4 |
| Capital Improvements | - | 80.9 | - | - | 103.0 | 21.0 | 196.1 | 152.2 | 267.7 | 128.5 |
| Trust Purposes | 6.8 | 7.1 | 7.4 | 7.8 | 8.9 | 8.3 | 6.4 | 4.7 | 8.1 | 8.3 |
| Parks & Recreation | - | - | - | - | - | - | - | - | 0.3 | 0.4 |
| Libraries & Museums | - | - | - | - | - | - | - | - | 0.1 | 0.1 |
| Stadium Financing | - | - | - | - | - | - | - | - | 6.3 | 6.4 |
| Committed to: | | | | | | | | | | |
| Capital Improvements | 101.5 | 77.8 | 76.5 | 76.0 | 56.7 | 61.7 | 62.5 | 37.9 | - | - |
| Economic Development | - | - | - | - | - | - | - | 6.5 | - | - |
| Housing & Neighborhood Development | - | - | - | 9.6 | 15.9 | 17.4 | 18.6 | 15.2 | - | - |
| Debt Service | 6.1 | 5.7 | 6.5 | 4.9 | 5.2 | 5.7 | 5.6 | 7.9 | - | - |
| Trust Purposes | 3.4 | 5.0 | 5.6 | 6.9 | 9.2 | 9.1 | 8.0 | 7.7 | - | - |
| Intergovernmental Financing | 53.1 | 44.9 | 43.6 | 50.1 | 53.3 | 52.2 | 62.6 | 36.2 | - | - |
| Social Services | - | - | - | - | - | - | - | - | - | 0.0 |
| Prisons | - | - | - | - | - | - | - | - | 3.6 | 4.2 |
| Parks & Recreation | - | - | - | - | - | - | - | - | 0.5 | 0.9 |
| Assigned to: | | | | | | | | | | |
| Behavioral Health | - | 144.0 | 134.7 | - | 28.4 | 40.5 | - | 42.5 | - | - |
| PICA Rebate Fund | 3.2 | 3.9 | 5.7 | 6.5 | 7.0 | 7.4 | 8.0 | 7.5 | - | - |
| PMA | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | - | - |
| Unassigned: | | | | | | | | | | |
| Community Behavioral Health | 116.1 | - | - | (24.8) | - | - | (5.4) | - | - | - |
| Housing & Neighborhood Dev | (8.8) | (6.6) | (8.0) | (5.5) | (3.9) | (3.2) | (5.0) | (4.0) | (4.0) | (6.5) |
| Parks & Recreation | - | - | - | - | - | - | - | - | - | - |
| Grants Revenue Fund | (55.3) | (53.9) | (43.3) | (51.2) | (26.2) | (23.0) | (36.7) | (39.0) | (34.3) | (175.1) |
| Capital Improvement | (98.1) | - | (6.3) | (67.1) | - | - | - | - | - | - |
| Total All Other Governmental Funds | 427.2 | 562.6 | 587.1 | 471.3 | 696.3 | 594.2 | 734.9 | 672.1 | 771.7 | 458.1 |

¹ Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occurred.

Table 4
City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2003 Through 2012

Amounts in millions of USD

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | | | | | | | | | | |
| Tax Revenue | 2,253.8 | 2,379.0 | 2,535.2 | 2,708.5 | 2,805.1 | 2,781.8 | 2,705.2 | 2,812.3 | 2,995.0 | 3,112.5 |
| Locally Generated Non-Tax Revenue | 339.8 | 280.0 | 265.2 | 354.5 | 381.7 | 349.7 | 349.3 | 302.7 | 370.6 | 336.5 |
| Revenue from Other Governments | 2,049.5 | 1,922.3 | 2,242.0 | 2,223.2 | 2,376.6 | 2,468.4 | 2,564.9 | 2,323.4 | 2,566.4 | 2,226.1 |
| Other Revenues | 17.3 | 18.5 | 16.7 | 15.3 | 17.1 | 17.9 | 49.6 | 33.1 | 25.8 | 27.5 |
| Total Revenues | 4,660.4 | 4,599.8 | 5,059.1 | 5,301.5 | 5,580.5 | 5,617.8 | 5,669.0 | 5,471.5 | 5,757.8 | 5,702.6 |
| Expenditures | | | | | | | | | | |
| Current Operating: | | | | | | | | | | |
| Economic Development | 170.4 | 157.0 | 92.7 | 81.5 | 85.5 | 112.3 | 107.0 | 135.1 | 82.6 | 88.9 |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 78.1 | 75.9 | 77.7 | 78.8 | 89.2 | 89.7 | 89.9 | 91.1 | 87.4 | 75.6 |
| Mass Transit | 57.5 | 52.9 | 56.6 | 56.7 | 58.1 | 61.7 | 63.7 | 65.2 | 67.1 | 67.7 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | 727.3 | 752.0 | 770.9 | 798.0 | 860.2 | 951.9 | 933.9 | 882.7 | 955.9 | 1,020.0 |
| Prisons | 214.3 | 224.5 | 241.3 | 256.6 | 278.1 | 298.2 | 326.9 | 315.2 | 315.9 | 318.2 |
| Courts | 246.5 | 267.8 | 276.9 | 278.2 | 292.3 | 311.1 | 310.5 | 288.1 | 294.9 | 312.3 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 28.4 | 29.7 | 33.3 | 34.8 | 34.9 | 36.0 | 36.2 | 45.0 | 50.7 | 46.7 |
| Health Services | 1,192.7 | 1,170.3 | 1,271.1 | 1,407.7 | 1,436.8 | 1,567.6 | 1,695.0 | 1,436.5 | 1,514.8 | 1,492.7 |
| Housing and Neighborhood Development | 120.7 | 119.0 | 122.9 | 147.9 | 109.2 | 141.9 | 148.4 | 131.2 | 126.1 | 133.8 |
| Cultural and Recreational: | | | | | | | | | | |
| Recreation | 94.0 | 65.7 | 58.3 | 59.8 | 62.2 | 74.3 | 65.1 | 58.4 | 82.9 | 85.9 |
| Parks | 24.2 | 23.8 | 23.7 | 23.4 | 26.3 | 28.9 | 31.8 | 26.9 | 5.8 | 6.1 |
| Libraries and Museums | 64.4 | 61.1 | 68.2 | 70.2 | 83.2 | 84.2 | 81.0 | 68.8 | 68.7 | 71.9 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 636.1 | 683.4 | 689.1 | 695.9 | 756.7 | 778.2 | 743.1 | 699.7 | 701.8 | 674.3 |
| Education | 57.1 | 58.6 | 61.5 | 59.9 | 64.0 | 65.5 | 67.2 | 65.4 | 64.0 | 74.3 |
| Inspections and Demolitions | 46.6 | 83.6 | 81.2 | 59.8 | 63.0 | 46.3 | 33.1 | 27.3 | 34.8 | 32.2 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 111.5 | 117.8 | 122.0 | 125.6 | 129.5 | 132.9 | 134.6 | 130.6 | 133.9 | 146.2 |
| Fire | 188.0 | 203.0 | 217.8 | 225.8 | 267.6 | 276.4 | 266.9 | 237.6 | 258.1 | 267.8 |
| General Management and Support | 450.9 | 472.4 | 477.1 | 537.5 | 563.7 | 618.4 | 693.8 | 615.0 | 568.5 | 619.1 |
| Capital Outlay | 162.2 | 126.0 | 103.1 | 97.9 | 92.3 | 105.8 | 126.9 | 148.9 | 134.9 | 202.0 |
| Debt Service: | | | | | | | | | | |
| Principal | 106.8 | 105.7 | 95.8 | 86.2 | 91.5 | 94.1 | 87.6 | 89.7 | 91.4 | 103.2 |
| Interest | 112.3 | 101.6 | 101.0 | 99.9 | 103.4 | 100.0 | 105.7 | 96.7 | 105.6 | 105.2 |
| Bond Issuance Cost | - | 9.2 | 3.9 | - | 5.0 | 24.2 | 8.5 | 23.5 | 2.2 | 1.6 |
| Capital Lease Principal | - | - | - | - | - | - | - | - | - | - |
| Capital Lease Interest | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 4,890.0 | 4,961.0 | 5,046.1 | 5,282.1 | 5,552.7 | 5,999.6 | 6,156.8 | 5,678.6 | 5,748.0 | 5,945.7 |
| Excess of Revenues Over (Under) Expenditures | (229.6) | (361.2) | 13.0 | 19.4 | 27.8 | (381.8) | (487.8) | (207.1) | 9.8 | (243.1) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of Debt | 165.5 | 487.7 | 157.3 | 10.0 | 353.1 | 1,303.8 | 262.9 | 207.0 | 139.1 | 12.6 |
| Issuance of Refunding Debt | - | - | - | - | - | - | 354.9 | 337.0 | 114.6 | 112.6 |
| Bond Issuance Premium | - | 4.8 | - | - | 13.8 | 31.1 | 26.7 | 24.3 | 5.0 | 16.6 |
| Proceeds from Lease & Service Agreements | - | 10.9 | - | - | - | - | (3.1) | (1.0) | 28.1 | - |
| Bond Derecognition | (165.4) | (233.1) | - | - | - | (1,313.7) | (326.9) | (504.0) | (117.6) | (127.3) |
| Transfers In | 449.4 | 442.9 | 581.4 | 433.1 | 460.1 | 465.2 | 574.5 | 558.1 | 563.1 | 600.8 |
| Transfers Out | (445.2) | (442.9) | (577.0) | (428.1) | (455.1) | (460.2) | (570.3) | (529.7) | (558.1) | (573.3) |
| Total Other Financing Sources (Uses) | 4.3 | 270.3 | 161.7 | 15.0 | 371.9 | 26.2 | 318.7 | 91.7 | 194.2 | 42.0 |
| Special Items | | | | | | | | | | |
| Business Privilege Tax Adjustment | (99.3) | - | - | - | - | - | - | - | - | - |
| Net Change in Fund Balances | (324.6) | (90.9) | 174.7 | 34.4 | 399.7 | (355.6) | (169.1) | (115.4) | 204.0 | (201.1) |
| Debt Service as a Percentage of Non-capital Expenditures | 4.7% | 4.3% | 4.0% | 3.6% | 3.6% | 3.3% | 3.2% | 3.4% | 3.5% | 3.6% |

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

Table 5
City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2003 through 2012
Amounts in millions of USD

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Additions: | | | | | | | | | | |
| Contributions: | | | | | | | | | | |
| Employee Contributions | 52.5 | 50.5 | 49.3 | 48.9 | 49.2 | 51.7 | 54.0 | 51.6 | 52.7 | 50.0 |
| Employer's: | | | | | | | | | | |
| City of Philadelphia | 174.6 | 196.6 | 290.6 | 321.3 | 419.2 | 412.4 | 440.0 | 297.4 | 455.8 | 539.8 |
| Quasi-Governmental Agencies | 5.2 | 6.2 | 8.6 | 10.4 | 13.1 | 14.5 | 15.4 | 15.1 | 14.2 | 16.2 |
| <u>Total Employer's Contributions</u> | 179.8 | 202.8 | 299.2 | 331.7 | 432.3 | 426.9 | 455.4 | 312.5 | 470.1 | 556.0 |
| <u>Total Contributions</u> | 232.3 | 253.3 | 348.5 | 380.6 | 481.5 | 478.6 | 509.4 | 364.1 | 522.8 | 606.0 |
| Interest & Dividends | 74.4 | 68.4 | 74.6 | 65.1 | 80.3 | 97.1 | 75.6 | 70.5 | 79.5 | 86.2 |
| Net Gain (Decline) in Fair Value of Investments | (3.9) | 526.6 | 306.2 | 386.4 | 684.7 | (322.0) | (945.6) | 381.2 | 618.5 | (57.7) |
| (Less) Investment Expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (13.3) |
| Net Securities Lending Revenue | 1.0 | 0.8 | 0.9 | 0.7 | 1.1 | 7.4 | 5.7 | 1.9 | 1.5 | 2.1 |
| Securities Lending Unrealized Loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1.9) |
| (Less) Securities Lending Expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.9) |
| Net Investment Income (Loss) | 71.5 | 595.8 | 381.7 | 452.2 | 766.1 | (217.5) | (864.3) | 453.6 | 699.5 | 14.5 |
| Miscellaneous Operating Revenue | 2.4 | 1.3 | 0.4 | 2.1 | 2.1 | 1.1 | 1.0 | 0.7 | 1.4 | 0.0 |
| <u>Total Additions</u> | 306.2 | 850.4 | 730.6 | 834.9 | 1,249.7 | 262.2 | (353.9) | 818.4 | 1,223.7 | 620.5 |
| Deductions: | | | | | | | | | | |
| Pension Benefits | 462.3 | 657.5 | 590.6 | 608.6 | 655.8 | 725.7 | 681.1 | 680.1 | 681.9 | 706.2 |
| Refunds to Members | 4.9 | 4.1 | 4.6 | 4.8 | 4.5 | 4.2 | 4.8 | 4.5 | 5.1 | 6.5 |
| Administrative Costs | 6.6 | 6.4 | 6.8 | 6.7 | 6.7 | 7.6 | 8.4 | 8.1 | 8.0 | 0.0 |
| Other Operating Expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15.2 |
| <u>Total Deductions</u> | 473.8 | 668.0 | 602.0 | 620.1 | 667.0 | 737.5 | 694.3 | 692.7 | 695.0 | 727.9 |
| Net Increase (Decrease) | (167.6) | 182.4 | 128.6 | 214.8 | 582.7 | (475.3) | (1,048.2) | 125.7 | 528.7 | (107.4) |
| Net Assets: Adjusted Opening | 3,958.5 | 3,790.8 | 3,973.2 | 4,101.8 | 4,316.6 | 4,899.3 | 4,424.0 | 3,375.9 | 3,501.6 | 4,030.2 |
| Closing | 3,790.8 | 3,973.2 | 4,101.8 | 4,316.6 | 4,899.3 | 4,424.0 | 3,375.9 | 3,501.6 | 4,030.2 | 3,922.8 |
| Ratios: | | | | | | | | | | |
| Pension Benefits Paid as a Percent of: | | | | | | | | | | |
| Net Members Contributions | 971.22% | 1417.03% | 1321.25% | 1380.05% | 1467.11% | 1527.79% | 1383.30% | 1443.95% | 1432.56% | 1623.45% |
| Closing Net Assets | 12.20% | 16.55% | 14.40% | 14.10% | 13.39% | 16.40% | 20.18% | 19.42% | 16.92% | 18.00% |
| Coverage of Additions over Deductions | 64.63% | 127.31% | 121.36% | 134.64% | 187.36% | 35.55% | -50.97% | 118.15% | 176.07% | 85.25% |
| Investment Earnings as % of Pension Benefits | 15.47% | 90.62% | 64.63% | 74.30% | 116.82% | -29.97% | -126.90% | 66.70% | 102.58% | 2.05% |

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

Table 6

Amounts in millions of USD

| Year | City Residents | | | Non-City Residents | | | Total Taxable Income | Total Direct Rate |
|------|----------------|------------|----------------------------|--------------------|------------|----------------------------|----------------------|-------------------|
| | Taxable Income | % of Total | Direct Rate ^{1,2} | Taxable Income | % of Total | Direct Rate ^{1,2} | | |
| 2002 | 17,615.6 | 59.54% | 4.51930% | 11,969.4 | 40.46% | 3.92950% | 29,585.0 | 4.28068% |
| 2003 | 18,073.7 | 58.86% | 4.48130% | 12,635.0 | 41.14% | 3.89640% | 30,708.7 | 4.24064% |
| 2004 | 18,428.5 | 58.31% | 4.46250% | 13,175.0 | 41.69% | 3.88010% | 31,603.5 | 4.21971% |
| 2005 | 19,177.8 | 58.14% | 4.33100% | 13,805.0 | 41.86% | 3.81970% | 32,982.8 | 4.11699% |
| 2006 | 20,194.0 | 57.85% | 4.30100% | 14,715.3 | 42.15% | 3.77160% | 34,909.3 | 4.07784% |
| 2007 | 21,051.3 | 57.33% | 4.26000% | 15,670.2 | 42.67% | 3.75570% | 36,721.5 | 4.04480% |
| 2008 | 22,013.7 | 57.19% | 4.09950% | 16,479.4 | 42.81% | 3.63170% | 38,493.1 | 3.89923% |
| 2009 | 21,805.5 | 57.38% | 3.92980% | 16,197.3 | 42.62% | 3.49985% | 38,002.8 | 3.74655% |
| 2010 | 22,163.9 | 57.02% | 3.92980% | 16,708.3 | 42.98% | 3.49910% | 38,872.2 | 3.74467% |
| 2011 | 22,673.5 | 56.95% | 3.92880% | 17,141.1 | 43.05% | 3.49985% | 39,814.6 | 3.74413% |

Note:

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

¹ For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

² In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

**City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2003 through 2012**

| Tax Classification | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------------|-------------|-------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Wage and Earnings Tax: | | | | | | | | | | |
| a City Residents | 4.5000% | 4.4625% | 4.3310% ^b | 4.3010% ^b | 4.2600% ^b | 4.2190% ^b | 3.9300% ^b | 3.9296% ^b | 3.9280% ^b | 3.9280% ^b |
| Non-City Residents | 3.9127% | 3.8801% | 3.8197% ^b | 3.7716% ^b | 3.7557% ^b | 3.7242% ^b | 3.5000% ^b | 3.4997% ^b | 3.4985% ^b | 3.4985% ^b |

Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

^d **Real Property: (% on Assessed Valuation)**

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

The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest. If you pay your bill on or before the last day of February, you receive a 1% discount.

Real Property Transfer Tax

| | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|
| City | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Commonwealth of Pennsylvania | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Total Real Property Transfer Tax | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.

Business Privilege Taxes

| | | | | | | | | | | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| (% on Gross Receipts) | 0.2400% ^c | 0.2300% ^c | 0.2100% ^c | 0.1900% ^c | 0.1665% ^c | 0.1540% ^c | 0.1415% ^c | 0.1415% ^c | 0.1415% ^c | 0.1415% ^c |
| ^f (% on Net Income) | 6.5000% ^c | 6.4500% ^c | 6.4500% ^c | 6.4500% ^c | 6.4500% ^c |

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

^c **Net Profits Tax:**

| | | | | | | | | | | |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| ^a City Residents | 4.5000% | 4.4625% | 4.4625% | 4.3310% | 4.3010% | 4.2600% | 3.9800% | 3.9296% | 3.9280% | 3.9280% |
| Non-City Residents | 3.9127% | 3.8801% | 3.8801% | 3.8197% | 3.7716% | 3.7557% | 3.5392% | 3.4997% | 3.4985% | 3.4985% |

Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.

City of Philadelphia
Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2003 through 2012

Table 7

| <u>Tax Classification</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales Tax | | | | | | | | | | |
| City | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 2.0% | 2.0% | 2.0% |
| Commonwealth of Pennsylvania | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Total Sales Tax | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 8.0% | 8.0% | 8.0% |
| Amusement Tax | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged. | | | | | | | | | | |
| Parking Lot Tax | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City. | | | | | | | | | | |
| Hotel Room Rental Tax | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 7.2% | 8.2% | 8.2% | 8.2% |
| Rate of Tourism & Marketing Tax | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 8.2% | 9.2% | 9.2% | 9.2% |
| Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations. | | | | | | | | | | |
| Vehicle Rental Tax | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration. | | | | | | | | | | |

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

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

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

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

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

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

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

Table 8

Amounts in millions of USD

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

¹ Wage & Earnings information for individual remitters is confidential

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

Table 9

Amounts in millions of USD

| Calendar Year of Levy ¹ | Assessed Value ³ | Less: Tax-Exempt Property ^{2,3} | Total Taxable Assessed Value | Total Direct Tax Rate ⁴ | Estimated Actual Taxable Value (STEB) Ratio ⁵ | Estimated Actual Taxable Value (Sales) Ratio ⁶ |
|------------------------------------|-----------------------------|--|------------------------------|------------------------------------|--|---|
| 2003 | 14,326 | 3,705 | 10,621 | 3.474% | 30.12% | 22.58% |
| 2004 | 14,813 | 3,867 | 10,946 | 3.474% | 30.02% | 24.21% |
| 2005 | 15,072 | 4,040 | 11,032 | 3.474% | 29.70% | 23.73% |
| 2006 | 15,803 | 4,372 | 11,431 | 3.474% | 29.69% | 17.42% |
| 2007 | 16,243 | 4,628 | 11,615 | 3.474% | 29.24% | 17.94% |
| 2008 | 16,974 | 4,799 | 12,175 | 3.305% | 29.22% | 16.44% |
| 2009 | 17,352 | 5,146 | 12,206 | 3.305% | 28.86% | 24.64% |
| 2010 | 17,615 | 5,339 | 12,276 | 3.305% | 28.46% | 13.35% |
| 2011 | 17,940 | 5,593 | 12,347 | 4.123% | 26.73% | 13.13% |
| 2012 | 18,022 | 5,685 | 12,337 | 4.123% | 28.05% | NA |

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

² Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-205 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

³ Source: Board of Revision of Taxes

⁴ per \$1,000.00 of assessed value

⁵ The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

⁶ This ratio is compiled by the Board of Revision of Taxes based on sales of property during the year.

**City of Philadelphia
Principal Property Tax Payers
Current Year and Nine Years Ago**

Table 10

Amounts in millions of USD

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

¹ Source: Board of Revision of Taxes

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

Table 11

Amounts in millions of USD

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

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

² Includes collections through June 30, 2012

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

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2003 through 2012
Amounts in millions of USD (except per capita)

Table 12

| Fiscal Year | Governmental Activities | | | | | | | | | | Business-Type Activities | | | | | Total Primary Government | % of Personal Income ¹ | Per Capita |
|-------------|--------------------------|---------------------------|--|-----------------------|-------------------------|-------------------------|--------------------------------|-------------------------------|--------------------------|---------------------|--------------------------|--------------------------|--------------------------------|---------|---------|--------------------------|-----------------------------------|------------|
| | General Obligation Bonds | Pension Service Agreement | Neighborhood Transformation Initiative | One Parkway Agreement | Sports Stadia Agreement | Central Library Project | Cultural & Commercial Corridor | Total Governmental Activities | General Obligation Bonds | Water Revenue Bonds | Airport Revenue Bonds | Business-Type Activities | Total Business-Type Activities | | | | | |
| 2003 | 1,903.3 | 1,394.6 | 139.2 | 54.7 | 342.0 | - | - | 3,833.8 | 15.5 | 1,670.8 | 1,104.8 | 2,791.1 | 6,624.9 | 0.2 | 4,384.5 | | | |
| 2004 | 2,047.1 | 1,416.4 | 146.5 | 53.5 | 341.9 | - | 4,005.4 | 11.6 | 1,614.7 | 1,073.1 | 2,699.4 | 6,704.8 | 0.2 | 4,440.3 | | | | |
| 2005 | 1,950.8 | 1,429.7 | 285.3 | 52.2 | 341.1 | - | 4,059.1 | 8.1 | 1,815.4 | 1,077.4 | 2,900.9 | 6,960.0 | 0.2 | 4,597.1 | | | | |
| 2006 | 1,863.8 | 1,439.2 | 279.8 | 50.9 | 339.6 | 10.1 | 3,983.4 | 7.0 | 1,747.3 | 1,168.8 | 2,923.1 | 6,906.5 | 0.2 | 4,549.7 | | | | |
| 2007 | 1,993.7 | 1,444.9 | 273.9 | 49.6 | 334.0 | 9.7 | 4,245.4 | 5.8 | 1,674.3 | 1,141.0 | 2,821.1 | 7,066.5 | 0.1 | 4,649.0 | | | | |
| 2008 | 1,899.1 | 1,446.6 | 267.8 | 47.7 | 328.8 | 9.3 | 4,135.9 | 4.6 | 1,590.0 | 1,282.2 | 2,876.8 | 7,012.7 | 0.1 | 4,583.5 | | | | |
| 2009 | 2,093.8 | 1,443.8 | 261.5 | 46.3 | 323.6 | 8.9 | 4,311.2 | 3.4 | 1,648.7 | 1,250.4 | 2,902.5 | 7,213.7 | 0.1 | 4,684.2 | | | | |
| 2010 | 2,085.1 | 1,428.3 | 254.8 | 44.9 | 319.6 | 8.5 | 4,271.1 | 2.2 | 1,574.9 | 1,213.9 | 2,791.0 | 7,062.1 | 0.1 | 4,565.0 | | | | |
| 2011 | 2,135.0 | 1,407.3 | 247.8 | 43.4 | 314.9 | 8.1 | 4,282.9 | 1.0 | 1,738.2 | 1,450.8 | 3,190.0 | 7,472.9 | 0.1 | 4,897.1 | | | | |
| 2012 | 2,041.1 | 1,379.3 | 240.3 | 41.9 | 310.0 | 7.7 | 4,143.1 | - | 1,819.9 | 1,383.1 | 3,203.0 | 7,346.1 | 0.1 | 4,782.6 | | | | |

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

¹ See Table 17 for Personal Income and Population Amounts

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

Table 13

Amounts in millions of USD (except per capita)

| Fiscal Year | General Obligation Bonds | Assessed Taxable Value of Property ¹ | Assessed Ratio ² | Actual Taxable Value of Property | % of Actual Taxable Value of Property | Per Capita ³ |
|-------------|--------------------------|---|-----------------------------|----------------------------------|---------------------------------------|-------------------------|
| 2003 | 1,903.3 | 10,621.1 | 30.12% | 35,262.6 | 5.40% | 1,256.59 |
| 2004 | 2,047.1 | 10,945.9 | 30.02% | 36,462.0 | 5.61% | 1,348.88 |
| 2005 | 1,950.8 | 11,031.8 | 29.70% | 37,144.1 | 5.25% | 1,283.21 |
| 2006 | 1,863.8 | 11,430.6 | 29.69% | 38,499.8 | 4.84% | 1,218.15 |
| 2007 | 1,993.7 | 11,615.0 | 29.24% | 39,723.0 | 5.02% | 1,294.32 |
| 2008 | 1,899.1 | 12,175.2 | 29.22% | 41,667.4 | 4.56% | 1,227.37 |
| 2009 | 2,093.8 | 12,205.6 | 28.86% | 42,292.4 | 4.95% | 1,372.08 |
| 2010 | 2,085.1 | 12,276.3 | 28.46% | 43,135.3 | 4.83% | 1,357.07 |
| 2011 | 2,135.0 | 12,347.1 | 26.73% | 46,191.9 | 4.62% | 1,365.09 |
| 2012 | 2,041.1 | 12,337.0 | 28.05% | 43,982.2 | 4.64% | 1,328.84 |

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

¹ Source: Board of Revision of Taxes

² The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

³ See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2012

Table 14

Amounts in millions of USD

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--------------------------------------|-----------------------------|--|---|
| School District of Philadelphia | <u>3,067.5</u> | <u>100.00%</u> | <u>3,067.5</u> |
| ¹ City Direct Debt | | | <u>4,143.1</u> |
| Total Direct and Overlapping Debt | | | <u><u>7,210.6</u></u> |

Note:

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

¹ Refer to Table 12

Legal Debt Margin Calculation for FY2012

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt Limit | 1,261.3 | 1,280.3 | 1,304.8 | 1,335.6 | 1,374.7 | 1,418.0 | 1,469.4 | 1,523.4 | 1,571.9 | 1,622.3 |
| Total Net Debt Applicable to Limit | <u>1,202.2</u> | <u>1,159.1</u> | <u>1,205.5</u> | <u>1,185.8</u> | <u>1,293.4</u> | <u>1,329.3</u> | <u>1,352.3</u> | <u>1,407.0</u> | <u>1,474.6</u> | <u>1,542.5</u> |
| Legal Debt Margin | <u>59.1</u> | <u>121.2</u> | <u>99.3</u> | <u>149.8</u> | <u>81.3</u> | <u>88.7</u> | <u>117.1</u> | <u>116.4</u> | <u>97.3</u> | <u>79.8</u> |
| Total Net Debt Applicable to the Limit as a Percent of Total Debt | 95.31% | 90.53% | 92.39% | 88.78% | 94.09% | 93.74% | 92.03% | 92.36% | 93.81% | 95.08% |

¹ Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

² Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.

³ Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2003 through 2012

Table 16

Amounts in millions of USD

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

Note:

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

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

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis. Prior to FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia
Demographic and Economic Statistics
For the Calendar Years 2002 through 2011

Table 17

| <u>Calendar Year</u> | <u>Population</u> ¹ | <u>Personal Income</u> ² (thousands of USD) | <u>Per Capita Personal Income</u> (USD) | <u>Unemployment Rate</u> ³ |
|--------------------------|--------------------------------|---|--|---|
| <u>2002</u> | <u>1,510,550</u> | <u>40,731,865</u> | <u>26,965</u> | <u>7.3%</u> |
| <u>2003</u> | <u>1,510,068</u> | <u>42,198,628</u> | <u>27,945</u> | <u>7.5%</u> |
| <u>2004</u> | <u>1,514,658</u> | <u>43,463,015</u> | <u>28,695</u> | <u>7.3%</u> |
| <u>2005</u> | <u>1,517,628</u> | <u>44,944,207</u> | <u>29,615</u> | <u>6.7%</u> |
| <u>2006</u> | <u>1,520,251</u> | <u>47,566,075</u> | <u>31,288</u> | <u>6.2%</u> |
| <u>2007</u> | <u>1,530,031</u> | <u>50,672,227</u> | <u>33,118</u> | <u>6.0%</u> |
| <u>2008</u> | <u>1,540,351</u> | <u>54,262,716</u> | <u>35,228</u> | <u>7.1%</u> |
| <u>2009</u> | <u>1,547,297</u> | <u>54,061,223</u> | <u>34,939</u> | <u>9.6%</u> |
| <u>2010</u> | <u>1,526,006</u> | <u>56,970,074</u> | <u>37,333</u> | <u>10.8%</u> |
| <u>2011</u> | <u>1,536,471</u> | <u>60,035,440</u> ⁴ | <u>39,074</u> | <u>10.8%</u> |

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

⁴ Estimated using the rate of growth for the previous year

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

Table 18

Listed Alphabetically

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

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

Table 19

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental Activities: | | | | | | | | | | |
| Economic Development | 9 | 9 | 6 | 6 | 6 | 6 | 23 | 25 | 27 | 28 |
| Transportation: | | | | | | | | | | |
| Streets & Highways | 667 | 597 | 564 | 579 | 585 | 584 | 568 | 515 | 499 | 524 |
| Mass Transit | 1 | 1 | 1 | 1 | 1 | 1 | 8 | 7 | 9 | 13 |
| Judiciary and Law Enforcement | | | | | | | | | | |
| Police | 8,036 | 7,888 | 7,578 | 7,522 | 7,639 | 7,754 | 7,685 | 7,503 | 7,439 | 7,292 |
| Prisons | 1,991 | 2,002 | 2,227 | 2,228 | 2,183 | 2,153 | 2,309 | 2,268 | 2,173 | 2,150 |
| Courts | 3,500 | 3,471 | 3,450 | 3,403 | 3,361 | 3,386 | 3,310 | 3,215 | 3,225 | 3,249 |
| Conservation of Health: | | | | | | | | | | |
| Emergency Medical Services | 311 | 300 | 289 | 255 | 249 | 237 | 256 | 329 | 341 | 338 |
| Health Services | 1,236 | 1,210 | 1,163 | 1,133 | 1,148 | 1,140 | 1,163 | 1,135 | 1,139 | 1,143 |
| Housing and Neighborhood Development | 120 | 110 | 105 | 97 | 111 | 108 | 99 | 96 | 94 | 83 |
| Cultural and Recreational | | | | | | | | | | |
| Recreation | 589 | 556 | 511 | 495 | 482 | 483 | 462 | 453 | 601 | 605 |
| Parks | 217 | 200 | 182 | 158 | 156 | 156 | 152 | 158 | 1 | - |
| Libraries and Museums | 829 | 774 | 726 | 812 | 816 | 808 | 723 | 687 | 682 | 658 |
| Improvements to General Welfare: | | | | | | | | | | |
| Social Services | 2,218 | 2,220 | 2,196 | 2,140 | 2,164 | 2,232 | 2,107 | 2,079 | 1,989 | 1,924 |
| Inspections and Demolitions | 450 | 417 | 380 | 248 | 243 | 246 | 221 | 223 | 214 | 230 |
| Service to Property: | | | | | | | | | | |
| Sanitation | 1,338 | 1,340 | 1,233 | 1,272 | 1,229 | 1,239 | 1,169 | 1,157 | 1,185 | 1,154 |
| Fire | 2,121 | 2,004 | 1,925 | 1,974 | 2,109 | 2,052 | 2,019 | 1,820 | 1,838 | 1,700 |
| General Management and Support | 2,494 | 2,369 | 2,253 | 2,347 | 2,331 | 2,414 | 2,393 | 2,276 | 2,225 | 2,454 |
| Total Governmental Activities | 26,127 | 25,468 | 24,789 | 24,670 | 24,813 | 24,999 | 24,667 | 23,946 | 23,681 | 23,545 |
| Business Type Activities: | | | | | | | | | | |
| Water and Sewer | 2,415 | 2,342 | 2,326 | 2,239 | 2,229 | 2,291 | 2,256 | 2,196 | 2,116 | 2,228 |
| Aviation | 915 | 1,021 | 967 | 1,004 | 1,010 | 1,057 | 1,033 | 1,001 | 1,010 | 1,021 |
| Total Business-Type Activities | 3,330 | 3,363 | 3,293 | 3,243 | 3,239 | 3,348 | 3,289 | 3,197 | 3,126 | 3,249 |
| Fiduciary Activities: | | | | | | | | | | |
| Pension Trust | 62 | 64 | 64 | 65 | 65 | 59 | 69 | 66 | 65 | 61 |
| Total Primary Government | 29,519 | 28,895 | 28,146 | 27,978 | 28,117 | 28,406 | 28,025 | 27,209 | 26,872 | 26,855 |

Table 20

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

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

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo

**City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2003 through 2012**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Governmental Activities: | | | | | | | | | | |
| Transportation: | | | | | | | | | | |
| Streets & Highways | | | | | | | | | | |
| ¹ Total Miles of Streets | 2,400 | 2,400 | 2,400 | 2,400 | 2,575 | 2,575 | 2,575 | 2,575 | 2,575 | 2,575 |
| Streetslights | 101,224 | 101,836 | 102,000 | 102,219 | 102,840 | 102,949 | 103,982 | 104,219 | 104,219 | 104,600 |
| Judiciary and Law Enforcement: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations and Other Facilities | 33 | 33 | 33 | 33 | 34 | 36 | 35 | 35 | 31 | 32 |
| Prisons | | | | | | | | | | |
| Major Correctional Facilities | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Conservation of Health: | | | | | | | | | | |
| Health Services | | | | | | | | | | |
| Health Care Centers | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Cultural and Recreational: | | | | | | | | | | |
| Recreation | | | | | | | | | | |
| Recreation Centers | 164 | 164 | 165 | 165 | 171 | 171 | 171 | 171 | 153 | 184 |
| ² Athletic Venues | 1,121 | 1,121 | 1,121 | 1,117 | 1,117 | 919 | 915 | 914 | 1,148 | 1,102 |
| ⁴ Neighborhood Parks and Squares | 232 | 232 | 232 | 232 | 232 | 79 | 79 | 79 | - | - |
| Parks | | | | | | | | | | |
| Parks | 62 | 62 | 62 | 62 | 63 | 63 | 63 | 63 | 150 | 177 |
| Baseball/Softball Fields | 106 | 106 | 106 | 106 | 109 | 77 | 79 | 79 | 407 | 404 |
| Libraries | | | | | | | | | | |
| Branch & Regional Libraries | 55 | 54 | 53 | 54 | 54 | 54 | 54 | 54 | 54 | 54 |
| Service to Property: | | | | | | | | | | |
| Fire | | | | | | | | | | |
| Stations and Other Facilities | 63 | 63 | 63 | 64 | 64 | 64 | 63 | 63 | 63 | 68 |
| Business Type Activities: | | | | | | | | | | |
| Water and Sewer: | | | | | | | | | | |
| Water System Piping (miles) | 3,169 | 3,169 | 3,169 | 3,169 | 3,133 | 3,137 | 3,145 | 3,236 | 3,164 | 3,172 |
| Fire Hydrants | 27,846 | 27,987 | 26,080 | 26,080 | 25,195 | 25,181 | 25,208 | 25,234 | 25,353 | 25,321 |
| Treated Water Storage Capacity (x 1000 gallons) | 1,065,500 | 1,065,500 | 1,065,500 | 1,065,500 | 1,065,500 | 1,065,500 | 1,065,500 | 1,065,400 | 1,065,400 | 1,065,400 |
| Sanitary Sewers (miles) | 595 | 596 | 596 | 596 | 768 | 750 | 749 | 751 | 758 | 759 |
| Stormwater Conduits (miles) | 622 | 623 | 623 | 623 | 784 | 713 | 720 | 721 | 731 | 734 |
| ³ Sewage Treatment Capacity (x 1000 gallons) | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 | 1,044,000 |
| Aviation | | | | | | | | | | |
| Passenger Gates (PIA) | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 126 | 126 |
| Terminal Buildings (square footage) (PIA) | 2,415,000 | 2,415,000 | 2,415,000 | 2,415,000 | 2,415,000 | 2,415,000 | 2,415,000 | 3,144,000 | 3,144,000 | 3,144,000 |
| Runways (length in feet) (PIA & NPA) | 42,460 | 42,460 | 42,460 | 42,460 | 42,460 | 42,460 | 43,500 | 43,500 | 43,500 | 43,500 |

¹ Street System-83% city streets, 2% park streets, 15% state highways

² Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

³ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

⁴ FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.



**City of Philadelphia,
Pennsylvania**



General George Meade

**Schedule of Financial Assistance
Fiscal Year Ended
June 30, 2012
Office of the Director of Finance**



**City of Philadelphia,
Pennsylvania**

**Schedule of
Financial Assistance**

Fiscal Year Ended June 30, 2012

**CITY OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | |
|-----------------------|-----|
| Letter of Transmittal | 2-4 |
|-----------------------|-----|

FINANCIAL SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| | |
|--------------------------------------|-----|
| American Recovery & Reinvestment Act | 7-9 |
|--------------------------------------|-----|

Federal Agencies:

| | |
|---|-------|
| U.S. Department of Agriculture | 9-10 |
| U.S. Department of Commerce | 10 |
| U.S. Housing and Urban Development | 10-14 |
| U.S. Department of Justice | 14-16 |
| U.S. Department of Labor | 16 |
| U.S. Department of Transportation | 16-18 |
| U.S. Department of Treasury | 19 |
| U.S. Equal Employment Opportunity Commission | 19 |
| U.S. General Services Administration | 19 |
| U.S. Library of Congress | 19 |
| U.S. Foundation on the Art and The Humanities | 19-20 |
| U.S. Environmental Protection Agency | 20 |
| U.S. Department of Energy | 20 |
| U.S. Department of Education | 21 |

**CITY OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

| | |
|--|-------|
| U.S. Elections Assistance Commission | 21 |
| U.S. Department of Health and Human Services | 21-28 |
| U.S. Corporation for National and Community Service | 28 |
| U.S. Social Security Administration | 28 |
| U.S. Department of Homeland Security | 28-29 |
| <i>Notes to the Schedule of Expenditures of Federal Awards</i> | 31-34 |

**SCHEDULE OF EXPENDITURES OF PENNSYLVANIA DEPARTMENT
OF PUBLIC WELFARE AWARDS**

| | |
|--|-------|
| Mental Health/Mental Retardation Program | 36-37 |
| Children and Youth Program | 37-38 |
| Combined Homeless Assistance Program | 38 |
| Human Services Development Fund | 39 |
| Child Support Enforcement Program | 39-40 |
| Other PaDPW Assistance | 40-41 |
| <i>Notes to the Schedule of Expenditures of DPW Awards</i> | 42 |

INDEPENDENT AUDITOR'S SECTION

| | |
|---|-------|
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 44-46 |
|---|-------|

**CITY OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE PADPW SINGLE AUDIT SUPPLEMENT 47-50

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 52-87

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 89-104

SUPPLEMENTARY FINANCIAL INFORMATION SECTION

PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGRREND-UPON PROCEDURES FOR THE
PENNSYLVANIA DEPARTMENT OF PUBLUC WELFARE 107-108

Title IV-D Child Support Program 109-110

Mental Health/Mental Retardation Program 111-122

Homeless Assistance Program 123

PENNFREE Bridge Housing Program 124

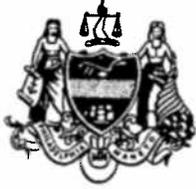
PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGRREND-UPON PROCEDURES FOR THE
PENNSYLVANIA DEPARTMENT OF COMMUNITY AND
ECONOMIC DEVELOPMENT 125-126

Federal Cash Receipts Passed Through PaDCED 127

INTRODUCTORY SECTION

Letter of Transmittal



CITY OF PHILADELPHIA

OFFICE OF THE DIRECTOR OF FINANCE

1401 John F. Kennedy Blvd.
Room 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693
(215) 686-6140
FAX (215) 568-1947

ROB DUBOW

Director of Finance

Honorable Michael Nutter
Mayor, City of Philadelphia
Room 215 City Hall
Philadelphia, PA 19102

October 29, 2013

Dear Mayor Nutter:

The Schedule of Financial Assistance (SFA) of the City of Philadelphia for the fiscal year ended June 30, 2012, comprised of the Schedule of Expenditures of Federal Awards (SEFA), the Schedule of Expenditures of Pennsylvania Department of Public Welfare (PaDPW) Awards, and the Schedule of Federal Cash Receipts passed through the Pennsylvania Department of Community and Economic Development (PaDCED) is submitted herewith. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the Federal, PaDPW and PaDCED financial activity of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial assistance have been included.

THE FEDERAL SINGLE AUDIT REQUIREMENT

The United States Congress enacted the Single Audit Act Amendments of 1996 (the Act), which the President signed into law on July 5, 1996. The Office of Management and Budget (OMB) issued Circular A-133, in accordance with the Act, to clarify and establish audit requirements for States, Local Governments and Non-Profit Organizations. The City is required by the Act to have an annual audit performed on its entire operations, including a separate reporting on its Federal financial activity, the SEFA.

The City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012, presents the entire operations of the City. The CAFR was issued under separate cover on February 21, 2013. The SFA is issued in conjunction with the CAFR in order to comply with the reporting provisions of the Act. The report of the independent auditor on the SEFA, dated October 29, 2013, is reported in conjunction with the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on

Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Pennsylvania Department of Public Welfare Audit Supplement. The financial presentations in each report are derived from the same financial activity in the City's various funds. Copies of the reporting package (CAFR and SFA) and Data Collection Form must be forwarded to the Federal Audit Clearinghouse (The U.S. Bureau of the Census). In addition, a reporting package must be issued to each grantor agency (federal, state or other government) affected by an audit finding on the Schedule of Findings and Questioned Costs or the Summary Schedule of Prior Year Findings. The report must be forwarded within 30 days of our receipt, but no later than nine months year after our fiscal year end of June 30, 2012. In accordance with the Act, the SEFA will be made available for public inspection.

The Federal financial activity of the City of Philadelphia is presented in the Financial Section of the SFA.

AGREED UPON PROCEDURES REPORTS

On June 30, 2012, the PaDPW reissued the Single Audit Supplement as an aid to local government entities and their independent auditors in the specific auditing and performance of the Single Audit. This supplement provides program specific auditing and reporting requirements which are applied in conjunction with the Single Audit Act's required standards and guidelines for programs funded through the PaDPW.

The Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards, and associated Supplementary Schedules, are presented in the Financial and Supplementary Financial Information Sections, respectively.

On January 3, 2003, the PaDCED requested specific auditing and reporting requirements for all federal cash receipts passing through the department. The Schedule of Federal Cash Receipts Passed through PaDECD is presented in the Financial Section.

OTHER REPORTING ENTITIES

For Single Audit purposes, other quasi-governmental organizations included in the CAFR, as required by the Governmental Accounting Standards Board, are treated as subrecipients of the City. Only those Federal funds passed on to these agencies by the City are included in the SEFA. Each quasi-governmental agency is required to perform its own Single Audit, which would include Federal financial assistance received directly by the agency from all sources.

COGNIZANT AGENCY

The OMB, in accordance with the Act, assigned the U.S. Department of Housing and Urban Development as the City's Cognizant Agency.

INDEPENDENT AUDITOR

The Philadelphia Home Rule Charter establishes the City Controller, a separately elected official, as the independent auditor of the City of Philadelphia. Our Cognizant Agency has recognized the independence of the City Controller, and the Single Audit was conducted through his appointed Certified Public Accountant in charge of auditing, in accordance with the Home Rule Charter.

AUDITOR REPORTS

The Single Audit Act Amendments of 1996, in conjunction with the American Institute of Certified Public Accountants, requires that the auditor issue three reports in connection with his examination of the SEFA: The Independent Auditor's Report on (1) the Schedule of Expenditures of Federal Awards; (2) Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements; and on (3) Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance. Additionally, the state departments of Public Welfare and Community and Economic Development require that the Auditor issue a report on the Application of certain agreed upon procedures. These Federal and State requirements have been met and the reports are included herein.

PLAN FOR CORRECTIVE ACTION

The Act requires that the City submit its Plan for Corrective Action to eliminate such cases of material non-compliance cited in the Independent Auditor's Report on Compliance and Internal Controls. The City's Plan for Corrective Action to eliminate those cases of non-compliance and material weaknesses in the systems of internal control, is included as part of each individual grantee's response.

ACKNOWLEDGMENTS

The preparation of this report has been accomplished with the efficient and dedicated service of the Office of the Director of Finance. We would like to express our appreciation to all the members of the Grants Accounting and Administration Unit, and to the several City Agencies involved in the management of Federal assistance funds, who assisted and contributed to the report's preparation, and enabled the City to successfully complete this Single Audit. We would also like to thank the Mayor, who continues to support our efforts to establish strong, centralized accounting and administrative internal control systems for the effective and efficient management of grant-funded programs City-wide.

Respectfully submitted,



Rob Dubow,
Director of Finance

FINANCIAL SECTION

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards

**Schedule of Expenditures
of Federal Awards**

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|---------------------|-------------------|-------------------------|
| <u>American Recovery & Reinvestment Act</u> | | | | | |
| Direct - American Recovery & Reinvestment Act: | | | | | |
| ARRA - Restoring Ecosystem in Fairmount Park | 160371 | 10.688 | 10-DG-112244419-025 | 1,795,000 | 738,747 |
| ARRA - PCC - Phila. Freedom Rings | 040101 | 11.557 | 42-41-B10517 | 6,362,129 | 2,474,558 |
| ARRA - CDBG-R | 062111 | 14.253 | B-09-MY-42-0012 | 14,046,629 | 5,229,667 |
| ARRA - Neighborhood Stabilization Pgm 2 | 062112 | 14.256 | B-09-LN-PA-0013 | 39,542,532 | 22,673,731 |
| ARRA - NSP 2 - L&I Demolitions | 260138 | 14.256 | B-09-LN-PA-0013 | 4,400,000 | 1,793,873 |
| ARRA - NSP 2 - OHCD Program Income | 062145 | 14.256 | Program Income | 3,942,245 | 3,942,245 |
| ARRA - Homeless Prev & Rapid Re-Hsg(HPRP) | 240870 | 14.257 | S-09-MY-42-0001 | 21,486,240 | 6,726,777 |
| ARRA - HUD Healthy Homes Daycare | 142937 | 14.901 | PALHH0172-08 | 875,000 | 253,250 |
| ARRA - Cops Hiring Recovery Program | 110793 | 16.710 | 2009-RJ-WX-0074 | 10,903,350 | 3,541,001 |
| ARRA - 2009 JAG- Community Court | 840491 | 16.804 | 2009-SB-B9-0753 | 619,526 | 156,060 |
| ARRA - 2009 JAG- Grant Administration | 100570 | 16.804 | 2009-SB-B9-0753 | 336,146 | 76,787 |
| ARRA - 2009 JAG- Mural Restoration Crew | 100603 | 16.804 | 2009-SB-B9-0753 | 1,023,557 | 637,137 |
| ARRA - 2009 JAG- Phila Police Dept | 110791 | 16.804 | 2009-SB-B9-0753 | 4,283,552 | 1,453,968 |
| ARRA - 2009 JAG- Public Service Areas | 100596 | 16.804 | 2009-SB-B9-0753 | 90,000 | 8,966 |
| ARRA - 2009 JAG-Green Jobs for Ex-Offendr | 230134 | 16.804 | 2009-SB-B9-0753 | 1,000,000 | 447,159 |
| ARRA - Local Energy Assurance Plan (LEAP) | 100595 | 81.122 | DE-OE0000338 | 300,000 | 51,826 |
| ARRA - EECBG - Building Code | 260134 | 81.128 | DE-EE0000927 | 300,000 | 18,905 |
| ARRA - EECBG - LED Conversions | 120553 | 81.128 | DE-EE0000927 | 3,026,485 | 294,421 |
| ARRA - EECBG- Bicycle Parking Racks | 120556 | 81.128 | DE-EE0000927 | 330,850 | 67,518 |
| ARRA - EECBG- Energy Mgt Capacity | 460104 | 81.128 | DE-EE0000927 | 552,265 | 125,568 |
| ARRA - EECBG- Enrgy Efficiency Retrofits | 100580 | 81.128 | DE-EE0000927 | 919,075 | 141,920 |
| ARRA - EECBG- Enrgy Efficiency Retrofits | 100590 | 81.128 | DE-EE0003568 | 3,035,200 | 857,073 |
| ARRA - EECBG- Greenworks Philadelphia | 100582 | 81.128 | DE-EE0000927 | 406,625 | 78,105 |
| ARRA - EECBG- Retrofit Grants | 420338 | 81.128 | DE-EE0000927 | 1,000,000 | 398,405 |
| ARRA - EECBG- Retrofit Loans | 420337 | 81.128 | DE-EE0000927 | 4,750,000 | 2,682,902 |
| ARRA - EECBG- Retrofit Loans | 062119 | 81.128 | DE-EE0003568 | 8,272,707 | 5,695,084 |
| ARRA - EECBG- Retrofit Loans | 420348 | 81.128 | DE-EE0003568 | 13,692,093 | 7,858,527 |
| ARRA - EECBG- Support & Training | 100581 | 81.128 | DE-EE0000927 | 292,000 | 97,223 |
| ARRA - PWD 250KW Solar PV Install | C28754 | 81.128 | DE-EE0000927 | 850,000 | 156,684 |
| ARRA - Strengthening Communities Fund | 050279 | 93.711 | 90SN0018/01 | 249,333 | 85,345 |
| ARRA - 317 Immunization & Vaccines for Chl | 142953 | 93.712 | 3H23IP322538-07S1 | 564,358 | 51,371 |
| ARRA - 317 Varicella & Viral Vaccine Surveil. | 142954 | 93.712 | 3U01IP000019-05S2 | 150,000 | 31,850 |
| ARRA - Enhance Interoper. of Electric Hlth Rcds | 143058 | 93.712 | 1U66IP000423-01 | 912,733 | 715,732 |
| ARRA - Epidemiology & Lab Cap | 142952 | 93.712 | 3U50CI323664-05S1 | 125,288 | 52,649 |
| ARRA - Enhanced Evaluation-CPPW Nutrition | 143066 | 93.724 | 3U58DP002626-01S1 | 1,747,143 | 1,167,259 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|--------------------|-------------------|-------------------------|
| ARRA - Hlthy Nutrit & Phys Activity Init | 142955 | 93.724 | 1U58DP002626-01 | 15,018,277 | 7,735,584 |
| ARRA - Tobacco Policy & Control Init | 142956 | 93.724 | 1U58DP002633-01 | 10,356,927 | 5,050,300 |
| ARRA - IT ELC (Epidemiology & Lab Cap) | 143056 | 93.729 | 1U50CI000815-01 | 252,752 | 169,721 |
| ARRA - CBIS INT'L Recheck AE6 Area | C42594 | 97.117 | HSTS04-09-H-REC137 | 7,059,511 | 559,854 |
| ARRA - CBIS Sector 23 & Term A-EAST | C42593 | 97.117 | HSTS04-09-H-REC136 | 19,550,422 | 6,004,730 |
| Subtotal: Direct American Recovery & Reinvestment Act | | | | 204,419,950 | 90,302,484 |
| Passed-Through - PA Department of Health: | | | | | |
| ARRA - Healthy Homes Foster Care-FY11 | 143053 | 14.901 | 4100046477 | 197,079 | 7,673 |
| ARRA - Healthy Homes Foster Care-FY11 | 143165 | 14.901 | 4100046477 | 119,461 | 113,700 |
| ARRA - Tobacco Control Programs | 143074 | 93.724 | SAP #4000015245 | 20,854 | 9,182 |
| ARRA - Tobacco Control Programs | 143167 | 93.724 | SAP #4000015245 | 7,875 | 7,875 |
| Subtotal: Passed-Through PA Department of Health | | | | 345,269 | 138,430 |
| Passed-Through - PA Department of Transportation: | | | | | |
| ARRA - Center City Resurfacing | 120552 | 20.205 | 067542 | 356,157 | 20,045 |
| ARRA - Center City Resurfacing | C12230 | 20.205 | 067542B | 3,222,000 | 17,957 |
| ARRA - City Wide 101-Resurface & Restore | 120550 | 20.205 | 066595B | 893,646 | 219,699 |
| ARRA - City Wide 102-Resurface & Restore | 120551 | 20.205 | 067555 | 443,000 | 176,213 |
| ARRA - CityWide 101 | C12212 | 20.205 | 066595B | 6,222,140 | 1,721,301 |
| ARRA - CityWide 102 | C12215 | 20.205 | 067555 | 4,442,300 | 2,248,550 |
| ARRA - TIGER - 58th St. Connector | C12243 | 20.205 | 068531A | 984,960 | 136,390 |
| ARRA - TIGER - CSX Pedestrian Bridge | C12242 | 20.205 | 068529A | 4,339,000 | 2,710,871 |
| ARRA - TIGER - Schuylkill Tr at Bartram Garde | C12248 | 20.205 | 068554 | 877,701 | 731,276 |
| ARRA - TIGER - Schuylkill Tr at Shawmount | C12246 | 20.205 | 068528A | 974,359 | 484,643 |
| ARRA - TIGER - Walnut Street Gateway | C12244 | 20.205 | 068535 | 1,695,384 | 713,727 |
| Subtotal: Passed-Through PA Department of Transportation | | | | 24,450,647 | 9,180,673 |
| Passed-Through - PA Department of Public Welfare: | | | | | |
| ARRA - Early Intervention (77875) | 150447 | 84.393 | Allocation Letter | 666,800 | 666,800 |
| Subtotal: Passed-Through PA Department of Public Welfare | | | | 666,800 | 666,800 |
| Passed-Through - PA Department of Community and Economic Development: | | | | | |
| ARRA - HPRP (46166) | 240886 | 14.257 | C000046166 | 2,091,608 | 762,373 |
| ARRA - HPRP- State Comp- AchieveAbility | 240881 | 14.257 | C000046132 | 90,000 | 5,013 |
| ARRA - HPRP- State Comp- Valley Youth | 240883 | 14.257 | C000046134 | 199,888 | 31,551 |
| ARRA - HPRP- State Competitive- HAP | 240884 | 14.257 | C000046135 | 195,000 | 86,660 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID Number | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|----------------------|--------|-----------------------|--------------------|-------------------------|
| ARRA - HPRP- State Competitive- WAA | 240882 | 14.257 | C000046133 | 200,000 | 61,777 |
| Subtotal: Passed-Through PA Department of Community and Economic Develop | | | | 2,776,496 | 947,374 |
| Passed-Through - PA Commission on Crime & Delinquency: | | | | | |
| ARRA - VOJO 2009-2011 | 690351 | 16.803 | 2009-AJ-07-20595 | 619,900 | 133,562 |
| ARRA - Adult Probation Officer Jobs Creation | 840644 | 16.803 | 2009-AJ-04-20927 | 159,656 | 81,588 |
| ARRA - DUI Treatment Court | 840636 | 16.803 | 2009-AJ-02-21026 | 295,591 | 152,741 |
| ARRA - JAG - Forensic Triage Specialist | 150399 | 16.803 | 2009-SU-B9-0014 | 261,820 | 90,515 |
| ARRA - Mental Health Court | 840672 | 16.803 | 2009-AJ-04-21062 | 208,522 | 158,667 |
| ARRA - Philadelphia's JJS Recovery Grant | 690350 | 16.803 | 2009-AJ-02-20358 | 272,278 | 71,812 |
| ARRA - Sustain Juvenile Probation Officers | 840643 | 16.803 | 2009-AJ-02-21059 | 399,140 | 196,058 |
| ARRA - Technology for Optimum Performance | 690354 | 16.803 | 2009-AJ-06-20849 | 492,243 | 350,727 |
| ARRA - Victim Svcs Job Creation Grt | 690353 | 16.803 | 2009-AJ-05-20852 | 105,098 | 45,514 |
| ARRA - Victim/Witness Training Coordinator | 690368 | 16.803 | 2009-AJ-07-21282 | 49,368 | 2,347 |
| ARRA - VOJO-Victims Of Juvenile Offenders | 840495 | 16.803 | 2009-AJ-07-20599 | 610,059 | 151,676 |
| Subtotal: Passed-Through PA Commission on Crime & Delinquency | | | | 3,473,675 | 1,435,208 |
| Passed-Through - Philadelphia Housing Development Corporation: | | | | | |
| ARRA - Prevailing Wage Compliance Monitoring | 100579 | 81.042 | Cooperative Agreement | 50,000 | 33,117 |
| Subtotal: Passed-Through Philadelphia Housing Development Corporation | | | | 50,000 | 33,117 |
| Total American Recovery & Reinvestment Act: | | | | 236,182,837 | 102,704,086 |
| <u>U.S. Department of Agriculture</u> | | | | | |
| Cluster - PA Department of Education: | | | | | |
| School Lunch Breakfast and Milk | 221202 | 10.555 | Receipts | 169,575 | 169,575 |
| Summer Food Program | 160362 | 10.559 | Budget | 5,108,070 | 62,770 |
| Summer Food Program | 160373 | 10.559 | Budget | 5,252,080 | 4,794,720 |
| Summer Food Program | 160388 | 10.559 | Budget | 5,459,706 | 660,124 |
| Subtotal: Cluster PA Department of Education | | | | 15,989,431 | 5,687,190 |
| Direct - U.S. Department of Agriculture: | | | | | |
| SNAP Fraud Program | 690372 | 10.000 | Grant Agreement | 25,000 | 20,270 |
| SNAP Fraud Program | 690384 | 10.000 | Grant Agreement | 15,000 | 6,511 |
| Subtotal: Direct U.S. Department of Agriculture | | | | 40,000 | 26,781 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID Number | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|----------------------|--------|----------------------------|-------------------|-------------------------|
| Passed-Through - PA Department of Education: | | | | | |
| After School Snack Program | 160375 | 10.558 | 300-51-726-0 | 350,000 | 97,121 |
| After School Snack Program | 160389 | 10.558 | 300-51-726-0 | 850,000 | 804,870 |
| Child & Adult Care Food Prg | 240900 | 10.558 | 300-51-653-0 | 1,085,652 | 1,066,641 |
| Subtotal: Passed-Through PA Department of Education | | | | 2,285,652 | 1,968,632 |
| Passed-Through - PA Department of Conservation & National Resources: | | | | | |
| I-95 Corridor / Green Plan | 170276 | 10.675 | Grant Agreement SP07-01 | 60,000 | 53,682 |
| Subtotal: Passed-Through PA Department of Conservation & National Resource | | | | 60,000 | 53,682 |
| Total U.S. Department of Agriculture: | | | | 18,375,083 | 7,736,285 |
| <u>U.S. Department of Commerce</u> | | | | | |
| Passed-Through - PA Department of Environmental Protection: | | | | | |
| Tech Assist for Imp & Comp Proj-Federal | 280153 | 11.419 | ME#4100054465 | 23,000 | 23,000 |
| Subtotal: Passed-Through PA Department of Environmental Protection | | | | 23,000 | 23,000 |
| Total U.S. Department of Commerce: | | | | 23,000 | 23,000 |
| <u>U.S. Department of Housing & Urban Development</u> | | | | | |
| Direct - U.S. Department of Housing & Urban Development: | | | | | |
| HUD Homes Inspection Services | 142886 | 14.000 | H03C94023800000/C-PHI-0097 | 365,520 | 154,218 |
| HUD Homes Inspection Services | 143010 | 14.000 | H03C94023800000/C-PHI-0097 | 365,520 | 5,428 |
| CDBG YEAR 25 | 06989 | 14.218 | B-98-MC-42-0012 | 68,713,000 | 65,632 |
| CDBG YEAR 27 | 06986 | 14.218 | B-01-MC-42-0012 | 71,676,000 | 1,862,167 |
| CDBG YEAR 28 | 06986 | 14.218 | B-02-MC-42-0012 | 69,444,000 | 464,360 |
| CDBG YEAR 29 | 06986 | 14.218 | B-03-MC-42-0012 | 63,763,000 | 895,812 |
| CDBG YEAR 30 | 06986 | 14.218 | B-04-MC-42-0012 | 63,067,000 | 1,425,747 |
| CDBG YEAR 31 | 06986 | 14.218 | B-05-MC-42-0012 | 59,721,856 | 332,804 |
| CDBG YEAR 32 | 06986 | 14.218 | B-06-MC-42-0012 | 53,718,163 | 171,390 |
| CDBG YEAR 33 | 06986 | 14.218 | B-07-MC-42-0012 | 53,642,987 | 139,115 |
| CDBG YEAR 34 | 06986 | 14.218 | B-08-MC-42-0012 | 51,734,740 | 734,512 |
| CDBG YEAR 35 | 06986 | 14.218 | B-09-MC-42-0012 | 52,379,922 | 1,125,176 |
| CDBG YEAR 36 | 06986 | 14.218 | B-09-MC-42-0012 | 55,325,903 | 5,527,989 |
| CDBG YEAR 37 | 06986 | 14.218 | B-09-MC-42-0012 | 46,186,638 | 33,256,527 |
| CDBG YEAR 37 PROGRAM INCOME | 06986 | 14.218 | B-09-MC-42-0012 | 7,377,786 | 7,377,786 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|--------------------------|-------------------|-------------------------|
| Interim Const Assist - East Penn Street Hsg | 06ICE1 | 14.218 | Float Loan Cont# 0920863 | 410,000 | 381,396 |
| Interim Const Assist - Sheridan St Green Hsg | 06ICS6 | 14.218 | Float Loan Cont# 0920863 | 1,233,000 | 1,233,000 |
| Neighborhood Stabilization Pgm (NSP) Funds -0.06 | NSP01 | 14.218 | B-08-MN-42-0002 | 16,832,873 | 2,407,668 |
| SECTION 108 LOAN REPAYMENT YR 37 | 06986 | 14.218 | B-09-MC-42-0012 | 4,853,910 | 4,853,910 |
| Section 108-Interest-FY08 (10801) | 062089 | 14.218 | Interest | 384,781 | 348,126 |
| McKinney Shelter Program (S-10) | 240914 | 14.231 | S-10-MC-42-0001 | 2,296,153 | 517,400 |
| McKinney Shelter Program (S-11) | 240970 | 14.231 | E-11-MC-42-0001 | 3,502,323 | 1,574,611 |
| SHP - Bernize Elza Homes (PECCDC) | 240664 | 14.235 | PA01B500031 | 632,746 | 25,023 |
| SHP - CATCH - Patriot House (434B3T000900) | 240951 | 14.235 | PA0434B3T000900 | 880,696 | 516,912 |
| SHP - Fattah Homes | 240665 | 14.235 | PA01B500034 | 457,024 | 56,126 |
| SHP - HMIS Expansion (37B3T1003) | 240983 | 14.235 | PA0037B3T001003 | 99,272 | 31,358 |
| SHP - HMIS Renewal (36B3T000802) | 240931 | 14.235 | PA0036B3T000802 | 147,924 | 25,564 |
| SHP - HMIS Renewal (36B3T001003) | 240971 | 14.235 | PA0036B3T001003 | 147,924 | 128,274 |
| SHP - HMIS Renewal (36B3T001104) | 241032 | 14.235 | PA0036B3T001104 | 147,924 | 38,809 |
| SHP - My Place Germantown | 240945 | 14.235 | PA01B400030 | 641,000 | 113,898 |
| SHP - My Place Germantown (473BT1001) | 240991 | 14.235 | PA0473B3T001001 | 221,550 | 142,826 |
| SHP - PEC - Jannie's Place (3B3T000800) | 240932 | 14.235 | PA0003B3T000800 | 584,199 | 73,007 |
| SHP - Project Restoration | 240635 | 14.235 | PA01B400029 | 1,365,286 | 8,720 |
| SHP - WOE - Proj Restoration (471B3T001001) | 240973 | 14.235 | PA0471B3T001001 | 315,094 | 172,128 |
| SHP- HMIS Expansion 4 (37B3T000802) | 240933 | 14.235 | PA0037BT000802 | 99,272 | 89,359 |
| SHP- Prj Homes-St John Evan (700004) | 240873 | 14.235 | PA01B700004 | 420,000 | 40,000 |
| SHP- Raise of Hope- Belfield Avenue | 240669 | 14.235 | PA01B500032 | 655,957 | 366,672 |
| Shelter Plus Care (96-0001) | 240717 | 14.238 | PA26C96-0001 | 555,552 | 53,410 |
| Shelter Plus Care II (93-1087) | 240715 | 14.238 | PA26C93-1087 | 947,876 | 63,313 |
| SPC - 1260 HDC - Arch (334C3T000901) | 240926 | 14.238 | PA0334C3T000901 | 109,800 | 4,023 |
| SPC - 1260 HDC - Arch (334C3T001002) | 240984 | 14.238 | PA0334C3T001002 | 108,000 | 69,851 |
| SPC - 1260 HDC - Arch (334C3T001103) | 241018 | 14.238 | PA0334C3T001103 | 107,880 | 7,107 |
| SPC - 1260 HDC - CTT (468C3T001001) | 240990 | 14.238 | PA0468C3T001001 | 108,000 | 80,286 |
| SPC - 1260 HDC - HOPIN I (40C3T1003) | 240997 | 14.238 | PA0040C3T001003 | 873,612 | 365,765 |
| SPC - 1260 HDC - HOPIN I Renewal (40C3T802) | 240949 | 14.238 | PA0040C3T000802 | 888,432 | 256,263 |
| SPC - 1260 HDC - HOPIN II (41C3T000802) | 240954 | 14.238 | PA0041C3T001003 | 707,544 | 355,782 |
| SPC - 1260 HDC - HOPIN II (41C3T001104) | 241016 | 14.238 | PA0041C3T001104 | 706,512 | 181,170 |
| SPC - 1260 HDC - HOPIN IV (336C3T001002) | 240957 | 14.238 | PA0336C3T001002 | 432,000 | 332,744 |
| SPC - 1260 HDC - New Keys (337C3T000901) | 240928 | 14.238 | PA0337C3T000901 | 384,300 | 23,524 |
| SPC - 1260 HDC - New Keys (337C3T001002) | 240985 | 14.238 | PA0337C3T001002 | 378,000 | 259,042 |
| SPC - 1260 HDC - New Keys (337C3T001103) | 241020 | 14.238 | PA0337C3T001103 | 377,580 | 20,429 |
| SPC - 1260 HDC - SAFE (339C3T000901) | 240929 | 14.238 | PA0339C3T000901 | 457,224 | 44,649 |

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Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

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|---|------------|--------|-----------------|-------------------|-------------------------|
| SPC - 1260 HDC - SAFE (339C3T001002) | 240986 | 14.238 | PA0339C3T001002 | 449,736 | 323,541 |
| SPC - 1260 HDC - SAFE (339C3T001103) | 241021 | 14.238 | PA0339C3T001103 | 448,968 | 26,343 |
| SPC - 1260 HDC (40-0031) | 240734 | 14.238 | PA01C40-0031 | 887,474 | 12,828 |
| SPC - 1260 Housing development Corp - CTT | 241041 | 14.238 | PA0468C3T001102 | 215,760 | 6,380 |
| SPC - APM - Escalera (23C3T1003) | 240978 | 14.238 | PA0023C3T001003 | 85,248 | 25,792 |
| SPC - APM - Escalera (23C3T802) | 240942 | 14.238 | PA0023C3T000802 | 86,688 | 12,780 |
| SPC - APM - Esperanza (466C3T001001) | 240975 | 14.238 | PA0466C3T001001 | 116,496 | 80,859 |
| SPC - APM - Proyecto Hogareno (33C3T1003) | 240980 | 14.238 | PA0033C3T001003 | 296,172 | 128,089 |
| SPC - APM - Proyecto Hogareno (33C3T802) | 240944 | 14.238 | PA0033C3T000801 | 301,116 | 102,706 |
| SPC - Bethesda - Bainbridge (13C3T1003) | 240972 | 14.238 | PA0013C3T001003 | 167,088 | 97,408 |
| SPC - Bethesda - Bainbridge (13C3T1104) | 240999 | 14.238 | PA0013C3T001104 | 166,812 | 28,878 |
| SPC - Calcutta House - Serenity Court (77C3T) | 240943 | 14.238 | PA0077C3T000802 | 65,016 | 15,419 |
| SPC - Calcutta House-Serenity Court (77C3T100) | 240979 | 14.238 | PA0077C3T001003 | 63,936 | 34,224 |
| SPC - Calcutta Hse Apts (2C3T) | 240891 | 14.238 | PA0002C3T000800 | 202,080 | 34,373 |
| SPC - Friends Rehab (80-0014) | 240721 | 14.238 | PA23C80-0014 | 469,486 | 56,435 |
| SPC - Frnds Rehab Prm-Asst Lvg I (467C3T) | 240982 | 14.238 | PA0467C3T001001 | 129,384 | 59,665 |
| SPC - Gaudenzia-Tioga Arms (40-0001) | 240735 | 14.238 | PA01C40-0001 | 2,471,364 | 185,841 |
| SPC - Pathways to Housing (04C3T) | 240892 | 14.238 | PA0004C3T000800 | 2,879,640 | 370,888 |
| SPC - PCRC - Pathways/Reunification (72C3T) | 240956 | 14.238 | PA0072C3T001003 | 955,404 | 498,857 |
| SPC - PCRC - Pathways/Reunification (72C3T) | 241000 | 14.238 | PA0072C3T001104 | 953,940 | 191,798 |
| SPC - PCRC-D&A/Efficiencies/MH(58C3T00100) | 240955 | 14.238 | PA0058C3T001003 | 812,340 | 503,234 |
| SPC - PCRC-D&A/Efficiencies/MH(58C3T00110) | 241017 | 14.238 | PA0058C3T001003 | 811,320 | 142,398 |
| SPC - Prj HOME St. John Evangelist (70-0059) | 240822 | 14.238 | PA01C70-0059 | 1,432,200 | 315,792 |
| SPC - Proj Home - Kate's Place (469C3T1001) | 240994 | 14.238 | PA0469C3T001001 | 106,560 | 44,792 |
| SPC - Proj Home - Kate's Place (469C3T1102) | 241034 | 14.238 | PA0469C3T001102 | 106,380 | 11,603 |
| SPC - Proj Home - Kate's Place II (547C3T00110) | 241035 | 14.238 | PA0547C3T001101 | 189,120 | 21,676 |
| SPC - Project Home - St. John II (06C3T000800) | 240953 | 14.238 | PA0006C3T000800 | 441,600 | 57,814 |
| SPC - Salvation Army - Mid-City Apts (593T000) | 240987 | 14.238 | PA0059C3T001003 | 313,416 | 240,244 |
| SPC- Calcutta Hse-Independ Plc I (51C3T1003) | 240977 | 14.238 | PA0051C3T001003 | 28,416 | 18,133 |
| SPC- Calcutta Hse-Independ Plc I (51C3T802) | 240941 | 14.238 | PA0051C3T000802 | 28,896 | 5,000 |
| SPC- Frnds Rehab Pgm-Asst Lvg II(12C3T1003) | 240976 | 14.238 | PA0012C3T001003 | 182,448 | 116,734 |
| SPC- Frnds Rehab Pgm-Asst Lvg II(12C3T802) | 240940 | 14.238 | PA0012C3T000802 | 185,496 | 33,320 |
| SPC-Calcutta Hse-Independence PI2 (52C3T) | 240947 | 14.238 | PA0052C3T000802 | 14,448 | 6,415 |
| SPC-Calcutta Hse-Independence PI2 (52C3T1003) | 240981 | 14.238 | PA0052C3T001003 | 14,208 | 5,564 |
| SPC-Phl Vet Multisvc Free Gt -27C3T1003 | 240974 | 14.238 | PA0027C3T001003 | 317,340 | 169,391 |
| SPC-Phl Vet Multisvc Freedoms Gate -27C3T | 240938 | 14.238 | PA0027C3T000802 | 322,680 | 13,739 |
| SPC-Prj Home-St John E. Hse Bonus (01C70) | 240871 | 14.238 | PA01C70001 | 2,701,680 | 230,150 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|-----------------|--------------------|-------------------------|
| SPC-Proj HOME - Hope Haven II (39C3T1003) | 240992 | 14.238 | PA0039C3T001003 | 71,040 | 43,377 |
| SPC-Proj HOME - Hope Haven II (39C3T802) | 240939 | 14.238 | PA0039C3T000802 | 72,240 | 21,616 |
| SPC-Proj HOME - In Comm/Crossing (49C3T) | 240925 | 14.238 | PA0049C3T000802 | 387,792 | 10,147 |
| SPC-Proj HOME - In Comm/Crossing (49C3T100) | 240989 | 14.238 | PA0049C3T001003 | 381,144 | 242,215 |
| SPC-Proj HOME - Rowan Diamond (470C3T100) | 240993 | 14.238 | PA0470C3T001001 | 133,476 | 64,635 |
| SPC-Proj HOME - Rowan Judson (338C3T) | 240936 | 14.238 | PA0338C3T000901 | 438,120 | 33,488 |
| SPC-Proj HOME - Rowan Judson (338C3T1002) | 240995 | 14.238 | PA0338C3T001002 | 430,920 | 347,829 |
| Home - Payroll - FY10 | 062106 | 14.239 | M-09-MC-42-0203 | 180,000 | 20,461 |
| Home - Payroll - FY11 | 062114 | 14.239 | M-10-MC-42-0203 | 169,205 | 795 |
| Home - Payroll - FY12 | 062120 | 14.239 | M-11-MC-42-0203 | 675,000 | 175,000 |
| HOME Investment Partnership - FY00 | 06HM00 | 14.239 | M-99-MC-42-0203 | 14,601,000 | 363 |
| HOME Investment Partnership - FY06 | 06HM06 | 14.239 | M-05-MC-42-0203 | 16,044,850 | 4,104 |
| HOME Investment Partnership - FY08 | 06HM08 | 14.239 | M-07-MC-42-0203 | 15,268,611 | 492,115 |
| HOME Investment Partnership - FY09 | 06HM09 | 14.239 | M-08-MC-42-0203 | 14,701,876 | 1,371,725 |
| HOME Investment Partnership - FY10 | 06HM10 | 14.239 | M-09-MC-42-0203 | 16,365,392 | 1,913,007 |
| HOME Investment Partnership - FY11 | 06HM11 | 14.239 | M-10-MC-42-0203 | 16,275,816 | 2,018,489 |
| HOME Investment Partnership - FY11 | 06HM12 | 14.239 | M-11-MC-42-0203 | 13,855,331 | 2,420,063 |
| HOPWA - FY02 | 06HW02 | 14.241 | PA-H01-F001 | 6,224,000 | 676,927 |
| HOPWA - FY03 | 06HW03 | 14.241 | PA-H02-F-001 | 7,125,000 | 1,078,768 |
| HOPWA - FY04 | 06HW04 | 14.241 | PA-H-03-F001 | 5,643,000 | 84,394 |
| HOPWA - FY05 | 06HW05 | 14.241 | PA-H-04-F001 | 7,632,000 | 220,158 |
| HOPWA - FY06 | 06HW06 | 14.241 | PA-H-05-F001 | 7,336,000 | 65,750 |
| HOPWA - FY10 | 06HW10 | 14.241 | PA-H-09-F-001 | 8,466,376 | 21,017 |
| HOPWA - FY11 | 06HW11 | 14.241 | PA-H-10-F-001 | 8,536,271 | 274,483 |
| HOPWA - FY12 | 06HW12 | 14.241 | PA-H-11-F-001 | 7,163,175 | 6,633,044 |
| HOPWA - Payroll - FY10 | 062107 | 14.241 | PA-H-09-F-001 | 250,000 | 38,518 |
| HOPWA - Payroll - FY11 | 062115 | 14.241 | PA-H-10-F-001 | 250,000 | 325 |
| HOPWA - Payroll - FY12 | 062121 | 14.241 | PA-H-11-F-001 | 222,000 | 221,979 |
| BEDI - Bakers Centre Project | 420361 | 14.246 | B-06-SP-PA-0857 | 3,000,000 | 3,000,000 |
| BEDI - Spectrum Health Services | 420357 | 14.246 | B-10-BD-42-9009 | 2,000,000 | 2,000,000 |
| EDI - 52nd Street - Commercial Corridor | 420261 | 14.251 | B-06-SP-PA-0857 | 297,000 | 50,000 |
| HUD Lead Hazard Control - Federal | 142824 | 14.900 | PALHB0401-08 | 3,000,000 | 264,653 |
| HUD Lead Hazard Demo (S.H.) - Part 5 | 143191 | 14.905 | PALHD0230-11 | 3,000,000 | 1,103,355 |
| HUD Lead Hazard Demo Grt | 142823 | 14.905 | PALHD0189-08 | 4,000,000 | 488,928 |
| Project A.I.R. | 143166 | 14.913 | LHH10-05 | 1,000,000 | 231,594 |
| Subtotal: Direct U.S. Department of Housing & Urban Development | | | | <u>965,570,246</u> | <u>98,663,231</u> |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|------------|-------------------------------|--------------------|-------------------------|
| Passed-Through - PA Department of Health: | | | | | |
| HUD Residential Lead Abatement - State | 142908 | 14.900 | SAP#4100034434 | 175,157 | 12,367 |
| HUD Residential Lead Abatement - State | 143028 | 14.900 | SAP# 4100050098 | 169,792 | 19,069 |
| HUD Residential Lead Abatement - State | 143142 | 14.900 | SAP# 4100050098 | 168,592 | 168,592 |
| Subtotal: Passed-Through PA Department of Health | | | | 513,541 | 200,027 |
| Passed-Through - PA Department of Community and Economic Development: | | | | | |
| Neighborhood Stabilization Pgm (NSP) Funds -0.06NSP02 | 14.225 | C000045739 | | 7,100,000 | 2,474,951 |
| Shelter Project (DCED 09) | 240885 | 14.231 | C000046048 | 222,492 | 120,000 |
| Shelter Project (DCED 11) | 240950 | 14.231 | C000050144 | 236,851 | 65,971 |
| Subtotal: Passed-Through PA Department of Community and Economic Develop | | | | 7,559,343 | 2,660,922 |
| Passed-Through - Philadelphia Housing Authority: | | | | | |
| Davis-Bacon Wage Rate Monitoring | 100623 | 14.850 | Cooperative Agreement | 143,920 | 143,920 |
| Subtotal: Passed-Through Philadelphia Housing Authority | | | | 143,920 | 143,920 |
| Passed-Through - Philadelphia Redevelopment Authority: | | | | | |
| Financing Adjustment Factor (FAF) Funds | 06FAF09 | 14.182 | Intergov't Coop Agr. (012670) | 1,500,000 | 214,189 |
| Subtotal: Passed-Through Philadelphia Redevelopment Authority | | | | 1,500,000 | 214,189 |
| Total U.S. Department of Housing & Urban Development: | | | | 975,287,050 | 101,882,290 |

U.S. Department of Justice

Direct - U.S. Department of Justice:

| | | | | | |
|---|--------|--------|-----------------|-----------|---------|
| Federal Forfeiture - DOJ - All Years | 110993 | 16.000 | Receipts | 3,266,311 | 213,137 |
| G.R.E.A.T. FY2009 | 111019 | 16.012 | 2010-JV-FX-0007 | 100,000 | 48,811 |
| Domestic Violence Arrests & Enforcement | 690398 | 16.525 | 2011-WE-AX-0007 | 54,647 | 19,234 |
| YVRP - OJJDP Byrne Earmark - FY10 | 100604 | 16.541 | 2010-DD-BX-0004 | 500,000 | 500,000 |
| Police Cold Case DNA Grant | 690319 | 16.560 | 2008-DN-BX-K171 | 33,456 | 24,256 |
| Solving Cold Cases with DNA - 2008 | 110787 | 16.560 | 2008-DN-BX-K171 | 552,222 | 206,988 |
| REIMB-SCAAP Program (All Years) | 230112 | 16.579 | 2010-AP-BX-0576 | 85,546 | 85,546 |
| State Criminal State Alien Assist Pgm (SCAAP) | 230111 | 16.579 | Receipts | 20,066 | 20,066 |
| Drug Violence Intelligence Init.-HIDTA 2011 | 111023 | 16.580 | G11PC0003A | 203,200 | 102,692 |
| HIDTA - Drug Violence Intelligence | 110777 | 16.580 | G09PC0003A | 203,200 | 92,390 |
| HIDTA - Drug Violence Intelligence | 110929 | 16.580 | G10PC0003A | 203,200 | 36,380 |
| Philadelphia Smart Policing Initiative II | 111030 | 16.580 | 2011-DG-BX-0025 | 325,000 | 3,751 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|----------------------------|-------------------|-------------------------|
| Philadelphia Smart Policing Project | 111001 | 16.580 | 2009-DG-BX-0037 | 500,000 | 210,651 |
| Weed & Seed - 26th District | 110931 | 16.595 | 2010-WS-QX-0073 | 34,336 | 4,831 |
| Weed And Seed - 26th District | 100588 | 16.595 | 2010-WS-QX-0073 | 122,664 | 93,239 |
| 2007 Bulletproof Vest Partnership | 110784 | 16.607 | Award - On-line approval | 336,443 | 204,944 |
| 2007 Bulletproof Vest Partnership | 111032 | 16.607 | NIJ #BA200S-FX01 | 109,726 | 51,904 |
| 2009 COPS Technology Grant | 110799 | 16.710 | 2009CKWX0459 | 260,000 | 238,840 |
| JAG - IV | 100542 | 16.738 | 2008-DJ-BX-0611 | 7,011 | 7,011 |
| JAG - IV | 110761 | 16.738 | 2008-DJ-BX-0611 | 687,048 | 91,683 |
| JAG - IV | 160354 | 16.738 | 2008-DJ-BX-0611 | 37,024 | 8,253 |
| JAG - V | 160370 | 16.738 | 2009-DJ-BX-1061 | 160,000 | 44,500 |
| JAG - V | 260130 | 16.738 | 2009-DJ-BX-1061 | 140,000 | 109,247 |
| JAG - V | 690347 | 16.738 | 2009-DJ-BX-1061 | 160,000 | 2,754 |
| JAG - V | 110795 | 16.738 | 2009-DJ-BX-1061 | 2,486,170 | 843,118 |
| JAG - VI | 690369 | 16.738 | 2010-DJ-BX-0877 | 581,952 | 330,215 |
| JAG - VII | 690396 | 16.738 | 2011-DJ-BX-3490 | 653,639 | 459,888 |
| JAG V (MORE) | 230233 | 16.738 | 2009-DJ-BX-1061 | 71,358 | 1,750 |
| JAG VI | 111015 | 16.738 | 2010-DJ-BX-0877 | 1,945,890 | 402,893 |
| JAG VI - Interest | 111016 | 16.738 | 2010-DJ-BX-0877/ Interest | 3,818 | 2,132 |
| JAG VII | 111027 | 16.738 | 2011-DJ-BX-3490 | 1,442,100 | 257,353 |
| JAG-IV - Drug Treatment Court | 840483 | 16.738 | 2008-DJ-BX-0611 | 46,279 | 30,214 |
| JAG-IV - Interest | 110762 | 16.738 | 2008-DJ-BX-0611 - Interest | 5,681 | 246 |
| JAG-V - Drug Treatment Court | 840627 | 16.738 | 2009-DJ-BX-1061 | 168,000 | 85,693 |
| JAG-V - Interest | 110796 | 16.738 | 2009-DJ-BX-1061/ Interest | 3,401 | 253 |
| JAG-V - Night Court | 840626 | 16.738 | 2009-DJ-BX-1061 | 96,000 | 21,000 |
| JAG-VI - Veterans Court | 840651 | 16.738 | 2010-DJ-BX-0877 | 65,000 | 7,844 |
| Forensic Casework D.N.A. Backlog Reduction | 111017 | 16.741 | 2010-DN-BX-K114 | 968,799 | 679,683 |
| Forensic Casework D.N.A. Backlog Reduction | 111029 | 16.741 | 2011-DN-BX-K425 | 1,146,517 | 147,443 |
| Project DAWN Court | 840678 | 16.745 | 2011-MO-BX-0015 | 250,000 | 56,000 |
| Performance-Based Prosecution Project | 690370 | 16.751 | 2010-DB-BX-K083 | 641,695 | 87,890 |
| Subtotal: Direct U.S. Department of Justice | | | | 18,677,399 | 5,834,721 |
| Passed-Through - PA Commission on Crime and Delinquency: | | | | | |
| JABG XII | 690366 | 16.523 | 2008/2009-JB-11-20606 | 608,519 | 118,789 |
| JABG XIII | 690389 | 16.523 | 2009/2010-JB-11-22137 | 523,634 | 393,703 |
| JABG XIV | 690413 | 16.523 | 2011-JB-11-22784 | 356,186 | 5,536 |
| Youth Aid Panel (YAP) Enhancement - 2009 | 690391 | 16.540 | 2009-J-04-22433 | 62,855 | 30,642 |
| E. Byrne JAG Pgm - CJAB - Search | 690388 | 16.738 | 2009-JG-04-22143 | 100,000 | 20,016 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|---------------------------|-------------------|-------------------------|
| E. Byrne JAG Pgm - Elder Victim/Witness | 690367 | 16.738 | 2007-JG-03-21337 | 50,000 | 1,692 |
| E. Byrne JAG Pgm - Elder Victim/Witness | 690390 | 16.738 | 2007-JG-03-21337-2 | 33,987 | 20,708 |
| E. Byrne JAG Pgm - Family Justice Center | 690387 | 16.738 | 2009-JG-02-22204 | 200,000 | 7,611 |
| Phila Mental Hlth Court Planning Grant | 840650 | 16.738 | 2007-JG-02-20295-2 | 201,844 | 18,863 |
| Subtotal: Passed-Through PA Commission on Crime and Delinquency | | | | 2,137,025 | 617,559 |
| Total U.S. Department of Justice: | | | | 20,814,424 | 6,452,280 |
| <u>U.S. Department of Labor</u> | | | | | |
| Passed-Through - Private Industry Council: | | | | | |
| Phil-A-Job II - Work Experience | 160361 | 17.250 | Award Letter 04/15/10 | 297,500 | 4,532 |
| Phil-A-Job II - Work Experience | 160372 | 17.250 | 97302/S124 (Mod. # M-001) | 201,600 | 169,496 |
| Phil-A-Job II - Work Experience | 160387 | 17.250 | Award Letter | 203,600 | 15,271 |
| Subtotal: Passed-Through Private Industry Council | | | | 702,700 | 189,299 |
| Passed-Through - Philadelphia Corporation for the Aging: | | | | | |
| Comm on Aging - PCA | 050287 | 17.235 | Award Letter 06/07/2011 | 822,522 | 806,754 |
| Subtotal: Passed-Through Philadelphia Corporation for the Aging | | | | 822,522 | 806,754 |
| Total U.S. Department of Labor: | | | | 1,525,222 | 996,054 |
| <u>U.S. Department of Transportation</u> | | | | | |
| Direct- U.S. Department of Transportation: | | | | | |
| Construct RW's-EIS Phase 5 | C42576 | 20.106 | 3-42-0076-081-07 | 1,500,000 | 623,934 |
| High Speed Exit TWK & TWK Ext | C42599 | 20.106 | 3-42-0074-018-2011 | 1,328,415 | 1,116,400 |
| Improve Runway 9R/27L Safety Area | C42586 | 20.106 | 3-42-0076-076-06 | 4,575,000 | 2,280,290 |
| Noise Compatability Study | C42591 | 20.106 | 3-42-0076-086-08 | 50,000 | 10,810 |
| Noise Mitigation - PH 6 | C42573 | 20.106 | 3-42-0076-092-09 | 7,700,000 | 899,408 |
| Noise Mitigation - PH 7 | C42573 | 20.106 | 3-42-0076-094-10 | 5,449,600 | 1,758,875 |
| Noise Mitigation - PH 8 | C42573 | 20.106 | 3-42-0076-099-11 | 5,156,983 | 3,091,375 |
| PNE Rehab Runway 6-24 | C42598 | 20.106 | 3-42-0074-018-2011 | 318,068 | 150,882 |
| PNE-Rehab Txwys F, G, H, & J | C42596 | 20.106 | 3-42-0074-017-2010 | 1,160,264 | 777,914 |
| Rehab Cargo Apron, PH 5 | C42583 | 20.106 | 3-42-0076-088-09 | 1,394,493 | 20,680 |
| Rehab Runway 9L/27R | C42597 | 20.106 | 3-42-0076-095-2010 | 2,092,409 | 356,009 |
| Rehab Runway 9L/27R | C42597 | 20.106 | 3-42-76-98-2011 | 15,077,043 | 4,268,853 |
| Rehab Taxiway A & L - PH 2 | C42590 | 20.106 | 3-42-0074-016-09 | 2,219,200 | 95,037 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | Number | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|----------------------|-----------------|-------------------|-------------------------|
| Rehab Taxiway S - PH 2 | C42588 | 20.106 | 3-42-0076-085-08 | | 11,782,900 | 297,130 |
| Rehab Taxiway S - PH 4 | C42588 | 20.106 | 3-42-0076-091-09 | | 8,487,359 | 1,909,129 |
| VALE GPU | C42589 | 20.106 | 3-42-0076-096-10 | | 1,033,722 | 453,465 |
| VALE Project Infrastructure | C42589 | 20.106 | 3-42-0076-083-08 | | 3,258,668 | 157,796 |
| VALE Project Infrastructure - PH 2 | C42589 | 20.106 | 3-42-0076-089-09 | | 2,973,718 | 62,476 |
| VALE Project Infrastructure - PH 3 | C42589 | 20.106 | 3-42-0076-093-09 | | 7,396,867 | 793,172 |
| FY 2011 High Priority Grant | 111031 | 20.218 | FM-MHP-0045-11-01-01 | | 175,020 | 141,226 |
| Subtotal: Direct U.S. Department of Transportation | | | | | 83,129,729 | 19,264,860 |
| Passed-Through - PA Department of Transportation: | | | | | | |
| 40th St/AMTRAK | C12112 | 20.205 | 065282F | | 3,034,267 | 144,798 |
| 40th St/AMTRAK | C12112 | 20.205 | 067575 | | 10,949,202 | 5,835,432 |
| 41st St/AMTRAK | C12207 | 20.205 | 065467C | | 3,622,400 | 319,390 |
| 52nd St & Lancaster Ave | C12214 | 20.205 | 067539A | | 1,789,610 | 1,010,071 |
| Bridge Design/Inspection-CY | 120251 | 20.205 | receipts | | 168,854 | 168,854 |
| Center City Resurfacing | C12230 | 20.205 | 067542B | | 3,067,133 | 35,440 |
| Chinatown Streetscape | C12232 | 20.205 | 067588A | | 860,000 | 420,273 |
| Citywide 103B | C12240 | 20.205 | 068520 | | 18,000 | 9,009 |
| Delaware Ave (Lewis-Orthodox) | C12169 | 20.205 | 065697B | | 5,141,600 | 71,265 |
| Delaware River Heritage Trail | C17046 | 20.205 | 066582 | | 375,000 | 65,473 |
| East Falls Reconnects | C12235 | 20.205 | 067536 | | 624,003 | 534,937 |
| Fairmount Bikeway Improvements | C17051 | 20.205 | 067562 | | 400,000 | 117,780 |
| Federal Highways-CY | 120241 | 20.205 | receipts | | 250,949 | 250,949 |
| Germantown Avenue Streetscape | C12236 | 20.205 | 067584A | | 536,000 | 88,677 |
| Haverford Ave | C12195 | 20.205 | 065698 | | 328,000 | 33,607 |
| Lancaster Ave (45th - City Ave) | C12192 | 20.205 | 066541B | | 2,152,000 | 129,260 |
| Lehigh Ave East (Broad - Richmond) | C12190 | 20.205 | 068538 | | 5,266,102 | 3,937,077 |
| Market St Signals (46th to 63rd) | C12124 | 20.205 | 067583A | | 9,217,264 | 3,523,887 |
| MidEast Girard Ave Streetscape | C12233 | 20.205 | 067589A | | 881,000 | 686,532 |
| Montgomery Avenue/Amtrak | C12182 | 20.205 | 065595D | | 2,275,200 | 2,839 |
| Passyunk Ave (Broad - 63rd St) | C12188 | 20.205 | 067537-A | | 5,642,712 | 610,443 |
| Penn's Landing/Waterfront Imps | C12245 | 20.205 | 068547A | | 825,000 | 4,014 |
| Phila School Cross & Zone Improvements | C12222 | 20.205 | 066583 | | 869,565 | 23,882 |
| Rising Sun Ave/CONRAIL | C12180 | 20.205 | 065743 | | 2,043,200 | 391,331 |
| Roxborough Streetscape (Ridge Ave) | C12241 | 20.205 | 067590 | | 1,642,036 | 1,348,945 |
| Schuylkill River Park Rail Cross | C12237 | 20.205 | 067528A | | 585,500 | 144,542 |
| Signal Retiming Grant | 120334 | 20.205 | 068513 | | 700,000 | 423,549 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|------------------------------|--------------------|-------------------------|
| South St Br Inspection Fed | 120274 | 20.205 | receipts | 129,628 | 129,628 |
| South St/Schuylkill | C12132 | 20.205 | 065469C | 15,191,279 | 20,196 |
| Temple Univ Station Access Enhancement | C12238 | 20.205 | 068502 | 2,323,728 | 1,089,530 |
| TIGER - 58th St. Connector | C12243 | 20.205 | 068531A | 2,127,950 | 320,773 |
| TIGER - CSX Pedestrian Bridge | C12242 | 20.205 | 068529A | 2,405,858 | 436,173 |
| TIGER - Schuylkill River Tr at Bartram Gd | C12248 | 20.205 | 068554 | 1,364,103 | 474,607 |
| TIGER - Schuylkill River Tr Shawmount | C12246 | 20.205 | 068528A | 692,147 | 106,470 |
| TMA Assistance Pgm - FY 2011-12 | 460107 | 20.205 | Agree. No. 520920; WO #3 | 51,200 | 51,194 |
| Vine St Expressway Enhancement | C12239 | 20.205 | 068503 | 1,616,954 | 1,250,135 |
| Walnut Street Gateway | C12244 | 20.205 | 068535 | 1,341,155 | 219,058 |
| Westbank Greenway-Phase 1 | C12146 | 20.205 | 065719B | 2,454,100 | 66,787 |
| Willow Grove Avenue/Septa | C12227 | 20.205 | 067525C | 192,000 | 12,098 |
| 2012 Buckle Up PA -Seat Belt Enforce Pgm | 111034 | 20.600 | 2003-001 | 33,193 | 31,941 |
| Comprehensive Highway Safety Prg | 150395 | 20.600 | CTSP-2011-Philadelphia-00007 | 374,791 | 93,698 |
| Comprehensive Highway Safety Prg | 150438 | 20.600 | CTSP-2012-Philadelphia-00001 | 381,880 | 286,410 |
| Highway Safety Corridor - Roosevelt Blvd. | 111021 | 20.600 | HSGP-2011-Philadelphia-00020 | 119,979 | 25,343 |
| Highway Safety Corridor - Roosevelt Blvd. | 111037 | 20.600 | HSGP-2012-Philadelphia-00008 | 119,603 | 70,486 |
| Sobriety CKPT & Expand DUI Enforcement | 111022 | 20.600 | IDP-2011-Philadelphia-0044 | 130,000 | 59,338 |
| Sobriety CKPT & Expand DUI Enforcement | 111036 | 20.600 | IDP-2012-Philadelphia-0032 | 130,000 | 79,863 |
| Subtotal: Passed-Through PA Department of Transportation | | | | 94,444,145 | 25,155,981 |
| Passed-Through - Delaware Valley Regional Planning Commission: | | | | | |
| Complete Streets Handbook | 460109 | 20.205 | 10-67-111 | 86,000 | 74,692 |
| Pedestrian & Bicycle Plan - W & SW Phila | 510140 | 20.205 | 10-67-110 | 36,000 | 1,807 |
| Philadelphia Bicycle Ambassador Program | 100527 | 20.205 | 07-41-200 | 311,934 | 13,130 |
| Region Wide Transportation GIS Prj | 120325 | 20.205 | 11-53-305 | 15,000 | 6,982 |
| Regional GIS Implementation & Coordination | 120341 | 20.205 | 12-53-305 | 20,000 | 19,763 |
| Short Range Planning | 510152 | 20.205 | 12-63-006 | 98,706 | 90,759 |
| SHRPP - DVRPC -CY | 120231 | 20.205 | receipts | 23,270 | 23,270 |
| SHRPP - Task Training | 120226 | 20.205 | receipts | 979 | 979 |
| Transit History Digital Archives Project | 460111 | 20.205 | 12/63-010 | 28,000 | 27,974 |
| Transit Planning & Programmming | 460108 | 20.205 | 12/63-005 | 81,243 | 79,912 |
| Urban Design & Physical Planning Services | 510141 | 20.205 | 10-67-112 | 60,000 | 9,538 |
| Subtotal: Passed-Through Delaware Valley Regional Planning Commission | | | | 761,132 | 348,807 |
| Total U.S. Department of Transportation: | | | | 178,335,006 | 44,769,649 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|-----------------------|-------------------|-------------------------|
| <u>U.S. Department of the Treasury</u> | | | | | |
| Direct - U.S. Department of the Treasury: | | | | | |
| Federal Forfeiture - DOT - All Years | 110994 | 21.000 | Receipts | 1,267,067 | 62 |
| Subtotal: Direct U.S. Department of the Treasury | | | | 1,267,067 | 62 |
| Total U.S. Department of the Treasury: | | | | 1,267,067 | 62 |
| <u>U.S. Equal Employment Opportunity Commission</u> | | | | | |
| Direct - U.S. Equal Employment Opportunity Commission: | | | | | |
| Deferred Cases- EEOC | 540027 | 30.002 | 8/5010/37 | 92,000 | 92,000 |
| Subtotal: Direct U.S. Equal Employment Opportunity Commission | | | | 92,000 | 92,000 |
| Total U.S. Equal Employment Opportunity Commission: | | | | 92,000 | 92,000 |
| <u>U.S. General Services Administration</u> | | | | | |
| Passed-Through - PA Department of State: | | | | | |
| HAVA - Section 101 Funds | 730022 | 39.011 | 4100029047 | 100,093 | 10,009 |
| PA HAVA Interest - Section 101 | 730031 | 39.011 | 4100029047 - Interest | 10,745 | 9,652 |
| Subtotal: Passed-Through PA Department of State | | | | 110,838 | 19,662 |
| Total U.S. General Services Administration: | | | | 110,838 | 19,662 |
| <u>U.S. Library of Congress</u> | | | | | |
| Direct - U.S. Library of Congress: | | | | | |
| National Library Service Material | 520998 | 42.001 | Donated Books | 588,706 | 588,706 |
| Subtotal: Direct U.S. Library of Congress | | | | 588,706 | 588,706 |
| Total U.S. Library of Congress: | | | | 588,706 | 588,706 |
| <u>U.S. National Foundation on the Arts and the Humanities</u> | | | | | |
| Direct - U.S. National Foundation on the Arts and the Humanities: | | | | | |
| El Gran Teatro de La Luna | 580004 | 45.024 | 11-6200-7038 | 35,000 | 29,450 |
| OACCE NEA Chairman's Grant | 580002 | 45.024 | 10-4229-7088 | 25,000 | 25,000 |
| Fairmount Park Historic Resource Archive Proj | 160385 | 45.149 | PG-51329-11 | 5,000 | 5,000 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|----------------------|-------------------|-------------------------|
| Subtotal: Direct U.S. National Foundation on the Arts and the Humanities | | | | 65,000 | 59,450 |
| Total U.S. National Foundation on the Arts and the Humanities: | | | | 65,000 | 59,450 |
| <u>U.S. Environmental Protection Agency</u> | | | | | |
| Direct - U.S. Environmental Protection Agency: | | | | | |
| Air Pollution Control Program - FED | 143117 | 66.001 | A-00304511-3 | 1,817,716 | 984,647 |
| Air Pollution Control Program - FED | 142999 | 66.001 | A-00304511- Amend #1 | 1,935,701 | 635,835 |
| Ambient Air Monitoring Network | 142854 | 66.034 | PM-97311802 - 2 | 159,850 | 9,434 |
| National Air Toxics Trends Site | 143017 | 66.034 | XA-97333002-2 | 52,491 | 3,699 |
| National Air Toxics Trends Site | 143134 | 66.034 | XA-97333003-0 | 40,000 | 40,000 |
| Particle Matter 2.5 Air Monitoring Program | 143096 | 66.034 | PM-97311803-0 | 256,870 | 4,330 |
| Watershed Security Warning System | 280199 | 66.478 | H1-83413701-2 | 5,750,000 | 2,713,007 |
| Prenatal Environmental Health Project | 143077 | 66.604 | EQ-97395501-0 | 25,000 | 5,446 |
| Ambient Air Monitoring Network | 142978 | 66.608 | PM-97311802 - 3 | 163,387 | 146,838 |
| Environmental Information Exchange Network | 143397 | 66.608 | 4100060414 | 200,000 | 42,817 |
| Composting Program | 230044 | 66.808 | X1-96303201-1 | 15,000 | 11,365 |
| Solid Waste Management Assistance | 420264 | 66.808 | X1-96304301 | 14,711 | 14,711 |
| Subtotal: Direct U.S. Environmental Protection Agency | | | | 10,430,726 | 4,612,129 |
| Passed-Through - PENNVEST: | | | | | |
| Green Infrastructure at Phila. Rec. Ctrs | 160384 | 66.458 | 51001021005-CN | 528,644 | 95,488 |
| Green Infrastructure Tree Planting | C17056 | 66.458 | 51001021005-CN | 1,825,375 | 1,044,991 |
| Subtotal: Passed-Through PENNVEST | | | | 2,354,019 | 1,140,479 |
| Total U.S. Environmental Protection Agency: | | | | 12,784,745 | 5,752,608 |
| <u>U.S. Department of Energy</u> | | | | | |
| Direct - U.S. Department of Energy: | | | | | |
| Philadelphia Solar City Partnership | 100546 | 81.117 | DE-FC36-08GO18096 | 220,000 | 16,858 |
| Subtotal: Direct U.S. Department of Energy | | | | 220,000 | 16,858 |
| Total U.S. Department of Energy: | | | | 220,000 | 16,858 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|-----------------------|-------------------|-------------------------|
| <u>U.S. Department of Education</u> | | | | | |
| Passed-Through - PA Department of Education: | | | | | |
| Workforce Investment Act - EL Civics Pgm | 520193 | 84.002 | 061-11 | 395,582 | 46,127 |
| Subtotal: Passed-Through PA Department of Education | | | | 395,582 | 46,127 |
| Passed-Through - PA Department of Public Welfare: | | | | | |
| MR-Early Intervention (70170) | 150421 | 84.181 | Award Leter | 1,607,116 | 1,607,116 |
| Subtotal: Passed-Through PA Department of Public Welfare | | | | 1,607,116 | 1,607,116 |
| Passed-Through - School District of Philadelphia: | | | | | |
| School-Linked Behavioral Hlth (C&E) | 221182 | 84.027 | 313/F10 | 1,749,674 | 35,069 |
| Educational Enrichment Program | 241042 | 84.196 | Contract #691/F11 | 60,000 | 60,000 |
| Subtotal: Passed-Through School District of Philadelphia | | | | 1,809,674 | 95,069 |
| Total U.S. Department of Education: | | | | 3,812,372 | 1,748,312 |
| <u>U.S. Elections Assistance Commission</u> | | | | | |
| Passed-Through - PA Department of State: | | | | | |
| HAVA - Title II - Section 251 Polling Places | 730028 | 90.401 | 4100029051 | 1,457,878 | 40,390 |
| HAVA - Title II - Title III Requirements | 730026 | 90.401 | 4100029051 | 1,907,709 | 12,709 |
| HAVA - Title II - Voting Systems | 730024 | 90.401 | 4100029051 | 8,081,878 | 108,232 |
| PA HAVA Interest - Section 251 | 730033 | 90.401 | 4100029051 - Interest | 2,267,745 | 767,933 |
| Subtotal: Passed-Through PA Department of State | | | | 13,715,210 | 929,263 |
| Total U.S. Elections Assistance Commission: | | | | 13,715,210 | 929,263 |
| <u>U.S. Department of Health & Human Services</u> | | | | | |
| Direct - U.S. Department of Health & Human Services: | | | | | |
| Postal Model for Medical Countermeasures | 143171 | 93.016 | 1PMCEP110004-01-00 | 50,000 | 50,000 |
| Food Protection Task Force Conference for SE P/ | 143033 | 93.103 | 5R13FD003774-02 | 6,250 | 6,250 |
| Food Protection Task Force Conference for SE P/ | 143170 | 93.103 | 5R13FD003774-03 | 6,250 | 5,625 |
| Connect Kids to Health | 142911 | 93.110 | 5 H17MC08974-03-00 | 50,000 | 15,033 |
| Connect Kids to Health | 143029 | 93.110 | 5 H17MC08974-04-00 | 50,000 | 50,000 |
| Connect Kids to Health | 143143 | 93.110 | 5 H17MC08974-05-00 | 50,000 | 13,882 |
| Healthy Tomorrows Partnership for Chldn | 142910 | 93.110 | 5 H17MC06711-05-00 | 49,127 | 45,469 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|---------------------------|-------------------|-------------------------|
| Federal Tuberculosis Control | 142986 | 93.116 | 2U52PS300451-30 | 899,397 | 574,361 |
| Federal Tuberculosis Control | 143104 | 93.116 | 5U52PS300451-31 Revised | 853,725 | 412,261 |
| Varicella & Viral Vaccine Surveillance | 142730 | 93.185 | 3U01IP000019-05S1 Revised | 599,340 | 318,400 |
| CLPPP-CDC (F) | 142884 | 93.197 | 5H64EH000167-04 Revised | 1,292,451 | 5,178 |
| CLPPP-CDC (F) | 143007 | 93.197 | 5H64EH000167-05 Revised | 1,142,834 | 131,920 |
| Phila Homeless Engm't Intensive Case Mgt | 150358 | 93.243 | 1H79TI021471-01 | 342,530 | 78,790 |
| Phila Homeless Engm't Intensive Case Mgt | 150386 | 93.243 | 5H79TI021471-02 | 349,258 | 38,901 |
| Phila Homeless Engm't Intensive Case Mgt | 150430 | 93.243 | 5H79TI021471-03 | 349,343 | 262,500 |
| Phila Integrative Health Initiative | 143175 | 93.243 | 3U79SM060705-01S1 | 1,352,140 | 542,012 |
| Childhood Immunization Program | 142838 | 93.268 | 5H231P322538-08 Revised | 2,365,917 | 17,303 |
| Childhood Immunization Program | 142961 | 93.268 | 5H231P322538-09 | 2,669,942 | 2,046,463 |
| Childhood Immunization Program | 143085 | 93.268 | 5H231P322538-10 | 2,739,549 | 666,448 |
| Immunization Program - Donated Vaccines | 149999 | 93.268 | Donated Vaccines | 27,675,617 | 27,675,617 |
| Adult Viral Hepatitis Coord'r | 143011 | 93.270 | 5U51PS000868-04 | 81,080 | 81,080 |
| Adult Viral Hepatitis Coord'r | 143127 | 93.270 | 5U51PS000868-05 Revised | 94,503 | 38,991 |
| Enhanced Epidemiology & Lab Capacity | 142741 | 93.283 | 5U5OCI323664-05 Revised | 1,055,482 | 537,075 |
| Enhanced Epidemiology & Lab Capacity | 143105 | 93.283 | 1U50CK000228-01 | 286,837 | 91,938 |
| Strengthening Public Health Infrastructure | 143173 | 93.507 | 5U58CD001249-02 | 1,628,813 | 581,168 |
| Strengthening Public Health Infrastructure - I | 143070 | 93.507 | 1U58CD001249-01 | 100,000 | 26,409 |
| Strengthening Public Health Infrastructure - II | 143071 | 93.507 | 1U58CD001249-01 | 176,834 | 89,981 |
| ACA: Building Epidemiology Lab - MCV/PCV | 143172 | 93.521 | 3U50C1000930-02S1 | 17,000 | 17,000 |
| Activities to Strengthen Epicemiology | 143068 | 93.521 | 1U50CI000930-01 | 305,688 | 171,194 |
| Activities to Strengthen Epidemiology | 143106 | 93.521 | 5U50CI000930-02 | 469,560 | 304,023 |
| Affordable Care Act-Health Center Planning | 143176 | 93.527 | 1P04CS22973-01-00 | 80,000 | 45,505 |
| Community Transformation Grant | 143192 | 93.531 | 1U58DP03557-01 | 1,547,297 | 1,185,216 |
| Community Transformation Grant | 143180 | 93.531 | 1U58DP03557-01 | 1,547,297 | 1 |
| Title IV-E Reimbursement | 840669 | 93.658 | Receipts | 682,119 | 682,119 |
| Health Information Technology (Part B) | 143064 | 93.888 | 1D1BRH20377-01-00 | 529,650 | 5,606 |
| HIV Emergency Relief | 142916 | 93.914 | 6 H89HA00013-20-01 | 1,374,186 | 39,268 |
| HIV Emergency Relief | 143044 | 93.914 | 2 H89HA00013-21-00 | 1,374,186 | 1,184,410 |
| HIV Emergency Relief | 143152 | 93.914 | 6 H89HA00013-22-02 | 1,374,186 | 225,449 |
| HIV Emergency Relief - MAI | 142973 | 93.914 | 6 H89HA00013-20-01 | 786,494 | 40,204 |
| HIV Emergency Relief Project | 142920 | 93.914 | 6 H89HA00013-20-01 | 20,778,455 | 313,117 |
| HIV Emergency Relief Project | 143042 | 93.914 | 2 H89HA00013-21-00 | 18,778,458 | 17,016,693 |
| HIV Emergency Relief Project | 143150 | 93.914 | 6 H89HA00013-22-02 | 21,385,124 | 4,696,651 |
| HIV Emergency Relief -UA/CMI | 142918 | 93.914 | 6 H89HA00013-20-01 | 669,974 | 18,877 |
| HIV Emergency Relief -UA/CMI | 143045 | 93.914 | 2 H89HA00013-21-00 | 719,893 | 456,349 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|-------------------------|-------------------|-------------------------|
| HIV Emergency Relief -UA/CMI | 143153 | 93.914 | 6 H89HA00013-22-02 | 669,974 | 160,009 |
| HIV Emergency Relief-CQI | 142917 | 93.914 | 6 H89HA00013-20-01 | 690,279 | 33,296 |
| HIV Emergency Relief-CQI | 143041 | 93.914 | 2 H89HA00013-21-00 | 813,985 | 381,957 |
| HIV Emergency Relief-CQI | 143148 | 93.914 | 6 H89HA00013-22-02 | 607,428 | 87,264 |
| Outpatient HIV Early Intervention | 142837 | 93.918 | 5 H76HA00077-19-00 | 815,174 | 9,659 |
| Outpatient HIV Early Intervention | 142959 | 93.918 | 5 H76HA00077-20-00 | 815,174 | 654,475 |
| Outpatient HIV Early Intervention | 143083 | 93.918 | 2 H76HA00077-21-00 | 815,174 | 383,195 |
| RW Title III HIV Capacity Dev & Plng Grt | 142946 | 93.918 | 1 P06HA16526-01-00 | 99,820 | 4,179 |
| Healthy Start Initiative | 142958 | 93.926 | 5 H49MC00135-11-00 | 2,125,000 | 2,101,874 |
| Healthy Start Initiative | 142836 | 93.926 | 2 H49MC00135-10-00 | 2,125,000 | 72,506 |
| Healthy Start Initiative | 143082 | 93.926 | 5 H49MC00135-12-00 | 2,125,000 | 25,006 |
| Healthy Start North-Elim Disparities | 142866 | 93.926 | 5 H49MC00041-11-00 | 732,342 | 4,251 |
| Healthy Start North-Elim Disparities | 142989 | 93.926 | 5 H49MC00041-12-00 | 732,342 | 669,414 |
| Healthy Start North-Elim Disparities | 143109 | 93.926 | 1 H49MC24119-01-00 | 732,342 | 6,982 |
| AIDS Prevention Project | 142889 | 93.940 | 2U62PS323472-06 Revised | 6,209,414 | 169,294 |
| AIDS Prevention Project | 143130 | 93.940 | 1U62PS003645-01 | 4,392,764 | 1,882,762 |
| AIDS Prevention Project | 143014 | 93.940 | 2U62PS323472-07 Revised | 6,072,518 | 4,442,496 |
| AIDS Prevention Project - AACO Education | 143186 | 93.940 | 1U62PS003645-01 | 99,413 | 43,686 |
| AIDS Prevention Project - C&T Health Centers | 143185 | 93.940 | 1U62PS003645-01 | 692,327 | 301,274 |
| AIDS Prevention Project - City Jails | 143189 | 93.940 | 1U62PS003645-01 | 1,669,206 | 499,802 |
| AIDS Prevention Project - Evaluation | 143187 | 93.940 | 1U62PS003645-01 | 52,995 | 23,655 |
| AIDS Prevention Project - Prison HE/RR | 143188 | 93.940 | 1U62PS003645-01 | 244,725 | 98,602 |
| Expanded & Integrated HIV Test for Pop | 143015 | 93.940 | 1U62PS003199-01 | 1,473,587 | 947,359 |
| Expanded & Integrated HIV Test for Pop | 143131 | 93.940 | 5U63PS003199-02 | 386,935 | 386,935 |
| HIV Prev. Develop. & Implem'tation-(ECHPPP)- | 143177 | 93.940 | 1U65PS003624-01 | 450,000 | 109,581 |
| HIV Prev. Develop. & Implem'tation-(ECHPPP)- | 143178 | 93.940 | 1U65PS003624-01 | 1,073,725 | 507,604 |
| HIV Prev. Facilitate Develop & Implimentation | 143067 | 93.940 | 1U65PS003269-01 | 906,024 | 669,531 |
| National HIV Behavioral Surveillance | 143013 | 93.940 | 1U1BPS003253-01 | 400,198 | 273,538 |
| National HIV Behavioral Surveillance | 143129 | 93.940 | 5U1BPS003253-02 | 402,873 | 135,645 |
| Program Collaboration & Service Integration | 143059 | 93.940 | 1U38PS003152-01 | 336,054 | 171,878 |
| Program Collaboration & Service Integration | 143132 | 93.940 | 5U38PS003152-02 | 336,054 | 149,475 |
| HIV/AIDS Surv for Perinatal Prevention | 142995 | 93.944 | 1U62PS001445-03 | 124,118 | 49,573 |
| HIV/AIDS Surveillance - Incidence | 142971 | 93.944 | 5 U62PS001044-03 | 418,278 | 1,815 |
| HIV/AIDS Surveillance - Incidence | 142993 | 93.944 | 5 U62PS001044-04 | 418,278 | 318,462 |
| HIV/AIDS Surveillance - Incidence | 143110 | 93.944 | 5 U62PS001044-05W1 | 414,923 | 168,655 |
| HIV/AIDS Surveillance & Seroprevalence | 143181 | 93.944 | 3U62PS001044-04W1 | 110,852 | 54,312 |
| HIV/AIDS Surveillance & Seroprevalence | 142996 | 93.944 | 5 U62PS001044-04 | 712,624 | 393,570 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|---------------------------|--------------------|-------------------------|
| HIV/AIDS Surveillance & Seroprevalence | 143111 | 93.944 | 5 U62PS001044-05W1 | 713,842 | 281,737 |
| Medical Monitoring Project (MMP) | 142885 | 93.944 | 5U62PS001608-02 | 431,288 | 72,941 |
| Medical Monitoring Project (MMP) | 143009 | 93.944 | 5U62PS001608-03 | 442,840 | 408,964 |
| Medical Monitoring Project (MMP) | 143199 | 93.944 | 5U62PS00160S-04 | 429,817 | 8,682 |
| Sexually Transmitted Disease | 142842 | 93.977 | 5H25PS0001351-02 | 2,059,497 | 4,635 |
| Sexually Transmitted Disease | 142967 | 93.977 | 5H25PS0001351-03 | 2,576,301 | 1,389,851 |
| Sexually Transmitted Disease | 143088 | 93.977 | 5H25PS0001351-04 | 2,079,548 | 906,622 |
| Sexually Transmitted Disease Infertility | 142964 | 93.977 | 5H25PS0001351-03 | 2,084,393 | 456,215 |
| Sexually Transmitted Disease Infertility | 143087 | 93.977 | 5H25PS0001351-04 | 479,275 | 17,690 |
| STD - Program Income | 142845 | 93.977 | 5H25PS0001351-02 - PI | 69,783 | 69,783 |
| STD - Program Income | 142966 | 93.977 | 5H25PS0001351-03 - PI | 234,925 | 234,925 |
| STD Surveillance Network | 142965 | 93.977 | 5H25PS001237-03 | 155,213 | 54,469 |
| STD Surveillance Network | 143089 | 93.977 | 5H25PS001237-04 | 211,192 | 6,993 |
| Subtotal: Direct U.S. Department of Health & Human Services | | | | 172,001,619 | 81,111,814 |
| Passed-Through - PA Department of Health: | | | | | |
| Public Health Emergency Response (PHER) | 143072 | 93.069 | 4100051880 SAF1 | 565,366 | 1,328 |
| Access To Recovery - SAMHSA - FY12 | 150446 | 93.275 | SAP#4100053214 | 3,000,387 | 3,000,387 |
| Bioterrorism Grt - Cities Readiness Unit | 142774 | 93.283 | SAP #4100033273 | 1,558,603 | 14,140 |
| Bioterrorism Grant - Core (PREV B) | 142895 | 93.283 | Award Letter 3/11/09 | 1,462,498 | 10,000 |
| Bioterrorism Grant - Core (PREV B) | 143019 | 93.283 | SAP# 4100051880 | 1,405,670 | 196,769 |
| Bioterrorism Grant - Core (PREV B) | 143137 | 93.283 | SAP# 4100055421 | 684,220 | 617,241 |
| Bioterrorism Grt - Cities Readiness Init | 143020 | 93.283 | SAP# 4100051880 | 436,845 | 57,972 |
| Bioterrorism Grt - Cities Readiness Init | 143138 | 93.283 | SAP# 4100055421 | 983,106 | 889,409 |
| Colorectal Cancer Screening Pgm | 142982 | 93.283 | SAP #4100051395 | 695,000 | 125,234 |
| Colorectal Cancer Screening Pgm | 142948 | 93.283 | SAP #4100051395 | 695,000 | 32,316 |
| MSA State Tobacco Prevention & Control - FDA | 143198 | 93.507 | SAP #4000015245 | 6,900 | 6,900 |
| Tobacco Control Programs - F | 143135 | 93.507 | SAP #4000015245 | 36,386 | 36,386 |
| Tobacco Prevention & Control | 143197 | 93.507 | SAP #4000015245 | 76,950 | 75,750 |
| MSA Tobacco | 143194 | 93.520 | SAP #4000015245 | 21,256 | 12,322 |
| EMS Annual Work Program (Federal) | 130120 | 93.889 | SAP# 4100045902 SAF2 | 77,549 | 30,074 |
| EMS Annual Work Program (Federal) | 130127 | 93.889 | SAP# 4100045902 SAF3 | 52,700 | 50,000 |
| Ryan White Title II - Federal | 143035 | 93.917 | SAP# 4100047788 | 3,484,701 | 129,201 |
| Ryan White Title II - Federal | 143145 | 93.917 | SAP# 4100055255 | 3,040,348 | 3,030,416 |
| Ryan White Title II - Federal (RW Part B) | 143078 | 93.917 | SAP# 4100047788 | 569,096 | 417,312 |
| Ryan White Title II - Federal (RW Part B) | 143146 | 93.917 | SAP# 4100055255 | 2,183,453 | 1,024,428 |
| SAPT - Alcohol Intvn/Trmt | 150391 | 93.959 | ME #00136 /SAP 4100053214 | 2,263,533 | 3,704 |

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City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|---------------------------|-------------------|-------------------------|
| SAPT - Alcohol Intvn/Trmt | 150435 | 93.959 | ME #00136 /SAP 4100027188 | 2,263,533 | 2,094,184 |
| SAPT - Alcohol Prevention | 150390 | 93.959 | ME #00136 /SAP 4100053214 | 637,838 | 62,701 |
| SAPT - Alcohol Prevention | 150434 | 93.959 | ME #00136 /SAP 4100027188 | 637,838 | 625,579 |
| SAPT - Drug Intvn/Trmt | 150433 | 93.959 | ME #00136 /SAP 4100027188 | 7,141,390 | 6,574,771 |
| SAPT - Drug Prevention | 150388 | 93.959 | ME #00136 /SAP 4100053214 | 1,848,430 | 34,454 |
| SAPT - Drug Prevention | 150432 | 93.959 | ME #00136 /SAP 4100027188 | 1,848,430 | 1,829,791 |
| Child & Adolescent Services | 142925 | 93.994 | 4100047601 | 337,138 | 5,553 |
| Child & Adolescent Services | 143034 | 93.994 | 4100053567 | 1,072,648 | 97,885 |
| Child & Adolescent Services | 143154 | 93.994 | 4100053567 - FRCO2 | 1,018,090 | 986,606 |
| Childhood Lead Poisoning Prevent Blk | 143155 | 93.994 | SAP# 4100050692 | 336,198 | 272,917 |
| Children W/Special Hlth Care Needs (F) | 142997 | 93.994 | 4100053567 | 310,807 | 125,332 |
| Children W/Special Hlth Care Needs (F) | 143115 | 93.994 | 4100053567 - FRCO2 | 312,274 | 278,194 |
| MCFH Primary Preventive Svcs - F | 142870 | 93.994 | 4100047601 | 716,524 | 2,390 |
| MCFH Primary Preventive Svcs - F | 142990 | 93.994 | 4100053567 | 770,047 | 146,925 |
| MCFH Primary Preventive Svcs - F | 143113 | 93.994 | 4100053567 - FRCO2 | 628,057 | 572,178 |
| Subtotal: Passed-Through PA Department of Health | | | | 43,178,809 | 23,470,751 |
| Passed-Through - PA Department of State: | | | | | |
| HAVA - Section 261 - Title III Reqmt's | 730027 | 93.617 | 4100030268 | 248,371 | 243,236 |
| Subtotal: Passed-Through PA Department of State | | | | 248,371 | 243,236 |
| Passed-Through - PA Department of Public Welfare: | | | | | |
| Title IV-E SPLC | 221287 | 93.090 | Certification Letter | 6,728,073 | 6,728,073 |
| MH - Homeless Grant (70154) | 150415 | 93.150 | Award Letter | 1,073,008 | 1,073,008 |
| MH-Jail Diversion & Trauma Rec (70747) | 150448 | 93.243 | Award Letter | 191,099 | 127,871 |
| Supported Work Prog (Workwise)- F | 080286 | 93.558 | Contract # 4100045783 | 979,796 | 360 |
| Supported Work Prog (Workwise)- F | 080295 | 93.558 | Contract # 4100045783 | 1,043,822 | 251,599 |
| Supported Work Prog (Workwise)- F | 080297 | 93.558 | Contract # 4100045783 | 1,043,822 | 697,915 |
| Temporary Assistance for Needy Families | 221280 | 93.558 | Certification Letter | 26,033,804 | 26,033,804 |
| Child Support Enforcement | 690376 | 93.563 | Title IV-D | 1,041,044 | 1,041,044 |
| Child Support Program | 840656 | 93.563 | Title IV-D | 20,508,880 | 20,508,880 |
| Child Support Program (MOE) | 840399 | 93.563 | Title IV-D | 895,639 | 895,639 |
| Unallocated IV-D Payments | 840008 | 93.563 | ME 4513321800 | 7,920,818 | 3,056,226 |
| Title IV-B | 221284 | 93.645 | Certification Letter | 2,735,197 | 2,735,197 |
| Title IV-E Foster Care | 221281 | 93.658 | Certification Letter | 64,628,134 | 64,628,134 |
| Title IV-E Program Income | 229995 | 93.658 | Child Support SSI | 4,475,873 | 4,130,696 |
| Title IV-E Adoption Assistance | 221282 | 93.659 | Certification Letter | 23,890,904 | 23,890,904 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID Number | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|----------------------|--------|-------------------------|--------------------|-------------------------|
| Child Protective Services | 221201 | 93.667 | Award Lettter 07/22/11 | 2,888,308 | 2,888,308 |
| Family Preservation Funds - Title XX | 150363 | 93.667 | Award Letter 09/10/2010 | 605,304 | 24,943 |
| Family Preservation Funds - Title XX | 150411 | 93.667 | Award Lettter 07/22/11 | 605,304 | 605,304 |
| HAP - Administration (F) | 240961 | 93.667 | Award Letter | 136,332 | 136,332 |
| HAP - Bridge Housing (F) | 240960 | 93.667 | Award Letter | 2,583,151 | 2,582,623 |
| HAP - Case Management (F) | 240959 | 93.667 | Award Letter | 1,463,517 | 1,463,517 |
| HAP - Program Income (F) | 240964 | 93.667 | Program Income | 1,102 | 1,102 |
| MH-SSBG (70135) | 150414 | 93.667 | Award Letter | 5,532,136 | 5,532,136 |
| MR-SSBG (70177) | 150422 | 93.667 | Award Letter | 1,119,613 | 1,119,613 |
| Title IV-E Independent Living | 221212 | 93.674 | Award Letter 07/22/2011 | 1,172,239 | 1,172,230 |
| Medicare - Part D -Retiree | 350367 | 93.778 | Receipts | 131,179 | 131,179 |
| MH - Intensive Case Mgmt | 150487 | 93.778 | Award Letter | 25,267 | 25,267 |
| MR - Program Income | 150999 | 93.778 | Program Income | 11,908,195 | 11,908,195 |
| MR - TSM Admin Federal (70175) | 150442 | 93.778 | Award Letter | 680,693 | 680,693 |
| MR - TSM Admin Federal (70175) | 150425 | 93.778 | Award Letter | 1,569,334 | 1,569,334 |
| MR - Waiver - EI (70184) | 150424 | 93.778 | Award Letter | 478,452 | 411,851 |
| MR - Waiver -Admin (70175) | 150423 | 93.778 | Award Letter | 7,249,890 | 7,249,890 |
| Title IV-E Medical Assistance | 221283 | 93.778 | Award Letter 07/22/2011 | 241,392 | 220,935 |
| MH-CMHSBG (70167) | 150416 | 93.958 | Award Letter | 2,192,706 | 2,192,706 |
| HAP - Bridge Housing (PENNFREE) | 240962 | 93.959 | Award Letter | 1,251,800 | 1,251,800 |
| HAP - Program Income (PENNFREE) | 240963 | 93.959 | Program Income | 1,748 | 1,748 |
| Subtotal: Passed-Through PA Department of Public Welfare | | | | <u>205,027,575</u> | <u>196,969,056</u> |
| Passed-Through - PA Department of Community and Economic Development: | | | | | |
| Community Service Block Grant | 160390 | 93.569 | MOU | 552,938 | 223,247 |
| Community Services Block Grant | 080291 | 93.569 | C000047408 | 2,902 | 2,902 |
| Community Services Block Grant | 160376 | 93.569 | C000047408 | 531,763 | 224,734 |
| Community Services Block Grant | 080283 | 93.569 | C000047408 | 9,330 | 9,330 |
| Community Services Block Grant -LEAD | 142985 | 93.569 | C000047408 | 268,480 | 135,854 |
| Community Services Block Grant -LEAD | 143103 | 93.569 | MOU | 222,000 | 222,000 |
| CSBG - Administration | 080284 | 93.569 | C000047408 | 907,343 | 461,466 |
| CSBG - Administration | 080276 | 93.569 | C000047408 | 992,314 | 69,912 |
| CSBG - Administration | 080292 | 93.569 | C000047408 | 780,403 | 379,906 |
| CSBG - Case Management | 240908 | 93.569 | C000047408 | 500,000 | 267,744 |
| CSBG - Case Management | 240854 | 93.569 | C000047408 | 500,000 | 1 |
| CSBG - CSP | 080285 | 93.569 | C000047408 | 2,916,198 | 1,128,103 |
| CSBG - CSP | 080277 | 93.569 | C000047408 | 3,045,638 | 859,850 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|-------------------------------|-------------------|-------------------------|
| CSBG - CSP | 080293 | 93.569 | C000047408 | 4,107,239 | 442,982 |
| CSBG-Administration | 080269 | 93.569 | C000037215 | 1,237,403 | 156 |
| CSBG-CSP | 080270 | 93.569 | C000037215 | 2,112,546 | 77,815 |
| Subtotal: Passed-Through PA Department of Community and Economic Develop | | | | 18,686,497 | 4,506,002 |
| Passed-Through - PA Executive Offices: | | | | | |
| Welfare Fraud Unit | 690381 | 93.560 | Coop agreement / FC 40000161 | 783,635 | 705,967 |
| Subtotal: Passed-Through PA Executive Offices | | | | 783,635 | 705,967 |
| Passed-Through - Family Planning Council: | | | | | |
| Family Planning Services | 143086 | 93.217 | SAP 4100038434 | 201,529 | 166,776 |
| Family Planning Services | 142962 | 93.217 | SAP 4100038434 | 68,150 | 38,307 |
| C & B Cancer Prevention (F) | 142678 | 93.919 | Agreement | 521,704 | 11,903 |
| C & B Cancer Prevention (F) | 142789 | 93.919 | Agreement | 191,072 | 47,668 |
| C & B Cancer Prevention (F) | 142913 | 93.919 | Agreement | 817,773 | 655,862 |
| Subtotal: Passed-Through Family Planning Council | | | | 1,800,228 | 920,517 |
| Passed-Through - Philadelphia Corporation for the Aging: | | | | | |
| Chronic Disease Self-Mgmt Pgm | 160386 | 93.044 | 1-0119-30-3111 | 97,440 | 20,731 |
| Older Adult Program | 160380 | 93.044 | PCA Allocation | 751,927 | 5,285 |
| Older Adult Program | 160394 | 93.044 | PCA Allocation | 751,926 | 718,594 |
| Comm on Aging - Apprise | 050289 | 93.779 | Award Letter 05/31/2011 1-030 | 49,693 | 34,502 |
| Med Imprv for Patients & Providers Act(MIPPA) | 050286 | 93.779 | Award Letter 11/30/10; 1-0301 | 14,427 | 199 |
| Med Imprv for Patients & Providers Act(MIPPA) | 050290 | 93.779 | 1-0301-27 | 42,752 | 4,128 |
| Subtotal: Passed-Through Philadelphia Corporation for the Aging | | | | 1,708,165 | 783,440 |
| Passed-Through - Philadelphia Health Management Corporation: | | | | | |
| Mentally Ill Homeless Services | 150354 | 93.224 | Agreement of Amendment | 77,266 | 77,266 |
| Subtotal: Passed-Through Philadelphia Health Management Corporation | | | | 77,266 | 77,266 |
| Passed-Through - Council of State & Territorial Epidemiologist: | | | | | |
| Influenza Incidence Surveillance Project | 143055 | 93.283 | 5U38HM000414 | 211,186 | 21,427 |
| Influenza Incidence Surveillance Project | 143169 | 93.283 | 5U38HM000414 | 159,766 | 157,338 |
| Subtotal: Passed-Through Council of State & Territorial Epidemiologist | | | | 370,952 | 178,765 |
| Passed-Through - Fred Hutchinson Cancer Research Center: | | | | | |
| TLC - Plus: A Study | 143168 | 93.855 | 5UMIAI068617-06 | 164,442 | 156,278 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|---|------------|--------|-----------------------|--------------------|-------------------------|
| Subtotal: Passed-Through Fred Hutchinson Cancer Research Center | | | | 164,442 | 156,278 |
| Total U.S. Department of Health & Human Services: | | | | 444,047,559 | 309,123,092 |
| <u>U.S. Corporation for National & Community Service</u> | | | | | |
| Direct - U.S. Corporation for National & Community Service: | | | | | |
| Foster Grandparents | 080282 | 94.011 | 11SFAPA001 | 482,464 | 230,336 |
| Foster Grandparents | 080290 | 94.011 | 11SFAPA001 | 482,464 | 204,942 |
| Subtotal: Direct U.S. Corporation for National & Community Service | | | | 964,928 | 435,277 |
| Total U.S. Corporation for National & Community Service: | | | | 964,928 | 435,277 |
| <u>U.S. Social Security Administration</u> | | | | | |
| Direct - U.S. Social Security Administration: | | | | | |
| SSA Prisoner Incentive Payments | 230043 | 96.006 | Receipts | 454,800 | 454,800 |
| Subtotal: Direct U.S. Social Security Administration | | | | 454,800 | 454,800 |
| Total U.S. Social Security Administration: | | | | 454,800 | 454,800 |
| <u>U.S. Department of Homeland Security</u> | | | | | |
| Direct - U.S. Department of Homeland Security: | | | | | |
| PA Task Force I - 2011 Grant | 130135 | 97.025 | EMW-2011-CA-K0089-S01 | 1,143,078 | 418,615 |
| FY 2009 AFG - Hearing Protection Grant | 130126 | 97.044 | EMW-2009-FO-10958 | 581,496 | 64,610 |
| Phila Critical Infrastructure Protection | 110798 | 97.080 | 2009-PD-080-000001 | 5,000,000 | 1,684,485 |
| Homeland Security - Bio-Watch Program | 143023 | 97.091 | 2006-ST-091-000007-05 | 464,400 | 3,541 |
| Homeland Security - Bio-Watch Program | 143139 | 97.091 | 2006-ST-091-000007-06 | 442,894 | 386,478 |
| EDS at Terminal D-E | C42592 | 97.100 | HSTS04-08-H-CT1031 | 18,000,000 | 1,144,528 |
| Closed Circuit Television System | C42595 | 97.118 | HSTS04-09-H-CT7018 | 4,964,013 | 1,604,522 |
| Subtotal: Direct U.S. Department of Homeland Security | | | | 30,595,881 | 5,306,779 |
| Passed-Through - PA Emergency Management Agency: | | | | | |
| Public Assistance - Hurricane Irene | 120244 | 97.036 | SJU002-SJU003 | 93,579 | 93,579 |
| Public Assistance - Hurricane Irene | 040025 | 97.036 | SJU-045 | 10,126 | 10,126 |
| Public Assistance - Hurricane Irene | 110936 | 97.036 | RAP114 | 58,107 | 58,107 |
| Public Assistance - Hurricane Irene | 130160 | 97.036 | SJU007 | 15,129 | 15,129 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Federal Awards
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID | CFDA | Contract Number | Federal Awards | Federal Expenditures |
|--|------------|--------|----------------------------|----------------------|-------------------------|
| Public Assistance - Hurricane Irene | 145731 | 97.036 | RAP-105;RAP-107;RAP-108;R. | 11,460 | 11,460 |
| Public Assistance - Hurricane Irene | 160237 | 97.036 | AMA-067;RAP-120;RAP-121 | 248,920 | 248,920 |
| Public Assistance - Hurricane Irene | 204364 | 97.036 | SJU-001;SJU-027 | 36,438 | 36,438 |
| Public Assistance - Hurricane Irene | 243366 | 97.036 | SJU-007 | 3,591 | 3,591 |
| Public Assistance - Hurricane Irene | 252137 | 97.036 | RAP-101;102;103;104 | 37,226 | 37,226 |
| Public Assistance - Hurricane Irene | 260903 | 97.036 | RAP-110;111;112;113 | 39,599 | 39,599 |
| Public Assistance - Hurricane Irene | 280281 | 97.036 | RAP-116;117;118;119 | 102,418 | 102,418 |
| Public Assistance - Tropical Storm Lee | 120246 | 97.036 | SJU004 | 1,199 | 1,199 |
| Public Assistance - Tropical Storm Lee | 280283 | 97.036 | SJU-026 | 31,139 | 3,875 |
| Emergency Mgt Performance Grant | 100369 | 97.042 | Emergency Mgmt S & FB | 32,534 | 32,534 |
| Citizens Corps Program | 100569 | 97.053 | 4100045776 | 17,406 | 11,541 |
| Subtotal: Passed-Through PA Emergency Management Agency | | | | 738,871 | 705,741 |
| Passed-Through - City of Harrisburg: | | | | | |
| National US&R Readiness 2011 | 130129 | 97.025 | receipts | 425,098 | 425,098 |
| Subtotal: Passed-Through City of Harrisburg | | | | 425,098 | 425,098 |
| Passed-Through - Southeastern Pa. Regional Taskforce: | | | | | |
| Legislative Pre-Disaster Mitigation Grant | 100624 | 97.047 | PEMA-2010-051 | 113,250 | 50,574 |
| 2008 Homeland Security Grant | 100553 | 97.067 | 4100046541 | 645,000 | 160,523 |
| 2010 Homeland Security Grant | 100635 | 97.067 | 4100056076 | 670,000 | 518,462 |
| Public Health Preparedness Planner | 143183 | 97.067 | Award Agreement - 6/9/11 | 77,500 | 28,781 |
| Subtotal: Passed-Through Southeastern Pa. Regional Taskforce | | | | 1,505,750 | 758,339 |
| Passed-Through- Maritime Exchange for Delaware River & Bay: | | | | | |
| Maritime CBRNE Response - Re-Power Project | 111035 | 97.056 | 2009-PU-TO-K005 | 45,000 | 44,981 |
| Port Security Grant (AMSC) - Equipment - FY11 | 130133 | 97.056 | 2010-PU-TO-K007 | 332,827 | 78,675 |
| Port Security Grant (AMSC) - FY12 | 130134 | 97.056 | 2008-GB-T8-K003 | 978,821 | 612,168 |
| Subtotal: Passed-Through Maritime Exchange for Delaware River & Bay | | | | 1,356,648 | 735,825 |
| Total U.S. Department of Homeland Security: | | | | 34,622,248 | 7,931,780 |
| Total Schedule of Expenditures of Federal Awards: | | | | 1,943,288,095 | 591,715,513 |

The accompanying notes are an integral part of this schedule.

**CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

CONTENTS

| <u>Note</u> | | <u>Page</u> |
|-------------|--|-------------|
| 1 | Basis of Presentation | 31 |
| 2 | Component Units | 31 |
| 3 | Notes to Specific Programs | 32 |
| 4 | Major Programs | 32 |
| 5 | City ID Number | 32 |
| 6 | Governmental Funding Awarded by the City | 33 |

**CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal financial assistance programs of the City of Philadelphia (City). The City’s reporting entity is defined in Note 1 to the City’s annual financial statements. All federal financial assistance received directly by the primary government from federal agencies as well as federal financial assistance passed through other governmental agencies is included on this schedule. Federal financial assistance, if any, relating to the City’s component units is reported separately by other auditors. Except for the programs listed in note 3 A and 3 B below, federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The U.S. Department of Housing and Urban Development has been designated the cognizant agency of the City of Philadelphia’s single audit. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. COMPONENT UNITS

The City of Philadelphia’s annual financial statements include the operations of the following entities and their expenditures of federal awards. Amounts listed include funds provided directly by the federal government and, in some cases, significant funds received first by the City of Philadelphia and passed on to the respective entities. Only funds received first by the city, and then passed on, have been included in the accompanying Schedule of Expenditures of Federal Awards. These entities have had separately performed financial statement audits conducted in accordance with the *U.S. Office of Management and Budget Circular A-133*:

| <u>Entity</u> | <u>Expenditures of Federal Awards</u> |
|---|---------------------------------------|
| School District of Philadelphia | \$ 467,776,410 |
| Community College of Philadelphia | \$ 97,608,913 |
| Redevelopment Authority of the City of Philadelphia | \$ 350,923,050 |
| Philadelphia Authority for Industrial Development | \$ 2,845,345 |

**CITY OF PHILADELPHIA
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

3. NOTES TO SPECIFIC PROGRAMS

The following explanatory notes relate to specific grant programs of the City, as indicated by CFDA Number.

A. HUD Section 108 Loans (14.218) – The Federal Department of Housing and Urban Development (HUD) awards Section 108 Loans to the city for the purposes of Housing and Economic Development. The Housing portion is received by the primary government and disclosed on the Schedule of Expenditures of Federal Awards under CFDA 14.218 (City ID Numbers: 06986, 06SE24). The Economic Development portion is received by the Philadelphia Industrial Development Corporation (PIDC), a quasi-governmental agency. During fiscal year 2012 the city, through PIDC, loaned \$8,325,201.10 (535,652.00 under contract B-97-MC-420012-E; and, \$7,789,549.10 under contract B-08-MC-420012. 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.

B. Department of Homeland Security – Personal Property (97.000): – The city received property and equipment indirectly, under three U.S. Department of Homeland Security (DHS) programs, valued at \$ 2,086,987 during fiscal year 2012. The federal programs providing DHS funding are:

| CFDA | Program | Value |
|-------------|--|--------------|
| 97.008 | Urban Areas Security Initiative | \$ 1,279,702 |
| 97.067 | Homeland Security Grant | 560,577 |
| 97.073 | State Homeland Security Program | 221,055 |
| 97.074 | Law Enforcement Terrorism Prevention Program | 25,653 |

The state is the prime recipient, and the sole procurement agent. The Southeastern Pa. Counter-Terrorism Task Force (Task Force) is the sub-grantee. Property and equipment purchased by the state ultimately becomes the property of the counties included in the Task Force.

4. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor’s Results section of the Schedule of Findings and Questioned Costs.

5. CITY ID NUMBER

Number used by the Grants Accounting and Administration Unit (GAAU) to track grant activity in the City’s accounting system.

**CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

6. GOVERNMENTAL FUNDING AWARDED BY THE CITY

The following table identifies federal funds awarded to the city's subrecipient organizations:

| <u>Source</u> | <u>Program</u> | <u>FY2012 Federal Funding</u> |
|---------------|--|---------------------------------------|
| 10.558 | Child and Adult Care Food Program | \$ 338,323 |
| 14.182 | Lower Income Housing Program | 206,684 |
| 14.218 | Community Development Block Grants/Entitlement Grant | 35,965,668 |
| 14.225 | Community Service Block Grant Discretionary Funds | 15,450 |
| 14.231 | Emergency Shelter Grants Program | 1,873,952 |
| 14.235 | Supportive Housing Program | 1,443,148 |
| 14.238 | Shelter Plus Care | 5,725,092 |
| 14.239 | HOME Investment Partnerships Program | 8,712,672 |
| 14.241 | Housing Opportunities for Persons with AIDS | 9,040,873 |
| 14.246 | Community Development Block Grants/Brownfields Economic Development Initiative | 5,297,000 |
| 14.253 | Community Dev. Block Grant ARRA Entitlement Grants | 3,839,209 |
| 14.256 | ARRA- Neighborhood Stabilization Program 2 | 18,153,134 |
| 14.257 | ARRA -Homelessness Prevention and Rapid Re-Housing Program | 6,622,103 |
| 14.900 | Lead-Based Paint Hazard Control in Privately-Owned Housing | 232,619 |
| 14.901 | ARRA-Healthy Homes Demonstration Grants | 172,169 |
| 14.905 | Lead reduction Demonstration Grant Program | 185,871 |
| 14.913 | Healthy Homes Production Program | 21,846 |
| 16.541 | Part E – Developing, Testing, and Demonstrating Promising New Programs | 500,000 |
| 16.803 | ARRA-Edward Byrne Memorial Justice Assistance Grant Program | 176,734 |
| 20.600 | State and Community Highway Safety | 241,821 |
| 66.001 | Air Pollution Control Program | 206,055 |
| 66.604 | Environmental Justice Small Grant Program | 993 |
| 81.128 | ARRA- Energy Efficiency and Conservation Block Grant | 5,637,432 |
| 84.393 | ARRA-MR Early Intervention | 602,130 |
| 93.103 | Drug and Food Administration Research Grant | 11,875 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 17,257 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 51,634 |
| 93.150 | Projects for Assistance in Transition from Homelessness | 186,489 |
| 93.185 | Immunization Research, Demonstration, Public Information and Education_Training and Clinical Skills Improvement Projects | 194,053 |

**CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| <u>Source</u> | <u>Program</u> | <u>FY2012 Federal Funding</u> |
|---------------|---|---------------------------------------|
| 93.243 | Substance Abuse and Mental Health Services_Projects of Regional Natioanl Significance | 548,328 |
| 93.268 | Immunization Grants | 1,492,173 |
| 93.270 | Adult Virus Hepititas Prevention and Control | 40,540 |
| 93.275 | Substance Abuse and Mental Health Services Access to Recovery | 2,925,550 |
| 93.283 | Center for Disease Control | 1,143,738 |
| 93.507 | Strengthening Public Health Infrastructure | 97,618 |
| 93.521 | Affordable Care Act: Building EPID,Lab and Health Information Systems | 114,800 |
| 93.527 | Affordable Care Act Grants for New and Expanded Services Under The Health Center Programs | 24,290 |
| 93.558 | Temporaty Assistance for Needy Families | 12,589,144 |
| 93.569 | Community Service Block Grant | 854,820 |
| 93.658 | Foster Care Title IV-E | 25,026,545 |
| 93.667 | Social Services Block Grant | 4,902,076 |
| 93.674 | Civil Right Compliance Activities | 1,172,230 |
| 93.712 | ARRA Immunization | 396,021 |
| 93.724 | ARRA-Prevention and Wellnes | 8,637,358 |
| 93.729 | ARRA- Health Information Technology and Public Health | 49,602 |
| 93.778 | Medical Asstance Program | 1,537,730 |
| 93.855 | Allergy , Immunization & Transplantatoin Research | 72,054 |
| 93.914 | HIV Emergency Relief Project | 15,942,135 |
| 93.917 | HIV Care Formula Grants | 2,726,516 |
| 93.918 | Outpatient Early Intervention Services with Respect to HIV | 318,248 |
| 93.926 | Healthy Start Initiative | 2,131,733 |
| 93.940 | HIV Prevention Activities - Health Department Based | 4,882,557 |
| 93.944 | HIV/AIDS Surveillance | 623,214 |
| 93.958 | Block Grants for Community Memtal Health Services | 1,890,376 |
| 93.959 | Block Grants for Prevention & Treatment of Substance Abuse | 11,803,004 |
| 93.977 | Preventive Health Services-Sexually Transmitted Diseases Control Grants | 1,399,456 |
| 93.994 | Maternal and Child Health Services Block Grant | 856,332 |
| | | <hr/> |
| | Total Subrecipient Funding | \$ <u>208,080,098</u> |

**Schedule of Expenditures
of
Pennsylvania Department of
Public Welfare Awards**

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards
July 1, 2011 to June 30, 2012

| <u>Pa. DPW Program</u> | City ID | | | Grant Awards | Grant Expenditures | Federal Cash Received |
|--|------------|--------|-----------------|-----------------|-----------------------|-----------------------------|
| Project Title | Number | CFDA | Contract Number | | | |
| <u>Mental Health/Mental Retardation</u> | | | | | | |
| ARRA - Early Intervention (77875) | 150447 | 84.393 | Award Letter | 666,800 | 666,800 | 666,800 |
| MH - Homeless Grant (70154) | 150415 | 93.150 | Award Letter | 1,073,008 | 1,073,008 | 1,073,008 |
| MH - Intensive Case Mgmt | 150487 | 93.778 | Award Letter | 25,267 | 25,267 | 0 |
| MH - Program Income | 150998 | 00.000 | Program Income | 28,642,525 | 28,642,525 | 0 |
| MH-Behavioral MH SV (10262) | 150419 | 00.000 | Award Letter | 4,239,987 | 4,239,987 | 0 |
| MH-CMHSBG (70167) | 150416 | 93.958 | Award Letter | 2,192,706 | 2,192,706 | 2,192,706 |
| MH-Intensive Case Mgmt (717/956) | 150371 | 93.778 | Award Letter | 28,645 | 0 | 28,645 |
| MH-Jail Diversion & Trauma Rec (70747) | 150448 | 93.243 | Award Letter | 191,099 | 127,871 | 139,000 |
| MH-Program Maintenance (10248) | 150418 | 00.000 | Award Letter | 129,423,708 | 129,423,708 | 0 |
| MH-Specialized Residences (10258) | 150420 | 00.000 | Award Letter | 1,033,338 | 1,033,338 | 0 |
| MH-SSBG (70135) | 150414 | 93.667 | Award Letter | 5,532,136 | 5,532,136 | 5,532,136 |
| MR - Early Intervention (10235) | 150428 | 00.000 | Award Letter | 13,652,880 | 13,400,910 | 0 |
| MR - Program Income | 150999 | 93.778 | Program Income | 11,908,195 | 11,908,195 | 0 |
| MR - TSM Admin Costs (70175) | 150380 | 93.778 | Award Letter | 680,693 | 0 | 332,919 |
| MR - TSM Admin Federal (70175) | 150379 | 93.778 | Award Letter | 2,590,789 | 0 | 814,053 |
| MR - TSM Admin Federal (70175) | 150425 | 93.778 | Award Letter | 1,569,334 | 1,569,334 | 1,569,334 |
| MR - TSM Admin Federal (70175) | 150442 | 93.778 | Award Letter | 680,693 | 680,693 | 364,720 |
| MR - Waiver - EI (70184) | 150424 | 93.778 | Award Letter | 478,452 | 411,851 | 466,508 |
| MR - Waiver -Admin (70175) | 150423 | 93.778 | Award Letter | 7,249,890 | 7,249,890 | 7,249,890 |
| MR-Community Services (10255) | 150426 | 00.000 | Award Letter | 18,308,672 | 18,279,085 | 0 |
| MR-Early Intervention (70170) | 150421 | 84.181 | Award Letter | 1,607,116 | 1,607,116 | 1,607,116 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards
July 1, 2011 to June 30, 2012

| <u>Pa. DPW Program</u> | City ID | | | Grant Awards | Grant Expenditures | Federal Cash Received |
|--|------------|--------|------------------------|--------------------|-----------------------|-----------------------------|
| Project Title | Number | CFDA | Contract Number | | | |
| MR-SSBG (70177) | 150422 | 93.667 | Award Letter | 1,119,613 | 1,119,613 | 1,119,613 |
| MR-TSM Admin Costs (70175) | 150304 | 93.778 | Award Letter | 2,704,475 | 0 | 178,784 |
| MR-Waiver Admin (10255) | 150427 | 00.000 | Award Letter | 7,249,890 | 7,249,890 | 0 |
| Total Mental Health/Mental Retardation: | | | | 242,849,911 | 236,433,923 | 23,335,232 |
| <u>Children and Youth</u> | | | | | | |
| Title IV-E Program Income | 229995 | 93.658 | Child Support SSI | 4,762,680 | 4,130,696 | 4,130,696 |
| Act 148 -YDC Costs | 221279 | 00.000 | Certification Letter | 9,325,312 | 9,325,312 | 9,325,312 |
| Family Preservation Funds - Title XX | 150363 | 93.667 | Award Letter | 605,304 | 24,943 | 24,943 |
| Family Preservation Funds - Title XX | 150411 | 93.667 | Award Letter | 605,304 | 605,304 | 605,304 |
| Temp Asst for Needy Families TANF | 220457 | 93.558 | Certification Letter | 25,310,813 | 0 | 7,290,161 |
| Title IV-E Adoption Assistance | 220449 | 93.659 | Certification Letter | 2,230,159 | 0 | 52,126 |
| Title IV-E Adoption Assistance | 220459 | 93.659 | Certification Letter | 12,541,069 | 0 | 7,647,587 |
| Title IV-E Adoption Assistance-ARRA | 220454 | 93.659 | Certification Letter | 1,466,302 | 0 | 358,413 |
| Title IV-E Foster Care | 220458 | 93.658 | Certification Letter | 79,945,094 | 0 | 48,750,791 |
| Title IV-E Indep Living-Interest | 221213 | 93.674 | Interest Income | 174 | 0 | 174 |
| Title IV-E Independent Living | 221212 | 93.674 | Certification Letter | 1,172,239 | 1,172,230 | 293,058 |
| Title IV-E Medical Assistance | 220450 | 93.778 | Certification Letter | 232,895 | 0 | 96,478 |
| Title IV-E Medical Assistance | 220460 | 93.778 | Certification Letter | 156,729 | 0 | 156,729 |
| Title IV-E Placement Maintenance | 220439 | 93.658 | Certification Letter | 4,999,388 | 0 | 2,781,589 |
| Title IV-E Placement Maintenance | 220448 | 93.658 | Certification Letter | 24,475,725 | 0 | 19,853,484 |
| Child Protective Services | 221201 | 93.667 | Award Lettter 07/22/11 | 2,888,308 | 2,888,308 | 2,888,308 |
| Child Welfare Services - Act 148 | 221279 | 00.000 | Certification Letter | 321,643,005 | 303,846,043 | 0 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards
July 1, 2011 to June 30, 2012

| <u>Pa. DPW Program</u> | City ID | CFDA | Contract Number | Grant Awards | Grant Expenditures | Federal Cash Received |
|--|------------|--------|----------------------|--------------------|-----------------------|-----------------------------|
| Project Title | Number | | | | | |
| Temporary Assistance for Needy Families (TANF | 221280 | 93.558 | Certification Letter | 26,033,804 | 26,033,804 | 11,165,113 |
| Title IV-B | 221284 | 93.645 | Certification Letter | 2,735,197 | 2,735,197 | 2,735,197 |
| Title IV-B State Match | 221285 | 00.000 | Certification Letter | 729,384 | 729,384 | 0 |
| Title IV-E Adoption Assistance | 221282 | 93.659 | Certification Letter | 23,890,904 | 23,890,904 | 10,266,778 |
| Title IV-E Foster Care | 221281 | 93.658 | Certification Letter | 64,628,134 | 64,628,134 | 6,470,791 |
| Title IV-E Medical Assistance | 221283 | 93.778 | Certification Letter | 225,262 | 220,935 | 76,163 |
| Title IV-E SPLC | 221287 | 93.090 | Certification Letter | 6,728,073 | 6,728,073 | 4,103,835 |
| Title IV-E Subsidized Perm Legal Custodianship | 220464 | 93.658 | Certification Letter | 9,438,110 | 0 | 9,438,110 |
| Title IV-E Subsidized Perm Legal Custodianship | 220465 | 93.658 | Certification Letter | 2,343 | 0 | 2,343 |
| Total Children and Youth: | | | | 626,771,711 | 446,959,268 | 148,513,484 |
| <u>Combined Homeless Assistance Program</u> | | | | | | |
| HAP - Administration (F) | 240961 | 93.667 | Award Letter | 136,332 | 136,332 | 136,332 |
| HAP - Bridge Housing (F) | 240960 | 93.667 | Award Letter | 2,583,151 | 2,582,623 | 2,582,623 |
| HAP - Bridge Housing (PENNFREE) | 240962 | 93.959 | Award Letter | 1,251,800 | 1,251,800 | 1,251,800 |
| HAP - Bridge Housing (S) | 240966 | 00.000 | Award Letter | 302,587 | 302,587 | 0 |
| HAP - Case Management (F) | 240959 | 93.667 | Award Letter | 1,463,517 | 1,463,517 | 1,463,517 |
| HAP - Case Management (S) | 240965 | 00.000 | Award Letter | 2,515,242 | 2,515,242 | 0 |
| HAP - Program Income (F) | 240964 | 93.667 | Program Income | 1,102 | 1,102 | 1,102 |
| HAP - Program Income (PENNFREE) | 240963 | 93.959 | Program Income | 1,748 | 1,748 | 84 |
| HAP - Program Income (S) | 240967 | 00.000 | Program Income | 391,011 | 391,011 | |
| Total Combined Homeless Assistance Program: | | | | 8,646,490 | 8,645,962 | 5,435,458 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards
July 1, 2011 to June 30, 2012

| <u>Pa. DPW Program</u> | City ID | | | Grant Awards | Grant Expenditures | Federal Cash Received |
|---|------------|--------|-------------------------|------------------|-----------------------|-----------------------------|
| Project Title | Number | CFDA | Contract Number | | | |
| <u>Human Services Development Fund</u> | | | | | | |
| HSDF - AACO | 143118 | 00.000 | Award Letter 07/12/2011 | 768,955 | 768,955 | 0 |
| HSDF - AHS Translation Service | 143121 | 00.000 | Award Letter 07/12/2011 | 153,764 | 153,764 | 0 |
| HSDF - Case Mgmt Group A | 240969 | 00.000 | Award Letter 07/12/2011 | 387,663 | 387,663 | 0 |
| HSDF - Children & Youth | 221204 | 00.000 | Award Letter 07/12/2011 | 237,487 | 237,487 | 0 |
| HSDF - Financial Administration | 143119 | 00.000 | Award Letter 07/12/2011 | 735,913 | 735,913 | 0 |
| HSDF - Health and Opportunity | 143123 | 00.000 | Award Letter 07/12/2011 | 127,795 | 127,795 | 0 |
| HSDF - Lead Abatement | 143120 | 00.000 | Award Letter 07/12/2011 | 126,108 | 126,108 | 0 |
| HSDF - Program Income | 143124 | 00.000 | Award Letter 07/12/2011 | 1,344 | 1,344 | 0 |
| HSDF - TB | 143174 | 00.000 | Award Letter 07/12/2011 | 89,241 | 89,241 | 0 |
| HSDF - Violence Reduction | 160391 | 00.000 | Award Letter 07/12/2011 | 351,890 | 351,890 | 0 |
| HSDF - Welcome New Families | 143122 | 00.000 | Award Letter 07/12/2011 | 108,651 | 108,651 | 0 |
| HSDF - Youth Access Centers | 160392 | 00.000 | Award Letter 07/12/2011 | 307,314 | 307,314 | 0 |
| Human Services Development Fund | 080294 | 00.000 | Award Letter 07/12/2011 | 97,789 | 97,789 | 0 |
| Total Human Services Development Fund: | | | | 3,493,914 | 3,493,914 | 0 |
| <u>Child Support Enforcement</u> | | | | | | |
| Child Support Enforcement | 690356 | 93.563 | Title IV-D | 1,174,122 | 0 | 178,594 |
| Child Support Enforcement | 690376 | 93.563 | Title IV-D | 1,041,044 | 1,041,044 | 593,603 |
| Child Support Program | 840630 | 93.563 | Title IV-D | 15,754,756 | 0 | 2,713,330 |
| Child Support Program | 840656 | 93.563 | Title IV-D | 20,508,880 | 20,508,880 | 8,992,005 |
| Child Support Program (MOE) | 840399 | 93.563 | Title IV-D | 895,639 | 895,639 | 0 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards
July 1, 2011 to June 30, 2012

| <u>Pa. DPW Program</u> | City ID | | | Grant Awards | Grant Expenditures | Federal Cash Received |
|---|------------|--------|-------------------------|-------------------|-----------------------|-----------------------------|
| Project Title | Number | CFDA | Contract Number | | | |
| Domestic Relations Division (DRD) | 840632 | 00.000 | Settlement Agreement | 7,900,000 | 1,251,683 | 0 |
| Domestic Relations Division (DRD) | 840658 | 00.000 | Title IV-D | 7,900,000 | 3,908,806 | 0 |
| Unallocated IV-D Payments | 840008 | 93.563 | ME 4513321800 | 7,920,818 | 3,056,226 | 4,527,077 |
| Total Child Support Enforcement: | | | | 63,095,259 | 30,662,277 | 17,004,609 |
| <u>Other PaDPW Assistance</u> | | | | | | |
| Act 152 (APP 120) | 150440 | 00.000 | Award Letter | 2,150,418 | 2,150,418 | 0 |
| Act 1992-24 Reimb Lawyer Fees | 840665 | 00.000 | Receipts | 96,143 | 96,143 | 0 |
| Additional SIL Services (State) | 221214 | 00.000 | Award Letter 07/22/2011 | 885,864 | 885,864 | 221,466 |
| AIDS Personal Care Services | 142976 | 00.000 | 4000011457 | 600,000 | 63,734 | 0 |
| AIDS Personal Care Services | 143094 | 00.000 | 4000011457 | 600,000 | 599,994 | 0 |
| AIDS Personal Care Services - F | 143080 | 93.917 | 4000011457 | 513,947 | 0 | 513,947 |
| Assessment & Residential Treatment Services | 150450 | 00.000 | Award Letter | 479,078 | 479,078 | 0 |
| Behavioral Health Services/IGT (173) | 150364 | 00.000 | Award Letter | 9,736,555 | 27 | 0 |
| Behavioral Health Services/IGT (173) | 150412 | 00.000 | Award Letter | 8,321,973 | 8,321,973 | 0 |
| Child Welfare Ed for Leadership - CWEL | 221203 | 00.000 | Agreement | 905,090 | 847,025 | 0 |
| Expand Sexual Abuse Services | 221189 | 00.000 | Award Letter 09/10/10 | 316,040 | 37,045 | 0 |
| Family Finding | 221199 | 00.000 | Award Letter 09/10/10 | 438,703 | 72,612 | 0 |
| Family Grp Decision Making (FGDM) | 221210 | 00.000 | Award Letter 07/22/11 | 1,396,302 | 1,323,661 | 0 |
| Family Grp Decision Making (FGDM) | 221198 | 00.000 | Award Letter 09/10/10 | 2,352,316 | 124,825 | 0 |
| Functional Family Therapy (FFT) | 221209 | 00.000 | Award Letter 07/22/11 | 142,500 | 120,385 | 0 |
| Functional Family Therapy (FFT) | 221197 | 00.000 | Award Letter 09/10/10 | 150,000 | 5,036 | 0 |
| Gambling Addiction Assess & Treat Funds | 150445 | 00.000 | Award Letter | 1,677,724 | 898,876 | 0 |

The accompanying notes are an integral part of this schedule.

City of Philadelphia
Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards
July 1, 2011 to June 30, 2012

| <u>Pa. DPW Program</u> | City ID | | | Grant Awards | Grant Expenditures | Federal Cash Received |
|--|------------|--------|-------------------------|--------------------|-----------------------|-----------------------------|
| Project Title | Number | CFDA | Contract Number | | | |
| Housing Initiative | 221205 | 00.000 | Award Letter 07/22/2011 | 1,297,347 | 1,163,213 | 0 |
| Housing Initiative | 221187 | 00.000 | Award Letter 09/10/10 | 1,138,198 | 175,532 | 0 |
| Integrated Children's Svcs Plan (ICSP) | 150431 | 00.000 | Award Letter | 60,000 | 56,065 | 0 |
| Medicare - Part D - Retirees | 350367 | 93.778 | Receipts | 131,178 | 131,178 | 131,178 |
| MOM Program | 221207 | 00.000 | Award Letter 07/22/11 | 630,000 | 446,326 | 0 |
| MOM Program | 221190 | 00.000 | Award Letter 11/23/10 | 630,000 | 90,220 | 0 |
| Supported Work Prog (Workwise)- F | 080286 | 93.558 | Contract # 4100045783 | 979,796 | 360 | 81,489 |
| Supported Work Prog (Workwise)- F | 080295 | 93.558 | Contract # 4100045783 | 1,043,822 | 251,599 | 252,056 |
| Supported Work Prog (Workwise)- F | 080297 | 93.558 | Contract # 4100045783 | 1,043,822 | 697,915 | 548,759 |
| Supported Work Prog (Workwise)- S | 080287 | 00.000 | Contract # 4100045783 | 531,833 | 16,165 | 0 |
| Supported Work Prog (Workwise)- S | 080298 | 00.000 | Contract # 4100045783 | 251,479 | 79,541 | 0 |
| Time Limited Family Reunification | 221152 | 00.000 | SAP #4100044433 | 1,103,750 | 174,519 | 0 |
| Time Limited Family Reunification (TLFR) | 221277 | 00.000 | SAP #4100057073 | 161,554 | 159,815 | 0 |
| Total Other PaDPW Assistance: | | | | 39,765,432 | 19,469,144 | 1,748,895 |
| Total Schedule of Expenditures of PaDPW Awards: | | | | 984,622,717 | 745,664,488 | 196,037,677 |

The accompanying notes are an integral part of this schedule.

**CITY OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. BASIS OF ACCOUNTING

The modified accrual basis of accounting was used to prepare this schedule. All federal and state financial assistance received from the Pennsylvania Department of Public Welfare is included.

2. DEPARTMENT OF PUBLIC WELFARE MAJOR PROGRAMS

The following represent major programs from the Pennsylvania Department of Public Welfare as defined in their **Single Audit Supplement** :

Children and Youth Program
Combined Homeless Assistance Program

3. GOVERNMENTAL FUNDING AWARDED BY THE CITY

The following table identifies funding received from the Pennsylvania Department of Public Welfare that the city awarded to its subrecipient organizations:

| <u>Source</u> | <u>Program</u> | <u>Funding</u> |
|---|----------------|----------------|
| State - DPW Mental Health/Mental Retardation | | \$ 158,424,826 |
| State - DPW Behavioral Health Services Initiative | | 8,321,973 |
| State - DPW Children and Youth Program | | 222,900,580 |
| State - DPW Combined Homeless Assistance Programs | | 2,357,594 |
| Total Pa. DPW Awards to Subrecipients: | | \$392,004,973 |

INDEPENDENT AUDITOR'S SECTION

Auditor's Reports

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Audit Findings



CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2012, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements and have issued our report thereon dated February 21, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the following entities, as described in our report on the City of Philadelphia, Pennsylvania's financial statements.

Primary Government

Municipal Pension Fund
Philadelphia Gas Works Retirement Reserve Fund
Fairmount Park Commission Departmental and Permanent Funds
Philadelphia Municipal Authority
Pennsylvania Intergovernmental Cooperation Authority

Component Units

Community College of Philadelphia
Delaware River Waterfront Corporation
Philadelphia Parking Authority

Component Units (Continued)
Philadelphia Redevelopment Authority
Community Behavioral Health
Philadelphia Authority for Industrial Development
Philadelphia Gas Works

This report on internal control over financial reporting and compliance and other matters does not include the results of audits performed by other auditors. The financial statements of the Pennsylvania Intergovernmental Cooperation Authority, Delaware River Waterfront Corporation, Philadelphia Parking Authority, and Community Behavioral Health were not audited in accordance with *Government Auditing Standards*.

We have also audited the basic financial statements of the School District of Philadelphia, a component unit of the City of Philadelphia, in accordance with *Government Auditing Standards* and issue a separate report on the School District's internal control over financial reporting and on compliance and other matters.

Internal Control Over Financial Reporting

Management of the City of Philadelphia, Pennsylvania is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Philadelphia, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the combination of deficiencies, which are described in the accompanying Schedule of Findings and Questioned Costs as item 12-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-02 through 12-05 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Philadelphia, Pennsylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other conditions that represent deficiencies in internal control over financial reporting that are listed in the table of contents and described in the accompanying report. We also noted other internal control and compliance deficiencies that, in our professional judgment, require management's attention. These deficiencies will be communicated to management of the City of Philadelphia, Pennsylvania in separate correspondence.

The City of Philadelphia, Pennsylvania's written response to the deficiencies identified in our audit is included as part of this report. We did not audit the city of Philadelphia, Pennsylvania's written responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the City of Philadelphia, Pennsylvania, others within the entity, City Council, federal awarding agencies, pass-through entities, and the Pennsylvania Department of Public Welfare and is not intended to be and should not be used by anyone other than these specified parties.

February 21, 2013


GERALD V. MICCIULLA, CPA
Deputy City Controller



CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE SINGLE AUDIT SUPPLEMENT

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

Compliance

We have audited the City of Philadelphia, Pennsylvania's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Pennsylvania Department of Public Welfare (DPW) Single Audit Supplement* that could have a direct and material effect on each of the City of Philadelphia, Pennsylvania's major federal and DPW programs for the year ended June 30, 2012. The City of Philadelphia, Pennsylvania's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs and major DPW programs are identified in the notes to the Schedule of Expenditures of DPW Awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and DPW programs is the responsibility of the City of Philadelphia, Pennsylvania's management. Our responsibility is to express an opinion on the City of Philadelphia, Pennsylvania's compliance based on our audit.

The City of Philadelphia's basic financial statements include the operations of component units and their respective expenditures of federal awards as described in Note 2 to the Schedule of Expenditures of Federal Awards (Schedule). Only funds received by the City of Philadelphia and passed on to these agencies are included in the Schedule. Our audit, described below, did not include the operations of these component units because they had separate audits performed in accordance with *OMB Circular A-133*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the DPW Single Audit Supplement. Those standards, OMB Circular A-133, and the DPW Single Audit Supplement require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or DPW program occurred. An audit includes examining, on a test basis, evidence about the City of Philadelphia, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Philadelphia, Pennsylvania's compliance with those requirements.

As described in item 12-06 in the accompanying schedule of findings and questioned costs, the City of Philadelphia did not comply with the requirements regarding subrecipient monitoring that are applicable to its CDBG/Brownsfields Economic Development Initiative. Compliance with such requirements is necessary, in our opinion, for the City of Philadelphia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Philadelphia, Pennsylvania complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and DPW programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the DPW Single Audit Supplement and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-07 and 12-09 through 12-15.

Internal Control Over Compliance

Management of the City of Philadelphia, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and DPW programs. In planning and performing our audit, we considered the City of Philadelphia, Pennsylvania's internal control over compliance with the requirements that could have a direct and material effect on a major federal or DPW program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or DPW program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal or DPW program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 12-06 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or DPW program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 12-08 and 12-09 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 21, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City of Philadelphia's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

The City of Philadelphia, Pennsylvania's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Philadelphia, Pennsylvania's responses and, accordingly, we express no opinion on the responses

**CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER**

This report is intended solely for the information and use of the management of the City of Philadelphia, Pennsylvania, others within the entity, City Council, federal awarding agencies, pass-through entities, and the Pennsylvania Department of Public Welfare and is not intended to be and should not be used by anyone other than these specified parties.

October 29, 2013


GERALD V. MICCIULLA, CPA
Deputy City Controller

**Schedule of Findings
And Questioned Costs**

Section I – Summary of Auditor’s Results:

Financial Statements:

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)?
 yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified not considered to be material weakness(es)?
 yes none reported

Type of auditor’s report issued on compliance for major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) yes no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.688 | Recovery Act of 2009: Wildlife Fire Management (ARRA) |
| 11.557 | Broadband Technology Opportunities Program (ARRA) |
| 14.218 | Community Development Block Grant |
| 14.238 | Shelter Plus Care Grant |
| 14.246 | CDBG/ Brownfields Economic Development Initiative |
| 14.253 | ARRA – Community Development Block Grant |
| 14.256 | Neighborhood Stabilization Program 2 (ARRA) |
| 14.257 | Homeless Prevention and Rapid Re-Housing (ARRA) |
| 16.710 | Public Safety Partnership and Community Policing Grants (ARRA) |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program |
| 16.803 | Edward Byrne Memorial Justice Assistance Grant (JAG) Program – Grants to States and Territories (ARRA) |
| 16.804 | Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (ARRA) |
| 20.205 | Highway Planning and Construction |
| 20.205 | Highway Planning and Construction (ARRA) |
| 81.128 | Energy Efficiency and Conservation Block Grant Program (ARRA) |
| 93.275 | Substance Abuse and Mental Health Services – Access to Recovery |
| 93.558 | Temporary Assistance for Needy Families |

Section I – Summary of Auditor’s Results (continued):

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 93.658 | Foster Care _ Title IV-E |
| 93.658 | Foster Care _ Title IV-E (ARRA) |
| 93.659 | Adoption Assistance |
| 93.659 | Adoption Assistance (ARRA) |
| 93.667 | Social Services Block Grant |
| 93.724 | ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement |
| 97.117 | TSA Airport Checked Baggage Inspection System Program- ARRA |

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ___ yes x no

| <u>Finding</u> <u>No.</u> | | <u>Page</u> | <u>Questioned</u> <u>Cost</u> |
|---|---|-------------|----------------------------------|
| <u>Section II - Financial Audit Material Weakness:</u> | | | |
| 12-01. | Inadequate Oversight Over the Financial Reporting Process | 56 | |
| <u>Section III - Financial Audit Significant Deficiencies:</u> | | | |
| 12-02. | Capital Asset Deficiencies | 63 | |
| 12-03. | Segregation of Duties Not Enforced for Automated Payroll Time Cards | 65 | |
| 12-04. | Water Customer Account Balances Could Be Inappropriately Reduced | 66 | |
| 12-05. | Standard Accounting Procedures Need to Be Updated | 67 | |
| <u>Section IV – Federal and PA Department of Public Welfare Findings and Questioned Costs</u> | | | |
| 12-06. | Subrecipient Monitoring CDBG / Brownfields Economic Development Initiative – CFDA #14.246 | 68 | \$5,000,000 |
| 12-07. | Reporting Community Development Block Grant – CFDA #14.218 | 70 | |
| 12-08. | Subrecipient Monitoring ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) – Program/Grants to Units of Local Government (ARRA) – Mural Restoration Crew – CFDA #16.804 | 71 | |
| 12-09. | Subrecipient Monitoring ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256 | 73 | |
| 12-10. | Reporting ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256 | 75 | |

| <u>Finding</u> <u>No.</u> | | <u>Page</u> | <u>Questioned</u> <u>Cost</u> |
|---|---|-------------|-----------------------------------|
| <u>Section IV – Federal and PA Department of Public Welfare</u> <u>Findings and Questioned Costs (continued)</u> | | | |
| 12-11. | Reporting ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256 | 77 | |
| 12-12. | Special Tests Shelter Plus Care – CFDA #14.238 | 79 | |
| 12-13. | Allowable Costs/Cost Principles Substance Abuse & Mental Health Services – Access to Recovery – CFDA #93.275 | 81 | \$ 184,464 |
| 12-14. | Allowable Costs/Cost Principles Children & Youth Program Placement Maintenance Title IV-E – CFDA #93.658 Adoption Assistance – CFDA #93.659 Act 148 – Pennsylvania Department of Public Welfare | 83 | \$68,623 \$10,998 \$431,114 |
| 12-15. | Allowable Costs/Cost Principles Homeless Prevention and Rapid Re-Housing – CFDA #14.257 | 86 | \$ 6,161 |

12-01. INADEQUATE OVERSIGHT OVER THE FINANCIAL REPORTING PROCESS

Philadelphia’s Home Rule Charter places responsibility for the City of Philadelphia’s (city) accounting and financial reporting functions with the Office of the Director of Finance (Finance Office). In that capacity, the Finance Office prepares the city’s Comprehensive Annual Financial Report (CAFR), as well as the Statement of Financial Assistance (SFA).¹ To complete these tasks, Finance Office accountants collect, analyze, and summarize enormous amounts of financial data and grant data, as well as other information obtained from the city’s accounting system, numerous city agencies, and assorted quasi-government units, such as the Philadelphia Gas Works and the Philadelphia Redevelopment Authority.² Our current audit again disclosed a number of conditions, which collectively we consider to be a material weakness, that impede the ability of accountants to prepare a timely, accurate, and completed CAFR without significant adjustments recommended by the City Controller’s audit staff. More specifically, we observed that:

- staff turnover and reductions in the number of Finance Office accountants compromised timely and accurate preparation of the CAFR and SFA;
- written procedures for determining year-end receivable balances reported in the CAFR were not developed;
- review procedures over the preparation of financial statements pertaining to the city's Water and Sewer Fund were inadequate;
- preparation of the CAFR by Finance Office accountants was hampered because financial reports for some component units were not received timely; and
- some city agencies again provided inaccurate year-end balances for bank accounts under their custody to Finance Office accountants, creating the need for significant adjustments to the draft financial statements.

Each of these conditions is discussed in more detail below.

Staff Turnover and Reductions Compromised CAFR and SFA Preparation Processes

Over the last several years, we have commented that continual staff reductions have made the task of preparing the CAFR more difficult to complete, and compromised the ability of Finance Office accountants to perform adequate reviews and approvals of the financial statements and related footnote disclosures. The few accountants available to prepare the CAFR caused Finance Office accounting managers to prepare significant sections of the financial report, and as such, there was no independent review of their work. This increased the risk that errors could occur and not be timely discovered and corrected, as well as delayed the reporting process.

¹ The Accounting Bureau within the Finance Office is the unit responsible for preparation of the CAFR, while the Grant Account and Administration Unit is responsible for preparation of the SFA.

² These quasi-government units are considered component units for purposes of the city’s CAFR.

We noted that the conditions cited in the past regarding preparation of the CAFR had slightly improved during the current audit. For instance, management no longer prepared significant portions of the CAFR itself, and individual accountants were assigned specific preparation tasks. In spite of these improvements, our audit work led to proposing \$241.3 million in adjustments to correct the draft financial statements. These adjustments occurred because the Finance Office lacked adequate staff to timely identify all errors in the draft financial statements presented to us for audit.

To improve timely preparation of the CAFR, staff changes were implemented to the detriment of preparing the SFA. For instance, one key position responsible for supervising the grant accounting function, has been vacant since June 2010, and was recently eliminated from the budget of the Finance Office. In our opinion, this condition precluded the Finance Office from completing essential reconciliation tasks necessary to minimize the risk of errors affecting the accuracy of the SFA and has impeded its ability to comply with federal grant reporting requirements.

Since fiscal year 2000, the number of Finance Office accountants has declined by nearly 30 percent. While in fiscal year 2000 there were 64 full-time staff, at the end of fiscal year 2012 the number had dropped to 45. Moreover, two key employees have anticipated retirement dates within the next two years. In our opinion, these staff reductions, if not rectified, will continue to negatively impact the timely and accurate preparation of required financial reports.

To ensure an accurate, complete, and timely prepared CAFR and SFA, we recommend that Finance Office management either consider hiring more accountants, or invest in new information technology that will reduce the current labor-intensive procedures needed to prepare the city's financial reports.

City's Response:

As stated previously, the Accounting Bureau (Accounting) is committed to producing a well-prepared CAFR that is accurate and properly reviewed. We anticipate that Accounting will be fully staffed by mid-summer with the filling of the one remaining Accountant vacancy. As with other City departments, including the City Controller's Office, Accounting has suffered the loss of employees who spent years acquiring the technical knowledge needed to accomplish Accounting's mission. To address this issue, Accounting will continue to train all Accounting personnel, staff and supervisors alike, with the goal of preparing an accurate and complete CAFR. We anticipate an improved CAFR in future fiscal years as the staff becomes more experienced, additional training is provided, and internal improvements are made.

Lack of Written Procedures Contributed to Misstatements of Year-End Receivables

The Department of Revenue (Revenue Department) is responsible for the accurate accounting of city receivables, as well as estimating amounts deemed uncollectible at year-end, for inclusion in the city's CAFR. Additionally, the Revenue Department is also responsible for overseeing all collection of monies due, regardless of where the revenue collection takes place.³

³ The Philadelphia Home Rule Charter, Sections 6-200, 6-201, 6-204.

In prior reports, we have commented on a need for stronger control procedures over the reporting of year-end receivables by the Revenue Department. We previously found misstatements of taxes and other accounts receivable, as well as discrepancies in estimating the uncollectible portion of receivable balances. Our current year audit revealed that while the Revenue Department made some improvement, major deficiencies still existed, again impeding the accuracy of reported amounts.

During fiscal year 2012, the Revenue Department continued to miscalculate the write-off and the allowance for doubtful accounts associated with taxes receivable. We observed that accountants did not use the proper aging report to calculate receivable write-offs for CAFR purposes. Moreover, the estimated uncollectible rates applied to the outstanding taxes due were inconsistent with established methodology. We found too that there was an inadequate review of taxes receivable, primarily caused by a change in supervisory personnel. Consequently, taxes receivable was overstated by \$48 million and required us to propose adjustments to correct.

Additionally, the Revenue Department did not review for reasonableness, accuracy, and consistency, agency accounts receivable and the related estimated uncollectible amounts, as prepared by other city departments. Account balances submitted to the Finance Office for inclusion in the draft financial statements, presented materially inflated receivable amounts, understated write-offs, and \$22 million in misclassified fees. While the Revenue Department attempted to resolve some of the errors, it nevertheless, delegated its responsibility for the management and recordkeeping of agency receivables to the departments collecting the revenue. Because of the numerous errors, adjustments had to be made to the draft financial statements.

Subsequent to our audit we were informed that the Revenue Department began developing written procedures to guide city accountants in the accurate determination of all year-end receivable balances. We will review these procedures during future audits to determine their adequacy. It should also be noted that the Revenue Department accountant responsible for preparing the year-end balances has recently left the department. Therefore, finalizing these procedures is imperative for the smooth and effective transition of these responsibilities to a new employee.

To ensure accurate and consistent CAFR reporting, we continue to recommend that the Revenue Department:

- Develop detailed written procedures to guide their accountants on: accurately establishing year-end receivable balances; performing an independent review of related activity; and annually updating the estimated basis for determining uncollectible tax and other accounts receivable amounts.
- Provide adequate training to employees performing new duties.
- Meet with accountants in other departments, especially those departments generating significant revenue, to ensure that the collection and recordkeeping of those revenues, and the calculation of year-end receivables, are accurately managed and reported in the city's CAFR.

City's Response:

We appreciate your acknowledgement that the process has improved. The Revenue Department is currently developing standard procedures that should address the concerns raised by the audit. Department staff will be trained and the procedures will be shared with other Departments who have employees engaged in the process. Additionally, as recommended, Revenue Accounting Division will ensure independent reviews of the year-end receivable activity and annually update the basis for determining uncollectible accounts receivable amounts.

Water and Sewer Fund Financial Statements Lacked Proper Review

Finance Office accountants rely on the Philadelphia Water Department (PWD) to prepare the full accrual financial statements of the Water and Sewer Fund. Since our fiscal year 2005 report, we have commented on deficiencies in the review process for financial statements of the Water and Sewer Fund. We had observed that PWD accountants could not provide evidence of review procedures in the process to ensure the financial statements being prepared and submitted by them to the Finance Office were accurate. We had suggested including a checklist, signed by a responsible PWD official, which would accompany the financial statements. This checklist would attest that the statements had been reviewed and approved, and that to the best of the reviewer's knowledge, were complete and free from material misstatement.

During the current audit, as with the past one, PWD accountants provided us a blank copy of the checklist. PWD management informed us that the checklist had not been utilized in preparing the statements. Consequently, we believe this may have contributed to PWD accountants failing to notify the Finance Office that the city's books of accounts (FAMIS)⁴ did not appropriately reflect Water and Sewer Fund receivable balances at June 30, 2012. As of January 2013, FAMIS still showed balances that were reflective of conditions at the end of the previous fiscal year. Receivables totaling \$28 million and the related estimated uncollectible allowance of \$10.8 million had not been recorded in FAMIS until we brought them to the attention of Finance Office accountants. The checklist that should be used by PWD accountants requires them to compare those receivable balances presented in their financial statements to FAMIS. We believe that had they used the checklist accountants would have spotted the discrepancy and appropriately notified Finance Office accountants to update FAMIS.

We continue to suggest that PWD management perform the specific procedures included in its checklist. The checklist should be submitted to the Finance Office with the Water and Sewer Fund financial statements, and include on it management's assertion that the statements have been independently reviewed and approved and that to the best of the reviewer's knowledge, are complete and free from material misstatements. Moreover, we also continue to recommend that PWD accountants review and approve the Water and Sewer Fund presentation in the draft financial statements for accuracy and completeness.

⁴ Financial Accounting and Management Information System.

City's Response:

Accounting and PWD work closely together to prepare the Water Fund financial statements and will continue to do so. Accounting will schedule a meeting with management of the PWD to discuss improvements to both financial statement reporting and capital asset reporting (discussed later in your report).

Late Receipt of Component Unit Financial Reports Still Hampered Preparation and Audit of CAFR

For several years, we have commented about the late submission of financial reports by some of the city's component units. These late submissions have resulted in delays in timely completing the financial reporting and auditing processes for the city's CAFR. This condition had not improved for fiscal year 2012. As portrayed in Table 1 below, eight of the city's ten component units did not submit their reports by the due dates requested by Finance Office accountants.

Table 1: Late Submission of Component Unit Financial Reports

| COMPONENT UNIT | DUE DATE | DATE RECEIVED | DAYS LATE |
|--|------------|---------------|-----------|
| Community Behavioral Health | 5/31/2012 | 6/20/2012 | 20 |
| Community College of Philadelphia | 9/14/2012 | 10/02/2012 | 18 |
| Delaware River Waterfront Corporation | 9/14/2012 | 12/05/2012 | 82 |
| Pennsylvania Intergovernmental Cooperation Authority | 9/14/2012 | 11/28/2012 | 75 |
| Philadelphia Authority for Industrial Development | 5/31/2012 | 10/02/2012 | 124 |
| Philadelphia Municipal Authority | 9/14/2012 | 12/14/2012 | 91 |
| Philadelphia Redevelopment Authority | 9/14/2012 | 12/29/2012 | 106 |
| School District of Philadelphia | 12/07/2012 | 2/11/2013 | 66 |

Note: The Philadelphia Gas Works and the Philadelphia Parking Authority submitted their financial reports timely.

Source: Prepared by the Office of the City Controller

The number of days late ranged from 18 to 124, with the Philadelphia Authority for Industrial Development being the most egregious. Failure to receive component unit financial statements on time increases the chances for errors or omissions as accountants must make significant changes to the draft financial statements and footnote disclosures each time a component unit's financial information is added to the report. Moreover, additional time is required for the audit process as each series of changes requires considerable audit time to ensure that accountants have correctly changed previously audited amounts and footnotes.

In an attempt to provide more timely information, some component units submitted draft versions of their financial statements. However, this practice was not always helpful when the final set of statements had been adjusted.

We again recommend that early in the CAFR preparation process, Finance Office accountants solicit the assistance of the mayor and / or other administrative officials, to secure the cooperation of all component unit management in the timely submission of their respective final financial reports to the city's Finance Office.

City's Response:

We agree that the timely submission of all component unit reports is critical to the timely issuance and accuracy of the City's CAFR. Accounting communicates the required timelines to the component units and emphasizes the importance of timely submissions. In an effort to impress upon the component units the need for timely reporting, Accounting is planning to meet with management of a number of the component units to address previous audit deficiencies and open discussions to facilitate more timely submission of audits.

Certain City Agencies Inaccurately Reported Their Year-End Custodial Account Balances

For the past several years, we have commented that cash balances reported for the departmental custodial (agency fund) accounts were incomplete and inaccurate. City departments failed to provide Finance Office accountants with required year-end cash balances, and the accountants often did not follow-up or perform the necessary level of review to properly and accurately report these accounts in the draft financial statements.

Our current year work disclosed that errors involving the custodial accounts continued to occur. Accountants in the Finance Office could not provide us with documentation supporting the June 30th book balance for twelve of the accounts. They also incorrectly reported the year-end balances for sixteen accounts and omitted two other accounts entirely. Additionally, we observed \$9.7 million of investments misclassified as cash in the draft financial statements. While some of these errors can be attributed to the lack of documentation from habitually late departments, in some instances accountants neglected to perform an adequate follow-up and review of the cash balances reported. Consequently, a \$15.6 million adjustment had to be made to correct the draft financial statements.

Standard Accounting Procedure (SAP) 7.1.3.b requires city agencies to prepare and submit monthly bank reconciliations to the city's Finance Office. Accountants in that office are responsible for reviewing the reconciliations, verifying their accuracy, and determining consistency with the previous month's submission. Finance Office accountants are also responsible for the accumulation of custodial account activity and its accurate presentation in the CAFR. Finally, to keep the Finance Office abreast of changes in the city's cash accounts, SAP 4.1.1.g requires departments and agencies to request approval from the director of finance before opening a new bank account.

To improve the reporting process over custodial accounts, we continue to recommend that the Finance Office:

- Instruct city departments and agencies to prepare and submit monthly custodial bank account reconciliations to its Accounting Bureau. The Finance Office should develop and implement procedures to ensure that each month there is a concerted follow-up effort by its accountants to obtain the required reconciliations.
- Remind city departments and agencies to report all custodial bank accounts and follow the proper procedures for the establishment of new bank accounts in accordance with the SAP 4.1.1.g.

- Perform an adequate review to ensure that all custodial accounts are properly accounted for in the city's CAFR.

City's Response:

We agree that the preparation and submission of custodial bank account reconciliations from all City agencies is critical to the timely issuance and accuracy of the City's CAFR. The Accounting staff has made a significant effort to obtain reconciliations for all custody accounts. They will continue to request that departments submit timely bank reconciliations and make additional efforts to ensure adequate review by staff and supervisors. To date in fiscal year 2013, Accounting has received bank reconciliations for all departments, except for one. Accounting staff will initiate discussion, and meet with that department, to attempt to resolve the issue for fiscal 2013.

12-02. CAPITAL ASSET DEFICIENCIES

The Philadelphia Home Rule Charter requires management to maintain current and comprehensive records of all real property belonging to the city; however, as we have noted in prior reports, the city does not have a comprehensive capital asset management system. We have previously emphasized the need for a comprehensive capital asset system to better manage and account for real property assets. In response, management has asserted that although it would be advantageous to have a comprehensive capital asset system, resources have not been identified to initially fund and continually maintain such a system.

Lack of a Comprehensive Capital Asset System Hampered Reporting Process

We again noted that accountants maintained several Lotus 1-2-3 and Microsoft Excel spreadsheet files to accumulate the cost of capital assets and work in progress, and to compute, as well as account for, depreciation reported in the CAFR. The use of multiple files creates an onerous process that can affect the accuracy and completeness of amounts reported in the CAFR and causes additional audit effort. For instance, our current year audit detected a \$5.8 million accumulated depreciation error that occurred because of a discrepancy between the above mentioned multiple files.

A comprehensive capital asset system could provide the city with detailed asset information that would eliminate labor-intensive recordkeeping duties and, in our opinion, improve efficiency in accounting for these assets. Additionally, we believe such a system could facilitate the annual depreciation expense calculation and aid in preventing or detecting errors in a more timely manner.

Real Property Assets Were Not Subject to Physical Inventory

With the exception of the Philadelphia Water Department and the Division of Aviation, which both periodically check the physical existence and condition of their real property assets, our current year audit work again disclosed no evidence that the city's other real property assets have been recently inventoried.

SAP E-7201, specifies that the Procurement Department shall physically inspect all city-owned real property on a cycle basis and check against the inventory listing to determine actual existence, condition and propriety of use. In addition, the Government Finance Officers Association (GFOA) recommends that governments periodically inventory tangible capital assets, so that all assets are accounted for, at least on a test basis, no less often than once every five years. It also recommends governments periodically inventory the physical condition of all existing capital assets so that the listing of all assets and their condition is kept current. The GFOA suggests that a "plain language" report on the condition of the government's capital assets be prepared, and that this report be made available to elected officials and the general public every one to three years.

To improve the accounting and reporting of the city's capital assets, we continue to recommend that management:

- Design or purchase a computerized capital asset management system that will provide accurate and useful information such as the book value and related depreciation for each city owned asset.
- Periodically take physical inventories of all real property assets, ascertain their condition and use, and ensure that related records are timely and appropriately updated to reflect the results of this effort.
- Develop and provide a plain language report on the condition of capital assets for the use of elected officials every three years. This report should also be made available to the general public.

City's Response:

We agree that it would be beneficial for the City to have a capital asset system. Unfortunately, resources have not been identified to fund either the system or the ongoing operating costs of staff that may be required to maintain the system, including maintaining accurate cost history records, accurate depreciation history, and providing a detailed inventory of the major systems in all of the buildings that the City owns. In the meantime, the current system will continue to be used. It should be noted that the current methodology used by Accounting provides financial information that is accurate and auditable, even though it does not provide the level of detail that a capital asset system might provide. Further, we agree there is no formalized written process to document that a physical inventory is occurring and no one system/report where all of the data on property conditions is stored. However, we continue to believe that a physical inventory of assets is being conducted as a matter of course by the departments and that information is the basis for their capital and maintenance budget needs.

**12-03. SEGREGATION OF DUTIES NOT ENFORCED FOR AUTOMATED
PAYROLL TIME RECORDS**

In our previous report, we commented that the same individual either performed data entry and reviewed the payroll time records or completed both the supervisory review and executive level approval. Effective control procedures require that the duties of data entry, reviewing and approving payroll time records be performed by separate employees.

Our current audit of 66 randomly selected payroll transactions, revealed nine instances (14%) in which on-line payroll expenditures were improperly approved because the same employees performed multiple functions. Consequently, there is an increased risk of error or fraud occurring without being detected during the normal course of employees performing their assigned functions.

More specific to the point, the current on-line payroll system allows an individual authorized to perform the supervisory review or executive approval, to also perform data entry to the payroll time records. Additionally, an individual with an executive level approval may also perform the supervisory review.

During discussion of our concerns with Finance Office accountants, they agreed that duty segregation of the above payroll functions is both necessary and important. Accountants indicated they would remind city agencies to maintain adequate separation of duties. They also stated that the city is in the process of modernizing its administrative systems, including human resources and payroll and planned to review these type of control procedures for implementation as part of the project.

We recommend that the city's Finance Office remind city agencies of the importance of maintaining adequate segregation of duties for completing data entry, reviewing, and approving payroll each pay period. Additionally, we suggest the Finance Office ensure that any new system is designed to prevent one individual from performing two or more conflicting duties.

City's Response:

The security in the payroll systems lets a user with a higher level do the work at their level as well as the levels below them. In certain departments there may only be a few people who do payroll and if there is someone on vacation or out for any other reason, a supervisor may be called upon to enter information and then approve it. We do agree that segregation of duties is an important internal control feature, and Accounting will again remind the departments about the importance of good internal controls. As you know, the City is embarking on a process to modernize its administrative systems, including HR and payroll. These types of control features will be reviewed for implementation as part of that project.

**12-04. WATER CUSTOMER ACCOUNT BALANCES COULD BE
INAPPROPRIATELY REDUCED**

During fiscal year 2012, users⁵ of the city’s water billing system, BASIS2, still had the ability to make inappropriate credit adjustments to customer accounts and escape detection. Despite restrictions on the amount of the credit - \$200 to \$75,000 up to each user’s limit per billing cycle or month - users could make unauthorized adjustments without detection because the \$200 lower limit of the restriction exceeded the average \$75 customer monthly bill. So a motivated system user, having the right opportunity and rationalization, could routinely adjust water accounts each month. And since an electronic authorization path for supervisory approval of adjustments has not been implemented in the BASIS2 system, errors or irregularities could occur without detection.

We have previously brought these matters to management’s attention in prior audit reports. To mitigate the above system deficiencies, Revenue Department management responded that it would create monthly and quarterly reports, by system user name, of all accounts adjusted more than once. These activity reports would be reviewed for any improprieties. Despite its intentions, the Revenue Department did not begin generating the reports until April 2013. Moreover, no one examined the reports as was planned, rendering them ineffective. Because the reports were created so late in the fiscal year and not reviewed, we are again commenting about the observed deficiencies in the water billing system. We will determine the status of the situation during next year’s audit.

We again recommend that Revenue Department management continue its efforts to improve procedures over credit adjustments in the BASIS2 billing system.

City’s Response:

WRB has worked diligently to identify and correct weaknesses in the Basis2 system. As referenced in your report, systems enhancements were implemented in 2010 to restrict limits (per individual and per level of supervisory responsibility) on credit adjustments that can be made on an account. In addition, the system includes an “audit trail feature” that lists the names of each user that performs an adjustment. This serves as a deterrent to improper credit adjustments and allows supervisors/management to identify who makes any particular adjustment. As an additional measure, the system generates an adjustment transaction report that is reviewed daily for discrepancies and to ensure that all transactions conducted are proper and reasonable. Again, as your report references, WRB is committed to develop an additional report, sorted by system user, of all accounts that have been adjusted more than once by the same system user and to review that report on a quarterly basis. Although not complete for the period of your audit (FY12), WRB has since successfully generated that report. A review of that report revealed no errors or irregularities.

⁵ Users are defined by employee title and authorization level.

12-05. STANDARD ACCOUNTING PROCEDURES NEED TO BE UPDATED

The Philadelphia Home Rule Charter requires the city's Finance Office to establish, maintain, and supervise an accounting system which provides adequate safeguards over the city's finances.⁶ To this end, the Finance Office has established over 200 SAPs, which are intended to provide city departments and agencies with guidance on how to handle various accounting related activity, including proper procedures for ensuring the accuracy of transactions and the safekeeping of assets. The problem with the existing set of SAPs is that nearly 50 percent of them are over a half-century old. Many of them do not mirror current technology or the existing day-to-day practices in use by city departments and agencies.

Over the past 10 years we have commented repeatedly about the need to update these procedures to three separate Finance Directors. Yet, in that time, the Finance Office has only updated two SAPs. None of the directors have placed priority on revising them. Time and time again, throughout the decade, the directors have indicated that a review would be conducted when *time and personnel* permit. Unfortunately, the Controller's Office is now in its 11th year of reporting this condition and the Finance Office has yet to take action.

In our opinion, the SAPs are essential to ensuring that transactions are processed correctly and that city department and agency heads adequately safeguard the assets entrusted to them. Additionally, we believe that on-going review, evaluation, and update of the accounting procedures is essential to maintaining consistency among the 43 different departments and agencies accounting for transactions daily throughout the fiscal year.

We continue to recommend that the Finance Office carry out a thorough review of its SAPs. Procedures need to be technically accurate and understandable to all employees and must be compliant with current rules and regulations. SAPs that are no longer pertinent should be rescinded. Those that are out-of-date should be revised to reflect the automated processes and the practices in use today. Once this initial update is completed, the Finance Office should develop a schedule for periodically updating SAPs on a regular basis in the future.

City's Response:

We agree that a comprehensive review and update of the procedures should be conducted on a regular basis, but have limited staffing capacity to do this. On a limited basis, and to ensure that we are in compliance with any changes in accounting regulations, these procedures are updated. Your staff is aware that we recently used the services of an intern to convert all of the SAPs from PDF file format to Word documents so that revisions can be made more easily. This is the first step in a process to update the procedures. We are committed to developing an implementation plan to update and maintain current standard accounting procedures.

⁶ City Charter Section 6-101, Accounts.

12-06. SUBRECIPIENT MONITORING

CDBG/Brownfields Economic Development Initiative (BEDI) – CFDA #14.246

| | |
|-----------------------|---|
| <u>Condition</u> | <p>The city’s Commerce Department could not provide evidence that it adequately monitored BEDI grants passed through to the Philadelphia Industrial Development Corporation (PIDC). Commerce did not request or receive support for the grant expenditures disbursed by PIDC, nor was file documentation located in support of the acquisition and construction costs funded by the grant proceeds made available for review. The city’s expenditure documentation indicated that fiscal year 2012 disbursements represented advances to PIDC whereas the grant terms and conditions specified that all grant funding was to be on a cost reimbursement basis.</p> <p>We subsequently obtained PIDC’s single audit report which reported grant expenditures as of a different subsequent reporting period than the city’s SEFA. PIDC’s SEFA indicated that the grant award had not been fully expended as of December 31, 2012.</p> |
| <u>Criteria</u> | <p>OMB Circular A-133, Section 400 (d) subsection (3) requires the federal award pass through entity to monitor the activities of its subrecipients to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.</p> |
| <u>Cause</u> | <p>Documentation in support of monitoring activities during the award period was not obtained due to the city’s long standing and close relationship with PIDC management.</p> |
| <u>Effect</u> | <p>The lack of monitoring documentation combined with the sub-grantee’s different fiscal year end date resulted in an inability to determine the status of the funding provided to the sub-grantee for financial reporting purposes. Accordingly, the known amount of grantee expenditures from the \$5 million award was undetermined at fiscal year-end. This amount represents questioned costs for the BEDI program.</p> <p>Further, the city’s lack of monitoring over the BEDI grant activity could result in substandard program performance, and may mask the misuse of grant funding.</p> |
| <u>Recommendation</u> | <p>City management should implement procedures for monitoring subrecipients of federal awards during the award period by scheduling assignments on a timely basis to ensure that</p> |

12-06. SUBRECIPIENT MONITORING

CDBG/Brownfields Economic Development Initiative (BEDI) – CFDA #14.246

subrecipients are contacted and program activities are reviewed on a periodic basis. Those assignments should be logged to ensure that periodic performance evaluations are documented. Further, the city's disbursement of grant funds should be adequately supported to document compliance with grant requirements that allowable costs are incurred and billed for reimbursement.

Grantee's Response

While the Department of Commerce acknowledges that copies of support for expenditures were not kept physically in the files at its offices, the BEDI grant is part of the Loan Package for a large development project. The Department of Commerce disburses funds to PIDC in anticipation of settlement. PIDC goes to settlement on the loan and then makes disbursements to the loan client based on the expenditures of the project. For some of the loan settlements it is required that all funds go into an investment account to be disbursed as the project requires. Commerce signs off on the loan before the settlement date and has the copies of these approvals in our files. Commerce relies on PIDC to maintain the actual loan disbursement documentation as part of the procedures.

In the future the Department of Commerce will monitor PIDC on a quarterly basis, reviewing the files for loan disbursements made during that quarter, to ensure that the funds are being expended for eligible and allowable costs and that projects are on track and satisfactory completed. All such monitoring will be documented and maintained in the Commerce Department's files. In addition, Commerce, OHCD and PIDC hold quarterly meetings where open loans funded with CDBG funds are discussed. HUD108 and BEDI funded ongoing projects will be included in these discussions.

Contact Person

Yvonne A. Boye-Agyeman, Director of Grants and Contract Administration

12-07. REPORTING

Community Development Block Grant – CFDA #14.218

- Condition: The Office of Housing and Community Development (OHCD) did not comply with the reporting requirements set forth in the Federal Funding Accountability and Transparency Act (FFATA) for grants to subrecipients awarded after October 1, 2010. OHCD subgranted over \$33.4 million dollars during fiscal year 2012 from the Community Development Block Grant (CDBG).
- Criteria: The FFATA requires grant recipients to report information about grant expenditures including the entities identification on the federal government’s website, USAspending.gov. The required information applies to non-ARRA grants awarded after October 1, 2010 with expenditures exceeding \$25,000.
- Cause: OHCD indicated that although it was initially unaware of the reporting requirement, its efforts to enter the information required by the FFATA have been frustrated by the inability to enter data into the website. The General Services Administration has informed OHCD that the problem is due to the grantor’s failure to establish the prime CDBG award on the website.
- Effect: The required information for forty-one subrecipient agencies was not reported and disclosed to the public on USAspending.gov.
- Recommendation: We recommend that OHCD continue to interface with the grantor agency and implement procedures to ensure the proper reporting of required information on all qualifying expenditures through the federal government’s website, USAspending.gov.
- Grantee Response: HUD was not aware of the FFATA requirement and did not advise OHCD of the reporting requirement. OHCD has all the required information and is waiting for HUD to enter the prime grant award into the USA spending website. OHCD will continue to work with HUD to enter the required information.
- Contact Person: Wayne Stokes, Director of Monitoring, Office of Housing and Community Development (215) 686-9784

12-08. SUBRECIPIENT MONITORING

Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (ARRA) – Mural Restoration Crew – CFDA #16.804

Condition The Managing Director’s Office (MDO) did not document its reviews of subrecipient audit reports. Consequently, there was no evidence to substantiate they had been performed as asserted. Such reviews are important to ensure that audit requirements have been met.

Integral to the review of subrecipient audit reports is the reconciliation of all subgranted funding to the amounts reported in the subrecipients’ Schedule of Expenditures of Federal Awards (SEFA). This reconciliation process is important to ensure all grant funds provided to a subrecipient have been accounted for. Reconciliation procedures we performed indicated that one of the subrecipients under the program reported \$64,903 less in expenditures of grant funds than reported in the city’s SEFA. Funding for this grant was provided by the U.S. Department of Justice.

Criteria OMB Circular A-133 states that the pass through entity is responsible for monitoring the activities of subrecipients, ensuring that subrecipients have met audit requirements, and issuing management decisions based on the audit findings. To reinforce the importance of the OMB requirement, the city’s Office of the Director of Finance has issued written guidance that expressly requires city departments to document their review procedures of subrecipient audit reports.

Cause The MDO staff administering the grant were unaware of the requirement to document a formal review of the subrecipients’ audit reports.

Effect Not documenting the review of subrecipient audit reports fails to establish accountability on the individuals performing such reviews. Moreover, it increases the risk that important reconciliation procedures either may not get done or may fail to detect subrecipient expenditures requiring audits in accordance with OMB Circular A-133.

Recommendation We recommend that reviews of subrecipient audit reports be documented and that payments to subrecipients be reconciled to each subrecipients’ SEFA in order to ensure that all expenditures are identified and subject to audit.

12-08. SUBRECIPIENT MONITORING

Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (ARRA) – Mural Restoration Crew – CFDA #16.804

Grantee Response

The MDO did perform the required desk review of subrecipient audit reports and after determining there were no audit findings related to the grant in question considered the subrecipient audit monitoring satisfied. MDO does acknowledge that it did not formally document that process by demonstrating a reconciliation of grant payments to payment amounts noted in the subrecipient SEFA (Schedule of Expenditures and Federal Awards) to ensure that payments were appropriately subject to audit. It is important to note that with the exception of this documentation of payment reconciliation requirement, MDO carefully provided technical assistance and monitored all subrecipients in compliance with the regulations cited in OMB Circular A-133.

MDO will undertake and document desk review procedures for all subrecipient audit reports per the recommendation.

Contact Person

Maari Porter, Deputy Director of Finance, Office of the Director of Finance, 215-686-6131

12-09. SUBRECIPIENT MONITORING
ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256

| | |
|-----------------------|--|
| <u>Condition</u> | The Office of Housing and Community Development (OHCD) did not adequately perform pre-award and post-award monitoring of the Neighborhood Stabilization Program 2 (NSP2) grant sub-awarded to a delegate agency. OHCD did not properly identify the NSP2 program at the time of the sub-award as an American Recovery & Reinvestment Act Grant (ARRA) grant or by CFDA number. Subsequently, OHCD did not detect that the delegate agency failed to properly identify the grant by either CFDA number or as an ARRA grant in the delegate agency’s audit report. |
| <u>Criteria</u> | The grant award and the administrative requirements at 24 CFR Part 85 assign responsibility to the city for adherence to all applicable terms and conditions by sub-recipient entities and contractors. In addition, OMB Circular A-133 requires that all Federal awards expended be disclosed in the SEFA and be subject to audit. |
| <u>Cause</u> | OHCD did not comply with grant requirements over pre-award identification due to an inadequate review of contract detail during the contract proposal process. We believe that improperly drafted contract provisions resulted in the inaccuracies reported within the delegate agency’s single audit report. |
| <u>Effect</u> | The delegate agency expended \$22.4 million in NSP2 funding plus \$3.9 million in program income during fiscal year 2012 under incorrectly identified program requirements which were not subject to audit in accordance with federal audit requirements. The combined program expenditures represent unresolved costs until properly audited in accordance with OMB Circular A-133. In addition our audit noted the same reporting pattern by the delegate agency also existed in fiscal year 2011. |
| <u>Recommendation</u> | OHCD should strengthen its internal review process of proposed contracts to ensure that sub-awards and corresponding compliance requirements are properly identified, and all funding appropriately budgeted. In addition, OHCD should initiate contact with the program’s delegate agency and ensure that the grant proceeds, including program income for fiscal years 2011 and 2012, are properly audited in accordance with OMB Circular A-133. |

12-09. SUBRECIPIENT MONITORING

ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256

Grantee Response

Although CFDA #14.256 was not identified on the 2012 PRA/OHCD grant and the 2012 PRA Audit Report, the PRA Fiscal Director confirmed that its auditor tested the NSP 2 program, along with the other federally funded programs, as part of the 2012 PRA Single Audit. The PRA provided the city with email requests from its auditor for NSP data related to cash disbursements, cash receipts, program income and participating developers, and the response data. PRA fiscal staff identified and confirmed that both NSP 1 & 2 programs were tested for fiscal year 2012.

The city is in the process of working with the PRA’s auditors to confirm their level of testing for the NSP2 program for fiscal years 2011 and 2012.

Contact Person

Wayne Stokes, Director of Monitoring, Office of Housing and Community Development (215) 686-9784

12-10. REPORTING

ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256

- Condition: Program income earned and expended by a subrecipient agency was reported to the Office of Housing and Community Development (OHCD) on invoices received from that agency. However, OHCD did not identify and record the program income in the city’s books and records. Consequently, the city’s Office of the Director of Finance (Finance Office) did not report program income in the amount of \$3,942,245 in the preliminary Schedule of Expenditures and Federal Awards (SEFA) until detected by audit procedures. The Neighborhood Stabilization Program 2 was funded by the American Recovery and Reinvestment Act.
- Criteria: OMB Circular A-133 requires program income be used in calculating the amount of Federal awards expended. It also requires that all Federal awards expended be disclosed in the SEFA and subject to audit.
- Cause: OHCD staff did not follow procedures over reporting as designed by the city’s Finance Office. The Finance Office requires an annual reconciliation of all grant expenditure activity to the city’s Financial Accounting Management Information System (FAMIS). Program income expended by a subrecipient and netted against billed expenditures are not in FAMIS, since data entry to FAMIS includes only the net payment made to the subrecipient. Therefore program income represents a routine reconciling item that must be included on the annual reconciliation to identify the amount of expenditures funded with program income to be reported in the SEFA.
- Effect: The city’s Finance Office was unaware of the program income and therefore did not report it in the SEFA until identified by audit procedures. Failure to report the related expenditures funded with this income would have caused the SEFA to be understated by \$3,942,245.
- Recommendation: We recommend that OHCD follow annual reconciliation procedures designed by the city’s Finance Office to ensure proper reporting of expenditures funded with on the SEFA.
- Grantee Response: In fiscal year 2013 OHCD reported \$5,177,926.45 of NSP 2 program income expenditures to the city’s Finance Office as part of the year end grant reconciliation procedures.

12-10. REPORTING

ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256

Contact Person: Wayne Stokes, Director of Monitoring, Office of Housing and
Community Development (215) 686-9784

12-11. REPORTING

ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256

- Condition: The Office of Housing and Community Development (OHCD) was not able to provide adequate documentation to support amounts reported on a performance report required by federal regulations. The required report, *HUD 60002, Section 3 Summary Report on Economic Opportunities for Low- and Very-Low Income Persons* (the performance report) reported \$14,498,486 in construction contracts for Section 3 businesses. Section 3 businesses are those businesses that meet established percentage participation thresholds for business ownership by low-income and very low-income residents or employment of low-income and very low-income residents. The Neighborhood Stabilization Program 2 was funded by the American Recovery and Reinvestment Act.
- Criteria: Federal regulations require that the performance report be prepared and submitted for grants over \$200,000 that involve housing rehabilitation, housing construction, or other public construction. Acceptable documentation in support of the performance report includes evidence of program eligibility for residents or businesses that qualify under Section 3. Such evidence may include proof of residency or participation in the HUD Youthbuild program for individuals, commitments to subcontract or meet employment levels for businesses, or self-certifications of eligibility by individuals or businesses. OMB Circular A-133 requires that all records such as self-certifications be maintained to support program activities and expenditures subject to audit.
- Cause: OHCD staff did not retain documentation relied upon to prepare the report, and subsequently failed to adequately recreate the support necessary to document the amounts reported.
- Effect: The total award amounts to Section 3 businesses could not be substantiated for audit purposes.
- Recommendation: We recommend that OHCD implement procedures to ensure that the appropriate documentation is prepared and maintained to support all representations made in the report.
- Grantee Response: It is important to note the purpose of this regulation is to encourage recipients of federal funds for development projects to provide economic opportunities to the **greatest extent feasible** for Low and Very Low Income Persons. The HUD regulations

12-11. REPORTING

ARRA – Neighborhood Stabilization Program 2 – CFDA #14.256

set forth in 24 CFR Part 135 provide recommendations for recipients and contractors to create these opportunities. HUD does **NOT** prescribe any specific forms of evidence be required to establish Section 3 eligibility. While HUD does not prescribe certain forms, the city has established a series of procedures, forms and certifications to ensure that developers and general contractors are doing everything possible (the greatest extent feasible) to create economic opportunities for low and very low income residents/businesses.

The city will ensure that support documentation is maintained for future Section 3 reports.

Contact Person:

Wayne Stokes, Monitoring Director, Office of Housing and Community Development, (215) 686-9784

**12-12. SPECIAL TESTS – RENT REASONABLENESS REQUIREMENT
Shelter Plus Care – CFDA #14.238**

| | |
|-----------------------|--|
| <u>Condition</u> | The Office of Supportive Housing (OSH) did not maintain records to certify that each tenant-landlord agreement provided for a monthly rent payment that was no more than the amount permitted by federal regulation. OSH developed a subrecipient monitoring plan to ensure that the appropriate calculations were performed timely by subrecipient agencies, and randomly selected property addresses to verify the existence of the rent reasonable documentation during routine monitoring procedures. However due to the absence of file documentation, our requests for forty one randomly selected addresses were met with only sixteen certification forms, of which eight either appeared incomplete or the payment amounts were in excess of both comparable unit rentals and published federal guidelines. |
| <u>Criteria</u> | Grant regulations assign responsibility to the city as the grant recipient for the overall administration of the program, and specifically state that it is the responsibility of the city as the grant applicant to determine whether rent charged for a unit receiving rental assistance is appropriate. Grant regulations specify that the rent reasonable test is to be performed at the inception of the lease, and subsequently if the rent amount is changed. |
| <u>Cause</u> | OSH assigned the responsibility for the retention of rent reasonableness certifications to its subrecipient agencies, and incorporated monitoring procedures to verify their existence as part of the routine subrecipient monitoring procedures. Management believed that retention of the duplicate records in city files was unnecessary. |
| <u>Effect</u> | OSH was unable to verify that it had complied with requirements that all rent agreements be reviewed and certified to be in compliance with federal regulations. File documentation was incomplete and did not support or document the reasonableness of the rents paid to landlords on behalf of program participants. |
| <u>Recommendation</u> | OSH management should revise its record retention policies and procedures to ensure that all documentation prepared in compliance with federal regulations is maintained in city files until the final close-out of all grant related funding. |

**12-12. SPECIAL TESTS – RENT REASONABLENESS REQUIREMENT
Shelter Plus Care – CFDA #14.238**

Grantee's Response

In June 2013, OSH launched a revised Rent Reasonableness database that has the capability to save an electronic copy of all rent reasonableness certifications. The database will be able to retrieve all rent reasonableness certifications for all requests submitted starting June 2013. In order to ensure that all client files have a certification on file (prior to June 2013), in September 2013, a notification was sent to all subrecipients requesting that they check all client files and verify that a certification is on file for the client's current address. In the event that such a certification is not on file, the subrecipient will request a certification from OSH. Additionally, beginning with the 2014 subrecipient monitoring process during which an OSH Analyst reviews a random selection of client files for each Shelter Plus Care program, Analysts will review files for properly completed certifications as a part of their monitoring process. Client files that are found to be lacking a certification will be cited and the subrecipients will be required to obtain a rent reasonableness certification within 30 days. Additionally, OSH has implemented procedures to ensure that all certifications are fully completed and accurate. The Director of the Housing Assistance Unit provided training to the staff charged with the task of completing certifications, making sure they completely understand the process. A process review will be conducted at least bi-annually to ensure ongoing completeness and accuracy. OSH has reviewed the three (3) certifications for which the proposed rent amounts were outside of the reasonableness test and have found that while the certifications were completed incorrectly, the actual rent reimbursements to the subrecipient did not exceed the federal FMRS but were either at or below the published FMR.

Contact Person

Joe N. Savage, PhD, Director, Housing Assistance Unit, Office of Supporting Housing, 215-686-7176

12-13 ALLOWABLE COSTS/COST PRINCIPLES

Substance Abuse & Mental Health Services – Access to Recovery – CFDA #93.275

| | |
|-----------------------|--|
| <u>Condition</u> | Because it incorrectly included encumbered amounts as expenditures, the Department of Behavioral Health and Intellectual Disability Services (DBHIDS) over reported grant expenditures on the city’s Schedule of Expenditures of Federal Awards (SEFA) by \$184,464 and \$1,344,043 for fiscal years 2012 and 2011, respectively, for its Substance Abuse & Mental Health Services – Access to Recovery program. The program was funded through the Pennsylvania Department of Health. |
| <u>Criteria</u> | OMB Circular A-133, paragraph .205, indicates that the basis for determining award expenditures is when the activity related to the award occurs. The city’s central accounting unit follows this same principle and captures all costs for financial statement purposes by requesting the DBHIDS and other city agencies to identify all unvouchered invoices as part of the routine fiscal year-end closing process. |
| <u>Cause</u> | For grant reporting purposes, the DBHIDS recorded year-end liabilities and related grant expenditures for the SEFA based on costs that it anticipated subrecipients would incur, rather than actual amounts invoiced by them. The estimated amounts had been encumbered in the city’s accounting system. |
| <u>Effect</u> | Although the encumbered amounts had not been billed to grantor agencies, cumulative grant award expenditures reported in the SEFA for the second year of this multi-year program have been over reported by \$1,528,507. |
| <u>Recommendation</u> | To ensure more accurate reporting of expenditures in the SEFA, the DBHIDS management should require subrecipients to invoice more timely or communicate costs to be billed through the end of the fiscal year grant reporting period. Further, the DBHIDS should prepare fiscal year-end reconciliations of grant expenditures recorded in the city’s accounting records to amounts actually billed to grantor agencies as required by procedures established by the city’s Grants Accounting and Administration Unit. This reconciliation procedure would highlight unvouchered invoice amounts to be recognized as adjustments to reported grant expenditures on the SEFA. |

12-13 ALLOWABLE COSTS/COST PRINCIPLES

Substance Abuse & Mental Health Services – Access to Recovery – CFDA #93.275

Grantee's Response

As noted in the report, grant expenditures for the Access to Recovery grant were over reported on the city's SEFA. Fiscal Year 2011 was the startup year for this multiyear grant from the Commonwealth of Pennsylvania. The DBHIDS initially estimated it would fully expend the amounts that were originally encumbered for the program. However, as the department began to administer the grant, the instructions surrounding implementation changed with unpredictable frequency. Consequently, the DBHIDS' ability to accurately estimate grant expenditures was extremely difficult. Predictably, this situation made it difficult to provide firm timelines for sub-recipients. These factors resulted in the overstatement of anticipated expenditures in the SEFA.

Moving forward, the DBHIDS will attempt to work with our sub-recipients whenever possible to achieve more timely and accurate reporting of expenditures at fiscal year-end. Additionally, we will work to prepare fiscal year-end reconciliations once the billings to grantor agencies have been completed.

Contact Person

James Hoefler, Chief Financial Officer, Department of Behavioral Health and Intellectual Disabilities Services (215) 685-5516

12-14. REPORTING

Children and Youth Programs

Act 148 – Pennsylvania Department of Public Welfare

Placement Maintenance Title IV-E – CFDA #93.658

Adoption Assistance – CFDA #93.659

Condition

The Department of Human Services' (DHS) review of ACT 148 invoices did not detect clerical errors that had been made during the preparation of its cumulative quarterly invoices. However, we noted two errors that caused quarterly invoices to be overstated. In the first instance, costs of \$722,022 that had been funded with Title XX grant monies were not excluded when computing the administrative cost pool. In the other instance, DHS failed to report \$538,892 in client-generated revenues earned in the fourth quarter.

Criteria

Pennsylvania Code section 3140.46 stipulates that payments to counties by the Pennsylvania Department of Public Welfare (DPW) be provided only on the costs remaining after other appropriate funding sources and client-generated revenues have been exhausted.

Cause

The process for preparing the ACT 148 invoice is both complicated and time consuming, and requires the commitment of substantial staff resources. For fiscal year 2012, the targeted submission date for the invoice mandated compressed timelines, resulting in an accelerated preparation and review process. We believe that DHS' failure to detect the observed errors was the result of time restrictions placed on staff during reviews of the invoices.

Effect

The failure to exclude costs subsidized by Title XX funds from the administrative cost pool resulted in an over allocation of administrative costs to the program. Consequently, total administrative costs claimed were overstated by \$162,091. Because DHS is reimbursed a percentage of the expenditures it reports to DPW, we determined that ineligible costs had resulted in excess reimbursement requests of \$81,046.

Total client-generated revenues for the fourth quarter were under-reported by \$538,892. Because these revenues were under-reported, DHS received an additional \$431,114 in ACT 148 reimbursement from DPW.

12-14. REPORTING

Children and Youth Programs

Act 148 – Pennsylvania Department of Public Welfare

Placement Maintenance Title IV-E – CFDA #93.658

Adoption Assistance – CFDA #93.659

The effects of the errors identified in the above two paragraphs represent questioned costs distributed to the following programs:

| Funding Source | Questioned Costs |
|----------------------------|-------------------------|
| CFDA #93.090 | \$ 1,046 |
| CFDA #93.658 | 68,623 |
| CFDA #93.659 | 10,998 |
| CFDA #93.778 | 379 |
| Total Administration Costs | 81,046 |
| DPW - Act 148 | <u>431,114</u> |
| Total Question Costs | \$ <u>512,160</u> |

Recommendation

We recommend that DHS consider how much time is necessary to prepare and review the ACT 148 invoices, and plan accordingly. Developing a comprehensive plan will allow DHS to perform a complete and independent review of the invoices and supporting schedules. We noted that expenditure data from other city agencies is necessary to prepare complete and accurate invoices, and suggest that DHS should also consider setting deadlines for the receipt of expenditure data from other city agencies.

Grantee's Response

DHS concurs with the finding.

Clerical oversight resulted in DHS not excluding \$722,022 of Title XX revenue from the 4th Quarter Administrative Cost Pool and the underreporting of \$538,892 in combined CWEL and HSDF grant revenue under Program Income. On November 19, 2013, DHS submitted to DPW amended claims for all of the above federal funding sources.

The questioned cost for Act 148 will be addressed during the next scheduled audit of DHS by the Commonwealth of Pennsylvania, DPW.

As stated above a clerical error caused this finding; DHS has in place a comprehensive process to review invoices and supporting schedules. Also, we have established deadlines for the receipt of source documentation from external sources. As part of the

12-14. REPORTING

Children and Youth Programs

Act 148 – Pennsylvania Department of Public Welfare

Placement Maintenance Title IV-E – CFDA #93.658

Adoption Assistance – CFDA #93.659

claiming process we follow up with agencies to ensure they meet those deadlines.

Contact Person

Marcia Dixon, Fiscal Officer, Department of Human Services
(215) 683-6063

12-15. ALLOWABLE COSTS/COST PRINCIPLES
Homeless Prevention and Rapid Re-Housing – CFDA# 14.257

| | |
|---------------------------|---|
| <u>Condition</u> | Four of twenty five housing payment vouchers tested did not meet grant compliance requirements for allowable costs. Of \$40,432 in housing payment vouchers randomly drawn from a population of \$361,415, we found that the Office of Supportive Housing (OSH) expended \$6,161 in grant funds for program housing without documenting the eligibility of the program participants. One of the expenditures had no case file available to substantiate the expenditure. The program was funded by the Department of Housing and Urban Development (HUD) |
| <u>Criteria</u> | According to the Homelessness Prevention and Rapid Re-Housing (HPRP) Eligibility Determination and Documentation Guidelines issued by HUD, a household must receive at the minimum an initial consultation and eligibility assessment in order to receive HPRP funded assistance. The results of the eligibility assessment process must be documented. |
| <u>Cause</u> | Three of the four unsupported expenditures were misclassified and erroneously recorded as grant expenditures. Management was unable to provide file documentation for the remaining unsupported expenditure. |
| <u>Effect</u> | For fiscal year 2012, reported expenditures included \$6,161 in known questioned costs. We have projected total questioned cost for unsupported expenditures in the amount of \$ 55,072 under the grant. |
| <u>Recommendation</u> | OSH should enhance current procedures to ensure compliance with grant terms and conditions by ensuring that all housing payment vouchers are reviewed for supporting case file documentation and proper classification as grant related costs in the city's accounting records. |
| <u>Grantee's Response</u> | <p>OSH has implemented a policy in which similar expenditures that are funded by different funding sources will be vouchered separately by funding source. This practice should eliminate the misclassification of expenditures and erroneous charges to funding sources.</p> <p>During fiscal year 2012, approximately 320 case files were created. OSH has multiple checks and balances in place to ensure full compliance with grantor requirements. In fiscal year 2014, OSH selected a new vendor to manage its Homeless Management Information System (HMIS).</p> |

12-15. ALLOWABLE COSTS/COST PRINCIPLES
Homeless Prevention and Rapid Re-Housing – CFDA# 14.257

OSH is working with a new vendor to incorporate the use of scanned documentation into the HMIS. This will strengthen our management of case files. It will lessen the dependence on paper records and ensure that file documentation is readily available.

Contact Person

Rodney Cherry, Fiscal Officer, Office of Supportive Housing,
(215) 686-7180

Summary Schedule of Prior Years Audit Findings

**CITY OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2012**

CONTENTS

| | Page |
|---|-------------|
| <u>PA DEPARTMENT OF STATE</u> | 90 |
| <u>STATE AGENCIES:</u> | |
| PA Commission on Crime and Delinquency | 91 |
| PA Department of Community & Economic Development | 92-93 |
| PA Department of Health | 94 |
| PA Department of Public Welfare | 95-101 |
| PA Department of Transportation | 102 |
| <u>FEDERAL AGENCIES:</u> | |
| U.S. Department of Commerce | 103 |
| U.S. Department of Housing and Urban Development | 104 |

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|---|----------|------------------|
| PA Department of State | | |
| <u>Help America Vote Act</u> | | |
| 2009 - 12 | Resolved | \$0 |
| <p>Condition : The City Commissioner’s Office did not follow procedures that minimized the time elapsing between its receipt and disbursement of federal grant fund advances. We found that it took the county between 21 to 29 months to disburse two federal HAVA grant awards it received through the Department of State (DOS) of the Commonwealth of Pennsylvania. HAVA programs are funded through the DOS by the General Services Administration and Elections Assistance Commission of the Federal Government.</p> <p>2012 Update : The FY2009 audit findings occurred during the tenure of then HAVA County Plan Manager, Bob Lee Jr., Voter Registration Administrator. The new administration of the City Commissioners Office began January 2012 and the management of the HAVA County Plan has been taken over by a new Deputy Commissioner and the current reimbursement requests have been expanded in a timely manner. Also, since two years have passed since this finding, Grants Accounting considers this finding resolved based on OMB Circular A-133 section 315.</p> <p>Contact : Seth Bluestein (215) 686-3464</p> | | |
| Total PA Department of State Questioned Costs: | | \$0 |

City of Philadelphia
 Summary Schedule of Prior Audit Findings
 Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|--|----------|---------------------|
| PA Commission on Crime and Delinquency | | |
| ARRA- Edw. Bryne Memorial Justice Grant | | |
| 2011 - 20 | Resolved | \$0 |
| <p>Condition : The Department of Behavioral Health and Intellectual Disability Services (DBHIDS) improperly reported \$86,219 of encumbrances as expenditures for its fiscal 2011 ARRA - Edward Byrne Memorial Justice Grant, Forensic Triage Specialist project. The encumbered amount was inappropriately classified as a program cost. The program was funded through the Pennsylvania Commission on Crime and Delinquency</p> | | |
| <p>2012 Update : This grant is complete and all funds are accounted for.</p> | | |
| <p>Contact : James Hoefler (215) 685-5516</p> | | |
| <hr/> | | |
| Total PA Commission on Crime and Delinquency Questioned Costs: | | \$0 |

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012**

| Reference Number | Status | Questioned Costs |
|---------------------|--------|---------------------|
|---------------------|--------|---------------------|

PA Department of Community & Economic Development

| |
|--------------------------------------|
| Community Service Block Grant |
|--------------------------------------|

| | | |
|------------------|-------------------|-----------------|
| 2010 - 13 | Unresolved | \$27,000 |
|------------------|-------------------|-----------------|

Condition : The Mayor’s Office of Community Services (MOCS) reported \$4.2 million in expenditures of federal awards on Community Services Block Grant (CSBG) programs, including \$2.3 million (or 55%) of payroll expenditures, during fiscal 2010. Our review of 18 sampled employees, whose payroll costs were charged 100 percent to the program, found that paid time for three of them was split between program and non-program activities for the period. We could not obtain personnel activity reports or equivalent documentation supporting the employees’ time spent on program activities. Also, MOCS did not maintain required periodic certifications to document that the remaining sampled employees worked solely on program activities. The CSBG program is funded through the Pennsylvania Department of Community and Economic Development.

2012 Update : On Tuesday, January 15, 2013 Mayor Nutter signed an Executive Order changing the name of the Mayor's Office of Community Service (MOCS), to the Mayor's Office of Community Empowerment and Opportunity (CEO). CEO will continue to manage the programs and activities that operated by the former MOCS.

CEO has implemented procedures to ensure the proper distribution of payroll cost for all employees. For staff working 100% on CSBG program activities, the CEO completed Semi-Annual Certifications for the period July 1, 2010 – June 30, 2012.

CEO has drafted a daily activity report/timesheet which documents employee time worked and the distribution of activities by funding source. Staff training and full implementation is expected by July 1, 2013.

CEO will ensure that all staff costs attributed, in full or part, to program activities are supported by appropriate documentation and will monitor compliance accordingly.

Contact : Dionne Lewis (215) 685-3612

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012**

| Reference Number | Status | Questioned Costs |
|---|-------------------|------------------|
| 2010 - 14 | Unresolved | \$253,272 |
| <p>Condition : The Mayor's Office of Community Services (MOCS) included \$253,272 of unsupported costs in its 2010 Fiscal Status Report (FSR). The CSBG program is funded through the Pennsylvania Department of Community and Economic Development.</p> <p>2012 Update : On Tuesday, January 15, 2013 Mayor Nutter signed an Executive Order changing the name of the Mayor's Office of Community Service (MOCS), to the Mayor's Office of Community Empowerment and Opportunity (CEO). CEO will continue to manage the programs and activities that operated by the former MOCS.</p> <p>To comply with financial reporting requirements, CEO has implemented processes and procedures to verify all grant expenditures. All costs reported in the FSR are supported by vouchers in the Financial Accounting Management Information System (FAMIS) and reported to DCED on a monthly basis. Policies and procedures are in accordance with DCED directives for program invoicing and reporting, and the City's Standard accounting procedures.</p> <p>Contact : Dionne Lewis (215) 682-3612</p> | | |

| | |
|--|------------------|
| Total PA Department of Community & Economic Development Questioned Costs: | \$280,272 |
|--|------------------|

City of Philadelphia
 Summary Schedule of Prior Audit Findings
 Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|---|------------|------------------|
| PA Department of Health | | |
| Substance Abuse Treatment Block Grant | | |
| 2011 - 19 | Unresolved | \$780,997 |
| <p>Condition : The Department of Behavioral Health and Intellectual Disabilities Services (DBHIDS) improperly reported \$780,997 of encumbrances as expenditures in its fiscal 2011 final expenditure report "SCA Drug and Alcohol Program Expense Distribution". The encumbrances were composed of \$326,925 that was unsupported and not obligated, and \$454,072 in properly encumbered amounts that were paid more than sixty days after the end of the grant period. The programs were funded through the Pennsylvania Department of Health.</p> <p>2012 Update : We have requested a waiver from the State and have not received a response.</p> <p>Contact : James Hoefler (215) 685-5516</p> | | |
| Total PA Department of Health Questioned Costs: | | \$780,997 |

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012**

| Reference Number | Status | Questioned Costs |
|---------------------|--------|---------------------|
|---------------------|--------|---------------------|

PA Department of Public Welfare

| |
|-----------------------------------|
| Children and Youth Program |
|-----------------------------------|

| | | |
|-----------------|-----------------|------------|
| 2011- 11 | Resolved | \$0 |
|-----------------|-----------------|------------|

Condition : The Department of Human Services (DHS) did not have adequate internal control procedures to ensure that non-placement services of the TANF program were provided only to eligible service recipients. Management failed to provide any documentation to support the assertion that eligibility determinations were prepared for cases invoiced to the TANF program in the amount of \$25,310,811.

Of sixty one cases chosen to review eligibility determinations for four different programs under the Children and Youth Program umbrella, twelve of those cases totaling \$94,019 were invoiced to the TANF program. Our review of the department's subsequent eligibility determinations found that its automated tracking and billing system (FACTS) had inaccurately identified and billed as eligible five out of twelve service recipients tested. TANF is a component of the Children and Youth programs funded through the Department of Public Welfare (DPW).

2012 Update : Effective June 2012, the reprogramming of FACTS to print TANF eligibility worksheets annually and to prohibit billing TANF for any case that has not been redetermined was officially implemented.

Contact : Chanell Hanns (215) 683-6059

| | | |
|------------------|-----------------|------------|
| 2011 - 12 | Resolved | \$0 |
|------------------|-----------------|------------|

Condition : The Department of Human Services (DHS) improperly reported \$27,550 of expenditures from other billing periods in its fiscal 2011 County Children and Youth Social Service Programs' Fiscal Summary. The expenditures were for electricity provided before and after fiscal 2011 for the Youth Study Center. The programs are funded through the Pennsylvania Department of Public Welfare (DPW).

2012 Update : Corrective action initiated; DHS submitted a revised FY11 ACT 148 invoice to the Commonwealth of PA, Dept of Public Welfare on November 9, 2012. DHS considers this Finding resolved.

Contact : Marcia Dixon (215) 683-6063

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|--|-----------------|------------------|
| 2011 - 13 | Resolved | \$0 |
| <p><u>Condition :</u> The Department of Human Services (DHS) failed to submit for approval by the Pennsylvania Department of Public Welfare (DPW) a plan and budget amendment when it became aware that actual cumulative expenditures for administration costs associated with the County Children and Youth Programs exceeded the budgeted amount by more than 10 percent. At June 30, 2011, DHS' expenditures for this service category of expenditures had exceeded the budget by 14 percent.</p> | | |
| <p>2012 Update : Corrective action initiated; DHS submitted an FY2011 Act 148 Budget Amendment to the Commonwealth of Pennsylvania, Department of Public Welfare (DPW) on November 9, 2012. DHS considers this matter resolved.</p> | | |
| <p>Contact : Marcia Dixon (215) 683-6063</p> <hr/> | | |
| 2011 - 14 | Resolved | \$0 |
| <p><u>Condition :</u> The Department of Human Services (DHS) improperly reported \$6,360,907 of unspent (encumbered) funds as expenditures in its fiscal 2011 County Children and Youth Social Service Programs' Fiscal Summary. The programs are funded through the Pennsylvania Department of Public Welfare (DPW).</p> | | |
| <p>2012 Update : Corrective action initiated; DHS submitted an FY2011 Act 148 Budget Amendment to the Pennsylvania Department of Public Welfare (DPW) on November 9, 2012. DHS considers this Finding resolved.</p> | | |
| <p>Contact : Marcia Dixon (215) 683-6063</p> <hr/> | | |

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|------------------|--------|------------------|
|------------------|--------|------------------|

| | | |
|-----------|------------|-----|
| 2011 - 15 | Unresolved | \$0 |
|-----------|------------|-----|

Condition : The city’s Department of Human Services (DHS) could not provide evidence that it monitored grant awards for two of thirty subrecipients that combined, expended \$33,909,067 in total federal and state awards for the Children and Youth Programs. This sum represented 11.6 percent of the total \$293,291,931 of expenditures incurred by subrecipients in connection with the programs. In addition, for the twenty-eight other subrecipients for which documentation did exist in the form of a report prepared by DHS analysts, the department did not respond to our requests for copies of subrecipient corrective action plans associated with each of those reports. DHS also did not respond to our requests for staff assignment schedules or other evidence showing that its monitoring of subrecipients was being properly planned and performed in a timely manner.

2012 Update : DHS is developing program standards for monitoring its fiduciary contracts. The standards will evaluate generally that the fiduciary carries out its responsibility in accordance with the contract’s scope of services; that the fiduciary has the proper and adequate controls to ensure that funds disbursed to subrecipient programs are used for their intended purpose; and, the extent to which the fiduciary’s performance facilitates the effective and efficient provision of services to children and families by subrecipient programs. DHS has centralized most of its provider evaluation documentation on an internal shared drive. All evaluation reports are now distributed via email attachment to external stakeholders and internal DHS staff can access evaluation reports by clicking on a link to the internal drive. In FY14, all providers will submit plans of correction in electronic form only, and approved plans will be stored in a central internal drive with a reference number to link to the corresponding program evaluation from which it originated.

DHS IT staff is developing a centralized scheduling and contact information resource for PREP staff, which will allow for supervisors and managers to more easily track current and future program evaluation activity. The SharePoint site will be available for the FY14 evaluation period.

Contact : Mark Maher (215) 683-4941

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|------------------|--------|------------------|
|------------------|--------|------------------|

| | | |
|------------------|-------------------|------------|
| 2011 - 16 | Unresolved | \$0 |
|------------------|-------------------|------------|

Condition : The Department of Human Services (DHS) did not clarify the nature of its relationship with service providers in its standard contract terms and conditions for professional services. One subrecipient, Woods Services, Inc., selected for testing failed to report over \$3.4 million in federal and state funding due to a misinterpretation of its relationship with DHS. The programs were funded through the Pennsylvania Department of Public Welfare (DPW).

2012 Update : For fiscal year 2012, the Provider's Federal funding amount was less than \$500,000. Accordingly, DHS allowed the submission of a Yellow Book audit, in place of an A-133 audit. The provider is still considered a subrecipient.

Contact : Marcia Dixon (215) 683-6063

| | | |
|------------------|-------------------|------------------|
| 2010 - 08 | Unresolved | \$257,371 |
|------------------|-------------------|------------------|

Condition : The Department of Human Services (DHS) did not have adequate internal control procedures in place to ensure accurate, complete, and timely preparation of the Act 148 Invoice filed with Pennsylvania Department of Public Welfare (DPW) for the Children and Youth Programs. Our review of DHS's procedures noted that one individual was responsible for preparing the Act 148 Invoice and assembling the related supporting documentation. There was no independent review of the accuracy or completeness of the Invoice or documentation. Our tests of the 2010 Act 148 Invoice noted instances of unsupported and unreconciled costs that are more fully explained in the "Effects" section of this comment. The Children and Youth programs are funded through DPW.

2012 Update : Questioned Costs will be considered for adjustment by DPW at State Audit.

Contact : Marcia Dixon (215) 683-6063

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012**

| Reference Number | Status | Questioned Costs |
|---|-------------------|------------------|
| 2010 - 09 | Resolved | \$0 |
| <p>Condition : The Department of Human Services (DHS) did not have adequate internal control procedures in place to ensure that non-placement services of the TANF program were provided only to eligible service recipients. Our review of the department's internal controls related to eligibility determination found that its automated tracking and billing system (FACTS) inaccurately identified as eligible, two out of 40 tested service recipients. A Means Test Worksheet (MTW) that determines eligibility was not used for the two exception items. TANF is a component of the Children and Youth programs funded through the Department of Public Welfare (DPW).</p> <p>2012 Update : The condition has been corrected. Information Technology printed all missing worksheets for re-entry cases during the first week of December 2010. The TANF Eligibility Unit completed determinations for the worksheets to meet the TANF funding cap. At the same time, Information Technology re-programmed FACTS to print new worksheets for all re-entry cases so that they can be determined timely.</p> <p>Contact : Chanell Hanns (215) 683-6059</p> | | |
| 2010 - 11 | Unresolved | \$941,609 |
| <p>Condition : The Department of Human Services (DHS) improperly reported \$1,220,591 of unspent (encumbered) funds as expenditures in its fiscal 2010 County Children and Youth Social Service Programs' Fiscal Summary. The programs are funded through the Pennsylvania Department of Public Welfare (DPW).</p> <p>2012 Update : Questioned Costs will be considered for adjustment by DPW at State Audit.</p> <p>Contact : Marcia Dixon (215) 683-6063</p> | | |

City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|---|-------------------|--------------------|
| 2009 - 08 | Unresolved | \$522,772 |
| <p>Condition : The Department of Human Services (DHS) did not have adequate internal control procedures in place to ensure accurate, complete, and timely preparation of the Act 148 Invoice filed with Pennsylvania Department of Public Welfare (DPW) for the Children and Youth Programs. Our review of DHS’s procedures noted that one individual was responsible for preparing the Act 148 Invoice and assembling the related supporting documentation. There was no independent review of the accuracy or completeness of the invoice or documentation. In addition, procedures were not in place to capture information from the newly implemented Title IV-E billing system so that an audit trail is created at the point in time when the Act 148 Invoice is prepared.</p> <p>The Children and Youth programs are funded through DPW.</p> <p>2012 Update : Questioned Costs will be considered for adjustment by DPW at State Audit</p> <p>Contact : Marcia Dixon (215) 683-6063</p> | | |
| 2009 - 09 | Resolved | \$0 |
| <p>Condition : The Department of Human Services (DHS) did not have adequate internal control procedures in place to ensure that only non-placement services of the TANF program provided to eligible children were billed to Pennsylvania Department of Public Welfare (DPW). Our review of the department’s internal controls related to eligibility determination found that its automated tracking and billing system (FACTS) inaccurately identified as eligible, most new service recipients who had previously received non-placement services, instead of properly identifying them for eligibility redetermination. TANF is a component of the Children and Youth programs funded through the DPW.</p> <p>2012 Update : Effective June 2012, the reprogramming of FACTS to print TANF eligibility worksheets annually and to prohibit billing TANF for any case that has not been redetermined was officially implemented.</p> <p>Contact : Sandra Williams (215) 683-6323</p> | | |
| 2009 - 10 | Unresolved | \$2,212,070 |
| <p>Condition : The Department of Human Services (DHS) improperly reported \$2,839,280 of unspent (encumbered) funds as expenditures in its 2009 County Children and Youth Social Service Programs’ Fiscal Summary. The programs are funded through the Pennsylvania Department of Public Welfare (DPW).</p> <p>2012 Update : Questioned Costs will be considered for adjustment by DPW at State Audit.</p> <p>Contact : Marcia Dixon (215) 683-6063</p> | | |

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012**

| Reference Number | Status | Questioned Costs |
|---|-------------------|--------------------|
| 2008 - 08 | Unresolved | \$2,080,514 |
| <p>Condition : The Department of Human Services (DHS) used the fair market value instead of the lower actual amount in their calculation of rental cost for office space in a city owned building that houses the operation of its Children and Youth Program. As a result, it overstated by \$2.6 million the cost for space used in the program's 2008 Fiscal Summary filed with the state.</p> <p>2012 Update : The Commonwealth is aware of the questioned cost. The can implement the questioned cost as adjustments to future ACT 148 as they are brought to our attention. For FY2008 and FY2009, we are going to defer to the Commonwealth as to how they desire to handle those questioned costs</p> <p>Contact : Marcia Dixon (215) 683-6063</p> | | |
| 2008 - 09 | Unresolved | \$1,106,795 |
| <p>Condition : The Department of Human Services (DHS) included \$2.2 million of inadequately documented County Court costs, including \$10,000 of unallowable costs for rental space in a county court house, in its 2008 Fiscal Summary for the County Children and Youth Social Service Programs.</p> <p>2012 Update : The Commonwealth is aware of the questioned cost. The can implement the questioned cost as adjustments to future ACT 148 as they are brought to our attention. For FY2008 and FY2009, we are going to defer to the Commonwealth as to how they desire to handle those questioned costs</p> <p>Contact : Marcia Dixon (215) 683-6063</p> | | |
| 2008 - 10 | Unresolved | \$186,366 |
| <p>Condition : The Department of Human Services (DHS) did not perform a required reconciliation, and included \$236,647 of unallowable employee benefits costs in its 2008 Fiscal Summary for the County, Children and Youth Social Service Programs.</p> <p>2012 Update : The Commonwealth is aware of the questioned cost. The can implement the questioned cost as adjustments to future ACT 148 as they are brought to our attention. For FY2008 and FY2009, we are going to defer to the Commonwealth as to how they desire to handle those questioned costs</p> <p>Contact : Marcia Dixon (215) 683-6063</p> | | |
| Total PA Department of Public Welfare Questioned Costs: | | \$7,307,497 |

**City of Philadelphia
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2012**

| Reference Number | Status | Questioned Costs |
|---------------------|--------|---------------------|
|---------------------|--------|---------------------|

PA Department of Transportation

| |
|------------------------|
| Davis Bacon Act |
|------------------------|

| | | |
|------------------|-------------------|------------|
| 2009 - 14 | Unresolved | \$0 |
|------------------|-------------------|------------|

Condition : The Streets Department administered, mostly through contractors, \$22.3 million of federally funded Highway Planning and Construction projects during fiscal 2009. Control procedures of the Philadelphia Labor Standards Unit (LSU), the city agency responsible for ensuring all City of Philadelphia contracts comply with the prevailing wage requirements of the Davis Bacon Act, did not ensure that contractors always submitted certified payrolls weekly, or that submitted payrolls were time stamped to indicate when they were received. Test of 52 certified weekly payrolls each, for two sampled contractors monitored by the LSU for fiscal 2009 noted the following:

Seventeen certified weekly payrolls were not received timely as indicated by the LSU's date received stamp. Fifteen of 17 certified payrolls were received more than one year after the pay periods ended, and the remaining two certified payrolls were received late by five weeks and four months, respectively, after the pay periods ended. Ten of the 17 certified payrolls reported that there was no payroll incurred by contractor employees during the week.

Four other certified payrolls received from one of the contractors were not date stamped to indicate when they were received by the LSU. One of the four certified payrolls was not signed by the contractor's representative.

Funding for the Highway Planning and Construction program is received through the Pennsylvania Department of Transportation and the Delaware Valley Regional Planning Commission.

2012 Update : LSU has started using LCP Labor Compliance to do their Davis Bacon and Prevailing Wage compliance. We have 2 projects in the system and are still in the testing phase. We hope to go live within the next 3 to 6 months.

Contact : Perritti DiVirgilio (215) 686-2132

| | |
|--|------------|
| Total PA Department of Transportation Questioned Costs: | \$0 |
|--|------------|

City of Philadelphia
 Summary Schedule of Prior Audit Findings
 Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|--|----------|------------------|
| U.S Department of Commerce | | |
| ARRA-Broadband Technologies Opportunity | | |
| 2011 - 18 | Resolved | \$0 |
| <p>Condition : The Office of Innovation and Technology (OIT) did not prepare or retain documentation to verify that all funds subgranted to non-profit agencies were audited in compliance with OMB Circular A-133. While documented reviews of subrecipient audit reports help ensure that audit requirements have been met, integral to the review is the reconciliation of all funding provided to amounts reported in the subrecipient’s Schedule of Expenditures and Federal Awards (SEFA) to ensure that all payments are subject to audit. A documented reconciliation of payments to the amounts in the subrecipient’s SEFA was not performed. Funding for this grant was provided by the U.S. Department of Commerce, National Institute of Standards and Technology.</p> <p>2012 Update : OIT performed and documented the reconciliation of FY 2011 subrecipient payments in December 2012. OIT consulted with the Grants Accounting Office and the City’s Chief Grants Officer to establish an appropriate documentation format. OIT will continue to work with the Grants Accounting Office and the Chief Grants Officer to ensure that appropriate and sufficient subrecipient audit review procedures are in place in subsequent years of the grant.</p> <p>Contact : Andrew Buss (215) 686-8264</p> | | |
| Total U.S Department of Commerce Questioned Costs: | | \$0 |

City of Philadelphia
 Summary Schedule of Prior Audit Findings
 Fiscal Year Ended June 30, 2012

| Reference Number | Status | Questioned Costs |
|---------------------|--------|---------------------|
|---------------------|--------|---------------------|

U.S. Department of Housing and Urban Development

| |
|---|
| Homeless Prevention and Rapid Re-Housing |
|---|

| | | |
|-----------|------------|-----|
| 2011 - 17 | Unresolved | \$0 |
|-----------|------------|-----|

Condition : Of \$97,386 in housing payment vouchers randomly drawn from a population of \$415,268, we found that the Office of Supportive Housing (OSH) expended \$2,745 in grant funds to a hotel for shelter facilities without identifying the individuals sheltered or documenting that grant qualifying criteria was met. In addition, OSH was not able to provide supporting detail to reconcile individual reimbursement requests, suggesting that requests for draw downs were not properly controlled. The program was funded by the Department of Housing and Urban Development.

2012 Update : OSH has performed a reconciliation of cost billed to the grantor. It has been determined that there were duplicate drawdown requests submitted to the grantor. The duplicated cash reimbursements were netted out of subsequent drawdown requests.

Contact : Rodney Cherry (215) 686-7180

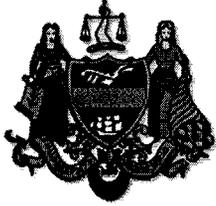
| | |
|---|------------|
| Total U.S. Department of Housing and Urban Development Questioned Costs: | \$0 |
|---|------------|



SUPPLEMENTARY FINANCIAL INFORMATION SECTION

Pennsylvania Department of Public Welfare

**Pennsylvania Department of Community and
Economic Development**



CITY OF PHILADELPHIA

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

ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE

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

To the Commonwealth of Pennsylvania,
Department of Public Welfare

We have performed the procedures enumerated below, which were agreed to by the management of the City of Philadelphia, Pennsylvania and the Commonwealth of Pennsylvania, Department of Public Welfare (DPW) solely to assist you in evaluating the financial schedules and exhibits required by the DPW Single Audit Supplement for the year ended June 30, 2012. Management of the City of Philadelphia is responsible for the preparation of these financial schedules and exhibits. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- (a) We have compared the amounts and classifications on the supplemental financial schedules listed below, which summarize amounts reported to DPW for fiscal year ended June 30, 2012, to the corresponding amounts in the books and records of the City of Philadelphia used to prepare the financial statements audited by us. We also compared the example schedules in the DPW Single Audit Supplement to these schedules to determine that they are presented, at a minimum, at the level of detail and in the format required by the DPW Single Audit Supplement pertaining to this period.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

| <u>Program Name</u> | <u>Number</u> | <u>Referenced Schedule/Exhibit</u> |
|--------------------------------------|---------------|---|
| Child Support Enforcement | A 1 (a) | Summary of Expenditures |
| Mental Health/Mental Retardation | IV (a) MH | Revenues, Expenditures and Carryover Funds – MH |
| | IV (b) MH | Income and Expenditures – MH |
| | IV (c) MR | Revenues, Expenditures and Carryover Funds – MR |
| | IV (d) MR | Income and Expenditures – MR |
| Early Intervention Services | V (a) EI | Revenues, Expenditures and Carryover Funds |
| | V (b) EI | Income and Expenditures |
| Combined Homeless Assistance Program | XIX (a) | Final Expenditure Report |
| Pennfree Bridge Housing Program | - | Final Expenditure Report |

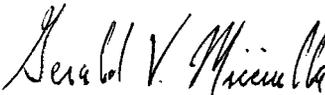
- (b) We have inquired of management as to whether there were any adjustments to reported revenues or expenditures which were not reflected on reports submitted to DPW for the period in question.

The procedures detailed in the two preceding paragraphs, (a) and (b) above, disclosed no adjustments or findings which have not been reflected in the above noted schedules or exhibits.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying financial schedules and exhibits required by the DPW Single Audit Supplement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Philadelphia, Pennsylvania, City Council, and DPW and is not intended to be and should not be used by anyone other than these specified parties.

October 29, 2013


GERALD V. MICCIULLA, CPA
Deputy City Controller

CITY OF PHILADELPHIA
SUMMARY OF EXPENDITURES
TITLE IV-D CHILD SUPPORT PROGRAM
FYE JUNE 30, 2012

EXHIBIT A-1(A)

COMPARISON OF CHILD SUPPORT PROGRAM INDEX NO. 840632 & 840656 & 840658 SINGLE AUDIT EXPENDITURES WITH THE REPORTED EXPENDITURES

| County: Philadelphia | | | Year Ended: Fiscal Year 2012 | | | | | | | | | | | | |
|--------------------------------|---------------------|-------------------|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------------------|----------------------------------|---------------------|-------------|-------------|----------------------|-------------|-------------|
| Single Audit Expenditures | | | Reported Expenditures | | | | | | Single Audit Over/Under Reported | | | | | | |
| Quarter Ending: 09/30/11 | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid |
| 1. Salary/Overhead | 8,402,539.00 | 747,536.00 | (2,507,388.00) | 5,147,615.00 | 3,397,426.00 | 8,402,539.00 | 747,536.00 | (2,507,388.00) | 5,147,615.00 | 3,397,426.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 48.00 | | | 48.00 | 32.00 | 48.00 | | | 48.00 | 32.00 | 0.00 | 0.00 | | | 0.00 |
| 3. Interest & Program Income | 17,376.00 | 289.00 | | 17,087.00 | 11,277.00 | 17,376.00 | 289.00 | | 17,087.00 | 11,277.00 | 0.00 | 0.00 | | | 0.00 |
| 4. Blood Testing Fee | 0.00 | | | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 |
| 5. Blood Testing Costs | 38,280.00 | | | 38,280.00 | 25,265.00 | 38,280.00 | | | 38,280.00 | 25,265.00 | 0.00 | 0.00 | | | 0.00 |
| 6. ADP | 7,532.00 | 124.00 | 0.00 | 7,408.00 | 4,889.00 | 7,532.00 | 124.00 | 0.00 | 7,408.00 | 4,889.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 8,430,927.00 | 747,371.00 | (2,507,388.00) | 5,176,168.00 | 3,416,271.00 | 8,430,927.00 | 747,371.00 | (2,507,388.00) | 5,176,168.00 | 3,416,271.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Quarter Ending: 12/31/11 | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid |
| 1. Salary/Overhead | 8,081,290.00 | 705,327.00 | (499,377.00) | 6,876,586.00 | 4,538,547.00 | 8,081,290.00 | 705,327.00 | (499,377.00) | 6,876,586.00 | 4,538,547.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 41.00 | | | 41.00 | 27.00 | 41.00 | | | 41.00 | 27.00 | 0.00 | 0.00 | | | 0.00 |
| 3. Interest & Program Income | 17,270.00 | 245.00 | | 17,025.00 | 11,237.00 | 17,270.00 | 245.00 | | 17,025.00 | 11,237.00 | 0.00 | 0.00 | | | 0.00 |
| 4. Blood Testing Fee | 0.00 | | | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 |
| 5. Blood Testing Costs | 36,930.00 | | | 36,930.00 | 24,374.00 | 36,930.00 | | | 36,930.00 | 24,374.00 | 0.00 | 0.00 | | | 0.00 |
| 6. ADP | 7,352.00 | 107.00 | 0.00 | 7,245.00 | 4,782.00 | 7,352.00 | 107.00 | 0.00 | 7,245.00 | 4,782.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 8,108,261.00 | 705,189.00 | (499,377.00) | 6,903,695.00 | 4,556,439.00 | 8,108,261.00 | 705,189.00 | (499,377.00) | 6,903,695.00 | 4,556,439.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Quarter Ending: 03/31/12 | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid |
| 1. Salary/Overhead | 8,448,111.00 | 712,302.00 | (912,939.00) | 6,822,870.00 | 4,503,094.00 | 8,448,111.00 | 712,302.00 | (912,939.00) | 6,822,870.00 | 4,503,094.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 44.00 | | | 44.00 | 29.00 | 44.00 | | | 44.00 | 29.00 | 0.00 | 0.00 | | | 0.00 |
| 3. Interest & Program Income | 17,923.00 | 296.00 | | 17,627.00 | 11,634.00 | 17,923.00 | 296.00 | | 17,627.00 | 11,634.00 | 0.00 | 0.00 | | | 0.00 |
| 4. Blood Testing Fee | 0.00 | | | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 |
| 5. Blood Testing Costs | 44,130.00 | | | 44,130.00 | 29,126.00 | 44,130.00 | | | 44,130.00 | 29,126.00 | 0.00 | 0.00 | | | 0.00 |
| 6. ADP | 7,697.00 | 121.00 | 0.00 | 7,576.00 | 5,000.00 | 7,697.00 | 121.00 | 0.00 | 7,576.00 | 5,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 8,481,971.00 | 712,127.00 | (912,939.00) | 6,856,905.00 | 4,525,557.00 | 8,481,971.00 | 712,127.00 | (912,939.00) | 6,856,905.00 | 4,525,557.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Quarter Ending: 06/30/12 | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid | Total | Unallowable | Incentive Paid Costs | Net | Amt Paid |
| 1. Salary/Overhead | 8,032,459.00 | 610,146.00 | (497,736.00) | 6,924,577.00 | 4,570,221.00 | 8,032,459.00 | 610,146.00 | (497,736.00) | 6,924,577.00 | 4,570,221.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 45.00 | | | 45.00 | 30.00 | 45.00 | | | 45.00 | 30.00 | 0.00 | 0.00 | | | 0.00 |
| 3. Interest & Program Income | 18,309.00 | 280.00 | | 18,029.00 | 11,899.00 | 18,309.00 | 280.00 | | 18,029.00 | 11,899.00 | 0.00 | 0.00 | | | 0.00 |
| 4. Blood Testing Fee | 11,315.00 | | | 11,315.00 | 7,468.00 | 11,315.00 | | | 11,315.00 | 7,468.00 | 0.00 | 0.00 | | | 0.00 |
| 5. Blood Testing Costs | 35,340.00 | | | 35,340.00 | 23,324.00 | 35,340.00 | | | 35,340.00 | 23,324.00 | 0.00 | 0.00 | | | 0.00 |
| 6. ADP | 49,045.00 | 720.00 | 0.00 | 48,325.00 | 31,895.00 | 49,045.00 | 720.00 | 0.00 | 48,325.00 | 31,895.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 8,087,175.00 | 610,586.00 | (497,736.00) | 6,978,853.00 | 4,606,043.00 | 8,087,175.00 | 610,586.00 | (497,736.00) | 6,978,853.00 | 4,606,043.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

CITY OF PHILADELPHIA
SUMMARY OF EXPENDITURES
TITLE IV-D CHILD SUPPORT PROGRAM
FYE JUNE 30, 2012

EXHIBIT A-1(a)

COMPARISON OF CHILD SUPPORT PROGRAM INDEX NO. 840632 & 840656 & 840658 SINGLE AUDIT EXPENDITURES WITH THE REPORTED EXPENDITURES - SUPPLEMENTALS

| County: Philadelphia | | | | Year Ended: Fiscal Year 2012 | | | | | | | | | | | | |
|---------------------------------|--------------|--------------------|-------------|------------------------------|--------------|--------------------|-------------|-----------------|--------------|----------------------------------|-------------|-----------------|--------------|--------------------|-------------|-----------------|
| Single Audit Expenditures | | | | Reported Expenditures | | | | | | Single Audit Over/Under Reported | | | | | | |
| Quarter Ending: 09/30/11 | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid |
| 1. Salary/Overhead | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Interest & Program Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Blood Testing Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5. Blood Testing Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6. ADP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Quarter Ending: 12/31/11 | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid |
| 1. Salary/Overhead | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Interest & Program Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Blood Testing Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5. Blood Testing Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6. ADP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Quarter Ending: 03/31/12 | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid |
| 1. Salary/Overhead | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Interest & Program Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Blood Testing Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5. Blood Testing Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6. ADP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Quarter Ending: 06/30/12 | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid | Total | Unallowable | Net | Amt Paid |
| 1. Salary/Overhead | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. Fee/Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3. Interest & Program Income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4. Blood Testing Fee | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5. Blood Testing Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6. ADP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Total (1-2-3-4+5+6) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

PHILADELPHIA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CARRYOVER FUNDS
MENTAL HEALTH SERVICES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| SOURCE OF DPW FUNDS | APP | DPW FUNDS AVAILABLE | | | Cost Eligible for DPW Participation (4) | Balance of Funds (5) | Grant Fund Adjs. (6A) | CSR State Grant Fund Adjs. (6B) | CSC- Promise Adjs. (6C) | Total Fund Balance (7) |
|--|-------|---------------------|------------------|----------------------------|--|-------------------------------|--------------------------------|---|----------------------------------|------------------------------|
| | | Carryover (1) | Allotment (2) | Total Allocation (3) | | | | | | |
| A. MH SERVICES | 10248 | 0 | 129,423,708 | 129,423,708 | 129,423,708 | 0 | 0 | 0 | 0 | 0 |
| B. OTHER STATE FUNDS | | | | | | | | | | |
| 1. Specialized Residences | 10258 | 0 | 1,033,338 | 1,033,338 | 1,033,338 | 0 | 0 | 0 | 0 | 0 |
| 2. BH Initiative | 10262 | 0 | 4,239,987 | 4,239,987 | 4,239,987 | 0 | 0 | 0 | 0 | 0 |
| 3. BH IGT | 10262 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. New Directions | 10244 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Personal Care Homes | 10252 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. County Assistance Office | 10264 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Facility and Service Enhancement | 10942 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. Total Other State | | 0 | 5,273,325 | 5,273,325 | 5,273,325 | 0 | 0 | 0 | 0 | 0 |
| C. SSBG | 70135 | 0 | 5,532,135 | 5,532,135 | 5,532,135 | 0 | 0 | 0 | 0 | 0 |
| D. CMHSBG | 70167 | 0 | 2,192,706 | 2,192,706 | 2,192,706 | 0 | 0 | 0 | 0 | 0 |
| E. OTHER FEDERAL FUNDS | | | | | | | | | | |
| 1. Max. Part. Project | 70121 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. PATH Homeless | 70154 | 0 | 1,073,008 | 1,073,008 | 1,073,008 | 0 | 0 | 0 | 0 | 0 |
| 3. Capitalization of POMS | 70522 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. MH Systems Transformation | 70589 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Federal SSBG - Hurricane Katrina | 70684 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. Jail Diversion & Trauma Recovery | 70747 | 52,099 | 139,000 | 191,099 | 127,871 | 63,228 | 0 | 0 | 0 | 63,228 |
| 7. Bioterrorism Hosp Prep/Pub Hth Prep Res | 80343 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. Medical Assistance/TTI | 70127 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. Client Level Reporting Project | 70127 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Hospital Prep Prop - Crisis Counseling | 80222 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. Reserved | 00001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12. Total Other Federal | | 52,099 | 1,212,008 | 1,264,107 | 1,200,879 | 63,228 | 0 | 0 | 0 | 63,228 |
| F. TOTAL | | 52,099 | 143,633,882 | 143,685,981 | 143,622,753 | 63,228 | 0 | 0 | 0 | 63,228 |

PHILADELPHIA COUNTY
REPORT OF INCOME AND EXPENDITURES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL HEALTH PROGRAM | Adult Dvpt Training | Admin Management | Admin Office | Community Employ Services |
|--|------------------------|---------------------|-----------------|---------------------------------|
| I. TOTAL ALLOCATION | | | | |
| II. TOTAL EXPENDITURES | 0 | 10,509,211 | 12,167,671 | 0 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 800,961 | 0 |
| B. County Funded Ineligible | 0 | 0 | 963,732 | 0 |
| C. Other Eligible | 0 | 632,488 | 0 | 0 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 0 | 632,488 | 1,764,693 | 0 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 0 | 0 | 0 |
| B. Private Insurance | 0 | 13,964 | 0 | 0 |
| C. Medical Assistance | 0 | 0 | 0 | 0 |
| D. Medical Assistance - Admin Claims | 0 | 0 | 25,267 | 0 |
| E. Room and Board | 0 | 0 | 0 | 0 |
| F. Earned Interest | 0 | 20,126 | 0 | 0 |
| G. Other | 0 | 269,126 | 0 | 0 |
| H. Total Revenue : | 0 | 303,216 | 25,267 | 0 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 0 | 5,180,935 | 9,339,940 | 0 |
| B. Base Allocation 100 % | 0 | 0 | 0 | 0 |
| C. DPW Categorical Funding 90% Subtotal | 0 | 0 | 0 | 0 |
| D. DPW Categorical Funding 100% Subtotal | 0 | 680,819 | 0 | 0 |
| E. SSBG 90% Adult | 0 | 0 | 0 | 0 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 2,893,313 | 0 | 0 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| F. CMHSBG (ADAMH) 90% | 0 | 0 | 0 | 0 |
| CMHSBG (ADAMH) 100% | 0 | 242,781 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 0 | 575,659 | 1,037,771 | 0 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 0 | 9,573,507 | 10,377,711 | 0 |
| VIII. TOTAL CARRYOVER | | | | |

PHILADELPHIA COUNTY
REPORT OF INCOME AND EXPENDITURES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL HEALTH PROGRAM | Crisis Intervention | Community Services | Day Treatment | Emergency Services |
|--|------------------------|-----------------------|------------------|-----------------------|
| I. TOTAL ALLOCATION | | | | |
| II. TOTAL EXPENDITURES | 0 | 5,666,955 | 0 | 21,570,059 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 0 | 0 |
| B. County Funded Ineligible | 0 | 0 | 0 | 164,383 |
| C. Other Eligible | 0 | 0 | 0 | 192,510 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 0 | 0 | 0 | 356,893 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 0 | 0 | 391 |
| B. Private Insurance | 0 | 0 | 0 | 895,573 |
| C. Medical Assistance | 0 | 0 | 0 | 93,575 |
| D. Medical Assistance - Admin Claims | 0 | 0 | 0 | 0 |
| E. Room and Board | 0 | 0 | 0 | 0 |
| F. Earned Interest | 0 | 87 | 0 | 139,188 |
| G. Other | 0 | 784,991 | 0 | 8,810,931 |
| H. Total Revenue : | 0 | 785,078 | 0 | 9,939,658 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 0 | 3,195,720 | 0 | 10,093,204 |
| B. Base Allocation 100 % | 0 | 0 | 0 | 0 |
| C. DPW Categorical Funding 90% Subtotal | 0 | 0 | 0 | 0 |
| D. DPW Categorical Funding 100% Subtotal | 0 | 1,331,077 | 0 | 58,837 |
| E. SSBG 90% Adult | 0 | 0 | 0 | 0 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 0 | 0 | 0 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| F. CMHSBG (ADAMH) 90% | 0 | 0 | 0 | 0 |
| CMHSBG (ADAMH) 100% | 0 | 0 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 0 | 355,080 | 0 | 1,121,467 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 0 | 4,881,877 | 0 | 11,273,508 |
| VIII. TOTAL CARRYOVER | | | | |

PHILADELPHIA COUNTY
REPORT OF INCOME AND EXPENDITURES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL HEALTH PROGRAM | Fam Based Services | Fam Sup Services | Housing Support Services | Int Case Management |
|--|-----------------------|---------------------|--------------------------------|------------------------|
| I. TOTAL ALLOCATION | | | | |
| II. TOTAL EXPENDITURES | 258,115 | 167,336 | 0 | 5,389,538 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 0 | 0 |
| B. County Funded Ineligible | 0 | 0 | 0 | 0 |
| C. Other Eligible | 38,144 | 0 | 0 | 0 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 38,144 | 0 | 0 | 0 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 0 | 0 | 0 |
| B. Private Insurance | 0 | 0 | 0 | 1,295 |
| C. Medical Assistance | 1,483 | 0 | 0 | 189,627 |
| D. Medical Assistance - Admin Claims | 0 | 0 | 0 | 0 |
| E. Room and Board | 0 | 0 | 0 | 0 |
| F. Earned Interest | 0 | 0 | 0 | 0 |
| G. Other | 0 | 0 | 0 | 8,246 |
| I. Total Revenue : | 1,483 | 0 | 0 | 199,168 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 0 | 150,602 | 0 | 0 |
| B. Base Allocation 100 % | 218,488 | 0 | 0 | 4,784,468 |
| C. DPW Categorical Funding 90% Subtotal | 0 | 0 | 0 | 0 |
| D. DPW Categorical Funding 100% Subtotal | 0 | 0 | 0 | 405,902 |
| E. SSBG 90% Adult | 0 | 0 | 0 | 0 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 0 | 0 | 0 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| F. CMHSBG (ADAMH) 90% | 0 | 0 | 0 | 0 |
| CMHSBG (ADAMH) 100% | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 0 | 16,734 | 0 | 0 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 218,488 | 167,336 | 0 | 5,190,370 |
| VIII. TOTAL CARRYOVER | | | | |

PHILADELPHIA COUNTY
REPORT OF INCOME AND EXPENDITURES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL HEALTH PROGRAM | Psychiatric Inpt Hosp | Outpatient | Psychiatric Rehab | Comm Res Services |
|--|--------------------------|------------|----------------------|----------------------|
| I. TOTAL ALLOCATION | | | | |
| II. TOTAL EXPENDITURES | 685,553 | 14,957,046 | 0 | 98,920,621 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 0 | 0 |
| B. County Funded Ineligible | 0 | 0 | 0 | 0 |
| C. Other Eligible | 7,764 | 0 | 0 | 580,317 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 7,764 | 0 | 0 | 580,317 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 418,518 | 0 | 21,204 |
| B. Private Insurance | 0 | 1,688,576 | 0 | 0 |
| C. Medical Assistance | 0 | 145,223 | 0 | 0 |
| D. Medical Assistance - Admin Claims | 0 | 0 | 0 | 0 |
| E. Room and Board | 0 | 0 | 0 | 5,906,442 |
| F. Earned Interest | 0 | 140,003 | 0 | 5,909 |
| G. Other | 0 | 1,154,203 | 0 | 5,768,016 |
| I. Total Revenue : | 0 | 3,546,523 | 0 | 11,701,571 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 0 | 6,440,220 | 0 | 14,151,596 |
| B. Base Allocation 100 % | 677,789 | 0 | 0 | 0 |
| C. DPW Categorical Funding 90% Subtotal | 0 | 0 | 0 | 2,256,062 |
| D. DPW Categorical Funding 100% Subtotal | 0 | 4,104,001 | 0 | 67,102,965 |
| E. SSBG 90% Adult | 0 | 0 | 0 | 0 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 0 | 0 | 0 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| F. CMHSBG (ADAMH) 90% | 0 | 0 | 0 | 969,088 |
| CMHSBG (ADAMH) 100% | 0 | 150,723 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 0 | 715,579 | 0 | 2,159,022 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 677,789 | 11,410,523 | 0 | 86,638,733 |
| VIII. TOTAL CARRYOVER | | | | |

PHILADELPHIA COUNTY
REPORT OF INCOME AND EXPENDITURES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL HEALTH PROGRAM | Resource Coordination | Soc Rehab Services | Vocational Rehab | Totals |
|--|--------------------------|-----------------------|---------------------|-------------|
| I. TOTAL ALLOCATION | | | | 143,685,981 |
| II. TOTAL EXPENDITURES | 37,459 | 7,597,803 | 4,275,047 | 182,202,414 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 0 | 800,961 |
| B. County Funded Ineligible | 0 | 0 | 0 | 1,128,115 |
| C. Other Eligible | 0 | 0 | 10,580 | 1,461,803 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 0 | 0 | 10,580 | 3,390,879 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 1,226 | 0 | 441,339 |
| B. Private Insurance | 0 | 0 | 0 | 2,599,408 |
| C. Medical Assistance | 0 | 46,058 | 0 | 475,966 |
| D. Medical Assistance - Admin Claims | 0 | 0 | 0 | 25,267 |
| E. Room and Board | 0 | 0 | 0 | 5,906,442 |
| F. Earned Interest | 0 | 32 | 0 | 305,345 |
| G. Other | 0 | 480,147 | 1,638,365 | 18,914,025 |
| I. Total Revenue : | 0 | 527,463 | 1,638,365 | 28,667,792 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 0 | 3,978,188 | 878,921 | 53,409,326 |
| B. Base Allocation 100 % | 37,459 | 0 | 0 | 5,718,204 |
| C. DPW Categorical Funding 90% Subtotal | 0 | 0 | 0 | 2,256,062 |
| D. DPW Categorical Funding 100% Subtotal | 0 | 799,189 | 31,530 | 74,514,320 |
| E. SSBG 90% Adult | 0 | 0 | 0 | 0 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 1,020,829 | 1,617,993 | 5,532,135 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| F. CMHSBG (ADAMH) 90% | 0 | 0 | 0 | 969,088 |
| CMHSBG (ADAMH) 100% | 0 | 830,114 | 0 | 1,223,618 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 0 | 442,020 | 97,658 | 6,520,990 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 37,459 | 7,070,340 | 2,626,102 | 150,143,743 |
| VIII. TOTAL CARRYOVER | | | | 63,228 |

PHILADELPHIA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CARRYOVER FUNDS
MENTAL RETARDATION SERVICES
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| SOURCE OF DPW FUNDS | APP | DPW FUNDS AVAILABLE | | | Cost Eligible for DPW Participation | Balance of Funds | Grant Fund Adjs. | CSR St. Grant Fd Adjs. | CSR-Promise Adjs. | Total Fund Balance |
|---|-------------|---------------------|------------|------------------|-------------------------------------|------------------|------------------|------------------------|-------------------|--------------------|
| | | Carryover Funds | Allotment | Total Allocation | | | | | | |
| A. MR SERVICES | | | | | | | | | | |
| 1. Community (NR/Res) | 10255 | 2,867,768 | 15,440,904 | 18,308,672 | 18,279,085 | 29,587 | 0 | 0 | 0 | 29,587 |
| 2. SSBG | 70177 | 0 | 1,119,613 | 1,119,613 | 1,119,613 | 0 | 0 | 0 | 0 | 0 |
| 3. Reserved | 00001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Subtotal MR Services : | | 2,867,768 | 16,560,517 | 19,428,285 | 19,398,698 | 29,587 | 0 | 0 | 0 | 29,587 |
| B. WAIVER | | | | | | | | | | |
| 1. Consolidated Waiver Services | 10255/70175 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Waiver Administration | 10255/70175 | 0 | 14,499,780 | 14,499,780 | 14,499,780 | 0 | 0 | 0 | 0 | 0 |
| 3. P/FDS Waiver Services | 10255/70175 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Reserved | 00002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Subtotal Waiver : | | 0 | 14,499,780 | 14,499,780 | 14,499,780 | 0 | 0 | 0 | 0 | 0 |
| C. OTHER | | | | | | | | | | |
| 1. Elwyn Institute | 10236 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Pennhurst Dispersal | 10241 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Services for Individuals with Autism | 10741/70711 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Money Follows the Person | 10263 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Visions for Equality | 10942 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. Reserved | 00003 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Subtotal Other : | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| D. TOTAL | | 2,867,768 | 31,060,297 | 33,928,065 | 33,898,478 | 29,587 | 0 | 0 | 0 | 29,587 |

EXHIBIT IV-(d) MR

PHILADELPHIA COUNTY
 REPORT OF INCOME AND EXPENDITURES
 FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL RETARDATION PROGRAM | Admin Office | Community Habilitation | Community Residential | FD/FS |
|--|--------------|------------------------|-----------------------|-----------|
| I. TOTAL ALLOCATION | | | | |
| II. TOTAL EXPENDITURES | 19,503,563 | 123,275 | 9,962,218 | 1,530,739 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 0 | 0 |
| B. County Funded Ineligible | 1,488,213 | 0 | 0 | 0 |
| C. Other Eligible | 0 | 0 | 0 | 0 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 1,488,213 | 0 | 0 | 0 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 0 | 0 | 0 |
| B. Private Insurance Fees | 0 | 0 | 0 | 0 |
| C. Medical Assistance - Gen | 0 | 0 | 0 | 0 |
| D. Medical Assistance - Admin Claims | 680,693 | 0 | 0 | 0 |
| E. Room and Board | 0 | 0 | 320,605 | 0 |
| F. Earned Interest | 0 | 0 | 261 | 0 |
| G. Other | 11,490 | 0 | 0 | 0 |
| H. Total Revenue : | 692,183 | 0 | 320,866 | 0 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 1,928,425 | 110,948 | 0 | 1,377,665 |
| B. Base Allocation 100 % | 0 | 0 | 8,770,936 | 0 |
| C. DPW Categorical 90% Subtotal | 0 | 0 | 0 | 0 |
| D. DPW Categorical 100% Subtotal | 15,180,473 | 0 | 0 | 0 |
| E. SSBG 90% Adult | 0 | 0 | 0 | 0 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 0 | 870,416 | 0 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 214,269 | 12,327 | 0 | 153,074 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 17,323,167 | 123,275 | 9,641,352 | 1,530,739 |
| VIII. TOTAL CARRYOVER | | | | |

EXHIBIT IV-(d) MR

PHILADELPHIA COUNTY
 REPORT OF INCOME AND EXPENDITURES
 FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL RETARDATION PROGRAM | Employment Services | Home & Community | Pre-Voc | Respite |
|--|---------------------|------------------|---------|---------|
| I. TOTAL ALLOCATION | | | | |
| II. TOTAL EXPENDITURES | 1,949,104 | 1,166,279 | 818,073 | 440,819 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 0 | 0 |
| B. County Funded Ineligible | 0 | 0 | 0 | 0 |
| C. Other Eligible | 0 | 0 | 0 | 0 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 0 | 0 | 0 | 0 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 0 | 0 | 0 |
| B. Private Insurance Fees | 0 | 0 | 0 | 0 |
| C. Medical Assistance - Gen | 0 | 0 | 0 | 0 |
| D. Medical Assistance - Admin Claims | 0 | 0 | 0 | 0 |
| E. Room and Board | 0 | 0 | 0 | 0 |
| F. Earned Interest | 990 | 0 | 52 | 0 |
| G. Other | 5,839 | 0 | 0 | 0 |
| H. Total Revenue : | 6,829 | 0 | 52 | 0 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 1,556,503 | 1,049,651 | 662,369 | 396,737 |
| B. Base Allocation 100 % | 0 | 0 | 0 | 0 |
| C. DPW Categorical 90% Subtotal | 0 | 0 | 0 | 0 |
| D. DPW Categorical 100% Subtotal | 17,997 | 0 | 0 | 0 |
| E. SSBG 90% Adult | 175,347 | 0 | 73,850 | 0 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 0 | 0 | 0 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 192,428 | 116,628 | 81,802 | 44,082 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 1,942,275 | 1,166,279 | 818,021 | 440,819 |
| VIII. TOTAL CARRYOVER | | | | |

EXHIBIT IV-(d) MR

PHILADELPHIA COUNTY
 REPORT OF INCOME AND EXPENDITURES
 FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| MENTAL RETARDATION PROGRAM | Special Support | Supports Coordination | Transportation | Total |
|--|-----------------|-----------------------|----------------|------------|
| I. TOTAL ALLOCATION | | | | 33,928,065 |
| II. TOTAL EXPENDITURES | 0 | 1,911,283 | 8,219 | 37,413,572 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 0 | 0 | 0 | 0 |
| B. County Funded Ineligible | 0 | 0 | 0 | 1,488,213 |
| C. Other Eligible | 0 | 0 | 0 | 0 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 0 | 0 | 0 | 1,488,213 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 0 | 0 | 0 |
| B. Private Insurance Fees | 0 | 0 | 0 | 0 |
| C. Medical Assistance - Gen | 0 | 0 | 0 | 0 |
| D. Medical Assistance - Admin Claims | 0 | 0 | 0 | 680,693 |
| E. Room and Board | 0 | 0 | 0 | 320,605 |
| F. Earned Interest | 0 | 434 | 0 | 1,737 |
| G. Other | 0 | 0 | 0 | 17,329 |
| H. Total Revenue : | 0 | 434 | 0 | 1,020,364 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 0 | 707,000 | 7,397 | 7,796,695 |
| B. Base Allocation 100 % | 0 | 0 | 0 | 8,770,936 |
| C. DPW Categorical 90% Subtotal | 0 | 1,012,764 | 0 | 1,012,764 |
| D. DPW Categorical 100% Subtotal | 0 | 0 | 0 | 15,198,470 |
| E. SSBG 90% Adult | 0 | 0 | 0 | 249,197 |
| SSBG 90% Child | 0 | 0 | 0 | 0 |
| SSBG 100% Adult | 0 | 0 | 0 | 870,416 |
| SSBG 100% Child | 0 | 0 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 0 | 191,085 | 822 | 1,006,517 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 0 | 1,910,849 | 8,219 | 34,904,995 |
| VIII. TOTAL CARRYOVER | | | | 29,587 |

PHILADELPHIA COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CARRYOVER FUNDS
 EARLY INTERVENTION SERVICES
 FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| SOURCES OF DPW FUNDING | APP | DPW FUNDS AVAILABLE | | | Cost Eligible for DPW Participation | Balance of Funds | Grant Fund Adjs. | Total Fund Balance |
|--|-------------|---------------------|------------|---------------------|---|------------------------|------------------------|-----------------------|
| | | Carryover Funds | Allotment | Total Allocation | | | | |
| C. EARLY INTERVENTION | | | | | | | (a) | |
| 1. State Early Intervention | 10235 | 362,589 | 9,973,793 | 10,336,382 | 10,151,013 | 185,369 | -106,440 | 78,929 |
| 2. State Early Intervention - Training | 10235 | 0 | 281,772 | 281,772 | 281,772 | 0 | 0 | 0 |
| 3. EI Administration | 10235 | 407,857 | 2,148,417 | 2,556,274 | 2,556,274 | 0 | 0 | 0 |
| 4. Infants and Toddlers w/ Disabilities (Part C) | 70170 | 0 | 1,607,116 | 1,607,116 | 1,607,116 | 0 | 0 | 0 |
| 5. IT&F Waiver Administration | 10235/70184 | 23,888 | 933,016 | 956,904 | 823,702 | 133,202 | 0 | 133,202 |
| 6. Infants and Toddlers w/ Disabilities (Part C) ARRA | 77875 | 0 | 666,800 | 666,800 | 666,800 | 0 | 0 | 0 |
| 7. Pelican Readiness-Administration (Part C ARRA) | 77875 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. Reserved | 00001 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. Total Early Intervention : | | 794,334 | 15,610,914 | 16,405,248 | 16,086,677 | 318,571 | -106,440 | 212,131 |

PHILADELPHIA COUNTY
REPORT OF INCOME AND EXPENDITURES
EARLY INTERVENTION SERVICES
COUNTY PROGRAM CODE (CAU): PHI
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2012

| EARLY INTERVENTION SERVICES | Admin Office | Early Intervention | Supports Coordination | Total |
|--|---------------------|---------------------------|------------------------------|--------------|
| I. TOTAL ALLOCATION | | | | 16,405,248 |
| II. TOTAL EXPENDITURES | 3,782,098 | 20,655,778 | 6,526,547 | 30,964,423 |
| III. COSTS OVER ALLOCATION | | | | |
| A. County Funded Eligible | 39,178 | 0 | 0 | 39,178 |
| B. County Funded Ineligible | 78,914 | 0 | 0 | 78,914 |
| C. Other Eligible | 0 | 0 | 0 | 0 |
| D. Other Ineligible | 0 | 0 | 0 | 0 |
| E. Total Costs Over Allocation | 118,092 | 0 | 0 | 118,092 |
| IV. REVENUES | | | | |
| A. Program Service Fees | 0 | 0 | 0 | 0 |
| B. Private Insurance | 0 | 0 | 0 | 0 |
| D. Medical Assistance - MA EI | 0 | 8,213,963 | 4,923,895 | 13,137,858 |
| E. Medical Assistance - Admin Claims | 0 | 0 | 0 | 0 |
| G. Earned Interest | 0 | 0 | 0 | 0 |
| H. Other | 0 | 0 | 0 | 0 |
| I. Total Revenue : | 0 | 8,213,963 | 4,923,895 | 13,137,858 |
| V. DPW REIMBURSEMENT | | | | |
| A. Base Allocation 90 % | 0 | 0 | 0 | 0 |
| B. Base Allocation 100 % | 0 | 0 | 0 | 0 |
| C. DPW Categorical 90% Subtotal | 2,556,274 | 10,597,514 | 1,442,387 | 14,596,175 |
| D. DPW Categorical 100% Subtotal | 823,702 | 666,800 | 0 | 1,490,502 |
| E. SSBG 90% Child | 0 | 0 | 0 | 0 |
| VI. COUNTY MATCH | | | | |
| 10 % County Match | 284,030 | 1,177,501 | 160,265 | 1,621,796 |
| VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH | 3,664,006 | 12,441,815 | 1,602,652 | 17,708,473 |
| VIII. TOTAL CARRYOVER | | | | 318,571 |

County Summary
FINAL EXPENDITURE REPORT
 Fiscal Year 2011-2012
HOMELESS ASSISTANCE REPORT

Exhibit XIX(A)

| I. SOURCES OF FUNDING | | | | | TOTAL AVAILABLE FUNDS |
|---|-------------------------|-----------|---|-----------------------------|-----------------------|
| DPW Allocation: | Funds Received from DPW | 7,000,301 | + | Prior Year Unspent Funds | A* 7,000,301 |
| Client Contributions | | | | | B |
| Other | | | | | C 391,011 |
| Interest Earned | | | | | D 1,102 |
| A+B+C+D EQUALS TOTAL HAP FUNDING | | | | | E 7,392,414 |

A* Must Equal the Total County HAP Allocation

| II. EXPENSES | | | | | | TOTAL EXPENSES |
|----------------------------|------------------|------------------|-------------------|-------------------|-------------------------------------|----------------|
| Type of Expense | Bridge Housing | Case Management | Rental Assistance | Emergency Shelter | Innovative Support Housing Services | |
| On Behalf of Clients | 447,925 | | | | | F 447,925 |
| Personnel | 2,230,117 | 3,624,416 | | | | G 5,854,533 |
| Operation | 744,399 | 94,809 | | | | H 839,208 |
| Fixed Assets/ Equipment | 36,697 | 32,644 | | | | I 69,341 |
| SUBTOTAL | 3,459,138 | 3,751,869 | | | | J** 7,211,007 |

J** Must Equal F+G+H+I

| | |
|--|-------------|
| COUNTY ADMINISTRATION (Max. 10% of total HAP funding) | K 181,407 |
| J+K Equals TOTAL HAP EXPENSES | L 7,392,414 |
| E-L Equals TOTAL UNEXPENDED FUNDS | \$ |

**PENNFREE BRIDGE HOUSING
HOMELESS ASSISTANCE PROGRAM
FINAL EXPENDITURE REPORT
FISCAL YEAR 2012**

EXPENSES

| PERSONNEL | |
|----------------------|----------------|
| Wages and Salaries | 568,196 |
| Benefits | 172,981 |
| Training/Conferences | |
| SUB TOTAL | 741,177 |

| OPERATING | |
|----------------------|---------------|
| Rent | |
| Communications | 12,088 |
| Insurance | 25,300 |
| Legal Service/Audits | |
| Supplies | 13,741 |
| Staff Travel | |
| Overhead | |
| Systems Consultant | |
| Occupancy Costs | 30,424 |
| SUB TOTAL | 81,553 |

| FIXED ASSETS | |
|------------------|----------|
| Equipment | |
| Furnishings | |
| Repairs | |
| SUB TOTAL | 0 |

| CLIENTS | |
|-------------------|----------------|
| Food | 126,208 |
| Rent Assistance | 212,153 |
| Security Deposits | |
| Utilities | 5,249 |
| Purchased Service | 20,960 |
| Transportation | 66,332 |
| SUB TOTAL | 430,902 |

| | |
|-----------------------|------------------|
| TOTAL EXPENSES | 1,253,632 |
|-----------------------|------------------|

INCOME

| SOURCES OF FUNDING | |
|----------------------|------------------|
| Allocations | 1,251,800 |
| Interest | 84 |
| Client Contributions | |
| Other | 1,748 |
| TOTAL FUNDING | 1,253,632 |

| RECONCILIATION | |
|------------------|-----------|
| TOTAL FUNDING | 1,253,632 |
| TOTAL EXPENSES | 1,253,632 |
| UNEXPENDED FUNDS | 0 |



CITY OF PHILADELPHIA

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

ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

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

To the Commonwealth of Pennsylvania,
Department of Community and Economic Development

We have performed the procedures enumerated below, which were agreed to by the management of the City of Philadelphia, Pennsylvania and the Commonwealth of Pennsylvania, Department of Community and Economic Development (DCED) solely to assist you in evaluating the financial schedule required by DCED for the year ended June 30, 2012. Management of the City of Philadelphia is responsible for the preparation of this financial schedule. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- (a) We have compared the amounts and classifications on the supplemental financial schedule titled Federal Cash Receipts Passed through DCED for the fiscal year ended June 30, 2012 to the corresponding amounts in the books and records of the City of Philadelphia used to prepare financial statements audited by us. We also compared the example schedule required by DCED to this schedule to determine that it is presented, at a minimum, at the level of detail and in the format required by DCED.

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

- (b) We have inquired of management as to whether there were any adjustments to reported revenues or expenditures which were not reflected on reports submitted to DCED for the period in question.

The procedures detailed in the two preceding paragraphs, (a) and (b) above, disclosed no adjustments or findings which have not been reflected on the corresponding schedule of Federal Cash Receipts Passed through the DCED.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying financial schedule required by DCED. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Philadelphia, Pennsylvania, City Council, and DCED and is not intended to be and should not be used by anyone other than these specified parties.

October 29, 2013


GERALD V. MICCIULLA, CPA
Deputy City Controller

City of Philadelphia
Schedule of Federal Cash Receipts Passed Through the Pennsylvania
Department of Community and Economic Development
July 1, 2011 to June 30, 2012

| <u>Grantor Agency/</u> Project Title | City ID Number | CFDA Number | Contract Number | Federal Awards | Federal Receipts |
|--|----------------------|----------------|--------------------|-------------------|---------------------|
| <u>American Recovery & Reinvestment Act</u> | | | | | |
| Passed-Through - PA Department of Community & Economic Development: | | | | | |
| ARRA -HPRP (46166) | 240886 | 14.257 | C000046166 | 2,091,608 | 548,444 |
| ARRA -HPRP- State Comp- AchieveAbility | 240881 | 14.257 | C000046132 | 90,000 | 4,959 |
| ARRA -HPRP- State Comp- Valley Youth | 240883 | 14.257 | C000046134 | 199,888 | 28,227 |
| ARRA -HPRP- State Competitive- HAP | 240884 | 14.257 | C000046135 | 195,000 | 66,794 |
| ARRA -HPRP- State Competitive- WAA | 240882 | 14.257 | C000046133 | 200,000 | 53,247 |
| Subtotal: Homeless Prevention Rapid Re-Housing | | | | 2,776,496 | 701,671 |
| ARRA - Community Services Block Grant | 080281 | 93.710 | C000046794 | 6,730,086 | 15,606 |
| Subtotal: Community Service Block Grant | | | | 6,730,086 | 15,606 |
| Total American Recovery & Reinvestment Act: | | | | 9,506,582 | 717,277 |
| <u>U.S. Department of Housing & Urban Development</u> | | | | | |
| Passed-Through - PA Department of Community & Economic Development: | | | | | |
| Shelter Project (DCED 09) | 240885 | 14.231 | C000046048 | 222,492 | 120,000 |
| Shelter Project (DCED 11) | 240950 | 14.231 | C000050144 | 236,851 | 31,952 |
| Subtotal: Emergency Shelter Grants Program | | | | 459,343 | 151,952 |
| Total U.S. Department of Housing & Urban Development: | | | | 459,343 | 151,952 |
| <u>U.S. Department of Health & Human Services</u> | | | | | |
| Passed-Through - PA Department of Community & Economic Development: | | | | | |
| CSBG - Administration | 080284 | 93.569 | C000047408 | 907,343 | 674,124 |
| CSBG - CSP | 080285 | 93.569 | C000047408 | 2,916,198 | 3,141,475 |
| Subtotal: Community Service Block Grant | | | | 3,823,541 | 3,815,599 |
| Total U.S. Department of Health & Human Services: | | | | 3,823,541 | 3,815,599 |
| Total Federal Cash Receipts Passed Through PaDCED: | | | | 13,789,466 | 4,684,828 |